

Retrospective Voting, Coattails, and Accountability in Regional Elections

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Systems of multi-level governance represent important opportunities, challenges, and paradoxes for representative democracy and electoral accountability. At least since Riker's classic work on federalism, the nature of the relationship between federal and provincial political parties and elections has been a key variable in hypotheses related to the stability, efficiency, and viability of federalism. Indeed, in recent years, growing interest in comparative decentralization and federalism has resulted in a new, cross-national focus on the role of parties in shaping representation and accountability in multi-level systems that echoes the long running debate between "responsible party" theorists (Sundquist 1988; Schattschneider 1960) and their opponents in the U.S. context. On one hand, a growing literature on the nationalization of party systems (Chhibber and Kollman 2004; Cox 1998, 1999; Jones and Mainwaring 2003; Caramani 2004) suggests that strong, nationalized party systems have a positive effect on everything from political accountability to the coordination of economic policies to ethnic peace in divided societies.

Echoing a long strain of thinking on decentralization, others (Gelineau and Remmer 2005), suggest that nationalization can imply a weakening of democratic accountability at decentralized levels if voters hold provincial politicians accountable for national rather than provincial performance. Yet others (Filippov, Ordeshook, and Shvetsova 2004) suggest the need for balancing nationally integrated parties with pronounced regional influence within parties. Despite the fact that party systems have received renewed attention in a variety of recent attempts to understand the causes and consequences of trends towards decentralization and federalism, there has been little broadly comparative research on this point. Political scientists have yet to build a body of knowledge about why or when national forces play a larger or smaller role in shaping subnational elections—a crucial first step in understanding the complex nature of preference aggregation and accountability in multi-level systems.

This paper is the first step in a larger empirical research project that sets out to understand cross-national, cross-party, and diachronic variations in the incentives created for subnational politicians by the behavior of voters in lower-tier elections. In the process, we hope to shed light on more basic questions about what voters are trying to accomplish when casting ballots in subnational elections, though in this

endeavor we are limited by ecological inference problems associated with the use of aggregate data. This paper uses data on elections and economic outcomes in several federations, seeking to determine the degree to which regional executives are held accountable for regional versus national outcomes, how those lines of accountability are mediated by partisan relations across levels of government, and more generally, the extent to which the success of regional incumbents is linked with that of their national-level co-partisans.

The descriptive literature gives one the impression that regional elections in some federations, most notably Canada, are viewed by voters as quite distinct from federal elections, while in other federations like Germany, elections at the two levels are inexorably linked. Our goal is to move beyond description and attempt to conceptualize and quantify these impressions. In this paper we confine ourselves largely to the retrospective voting perspective, leaving such issues as party identification and preferences over policies for a separate paper. By examining several federations in a common framework, we hope to establish whether it is possible to say anything general about regional economic voting, and whether it is possible to explain cross-national differences in a systematic way.

At one “decentralized” extreme, voters might separately assess the performance of each government. The much-heralded accountability advantages of decentralization hinge on this notion of dual accountability. At the opposite centralized extreme, voters only observe one set of national outcomes (say GDP growth or unemployment), and punish and reward the governing party at the national level consistently across levels of government. A body of case-specific research suggests that if anything, the truth lies closer to the latter in the U.S. (Peltzman 1987), Canada (Gélineau and Belanger forthcoming), Germany (Gaines and Crombez 2004), and Argentina (Remmer and Gélineau 2003), where partisan links with the national chief executive are thought to shape a nexus between *national* economic performance and the success of subnational incumbents. While this realization is often accompanied by cautions about the difficulty of democratic accountability in multi-tiered systems (e.g. Remmer and Gélineau 2003), it can also have benefits if it creates incentives for self-interested subnational officials to be concerned with the impact of their decisions for the federation as a whole (Rodden 2005).

In addressing the link between national and provincial elections, we indirectly address recent cross-national research seeking to understand the “nationalization” of party systems (Caramani 2004; Chhibber and Kollman 2004; Cox 1998, 1999). That literature focuses on the specific factors that underpin the coordination of party activity across districts. Simply put, that research enterprise attempts to understand the conditions under which district level candidates find it in their interest to harmonize efforts such that the number of parties at the national level approximates that at local levels. Though related, our question is conceptually distinct. Given national parties, we aim to understand the degree to which national factors influence the outcomes of regional elections. In doing so, we directly address a literature on retrospective voting in subnational elections built largely around the U.S. case but with narrower research on a handful of other federations. As in that literature, we seek to understand the degree to which subnational economic performance, national economic performance, and intergovernmental co-partisanship (known as coattails in the American politics literature) shape the electoral fates of regional incumbents.

Despite a move to diversify beyond the U.S. case, a number of problems limit our understanding of how these factors shape subnational elections across nations. Most notably, the country-specific approach limits any truly comparative understanding of the impact of national and subnational forces on electoral outcomes. Relatedly, the lack of comparable modeling across studies limits our capacity to generalize across (or, in the U.S. case, even within) country-studies. With regards to the dependent variable alone, studies alternatively analyze the incumbent vote share of regional chief executives, changes in incumbent regional executive vote shares, vote shares for regional assemblies, and changes in the subnational vote share for nationally governing parties.

This paper offers a “meta-analysis” of six federations, allowing us to compare coefficients across countries. We expect to find that the links between federal and provincial elections are correlated with key aspects of the fiscal and political system. In particular, we argue that a centralized fiscal system, as in Mexico, or an intertwined system, as in Germany, Argentina, or Australia, will be associated with relatively tight links between federal and provincial elections, while highly decentralized, autonomous

subnational taxation, as in Canada and the United States, will be associated with weaker links. Moreover, we identify electoral and other institutional features that provide incentives for intertwined or distinct national and provincial elections.

First, in the retrospective voting tradition, we compare the effects of national and subnational economic performance on the vote shares of subnational incumbents. Our findings are broadly consistent with other studies that cast doubt on the simplistic notion of dual accountability. To the extent that macroeconomic outcomes are correlated with the success of incumbents at all, it is the impact of the national economy—as conditioned by intergovernmental co-partisanship—that matters, and sometimes in perverse ways. Second, we find striking evidence in all but one of the countries under analysis that other things equal, regional incumbents who share the party label of the national chief executive can expect a significantly lower share of the vote than those who do not, though this difference shrinks when the national economy is very strong. In short, we are more impressed by the similarities than the differences across federations in the nature of economic voting.

However, this does not mean we are ready to throw away our initial supposition that regional elections are linked to federal elections in very different ways in different countries. Our models of regional incumbent vote share also include a variable that tracks the vote share of the incumbent's co-partisan in the most proximate federal election. Here the coefficients show considerable cross-national variation that is consistent with our predictions. National and state election results are tightly linked over time in Mexico, Germany and Australia, less so in Argentina, and are most distinct in Canada and the United States. We conclude that links between federal and state elections do vary considerably across countries, but that these differences most likely cannot be attributed to differences in the nature of retrospective economic voting.

