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Economic Outcomes and Political Support for British Governments among Occupational Classes: A Dynamic Analysis

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The first section of the article establishes the political salience of macroeconomic issues to the British electorate, reviews the distributional consequences of macroeconomic outcomes, and suggests that unemployment outcomes in particular have strong class-related distributional effects.

The second part presents a dynamic model of how rational voters evaluate the governing party, based on the idea that voters evaluate the cumulative performance of the governing party relative to the prior performance of the current opposition. Since the present relevance of prior outcomes decays over time, voters weight current performance more heavily than past performance in forming contemporaneous political judgments.

The empirical analyses in the third section include measures of nominal economic performance (inflation and exchange rate movements) and real economic performance (unemployment and real income fluctuations). The regression results indicate that the responses of political support among the occupational classes to macroeconomic changes are sizeable, and that the cross-class variations are consistent with the distributional consequences reviewed at the beginning of the article.

The concluding section develops the electoral implications of the empirical results and presents a novel interpretation of trends in class-related political support for the parties. The evidence shows that the argument that there has been a persistent decline of class-based political alignments in Britain is erroneous.

In March 1968, Prime Minister Harold Wilson reportedly declared to the Parliamentary Labour Party: "All political history shows that the standing of a Government and its ability to hold the confidence of the electorate at a General election depend on the success of its economic policy. . . ." Although perhaps overstated, former Prime Minister Wilson's declaration is consistent with the conclusions of several time-series studies of the impact of macroeconomic performance on aggregate mass political support for governing British parties.¹

The conclusions of the earlier, aggregate time-series studies come as no surprise in view of macroeconomic developments since the mid-1960s, which made economic issues much more salient to the British electorate. The Gallup poll data in Figure 1, for example, show that the economy has loomed large among the concerns of the British public for fifteen years. Indeed, during the 1970s on average two-thirds of the public designated one or more economic issues as "the most urgent problem facing the country. . . ."

For aggregate analyses of political behavior to be consistent with an underlying micromodel of individuals making discrete political choices, it must be assumed that voters respond more or less homogeneously to macroeconomic (and non-economic) outcomes. However, voters' responses to economic conditions (as well as to other salient social and political issues) are likely to vary considerably because of differences in the objective, concrete interests at stake, and perhaps also because group loyalties and contextual influences affect voters' perceptions and interpretations of politically relevant information. In particular, movements in the macroeconomy are not likely to have the same effect on the government's political support among different electoral groups because the burdens and rewards associated with economic fluctuations are distributed unevenly within the electorate.

We know, for example, that unemployment is

¹Reported by David Watt in the Financial Times, March 8, 1968.
²See Alt (1979), ch. 6; Frey and Schneider (1978); Hibbs and Vasilatos (1981); Kernell (1980); and Pissarides (1980).
heavily concentrated among manual-grade workers in the British electorate. Data from both the General Household Survey (GHS) of 1971 and the Department of Employment’s (DOE) survey of the registered unemployed in 1973 show that the incidence of unemployment among skilled and supervisory manual (blue-collar) workers was nearly twice that among nonmanual employees, and the unemployment rates experienced by unskilled and semi-skilled workers ranged from three to four times the rate prevailing among nonmanual (white-collar) employees. Although transfer payments provide a significant cushion against income losses from unemployment, the experience imposes real economic pain on those affected. The DOE data indicate that only a small fraction of the unemployed received benefits exceeding their likely wage in employment. The GHS data show that the shortfall of unemployment-related benefits to previous employment earnings ranged from 22 to 78 percent, with the median shortfall in the range of 32 to 37 percent. These data are consistent with Nickell’s more sophisticated analysis of the ratio of actual post-tax income to potential post-tax income for households in which the male was out of work (Nickell and Metcalf 1977). Nickell found that, after taking account of all benefits and tax refunds, the average shortfall of household income was 28 percent for a 1972 sample of the unemployed.

The alleged disincentives toward job seeking provided by earnings-related supplementary unemployment benefits notwithstanding, it is not surprising that in the GHS survey, 71 percent of all respondents seeking work considered unemployment a “very bad” or “quite bad” experience; the most important reasons were economic hardship (“lack of money”) or psychological dis-

Figure 1. Aggregate Responses to the Question “What Is the Most Urgent (Most Important) Problem Facing the Country Today?”

Source: Gallup Political Index, Gallup Poll Limited (monthly, various issues). Question wording varies.

3I have computed the unemployment ratios from the data in Daniel (1974) PEP BROADSHEET No. 546, table II 5, p. 11. The relative unemployment incidence among occupational groups in Britain is quite similar to the situation in the United States (see Hibbs, 1982b).


5See, for example, the discussion in Feldstein (1973), and the analysis of Mackay and Reid (1972).
tress ("depression" and "boredom") or both. Given the social incidence and economic impact of joblessness, it follows that rising unemployment accentuates inequality.

The shortcomings of the available data make it more difficult to draw firm conclusions about the impact of inflation on the economic well-being of various groups in Britain. It is clear from data on the cyclical behavior of factor shares (that is, shares of national income going to labor versus capital over the business cycle), that the wage and salary share of national income is not eroded by inflation. Indeed, gross corporate profits appear to suffer relative declines during periods of rising prices (Hibbs 1975). Similarly, investment yields have generally not kept pace with inflation, thereby disadvantaging the rich and others dependent on unearned income in Britain (Piachaud 1978). Piachaud’s data also indicate that the heaviest burden of inflation-induced increases in direct taxation rates, which until 1978 were not formally indexed and are based on progressive nominal schedules, has fallen on upper (and to a lesser degree lower) income groups.

Studies of wage formation in the manufacturing sector (for example, Sachs 1979 and Hibbs 1977) show that, contrary to the situation in the United States, bursts of inflation have not in general affected adversely the real wage of British manufacturing workers. The power of British trade unions and other institutional arrangements in the labor market has effectively insulated the real wage from inflation shocks. Apparently inflation also has not been painful for state pensioners, that is, for the lower-income aged. Since 1975 national retirement pensions in Britain have been formally indexed, and data for prior years indicate that over the entire postwar period, the real value of pensions was maintained, or actually increased, during years of high inflation (Piachaud 1978). On the other hand, studies by Muellbauer (1974) and others suggest that once differences in expenditure patterns are taken into account, the price-level increases experienced since the 1950s by lower-income groups as a whole typically were greater than those experienced by higher income groups.

As I noted earlier, although it is difficult to reach unambiguous conclusions about the singular impact of inflation on social groups, considered jointly, the evidence on the incidence and distributional consequences of inflation and unemployment implies strongly that lower status groups are likely to exhibit greater aversion to unemployment and less concern about inflation than higher status groups. The survey data reported in Figure 2 on sensitivity to unemployment among occupational groups (social grades) provide some evidence favoring this expectation, although, of course, only the May 1975 survey question pertains to concern about unemployment relative to inflation.7

Notice that in the surveys skilled workers typically express somewhat greater concern about unemployment than the social grade that includes semi-skilled and unskilled workers. Even though the evidence reviewed earlier shows that semiskilled and unskilled workers experience considerably higher unemployment rates than all other occupational groups, the lowest social-grade category in the published survey reports also includes widows and state pensioners who are outside the labor force and therefore presumably not affected directly by unemployment.

