Prospective Economic Evaluations: Do they measure what we think they do?

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Abstract

Measures of perceptions of the future state of the economy have fed a plethora of studies on the impact of economic conditions on vote choice. Yet, the phrasing of the standard economic prospective evaluation question makes it difficult to determine what information are individuals providing when they answer it. Specifically, when respondents are asked about the future state of the economy in pre-election surveys (while the winner of the election is unknown), it is unclear whether respondents provide an assessment of the future state of the economy under i) their preferred party; ii) under the likely winner; iii) under the current incumbent; or iv) under some other alternative. This paper seeks to explain what is contained in the answers to the standard prospective economic evaluation question. Evidence from the 2005 British Election Studies (BES) suggests that individuals answer this question with an assessment about the future state of the economy under their preferred party with some qualifications: the incumbent party if they prefer that party (regardless of whether they think it will win the election), or a challenger when they prefer that party and think it is also the likely winner of the election. No clear results are found for individuals who prefer a party that they think is unlikely to win. After the election, respondents converge answering about the future state of the economy under the party that won the election. These findings stress the need to replace the current question with a battery of questions that capture the future state of the economy *if each one of the parties competing were to win the election*. This information would provide the necessary information to test economic voting more adequately.

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One of the most studied relationships in voting behavior is that between the state of the economy and vote choice. Empirical evidence marshaled over the past three decades strongly confirms that economic conditions are related to vote choice: incumbents tend to get more votes when the state of the economy is favorable relative to when it is not. Yet, a debate ensues as to whether voters rely more heavily in the past or in the future state of the economy when casting their vote.

This paper deals exclusively with individual-level assessments about the future state of the economy in a given country, commonly known as prospective economic evaluations. It aims at improving the existing prospective economic question by demonstrating the theoretical and empirical shortcomings of its phrasing in surveys used to analyze voting behavior. Specifically, it underscores the problems that derive from asking a question about "the state of the economy in the next year" absent any reference to the party that would be in power. This is a particulary problematic feature in pre-election surveys, carried out while the winner of the election is unknown. As a result of the phrasing of the question, individuals could be providing their assessment of the future state of the economy if their favorite party, the frontrunner, or the current incumbent were to win the election, to give a few possibilities. It is important to stress that the economy is not generated in a vacuum, especially when we think that voters use their expectations about the economy under different parties to shape their vote decision. Hence, voters *must* be conditioning on something when answering the question; we simply do not know what they are conditioning on. Absent further investigation, it is hard to pin down *a priori* the assessment provided by voters and, most importantly, if a majority of respondents share the same interpretation of the question. This causes problems to draw meaningful inferences from analyses that use this question.

Using data from the 2005 British Election Studies pre and post-electoral waves it is shown here that - before the election takes place - responses to the standard prospective eval-

uation question are related to the respondent's preferred party under certain qualifications: respondents seem to interpret the standard prospective economic evaluation question as an inquiry about the future state of the economy under the incumbent if they prefer that party (irrespective of whether they think this party will win the election), or under the (main) challenger if they prefer that party *and* think it more likely to win the election. After the election, they seem to interpret the question as asking about the future state of the economy under the party that won the election.

To contextualize these findings, it is important to remember that economic voting theory typically adheres to utility maximization. That is, voters are assumed to compare the utilities associated with each party and select the one that maximizes an individual's utility. This is particularly true for prospective economic voting, where voters are hypothesized to compare the information about each alternative, including its expected performance in office. Hence, prospective economic voting requires information on the expected performance of the economy under *each party* that competes in the election.

The findings presented here underscore an important problem to test economic voting: even if we can determine the contents of the available measure of prospective economic evaluations, it is clearly inappropriate to generate a good estimate of the effects of prospective economic evaluations on vote choice. Furthermore, even if we can identify an assessment of the future state of the economy under *one* party in the answers to the standard prospective economic evaluation question, we still need the same evaluation for *each* party competing in an election to fully model the pairwise comparisons required by the theory. In essence, the plausible solution for testing economic voting in a theory-consistent way is replacing the standard question with a battery of questions that capture the future state of the economy *conditional on each party winning the election.*

The paper proceeds as follows. The next section provides a brief introduction to the

context of the problem. Section 2 proposes a model to explain the answers provided to the standard prospective economic evaluation question. Section 3 explores empirically the nature of the answers to this question on the 2005 British General Election, and tests the model advanced in Section 2. Section 4 discusses the findings, and Section 5 elaborates the conclusions of this investigation.

1   Economic Voting: the context of the problem

Economic voting is perhaps one of the most prolific research areas in voting behavior studies. Broadly stated, it is a theory that explains the relationship between economic conditions and vote choice. After more than thirty years of economic voting studies we know that a relationship between economic conditions and vote for the incumbent party exists, although the magnitude, consistency and general direction of these effects is less clear (Lewis-Beck & Stegmaier 2000, Anderson 2007).

For the purposes pursued here, I want to stress that adequate tests of prospective economic voting at the individual level would require assessments of the state of the economy for each of the parties running for office. This is particularly true in utility maximization setups where expected performances are being compared. Despite this fact, the theory has not translated neatly into empirical measures. The standard (naïve) prospective economic evaluation questions are not specific to each party competing in the election, but general assessments of the future state of the economy.

