

# **The Economic and Electoral Consequences of Austerity Policies in Britain**

by

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### **Abstract**

The aim of this paper is to examine the relationship between electoral support and the economy over the period 2004 to 2014, paying particular attention to the impact of the economic strategy pursued by the Coalition government in Britain since the general election in May 2010. This involves modelling the relationship between voting intentions, perceptions of economic performance, and a variety of other variables using survey data collected each month from 2004. The evidence shows that when Labour was in office, support for the party was strongly influenced by the state of the economy, as was support for the opposition parties. However, since the Coalition came to power, the relationship between the economy and political support has changed, with neither the Conservatives nor the Liberal Democrats gaining from a fairly rapid growth in economic optimism which has taken place since early 2013. The paper explains this change in terms of a growing perception among the public that none of the major parties can effectively manage Britain's economic problems. It is also the case that optimism about the national economy has not significantly percolated down to the level of the individual voter. So individuals may be more optimistic about the future of the national economy but they are still being badly affected by the recession.

[Keywords: Economic Voting; Austerity Policies]

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## **Introduction**

The 2010 general election in Britain resulted in a hung parliament and after five days of intense negotiations, Britain's first formal coalition government since the Second World War was formed on May 11<sup>th</sup> 2010. The Conservative-Liberal Democrat duo was an unlikely match, composed of two parties with historically different ideologies, policy goals and bases of support. The agreement between the Coalition parties provided a roadmap for their partnership and it constructed a narrative which argued that Britain needed a strong, stable and prudent government to deal with what had become a protracted economic crisis.

This was a popular message at the time. The June 2010 British Election Study Continuous Monitoring Survey<sup>1</sup> revealed that 41% of respondents thought that the Conservatives were the best party for handling the economy, and a further 11% said that the Liberal Democrats could do the best job. In sharp contrast, only 23% thought that Labour was best on the economy. Labour was clearly paying a heavy price for being in power during the financial meltdown and subsequent recession. The political-economic context thus did much to validate the terms of the Coalition Agreement and the new government it produced.

The aim of this paper is to examine the relationship between voting intentions, and perceptions of economic performance over the period 2004 to 2014, paying particular attention to the effects of the economic strategy pursued by the Coalition government in Britain since May 2010. The Coalition parties will be judged on their economic record at the next general election, and so the impact of the economy on political support will be a key factor in explaining the outcome of that election.

The Coalition government started with a mandate to address the debt crisis and economic recession and it prosecuted the task with vigour. Immediately after the general

election there was a great deal of support for the proposed austerity programme, with widespread agreement among elites and public alike about what should be done (Whiteley et al. 2013). However, it is now nearly four years since the Coalition came to power and so it has become increasingly possible to assess the longer term political impact of these policies.

The paper begins by briefly reviewing the literature on economic voting before examining trends in the British economy over time. This is followed by section which specifies and tests models of the relationship between voting intentions and the economy using monthly data collected during the Labour government from 2004 to 2010. This exercise is designed to establish benchmark models of the relationships which can subsequently be compared with equivalent models for the Coalition government. The analysis is based on the valence model of electoral choice, which has been extensively developed by the authors in recent publications (Clarke et al. 2004, 2009; Whiteley et al. 2013). In a subsequent section these models are estimated for the period of the Coalition government from May 2010 to March 2014. This is done after reviewing the Coalition agreement and the government's economic plans which explains the background to the austerity policies.

The findings suggest that the long recession and prolonged austerity in Britain appears to have changed the relationship between the economy and political support compared with the Labour years. Electoral support for the Labour government was strongly influenced by the state of the economy, which also directly fed through to support for the Conservatives. In the event, the effect of the economy on voting support has greatly weakened for the Conservatives and Liberal Democrats since 2010. This means that these parties are not receiving any credit for a marked increase in economic optimism which has occurred since early 2013. The explanation for these changes relates to shifts in public attitudes to the effectiveness of government in managing the economy, and also because prosperity has not

yet reached the level of the average voter. In a final section the implications of these findings for the 2015 election are discussed.

### **The Relationship between the Economy and Voting**

There has been a long tradition of modelling the relationship between economic outcomes and voting behaviour, which goes back more than forty years in Britain (Goodhart and Bhansali, 1970). In a review of this literature Naanestad and Paldam (1994) described models of the economy and voting as “VP functions”, with some researchers use voting data and others polling data on party popularity and vote intentions to estimate effects. In a more recent review Lewis-Beck and Stegmaier (2007) pointed out that more than 400 papers had been published on this topic up to that point covering a wide variety of countries and elections.

VP functions are based on aggregate data using variables such as the average vote intentions for the parties, and measures of economic optimism/pessimism each month, quarter or year. This approach has the advantage of estimating dynamic effects and it tends to average out the noise associated with individual level models of the vote. On the other hand economic voting models using individual cross-sectional or panel data can include many more variables, so the models are more extensively specified (Butler and Stokes, 1969; Clarke et al. 2004, 2009; Whiteley, 2013). This is because aggregate analyses are subject to significant data limitations, both in terms of the number of observations and also the availability of measures over time.

The analysis of the relationship between the economy and political support has been dominated by the valence model, although this has often not been explicitly stated and key variables are commonly omitted from the analyses. The term valence was introduced in a seminal paper by Donald Stokes (1963, see also Stokes 1992). Within a broadly defined rational choice framework, the valence politics model competes with the spatial model as a

rival explanation of electoral choice and party competition. As part of his insightful critique of spatial models of party competition, Stokes argued that voters rely heavily on their evaluations of rival parties' perceived capacities to deliver policy outcomes in issue areas over which there is broad consensus about what government should do. The ideal type valence issue is the economy. Since virtually everyone wants vigorous, sustainable economic growth coupled with low rates of unemployment and inflation, they will support a party or a coalition which they think are most likely to deliver these policies. Persistent public concern with such valence issues means that they typically dominate the political agenda in Britain and other mature democracies (Clarke et al. 2004; 2009; Whiteley et al. 2013). Such issues are important in emerging democracies as well (Ho et al., 2013). Although the mix of valence issues varies over time, their continuing overall salience works to focus political debate on 'who can do the job' rather than on 'what the job should be.'