The first section provides an overview of existing research on the role of retrospective evaluations and coattails in shaping subnational election outcomes. In the second section, we provide a road map of possible explanations for variation in the strength of national vs. subnational factors. Ultimately we will use a variety of empirical techniques including survey research to examine the various causal mechanisms

discussed in the second section, but the empirical analysis undertaken in the third section is true to traditional approaches in the retrospective voting literature: in order to get an initial lay of the land, we assess the relationship between gubernatorial incumbents' vote shares, economic performance at the provincial and national level, and intergovernmental co-partisanship across time in six federations: Argentina, Australia, Mexico, Canada, Germany, and the U.S. To our knowledge these results represent the first cross-national study of retrospective voting at the subnational level. The final section summarizes what we have learned and discusses the refinements that we hope to pursue in the future.

I. Voters, Parties, and Retrospective Voting in Multi-tiered Systems

In general, elections at any level can be understood in at least two ways. First, in a view termed alternately “populist” (Riker 1982), “mandate” (Przeworski et al. 1999), or “pre-election politics” (Persson and Tabellini 2000), candidates offer platforms on some issue dimension, and each voter votes for the candidate whose platform is closest to her ideal point, believing that the policy will be faithfully implemented once the winning candidate is in office. In another view, termed “liberal” (Riker), “accountability” (Przeworski et al.), or “post-election politics” (Persson and Tabellini), politicians cannot commit to implement their proposed policies, and given the basic insights of social choice theory regarding social choice instability, elections are, at best, attempts by voters to prevent politicians from mismanagement. In this view, an agency problem takes center stage, and voters attempt to use information to assess whether government has served in the public interest. In a closely related view, Fearon (1999) views elections as attempts to select competent leaders rather than attempts by voters to create incentives for good performance.

It is likely that each of these views contain grains of truth. Decades of survey research show that preferences over policies help shape vote choices of individuals, yet there is also strong evidence, both from survey research and aggregate macroeconomic and election data, that voters punish and reward incumbents based on perceptions about macroeconomic performance, the quality of public services, and

the like. Each of these perspectives yields useful insights into the factors that drive subnational elections and link them to federal elections. In this paper, we focus on post-election politics and particularly the role of economic performance and intergovernmental co-partisanship in shaping retrospective evaluations of incumbents.

In the post-election politics view, voters are primarily interested in minimizing the agency costs associated with representative democracy by sanctioning bad performance. Alternatively, they respond to bad performance by updating their beliefs about the incumbent's "type," removing him from office in order to draw again from the pool of candidates. An extensive body of research in American and comparative politics has found that voters appear to use economic performance as an important short-cut when evaluating the past performance of incumbents, particularly at the national level (Lewis-Beck 1988; Powell and Whitten 1993; Erikson 1989; Hibbs 1987; Tufte 1978; Alesina and Rosenthal 1989). Across regions, it seems that national elections turn in large part on economic performance. While electoral rewards and punishments seem to be mediated by various institutional factors, incumbents typically benefit from strong economies and suffer from deteriorating ones.

Yet such performance evaluations are fraught with difficulties. It is difficult to collect quality, unbiased information about incumbent performance, and signals of performance are often indistinguishable from noise, especially since much of what "good performance" would entail is inherently unobservable. In a line of thinking going back to the classics of political philosophy, decentralized federalism can help. If central and subnational governments preside over mutually exclusive spheres of independent authority, voters might be able to collect information about the quality of the dog-catcher, elementary schools, roads, state universities, and national defense, and assign credit and blame to the appropriate level of government. Moreover, horizontal benchmark competition makes it possible to compare the quality of services received and the tax price in other neighboring jurisdictions subjected to the same exogenous shocks, aiding in extracting signals from noise. If this view is correct, it should be possible to find relationships between performance indicators and the vote shares of incumbents at each level.

Yet if decentralization can foster accountability under certain conditions, it can also serve to complicate the task of assigning responsibility for governmental performance. The classic view of “dual federalism” or “layer cake” federalism assumed by Riker and so many others is simply not tenable in most federations, where provincial governments are funded primarily with grants and loans from the federal government rather than independent local taxation, and their primary responsibility is the implementation of federal legislation. Furthermore, in most federations, two or three levels of government are jointly involved in most major policy areas, creating opportunities to claim credit and shift blame in misleading ways—a phenomenon sometimes referred to as “marble cake” federalism (Volden 2005). Thus in many realistic scenarios, multi-tiered government might make retrospective evaluations more difficult. When faced with this attribution problem, Peltzman (1987) argues that if voters in provincial elections use performance data at all, they will use a simple rule of thumb: punish and reward the provincial co-partisans of the federal chief executive. In this case, provincial elections—if taking place on the same day as federal elections—serve little additional purpose, and should be highly correlated with federal election results. If they take place in the middle of the federal executive’s term, they are merely additional opportunities to provide updated evaluations of the chief executive’s party. If Peltzman is correct, provincial incumbents are merely prisoners of top-down electoral externalities or coattails.

Thus, while the expectations with regards to economic voting are clear at the national level—incumbents will be rewarded (punished) for good (bad) performance—the same cannot be said of the subnational level in federations. A number of possibilities present themselves. Where voters assign the responsibility of economic performance to the national government, and voters use parties as informational shortcuts across layers of government, economic performance should have implications for the national chief executive’s party across levels of government. On the other hand, if voters can distinguish between national and subnational economic performance and assign responsibility appropriately, regional incumbents should rise and fall on the performance of regional economies, irrespective of national economic trends. Alternatively, voters may simply attribute responsibility for

economic responsibility to the wrong level of government (as seems to be the case in Argentina, see below).

Existing research on these issues is case-study oriented, creating a specialized, country-specific and narrow body of literature. Yet while extant research provides little ground for generalizing across cases, it does afford an empirical starting point for thinking theoretically about subnational retrospective voting. Easily the most studied of cases are the U.S. states. Though disagreement persists on the strength of the findings and effects, subnational voters seem to reward state-level incumbents for good state-level economic and fiscal performance (Ebeid and Rodden forthcoming; Alt and Lowry 1995; Lowry Alt, and Ferree 1998; Clingermayer and Wood 1995) as well as national-level economic performance (Chubb 1988).¹ Intergovernmental partisanship seems to either mediate or complement economic evaluations as a primer for voters, hence the much discussed importance of coat-tails in American politics. Presidential popularity and vote shares have implications for national Senate elections (Atkeson and Partin 1995), national House elections (Tuft 1975), gubernatorial elections (Peltzman 1987; Chubb 1988; Carsey and Wright 1998), and state House elections (Simon, Ostrom, and Marra 1991; Campbell 1986). Indeed, above and beyond their impact on election results, coattails also have implications for the degree to which politicians' subsequent policy initiatives coincide with those of the President (Buck 1972; Martin 1976). Though some question the strength of coattails in the face of ongoing trends in favor of personalized elections (Little 1998), the lack of explicitly comparative cross-national research makes it difficult to assess whether U.S. coattails are particularly strong (we expect not) nor whether state voters are distinctively capable of assigning responsibility for state level economic performance.