Downs' (1957) foundational model portrays voters either comparing the "utility income" derived from government activity if each party competing the election were in office (the prospective version), or a counterfactual scenario (the retrospective version) where vot-

ers compare the observed effects of government activity to a hypothetical state where the challenger would be in office. Fiorina (1981) takes the same logic a step further to argue that voters compare expected utilities of various parties that are informed by a *running-tally* of the past performance of parties while in office. Future expectations for each party correspond to the difference between the expected performance of that party relative to current performance (under the incumbent). Even Key (1966), who is typically cited as a theoretical justification for focusing exclusively on the performance of the incumbent, begins by describing a voter that would choose among candidates by comparing them. But the evidence he looks at leads him to conclude that voters might respond *more* to observed conditions, and *less* to "hazy, uncertain, problematic" prospects.

Similarly, most theoretical elaborations on economic voting that have materialized in formal work also rely on utility maximization where voters compare utilities associated with each party to select the one that renders the highest one.[1] To give a few examples, Alesina & Rosenthal (1996, 2000) portray voters that focus on party platforms as means to determine their future actions in office. Hibbs (1982*a*, 1982*b*, 1982*c*, 1987) describes voters that compare the past performance of each party competing in the election in order to determine which one to support.

The initial tests of economic voting were restricted to assessing its retrospective aspects using aggregate election results and economic indicators (Kramer 1971, Tufte 1975), dubbed the "incumbent-oriented hypothesis" (Kiewiet 1983) or the "Referendum Model" (Tucker 2006). Unfortunately, aggregate data is unsuitable to directly evaluate the counterfactual scenario where a different party would be in office.[2]

The use of survey data opened a door to assess the mechanics of economic voting at the individual level. This type of data would naturally provide an opportunity to evaluate each party or candidate separately for each individual, and to test both the retrospective and

prospective aspects of economic voting. Unfortunately, the vast majority of these studies have relied on minor variations of questions embedded in the consumer sentiment battery designed by George Katona for the Survey Research Center at the University of Michigan in the late 1940s. This battery sought to assess the effects of beliefs about various aspects of the expected state of the economy on consumers' spending decisions (Katona 1951, 1968). This clearly differs from a study that seeks to obtain voters' expectations about the economy under each party competing in an election assumed by economic voting theory. Given its history, it is not surprising that the usual phrasing of the prospective question is vague regarding the party that would be in power.[3] This forces them to decide which party the question refers to. And if they are rational, this party will hardly be the same across voters.

Economic voting theories that adhere to utility maximization *require* individuals to compare utility assessments for each candidate. Each of these assessments is a function of the state of the economy if that party were in office. Furthermore, the econometric models commonly used to estimate vote choice and to test economic voting - typically with a limited dependent variable - rely on the same utility maximization logic and estimate parameters based on the comparison of utilities produced by different alternatives. The point is simple: we can either change the paradigm we adhere to when thinking about economic voting (and the econometric models that mimic it), or we can simply change the survey question to reflect the theory (and the econometrics) more neatly.

It would be hard for utility maximizing voters to compare utilities associated with various parties when they only have one assessment about the future state of the economy as there is nothing to compare this assessment with. It is even harder for analysts to test economic voting when we do not know which party each voter is assuming to be in office in the single prospective assessment rendered by the naïve prospective question. In sum, for theoretical consistency, assessments about the future state of the economy used in vote

choice models *must* be conditional on a given party being in office.

2   One way to address the problem

Even when we typically do not have prospective questions that condition on each party being in office to clearly determine which party do the economic evaluation corresponds to, we might be able to learn something about the way individuals interpret the standard prospective economic question. This section proposes a model and some testable hypotheses that make use of available information in surveys to identify the meaning of the answers given to the naïve prospective economic evaluation questions.

2.1   Modeling prospective economic evaluations

To better undertake the task of disentangling the meaning of the answers given to the naïve prospective question, we must first ask where do these evaluations come from. If we believe our theories of voting and subscribe to the idea that individuals compare utilities associated to each candidate running in an election, a straightforward implication is that voters must also be able to generate assessments about the future state of the economy conditional on each party being in office. What is contained in each one of these conditional evaluations? Consider, first, that such evaluations must be grounded in observed economic conditions.[4]

Secondly, it is likely that individuals attribute each party a given ability to influence the economy.[5] Think of this ability as causing deviations from the "natural" performance of the economy in the next period. This perceived ability might also be correlated with partisanship if individuals who favor a particular party would think it better suited to improve the economy, while thinking that other parties would not be as effective to influence

economic conditions. As a matter of fact, this would be required if we subscribe to economic voting theories. These features can be presented in a model for the origins of these party-conditional prospective evaluations. If a survey were to ask prospective economic evaluation questions *that condition on each party being in office*, this model would describe the answers that individuals would provide to these questions.

$$PEE_{i,j} = \beta_1 \mathbf{X}_i + \beta_2 \mathbf{A}_{i,j} \tag{1}$$

where

$PEE_{i,j} =$ the prospective economic evaluation that individual i gives if party j were in office,

$\mathbf{X}_i =$ the objective conditions of the economy observed by individual i,

$\mathbf{A}_{i,j} =$ the assessment that individual i makes about the effects of party j in the performance of the economy, and

$\beta =$ the weight assigned to each variable.

This model implies that individuals would have as many conditional evaluations as there are parties competing in an election. And each one of these conditional assessments would diverge from one another due to the differences in the ability of each party to influence the economy ($\mathbf{A}_{i,j}$). Presumably, an individual's most preferred party would render the best conditional evaluation since this party would be more likely to "improve" the economy, while assessments conditional on other other parties being in office would be less positive, or even negative.

