

**Economic Voting and Electoral Behaviour:
How do Individual, Local and National Factors Affect the Partisan Choice?**

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What impact do income and other demographic factors have on voters' partisan choice? Using post-election surveys of 14,000 voters in ten Australian elections between 1966 and 2001, I explore the impact that individual, local and national factors have on voters' decisions. In these ten elections, the poor, foreign-born, younger voters, voters born since 1950, men, and those who are unmarried are more likely to be left-wing. Over the past 35 years, the partisan gap between men and women has closed, but the partisan gap has widened on three dimensions: between young and old; between rich and poor; and between native-born and foreign-born. At a neighbourhood level, I find that, controlling for a respondent's own characteristics, and instrumenting for neighbourhood characteristics, voters who live in richer neighbourhoods are more likely to be right-wing, while those in more ethnically diverse or unequal neighbourhoods are more likely to be left-wing. Controlling for incumbency, macroeconomic factors do not seem to affect partisan preferences – Australian voters apparently regard both major parties as equally capable of governing in booms and busts.

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JEL Classifications: D31, D72, E24

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It is something of a truism that, in a democracy, the partisan choice is the most important decision made by the citizenry. Economic growth, income distribution, social policies, and even the decision to go to war are often affected by whether one party or another is victorious. Yet for all this, there is surprisingly little attention paid by economists to understanding the differences between parties, and what makes voters choose one party over another.

One way of trying to understand what distinguishes political parties from one another is to compare outcomes under left-wing and right-wing governments (eg. Alt and Lowry 2000; Alesina and Rosenthal 1995; Bartels 2003; Leigh 2004). Yet because elections are relatively rare events, one quickly runs out of degrees of freedom, particularly when controlling for other factors. An alternative way of understanding how left-wing and right-wing parties differ is to explore the revealed preferences of voters. If voters are quasi-rational, then systematic differences in partisan choice should reflect how parties' policies differentially affect groups within the society.

To explore this question further, I utilise data from Australia, a country which has the dual advantages of a stable bipartisan system and compulsory voting. In common with several developed nations, post-election surveys have been carried out in Australia for nearly four decades, making it possible to create a large repeated cross-sectional dataset that covers elections from 1966 to 2001. To presage my results, I find strong evidence that poorer voters, younger voters, those born since 1950, foreign-born Australians and men are more likely to favour the left-wing Labor Party. Additionally, living in a poorer, more unequal, or more ethnically diverse neighbourhood appears to make voters more likely to vote Labor. Lastly, using evidence from all Australian elections over the past century, I find no evidence of a systematic relationship between voters' ideological preferences and the state of the national economy.

The remainder of this paper is organised as follows. Section 1 sets out a model of voting behaviour, and briefly reviews the relevant literature. Section 2 outlines the data. Section 3 explores individual-level evidence on voting patterns. Section 4 analyses the effect of economic and ethnic differences at a neighbourhood-level. Section 5 looks at national macroeconomic variables, and the final section concludes.

1. A model of quasi-rational partisan voting

Suppose that voter i must choose whether or not to vote for a left-wing party, and that voting is compulsory, so that if she chooses not to vote for a left-wing party, she must vote for a right-wing party (I ignore the possibility that she

might vote for a minor party or cast a spoiled ballot).¹ The voter's decision will likely be determined by her expectation of how each party's policies will affect her. Since government policies affect groups, rather than individuals, we can characterise this effect as depending on particular groups to which the voter belongs (X1). Parties' policies may have a differing effect on people according to sex, age, year of birth, marital status, ethnic background, current income or permanent income. These group-specific effects are not restricted to observable factors: policies may also have a differential impact upon unobservable groups (X2), such as the diligent and the lazy.

Further, the partisan choice may also be influenced by neighbourhood effects (X3). For example, a voter dwelling in a neighbourhood with few poor people may have less inclination to support anti-poverty policies than if the same voter lived in a less affluent area. Neighbourhoods may also affect voting patterns by influencing the way in which voters learn about parties' policies. Additionally, because voters choose where to live, group characteristics may be systematically related to neighbourhood characteristics. I discuss below how to deal with this issue.

Voters may have some prior beliefs about which party is better able to manage the economy in given situation (X4). For example, voters might prefer left-wing parties in a slump, since they are more generous with welfare payments, and believe that right-wing parties are better able to manage the economy in a boom, since they will keep inflation in check.

Lastly, voting preferences may be affected by what I will term 'innate ideological attachment' (X5), unrelated to a voter's individual characteristics, locality, or the state of the national economy. Such ideological attachment may be a function of the group membership of the voter's parents (for example, a rich person's voting preferences may be affected by having grown up in a poor household), or to some factors about the voter's background that are not directly observable.

If we define X1 as the observable groups to which an individual belongs, X2 as unobservable group characteristics, X3 as the characteristics of the individual's neighbourhood, X4 as national economic variables, and X5 as the voter's innate ideological attachment, we can model the voting choice as:

$$Pr(\text{Vote for left-wing party}) = f(X1, X2, X3, X4, X5) \quad (1)$$

¹ For simplicity, I maintain this coding throughout the paper. Thus positive coefficients should always be interpreted as favouring the left-wing Labor Party, and negative coefficients as favouring the right-wing Coalition parties.

Although political scientists analysing partisanship have often focused on party identification rather than on voting behaviour, the above model nonetheless captures two important perspectives in the party identification literature. Those from the “Michigan School” tend to regard party identification as primarily a psychological attachment, heavily affected in childhood and largely immutable (Campbell et al 1960, 1966). Revisionists, by contrast, believe that short-term influences such as party approval and candidate issue positions can have a strong effect on partisan identification and voting behaviour (Franklin 1984; Green and Palmquist 1990). The “Michigan School” would see X_5 as the only important variable in the model, while revisionists would contend that X_1 , X_2 , X_3 and X_4 play a non-trivial role.²

Perhaps one surprising feature of the above model is that the incumbent party does not directly enter into the voter choice equation.³ The answer is that it does, but only indirectly. During any election cycle, voters are assumed to update their beliefs about the impact that *both* parties’ policies will have on their groups. For example, if the incumbent party pursues a set of anti-immigrant and anti-poor policies, then the voting behaviour of a rich immigrant is indeterminate, and may depend on the political promises made by the opposition. However, it is still possible to derive the standard result from the macroeconomic voting literature from this model: if the economy performs badly over the election cycle, then (all else being equal) some voters who previously supported the incumbent will come to prefer the opposition party, and the incumbent will be more likely to be voted out of office.⁴

In the Australian context, most research on partisanship has been of two types. The first uses electorate-level evidence, exploring the extent to which a party’s vote share in a given electorate is correlated with particular characteristics of that electorate (eg. Jackman 2003). While such evidence provides some overall sense of the underlying patterns, it suffers from a small sample size problem (there are only 150 federal electorates in Australia), and does not allow one to distinguish individual-level factors from neighbourhood-level factors.

² I am not aware of any studies which explicitly analyse these two perspectives through a rational voter framework, but it would seem that since parties sometimes change their policies, and voters sometimes experience unexpected changes in financial circumstances, the traditionalists’ theory of party identification is more difficult to reconcile with a rational voter model than the revisionists’ theory.

³ Some might go further yet, and argue that only incumbency, and not partisanship, should be included in the equation. Under the median voter theorem (Downs 1957), politicians can be regarded as self-interested agents, interested not in ideology, but in the perquisites of office – making the labels ‘A’ and ‘B’ just as informative as ‘left’ and ‘right’. Yet as Roemer (2001) points out, the median voter theorem quickly breaks down in the presence of multiple issues and uncertainty. As most close observers of politics will attest (and as the revealed preference results of this paper evidence), persistent ideological differences separate the major parties in most democratic nations.

⁴ Note that if the effect depends on the individual’s own finances (the ‘pocketbook effect’), it will affect X_2 , while if it depends on macroeconomic conditions (the ‘sociotropic effect’), then it will affect X_4 . For analyses comparing the salience of these two types of effects, see Lewis-Beck (1986) and Markus (1988).