Much smaller literatures have evolved around the Canadian, German, and Argentine cases. In the German case, national-level phenomena seem to play a particularly important role for subnational outcomes. As in U.S. midterms, Land elections show clear signs of being “moderating elections”, whereby regional incumbents are punished by voters intent on balancing the influence of the national

¹ The findings with regards to state-level economic performance are particularly controversial. Chubb (1988), for instance, finds that state-level economic performance has no impact on vote shares.

governing party (Gaines and Crombez 2004; Lohmann, Brady, and Rivers 1997). Most notably, however, voters are thought to use Land elections to express their judgment of national economic policy (Anderson and Ward 1996). The same seems to be the case in Canada, though there punishment for national performance is mediated by partisanship—only co-partisans of the national government seem to feel the effects of national economic trends (Gélineau and Bélanger forthcoming). Despite distinct party and electoral systems, such findings echo the arguments of Peltzman with regards to U.S. politics. In an interesting twist on accountability, there is also some evidence that Canadian provincial and local voters hold the national government accountable for bad times specific to their locale (Cutler 2002).² Finally, research on Argentina suggests an exceedingly complex picture. While national economic performance has implications for the electoral fortunes of the incumbent president's party at the provincial level (Remmer and Gélineau 2003), provincial incumbents of all parties also seem to rise and fall to some extent on national conditions (Remmer and Gélineau forthcoming). Despite limited evidence for the importance of local economic conditions in municipal contests (Porto and Porto 2000), objective provincial economic conditions seem to have little impact on provincial elections.³ However, improved provincial fiscal performance strengthens the electoral fortunes of the president's party irrespective of the partisan makeup of provincial governments (Remmer and Gélineau 2003, forthcoming).

Thus, prior research provides evidence for a great deal of variation in the role of retrospective economic evaluations and coattails in shaping electoral accountability. In Germany, Land voters are thought to punish and reward parties in subnational elections for national performance. In the U.S., national performance looms large for governors, though state-level conditions are not irrelevant. Remmer and Gelineau (forthcoming) tell a similar story for Argentina, though they suggest that national level influences are stronger in Argentina than elsewhere. Likewise, the impact of co-partisanship seems to vary a great deal across the cases. Though Lohmann et al. (1997) and Remmer and Gelineau (2003) note

² More in line with expectations is the finding that decentralized voters punish the national government for policy changes that hurt local and provincial economies (Cutler 2002).

³ Note, however, that Gélineau and Remmer (forthcoming) do find survey-based evidence that subjective evaluations of the provincial economy are correlated with provincial vote intentions.

that hypotheses derived from U.S. elections seem to receive support in diverse settings and are likely to be helpful in other comparative contexts, the current literature provides little sense as to the relative importance of party identification, coat-tails, and retrospective economic evaluations across cases. Thus, the lack of explicitly comparative research on the topic leaves one with a series of questions: Are coattails longer in Germany than the United States? Does national economic performance matter more or less for incumbent governors in Argentina than Canada? Are there any federations where subnational voters can systematically distinguish between national and regional economic performance and hold the appropriate level of government responsible for each? In general, how different are the cases? And what explains the differences across the cases? These and related questions have important implications for understanding the nature of accountability in multi-tiered systems.

II. Explaining Variation across Cases

What affects the degree to which voters are able to distinguish between national and subnational performance? And why are coattails likely to be stronger in some places than others? A basic economic hypothesis would be that the degree to which a national market truly exists, i.e. one in which regional business cycles are tightly linked to the overall health of the national economy, national patterns will loom large for provincial elections. In such cases, voters will have a hard time distinguishing between national and regional economic trends, and the same would be true for a researcher seeking to identify whether voting behavior is influenced by the national or regional economy. Figure 1 shows the correlation between national and regional business cycles across our six cases. The cases vary from Argentina, where national and state trends are only weakly correlated, to Germany, where there is a great deal of co-movement in the economies across the federation. Thus, the underlying structure of these economies would suggest that evidence of pure regional economic voting would be easiest to uncover in the Argentina and American federations, most unlikely in Germany.

FIGURE 1 HERE

Above and beyond basic features of regional business cycles, we suggest that the nature of multi-tiered accountability will vary with the decentralization of fiscal responsibilities, the candidate-centeredness of campaigns, and the timing of regional elections with respect to national ones. As the fiscal system is more centralized and campaigns are more party-centered, we expect rational voters to use national cues, be they the national economy or national partisan dynamics, as a means to wade through the complex electoral environment. Subnational vote choices in such cases will be fundamentally informed by national dynamics rather than regional ones. We expect the role of election timing to matter most in affecting the extent to which national incumbents are punished by voters seeking policy moderation and partisan balance at midterms.

The Centralization of Policy and Fiscal Authority

As the center plays a larger role in key policy spheres, we expect provincial-level elections to reflect retrospective assessments of the national government, thus implying a tight link between regional and national electoral outcomes. As Chhibber and Kollman explain, “Evidence strongly supports the idea that centralization leads to national party systems, an effect that is especially pronounced in federal system.” (2004: 27). On the other hand, as the regions play a more autonomous role in policy formulation and execution, we expect the potential for post-election politics to serve as an important means for holding distinctly regional politicians accountable. In this latter case, the link between national and provincial elections will be attenuated. At one end of a continuum, the United States and Canada are two of the world’s most decentralized federations in which provincial governments have wide-ranging legislative autonomy over their own taxes and distinct policy spheres. At the other end, in a country like Mexico, the center played a predominant role in defining policy priorities. In Germany, the most important responsibilities and revenue sources are shared between levels, and the states are responsible for administering most federal legislation.