2.2 Modeling answers to the naïve question

Unfortunately, the question that is commonly used in surveys to obtain prospective economic evaluations asks individuals to provide a single assessment about the future state of the economy, but fails to specify which party would be in office in the future. Therefore, individuals are forced to choose which one among the available conditional assessments described in eq. 1 she is being asked to retrieve. Hence, a different model is required to characteriza the answers that individuals provide to the naïve question. To address this problem, we can devise a broader model that helps us determine which among the available conditional assessments individuals choose to provide. This model must incorporate the likelihood that an individual perceives for each party to win the election, as it would be irrational for an individual to think that a party might influence the economy if it is not likely to be in office in the following term.[6] These features can be modeled as:

$$SPR_i = \beta_3 \mathbf{X}_i + \sum_{j=1}^{J} \beta_{4,j} \mathbf{W}_{i,j} \mathbf{T}_{i,j} \tag{2}$$

where

$SPR_i =$ the response to the standard prospective economic evaluation question,

$\mathbf{X}_i =$ the objective conditions of the economy observed by individual i,

$\mathbf{T}_{i,j} =$ an assessment that individual i makes about party j,

$\mathbf{W}_{i,j} =$ the likelihood that individual i perceives for party j to win the election, and

$\beta =$ the weight assigned to each variable.

This model allows us to determine how much weight individuals give to each party's assessment conditional on the perceived likelihood of winning the election. For example, a

respondent who thinks that her most preferred party (i.e. the one who would be better able to improve the economy) is not likely to win the election might respond with the evaluation for the party that she thinks is more likely to win the election. Her response to the naïve question, then, would be correlated with the perceived likelihood that a given party wins the election, and her assessment about that specific party. This would permit identifying the party (or parties) whose information is related to answers to the standard prospective evaluation question. This is a much needed feature to model if we are to learn something about the meaning of the answers to this question.

2.3   Expectations from the model

To determine which among the conditional assessments individuals provide as answers to the naïve question, we can exploit the specific behavior by partisans, as well as the change in answers for partisans once the winner of the election is known.

According to the model in eq. 2, before the election takes place we should expect that the perceived likelihood that a party wins the election would play an important role in determining the answer that respondents provide to the naïve question. In essence, individuals should be more likely to give more weight to assessments for parties perceived as more likely to win the election, and heavily discount assessments for parties perceived as likely to lose the election.

But party preference, conditional on the perceived likelihood of winning the election, also plays an important role in the answer that is given to the naïve question. If two individuals agreed that Party A were more likely to win the election but only one of them prefers this party the most, her response to the naïve question would be more positive than that provided by the other respondent. The driving force behind this effect is that partisans

think their preferred party will be better at improving the economy, and would tend to provide more positive assessments about the future state of the economy if their preferred party were in office relative to the rest of the population.[7] Hence, before the election takes place, we should expect:

Hypothesis 1 : Favorite Party Effect. *Individuals who favor a particular party (over the rest) and think it has a high probability of winning the election should be more likely to provide a more positive assessment of the future state of the economy, than other individuals who think that a less preferred party is likely to win the election.*

But also, the conditional effect of the perceived likelihood that a party will win the election would cause answers to the naïve question to differ across survey waves for partisans. Once the winner of the election is known, all respondents would provide the assessment conditional on the winning party being in office.[8] Therefore, we should expect that answers to the naïve question would be different for specific subsets of the population after the election, and to remain the same for respondents who were correct in assuming that a given party would win the election:

Hypothesis 2 : Known-Winner Effect. *Individuals who prefer the party that won the election should be more likely to provide a positive assessment of the future state of the economy, than individuals who prefer other parties who should have a less positive (or negative) assessment of the future state of the economy.*

Since the model is general enough to include information about all parties competing in an election, we can assess if these hypotheses are true, and for which parties are they true.

3   Testing the waters: the 2005 UK General Election

Testing these ideas empirically requires survey data that contains the standard prospective economic evaluation, perceptions on the likelihood of each party winning the election, and preference for each party measured before and after the election. Ideally, the questionnaires applied before and after the election should share question phrasing, methodology, and polling organization.[9] The 2005 British Election Studies (BES) fulfills these requisites. Two features of the data are particularly useful for my purposes here. First, unlike many surveys, the prospective question is asked both before and after the election, which allows me to compare the effects at both times. And, second, three effective parties compete in this election: an incumbent, and two challengers. This allows me to test the hypotheses for a challenger that is highly competitive and has held office previously, and for a third party with a (relatively) low probability of winning the election and without experience in office.

3.1   Prospective Economic Evaluations in 2005

Table 1 details the distribution of responses to the naïve prospective economic evaluation question for 2005. Note that the full electorate becomes more pessimistic after the election. When broken down by party preference, it becomes obvious that this difference is due to Conservative and Liberal Democrat supporters becoming more pessimistic after the election relative to prior months when they had a more moderate outlook. Between the pre- and post-electoral waves, Conservative sympathizers reporting that the economy will get worse increase by almost 10% and those that expect it to remain the same decrease by almost 8%, and those who think that it will improve a little decrease by 6%. This happened in contrast to Labour supporters who remained similarly optimistic about the state of the economy throughout survey waves.

[Table 1 about here]

The distribution of responses confirms that answers to the standard prospective evaluation question are different before and after the election. These changes could be the result of objective changes in economic conditions, an increased flow of information during the campaigns that makes individuals learn more about the future state of the economy or simply - as suggested by the model in eq. 2 - that individuals interpret the question in different ways before and after the election. The breakdown by party preference can help us begin to disentangle this matter.