There are three key variables that drive voting behaviour in the valence model. These are evaluations of party performance on valence issues, partisanship, and judgements about political leaders (Clarke et al. 2004). Valence issues such as the economy and the quality of public services are at the core of the model. A strong performance in delivering a prosperous economy, high quality public services and security from crime and terrorist attacks will produce electoral rewards for incumbent parties, whereas a weak performance runs substantial electoral risks. Equally a strong performance will undermine support for opposition parties and a weak performance will have the opposite effect.

Leader images and partisan attachments act primarily as *heuristic devices* in this analysis. In contexts where voters have few incentives to invest time and effort in learning the details of politics and policy-making and recognise their limitations in gathering and processing relevant information, they will use cognitive and affective shortcuts to make decisions (Popkin, 1991; Sniderman, Brody and Tetlock, 1991; Lupia and McCubbins, 1998;

Lupia, McCubbins and Popkin, 2000). These relate to evaluations of the competence of leaders and also the past track record of a party which is captured by the levels of partisan support it receives. In this interpretation partisanship represents a ‘running tally’ of retrospective evaluations of party performance with more distant performances being discounted in comparison with the more recent ones (see Fiorina, 1981).

The spatial model of party competition, initially developed by Duncan Black (1958) and Anthony Downs (1957), is the main rival to the valence model. In spatial theories there are widespread disagreements among the public and political parties about policy goals. For example, Labour differs from the Conservatives over the issues of taxation and public spending, and the parties take radically different positions on Britain’s relationships to the European Union. UKIP is the most eurosceptic and the Liberal Democrats the most europhile of the four leading parties. Spatial models assume that individuals support the party which is closest to their own views on these divisive issues. A wealth of individual level evidence in Britain and elsewhere shows that while the spatial model is important it plays a secondary role to the valence model when it comes to explaining electoral choice (Clarke et al. 2004; 2009; Clarke, Kornberg and Scotto, 2009).

In light of this discussion we examine trends in voting intentions and economic evaluations in the electorate during the years of Labour government, and then in the subsequent period of the Coalition government.

### **Trends in the UK Political Economy Over Time**

Figure 1 charts the behaviour of the economy measured in terms of the growth in Gross Domestic Product from 1997, when Labour came into office, until 2013. It shows the tremendous impact of the ‘Great Recession’ which started in late 2007 on living standards, which in the event was the worst since the 1930s (see Tett, 2009; Reinhart and Rogoff, 2009; Krugman, 2012). But it also shows that the worst of the recession was over by the time of the

General Election in May 2010. After that election growth declined again and while a double-dip recession did not occur, in the sense of negative growth, it was not until 2013 that economic prosperity clearly started to revive.

-- Figure 1 about here --

Figure 2 tracks public evaluations of the performance of the economy measured by perceptions that the national economy worsened over the previous year. The figure also contains trends in voting intentions for Labour and the Conservatives. The economic evaluation measure has frequently been used as an indicator of public attitudes to the economy in a variety of different countries (Lewis-Beck, Nadeau and Foucault, 2013)<sup>2</sup>. The figure shows that a rather rapid increase in pessimism occurred after the run on the Northern Rock Bank which took place in September 2007<sup>3</sup>. However, by the start of 2010 economic pessimism had regained its pre-crisis levels and as the general election approached, optimism about the economy increased and the change of government gave it an additional boost. Subsequently pessimism returned after the Coalition austerity strategy was announced and started to be implemented. Clearly the public were reacting to the gloomy rhetoric about the need for cuts which became central to the Coalition's message, and also to the worsening economic climate in relation to growth and unemployment. However, one of the most striking features of the chart is the rapid decline in economic pessimism after the start of 2013, suggesting that by 2014 the public increasingly believed that the recession was over.

--Figure 2 about here--

Figure 2 suggests that the economy and voting intentions were closely related for most of this period. Again after the Northern Rock bank run signalled the start of the recession, economic pessimism started to grow and the Conservatives quickly eclipsed Labour as the leading party in vote intentions. Once again in late 2010 when economic pessimism started to increase following the introduction of the Coalition's austerity strategy

Labour fairly rapidly regained its number one position in voting intentions. However, there is a clear exception to this pattern which starts in 2013. Economic pessimism declined rather rapidly from the start of that year, but this had little impact on voting intentions for the two major parties. The gap between Labour and the Conservatives narrowed a bit compared with 2012 but not by much, and Labour remained ahead of the Conservatives, a position they have occupied since shortly after the election. Clearly, Figure 2 suggests that something has changed in the relationship between the economy and political support. In the next section we start to investigate what this could be.

### **Modelling Political Support for the Labour Government, 2004-2010**

We will start by modelling the relationship between voting intentions and the economy using pooled individual level data from the Essex Continuous Monitoring Survey. This includes data from April 2004, the start of the series, up to the general election of 2010. The aim is to establish benchmark models of the impact of the economy on voting intentions during the Labour era. The models contain measures of issue perceptions, partisanship and leadership evaluations for each of the political parties, in line with the valence model. In addition they contain an indicator of spatial issues, together with a number of demographic control variables.

To briefly review the variables, the first measure of issues is based on an open ended question which asked respondents to indicate their most important issue at the present time. The responses to this are quite varied, but they tend to be heavily biased towards valence issues relating to the economy, public services and immigration. A follow up question then asked which party the respondent thinks is best at handling this issue, and this measure is used in the modelling. Dummy variables for Labour, the Conservatives, the Liberal Democrats and other parties grouped together were included in each of the models to indicate the respondent's choice of party.

Perceptions of the economy were measured with three different variables. Firstly, there was the public's perception of the performance of the national economy over the previous year, a measure which appears in Figure 2. Secondly, a similar measure was included, but one which asked respondents about their own personal economic circumstances rather than about the national economy<sup>4</sup>. This is designed to capture the extent to which perceptions of a positive economic performance (or the lack of it) translates into the experience of the average voter. This variable is particularly useful for examining whether or not a national 'feel good' factor operates at the individual level, a topic to be considered further below. The third variable measures if the respondent thinks that no party is best at managing the economy, and is designed to capture the perception among the public that the mainstream parties are not able to deal with the economic crisis<sup>5</sup>.