What exactly policy “centralization” or decentralization means, however, is notoriously tricky to pin down. We believe the key feature of the policy environment in this regard is the fiscal system. The

fiscal system can either simplify or complicate attempts to hold provincial-level politicians accountable. Extensive transfer systems fundamentally alter the perceptions of citizens and politicians vis-à-vis taxing and spending policies. A considerable amount of research on the U.S. (Alt and Lowry 1995; Lowry Alt, and Ferree 1998; Clingermayer and Wood 1995) suggests that voters use state-level fiscal performance as an important tool to assess the performance of state incumbents. Large intergovernmental transfers, however, are likely to make the attribution of responsibility for fiscal performance much more difficult. Unable to perceive the true fiscal costs of regional spending, voters are likely to over-demand it, while election oriented regional politicians will have incentives to comply with those demands. The result is likely to be chronic over-spending. Indeed, there is evidence that those federations that rely heavily on transfers to finance regional spending experience poorer fiscal performance (Rodden and Wibbels 2002). Thus, in systems where provinces are highly dependent on transfers, voters are likely to either wrongly attribute responsibility for provincial fiscal outcomes or not attribute responsibility at all. In contrast, where regional governments collect most of their own taxes (as in the United States and Canada) accountability for distinctly provincial performance is likely to increase.

Regarding the clarity of responsibility and the possibility of distinct retrospective voting, we expect that the United States and Canada—with their highly decentralized systems of taxation and relatively distinct spheres of federal and provincial authority—are quite different from the other cases. While Australia and Argentina are somewhere in the middle, shared or centralized taxation and either centralized or intertwined policy responsibilities are the norms in Germany and Mexico. (Mexico is a difficult case for comparison, given the shakiness of its democratic credentials during the period under analysis).

Political institutions

We also expect partisan and electoral institutions to have important implications for the information voters use in assessing regional incumbents. Most important in this regard are the incentives for partisans to ‘cultivate a personal vote’ rather than pursue party-centered campaigns (Carey and

Shugart 1995; Samuels 1999; 2000). Generally speaking, if partisan institutions emphasize decentralized nomination procedures and candidate-centered campaigns, subnational politicians will have increased incentives to emphasize distinct, local, and personalistic issues. Such is the case where nomination procedures are localized and individual candidates are responsible for raising their own campaign funds. Of course, in many instances electoral institutions can further foster candidate-centered elections. As substantial research on Brazil has made clear, open list proportional representation provides strong incentives for personalized appeals (Ames 1995; Mainwaring 1999). At the other end of a continuum, closed-list proportional representation at both levels—as in Germany—create a situation in which parties are central to vote choice and personal appeals (except among the party leaders who would become the chief executive) are minimized. The candidate-centered parties and electoral systems exhibit at least two systemic differences in their effects on politicians' electoral strategies and policy preferences from the party centered electoral systems: the prevalence of particularism and weak party discipline. In such cases, parties will have little meaning and there is little reason to expect citizens or politicians to closely associate co-partisans across levels of government, thus weakening or eliminating electoral externalities and plausibly strengthening the link between regional conditions and vote shifts.

In these regards, we expect a larger national influence on regional elections in Mexico followed by Germany, Australia, and Argentina than elsewhere. Other things equal, we expect that the electoral fates of provincial candidates are more likely shaped by their federal co-partisans in the parliamentary systems—especially with closed-list PR—where party labels are more important than personalistic appeals. The opposite holds in Argentina, the United States, and particularly Mexico, where presidential systems are accompanied by a substantial national role in the nomination and financing of subnational candidates. In Germany, the centralizing tendencies of PR are strengthened by its unique, nationalizing upper chamber, whereby state elections determine the composition of the powerful upper legislative chamber. The U.S. is at the opposite end of a continuum, with weak, decentralized parties operating in a context of presidentialism.

Election Timing and Midterm Punishment

Finally, we expect election timing to have an important impact on the nationalization of subnational elections. Evidence from the U.S. supports the notion that macroeconomic conditions condition off-term election (i.e. legislative elections timed not to coincide with national ones) results much as they do during on-term elections. Kramer (1971) and Tufte (1975) provide two early examples forwarding evidence that short-term economic considerations have a substantial impact on U.S. midterms. A similar dynamic might also affect subnational elections. Tufte concludes that "the vote cast at midterm congressional elections is a referendum on the performance of the President and his administration's management of the economy."⁴ Despite subsequent questions regarding Tufte's methodology and some disagreement on the exact causal mechanisms at work,⁵ researchers have widely accepted that economic performance in the six months to one year prior to midterm elections has a substantial impact on the results, with incumbents being rewarded for good and punished for bad performance (Kinder and Kiewiet, 1979; Hibbing and Alford, 1981; Alesina and Rosenthal, 1989, Jacobson 1991).⁶

"Reward" in US mid-term elections, however, is a relative phenomenon. The presidential incumbent's party has lost seats in every mid-term election since the Great Depression with only two exceptions. "Reward", therefore, means the President's party is penalized far less in times of good economic performance than in bad times. Thus do Alesina and Rosenthal (1989), for instance, forward a "surge and decline" model in which the winner of the presidential election loses votes in midterm elections. Though little attention is given to this "mid-term punishment" effect in state elections, Ebeid and Rodden (2005) find strong evidence of this as well: even controlling for the state of the regional and national economy, co-partisans of the sitting president lose votes in mid-term elections. In fact, studies of

⁴ Tufte 1975: 824.

⁵ Alesina and Lowenthal (1989) and Jacobson (1991), for instance, have suggested that the apparent connection between the economy and midterm results is tangential rather than causal. Jacobson argues that the economy determines the quality of the challengers facing incumbents. Quality challengers avoid races in good economic times. Thus, the apparent direct link between the economy and results is more a function of the quality of the challengers involved rather than the economy itself.

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Germany (Lohmann, Brady, and Rivers 1997) and Canada (Gélineau and Bélanger forthcoming) have identified something similar.

One possible explanation for this aggregate result, associated with Alesina and Rosenthal (1995) is that a sufficiently large group of voters have strong preference for policy moderation, and will use their votes in strategic attempts to restrain the governing party. Perhaps a more convincing explanation is given by Calvert and Isaac (1981) and more recently by Mebane and Sekhon (2002), who suggest that the extent of apparent “punishment” or “balancing” varies with the divergence between the conditions associated with the on-term national election and the off-term election. A version of their argument is attractive in the context of federalism. In many federations, the median voter in each region has a different ideal point on key issue dimensions. Indeed, this is often the reason the country is organized as a federation rather than a unitary country in the first place. In practice, the median voter in Massachusetts favors larger government and more redistribution than the median voter in Kansas. One of the key functions of nationwide parties is that they provide information to voters about candidates’ platforms. In a state where the median voter is to the left or right of the national median, candidates for the regional chief executive on both sides of the political spectrum might converge on the regional median voter, thus breaking ranks with their party’s national platform (e.g. pro-choice New York Republicans, anti-abortion Kansas Democrats). Except in the states where the regional median is equivalent to the national median, the incumbent regional chief executive will always be slightly out of step with the national platform.