If the *Favorite Party Effect* hypothesis is correct, we would expect to see in the Pre-Election Wave that individuals who favor the incumbent party have a positive assessment of the future state of the economy. But also, that individuals who favor any of the challengers should have a less positive outlook since answers aggregate individuals who favor their own party and think it likely to win (positive assessment), as well as individuals who dislike the incumbent party and think it likely to be reelected (negative assessments). That matches the picture presented by table 1.

Similarly, if the *Known-Winner Effect* hypothesis is correct, we would expect to see little change in the assessments of the incumbent's partisans across survey waves who mainly confirm that their preferred party will preside over the next term. But we would also expect to see a marked deterioration in other partisans' assessments in the Post-Election Wave who now report the assessment of the future state of the economy under a party that they don't think is the best at managing the economy. This is also compatible with table 1.

3.2 Econometric Analysis

I have shown thus far that changes in economic assessments before and after the election seem to be related to specific parties, in a fashion similar to what eq. 2 would lead us to expect. But only a more detailed analysis of the data can tests the mechanisms embodied there. To test the *Favorite Party Effect* hypothesis, an ordered probit model was estimated with data from the 2005 BES pre-electoral wave, specified as[10]

$$SPR_i^* = \beta_5 \mathbf{R}_i + \sum_{j=1}^{J} \beta_{6,j} \mathbf{W}_{i,j} + \sum_{j=1}^{J} \beta_{7,j} \mathbf{F}_{i,j} + \sum_{j=1}^{J} \beta_{8,j} \mathbf{W}_{i,j} \mathbf{F}_{i,j} + \beta_9 \mathbf{Z}_i + \nu_i \qquad (3)$$

where

$SPR_i^* =$ the latent variable underlying individual i's answer to the standard prospective economic evaluation question,

$\mathbf{R}_i =$ the retrospective economic evaluation of individual i,

$\mathbf{W}_{i,j} =$ the likelihood that individual i perceives for party j to win the election,

$\mathbf{F}_{i,j} =$ the feeling thermometer rating that individual i gives to party j,

$\mathbf{Z}_i =$ a vector of sociodemographic characteristics of individual i,

$\nu_i \sim N(0, \sigma^2) =$ a random source of white noise, and

$j \in \{$Labour, Conservative, Liberal Democrat$\}$

Ideally, the model should use measures of objective national economic conditions ($\mathbf{X}_i$) as in eq. 2 since we are working with sociotropic questions. Unfortunately, national

conditions are invariant across individuals, causing identification problems in the estimation. Instead, I proxy objective economic conditions with sociotropic retrospective economic evaluations as they have been shown to be correlated with objective economic conditions (Conover, Feldman & Knight 1986, Haller & Norpoth 1997, De Boef & Kellstedt 2004), and provide a certain degree of variation in perceptions. The perceived likelihood for each party to win the election ($\mathbf{W}_{i,j}$) is measured with a scale ranging from 0 to 10, where 0 is highly unlikely and 10 is most likely. This measure allows for different assessments to be provided for each party by the same individual. Similarly, feeling thermometer ($\mathbf{F}_{i,j}$) uses a scale that ranges from 0 to 10. I chose to employ the thermometer measure instead of a party identification question since it is important to have an assessment for each party that provides a rank ordering across parties, which a partisanship measure cannot provide. Since I am interested in estimating the conditional effects of the likelihood of winning the election and party assessments, both variables are interacted in this specification. A series of sociodemographic characteristics ($\mathbf{Z}_i$) for each respondent are also included in the model to ensure that the disturbances are random.

Ordered probit models generate probabilities of selecting each category in the dependent variable. An intuitive way to present the estimates from the model is by showing first differences (King 1998) which simulate the change in the probability of answering with a particular category in the standard prospective economic evaluation question given changes in our variables of interest from the minimum to the maximum value while holding all other variables constant. Figure 1 presents first differences on the probability of providing a given answer to the naïve question for respondents that prefer a specific party, comparing individuals who think this party most likely to win the election to individuals who think this party is unlikely to win the election. The figure clearly shows that individuals who strongly prefer the Conservative party - the main challenger in the election - were more likely to provide

a positive answer to the naïve question when they thought that this party was more likely to win the election. No significant differences were found for respondents who preferred Labour or the Liberal Democratic party. These results for respondents who preferred the Conservative party conform with the *Favorite Party Effect* hypothesis.

[Figure 1 about here]

This is an interesting finding, but says nothing about the effects of preference for Labour - the incumbent party - on the answers to the standard question. It might be the case that the incumbent status of Labour - and the fact that it was the frontrunner with a mild advantage in the 2005 election - lead individuals who preferred this party to discount the likelihood of winning the election when interpreting the standard prospective economic evaluation question. Figure 2 explores this possibility by showing first differences on the probability of providing a given answer to the naïve question when individuals thought the indicated party was the most likely winner of the election, but comparing respondents who prefer this party to respondents who prefer no party. As shown in the figure, party preference mattered only for Labour and had no systematic effects for Conservatives or Liberal Democrats.

[Figure 2 about here]

Evidence suggests that the likelihood of winning the election works in two different ways for different partisans when they answer the naïve question. Respondents who prefer Labour interpret the standard question to be asking about the future state of the economy "if the incumbent remained in office". But those who prefer the Conservative party interpret the question as asking about the future state of the economy "if a challenger were in office" considering that to be the most likely scenario.