A second strand of the Australian literature has looked at the relationship between identities and voting behaviour. Substantial literatures exist on the relationship between self-identified class and electoral behaviour (Charnock 1977; McAllister 1992; Goot 1994); postmaterialist values and voting (Gow 1990; Western and Tranter 2001); as well as the relationship between attitudes to leadership and voting (Marks 1993). Yet because partisan identification and voting behaviour are as much identities as class, postmaterialist values, and attitudes towards political leaders, it is difficult to see how one might unpack the causal relationship. Just as class identification could affect party identification, so the reverse might be true. This is not true of the factors appearing in equation (1), which are either impossible to change (sex, age, ethnicity), or so fundamental that they are unlikely to be affected by a change in party identification (marital status, income, education, neighbourhood).⁵

2. Data

To explore these questions further, I utilise data from various Australian election studies, conducted between 1966 and 2001. For the purposes of this study, some of the post-election surveys which were conducted cannot be used, since key questions were omitted from some of the surveys. The final sample covers ten of the fifteen elections to have been conducted in Australia over the past four decades: 1966, 1969, 1977, 1983, 1984, 1987, 1993, 1996, 1998 and 2001. Details of the surveys used appear in the Data Appendix. Table 1 presents summary statistics.

⁵ Could the causal arrow run from ideology to income? This would be possible, for example, if left-wing individuals were more likely to take on lower-paying public sector jobs. Unfortunately, we have little reliable evidence either on the public-private earnings gap in Australia, or on the propensity for more left-wing workers to choose public sector employment. However, the magnitude of this effect is limited by the fact that only 10 percent of Australian adults work in the public sector (Australian Bureau of Statistics. 2004. *Wage and Salary Earners, Public Sector, Australia. Cat No 6248.0*. Canberra: ABS; and Australian Bureau of Statistics. 2004. *Labour Force, Australia. Cat No 6202.0*. Canberra: ABS).

Table 1: Summary Statistics

	Mean	SD	N
Year of birth	1940.34	19.10	13957
Age	45.07	16.05	13957
Female	0.49	0.50	13957
Married	0.71	0.45	13957
Divorced	0.06	0.24	13957
Family income (nominal A\$)	23810.10	25380.15	13957
Years of education	11.96	1.87	13925
Born overseas	0.22	0.41	13957
Voted Labor (first preference)	0.49	0.50	13957
Voted Labor (two-party preferred)	0.46	0.50	5103
Labor in power when first voted	0.33	0.47	13957
Election	1985.10	11.59	13957
Mean income in neighbourhood (in 1996)	20342.28	4020.17	8627
Mean overseas-born in neighbourhood (in 1996)	0.22	0.12	8627
Gini in neighbourhood (in 1996)	0.44	0.02	8627

Since the start of the twentieth century, Australian politics has essentially been a two-party contest between the left-wing Labor Party and one or more conservative parties.⁶ From the 1940s, a conservative coalition has been maintained between the National Party (formerly known as the Country Party), and the Liberal Party. These two parties are typically referred to collectively as 'the Coalition'. I code respondents as 1 if they said that they voted for the Labor Party, and 0 if they voted for the Coalition. Respondents who said that they voted for any other party are coded as missing. Because the Australian electoral system allows for preferential voting, one would ideally like to take account of the second preferences of those who did not vote first for one of the major parties, but this question was unfortunately not asked in the earlier election surveys. According to Australian Electoral Commission statistics, over the ten elections in my sample, 11.9 percent of the electorate did not cast a first preference vote for one of the major parties (the comparable figure for all elections between 1949 and 2001 is 9.5 percent).

How truthfully did respondents report how they voted? Table 2 shows the breakdown of first preference votes reported in the surveys, and the true vote shares reported by the Australian Electoral Commission. The mean absolute error is 2.5 percent, and in nine of the ten elections, the results are biased in favour of the eventual election winner. On average, the pro-winner bias is

⁶ Though see also Mayer (1980, 353), who argues that such a characterisation is mere 'chauvinism'.

approximately 2 percent, though it does not appear to be significantly stronger for either party. At just 0.4 percent, the pro-incumbent bias is substantially smaller, while overall there is no evidence of a significant bias in favour of either party.

Table 2: Bias in election surveys

Election	Labor vote (survey)	Labor vote (actual)	Overreporting of Labor vote	Labor won?	Error (absolute value)
1966	0.408	0.445	-0.037	N	0.037
1969	0.499	0.520	-0.021	N	0.021
1977	0.478	0.452	0.026	N	0.026
1983	0.572	0.532	0.041	Y	0.041
1984	0.523	0.514	0.009	Y	0.009
1987	0.529	0.498	0.030	Y	0.030
1993	0.507	0.503	0.003	Y	0.003
1996	0.411	0.451	-0.040	N	0.040
1998	0.485	0.504	-0.019	N	0.019
2001	0.445	0.468	-0.023	N	0.023
Average	0.485	0.487	-0.001		0.025
Average pro-winner bias: 0.019					
Average pro-incumbent bias: 0.004					

3. Individual-Level Factors

To begin with, I explore the relationship between party preference and a basic set of demographic variables (the set of observable group characteristics described as X_1 in equation 1). This involves estimating the following regression.

$$\Pr(\text{VoteLabor})_{it} = \alpha + \beta Z_{it} + \gamma_t + \varepsilon_{it} \quad (2)$$

where the dependent variable is a dummy that is 1 if the voter said that he or she had given their first preference vote to the Labor Party, and 0 if he or she had given their first preference vote to the Coalition (for simplicity, all outcomes in this paper will be denoted in the same fashion). Z is a vector of voter-specific characteristics: sex, age, education, marital status, whether born overseas, education, and income. To take into account the fact that support for the two major parties varies from one election to the next, I also include an election-specific fixed effect, γ (this term absorbs any retrospective voting effects). To estimate this regression, I use a probit model, though results are not substantially different if a logit model is used instead.

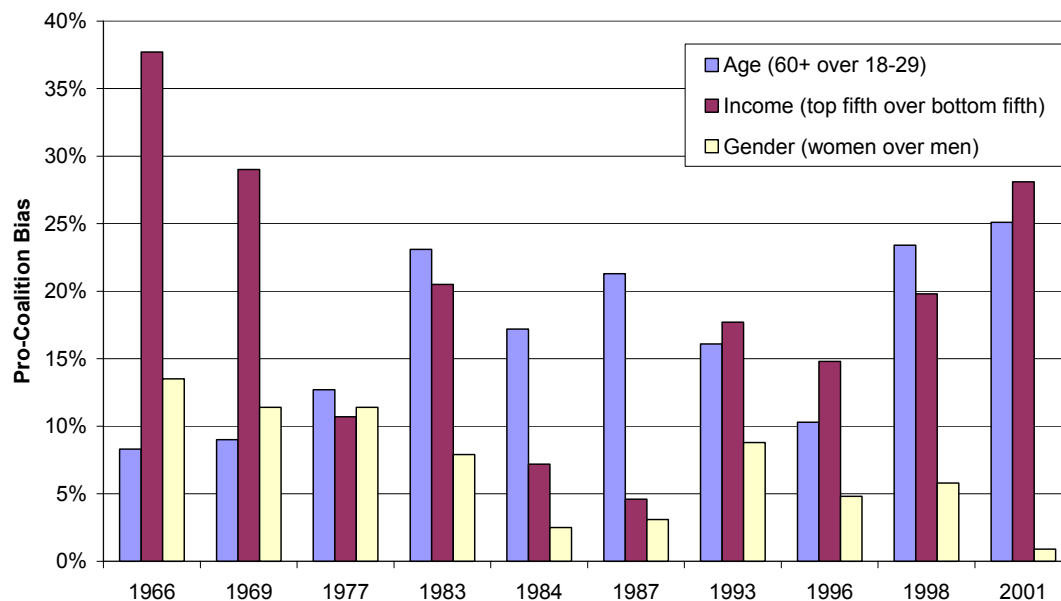
The first column of Table 3 shows the results of this specification. Being female, older, richer, better educated, married or born in Australia predicts that individuals will be more likely to vote for the Coalition, and less likely to vote Labor.⁷ Columns (2) and (3) then re-run the specification for the first and last elections in the sample, to see how these coefficients have changed. Some clear changes are observable over this time period. Older Australians were more likely to vote for the Coalition in 2001 than they were in 1966. Income polarisation can also be observed, with poorer voters becoming more likely to vote Labor, and richer voters becoming more likely to vote for the Coalition. In addition, the gender gap (controlling for other factors such as education and family income) appears to have disappeared in 2001.