The valence model is not just about the economy and so other issues were included in the analysis using a battery of items designed to capture public perceptions of policy performance in relation to other key valence issues. Respondents were asked to evaluate policy delivery in relation to the issues of crime, immigration and the National Health Service. A non-economic valence issue scale was constructed using a principal components analysis of these items<sup>6</sup>. In addition to policy related indicators a generalized measure of trust in government was also included in the model<sup>7</sup>. This is highly relevant to the effectiveness of the heuristics in the valence model, since widespread scepticism about the honesty of the government is likely to weaken the impact of leadership evaluations and partisanship on voting intentions.

Finally, the issue of attitudes to Britain's membership of the European Union was included in the modelling, as an example of an important spatial issue. As is well known the continuing debate about UK membership produces deep divisions between the political parties and among the public. At one end of the scale UKIP advocates departure from the EU

altogether, and at the other end the Liberal Democrats advocate greater involvement in European Union policy-making. This essentially spatial issue was captured by a question which asked respondents if they approved or disapproved of Britain's membership of the EU<sup>8</sup>.

As the earlier discussion indicated, partisanship is an important component of the valence model. So measures of partisanship for the Conservatives, Labour, the Liberal Democrats and others were included in the modelling. This involved creating dummy variables for each of these parties. Similarly leadership evaluations were included for the Conservatives, Labour and the Liberal Democrats, using eleven point scales to capture the respondent's affective evaluations of these leaders<sup>9</sup>. In addition to these, a number of demographic controls were included in the models. These were occupational status, age, sex and educational attainment, the latter measured by graduate status. Additional geographic dummy variables for Scotland and Wales were also included as controls for respondents living in these countries.

-- Table 1 about here --

The results of the analyses appear in Table 1 for the three major parties and a combined category of other parties, estimated from April 2004 to May 2010. There are two models in the table designed to capture effects in the Labour years of office. The Labour model is a binomial logistic model which compares supporters of that party to those of all the other parties, which act as the reference category. The second model compares Conservative, Liberal Democrats and other party supporters with Labour as the reference category in a multinomial logistic specification.

The pseudo  $R^2$  statistic in the first model indicates that just over two thirds of the variance in Labour vote intentions is explained, which is an excellent fit for individual level models of this type. If a respondent thought that Labour was best at handling their most

important issue, this significantly increased the likelihood that they would vote for the party. In contrast if they thought one of the other parties is best, that reduced the likelihood. The three economic variables are highlighted in the table and they all behave as expected. If individuals were optimistic about the national economy and about their own personal finances, they were more likely to vote Labour as a result. On the other hand if they felt that none of the parties could best manage the economy, they were less likely to vote Labour. A similar point can be made about the non-economic valence issues as well. A positive evaluation on this scale increased the likelihood of a respondent voting Labour. Equally if the government was perceived as being honest, this significantly increased the chances of a Labour vote. In addition, the spatial variable relating to attitudes to UK membership of the European Union shows that if an individual opposed membership they were less likely to vote Labour.

The partisanship and leadership variables in the Labour model all behaved as expected with Labour partisans being more likely to support the party, and other partisans less likely to do so. Similarly, if a respondent evaluated the Labour leader positively, this increased their likelihood of voting for the party, whereas positive evaluations of the Conservative and Liberal Democrat leaders had the opposite effect. In addition there were effects associated with the demographics, so that younger voters were a bit more likely to vote Labour, as were the Scots, but individuals with high status occupations were less likely to do so. However, other demographic measures such as gender and Welsh residency appear to be non-significant.

Turning next to the multinomial model in Table 1, the pseudo R-square statistic shows that the goodness of fit was roughly the same as the Labour model. When compared with Labour as the reference category the likelihood of voting Conservative was reduced by positive evaluations of the two economic indicators, and like Labour it was reduced by the

perception that no party can manage the economy. In contrast Conservative vote intentions were boosted by perceptions that the party was best at handling the respondent's most important issue, as well as by Conservative partisanship and positive evaluations of the party leader. Unlike in the Labour model, scepticism about UK membership of the European Union had a positive impact on Conservative voting and the demographic variables appear to play a more important role too. Highly educated men in high-status occupations were more likely to vote Conservative than Labour. Finally, the Scots and Welsh were less likely to support the Conservatives than the English.

The Liberal Democrat model in Table 1 is rather similar to the Conservative model, in that economic optimism reduced support for the party. In this case, however, perceptions that no party is best at handling the economy had no effect on the Liberal Democrat vote. Similarly, Liberal Democrat partisanship, positive evaluations of the leader, and perceptions that the party can best handle the respondent's most important issue, all gave a boost to the Liberal Democrat vote. In contrast, Labour partisanship, positive evaluations of the Labour leader and perceptions that Labour could best handle the most important issue all weakened Liberal Democrat support.

The Conservative predictors had interesting effects in the Liberal Democrat model. Unlike the equivalent Labour variables Conservative partisanship, positive evaluations of the leader and the most important issue variable all boosted support for the Liberal Democrats. This implies that Liberal Democrat supporters were closer to the Conservatives than they were to Labour supporters during these years. This has a lot to do with the distinction between the governing party and the opposition parties in the minds of voters. Both major opposition parties did well from governing party failures, but their support did not automatically trade off against each other. This is because they were both in opposition, and in the public's mind the main focus of attention is between the governing party and the rest.

The 'other party' column in Table 1 compares a grouping of the nationalists, UKIP supporters, Greens and the BNP with Labour. Once again economic optimism reduced support for these parties and pessimism boosted it. The most important issue variable is significant for these parties with the expected sign, but it did not influence support for the Conservatives and the Liberal Democrats. Partisanship and leadership evaluations behaved as expected except in the case of the Conservatives. In this case positive evaluations of the Conservative leader and Tory partisanship boosted support for the other parties in comparison with Labour. Finally, euroscepticism had a strong positive impact on support for the other parties, largely because of the role of UKIP supporters.

Overall, these estimates show that in the Labour years the economy had a very significant influence on support for all of the political parties and it worked in the way one would expect. When individuals were upbeat about the national economy and about their own personal finances, they were more likely to support the government. When they had the opposite perceptions, they were more likely to support one of the opposition parties.