When the regional incumbent’s national co-partisans are in the opposition, this is not a problem. In the co-partisan scenario, however, voters are constantly bombarded with news media accounts of the party’s platforms, statements, and above all, its policies, which will inevitably be distasteful to large groups of voters in some regions. If national party labels have substantial information content, it will be difficult for co-partisan chief executives in regions that are far away from the national median to

completely rid themselves of the baggage associated with their national party label, and they will lose votes simply by association, regardless of the state of the economy.⁷

We expect that this type of punishment effect, then, will be most pronounced in countries with great inter-regional preference heterogeneity. In the future we will try to measure this with survey research, but our suspicion is that preference heterogeneity is especially pronounced in Canada. In future research it might also be valuable to test a hypothesis that flows from this argument: the punishment effect should be largest in states where a co-partisan governor of the right party has come to power in a region where the median voter is traditionally to the left of the national median (and vice versa).

Another question is whether this effect depends upon the amount of time that passes between federal and state elections. In the United States, some gubernatorial elections have been held simultaneously with presidential elections; others during off-years. German and Canadian regional elections are scattered throughout the year—some close to federal elections, some years away. If the hypothesis related to information cues about platforms is correct, the “punishment” effect should grow over time as voters learn more about the divergence between their preferences and those that they take to be the chief executive party’s.

In sum, our expectations about cross-national variation related to fiscal and political institutions do not all line up in the same direction, but they come reasonably close. We expect that if distinctive regional retrospective voting can be identified anywhere, it will be in Canada and especially the United States. In the other countries, we expect to see that the national economy affects the success of regional incumbents through their affiliation with the national chief executive. We expect that other things equal, most co-partisans of the federal government have a disadvantage because they cannot avoid a connection in the minds of voters with the policies and platforms of a national government that is playing to a national audience. But this disadvantage can be erased if the national economy is strong, since

⁷ It is especially hard for an incumbent to run from the national party label if she has national-level aspirations, which among regional chief executives in the countries under analysis (except Canada), is extremely common.

subnational incumbents also do not escape a share of the credit or blame for the national chief executive's management of the economy.

III. Empirical Analysis

We have collected provincial-level results of both federal and provincial elections along with changes in per capita national and regional GDP in six federations—Argentina, Australia, Canada, Germany, Mexico, and the United States—and we are in the process of organizing the data for several other cases (Brazil, India, Spain, Switzerland). The time coverage varies across the six cases. In the cases of Canada, Germany, Australia, and the United States we have electoral data dating back to World War II. For the Argentine case, we include all elections since the democratic transition in 1983. The Mexican results date to 1976. We have national GDP growth data since the 1960s, and provincial growth rates that vary by country. In Mexico and Australia the time series is too short to use. The best case is the United States, where we can go back to the 1930s. In Canada and Germany we can start in the late 1960s.

To assess the degree to which coattails and retrospective evaluations of the national and provincial economies shape regional electoral fortunes, we estimate a simple model of incumbent vote share. In presidential systems, we analyze the gubernatorial incumbent vote, while for parliamentary systems, the dependent variable is the vote share of the incumbent party in provincial parliamentary elections. The crucial independent variables are those measuring the performance of the national economy, the regional economy, and the strength of coattails. The annual change in per capita provincial and national product (weighted for the date of the election) measure provincial and national economic conditions. If voters view provincial elections primarily as a means to evaluate national trends, the national performance measure should be significant. If, on the other hand, voters attribute responsibility for national and provincial performance to their respective levels of government, provincial economic performance should be significant. Of course these are highly correlated (see Figure 1), which limits our ability to rely exclusively on models including both.

Furthermore, we expect that if the national economy shapes subnational elections, its impact flows through national party labels. Thus we interact the national growth rate with a dummy variable that is coded 1 when the sitting national chief executive at the time of the election has the same party label, 0 otherwise. If the midterm punishment phenomenon is at work, we expect that this variable has a negative impact on incumbent vote share. But if subnational incumbents receive some of the benefits (harm) from a strong (weak) economy, we expect that this punishment effect diminishes as the economy improves.

An important issue in crafting cross-nationally comparable models of retrospective voting is how to conceptualize the “normal vote,” so as to control for distinct features of regions that are relatively stable in their voting patterns. Some of the approaches taken in the American literature require a panoply of data that we do not have. Yet for our purposes, a simple, straightforward approach should suffice. We control for the lagged vote share of the incumbent party (in the last provincial election) and include fixed provincial effects.

Moreover, we are interested in including a variable that captures any underlying connection between federal and provincial elections that is NOT captured by co-partisanship, the state of the economy, or their interaction. To accomplish this, we include the provincial-level vote share for the incumbent’s party in the corresponding parliamentary or presidential election. It is not a simple matter to ascertain the “corresponding” election, especially in parliamentary systems where each province has its own electoral calendar. We define a corresponding federal election as one held within 12 months either before or after the provincial election. If this is true of more than one election (very rare—it only occurs in the cases of new elections after a short-lived minority government), we count the one that precedes the provincial election in question. If no federal election is held within the year before or immediately after the provincial election, the “corresponding” federal election is defined as the most recent preceding election (in practice, this is rarely more than two years prior).

We present three models for each country, each with its own table. First, we estimate a very simple model that includes only provincial economic data (for the four countries where this is possible),

the lagged provincial vote share, and the corresponding federal vote share. These results are presented in Table 1.

TABLE 1 HERE

Quite simply, we find no evidence of direct retrospective voting using provincial economic data. Of course we face a rather limited time series in all the cases but the United States, but only in Canada does the provincial economic growth variable have the appropriate sign, and in no case does it approach statistical significance. We have also experimented with the relative rather than absolute provincial growth rate, but again, we were unable to find a significant economic-electoral connection. Note, however, that in a separate paper, Ebeid and Rodden (2005) find there is a modest “relative” economic voting effect among the most industrialized states. In the future we will examine this economic geography hypothesis among our sample. Canada, where a handful of provinces are highly dependent on natural resources and agriculture, will be an interesting case.

TABLE 2 HERE

In Table 2, we include national economic data, the co-partisan dummy, and the interaction of the two. Here we are able to include Mexico, since we no longer face the constraint of lacking provincial growth data, but we should point out that during our period of analysis, the “co-partisanship” variable is almost always 1 because of the dominant role of the PRI. Rather than looking at coefficients, the best way to understand these results is by looking at Figure 1, which plots a range of national growth rates on the horizontal axis and predicted incumbent vote shares on the vertical axis, with separate plots for co-partisans and non-co-partisans.

FIGURE 2 HERE

The first thing to notice about these charts is that there are very few steeply sloping lines. That is, incumbents are not dramatically affected by the state of the national economy, regardless of their affiliation. (Note the scale on the vertical axis for Argentina, which creates the illusion of a steep upward-sloping line for incumbents who do not share the party affiliation of the president.).