To ensure that the differences between the coefficients in 1966 and 2001 represent a long-run trend, column (4) uses all ten election surveys, and interacts a linear time trend with each of the demographic variables.

$$\Pr(\text{VoteLabor})_{it} = \alpha + \beta_1 Z_{it} + \beta_2 Z_{it} T_t + \gamma_t + \varepsilon_{it} \quad (3)$$

For simplicity, the primary coefficients on the demographic variables (β_1) are not shown in Table 3, and the coefficients on the time trends (β_2) are normalised so that a one-unit change represents the total change over the 35-year period 1966 to 2001. In general, the trend coefficients support the patterns observed from simply comparing the 1966 and 2001 election surveys. Figure 1 presents selected coefficients in a graphical form – showing the marginal effect of age, income and gender on voting patterns in each election.

⁷ Of course, it might be the case that the age effect is really a cohort effect. I explore this issue in more detail in section 3.4.

Figure 1: How Have Age, Income and Gender Gaps Changed Over Time?

I now turn to exploring the demographic factors in more detail.

Table 3: How do individual demographics affect voting?
 Dependent Variable: 1 if voted Labor, 0 if voted Coalition

	(1) All	(2) 1966	(3) 2001	(4) Trend coef.
Trend				0.063 [0.056]
Aged 30-39	0.006 [0.015]	0.003 [0.045]	-0.019 [0.053]	0.053 [0.046]
Aged 40-49	-0.029* [0.015]	0.112** [0.045]	-0.041 [0.053]	-0.105** [0.046]
Aged 50-59	-0.099*** [0.016]	0.053 [0.047]	-0.131** [0.052]	-0.125*** [0.048]
Aged 60 or over	-0.166*** [0.014]	-0.083* [0.046]	-0.251*** [0.048]	-0.134*** [0.048]
Income quintile 2	-0.042*** [0.014]	-0.075** [0.037]	-0.134*** [0.044]	-0.075* [0.041]
Income quintile 3	-0.082*** [0.015]		-0.193*** [0.044]	0.046 [0.051]
Income quintile 4	-0.119*** [0.015]	-0.236*** [0.035]	-0.212*** [0.044]	0.085* [0.045]
Income quintile 5	-0.197*** [0.015]	-0.377*** [0.028]	-0.281*** [0.042]	0.140*** [0.048]

High school only	-0.102*** [0.014]	-0.059 [0.037]	-0.052 [0.051]	0.046 [0.043]
Diploma/trade	-0.061*** [0.011]	-0.082** [0.037]	-0.047 [0.038]	0.045 [0.036]
University degree	-0.025 [0.016]	-0.084 [0.082]	0.065 [0.048]	0.031 [0.058]
Born overseas	0.057*** [0.011]	-0.034 [0.034]	0.153*** [0.034]	0.129*** [0.033]
Female	-0.076*** [0.009]	-0.135*** [0.027]	-0.009 [0.029]	0.098*** [0.028]
Married	-0.037*** [0.012]	0.027 [0.037]	-0.034 [0.042]	-0.069* [0.038]
Divorced	0.006 [0.021]		-0.024 [0.062]	-0.057 [0.075]
Election FE?	Yes	No	No	Yes
Observations	13957	1448	1259	13957
Pseudo R²	0.03	0.08	0.05	0.04
Observed Prob.	0.49	0.42	0.45	0.49

Note: Coefficients are marginal effects from a probit model. *, ** and *** denote statistical significance at the 10%, 5% and 1% level respectively. Robust standard errors in parentheses. Excluded categories are as follows: age - those aged 18-29; income - first quintile; education - high school dropouts. Column 4 shows the coefficients on a time trend interacted with the demographic variable, where the time trend is normalised such that a one-unit increase denotes the average change from 1966 to 2001. In this model, the demographics are also included as main effects, but their coefficients are not shown.

3.1 A disappearing gender gap?

The presence of a gender gap favouring the Coalition has been noted by several Australian researchers (see Aitkin 1982; Renfrow 1994). In an innovative analysis, Leithner (1997) uses variation in gender composition across electorates to show that over the 1910-66 period, women were about 4 percentage points more likely to vote for the Coalition.⁸ This gap persisted through the 1980s and 1990s; had only women voted, Labor Prime Minister Paul Keating would have lost the 1993 election.

Yet as the third column of Table 3 demonstrates, there was no gender gap in 2001, after controlling for other demographic factors. Given the long-run trends, this should perhaps have been no great surprise. As Figure 1 shows, the gender gap in Australia, controlling for other factors, was 14 and 11 percent in the 1966 and 1969 elections, but just 5 and 6 percent in the 1996 and 1998 elections.

⁸ This 4 percent figure excludes the 1917 election, in which conscription was a major issue, and excludes those who voted for minor parties.

Australian women, like their US counterparts, have steadily become more left-wing.

What might explain this change? In the US context, Edlund and Pande (2001) find that lower marriage rates and higher divorce rates account for much of the change. In terms of size-equivalised family income, divorce tends to make women poorer and men richer (the same is true in Australia: Weston and Smyth 2000). Hence more divorce should result in women being more likely to support the Democratic Party. This should hold even after controlling for income, since divorce will reduce permanent income as well as current income. Edlund and Pande find a strong relationship across US states between divorce rates and the political gender gap, and observe that after divorce, women are more likely to support the Democrats, and men are more likely to support the Republicans. Edlund, Haider and Pande (2004) also find support for this theory across nine Western European countries.

An alternative theory might be derived from Leithner (1997), who finds a partisan gap between male and female trade union members, but no gender gap between those who are not members of a trade union. Leithner does not explore the dynamics of this in detail, but if one were to take union membership as exogenous, it could be posited that the decline in union membership since the 1960s was responsible for the closing of the gender gap. As union membership goes to zero, its differential impact on the gender gap could be expected to fall to zero. And indeed, union membership in Australia has declined sharply in recent years. Union membership in Australia was around 45 percent of the workforce from the 1960s until the mid-1980s, fell to 40 percent in the early-1990s, and had dropped to 25 percent in 2001.⁹

Table 4 provides further evidence on these two hypotheses. Columns (1) and (2) re-analyse the sample, restricting the dataset to women and men only. A number of differences are immediately apparent. Age appears to have a stronger effect on the voting patterns of women, while income seems to have a stronger effect on the voting patterns of men. Being born overseas has a stronger impact on the propensity of women to vote Labor than men. Being married makes both men and women more likely to vote for the Coalition, but has a larger impact on men than women. Neither of the coefficients on divorce are statistically significant, though the signs are consistent with Edlund and Pande's findings for the US (pro-Labor for women, pro-Coalition for men).

⁹ Union membership data prior to 1988 is based on figures reported by unions. Trade union membership was published by the Australian Bureau of Statistics in its annual *Labour Reports* publications, and then in *Trade Union Statistics* (ABS Cat No 6323.0). From 1988 onwards, unionisation rates are available on a survey basis (Australian Bureau of Statistics. 2002. *Employee Earnings, Benefits and Trade Union Membership*, Cat No. 6310.0. Canberra: ABS and its predecessor publications, beginning as Cat No. 6325.0).

Column (3) finds support for Leithner's trade union hypothesis in the ten elections from 1966-2001. Consistent with his findings for the 1993 election, there is no significant gender gap when the sample is restricted to non-unionists. Columns (4) and (5) repeat the specifications for the first two columns, this time including union membership, and find that the pro-Labor effect of union membership is twice as large for men as it is for women.

Yet care should be taken in interpreting these results. While Leithner appears to treat union membership as exogenous to party preference, it is difficult to see how this can be entirely true. Even if union membership is compulsory in certain workplaces, employees can still decide whether to join a union: by choosing between unionised and non-unionised occupations. The foregoing results provide some suggestive evidence that the decline of unionisation is responsible for the narrowing of the political gender gap, but without a credible source of exogenous variation in union membership, it is difficult to be sure of this.