In the next section we examine the same relationships for the period of the Coalition government.

### **Modelling Political Support for the Coalition Government, 2010 to 2014**

The relationship between the economy and political support in the Coalition era has to be understood in the light of the economic strategy pursued by the new government when it came into office in May 2010. The Coalition Agreement negotiated between the Conservatives and Liberal Democrats was the basis of the economic strategy. The Agreement was rather similar to a party election manifesto, with 31 different policy objectives relating to issues such as banking reforms, national security, foreign affairs and the NHS (see *The Coalition: Our Programme for Government*, 2010). The key priority was to

reduce the budget deficit as a foreword to the document, co-authored by David Cameron and Nick Clegg explained:

‘We are also agreed that the most urgent task facing this coalition is to tackle our record debts, because without sound finances, none of our ambitions will be deliverable’ (The Coalition Programme for Government, 2010: 7).

The new government embarked on a radical programme of cuts of £6 billion to non-frontline services in the financial year 2010-11, while at the same time announcing an emergency budget aimed at further reducing the deficit. This budget planned spending cuts of £32 billion per year by 2014-15 and a spending review was announced later in the year to work out the details. Drawing on forecasts from the newly established Office of Budget Responsibility the Coalition Government claimed that these policies would bring down public-sector borrowing to 1.1% of gross domestic product by 2015-16, eliminate the structural deficit by 2014-15, and generate a surplus of 0.8% of GDP by 2015-16 (HM Treasury, 2010). These policies undoubtedly contributed to the fairly rapid increase in economic pessimism observed in Figure 2.

In the event the OBR Economic and Fiscal Outlook, published three years later in March 2013 radically revised these optimistic projections suggesting that public sector borrowing in 2015-16 would be 5.5% of GDP not just over 1%, and the structural deficit would not be eliminated by the time of the next election (Office of Budgetary Responsibility, 2013). This combination of large scale cuts which failed to achieve their stated objectives provides a background to the political support models during the Coalition government. However, as Figure 1 illustrates economic growth started to recover in 2013 which allowed Chancellor George Osborne to claim that the strategy was working even if the detailed policy goals had not been met.

The Coalition government political support models estimated from May 2010 to March 2014 appear in Table 2 using the same specifications as in Table 1. The Table

contains two separate multinomial models, the first comparing the Conservatives and Liberal Democrats with all other parties as the reference category, and the second comparing Labour and the other parties combined with the Coalition parties as the reference category.

-- Table 2 about here --

It is apparent from the estimates in Table 2 that the economy had a very much weaker impact on voting intentions than was true in the Labour years. Neither national economic evaluations nor the personal finances variable had any impact on voting for the Conservatives or Liberal Democrats. These parties clearly failed to gain (or lose) from changes in economic evaluations over time, despite the fact that major changes occurred in these as Figure 2 demonstrates. The only economic variable which appeared to have any traction in the models was perceptions that no party is best at managing the economy. This had a negative impact on both support for the Conservatives and for the Liberal Democrats. Other variables behaved in a similar way as in the Labour model, with one clear exception. Conservative partisanship boosted Conservative voting but undermined Liberal Democrat voting, and the reverse was true for the Liberal Democrats. However, positive leadership evaluations for Cameron and Clegg boosted support for both of their parties. It appears that the public made distinctions between the Coalition parties, but not between the Coalition leaders.

In the opposition party model, the national and personal economic measures had no influence on Labour voting, although there is evidence to suggest that the national economy influenced support for the minor parties. However, the perception that 'no party can manage the economy' boosted support for Labour rather than reduced it. A similar point can be made about support for the minor parties. Once again, the distinction here is between the parties in government and the parties of opposition. The memory of the Labour government had faded over the four years since the 2010 general election, and so it was no longer being grouped together with the two governing parties when it came to judging economic responsibility.

This is quite an important finding, since it suggests that the argument that Labour was responsible for the recession used repeatedly by government spokesmen is a wasting asset which is losing its potency.

The other variables in the models behaved in a similar way to the measures in Table 1. The party best at the respondent's most important issue measures were all significant with the expected signs, apart from Labour in the minor party model. Partisanship consistently influenced voting intentions as did the leadership evaluations variables, all with the expected signs. Perceptions of government honesty had a positive impact for the Conservatives and Liberal Democrats and a negative impact for the opposition parties, which again is in line with expectations. Finally, the effects of the demographic variables were very similar to those in Table 1.

Clearly, something changed between the Labour and Coalition governments. One of the explanatory factors is clearly perceptions that none of the major parties is best at managing the economy. Figure 3 shows trends in responses to this question from April 2004 to March 2014. The figure shows that these perceptions increased rapidly after the economic recession arrived in late 2007. But in the run-up to the general election campaign the perceptions fell quite rapidly and the Conservatives were largely the beneficiaries of this change. However, perceptions that the Conservatives were the best party declined rather dramatically after the austerity policies were introduced and beliefs that no party was best began to increase again. At the same time Labour recovered from the very low level of economic credibility it experienced immediately after the general election. By early 2011 Labour briefly surpassed the Conservatives as the best party, but by early 2013 as economic optimism returned the Conservatives moved well ahead of Labour. Finally in early 2014 the Conservatives surpassed the 'none of the above' category in perceptions of economic competence for the first time since the election.

-- Figure 3 about here --

As Table 2 shows perceptions that no party can manage the economy helped the opposition parties and weakened the governing parties, so the austerity policies and gloomy rhetoric emanating from government immediately after the election were an ‘own goal’ from the point of view of the Coalition. If the Coalition had not been so negative about the economy and Britain’s economic prospects more generally, it is possible they could have avoided much of the sharp decline in their economic credibility apparent in Figure 3. In effect, the growing perception that no party was up to the job of dealing with the crisis disrupted the relationships between economic perceptions and voting intentions which had been strong in the Labour years.

There is a second factor which can help to explain the changes in the impact of the economy on political support. This arises from the fact that inflation continued to run well ahead of wage increases after the recession, so that most people in Britain experienced a fall in their real living standards as a consequence (Blanchflower, 2014). Voters may have been aware of the improvements in the national economy, as Figure 2 demonstrates, but they thought that it did not apply to them. As a consequence the Coalition parties did not receive any benefits from growing economic optimism at the national level, because it did not trickle down to the average person.