The electorate’s preferences and their objective economic interests in macroeconomic issues and outcomes appear to be class-related. Nonetheless, most earlier time-series studies of economic influences on political support have been based solely on aggregate survey data. (See note 2.) Therefore, in order to investigate the sources and magnitudes of differences in group responses to economic events within the framework of a dynamic model of a government’s political support, time-series analyses were undertaken in which the relative importance (regression weights) attached to the economic performance variables are allowed to vary across occupational classes. Occupation of the household’s primary wage earner was selected as the dimension of disaggregation because of its relevance to the distributional issues reviewed earlier and, more important, because even though class voting is believed by many specialists to have declined somewhat in Britain, occupational position remains the preeminent source of persistent partisan voting cleavages (Franklin and Mughan 1978).

The second section of this paper describes a theory of how people make qualitative political choices, which formalizes the idea that survey responses concerning voters’ party preferences are discrete reflections of underlying, continuously valued sentiments that range from strongly positive to strongly negative. The two most important substantive features of the theoretical

6 See Daniel (1974), tables V1, p. 43 and V2, p. 44. For comparable data on the United States, see Schlozman and Verba (1979).

7 Unfortunately the opinion polls chronically confuse the “cost of living” with “rising prices,” that is, the price level and standards of living with the inflation rate. Therefore, data from many surveys cannot be used to assess the public’s relative concern about inflation.
Questions and Sources: Oct. 1964: “Which issue will be particularly important to you at the coming General Election?” (National Opinion Poll Bulletin, January 1965).
May 1975: “Do you prefer the government to control rising prices or prevent unemployment?” (Opinion Research Centre, The State of Britain, May 1975).
(Question wordings are approximate.)

Figure 2. Sensitivity to Unemployment among Occupational-Class Groups in Selected Surveys
model are: (1) voters evaluate the cumulative performance of the governing party in relation to the prior performance of the current opposition, and (2) the weights that voters place on current and past economic outcomes decline geometrically, so that current performance contributes more heavily than past performance to the formation of contemporaneous political judgments. This view contrasts with previous studies embodying the unrealistic assumption that only current performance, evaluated absolutely, affects mass support for governments.

The third section of the study presents the empirical results. The political-support equations include measures of nominal economic performance (inflation and exchange rate movements) and real economic performance (unemployment and real income fluctuations). The regression analyses indicate that variations in the relative sensitivity of occupational classes to macroeconomic configurations are sizeable and are broadly consistent with patterns in survey preferences and objective costs reviewed earlier.

The concluding section develops the electoral implications of the results of the estimation by computing the changes in support for the governing party to be expected from reasonable movements in the macroeconomic performance variables. This section also develops a novel interpretation of trends in class-based political support for the parties, which suggests that the argument that there has been a persistent pattern of class realignment in the 1960s and 1970s is erroneous.

**The Political Support Model**

The theoretical model of mass political support enjoyed by the principal governing party is represented by

\[
Y_{jt} = \sum a_{qjt} + bj \cdot D_t \approx g^k Z_{t-k} D_{t-k} + u_{jt}
\]

(1)

where

- \(Y_{jt}\) is a latent, continuously valued index of support for the incumbent party in group \(j\) at time \(t\);
- \(a_{qjt}\) are government-specific constants;
- \(Z\) denotes a vector of performance variables (specified ahead) with associated coefficients \(b\);
- \(g\) is the rate of decay of the lag weights, \(0 < g < 1\);
- \(D_t = +1\) if Labour is in power at time \(t\),
- \(-1\) if the Conservatives are in power at time \(t\),
- and \(j\) and \(q\) are group and government indices, respectively.

Political opinion surveys typically force people to make discrete, qualitative responses. In the present case, the survey measure of popular support for the principal governing party (Labour or the Conservatives) is based on the Gallup Poll question for Great Britain “If there were a General Election tomorrow, how would you vote?” In principle, however, support for the governing party is not a strictly discrete phenomenon but a matter of degree, and therefore it is more accurately viewed as falling on an underlying continuum ranging from strongly positive to strongly negative. As Appendix 1 shows, a reasonable approximation to such a continuously valued support index \((Y_{jt}^*)\) is the natural logarithm of the proportion of the \(j\)th group of the survey sample at each time period expressing support for the governing party \((P'_{jt})\) divided by one minus this proportion \((1-P_{jt}^*)\). That is, \(\ln(P'_{jt}/(1-P_{jt}^*))\), \(P_{jt}^*/1-P_{jt}^*\) gives the support odds ratio, and the natural logarithm of this odds ratio, known as the logit, ranges from \(-\infty\) to \(+\infty\). The logits constitute the continuously valued support index used in the regression analyses discussed in the next section.

Several features of the political support model in equation (1) should be understood. First, the governing party’s political support depends on its cumulative performance record with respect to the variables \(Z\). However, since the present relevance of the information conveyed by past performance decays over time, the weights given to past performance outcomes \((Z_{t-k})\) in the model decline at rate \(g^k\), where \(g\) is a decay-rate parameter lying between zero and one. \(Z_{t-k}\) is a vector of economic performance outcomes experienced \(k\) periods ago \((k = 0,1,2,3, \ldots )\) and therefore current and past experiences with respect to \(Z\) are weighted \(g^k Z_t = Z_{t-p} g^{Z_{t-1}}, g^2 Z_{t-2}, g^3 Z_{t-3}, \ldots \). Of course the electorate need not discount past performance outcomes in exactly this way. As long as voters weight recent performance outcomes more heavily than prior outcomes when making current political evaluations, the geometric weight sequence \(g^k\) will yield a good approximation of the actual behavioral process.

Moreover, this feature of the model can be tested. If, on average, voters in a particular group discount past performance completely and consider only the current situation when evaluating the government, then the estimate of \(g\) will approximate zero. Small, nonzero values of \(g\) mean that voters discount the past record heavily but not completely. Large values of \(g\) (approaching 1.0) imply that past-performance outcomes play an important role in explaining a government’s current political support. Clearly then, \(g\) is an interesting parameter from a political point of view; it summarizes how much the past performance
record contributes to current support for the governing party and it defines in the way described below whether, typically, the government’s economic record is judged absolutely or relatively.

The second feature of the model that should be described is the way in which support for the governing party depends on that party’s relative performance record. The product of the binary, switching terms $D_i D_{-i}$ in equation (1) insures that $Y^*$ is generated by the difference between the cumulative, discounted performance of the governing party with respect to $Z$ and the cumulative, discounted performance record of the current opposition party during the preceding periods when it controlled the government. For example, if we have a sequence of observations in which, the Conservatives became the principal governing party in the most recent period and Labour was the principal governing party for all previous periods, then equation (1) implies that political support ($Y^*_{jt}$) will depend on

$$Y^*_{jt} = a_{ij} + b_j(Z_i - g Z_{i-1} - g^2 Z_{i-2}$$

$$- g^3 Z_{i-3} - g^4 Z_{i-4} - \ldots).$$

Equation (2) shows explicitly the way in which political support depends on cumulated, discounted relative performance. First, the worse (better) the performance of the prior government, the higher (lower) will be the initial support of the new government. For example, suppose that $Z$ includes only the rate of unemployment, which has been constant at 10 percent under both the old and new governments, and that the coefficient $b_j = -0.02$. If $g = 0.8$ and $a_{ij} = 0$, then equation (2) implies that $Y^*_{jt}$ will equal +0.60, which in terms of percentage points in the polls corresponds to 65 percent support.\(^8\) By contrast, had the new Conservative government inherited a 5 percent unemployment record from the preceding Labour governments, its initial support would have been lower—on the order of $Y^*_{jt} = +0.30$, which corresponds to a 57 percent poll rating. A new government’s support, then, is proportional to the (mal)performance of prior opposition-party governments. In other words, governments following “bad acts” by the opposition are likely to enjoy greater initial support than governments following “good acts.”