Table 4: What Explains the Gender Gap?**Dependent Variable: 1 if voted Labor, 0 if voted Coalition**

	(1)	(2)	(3)	(4)	(5)
	Women	Men	Non- Unionists	Women	Men
Aged 30-39	-0.020 [0.021]	0.040* [0.021]	-0.035* [0.018]	-0.021 [0.022]	0.033 [0.023]
Aged 40-49	-0.051** [0.021]	0.002 [0.022]	-0.071*** [0.018]	-0.055** [0.022]	-0.004 [0.024]
Aged 50-59	-0.129*** [0.021]	-0.058** [0.023]	-0.120*** [0.018]	-0.127*** [0.022]	-0.051** [0.024]
Aged 60 or over	-0.193*** [0.020]	-0.129*** [0.022]	-0.161*** [0.016]	-0.170*** [0.021]	-0.091*** [0.024]
Income quintile 2	-0.031* [0.018]	-0.058*** [0.021]	-0.048*** [0.015]	-0.046** [0.019]	-0.082*** [0.022]
Income quintile 3	-0.095*** [0.020]	-0.081*** [0.023]	-0.099*** [0.017]	-0.105*** [0.021]	-0.103*** [0.024]
Income quintile 4	-0.118*** [0.020]	-0.131*** [0.022]	-0.134*** [0.017]	-0.133*** [0.021]	-0.153*** [0.023]
Income quintile 5	-0.175*** [0.021]	-0.221*** [0.022]	-0.214*** [0.016]	-0.192*** [0.021]	-0.234*** [0.023]
High school only	-0.099*** [0.019]	-0.100*** [0.020]	-0.084*** [0.016]	-0.080*** [0.020]	-0.088*** [0.022]
Diploma/trade	-0.101*** [0.016]	-0.031* [0.016]	-0.063*** [0.014]	-0.103*** [0.017]	-0.032* [0.017]
University degree	-0.011 [0.023]	-0.036 [0.023]	-0.044** [0.020]	-0.025 [0.024]	-0.016 [0.024]
Born overseas	0.075*** [0.016]	0.040*** [0.015]	0.073*** [0.014]	0.080*** [0.017]	0.032** [0.016]
Female			-0.008 [0.011]		
Married	-0.034** [0.017]	-0.054*** [0.018]	-0.036** [0.015]	-0.008 [0.018]	-0.063*** [0.019]
Divorced	0.007 [0.027]	-0.009 [0.033]	0.003 [0.026]	0.019 [0.029]	-0.026 [0.035]
Union member				0.141*** [0.018]	0.278*** [0.013]
Election FE?	Yes	Yes	Yes	Yes	Yes
Observations	6828	7129	9017	6157	6561
Pseudo R²	0.03	0.03	0.04	0.04	0.08
Observed Prob.	0.47	0.51	0.42	0.45	0.50

Note: Coefficients are marginal effects from a probit model. *, ** and *** denote statistical significance at the 10%, 5% and 1% level respectively. Robust standard errors in parentheses. Excluded categories are as follows: age - those aged 18-29; income - first quintile; education - high school dropouts.

3.2 Education

As Table 3 shows, completing high school and having a trade qualification are both negatively correlated with voting Labor. Controlling for other demographics (including current income), high school , By comparison with high school dropouts, high school graduates are 10 percent more likely to vote for the Coalition, while those with a trade qualification are 6 percent more likely to support the Coalition. However, the relationship between education and voting is not monotonic. Those with a university degree are 3 percent more likely to vote Labor, but this marginal effect is indistinguishable from zero at conventional levels of significance ($p=0.12$). Further tests also reveal that the high school graduate coefficient, the trade qualification coefficient and the university coefficient are all distinguishable from one another at the 5 percent level or better.

What explains these patterns? First, it might be the case that what really matters is permanent income, not education, and education might merely be a strong proxy for what a person can expect to earn over his or her lifetime. Second, parties' policies on higher education might have a differential impact on voting patterns by those with varying qualifications (it seems unlikely that this would be a major factor, since in practice education reforms typically only affect the small fraction of voters who are at university, not those who have already graduated with a given qualification). Third, those who do not pursue formal education could experience a different form of socialisation from those who do complete formal education, and could adopt differing sets of partisan patterns as a result.

A way of separating the first factor from the other two is to restrict the sample to those whose current income is most likely to be equal to their permanent income.¹⁰ An obvious group is males aged 35-55, a group who have very high labour force participation rates. Table 5 shows the results of this regression. Here, the only education variable which remains statistically significant is finishing high school, suggesting that there may be some difference in political socialisation between those who drop out of high school and the rest of the population. However, beyond high school, education appears to only impact on voting patterns through the permanent income effect.

¹⁰ For an excellent discussion of transitory and permanent income, see Haider and Solon (2004).

Table 5: Education or Permanent Income?
Dependent Variable: 1 if voted Labor, 0 if voted Coalition

	Men aged 35-55 only
Aged 40-49	-0.023 [0.023]
Aged 50-59	-0.063** [0.027]
Income quintile 2	0.032 [0.042]
Income quintile 3	-0.003 [0.042]
Income quintile 4	-0.092** [0.040]
Income quintile 5	-0.194*** [0.040]
High school grad only	-0.081** [0.032]
Diploma/trade qualif.	0.001 [0.025]
University degree	0.043 [0.034]
Born overseas	0.077*** [0.022]
Married	-0.026 [0.035]
Divorced	-0.024 [0.050]
Election FE?	Yes
Observations	3003
Pseudo R²	0.03
Observed Probability	0.51

Note: Coefficients are marginal effects from a probit model. *, ** and *** denote statistical significance at the 10%, 5% and 1% level respectively. Robust standard errors in parentheses. Excluded categories are as follows: age - those aged 35-39; income - first quintile; education - high school dropouts.

3.3 Income

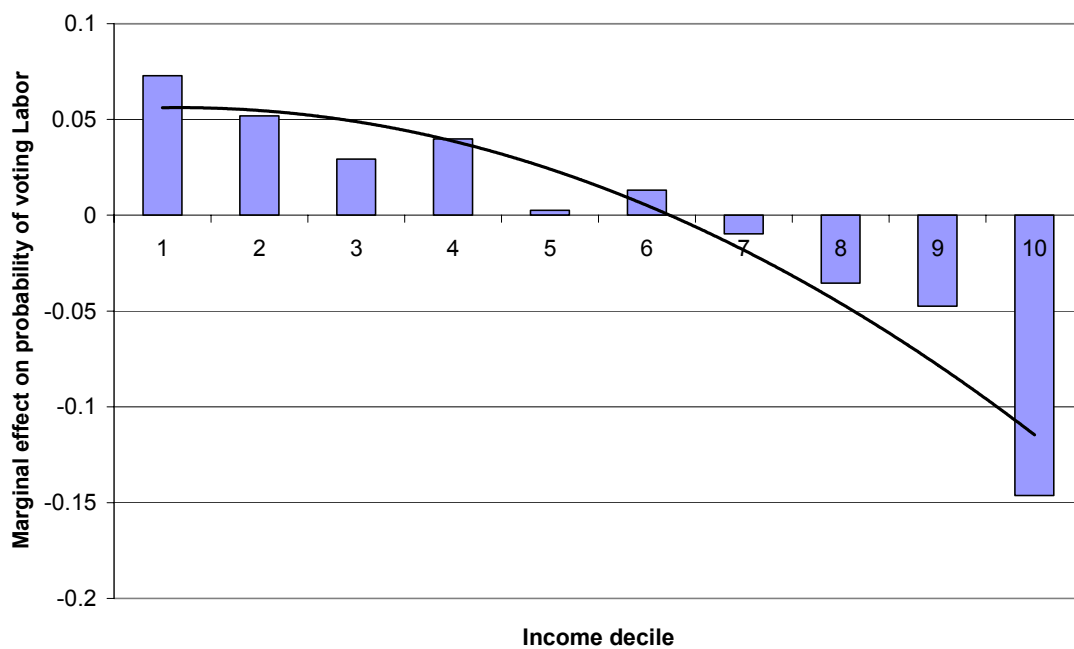
The positive relationship between income and support for a right-wing party is perhaps the least surprising result in this paper. Yet it is worth exploring whether non-linearities exist. In a univariate analysis, conducted at the electorate level, Jackman (2003) finds a non-linear relationship between electorate median

income and Labor support across all seats, but a linear relationship when the analysis is confined to urban seats only.