-- Figure 4 about here --

There is evidence to support this argument in Figure 4 which compares trends in average weekly earnings, corrected for inflation, with pessimism about the respondent’s own personal finances. It is evident that the two measures track each other fairly closely with a correlation of -0.52 over the whole period, strengthening to -0.58 after the general election. Thus pessimism about the respondent’s personal finances is driven in part by real incomes and if these are declining, not surprisingly, optimism about personal finances will fall. The

overall effect of this is that the incumbent government will get no electoral benefits from personal economic optimism. That said, it is evident in Figure 4 that real earnings were rising in 2014 and this coincided with rising financial optimism. If this continues up to the general election it is likely that the Coalition parties will obtain electoral benefits from it, providing they can shake off the perception that they cannot manage the economy effectively.

### **Conclusions: Party Support in an Age of Austerity**

Such is the magnitude of the political damage produced by the financial and economic crisis and the subsequent austerity policies that arose from the great recession that the relationship between economic performance and voting intentions changed since the Coalition government took office in 2010. In the Labour years perceptions of economic performance had a strong influence on support for incumbent and opposition parties. Labour did well in the good years and then the opposition parties gained support during the economic crisis. But since the general election of 2010 this situation has changed so that there is now little evidence to suggest that the Conservatives and Liberal Democrats benefited electorally from growing economic optimism after the start of 2013. Their support was weakened by the perception that none of the major parties can manage the economy, while at the same time they received no credit for rising economic optimism.

Two factors appear to account for the change: firstly, the growing perception that no major party can solve Britain's economic problems. This has reduced support for the Conservatives and Liberal Democrats since 2010 while at the same time paradoxically helping Labour and the minor parties. In the case of Labour this is probably because it has not been in power for four years and the key distinction from the electorate's point of view is between the governing and opposition parties, not between the three major parties and the rest. This implies that the argument that Labour was responsible for the economic crisis, repeatedly used by spokesmen for the Coalition parties, is clearly weakening over time. The

second factor is that the economic recovery has not reached the pocketbooks of the average voter, despite the fact that the electorate are aware that the national economy is improving. In the Labour years the government was rewarded by rising earnings and the personal 'feelgood' factor, but this is no longer true for the Coalition government. The fact that real average earnings have not been rising in recent years is driving this perception.

With regard to the prospects for the 2015 general election, the Coalition government is almost entirely reliant on the return of economic optimism being translated into a 'feel good' factor at the level of the individual voter. It will not be able to take credit for economic recovery until real incomes start rising again for the average citizen. In early 2014 pessimism over personal finances started to decline as real incomes overtook inflation for the first time in several years. But at the time of writing this is still offset by the widespread perception that the coalition parties cannot manage the economy effectively. As the election approaches these two trends will compete with each other, and it remains to be seen which of them will prevail over time. Clearly, the run-up to the 2015 election promises to be a very interesting time in British politics.

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### Endnotes

<sup>1</sup> The Essex Continuous monitoring survey is a series of monthly cross-sectional surveys conducted on the internet which have been running since 2004. The details of these surveys can be found at <http://bes2009-10.org>.

<sup>2</sup> The question used to measure this is: 'How do you think the general economic situation in this country has developed over the last 12 months?' Responses are: 'got a lot better'; 'got a little better'; 'stayed the same'; 'got a little worse'; 'got a lot worse'.

<sup>3</sup> The correlation between perceptions that the economy was better and that it was worse was -0.92 over this period, so optimism is the mirror image of pessimism.

<sup>4</sup> The question is 'How does the financial situation of your household compare with what it was 12 months ago?' Responses are 'got a lot better'; 'got a little better'; 'stayed the same'; 'got a little worse'; 'got a lot worse'.

<sup>5</sup> The wording of the question is: '*With Britain in economic difficulties, which party do you think could handle the problem best – the Conservative Party, the Labour Party or the Liberal Democrats?*' Possible responses were 'Conservatives'; 'Labour'; 'Liberal Democrats'; 'None of them'; 'Don't Know'.

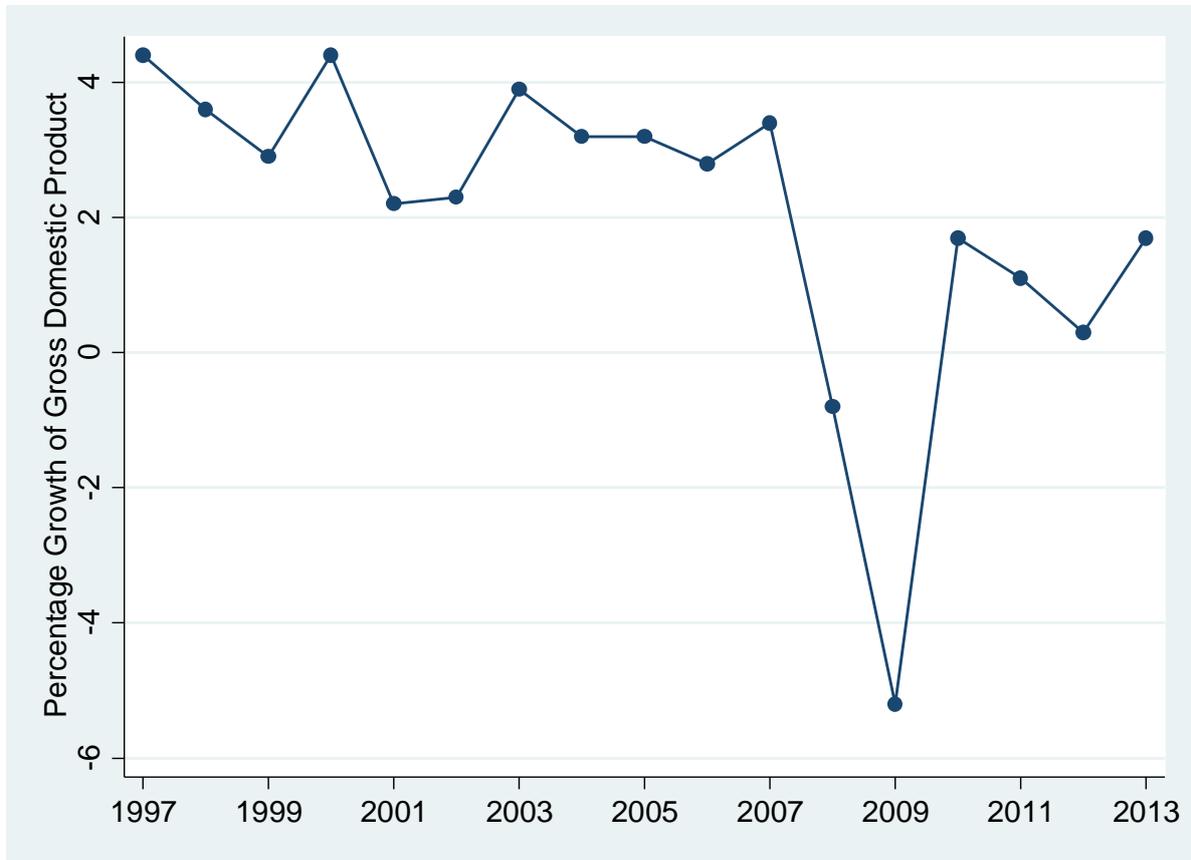
<sup>6</sup> As an example, individual are asked 'Do you think the crime situation in Britain these days is 'A lot better', 'A little better'; 'About the same'; 'A little worse'; 'A lot worse'. The principal components analysis explained 59 per cent of the variance and all factor loadings exceeded 0.70.