Depending on the rate at which voters discount prior performance, that is, on voters’ effective political memory represented by the decay parameter $g$, the new government’s support, however, will eventually depend entirely on its own performance record. For example, if the new Conservative government inheriting a 10-percent unemployment rate from Labour remains in office and does nothing to change matters, its support will ultimately decline from $Y^*_{jt} = +0.60$ (65%) to

$$Y^*_{jt} = -0.02 \left( \sum_k 0.8^k \right) 10$$

$$= -1.0,$$

which implies a poll rating of 27 percent.\(^9\)

Of course if the current government’s performance is more favorable than that of earlier opposition-party governments, this trend will be reversed. Conversely, the trend of declining support will be accelerated if the government’s performance is less favorable than the situation inherited from the opposition. Support will eventually converge to the equilibrium level implied by any sustained performance record. The important point is that the model of equation (1) provides an explicit theory for the tendency of a government’s political support to decline from early honeymoon levels, which in earlier time-series analyses of government support (including some work of my own) had been picked up via ad hoc dummy variables and time-trend terms.\(^10\)

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8 For $Z$ held at some constant value $Z^*$ and for $0 < g < 1$, the partial sum through lag $k$ of the infinite series

$$b \sum_{k=0}^{\infty} g^k Z^* = b Z(1-g^{k+1})/(1-g).$$

The partial sum from lag $k$ is $b Z^* g^{k+1}/(1-g)$. Hence, the $Y^*$ value corresponding to equation (2) for the example discussed in the text is

$$+0.6 = -0.02 \cdot 10[(1-0.8)/(1-0.8) - 0.8/(1-0.8)].$$

Since $Y^*$ is the logit $ln[P^*/(1-P^*)]$, the corresponding proportion (percentage support in the polls is $(exp Y^*)/(1 + exp Y^*)$, that is 0.65 = $(exp 0.6)/(1 + exp 0.6)$; or 65 percent.

9 The infinite sum of the geometric series

$$b \sum_{k=0}^{\infty} g^k Z^* = b Z^*/(1-g),$$

which for $b = -0.2$ and $g = 0.8$ yields $-1.0$. This implies the poll rating (as indicated in note 8) 0.27 = $(exp -1.0)/(1 - exp -1.0)$, or 27 percent.

10 See, for example, Kernell (1980), who uses “early term” trend variables or Frey and Schneider (1978) and Hibbs and Vaslilatos (1981), who use time-trend, time-cycle terms in their respective models. The model developed in equations (1) and (2) and discussed in the text represents an extension of the evaluation models presented in the aggregate analysis of Hibbs and Vaslilatos (1981). But the present formulation is superior because, for the reasons
**Empirical Results**

As equations (1) and (2) indicate, the political support model is nonlinear by virtue of the distributed lag, decay-rate parameter $g$, and so the regression analyses were undertaken by searching the parameter space with a 0.01 grid and choosing the value of $g$: minimizing chi square or the sum of squared residuals. All regressions are based on quarterly observations over the period 1962:3 to 1978:4.

For the reasons reviewed earlier and given in Appendix 1, the dependent variable in the regressions is the logit $\ln(P'_{jt}/(1-P'_{jt}))$, where $P'_{jt}$ is the proportion of the $j$th group in quarter $t$ supporting the principal incumbent party (Labour or the Conservatives) in the Gallup polls. The economic performance variables ($Z$) include two unemployment measures; the level of the unemployment rate ($U$) and the annualized percentage rate of change of the unemployment rate ($\ln(U_t/U_{t-1}) \times 400$. The latter variable appears in order to test the argument that political support is affected less by the unemployment level, even when it is high, than by movements into and out of recessions which generate widespread feelings of anxiety or reassurance in the electorate. The regression experiments also included the rate of inflation of consumer prices ($P$) and the rate of acceleration of prices $(P_t - P_{t-1})$. Since a good prediction of this quarter’s inflation rate can be made from the inflation rate one quarter ago, the price acceleration term $(P_t - P_{t-1})$ is a simple measure of inflationary surprises, which economic theory suggests are the principal cause of arbitrary inflation-induced income and wealth redistributions. The growth rate of per-capita real personal disposable income ($R$) also appears in the equations. Real personal disposable income measures the income available to households for saving and consumption after direct taxes and income transfers and, of course, net of consumer price rises. Finally, since both Labour and Conservative governments have attached great importance to defending the international role of sterling, with the result that the external strength of the pound has received great attention in the press, the equations include a term for changes in the exchange rate $(EXR_t - EXR_{t-1})$. The performance of the pound relative to the dollar is the quantity watched and reported most closely, and therefore $EXR_t - EXR_{t-1}$ is the change in the dollars-per-pound rate of exchange.

Table 1 reports the estimation results. As the correlations at the bottom of the table show, the equations obviously generate fitted values that track closely the actual proportions ($P'_{jt}$) in the survey time-series. There is considerable variation across occupational classes in the coefficients, and the differences are consistent with earlier discussion of the incidence and distributional impact of macroeconomic performance.

**Government Specific Intercepts: A Decline in Class-based Political Support?**

Consider first the government-specific intercept constants in Table 1. These $a_{ij}$ parameters represent sources of variation in political support to the advantage of Labour or the Conservatives among the occupational classes which are not observed directly and which are unrelated to interparty comparisons of the measured economic perfor-

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11 The appropriate goodness-of-fit test for the logit model specification is the chi-square statistic obtained from differences between the observed relative frequencies and the fitted probabilities. The smaller the chi-square statistic, the better the fit of the model. In the present case, chi square is simply the sum of squared residuals from the weighted least-squares model.

12 Over the period 1962:3 to 1979:4, the best least-squares equation for predicting the current consumer (retail) price inflation rate from the inflation rate one quarter ago is:

$$P_t = 1.24 + 0.85 P_{t-1}$$

$$(0.66) (0.07)$$

$$R^2 = 0.72, SER = 3.3, DW = 1.7$$

where: $P_t = \ln(RPI_t/RPI_{t-1}) \times 400$, and $RPI$ is the retail price index.

13 The inflation and the real-income growth rate variables were adjusted downward and upward, respectively, by the magnitude of the unfavorable shifts in relative prices following the OPEC supply shock of 1973:4 to 1976:4. The idea, tested and described more fully in Hibbs (1982a), is that domestic officials are not held responsible for painful macroeconomic shocks beyond their control.

14 See, for example, Brittain (1969), Strange (1971), and especially Blank (1977). Perhaps the most dramatic illustration of this point is the resistance of Wilson’s first Labour government to devaluation of the pound, which ultimately came in late 1967. Before the demise of pegged exchange rates in 1971, this was the only sizeable postwar movement of the dollars-per-pound rate of exchange.
mance variables. Not surprisingly, the differences across occupational classes in the intercept coefficients are sizeable, which indicates that fundamental class allegiances to the principal governing parties in Britain are largely unexplained by recent trends in macroeconomic performance. In other words, net of the group variations in responses to economic outcomes, the intercept estimates show that nonmanual, middle-class voters are far more supportive of Conservative governments than Labour governments, whereas manual, working-class voters, particularly those who are semi-skilled and unskilled, are far more supportive of Labour governments.

It is hardly news to students of British electoral politics that class-related political loyalties exhibit considerable inertia, and are based on long-standing political judgments unrelated to the comparatively recent economic performance of the governing parties. What perhaps is surprising, however, is that the government-specific intercept constants in Table I do not register any long-term erosion of class political alignments.