The second thing to notice is that other things equal, incumbents sharing the party label of the national chief executive can always expect a significantly smaller share of the vote, except in Argentina. That is, the “midterm punishment” effect is large and widespread. And in all the cases, the gap between co-partisan and opposition incumbents narrows when economic growth is strong.

Canada and the United States appear to be the only cases where co-partisans of the federal chief executive get a boost from good national economic growth, though even in these countries, the relationship is not terribly impressive. In order to get a one percent boost in vote share, a provincial incumbent must hope for a rather hefty increase in the growth rate, e.g. from zero growth to almost two percent growth. In the United States, this requires almost a 3 percent increase.⁸ Naturally, in both of these cases, provincial premiers or governors belonging to the federal opposition party do worse as the economy improves, but their underlying advantage only disappears in the unusual case of runaway five percent growth.

In Germany, we are surprised to see that the slope is negative for both lines. Regardless of alignment, incumbents actually do worse as the economy improves. We find this result quite puzzling. However, as in the United States and Canada, the co-partisan punishment effect slips away during good times.

The Argentina graph is quite perverse—provincial incumbents who do not share the party affiliation of the president actually benefit from good economic performance. This result is similar to the finding of Remmer and Gélinau. In general, the president’s co-partisans do much better than the members of opposition parties—perhaps because of access to patronage and discretionary resources—but the opposition governors lose their disadvantage during good times.

We have also pursued a third set of models, but a detailed discussion is best left to a separate paper. We have interacted the number of months since the last federal election with the co-partisanship variable, in an effort to ascertain whether the “punishment” effect is larger closer or further from the

national elections. We argued that if the Calvert and Isaac (1983) theory related to information about platforms is correct, the “punishment” effect should get larger as more time goes by, and voters learn more about the distance between their ideal points and the policies of the national administration. In every country, we found that that this is clearly the case. In Germany and Canada, when elections take place only a couple months after the federal election, there is no punishment associated with being a co-partisan of the chief executive. In the United States, when an incumbent governor runs in a presidential election year and shares the party label of the incumbent president, he does no better or worse than non-co-partisans. By the two-year point—quite a common interval in Germany and Canada, and the only interval in the United States—the punishment has grown to over five percentage points in Germany, and almost 8 percentage points in Canada and the United States. Recall that there was no punishment effect in Argentina to begin with. When elected on the same day as an incumbent president, his co-partisans incumbents have a decisive advantage. But if running for reelection two years after his victory, the advantage whittles down to two percentage points.

In sum, the impacts of regional and national economic growth on incumbent vote share are not very impressive, and do not teach us very much about the cross-national differences in the links between national and subnational electoral politics that we have come to expect based on the different fiscal and institutional structures of these countries. Rather, we have found some rather striking similarities. Incumbents who share the party label of the sitting chief executive face a serious disadvantage in our three developed federations (the next draft will include at least Australia as well), and this disadvantage grows with the length of time that passes. While a very strong economy can make this gap disappear, perhaps the most interesting thing is the gap itself, which seems to go well beyond a “reversion to the mean” phenomenon. This gap is not likely the result of retrospective voting on the economy, but rather, has something to do with party platforms and voters’ preferences.

⁸ Here we get a modest result using national GDP growth data. Ebeid and Rodden (2005) used personal income growth, and with a different conceptualization of “normal vote” and a few different control variables, the lines become even flatter and the effect of the national economy is statistically indistinguishable from zero.

Yet our results are not without empirical insight into cross-country differences. Tables 1 and 2 provide a very useful measure of what we have referred to elsewhere as “electoral externalities.” If we think of “coattails” as a short-term phenomenon whereby the co-partisan of a popular national candidate experiences a brief surge purely because of the accident of their party label, it is useful to distinguish this from a longer-term, deeper sense in which national and subnational elections are intertwined regardless of who is running for office. Beyond the impact of stochastic shocks like scandals, booms, and busts, there are likely some underlying differences in the extent to which voters’ partisan “attachments” or “loyalties,” or alternatively the long-term value of a party’s national “brand name” drive a connection between vote shares of national and provincial parties within and between states. Given the institutional clues outlined above and a rich descriptive literature, we expect that in this deeper sense, the underlying links between federal and provincial elections will be strongest in Germany and Mexico, and weakest in the United States. Since we have controlled for the ebb and flow of the economy and the short-term effects of co-partisanship, the coefficient on the vote share of the incumbent’s party in the corresponding federal election in Table 2 provides just such an interpretation.

In comparing Tables 1 and 2, one can see that these coefficients move around somewhat depending on which variables are included, but we have experimented with a wide variety of models, and the basic rank-ordering is always the same. Furthermore, the coefficients look very similar if we drop the fixed effects and allow cross-provincial variation to affect the results.⁹ Furthermore, we have broken this down by party, regardless of incumbency, in another paper, and have obtained a very similar rank-ordering.

Of our cases, we expected to find that Mexico shows evidence of the strongest underlying links between federal and provincial elections, followed closely by Germany and Australia. This is clearly the case (Australia will be included in the next draft). No matter how we estimate the models, the range of coefficients obtained for these three cases is larger than the entire range of coefficients that we obtain for

⁹ The only real difference is that the Argentina coefficient is slightly larger (.33) and become significant, and the Mexico coefficient drops to around .5.

Argentina, Canada, and the United States. In no cases do we obtain coefficients below .4 for the first group of cases, and we never obtain coefficients above .35 for the second group. The countries with the most centralized or intertwined fiscal and political systems—Mexico and Germany—are those with the most integrated national and provincial elections.

The coefficients are less than half as large in Argentina, Canada, and the United States. In fact, the United States appears to be in a class by itself, where the coefficient is never larger than .13, and in some models does not attain statistical significance.¹⁰ Though in the short term, we have seen that affiliation with the president's party and the state of the national economy can have some impact on gubernatorial elections, in a deeper sense the underlying forces shaping federal and state elections seem to be profoundly distinct in the United States in contrast with countries like Germany. Though the range of coefficients obtained for Canada is slightly larger, again here the data are in accordance with the common perception in the descriptive literature that the worlds of federal and provincial politics are distinct, and that relations between Ottawa and the provinces resembles that between sovereign nations.

IV. Conclusion

The main goal of this paper was to characterize the nature of economic retrospective voting in multi-tiered systems through a meta-analysis of six federations that allows us to gain leverage through cross-national institutional differences. This question was motivated in large part by concerns about accountability in decentralized, multi-tiered systems. A secondary goal was to ascertain whether differences in the nature of economic voting explain much of the cross-national variation in the links between federal and provincial elections that figure so prominently in the descriptive literature.