<sup>7</sup> The question is: 'Do you think that the Government has, on balance, been honest and trustworthy, or not?' Response categories are: 'Yes – honest and trustworthy'; 'No – not honest and trustworthy'; don't know.

<sup>8</sup> The question is: 'Overall, do you strongly approve, approve, disapprove, or strongly disapprove of Britain's membership in the European Union? '. The variable scores one for all respondents who disapprove or strongly disapprove of membership and zero otherwise.

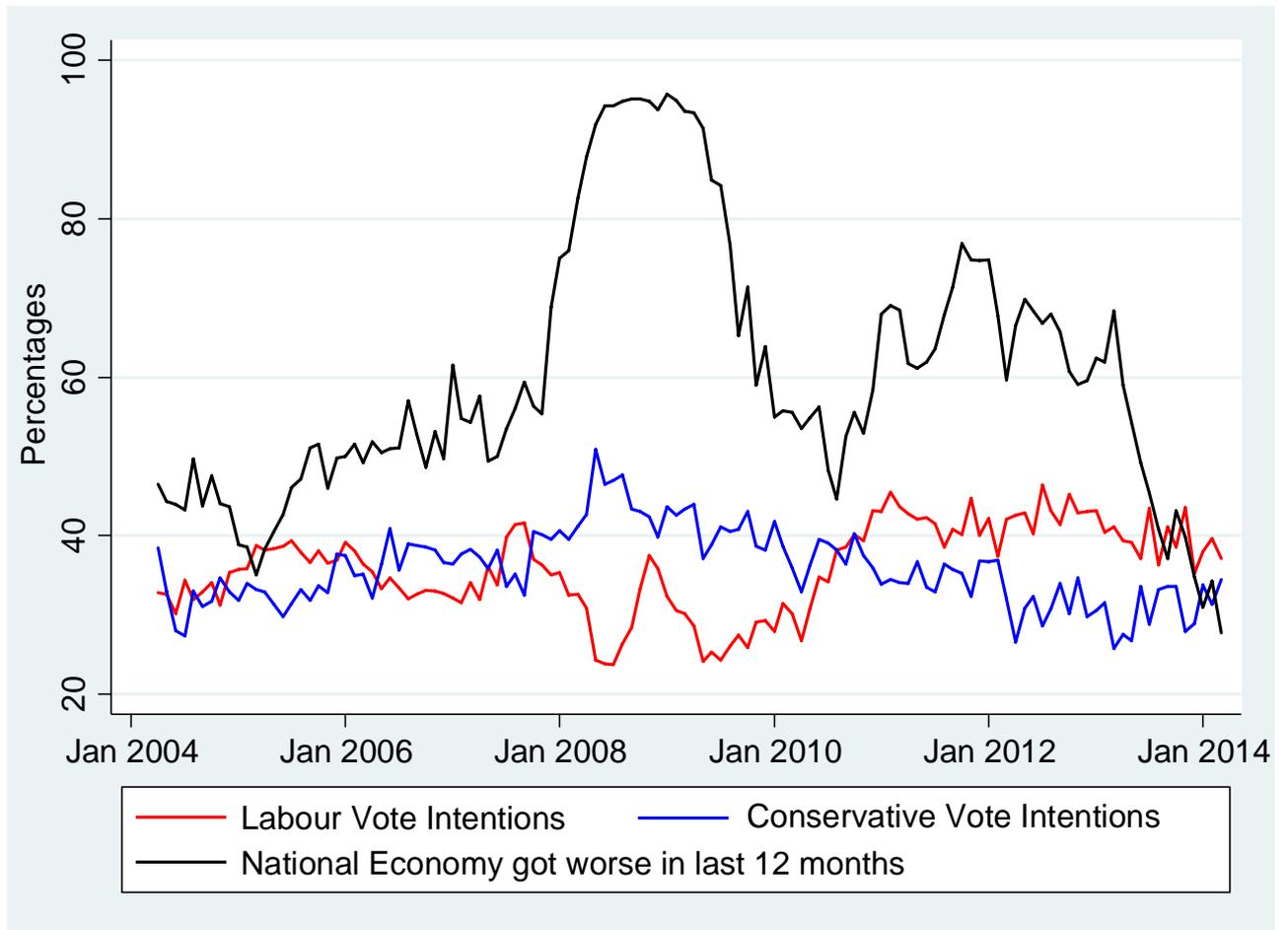
<sup>9</sup> Partisanship is measured with the question: '*Generally speaking, do you think of yourself as Conservative, Labour, Liberal Democrat or what?*' Leadership evaluations are measured with the following question: '*Using the 0 to 10 scale, where 10 means strongly like, and 0 means strongly dislike, how do you feel about {name of leader}?*'