In the foregoing analysis, income has been presented in quintiles, but to explore the issue of non-linearities further, it is worth looking at income deciles. To see this graphically, I estimate equation (2), excluding income. Figure 2 then charts the residuals from this regression against income deciles. In general, the relationship is monotonic – at any point, more income makes voters more likely to support the Coalition. But it also appears that the effect is strongest for the top and bottom deciles. Controlling for other factors, those in the bottom decile are 7 percent more likely to vote Labor, while those in the top decile are 15 percent less likely to vote Labor.

As Figure 1 showed, the partisan gap between rich and poor voters fell during the 1960s, and rose again during the 1990s (a similar rise can also be seen in the US: Stonecash and Mariani 2000). Adopting the revealed preference approach, this suggests that the Labor Party of today is more pro-poor than the Labor Party of the 1970s and 1980s; that the Coalition of today is more pro-rich; or perhaps some combination of the two. The revealed preference approach also suggests from Figure 2 that the policy difference between the two parties is greatest in their treatment of the very poor and the very rich – a factor which appears to shed new light on the debate over party convergence (for a summary, see Goot 2004).

Figure 2: Is the relationship between voting and income nonlinear?



3.4 Age and Cohort Effects

Until this point, I have included only age in the model, and characterised the results as showing that older voters are more likely to support the Coalition. Yet this is something of an over-simplification. While it could perhaps be the case that individuals are more likely to support the Coalition as they age, it might instead be the case that those born earlier in the century were more conservative than their children. (Of course, for this to be true, some other offsetting demographic shift would have to be present, since Labor did manage to win some elections in the 1970s.)

However, if one includes age and birth year in the model, then it is necessary to omit election fixed effects. Assuming that there is some fluctuation across elections that cannot be explained by age and cohort effects, such a solution is likely to be problematic.

To solve this problem, I instead normalise the results of each election, in effect subtracting the 'election fixed effect' from each observation. Because the dependent variable is now continuous instead of binary, it is no longer possible to estimate the model using probit, so I use OLS instead. For simplicity, Table 6 shows only the age and cohort coefficients, though the model also includes controls for income, education, sex, born overseas and marital status.

Table 6: Separating age and cohort effects (OLS)
Dependent Variable: 1 if voted Labor, 0 if voted Coalition (normalized by subtracting election fixed effect)

	(1)	(2)
Aged 30-39	0.017 [0.015]	0.01 [0.014]
Aged 40-49	-0.003 [0.017]	-0.025* [0.015]
Aged 50-59	-0.051*** [0.019]	-0.088*** [0.015]
Aged 60 or over	-0.128*** [0.021]	-0.154*** [0.014]
Born before 1910	-0.103 [0.065]	
Born 1910-1919	-0.116* [0.064]	
Born 1920-1929	-0.123** [0.063]	
Born 1930-1939	-0.156** [0.062]	
Born 1940-1949	-0.154** [0.061]	
Born 1950-1959	-0.073 [0.061]	
Born 1960-1969	-0.067 [0.061]	
Born 1970-1979	-0.099 [0.063]	
Labor in power when first voted		0.015 [0.009]
Controls for income, education, sex, born overseas, marital status?	Yes	Yes
Election FE?	No	No
Observations	13957	13957
R²	0.04	0.03

Note: Coefficients are from an OLS model, in which the election fixed effect has been subtracted from the dependent variable. *, ** and *** denote statistical significance at the 10%, 5% and 1% level respectively. Robust standard errors in parentheses. Excluded categories are as follows: age - those aged 18-29; birthyear - born 1980 or after.

The results from Table 6 suggest that both age and birth year matter. Until age 50, age has no significant effect on voting patterns, but from ages 50-59, voters are 5 percent more likely to vote for the Coalition, and from age 60 onwards,

voters are 13 percent more supportive of the Coalition. Using the revealed preference approach, this suggests that the Coalition's policies are significantly more generous towards retirees than Labor's.

The cohort effects are only statistically significant for those born during the first half of the twentieth century. Each of these five cohorts are 10-15 percent less likely to vote Labor than those born from 1980 onwards. However, there is no statistically significant difference between the subsequent cohorts. One might characterise this result by saying that the Baby Boomers are more left-wing than their parents, but differ little in ideological terms from Generations X and Y. Lastly, I find that those who first became eligible to vote when a Labor government was in power are not significantly more likely to vote Labor in later elections.

Considering trends in the age coefficient, Figure 1 also shows that the partisan age gap has opened up dramatically during the past two elections. This may reflect the common perception that the Howard Government has been highly successful at winning the support of older voters (eg. Grattan 2004). In the 1960s, the partisan gap between voters aged 60 or over and those aged 18-29 favored the Coalition by 8 and 9 percent in the 1966 and 1969 elections, but by 23 and 25 percent in the 1998 and 2001 elections.

3.5 Overseas-born voters

Throughout the sample period, foreign-born workers were more likely to support Labor than the native-born. Moreover, the tendency of foreign-born voters to support Labor increased from 1966 to 2001. As column (4) of Table 3 shows, Labor's advantage among those born outside Australia rose by 13 percent over this period. Although most developed countries have only a small fraction of their people born overseas, the foreign-born population is a substantial portion of both the population and the electorate. In the 1961 Australian census, 17 percent of the population were born overseas, and by 2001, this had risen to 23 percent.¹¹ And 23 percent of the voters in the ten election surveys were born overseas (Table 1).

However, it should be noted that both the composition of the foreign-born population in Australia has changed somewhat since the 1960s. In 1961, 54 percent of the overseas-born were from non-English speaking countries, and by 2001, this had risen to 63 percent. If the difference between native-born and foreign-born Australians is driven by Labor's policies on multiculturalism

¹¹ Author's calculations, based on data from Department of Immigration and Multicultural Affairs. 2001. *Immigration: Federation to Century's End, 1901-2000*. Canberra: DIMA: 18-19; and Australian Bureau of Statistics. 2004. 'Population: Country of Birth' in *Year Book Australia 2004*. Canberra: ABS.

(McAllister and Makkai 1991), then those most affected will be likely to be voters whose first language is not English. The changing composition of the foreign-born population may explain at least part of the change in the foreign-born coefficient from 1966 to 2001.

3.6 *Who Swings?*

Before including regional and national characteristics in the model, I briefly digress to consider swing voters – those who report that they supported a different party in the previous election than they did in the current election. About one in ten of voters said that they were swingers, meaning that they switched from one party to another between two successive elections (for a historical analysis of swing voting in Australia, see Goot 1994, 175-179).

In broad terms, two models might explain why voters change their party support from election to election. One model is that voters ‘swing’ because they steadily acquire more information about the policies of the major parties over successive elections. This model would predict that volatility in voting patterns would decline with age. An alternative model is that voters might swing because the parties themselves changed their policies. Unless this change was subsequently reversed, the coefficient for the favoured or disfavoured group should be significantly different from zero. Of course, the two models are not mutually exclusive.

How well do voters recall the way they cast their ballots in the election before last? One way of answering this question is to again compare the reported voting patterns with the actual vote share recorded by the Australian Electoral Commission.¹² Although emigration and the passing of some older voters will mean that the composition of the current electorate is not fully reflective of the electorate at the previous poll, this method should still make it possible to discern any significant biases.

Table 7 shows the results from this exercise. The mean absolute error is 3.6 percent, somewhat larger than when voters are asked how they voted in the last election (2.5 percent). Overall, there also seems to be a greater degree of pro-winner bias, pro-incumbent bias, and pro-Labor bias in the ‘election before last’ surveys than in the ‘last election’ surveys. The bias is smallest when the survey is conducted after an election in which the incumbent has been ousted.