Table 2 shows interoccupational differences in the intercept parameters for each government in the regression range (Macmillan-Home through Callaghan). Since the \( a_{ij} \) constants represent class-based support for the various governments which is unrelated to and unexplained by Labour and Conservative economic performance, the absolute values of the cross-occupational intercept differences should decline systematically from one

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Table 1. Economic Influences on Political Support among Occupational Groups, 1962:3-1978:4. by Weighted Least-squares Estimates \((T = 65)\)

<table>
<thead>
<tr>
<th></th>
<th>Nonmanual employees, Social Grades ABC1</th>
<th>Skilled workers, Social grade C2</th>
<th>Semi- and unskilled workers, state pensioners, and widows, Social Grades DE</th>
<th>Support proportion (mean)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average sample fraction</strong></td>
<td>0.38</td>
<td>0.32</td>
<td>0.30</td>
<td></td>
</tr>
<tr>
<td><strong>Constant Terms ((a_{ij}))</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Macmillan-Home</td>
<td>(-0.13)</td>
<td>(-1.03)</td>
<td>(-1.43)</td>
<td>0.32</td>
</tr>
<tr>
<td></td>
<td>((0.025)^a)</td>
<td>((0.035))</td>
<td>((0.04))</td>
<td></td>
</tr>
<tr>
<td>Wilson I</td>
<td>(-1.10)</td>
<td>(-0.11)</td>
<td>0.078</td>
<td>0.37</td>
</tr>
<tr>
<td></td>
<td>((0.019))</td>
<td>((0.019))</td>
<td>((0.019))</td>
<td></td>
</tr>
<tr>
<td>Heath</td>
<td>0.12</td>
<td>(-0.83)</td>
<td>(-1.10)</td>
<td>0.35</td>
</tr>
<tr>
<td></td>
<td>((0.015))</td>
<td>((0.017))</td>
<td>((0.017))</td>
<td></td>
</tr>
<tr>
<td>Wilson II</td>
<td>(-0.92)</td>
<td>0.15</td>
<td>0.36</td>
<td>0.38</td>
</tr>
<tr>
<td></td>
<td>((0.043))</td>
<td>((0.042))</td>
<td>((0.045))</td>
<td></td>
</tr>
<tr>
<td>Callaghan</td>
<td>(-0.73)</td>
<td>0.39</td>
<td>0.56</td>
<td>0.36</td>
</tr>
<tr>
<td></td>
<td>((0.048))</td>
<td>((0.044))</td>
<td>((0.048))</td>
<td></td>
</tr>
<tr>
<td><strong>Lag weight rate of decay ((g))</strong></td>
<td>0.88</td>
<td>0.85</td>
<td>0.38</td>
<td></td>
</tr>
<tr>
<td><strong>Economic Terms ((Z))</strong></td>
<td></td>
<td></td>
<td></td>
<td>Variables (mean)</td>
</tr>
<tr>
<td>Unemployment rate ((U))</td>
<td>(-0.0095)</td>
<td>(-0.023)</td>
<td>(-0.016)</td>
<td>3.19</td>
</tr>
<tr>
<td></td>
<td>((0.0015))</td>
<td>((0.0015))</td>
<td>((0.0014))</td>
<td></td>
</tr>
<tr>
<td>Change in unemployment rate (\ln(U_t/U_{t-1}) \times 400)</td>
<td>0.00016</td>
<td>0.00022</td>
<td>(-0.00061)</td>
<td>6.63</td>
</tr>
<tr>
<td></td>
<td>((0.00014))</td>
<td>((0.00016))</td>
<td>((0.00016))</td>
<td></td>
</tr>
<tr>
<td>Per-capita real income growth rate ((R))</td>
<td>0.0032</td>
<td>0.0085</td>
<td>0.0055</td>
<td>2.64</td>
</tr>
<tr>
<td></td>
<td>((0.00094))</td>
<td>((0.0009))</td>
<td>((0.0009))</td>
<td></td>
</tr>
<tr>
<td>Change in inflation rate ((P_t - P_{t-1}))</td>
<td>(-0.016)</td>
<td>(-0.017)</td>
<td>(-0.017)</td>
<td>0.02</td>
</tr>
<tr>
<td></td>
<td>((0.0051))</td>
<td>((0.0006))</td>
<td>((0.0019))</td>
<td></td>
</tr>
<tr>
<td>Change in exchange rate ((EXR_t - EXR_{t-1}))</td>
<td>0.59</td>
<td>0.71</td>
<td>0.63</td>
<td>(-0.03)</td>
</tr>
<tr>
<td></td>
<td>((0.060))</td>
<td>((0.060))</td>
<td>((0.062))</td>
<td></td>
</tr>
<tr>
<td><strong>Fit: (x^{2}/df)</strong></td>
<td>7.04</td>
<td>8.24</td>
<td>7.41</td>
<td></td>
</tr>
<tr>
<td><strong>Correlation of actual and fitted proportions</strong></td>
<td>0.98</td>
<td>0.93</td>
<td>0.96</td>
<td></td>
</tr>
</tbody>
</table>

Note: Data on \(P_{it}\) for 1966:1 were missing. All percentage rates of change are quarter-on-quarter changes of the logs at annual rates: \(\ln(Z_t/Z_{t-1}) \times 400\). Dependent variable in the regressions is the logit: \(\ln[P_{it}/(1 - P_{it})]\). Inflation and real income variables are adjusted for the OPEC supply shocks (see note 13 above). Numbers in parentheses are asymptotic standard errors.
government to the next if there has been a persistent secular erosion of fundamental class political allegiances. Contrary to the conclusions of Butler and Stokes (1974, pp. 203-205) or Crewe, Sarlvik, and Alt (1977, pp. 168-183) for example, which were based on election surveys from the 1960s and early 1970s, the computations in Table 2 yield no evidence of a decline over time in fundamental class loyalties.

The data most relevant to the class dealignment argument appear in the first two columns of Table 2, which show the intercept differences for nonmanual versus semi-skilled and unskilled workers and the differences for nonmanual versus skilled workers. The data in the first column (nonmanual versus semi-skilled and unskilled workers) indicate that from the Macmillan-Home to the Wilson I and Heath governments, there indeed appears to have been some decline in exogenous class-based political loyalties. The cross-occupational intercept differences decrease from 1.3 to approximately 1.2, but as the data over governments and time in Table 2 indicate, the erosion was small and transitory, which reinforces the view of Franklin and Mughan (1978) and Zuckerman and Lichbach (1977) that earlier studies overestimated the magnitude of the phenomenon.15 Neither the absolute values of intercept differences between nonmanual and unskilled workers nor between nonmanual and skilled workers exhibit a clear secular trend. Indeed, the only glimmer of a trend in Table 2 is the apparent downward movement in the intercept differences between skilled workers and semi-skilled and unskilled workers. If the estimates in fact register a systematic pattern in the class-induced political behavior of skilled and unskilled workers over time (third column), the trend implies increasing homogeneity of working-class political loyalties rather than class-party dealignment.

The time-weighted averages (of the absolute values) of the intercept differences are reported at the bottom of Table 2. The means of the differences between the nonmanual and manual intercepts are 1.21 and 0.99. Recall, however, that these estimates pertain to the political support logits $\ln(P_{j}/(1-P_{j}))$, whereas practical interest centers on the underlying support proportions $P_{j}$. Translated into percentage points in the political support surveys, these averages imply that the differences between nonmanual and manual workers in exogenous class-based political loyalties oscillated without secular trend, around 26 percentage points (for nonmanual versus unskilled workers) and 22 percentage points (for nonmanual versus skilled workers) over the 1962 to 1978 period.16 The point to be emphasized,

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15The apparent strengthening of class-based political alignments after the Heath government may partly reflect the changing generational composition of the electorate. Crewe, Sarlvik, and Alt (1977) found that during the 1967 to 1974 period, the class-party alignment had weakened most in the inter-war generation and had become strongest in the postwar generation. Since that time the latter presumably have increased and the former have decreased in number. Crewe, Sarlvik, and Alt (1977) also suggested (correctly) that dealignment was due to short-term forces.