First, we find no evidence of distinct regional economic voting. Indeed, in some countries our degrees of freedom are low and there are some stones left unturned in this analysis, like the possibility of

¹⁰ Note that we have dropped non-competitive Southern elections during the days of one-party dominance. When we include these, the coefficient will likely increase slightly.

cross-regional differences within countries owing to factors like economic geography, but on the whole, in no country do we observe a simple connection between the regional economy and the incumbent's vote share.

To the extent that the economy shapes the vote shares of incumbents, the impact runs through the partisanship of the national executive. There is evidence that U.S. governors and Canadian provincial premiers who share the partisan affiliation of the president or prime minister can do slightly better than otherwise when the economy is doing very well, but this only serves to help chip away at a larger, more striking disadvantage they face merely because of their party label. In Argentina, it appears that only opposition governors get any of the credit for good economic performance.

None of these results bode well for simple, dual-federalism conceptions of distinct provincial accountability. When crafting political economy theories about subnational elections, it may be naïve to think of them as distinct reflections on the economic performance of the regional incumbent. Perhaps it is the case, as suggested by Peltzman (1987), that this is as it should be, because state or provincial officials, even in a highly decentralized country like the United States, have no real impact on the state economy. Yet the content of reelection campaigns of state and provincial officials around the world is heavily flavored with promises and credit-claiming related to economic performance and job creation, which should at least encourage us to question the notion of economic accountability at the regional level.

Yet we must stop well short of the conclusion that regional governments are unaccountable despots relative to national officials. It is entirely possible that they are held accountable for something other than the regional growth rates. Provinces populated with environmentalists and big-government enthusiasts might reward environmental protection and high quality public services, while provinces populated with conservatives might reward small government.

By focusing merely on economic voting, one cannot explain very much about the success of subnational incumbents, or about cross-national differences in the links between federal and provincial elections. The most striking short-term result in this paper is the prevalence of the “midterm punishment” phenomenon, which is not an artifact of retrospective voting. This effect most likely cannot be explained

without a story about voters' preferences and candidates' platforms, especially as conveyed through the informational content of their national party label.

Our empirical analysis did uncover large differences in the links between federal and provincial elections around the world, and these cannot be attributed to differences in the nature of economic voting. Controlling for short-term shocks, there are much tighter links between federal and provincial elections in the fiscally and politically centralized systems of Mexico and Germany than in Argentina, Canada, and especially the United States. These differences are roughly correlated with obvious differences in political and fiscal institutions, but the next step is to craft a convincing causal argument. Do institutions shape these underlying electoral externalities in a straightforward way? For example, if we add a German-style upper chamber to the Canadian federation, should we expect the "electoral externalities" coefficient to jump from .2 to .6? Or are some of the institutions themselves, along with provincial-federal electoral links, driven by the economic and ethnic geography of each country?

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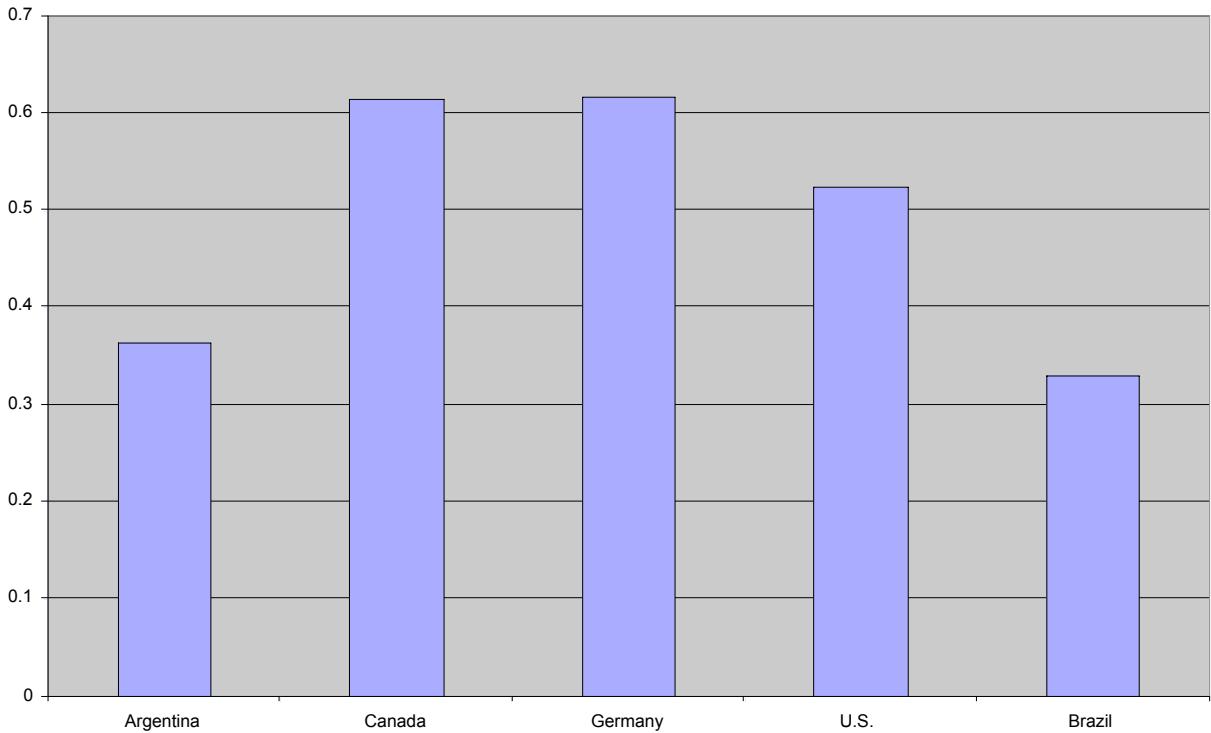
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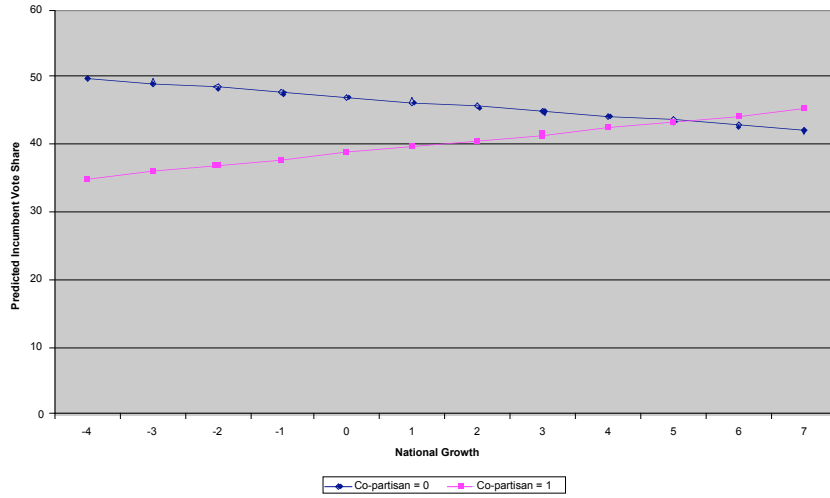
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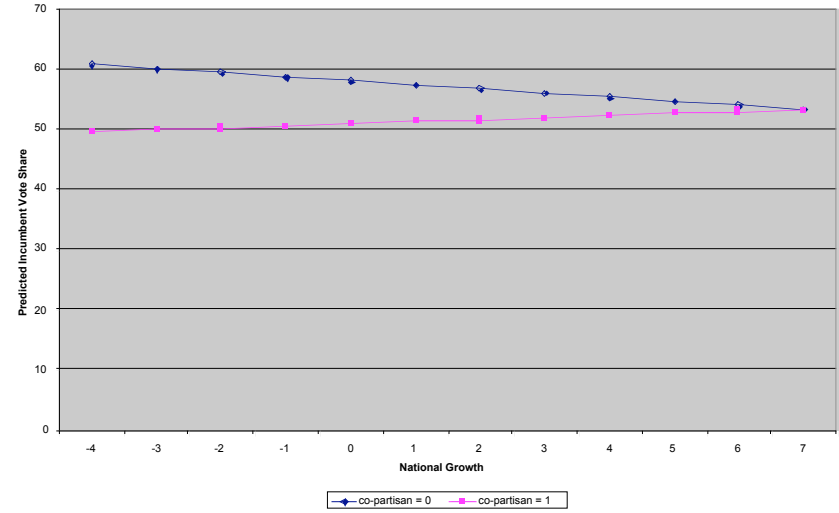
Figure 1: Correlation Between National and Regional Business Cycles