**Figure 1. Growth of Gross Domestic Product 1997 to 2013**



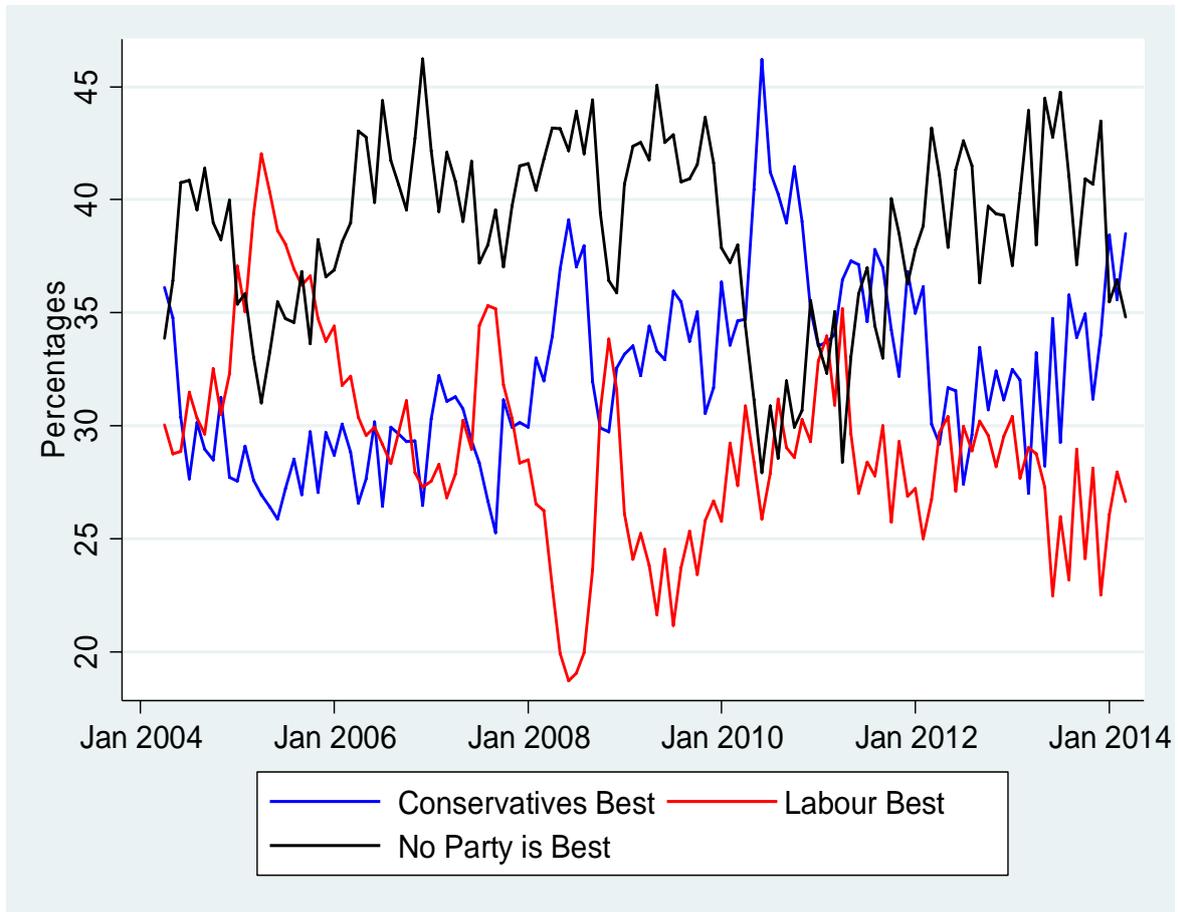
Source: Office of National Statistics

**Figure 2. Relationship between Voting Intentions and Economic Pessimism,  
April 2004 to March 2014**



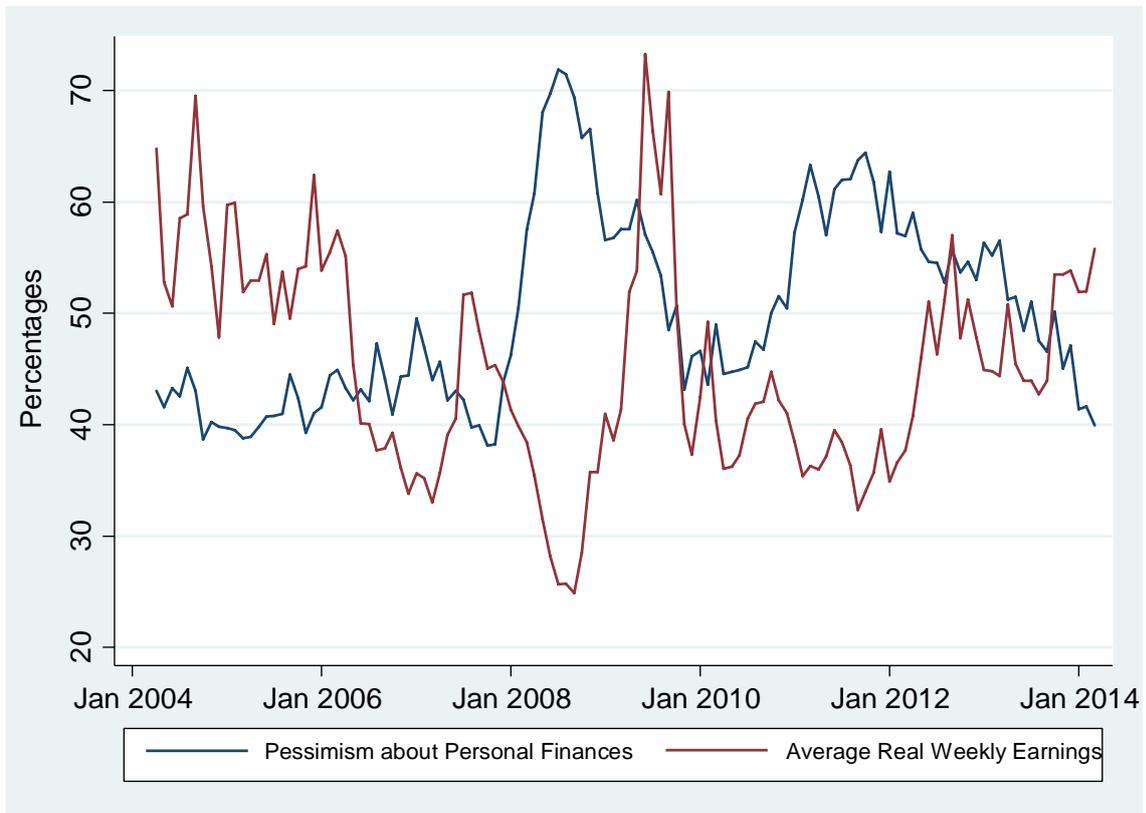
Source: Essex Continuous Monitoring Survey