If the *Known-Winner Effect* hypothesis is correct, we should expect these patterns to change when the naïve question is asked after the election. A different model must be estimated to investigate this question since the perceived likelihood of winning the election cannot be asked after the winner of the election is known. Hence, a simpler ordered probit model was estimated for the post-electoral wave (and for the pre-electoral wave to ground the comparison), specified as[11]

$$SPR_i^* = \beta_{10}\mathbf{R}_i + \sum_{j=1}^{J} \beta_{11,j}\mathbf{F}_{i,j} + \beta_{12}\mathbf{Z}_i + \nu_i \tag{4}$$

Figure 3 shows how much more likely is an individual who favors each one of the parties to answer with a positive (negative) evaluation of the future state of the economy, relative to an individual that prefers none of the parties. Comparing effects across waves renders some interesting results that are worth discussing. First of all, the magnitude of the effects of preference for Labour increases from the pre- to the post-electoral wave. Certainty about the party that won the election would drive this result, according to eq. 2.

[Figure 3 about here]

Note also that once the winner of the election is known, individuals who prefer the Conservative party are *more* likely to provide a *negative* evaluation about the future state of the economy. This was not the case in the pre-election waves, where party preference proved to be a bad predictor for answers to the standard question among Conservative supporters. If anything, Conservative supporters were more likely to give a *positive* answer to the standard question if they thought the party could win the election. Evidence then suggests that knowledge about the winner of the election leads individuals to focalize their assessments on Labour as the incumbent. This makes Labour supporters *more* likely to give

a positive answer to the naïve question, and Conservative supporters *less* likely to give a positive answer. Both patterns are consistent with the *Preferred Party Hypothesis.*

One intriguing fact is that the model does not seem to give any guidance regarding respondents who favor Liberal Democrats. If the model is correct, these null results might be explained by two peculiarities of the Liberal Democratic party. First, this party has never held office in the United Kingdom, so it would be hard for respondents to generate a scenario where this party would be in office. And second, it was clear at the time of the election that the Liberal Democrats had little chance of controlling parliament since vote intention for this party was consistently around 20%, which makes it unlikely to win the general election when compared to Labour and Conservatives polling around 35%.

In sum, evidence confirms that the same question asked before and after the election collects radically different information. Before the election, individuals who prefer Labour (the incumbent party) are *more* likely to answer the standard prospective question with a positive assessment of the future state of the economy *regardless* of how likely they think the incumbent is to win the election. Similarly, individuals who prefer Conservatives (the main challenger party) are *more* likely to provide a positive assessment of the future state of the economy *only if* they perceive this party as likely to win the election.

After the election, individuals who prefer Labour (the reelected incumbent) are more likely to answer the standard prospective question with a positive assessment of the future state of the economy, while individuals who prefer Conservatives (the losing challenger) are *less* likely to provide a positive assessment of the future state of the economy. This clearly underscores the very problem with the standard question when asked before the election: there is information about two parties in the pre-electoral waves and one party in the post-electoral waves. Even when we know this much, a theory-consistent test for prospective economic voting would require information about the future state of the economy for all

parties competing in the election.

4 Discussion

Perhaps the only criticism to the adequacy of the naïve prospective question that has been made is that it is endogenous. For instance, Wlezien et al. (1997) argue that prospective evaluations are determined by the party that each voter *will favor* if an election were to take place, Anderson et al. (2004) and Glasgow & Weber (2005) argue that they are determined by whether the favored party won the election or not, and Ladner & Wlezien (2007) by how likely a preferred party is to win an election. Without knowing what is contained in the standard prospective economic evaluation measures that they all use, it is difficult to settle this matter.

The results presented here bring the endogeneity question under a completely different light. Take the case made by Anderson et al. (2004) who claim that voters "adapt" their evaluations upon knowing whether their most preferred candidate won the election. If the results presented here are correct, people would be giving an assessment about the state of the economy under Conservatives before the election, but under Labour after the election since they analyze the 1997 British General Election where Labour first assumed office. Clearly, respondents provide different party-conditional assessments (i.e. conditional on Conservatives and Labour if they thought it likely to win the election when responding before the election, and conditional on Labour when responding after the election) that in no way reflect the "endogeneity" they advance, but a deeply flawed question phrasing.[12] That said, further quests to explore the endogeneity in prospective economic evaluations would be futile absent better measures.

Addressing a different - but related - issue, Gerber & Huber (2010) study the effects of partisanship on economic assessments. Their results are broadly consistent with the ones presented here: Democrats are more likely to offer optimistic prospective economic assessments than Republicans after the (unexpected) Democratic takeover of the U.S. Congress in 2006. They attribute these patterns to "partisan differences in perceptions of the economic competence of the parties, rather than alternative mechanisms". It is important to note that they reach these conclusions using the naïve question, which is clouding their reaching richer conclusions on this specific matter.

Knowing the contents of the answers to the naïve question can also help us refine our interpretation of the results generated by previous prospective voting studies. According to the results presented here, the copious literature that has relied on the naïve prospective question has not been revealing whether prospective economic evaluations impact vote choice, but whether the future state of the economy under the incumbent or the main challenger (when measures are taken before the election) or under the known winner of the election (when measurements are taken after the election) has an impact on voting for the incumbent. This conclusion alone might add something to our understanding of the conflicting results that plague the literature on economic voting.