¹² Of course, one cannot use the change in recorded primary vote share as a measure of the number of swing voters, since voters swinging in opposite directions will often cancel out one another.

Table 7: Bias in surveys when asking about voting in the election before last

Election	Labor vote (survey)*	Labor vote (actual)	Overreporting of Labor vote	Labor won?	Labor won next election ?	Error (absolute value)
1966	0.392	0.445	-0.053	N	N	0.053
1975	0.473	0.446	0.027	N	N	0.027
1980	0.501	0.493	0.007	N	Y	0.007
1983	0.603	0.532	0.071	Y	Y	0.071
1984	0.534	0.514	0.020	Y	Y	0.020
1990	0.569	0.476	0.093	Y	Y	0.093
1993	0.512	0.503	0.009	Y	N	0.009
1996	0.467	0.451	0.016	N	N	0.016
1998	0.477	0.504	-0.027	N	N	0.027
Average	0.513	0.486	0.026			0.036
Average pro-winner bias: 0.025						
Average pro-incumbent bias: 0.019						

* Survey is the post-election survey for the following election. In effect, voters are asked to recall how they cast their ballot in a poll that occurred 2-4 years ago.

It is now possible to turn to analysing the factors that are associated with vote-switching. Table 8 shows the results of a regression in which the dependent variable is not whether the respondent voted Labor, but whether she switched her allegiance. The dependent variable is 1 if the respondent voted for a different major party in the previous election and the current election, and 0 if she voted for the same party in both elections (this question was not asked in the survey following the 1966 election). As with the coding of the partisanship variable, I exclude those who did not respond, or said that they voted for a minor party in the previous election.

Table 8: Who Swings?**Dependent Variable: 1 if changed parties, 0 if same party**

	(1)	(2)	(3)
	Swing voter (either direction)	Swung Coalition to Labor	Swung Labor to Coalition
Aged 30-39	-0.010 [0.009]	-0.004 [0.006]	-0.005 [0.006]
Aged 40-49	-0.014 [0.009]	-0.010* [0.006]	-0.003 [0.006]
Aged 50-59	-0.030*** [0.008]	-0.019*** [0.005]	-0.007 [0.006]
Aged 60 or over	-0.039*** [0.008]	-0.025*** [0.005]	-0.011* [0.006]
Income quintile 2	0.014 [0.010]	0.009 [0.007]	0.003 [0.006]
Income quintile 3	0.015 [0.010]	0.018** [0.008]	-0.004 [0.006]
Income quintile 4	0.006 [0.010]	0.005 [0.007]	0 [0.006]
Income quintile 5	0.011 [0.010]	0.006 [0.007]	0.002 [0.007]
High school grad only	-0.012 [0.009]	-0.014*** [0.005]	0.005 [0.007]
Diploma/trade qualif.	-0.004 [0.007]	0.004 [0.005]	-0.007 [0.005]
University degree	-0.008 [0.009]	-0.011** [0.006]	0.003 [0.006]
Born overseas	0.041*** [0.008]	0.020*** [0.005]	0.019*** [0.005]
Female	-0.010* [0.006]	-0.003 [0.004]	-0.006 [0.004]
Married	0.004 [0.008]	0.000 [0.005]	0.003 [0.005]
Divorced	0.007 [0.013]	0.015 [0.010]	-0.009 [0.008]
Election FE?	Yes	Yes	Yes
Observations	11043	11043	11043
Pseudo R²	0.03	0.06	0.05
Observed Probability	0.10	0.05	0.05

Note: Coefficients are marginal effects from a probit model. *, ** and *** denote statistical significance at the 10%, 5% and 1% level respectively. Robust standard errors in parentheses.

Excluded categories are as follows: age - those aged 18-29; income - first quintile; education - high school dropouts.

Column (1) of Table 8 suggests that younger voters, foreign-born voters and men are all more likely to change their support from one party to the other. Yet this is only partially consistent with a policy learning explanation. Foreign-born voters are more likely to switch parties than native-born voters, and equally likely to switch from the Coalition to Labor as from Labor to the Coalition, suggesting that those born overseas may be less committed to either of the major parties, and therefore more likely to switch between them. The data does not ask respondents how long they have been in Australia, but it would be an interesting question for further research to see whether foreign-born voters remain more likely to swing throughout their lives (suggesting that their degree of innate ideological attachment may be lower), or whether they become less likely over time to change their vote (suggesting that over successive elections, they learn more about which major party best serves their interests).¹³

The other significant result from column (1) of Table 8 is that older voters tend to be less likely to switch between parties. However, age seems to reduce the number of people who switch from the Coalition to Labor more than it reduces the number of people who switch from Labor to the Coalition. This suggests that two phenomena are occurring: voters seem to learn more about the major parties as they grow older; but older voters appear to be more loyal ('rusted on') to the Coalition than they are to Labor, indicating that the Coalition's policies have become relatively more favourable to the elderly.

Further evidence of the shifting policy explanation can be found among three other groups. High school graduates and those with a university degree were particularly loyal to the Coalition, while middle-income voters appeared especially inclined to switch to Labor.

4. Neighbourhood-Level Factors

Next, I consider whether neighbourhood-level factors influence voting patterns. Characteristics of a neighbourhood may have a direct effect upon voters' behaviour in a number of ways. In more diverse neighbourhoods, voters may experience a greater positive or negative externality from policies that affect other groups. For example, a voter in an ethnically diverse neighbourhood may experience a positive externality from more generous welfare programs for those born overseas; while for a voter in an unequal neighbourhood may feel some positive externality if more generous housing subsidies are provided. Even in the

¹³ Alternatively, it might be the case that these groups are less able to correctly recall how they voted in the previous election.

absence of policy spillovers, neighbourhood composition may affect voting patterns if individuals feel some sense of altruism towards those who live in their local area. And a third possibility is that there may be some local interaction effect, by which a person who is a member of Group A comes to favour the interests of that group more strongly as the share of the neighbourhood that are members of Group A expands.

However, when analysing neighbourhood effects, it is important to recognise that where voters choose to live is often endogenous to their policy preferences. Thus a rich person who favours pro-poor policies may choose to live in a low-income neighbourhood. Naïve OLS or probit models that do not take this into account may derive biased estimates of the true neighbourhood effects. A possible solution to this problem was proposed by Dustmann and Preston (2001), who posit that families choose where to live at a very local level, but are constrained at a regional level – by factors such as a desire to be near their place of work, or to be within a reasonable proximity of family and friends. Using data from the UK, Dustmann and Preston instrument for racial composition within a ward (average size: 5000 people) with racial composition at a district (average size: 125,000 people) and county (average size: 1 million people).

A similar approach can be applied in the present case. Using data from the 1996 census, I am able to form measures of the composition of postal code areas (which I will term ‘neighbourhoods’). Because the Australian Bureau of Statistics provides a full tabulation of the census at this level, the measures are unaffected by sampling problems (see Data Appendix for details). The mean population in a neighbourhood (postcode area) is about 17,000 people. I then calculate statistics at the regional level, where regions are areas of about 450,000 people. Regions are either part of a major city, an entire minor city, part of a large state, or an entire small state or territory. For example, Parramatta, Tasmania, North Queensland and the Gold Coast are all distinct regions. Respondents in the sample are spread across 3350 neighbourhoods and 54 regions.

Before using the IV strategy, I first estimate a naïve model, in which the neighbourhood characteristics enter directly into the model. If δ is a vector of characteristics of neighbourhood j :

$$\Pr(\text{VoteLabor})_{ijt} = \alpha + \beta Z_{ijt} + \delta_j + \gamma_t + \varepsilon_{ijt} \quad (4)$$

Columns (1) and (2) of Table 9 presents the results from this specification. Since I only have data on neighbourhood composition from the 1996 census, the sample is restricted to the 1993, 1996, 1998 and 2001 Australian Election Studies. Standard errors are clustered at the neighbourhood level.