16The percentage point figures are computed from interoccupational differences in expressions of the form:

$$[F(F^{-1}\bar{P}_{j} - \bar{P}_{j}) - \bar{P}_{j}] \cdot 100$$

where $\bar{P}_{j}$ are mean intercepts for each occupational class for Labour and Conservative governments respectively; $\bar{P}_{j}$ are mean political support proportions in each occupational class for Labour and Conservative governments respectively; and $F$ is the logistic distribution operator.
then, is that there is no evidence of a persistent decline in the fundamental occupational class alignment of political support for Labour and Conservative governments.

It is important to recognize, however, that this does not mean that oscillations in class voting have been a figment of the imaginations of British electoral specialists. The data on class-related political support observed directly in the polls indeed demonstrate fluctuations, as Figure 3 shows. Although Figure 3 indicates there has not been a steady erosion of cross-class differences in directly observed support for the governing parties during the 1960s and 1970s, the cross-class cleavages did decline sharply from 1967 to 1971 and declined once again after 1974. But the computations in Table 2 suggested that these trends are not accounted for by movements in fundamental class alignments, that is, by class-based loyalties unrelated to the parties’ economic performance. Therefore, the explanation for oscillations in class-related political allegiances observed directly in the raw poll data must reside at least partly in the differential responses of occupational groups to trends in the macroeconomy, in particular to the poor economic performance of Britain in recent years. I will return to this important point.

The Lag Weight Rate of Decay Parameter

As the earlier discussion of the model indicated, the lag weight parameter $g$ in the equations defines the electorate’s effective memory with respect to prior economic performance outcomes.

![Figure 3. Interoccupational Class Cleavages in Political Support for Governing Parties, Observed Gallup Poll Data 1962:3-1978:4](image_url)

**Key:**
- ○ Absolute value of proportion of electorate supporting governing party in occupational grade ABC1 minus proportion supporting governing party in grade DE
- □ Absolute value of proportion supporting governing party in occupational grade ABC1 minus proportion supporting governing party in grade C2
- △ Absolute value of proportion supporting governing party in occupational grade C2 minus proportion supporting governing party in grade DE

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or, equivalently, the rate at which prior experience is discounted when voters make contemporaneous political judgments. When \(g\) is zero, or nearly so, the political support equations collapse to a static model used in much of the existing empirical work, which implies that only current economic outcomes affect the governing party's political support.

The estimates of \(g\) in Table 1 range from 0.85 to 0.88, indicating that the politically relevant memory of past economic performance is roughly homogenous across occupational classes and extends many periods back in time. Hence, the assumption in the equations that political support is based on cumulative, relative performance is not merely an appealing theoretical fiction. Assuming \(g\) to be less than 0.85 to 0.88 would yield inferior predictions of fluctuations in the political support data.

Recall that if an economic performance variable, \(Z\), is held at some equilibrium value \(Z^*\) indefinitely, the ultimate impact is \(Z^* \times b(Z)/(1-g)\), where \(b(Z)\) is the contemporaneous impact of \(Z\) estimated by the relevant regression coefficient in Table 1. The proportion of the total impact of a sustained movement in \(Z\) felt by the \(k\)th lag is given by \(1-g^{k+1}\). Therefore, for an average value of 0.87, only about 13 percent of the ultimate impact of a sustained movement in economic performance is felt contemporaneously, 42 percent is felt after one year (4 quarters), 67 percent after two years (8 quarters) and approximately 94 percent is felt after five years (20 quarters). Hence, only at the very end of a full five-year electoral period is a government evaluated almost entirely on its own past performance record. Earlier in the electoral period, the government's record is evaluated relative to that of previous governments in the way indicated by equations (1) and (2). It is clear, then, that although voters discount prior economic outcomes, the electorate is not nearly as myopic as strong versions of political business cycle theories imply. Surely a government that made economic policy under the mistaken belief that voters' electoral decisions were based only on the economic performance of the most recent year or half-year would be miscalculating seriously.

### Macroeconomic Performance

As I emphasized earlier, it is natural to expect political responses to macroeconomic performance to vary across occupational classes because the incidence and distributional impact of fluctuations in economic conditions are not distributed uniformly through the class structure. In particular, this is true of the economy's real performance as the parameter estimates for the unemployment and real income variables show.

The coefficients for the rate of unemployment \((U)\) vary sharply across groups. The political support of nonmanual, white-collar employees exhibits substantially less sensitivity to the unemployment level than the political support of manual blue-collar workers. Among manual workers, the estimates indicate that the skilled occupational grade is more averse to unemployment than the semi-skilled and unskilled group, but this finding undoubtedly reflects the fact that the latter category also includes widows and state pensioners who are outside the labor force and therefore are not affected directly by the tightness of labor markets. Had disaggregated time-series survey data been readily available on the party preferences of semi-skilled and unskilled workers alone, the unemployment coefficient for this occupational class probably would have been larger (negative) than that of the skilled workers, because as the earlier discussion indicated, the unskilled typically are more exposed to unemployment.

Nonetheless, the parameter estimate of percentage changes in the rate of unemployment, \((\ln U/ U_{-1}) \times 400\), is significant only for social grades DE. Since we know that the incidence of unem-

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If the distributed lag equations were written as backward discount functions with weights \(1/(1+\gamma)^k\), as opposed to voter memory functions with weights \(g^k\), estimates of the discount rate \(\gamma\) would simply be equal to \((1-g)/g\).

In their study of the governing party's lead in the polls, Frey and Schneider (1978) report estimates for a model including a lagged endogenous (dependent) variable among the regressors to capture distributed lag effects. This specification directly implies a distributed lag in which support for the incumbent party is influenced by its own performance and the performance of previous opposition party governments in the same way. Since it is implausible, for example, that an acceleration of prices under a Labour government would produce declines in support for a subsequent Conservative government, it is unlikely that such an equation conveys accurate information about the dynamics of political support.

This observation is also true of the American electorate. In other articles I show \(g\) to be in the 0.8 to 0.9 range for the United States (Hibbs 1982a, b).

To conserve space I have not reported pooled results in which all parameters (except the intercepts) are assumed to be common across groups. However, the null hypothesis that there is no variability in parameters across groups is rejected at virtually any test level.
employment among the unskilled is affected enormously by cyclically macroeconomic fluctuations, this result is not surprising, even though the DE category includes people outside the labor force. Yet compared to the magnitude and scope of political consequences of changes in the unemployment rate are small and limited to the lowest social grade. This means that macropolitical costs and benefits imposed by the change of unemployment are relatively small. By comparison, the unemployment level has important macropolitical effects.21

The results of the regression estimation for the growth rate of per-capita real personal disposable income parallel the results for the rate of unemployment, which undoubtedly is not coincidental since both variables measure performance of the real macroeconomy. Again, nonmanual whitecollar employees exhibit less sensitivity to the per-capita real income growth rate than either of the manual groups, and, as in the case of the results for the unemployment rate, the political support of skilled workers is more responsive than the support of the lowest social grade to real income movements. It is unlikely that the economic well-being of semi-skilled and unskilled workers is less sensitive to aggregate income fluctuations than skilled workers, and so the coefficient estimate for social grade DE probably reflects the fact that the income stream of widows and state pensioners depends on government transfer policies unrelated to movements in other sources of aggregate disposable income.