5   Conclusions

The results presented here show that people interpret the standard prospective economic evaluation question in different ways depending on their party preference, their perceptions of the likelihood that a party will win the election, or knowledge about the actual winner of the election. Specifically, individuals who favor Labour (the reelected incumbent party)-but not other parties - are more likely to answer the question with a positive outlook of the

economy before and after the election.[13] Evidence also shows that individuals who prefer Conservatives *and* think this party is likely to win the election will also provide a positive assessment about the future state of the economy when asked before the election and a negative assessment after the election.

For the time being, I hope to have cast some doubt on the available survey measures for prospective economic evaluations, and made it obvious that a more detailed investigation of the subject is required. Perhaps one way to engage in such endeavor would involve experimenting with different versions of prospective evaluations - i.e. party-specific, party-independent, incumbent-specific, and the standard question - to assess which one of them captures more accurately the information required by the theory. Surprisingly, after decades of repeating the standard prospective economic evaluation question in electoral surveys, no one has recognized that we do not know what was being measured. Furthermore, except for Hsieh et. al. (1998), I am not aware of any other study that has recognized that testing the impact of prospective economic assessments on vote choice requires party-specific measures.

Better measurements of prospective economic evaluations can help get more accurate - and theoretically consistent - estimates of the impact of expected economic conditions *under each party* on vote choice. By itself, these estimates would be a substantive contribution to the unsolved controversy that seeks to determine whether current or future conditions carry a greater weight when voters mark their ballots. Furthermore, better prospective economic evaluation measures can illuminate an additional - and currently unexplored - question: can these assessments generated for parties that have not held office in the past explain voters' decision to favor them with a vote? Hopefully the evidence presented here has convinced readers of a "known unknown" that supports a case for switching to party-specific prospective evaluation questions.

Notes

[1]An exception related to support for the incumbent is Chappell & Keech (1985).

[2]It is important to note that there is not too much theoretical support in the economic voting literature for an interpretation that discards the performance of challengers. As a matter of fact, theoretical models that only look at the performance of the incumbent - ignoring the potential performance of other challengers - appear much later (Barro 1973, Ferejohn 1986) and focus on the actions that a party will engage on while in office *given* that voters only focus on the actions of the incumbent while in office.

[3]Take, for example, the (sociotropic) question asked by the American National Election Studies (ANES): "What about the next 12 months? Do you expect the economy, in the country as a whole, to get better, stay about the same, or get worse?". With this phrasing it is hard to determine the information that voters are providing when answering the question. Are they providing an assessment about the future state of the economy under the party that they *expect* to win the election? Under their most preferred party (*even if it will not win the election*)? Or some other answer.

[4]As a matter of fact, empirical studies confirm a relationship between economic expectations and objective economic indicators. See, for example, Haller & Norpoth (1994), Nadeau et al. (1999) or MacKuen, Erikson & Stimson (1992).

[5]Most recently confirmed by Gerber & Huber (2009) for the United States.

[6]This effectively means transforming $\mathbf{A}_{i,j}$ in eq. 1 into $\mathbf{A}_{i,j} = \mathbf{W}_{i,j}\mathbf{T}_{i,j}$ while the winner of the election is unknown. Once the winner of the election is known, individuals can converge on providing the assessment conditional on this party since the likelihood of winning the election for all losing parties is effectively zero.

[7]The argument is not that those who do not prefer a party think that no other party will improve (worsen) the economy, but that partisans should feel more strongly about the ability of their preferred party to influence the economy for the better. This depends only on the magnitude of $\mathbf{T}_{i,j}$ in eq. 2 which we assume is largest for the most preferred party.

[8]Perfect knowledge about the winner of the election, effectively eliminates the term $\mathbf{W}_{i,j}\mathbf{T}_{i,j}$ from eq. 2 for all parties except that which won the election, thus making the differences in answers to the standard question only a function of $\mathbf{T}_{i,j}$ related to the winning party.

[9]Of course, the alternative of imputing questions between surveys to "assemble" such a data set is always available, but at the cost of undertaking a number of Bayesian hierarchical modeling complexities (Gelman, King & Liu 1998), strict econometric assumptions (Franklin 1989), or a specific survey design with some statistical applications (Morales & Bautista

2008).

^{10}See full results on table 2 on Appendix B.

^{11}See full results on tables 2 and 3 in Appendix B

^{12}Leaving the issue of the "adequacy" of the prospective evaluation measure aside, it is clear that panel studies of this sort are not the best tools for the task. It would be hard to make the case that measurements taken several months apart and with an election - and a campaign! - in between them would be reliable measurements of prospective evaluations. For that to be the case, it would be necessary to assume that the evaluation taken before the campaign remains unchanged throughout the campaign (which Ladner & Wlezien explicitly reject, p. 585) and unaffected by the knowledge of the identity of the winner of the election, which is the effect that we are trying to determine in the first place. Evidence would be clearly convincing if individuals held one expectation before entering the voting booth and a completely different expectation after casting their vote. Unfortunately, this information is not available so a case for "endogenous" evaluations of this form is hard to sustain. Glasgow & Weber (2005) and Ladner & Wlezien (2007) also subscribe to some variant of the same argument, although using evidence from different elections for the most part. Yet their analyses would have been more clear had they not lumped together "preferred party" in one category and distinguished among preferred parties.

^{13}It might be that they favor Labour *because* they think they will generate better economic conditions, or it might be that they have a better economic outlook that results from favoring Labour in the first place. At this point, siding with either of these alternatives is a theoretical task.