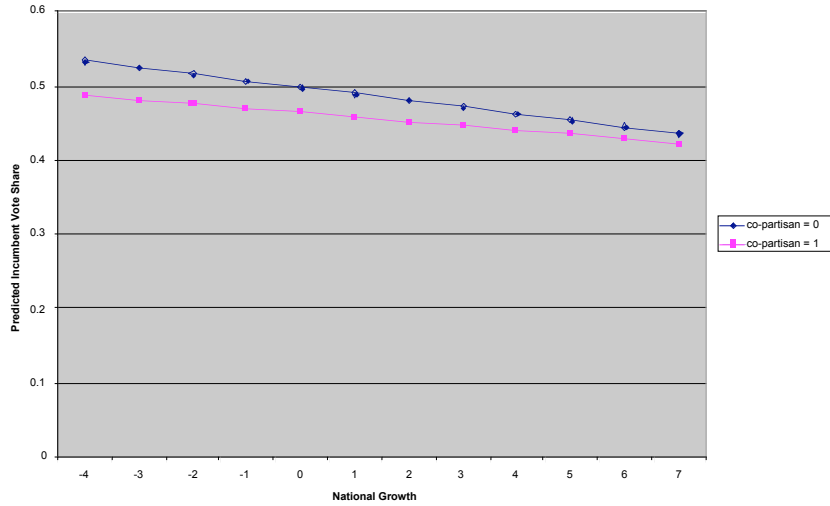
Canada: The Effect of National Growth on Incumbent Vote Share Conditional on Co-partisanship



U.S.: Effect of National Growth on Incumbent Vote Conditional on Copartisanship



Germany: Effect of National Growth on Incumbent Vote Share Conditional on Co-partisanship



Argentina: Effect of National Growth on Incumbent Vote Share Conditional on Co-partisanship

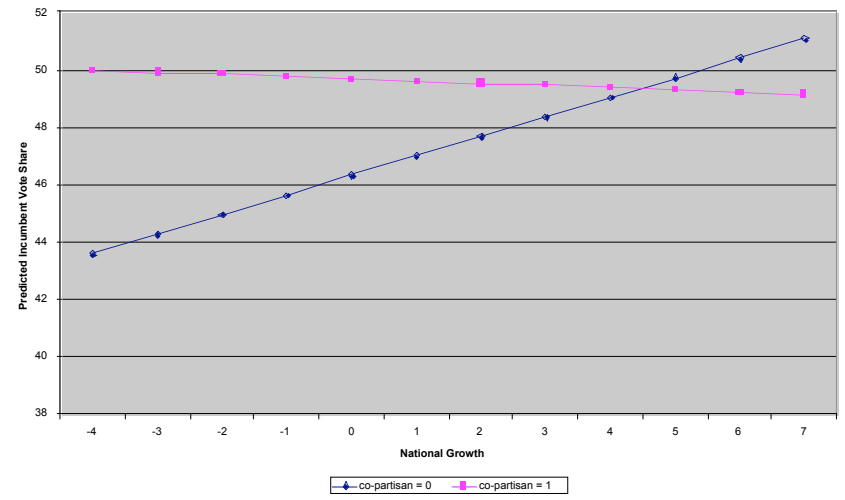


Table 1: Provincial economic growth and incumbent vote share

	Canada		USA		Germany		Argentina	
Lag incumbent vote share	-0.003	0.21	0.26	0.04 ***	0.41	0.12 ***	-0.13	0.16
Vote share of federal co-partisan Provincial growth rate	0.24	0.08 ***	0.02	0.04	0.35	0.14 ***	0.25	0.13 **
Constant	34.83	9.25	38.12	3.05	0.11	0.07	44.68	10.33
r square	0.30		0.30		0.53		0.09	
Observations	73		711		75		83	
Provinces	10		47		10		23	

Table 2, National Economic Growth, Co-Partisanship, and Incumbent Vote Share

	Canada		USA		Germany		Argentina		Mexico	
Lag incumbent vote share	-0.06	0.20	0.22	0.05 ***	0.35	0.12 ***	-0.27	0.17	0.34	0.20 *
Vote share of federal co-partisan	0.27	0.09 ***	0.12	0.04 ***	0.60	0.14 ***	0.20	0.13	0.76	0.14 ***
National growth rate	-0.11	0.51	-0.64	0.18 ***	-0.004	0.004	0.03	0.55	0.19	1.23
Co-partisan dummy	-6.95	3.18 **	-7.08	0.94 ***	-0.04	0.02 **	6.31	2.76 **	-14.18	7.38 **
National growth rate X Co-partisan dummy	1.07	0.93	1.01	0.25 ***	0.004	0.01	-0.64	0.66	-0.80	1.34
Constant	38.81	8.71	39.25	3.28	0.038	0.07	49.94	10.89	-3.53	10.74
r square	0.22		0.12		0.63		0.15		0.66	
Observations	79		624		69		85		89	
Provinces	10		47		10		23		31	