Over the long run, changes in the exchange rate $EXR_t - EXR_t$ register Britain's relative international inflation performance, although more recently the demand for sterling associated with the flow of North Sea oil has also been an important factor. However, from a domestic political point of view, the dollars-per-pound rate of exchange appears to have been interpreted by the public as an index of British prestige, which is one of the reasons that the first Wilson government resisted for so long the devaluation that ultimately proved necessary in late 1967. Before the demise of pegged exchange rates in 1971, this was the only sizeable postwar movement in the pound’s rate of exchange, and it was followed by a substantial decline in the government’s support in the polls. The parameter estimates in Table 1 suggest that manual workers, particularly skilled manual workers, were somewhat more sensitive to movements in the international status of sterling than other groups, but there is no obvious explanation for this.23

Inflation, however, is the more enduring index of nominal economic performance, and its impact on political support has a more straightforward interpretation. In most of the regression experiments, estimates for the impact of the inflation rate $P_t$ were negligible, and therefore only the rate of price acceleration $P_t - P_{t-1}$ appears in Table 1. This finding implies that the British electorate is not averse to inflation per se, but that sudden changes in the inflation rate (accelerations and decelerations of prices) have important political consequences. Since the first difference of the inflation rate is a reasonable (though simple) measure of inflationary surprises,24 the significant coefficients for the $P_t - P_{t-1}$ are very small, which is consistent with evidence discussed earlier indicating that the distributional consequences of inflationary bursts are not sharply stratified along class lines. Viewed in relation to the results for the unemployment rate, however, the picture changes dramatically.

Since recent studies by economists suggest that the relevant macroeconomic trade-off is between the rate of change of the inflation rate and the unemployment rate, it is economically, as well as politically, informative to examine the relative magnitude of the associated regression coefficients across occupational classes. The ratios of the $U$ and $P_t - P_{t-1}$ parameter estimates yield the marginal rates of substitution (MRS); that is, the implicit rates at which voters are willing to substitute price acceleration for unemployment.

### Occupational Class

<table>
<thead>
<tr>
<th>MRS</th>
<th>Nonmanual</th>
<th>Skilled manual</th>
<th>Semi-skilled and unskilled manual, widows, and state pensioners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment/change in inflation rate</td>
<td>0.58</td>
<td>1.36</td>
<td>0.97</td>
</tr>
</tbody>
</table>

21Alt (1979) reports empirical results showing that the sterling-dollar exchange also affects the British public’s perceptions and expectations of the economic state of the country (ch. 5, p. 102f).

24A more desirable way to measure inflationary surprises would be to deviate observed inflation rates from voters’ actual inflationary expectations as demonstrated over time by relevant surveys. Developing the relevant measure would, however, involve a very
The coefficient ratios, or marginal rates of substitution, show that in order to maintain a given level of the political support index among the lowest social grade (DE), a one-percentage-point increase in unemployment would have to be accompanied by a deceleration of inflation of approximately 0.97 points, which indicates that this group is just about indifferent to compensating, equivalent movements in unemployment and inflation acceleration. The implied preference (indifference) curve for skilled workers, however, is steeper. A politically innocuous percentage-point increase in unemployment requires inflation deceleration of about 1.36 points. By contrast, nonmanual white-collar voters appear to have a much flatter, more inflation-aware preference curve. For this group's political support to remain unchanged, a percentage-point increase in unemployment need only be accompanied by 0.58 points of inflation deceleration.

Equivalently, nonmanual employees, skilled workers, and semi-skilled and unskilled workers would be indifferent to a one-point acceleration of inflation if the unemployment rate declined by 1.7 (1/0.58), 0.74 (1/1.36), and 1.03 (1/0.97) percentage points, respectively. It is clear, then, that the politically acceptable short-run macroeconomic policy trade-offs in Britain differ considerably across occupational classes, although in the absence of time-series data on class-specific inflation and unemployment experiences, it is not possible to allocate these differences between class-based variations in the incidence and class-based variations in the underlying sensitivities to economic conditions.

Implications for Electoral Change and Class Dealignment

The regression coefficient estimates in Table 1 pertain to the logits \(\ln[P'_/j/(1-P'_j)]\), whereas practical interest centers on the consequences of economic conditions for the percentages (or proportions) of the electorate supporting governing parties. Since the proportions observed in the polls \(P'_/j\) are a nonlinear function of the corresponding logits, the effects of practical interest are not obvious from direct inspection of the parameter estimates. Therefore, to illustrate the consequences of macroeconomic fluctuations for the political variable actually observed by politicians in the polls, I have computed the implied changes in the percentage of each occupational class expressing support for the governing party following reasonable movements in the economic performance variables.

The results appear in Table 3.25 Since the effects of transitory movements in the macroeconomy lasting only a quarter or so are small, the computations are based on increases in the economic variables sustained for four quarters, for eight quarters, and, where it is sensible, for an indefinite period.26 Increases of one standard deviation were applied to the exchange-rate change and the percentage change in unemployment variables in the experiments. The remaining variables were increased by two percentage points.

Across occupational classes, the pattern of political responses induced by these increases in the macroeconomic variables of course mimics the intergroup pattern of the logit-model regression coefficients, but now the political responses are expressed in terms of percentage-point changes in electoral support for the governing parties. Surprisingly, the responses to movements in the exchange rate are quite large. Sustained for four quarters, an appreciation of the pound of seven cents per quarter (one standard deviation) yields mean increases in political support ranging from 2.9 percentage points (among nonmanual employees) to 3.6 percentage points (among skilled workers). Sustained for two years (8 quarters), the same rate of appreciation of the pound enhances electoral support between 4.6 and 5.6 percentage points across social grades. The intergroup differences are not large, but the favorable political responses are. Whether this represents public reaction to the effects on the exchange rate of favorable international inflation performance and the flow of North Sea oil (which I doubt), or represents positive reactions to the prestige asso-

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25 The computations are based on the expression

\[
F(F^{-1}(\bar{P}'/q) + b_j(1 - g^k_j)(1 - g_j) \Delta Z) - \bar{P}'/q = \Delta P'_/q,\]

where \(F\) is the logistic distribution function, \(F(Z) = \exp(Z)/1 + \exp(Z); F^{-1}\) is the inverse logistic, \(F^{-1}(P) = \ln[P/(1-P)]; \bar{P}'/q\) is the mean support proportion for government \(q\) in group \(j; k\) is the number of periods during which the change in the economy is sustained (4, 8, indefinitely); and \(\Delta Z\) is the magnitude of the increase in the macroeconomic variables.

26 Given the values of the memory parameter \(g\), "indefinitely" essentially means five to six years. Since it makes no sense to imagine price accelerations, exchange rate appreciations, and percentage unemployment rate increases lasting this long, such computations were not made for those variables.
Table 3. Changes in Political Support for the Governing Party following Sustained Changes in the Macroeconomy