The results of this specification suggest that individuals in richer neighbourhoods are more likely to vote for the Coalition, controlling for the individual's own income. A 10 percent rise in mean neighbourhood income, according to the naïve model, raises by 2 percent the probability that the respondent will vote for the Coalition. Conversely, a 10 percentage point rise in the foreign-born population (about one standard deviation) boosts the Labor vote by about 4 percent. Inequality in the naïve model has no effect on voteshare. Further, it makes virtually no difference whether the model is estimated using probit or OLS.

However, because an individual's neighbourhood may be endogenous, I now estimate a two-stage model, in which δ_k is a vector of characteristics of region k .

$$\text{Stage 1: } \delta_j = \lambda + \rho Z_{ijkt} + \delta_k + \gamma_t + v_{ijkt} \quad (5)$$

$$\text{Stage 2: } \Pr(\text{VoteLabor})_{ijt} = \alpha + \beta Z_{ijt} + \hat{\delta}_j + \gamma_t + \varepsilon_{ijt} \quad (6)$$

Because Stata does not allow clustering of standard errors in a probit IV model, I instead estimate the equation using a linear IV model, clustering standard errors at the neighbourhood level.

Column (3) of Table 9 shows the results for this specification. The causal effect of living in a rich neighbourhood appears to be somewhat higher than in the naïve model – with a 10 percent rise in mean neighbourhood income boosting by 3 percent the probability that the respondent will vote for the Coalition. However, the causal effect of living in a neighbourhood with a higher fraction born overseas is smaller, with a 10 percent rise in foreign-born share leading to a 2½ percent fall in the probability that a respondent will vote Labor.

Interestingly, while inequality had no effect in the naïve model, there seems to be a strong causal relationship between higher neighbourhood inequality and an individual's propensity to vote Labor. The coefficient on the effect is -3.1, suggesting that a 2 point rise in the gini (the standard deviation between neighbourhoods) is associated with a 6 percent rise in an individual's propensity to vote Labor. In this sense, the absolute magnitude of the 'inequality effect' is larger than the 'foreign-born effect'.

Table 9: Neighbourhood-Level Factors (1993-2001 only)
Dependent Variable: 1 if voted Labor, 0 if voted Coalition

	(1)	(2)	(3)
	Probit	OLS	IV
Log mean neighbourhood income	-0.186*** [0.049]	-0.178*** [0.046]	-0.313*** [0.093]
Inequality in neighbourhood	-0.268 [0.359]	-0.25 [0.342]	3.160*** [0.986]
Fraction born overseas	0.373*** [0.069]	0.355*** [0.065]	0.254*** [0.096]
Controls for age, income, education, sex, born overseas, marital status?	Yes	Yes	Yes
Election FE?	Yes	Yes	Yes
Observations	5894	5894	5894
Pseudo R² or R²	0.04	0.06	0.04
Observed Probability	0.47		

Note: Column 1 shows marginal effects from a probit model; column 2 shows OLS coefficients; and column 3 shows coefficients from a linear IV model, instrumenting for neighbourhood-level characteristics with regional characteristics. *, ** and *** denote statistical significance at the 10%, 5% and 1% level respectively. Robust standard errors, clustered at the neighbourhood level, in parentheses.

How do the neighbourhood effects operate? To see whether there is heterogeneity in the neighbourhood effects, Table 10 shows the results from interacting the neighbourhood-level characteristics with individual characteristics. As with equations (5) and (6), the interacted variables in Table 10 are neighbourhood-level interactions, but instrumented by their regional-level counterparts. In analysing the relationships, I assume that Labor governments tend to be more generous to the poor, and to those who were born overseas – which is consistent with the foregoing findings that poorer and foreign-born voters are more likely to support Labor.

To begin with, Column (1) of Table 10 interacts mean neighbourhood income with an individual's income. The pro-Coalition effect of living in a richer neighbourhood appears to be strongest for the bottom 20 percent of the distribution (most consistent with a spillover or altruism explanation), with no significant effect on the second quintile, and a similar impact on the top 60 percent (suggesting a local interaction effect).

Column (2) interacts the fraction born overseas in a neighbourhood with whether the individual was born overseas. The effect of neighbourhood ethnic composition is more than twice as large for the foreign-born population, suggesting that the ethnic composition effect may operate through immigrant

organisations and networks, which would lead to both positive externalities and local interaction effects.

The third column of Table 10 interacts neighbourhood inequality with individual income. Greater neighbourhood-level inequality appears to make the top four-fifths of the distribution more likely to vote Labor, but not the very poor. The inequality interaction results are consistent with either a spillover explanation (in which more generous programs for the poor have a positive externality for their more affluent neighbours), or with a local interaction explanation (in which rich voters in a more unequal neighbourhood are more likely to come into contact with the poor).

Table 10: Neighbourhood-Level Factors Interacted with Individual Factors (1993-2001 only)**Dependent Variable: 1 if voted Labor, 0 if voted Coalition**

	(1) IV	(2) IV	(3) IV
Log mean neighbourhood income		-0.300*** [0.095]	-0.309*** [0.094]
Inequality in neighbourhood	3.237*** [0.970]	3.114*** [0.988]	
Fraction born overseas	0.256*** [0.097]		0.251*** [0.096]
Mean income * Income quintile 1	-0.559*** [0.148]		
Mean income * Income quintile 2	-0.005 [0.131]		
Mean income * Income quintile 3	-0.375** [0.158]		
Mean income * Income quintile 4	-0.281** [0.141]		
Mean income * Income quintile 5	-0.360*** [0.138]		
Fraction overseas born * Native		0.181* [0.108]	
Fraction overseas born * Born OS		0.460*** [0.155]	
Inequality * Income quintile 1			1.663 [1.587]
Inequality * Income quintile 2			4.366*** [1.535]
Inequality * Income quintile 3			2.972* [1.726]
Inequality * Income quintile 4			4.023*** [1.542]
Inequality * Income quintile 5			2.898** [1.471]
Controls for age, income, education, sex, born overseas, marital status?	Yes	Yes	Yes
Election FE?	Yes	Yes	Yes
Observations	5894	5894	5894
R ²	0.04	0.04	0.04

Note: All three specifications instrument for neighbourhood-level characteristics (and neighbourhood-individual interactions) with regional characteristics (and regional-individual interactions). *, ** and *** denote statistical significance at the 10%, 5% and 1% level respectively. Robust standard errors, clustered at the neighbourhood level, in parentheses.

5. Macroeconomic Variables

Finally, I analyse the effect of macroeconomic factors on the decision to vote Labor. A number of Australian papers have shown a systemic relationship between macroeconomic outcomes and the incumbent voteshare (Jackman and Marks 1994; Jackman 1995; Cameron and Crosby 2000), and out-of-sample, the state of the macroeconomy has been shown to be a strong predictor of whether an incumbent government will be elected (Wolfers and Leigh 2002). When unemployment, inflation, GDP and the real wage are all included in the model, the two significant predictors of re-election are unemployment and inflation, which are both negatively correlated with the incumbent party's vote share (Cameron and Crosby 2000; Wolfers and Leigh 2002).

But aside from rewarding good economic management and punishing bad performance, do voters' preferences for Labor or Coalition governments vary according to the economic cycle? To test this, I regress the Labor Party's share of the major party vote in all 39 federal elections from 1903-2001 on the macroeconomic conditions prevailing in the quarter when the election was held, and on a dummy variable denoting whether the Labor Party was the incumbent party.

Table 11 shows the results from this regression. Although the signs of the coefficients suggest that voters might prefer Coalition governments in poor times and Labor governments in good times, the magnitudes of the coefficients are small, and none of the variables are statistically significant at conventional levels. Experimenting with including the macroeconomic variables together, in a variety of combinations, produced no significant results.¹⁴

¹⁴ In particular, I replicated the models in Jackman and Marks (1994), Jackman (1995), and Cameron and Crosby (2000), with the Labor voteshare, rather than incumbent voteshare, as the dependent variable; and including a dummy variable denoting whether Labor was the incumbent party. In no instance were the macroeconomic variables statistically significant.