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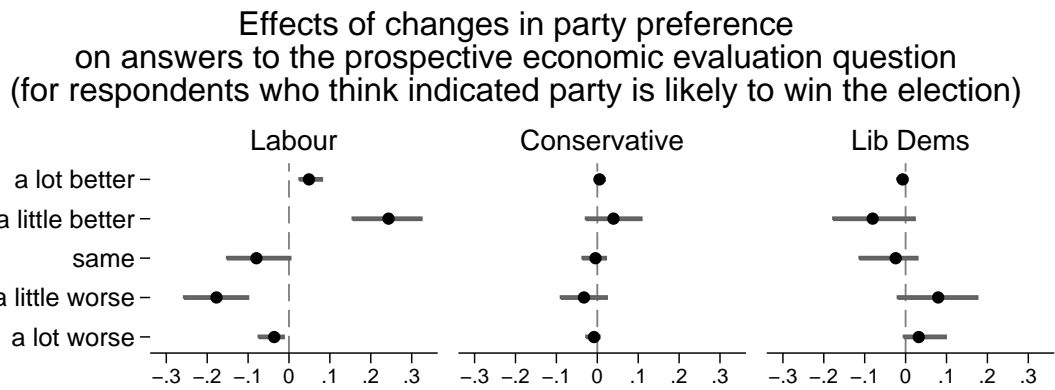
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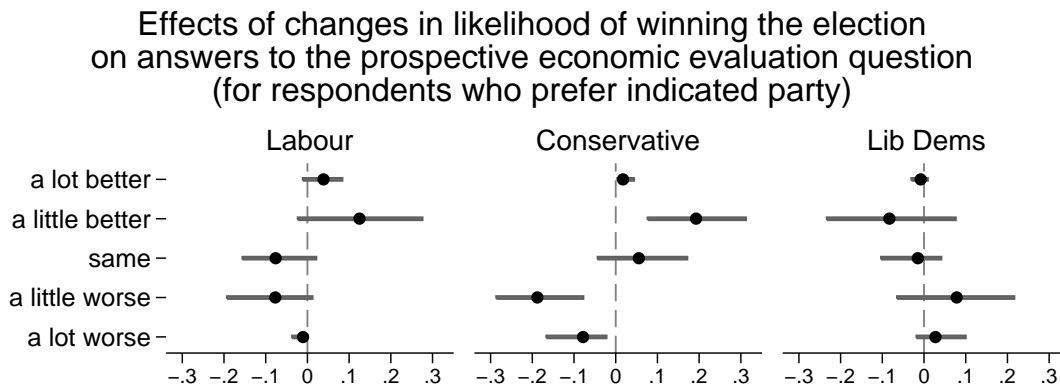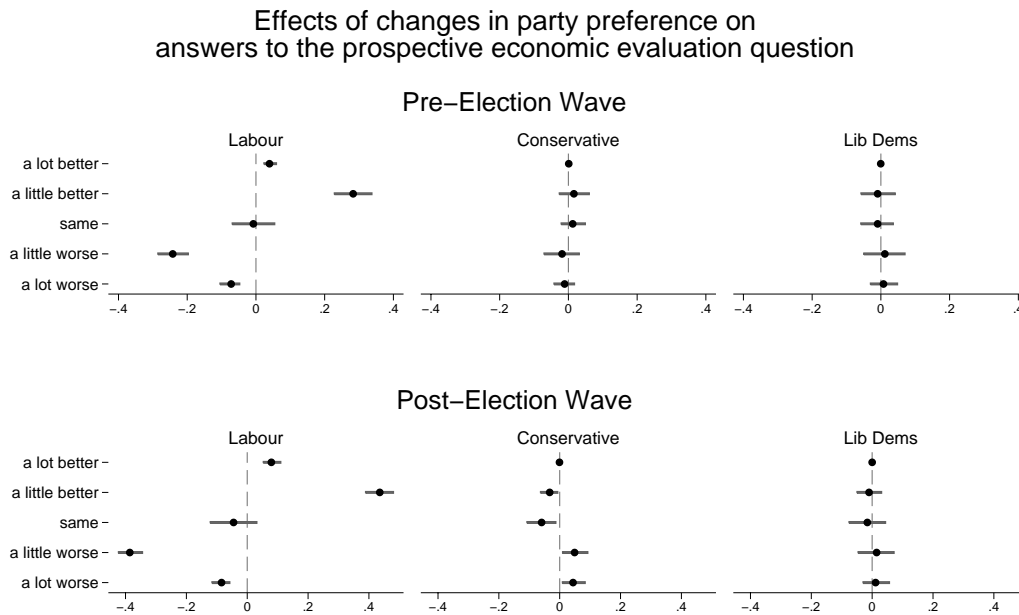
Figure 1: First differences - and their associated 95% confidence intervals - on the simulated probability of providing the specified answer to the naïve prospective economic evaluation question given a change in perceived likelihood of winning the election for respondents who prefer the indicated party. First differences illustrate the total effects of the interactions. Simulations are generated comparing a "typical" individual that strongly prefers the party denoted on each graph and thinks it very likely to win the election, to a "typical" individual that strongly prefers the same party but thinks it unlikely to win the election holding all other variables constant. Estimates performed on the 2005 BES pre-electoral wave.

Figure 2: First differences - and their associated 95% confidence intervals - on the simulated probability of providing the specified answer to the naïve prospective economic evaluation question given a change in party preference for respondents who think the indicated party to be the likely winner of the election. First differences illustrate the total effects of the interactions. Simulations are generated comparing a "typical" individual that considers a party to be the likely winner of the election and also prefers it, to a "typical" individual that considers a party to be the likely winner of the election but does not prefer any party holding all other variables constant. Estimates performed on the 2005 BES pre-electoral wave.