<table>
<thead>
<tr>
<th>Increase in Economic Variable</th>
<th>Sustained No. of quarters</th>
<th>Average political support (%)</th>
<th>Unemployment rate</th>
<th>Adjusted per-capita real disposable income growth rate</th>
<th>Change in adjusted inflation rate</th>
<th>Percentage change in unemployment rate</th>
<th>Change in exchange rate (dollars per pound)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>+2</td>
<td>+2</td>
<td>+33.7% (10)</td>
<td>+0.07 (10)</td>
<td></td>
</tr>
<tr>
<td>Nonmanual employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour gov'ts</td>
<td>22.6</td>
<td>-1.1</td>
<td>-1.7</td>
<td>-2.6</td>
<td>0.4</td>
<td>0.6</td>
<td>0.9</td>
</tr>
<tr>
<td>Conservative gov'ts</td>
<td>49.3</td>
<td>-1.6</td>
<td>-2.5</td>
<td>-3.9</td>
<td>0.5</td>
<td>0.8</td>
<td>1.3</td>
</tr>
<tr>
<td>Mean</td>
<td>32.5</td>
<td>-1.3</td>
<td>-2.0</td>
<td>-3.1</td>
<td>0.4</td>
<td>0.7</td>
<td>1.1</td>
</tr>
<tr>
<td>Skilled workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour gov'ts</td>
<td>41.5</td>
<td>-3.5</td>
<td>-5.3</td>
<td>-7.2</td>
<td>1.3</td>
<td>2.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Conservative gov'ts</td>
<td>26.3</td>
<td>-2.8</td>
<td>-4.1</td>
<td>-5.5</td>
<td>1.4</td>
<td>1.6</td>
<td>2.3</td>
</tr>
<tr>
<td>Mean</td>
<td>35.9</td>
<td>-3.2</td>
<td>-4.9</td>
<td>-6.6</td>
<td>1.2</td>
<td>1.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Semi- and unskilled workers, widows, and state pensioners</td>
<td></td>
<td></td>
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associated with a strengthening pound (which I think is more likely), is ambiguous without more information about how the electorate interprets changes in the international standing of sterling.

By contrast, the political effects of a two-percentage-point increase in the growth rate of per-capita real disposable income are quite modest. (The average growth rate during the sample period was only 2.6 percent, and so this experiment represents a sizeable increase in the real income growth rate stream.) Even when this favorable change in the real growth rate is sustained indefinitely, which practically speaking means five to six years, the mean increases of electoral support for the governing party range only from 1.1 to 2.6 percentage points. The greater relative sensitivity of working-class voters to real economic performance is nonetheless evident; the mean political responses of manual workers are typically between two and two and one-half times greater than the responses of non-manual employees.

Responses to an increase of two percent in the unemployment rate also exhibit sharp class cleavages, and the magnitudes are relatively large. Sustained for only four quarters, the mean responses range between -1.3 and -3.2 percentage points for nonmanual employees and skilled workers, respectively. An increase of this magnitude in unemployment which lasts indefinitely depresses mean political support between 3.1 percentage points and 6.6 percentage points, where again, nonmanual white-collar employees show the smallest average response. The mean political-support losses following an increase in the rate of change of the inflation rate of two percent are of comparable magnitude, ranging between -3.4 and -3.8 percentage points if sustained for eight quarters. However, as the earlier MRS calculations illustrated, the principal cleavages are between the class responses to inflation acceleration relative to the class responses to increased unemployment.

The discussion thus far has focused on the mean political responses of occupational classes to changes in the macroeconomic variables, that is, on the responses averaged over all governments. Notice in Table 3, however, that gains and losses of political support for Labour and Conservative governments deviate significantly from the corresponding mean political support changes. The cross-party variations depend on the proximity of each occupational group’s baseline political support proportion \(P'_{ijt} \) to 0.5. \(P'_{ijt} = 0.5 \) implies that individuals will support the governing party with probability 0.5; in other words, the odds of support are 50/50. Hence, at \(P'_{ijt} = 0.5 \), changes in the macroeconomy yield relatively large shifts in political support because individuals (groups) are pushed across the threshold of opinion change.27 By contrast, at \(P'_{ijt} = 0.2 \), for example, the shift in political support after the same change in the macroeconomy will be smaller because voters are further from the 0.5 critical threshold.

Since exogenous political loyalties anchor working-class voters close to a political-support baseline of 0.5 for Labour governments, and anchor middle-class voters close to a political-support baseline of 0.5 for Conservative governments, shifts in the political support of occupational classes after macroeconomic changes are not homogeneous across party governments. Consequently, working-class political support is more sensitive to macroeconomic conditions during Labour than during Conservative administrations. And just the reverse is true for middle-class political support; support for the governing party among nonmanual voters is more responsive to economic outcomes when the Conservatives are in power. Moreover, the coefficients of unemployment and real-income growth are significantly larger in absolute value for manual, working-class voters than for nonmanual, middle-class voters. As a result, during Labour governments, exogenous political loyalties interact with these class-related coefficient differences to produce class realignment of political support in periods of deteriorating real economic performance.

This finding helps to explain the transitory decline of class alignments observed in the political support data during 1967-69 (Wilson 1) and the more persistent decline observed from 1975 through 1977-78 (primarily Callaghan), which was discussed earlier and illustrated in Figure 3. For example, after 1975:1, real economic performance deteriorated sharply: unemployment rose by more than 2.5 percentage points, and the per-capita real income growth rate declined markedly. Since Labour was in power, the Governments’ baseline political support proportion in the working class was in the vicinity of 0.4 to 0.5, whereas its baseline political support among middle-class

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27 Recall that at \(P'_{ijt} = 0.5 \), \(\ln[P'_{ijt}/(1-P'_{ijt})] = 0 = E(Y^*_{ijt}) \), and from Appendix 1 that

\[ \text{Prob}(Y_{ijt} = 1) = \text{Prob}(Y^*_{ijt} > 0), \]

where \(Y_{ijt} = 1 \) denotes support for the governing party. Hence, \(P'_{ijt} = 0.5 \) is the threshold of opinion change, and movements about this point cause relatively great shifts in the probability of support responses \((Y_{ijt} = 1) \) or, equivalently, nonsupport responses \((Y_{ijt} = 0) \).

Note also that the instantaneous marginal response of \(P'_{ijt} \) to a marginal change in Z (the derivative, \(dP'_{ij}/dZ \)) is \(P'_{ijt}(1-P'_{ijt}) \cdot bj \), which takes its maximum value at \(P'_{ijt} = 0.5 \). For further discussion, see Kernell and Hibbs (1981).
voters was closer to 0.22. In conjunction with the fact that manual workers are always more sensitive to unemployment and the real-income growth rate than nonmanual employees, this situation meant that the post-1975:1 trajectory of the economy produced a much greater decline in the Wilson and Callaghan government's support among working-class voters than among middle-class voters. The cross-class difference in support for these Labour governments observed in the polls therefore declined, but the decline was not based on a weakening of fundamental class loyalties. Instead, it was generated by the interaction of enduring, class-based partisan loyalties and class-differentiated economic sensitivities.

Figures 4A and B illustrate the success of the equations in Table 1 in tracking fluctuations in the class alignment of political support observed directly in the polls. In both figures, the 1964-66 peak and the 1968-69 trough in the actual alignment data are understated by the fitted observations. In other words, some of the surge and decline in interclass political support cleavages are missed by the model, but the fitted observations mimic the broad pattern of fluctuations in the actual class-alignment data in the 1960s and succeed in tracking the trends in the 1970s very closely. It was demonstrated earlier that these trends are, in general, not the results of movements in fundamental class-based political allegiances (Table 2). Figures 4A and B support the argument that these oscillations in class alignments were driven primarily by the differentiated responses of occupational classes to economic conditions. Undoubtedly this is why virtually all measures of class-related party support do not exhibit well-defined secular trends but instead appear to oscillate cyclically over time.28

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28See Appendix 2. This conclusion is consistent with the spirit of Alt's (1979) observations about class, economic performance, and party allegiance. In view of the collapse of the British economy (the sharp rise in unemployment and decline of real income and output) since Mrs. Thatcher assumed office in June...
Indeed the responses of political support to the macroeconomic changes shown in Table 3 undoubtedly are not larger because of the persistence of fundamental class-based party allegiances, which anchor voters to the parties and thereby create a considerable stability or inertia in the partisan division of electoral support. Of course such fundamental partisan attachments, which are absorbed by the (class-specific) intercepts in the equations, are not immune to variations in the parties’ policy behavior and relative governmental performance. On the contrary, in my view they are primarily determined by very long-run patterns in the priorities and performance of the parties as transmitted from generation to generation by socialization processes that effectively constitute the historical political memories of social classes. Nonetheless, the magnitudes of political-support shifts induced by relatively short-lived changes in macroeconomic performance are hardly trivial. Over all elections from 1959 to 1979, the average difference between the shares of the electorate going to Labour and the Conservatives has been approximately 4.1 percentage points. Hence, on average, a vote-share shift from one major party to the other of only a little more than 2 percentage points was enough to change the plurality winner. Viewed in this light,  1979, my argument implies that carrying the analysis forward through more recent periods would demonstrate a substantial upturn in interoccupational class cleavages in support for the new Conservative government.