**Figure 3. Perceptions of the Party Best at Managing the Economic Crisis,  
April 2004 to March 2014**



Source: Essex Continuous Monitoring Survey

**Figure 4. Weekly Average Earnings in Real Terms and Pessimism  
about Personal Finances April 2004 to March 2014**



Source: Essex Continuous Monitoring Survey and Office of National Statistics

**Table 1. Binomial Logistic Model of Labour Voting Intentions and Multinomial Logistic Model of Conservatives, Liberal Democrats and Other Parties Vote Intentions, April 2004 to May 2010**

<b>Predictors</b>	<b>Labour Voting</b>	<b>Conservative Voting</b>	<b>Liberal Democrat Voting</b>	<b>Voting for Other Parties</b>
Conservatives best at Most Important Issue	-1.0***	1.69***	0.34***	0.08
Labour best at Most Important Issue	1.16***	-1.30***	-0.95***	-1.15***
Liberal Democrats best at Most Important Issue	-1.37***	-0.18	1.76***	0.10
Other Parties best at Most Important Issue	-0.73***	0.32***	0.32***	1.54***
<b>Perceptions of the National Economy</b>	<b>0.25***</b>	<b>-0.37***</b>	<b>-0.19***</b>	<b>-0.29***</b>
<b>Perceptions of Personal Financial Situation</b>	<b>0.08***</b>	<b>-0.08***</b>	<b>-0.08***</b>	<b>-0.06*</b>
<b>No Party Can Manage Economy Best</b>	<b>-0.18***</b>	<b>-0.19***</b>	<b>-0.02</b>	<b>-0.35***</b>
Other Valence Issues	0.08***	-0.14***	0.01	-0.04
Perceptions of Government Honesty	0.94***	-1.00***	-0.96***	-0.86***
Oppose UK membership of the EU	-0.36***	0.39***	0.02	0.69***
Conservative Partisanship	-1.35***	2.67***	0.25**	0.81***
Labour Partisanship	2.14***	-1.82***	-1.52***	-1.67***
Liberal Democrat Partisanship	-1.41***	0.47***	2.49***	-0.02
Other Partisanship	-0.76***	0.48***	0.53***	2.32***

Conservative Leader Evaluations	-0.13***	0.62***	0.03***	0.06***
Labour Leader Evaluations	0.40***	-0.46***	-0.38***	-0.39***
Liberal Democrat Leader Evaluations	-0.16***	-0.04***	0.40***	0.03**
Graduate	-0.05	0.12**	0.11***	0.16***
Occupational Status	-0.04**	0.08***	0.08***	0.05*
Male	-0.04	0.15***	-0.05	0.18***
Age	-0.003**	-0.00	0.005***	0.01***
Scottish respondent	-0.19***	-0.41***	-0.17**	1.16***
Welsh Respondent	0.02	-0.36***	-0.18*	0.67***
<b>Pseudo R-Square</b>	<b>0.68</b>		<b>0.67</b>	

( $p < 0.10 = *$ ;  $p < 0.05 = **$ ;  $p < 0.01 = ***$ )

**Table 2. Multinomial Logistic Models of Coalition Parties Voting Intentions  
and of Labour and Other Parties Vote Intentions,  
May 2010 to March 2014**

Predictors	Conservative Voting	Liberal Democrat Voting	Labour Voting	Voting for Other Parties
Conservatives best at Most Important Issue	1.13***	0.19*	-1.05***	-1.01***
Labour best at Most Important Issue	-1.89***	-1.46***	1.63***	0.15
Liberal Democrats best at Most Important Issue	-0.42*	1.71***	-1.60***	-1.90***
Other Parties best at Most Important Issue	-1.72***	-1.19***	-0.02	1.57***
<b>Perceptions of the National Economy</b>	<b>0.05</b>	<b>0.06</b>	<b>-0.06</b>	<b>-0.11***</b>
<b>Perceptions of Personal Financial Situation</b>	<b>0.04</b>	<b>-0.03</b>	<b>-0.01</b>	<b>-0.02</b>
<b>No Party Best on Economy</b>	<b>-0.44***</b>	<b>-0.13***</b>	<b>0.14***</b>	<b>0.45***</b>
Other Valence Issues	-0.03	0.02	0.05	-0.00
Perceptions of Government Honesty	1.08***	0.49***	-0.88***	-0.96***
Oppose UK membership of the EU	0.05	-0.10	-0.21***	0.23***
Conservative Partisanship	2.05***	-0.24*	-2.44***	-1.51***
Labour Partisanship	-1.62***	-1.25***	1.70***	-0.28***
Liberal Democrat Partisanship	-0.20*	2.25***	-2.01***	-1.78***
Other Partisanship	-0.95***	-0.51***	-0.56***	1.35***
Conservative Leader Evaluations	0.50***	0.06***	-0.31***	-0.25***

Labour Leader Evaluations	-0.20***	-0.20***	0.43***	0.03
Liberal Democrat Leader Evaluations	0.04**	0.51***	-0.25***	-0.22***
Graduate	0.03	0.12	-0.28***	0.11
Occupational Status	-0.02	-0.03	0.08**	0.00
Male	-0.12*	-0.15	-0.03	0.24**
Age	-0.01**	0.003	-0.02***	0.01
Scottish respondent	-0.80***	-0.58***	0.31***	1.01***
Welsh Respondent	-0.15	-0.38**	0.21	0.28**
<b>Pseudo R-Square</b>	<b>0.73</b>		<b>0.70</b>	

( $p < 0.10 = *$ ;  $p < 0.05 = **$ ;  $p < 0.01 = ***$ )

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