Figure 3: First differences - and their associated 95% confidence intervals - on the simulated probability of providing the specified answer to the naïve prospective economic evaluation question given a change in party preference. Simulations are generated comparing a "typical" individual that strongly prefers the party denoted on each graph, to a "typical" individual that does not prefer any party holding all other variables constant. Estimates performed on the 2005 BES pre and post-electoral waves.

Table 1: Distribution of responses to the naïve prospective economic evaluation question in the 2005 BES pre and post-electoral surveys grouped by partisan preference.

Evaluation	All		Labour		Conservative		Liberal Democrat	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post
a lot better	1.31	1.27	2.23	2.40	0.40	0.48	1.43	0.27
a little better	23.32	22.50	32.79	33.42	16.93	10.68	17.14	17.44
same	43.98	40.01	44.98	43.82	38.76	30.22	49.43	41.83
a little worse	26.23	30.57	17.25	17.91	37.83	46.87	29.14	35.83
a lot worse	5.16	5.64	2.75	2.46	6.08	11.84	2.86	4.63

Appendix

A   2005 British Election Studies

The British Electoral Studies constitute a comprehensive source of survey data that has been collected for almost forty years in United Kingdom. In this particular case only the pre- and post-electoral waves of the survey are used as cross-sectional data, although a portion of the survey is common to both waves on each year. The pre-election wave was conducted from February 1 to April 12, 2005 (n=3,589), and the post election wave form May 6 to July 4, 2005 (n=4,161). The election took place on May 5, 2005.

Retrospective economic evaluations

> How do you think the general economic situation in this country has changed over the last 12 months. Has it got a lot worse, a little worse, stayed the same, a little better, or a lot better?

Standard prospective economic evaluations

> How do you think the general economic situation in this country will develop over the next 12 months? Will it get a lot worse, a little worse, stay the same, a little better, or a lot better?

Perceived likelihood of winning the election

> And, on the 0 to 10 scale, where 0 means very unlikely and 10 means very likely, how likely is it that [Labour /the Conservative Party / Liberal Democrats] will win the *general election*?

Party preference

> On a scale that runs from 0 to 10, where 0 means strongly dislike and 10 means strongly like, how do feel about [the Labour Party / the Conservative Party / the Liberal Democrats]?

Missing data were multiply imputed with *Amelia II* (Honaker, King & Blackwell 2011), which employs a bootstrapping-based Expectation-Maximization (EMB) algorithm (Honacker & King 2010). Point estimates and variances were computed as suggested by Rubin (1976, 1996).

B   Estimates

Table 2: Ordered probit estimates for prospective economic evaluations response model, (2005 BES pre-election wave)

DV: prospective economic evaluation	baseline	interactive
Retrospective evaluations	0.205***	0.212***
	(0.011)	(.013)
Labour preferred	0.051***	0.019
	(0.004)	(0.016)
Conservative preferred	0.008*	-0.024**
	(0.004)	(0.009)
LibDem preferred	-0.001	0.007
	(0.006)	(0.009)
Labour perceived winner		0.000
		(.011)
Conservative perceived winner		0.013
		(0.011)
LibDem perceived winner		0.014
		(.010)
Labour perceived winner* Labour preferred		0.004**
		(.002)
Conservative perceived winner* Conservative preferred		0.006***
		(0.001)
LibDem perceived winner* LibDem preferred		-0.004
		(0.002)
Female	0.033	0.030
	(0.036)	(0.040)
Owner	-0.041	-0.061
	(0.045)	(0.047)
Married	-0.001	0.004
	(0.040)	(0.045)
Union member	-0.044	-0.079
	(0.045)	(0.050)
Age	-0.002***	-0.002*
	(0.001)	(0.001)
Education	0.006*	0.001
	(0.003)	(0.004)
Income	-0.020***	-0.013*

Continued on next page

DV: prospective economic

evaluation	baseline	interactive
	(0.007)	(0.007)
τ_1	-2.097***	-1.979***
	(0.091)	(0.151)
τ_2	-0.857***	-0.722***
	(0.085)	(0.143)
τ_3	0.412***	0.550***
	(0.085)	(0.142)
τ_4	1.987***	2.184***
	(0.098)	(0.147)
log-likelihood	-4263.454	-4251.838
LR-test	$\chi^2_{[11]} = 681.31$***	$\chi^2_{[17]} = 650.94$***
n	3589	3589
MI sets	10	10

Significance: 1% *** / 5% ** / 10%* two-tailed.

Table 3: Ordered probit estimates for prospective economic evaluations response model, (2005 BES post-election wave)

DV: prospective economic evaluation	baseline
Retrospective evaluations	0.264***
	(0.013)
Labour preferred	0.080***
	(0.004)
Conservative preferred	-0.012**
	(0.005)
LibDem preferred	-0.003
	(0.007)
Female	0.170***
	(0.035)
Owner	-0.002
	(0.038)
Married	-0.044
	(0.039)
Union member	-0.001
	(0.019)
Age	-0.004***
	(0.001)
Education	0.004
	(0.006)
Income	-0.015
	(0.009)
τ_1	-2.180***
	(0.122)
τ_2	-0.715***
	(0.117)
τ_3	0.516***
	(0.114)
τ_4	2.204***
	(0.125)
log-likelihood	-4787.8475
LR-test	$\chi^2_{[11]} = 1153.736$***
n	4161
MI sets	10

Significance: 1% *** / 5% ** / 10%* two-tailed.