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Figure 4B. Actual and Fitted Interoccupational Class Cleavages in Political Support for Governing Parties, Nonmanual (ABC1) versus Unskilled Manual (DE)

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- Absolute value of actual proportion supporting governing party in occupational grade ABC1 minus actual proportion supporting governing parties in grade DE
- Absolute value of fitted proportion supporting governing party in occupational grade ABC1 minus fitted proportion supporting governing party in grade DE

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29In this connection it is worth noting that the new Social Democratic Party, which burst upon the British political scene in 1981 and has done very well both in the polls and in by-elections, is not a “new” political movement at all, but rather constitutes the moderate (and plurality) wing of the Labour party.

30Whiteley (1979) shows that the Gallup poll vote-intention data yield accurate forecasts of actual voting outcomes. Therefore, the results in Table 3 have direct implications for electoral changes.
it is clear that short-run macroeconomic management can play a critical role in election outcomes. In subsequent work I will pursue the implication of this and related points for electoral political pressures on macroeconomic policies.

Appendix 1
Addendum to the Political Support Model

First, notice that equation (1) may be rewritten readily in a form with finite lags and hence suitable for estimation.

\[ Y_{ijt}^* = \sum a_{qjt} + b_j \cdot D_t \cdot \Sigma_{t=0}^{t-2} g^kZ_{t-k}D_{t-k} + u_{ijt} + R_{ijt}, \]

(A1)

where

\[ R_{ijt} = g^{-1}(E(Y_{ijt}^*)) \cdot \Sigma_{q} a_{qjt}(D_{t}/D_1) \]

is the lag truncation remainder. Since observations on the performance variables (Z) are available for 32 periods before the first observation on the political support index (that is, the estimation range is \( t = 33, 34, \ldots T \)), \( g^{t-1} \) is never larger than \( g^{32} \), and dropping the lag truncation remainder \( R_{ijt} \) therefore does not affect the consistency of the estimates.

Second, recall that the model in equations (1) and (2) is specified in terms of the continuously valued, latent approval index \( Y_{ijt}^* \), but that all is observed for individuals \( i \) in survey data are binary responses indicating support \((Y_{ijt} = 1)\) or nonsupport \((Y_{ijt} = 0)\) for the governing party. Therefore, we make the plausible assumption that the \( u_{ijt} \) are independently and identically distributed as standard logistic variables, and a supporting response \((Y_{ijt} = 1)\) occurs when \( Y_{ijt}^* > 0 \). Hence, \( Y_{ijt} \) is a Bernoulli variable with response probabilities

\[ P(Y_{ijt} = 1) = P(Y_{ijt}^* > 0) = F[f(Z)_{ijt}] \]
\[ P(Y_{ijt} = 0) = P(Y_{ijt}^* \leq 0) = 1 - F[f(Z)_{ijt}] \]

(A2)

The survey data are, of course, richer than this since they give which opposition party voters would support, or whether they would abstain from voting altogether. However, for my purposes little is lost by imposing a situation of binary choice.

The logistic distribution differs only trivially from the normal. Assuming normally distributed disturbances would lead to a probit estimator rather than the logit estimator proposed above. However, the

\[ f(Z) = \Sigma a_{qjt} + b_j \cdot D_t \cdot \Sigma_{k=0}^{t-2} g^kZ_{t-k}D_{t-k}; \]

and \( F \) is the standard logistic distribution function, \( \exp f(Z)/1 + \exp f(Z) \).†

Since observations have been summed over individuals \( i \) to form group proportions

\[ (P'_{it} = N^{-1} \sum_{i=0}^{N} Y_{ijt}); \]

we may apply the minimum chi-square estimator, which amounts to estimating the (nonlinear) weighted least-squares model

\[ WT \cdot F^{-1}(P'_{it}) = WT \cdot \ln[P'_{it}/(1-P'_{it})]; \]

where:

\[ e_t = F^{-1}(P'_{it}) - F^{-1}(P_{it}) \] and

\[ WT = (N_{it}P'_{it}(1-P'_{it}))^{1/2}. \]

Appendix 2
Alternative Measures of Class Dealignment

The data in Figures 3 and 4A and B pertain to class differences in political support for the governing party over time. However, alternative measures of class-related political support derived from the Gallup poll vote-intention data series tell essentially the same story. Time-series data on three alternative class-voting indices appear in Figures A1-A3.

Figure A1 shows cross-occupational class differences in support for the Conservatives over time. This is the same index used by Butler and Stokes (1974, ch. 9) to assess changes in the strength of class alignments, except that “other” results generated by probit and logit models are virtually identical.

†Equation (A2) specifies a critical threshold, of zero for the probability response structure. Any threshold value might have been chosen, but it necessarily would have been embedded within the intercept constant(s) in the equation(s) for \( Y_{ijt}^* \); in other words, the critical threshold values are not distinguishable from the intercepts \( a_{qjt} \). I supply a more extended discussion of the logic underlying this way of formalizing qualitative binary choice situations in section 5 of Kernell and Hibbs (1981).
parties (notably the Liberals) were not excluded from the denominator when computing the proportions. Figure A2 shows data on what is known as the Alfred index, that is, interclass differences in support for the Labour Party. Figure A3 reports time-series data on an intraclass measure of class dealignment suggested to me by Samuel Beer. This index is the difference between Labour and Conservative support within occupational classes. Related measures based on the ratios of the occupational class support data (proposed to me by James Alt) show the same pattern as Figures A1 to A3.

The data in Figures A1 to A3 reinforce my previous conclusions about class dealignment: the predominant patterns in the time-series are cycli- cal rather than secular, and substantial downward movements in class-related political support occur only during Labour governments. Recall from the earlier analyses, however, that these directly observed downward drifts in class alignments can be explained without any recourse to the idea of a secular deterioration of fundamental class loyal-

ties—defined as class-based support for the parties unrelated to macroeconomic performance.

Finally, it should be emphasized that the data and conclusions presented here pertain to the reported vote intentions of occupational classes and not to party identification or other conceptions of partisan attachments.

References


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Figure A2. Intercalional Class Cleavages in political support for the Labour Party, 1962:3-1978:4 (Alford Index)

*Key:* ○ Proportion supporting labour in occupational grade DE minus proportion supporting labour in grade ABC1

□ Proportion supporting labour in occupational grade C2 minus proportion supporting labour in grade ABC1

△ Proportion supporting labour in occupational grade DE minus proportion supporting labour in grade C2


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Proportion supporting labour in occupational grade C2 minus proportion supporting conservatives in grade C2

Proportion supporting labour in occupational grade DE minus proportion supporting conservatives in grade DE

Proportion supporting labour in occupational grade ABC1 minus proportion supporting conservatives in grade ABC1

Figure A3. Intraoccupational Class Cleavages in Political Support, 1962:3-1978:4 (Beer’s Index)

temporary political economy. Amsterdam: North-Holland.