Table 11: Macroeconomic Factors (1903-2001)**Dependent Variable: Labor Party Vote Share**

	(1)	(2)	(3)	(4)
Unemployment rate	-0.002 [0.002]			
Inflation		-0.001 [0.002]		
GDP growth rate			0.004 [0.003]	
Real wage growth rate				0.001 [0.003]
Labor incumbent	0.03 [0.020]	0.026 [0.020]	0.019 [0.017]	0.025 [0.021]
Number of elections	39	39	39	39
R²	0.08	0.06	0.14	0.06

Note: All macroeconomic variables are in levels, measured in the election quarter. Robust standard errors in parentheses.

6. Conclusion

Better understanding what makes individuals support a left-wing or right-wing party can provide new insights into how each party's policies affect different groups in the population. The foregoing results suggest a number of systematic patterns. At an individual level, the poor, foreign-born, younger voters, voters born since 1950, men, and unmarried voters are more likely to support the Labor Party. High school graduates and those with a trade qualification are also more likely to be Labor voters than high school dropouts and university graduates, but much of this appears to be a permanent income effect. Some degree of party polarisation also seems to have occurred. Over the past 35 years, the partisan gap has widened on a number of dimensions: between young and old; between rich and poor; and between native-born and foreign-born. However, the gender gap, which once saw women favour the Coalition by 14 percent, appears to have closed.

Neighbourhood effects also seem to be important. Controlling for a respondent's own characteristics, and instrumenting for neighbourhood characteristics, voters who live in richer neighbourhoods are more likely to vote for the Coalition, while those in more ethnically diverse or unequal neighbourhoods are more likely to support Labor. By contrast, no systematic pattern seems to emerge from the macroeconomic data. Australian voters reward good economic management, but appear to regard the parties as equally capable of governing in good times and bad.

Yet despite these distinct and significant patterns, we have still not accounted for a large portion of the variance in voting behaviour across the population. The R^2 statistics indicate that the chosen set of individual characteristics (and the election fixed effects) explain just 3 percent of voting behaviour. Adding either birth cohort or neighbourhood characteristics explains an additional 1 percent. A full 96 percent of the variation in voting behaviour across individuals therefore remains unexplained. Returning to the nomenclature of the voting model set out in section 1, we have modelled X1 (the observable groups to which an individual belongs), X3 (characteristics of the individual's neighbourhood), and X4 (national economic variables). What remains is X2 (unobservable group characteristics) and X5 (the voter's innate ideological tendency). Given that observable group characteristics account for only a small portion of variance in voting behaviour, I speculate that unobservable group characteristics probably only account for a relatively small fraction of the remaining variance. Notwithstanding many strong and systematic patterns in the data, a large portion of voter behaviour appears to be driven by innate individual characteristics, such as childhood socialisation.

Data Appendix

The surveys used in this paper are those which included questions on which party the respondent voted for in the previous election, plus a set of demographic variables. Those selected to be most important were age, sex, education, marital status, family income, and whether the respondent was born overseas. Of these, the last two variables turned out to be the most problematic. The 1987 and 1990 *Australian Election Studies* were excluded on the basis that they did not ask respondents any questions about income, while the *National Social Science Survey: 1990 Election Panel Survey* was excluded on the basis that it did not ask respondents whether they were born overseas (frustratingly, no 1990 election survey asked respondents about both income and whether they were born overseas). All of the election surveys used in this paper were of the mail-out type.

Generally speaking, comparisons of the demographics in the Australian Election Studies and the National Social Science Surveys suggest that the two surveys were similarly representative of the population. However, as Goot (2000, 48) has shown, tertiary-educated respondents were over-represented in the AES – perhaps because it was conducted by mail. Only the 1993 AES is weighted, and although in theory it would be possible to use nearby census years to weight some of the other surveys, this was not done. Neither set of surveys appeared to suffer from a noticeably greater degree of pro-winner bias than the other (see Tables 2, 7).

Coding of variables was straightforward in most all cases. Some notes on particular variables appear below.

Education

Educational attainment was coded into four categories: high school dropouts, high school graduates, some college or a trade qualification, and college degree (more detailed information on education existed in some, but not all, surveys).

Income

There was some variation in the number of income categories across surveys. There were 8 income categories in 1966, 1969, 1977, 11 categories in 1983, 1087 in 1984, 108 in 1987, 14 in 1993 and 1996, and 16 in 1998 and 2001. Except for 1984 and 1987, income was presented as a range, and individuals in each range were coded as having family income at the midpoint of the range, or 1.15 times the upper limit in the case of those in the top category. Lastly, it should be noted that, as a consequence of this categorisation and the underlying distribution of incomes, no respondents in 1966 fell into the third income quintile.

Age

The voting age in Australia was 21 until 1973, when it was lowered to 18. In most cases, the survey was restricted to those who were eligible to vote, but in the few cases where respondents report an age that would have made them ineligible to cast a ballot, they were dropped from the sample.

Divorced

In the 1983 survey, the categories 'widowed' and 'divorced' are combined into a single category widowed/divorced. To avoid discarding the 1983 survey altogether, I explored the age profile of widowed and divorced individuals in the earlier survey (1977, since there was no survey for 1980) and the subsequent survey (1984). In these two surveys, almost no younger women are widowed, and almost no older women are divorced. Of the 208 respondents who ticked 'widowed/divorced' in 1983, I therefore assume that all widowed/divorced aged under 55 are divorced (99 respondents), and all widowed/divorced aged over 55 are widowed (109 respondents).

Trade union membership

With the exception of the 1983 election survey, all other surveys used in this analysis included a question on trade union membership. This question had a virtually identical wording in all surveys except 1993. In 1993, the question allowed the respondent to select either 'trade union' or 'staff association' (this was also the question in the 1990 AES, but that survey is not used here).

Although Leithner (1997) distinguishes these two groupings, it seems more likely that those who marked 'staff association' would have marked 'trade union' if it were the only option. To see this, note that if we combine 'trade union' and 'staff association' in 1993, the overall unionisation figures appear to be 41.8% (1987), **29.5% (1993)**, 29.8% (1996). Alternatively, if we omit members of staff associations from the 1993 figure, union membership for the three years appears to be: 41.8% (1987), **23.4% (1993)**, 29.8% (1996). This would be inconsistent with ABS surveys, which show a steady decline in union membership over this period, not a rise between 1993 and 1996. See Australian Bureau of Statistics. 1997. *Trade Union Members, Australia. Cat No. 6325.0*. Canberra: ABS. (Note that while trends in trade union membership in the election surveys should be approximately comparable with ABS surveys, the levels are lower in the election surveys, since the ABS measures trade union membership as a fraction of employees, not the entire population.)

Weights

Only the 1993 survey is weighted. For all other variables, each individual is assigned a weight of 1. The weights are then recoded so as to balance the sample across elections, by ensuring that the sum of the weights for each election is 2000.

Postal code variables

For the 1996, 1998 and 2001 surveys, the postcode variable is only available on a confidential version of the survey instrument. I am grateful to the Australian Social Science Data Archive for temporarily sharing this confidentialised dataset with me.

Regions

Regions are defined as Australia Post BSP regions.

Postal code-level variables

Postcode level variables are constructed from the 1996 census, for which the Australian Bureau of Statistics has published a full tabulation of income and birthplace by postcode (Australian Bureau of Statistics. 1997. *CDATA 1996 CD-ROM*. Canberra: ABS). Using this data, I create precise measures of log mean weekly individual income, fraction born overseas, and inequality among individuals (as measured by the gini coefficient) for each postcode area and region, unaffected by sample size problems.

Macroeconomic Variables

I am grateful to Lisa Cameron and Mark Crosby for sharing their dataset, which was subsequently updated by Justin Wolfers and myself (for more details, see Wolfers and Leigh 2002).

Appendix Table A: Elections in Sample

Election	Study
1966	D. Aitkin, M. Kahan and D. Stokes. 1967. <i>Australian National Political Attitudes</i> (ICPR Study No 7282). Ann Arbor, Michigan: Inter-university Consortium for Political and Social Research
1969	D. Aitkin, M. Kahan and D. Stokes. 1969. <i>Australian National Political Attitudes</i> (ICPR Study No 7393). Ann Arbor, Michigan: Inter-university Consortium for Political and Social Research
1977	D. Aitken. 1979. <i>Macquarie University Australian Political Attitudes Survey</i> (ASSDA No 9). Canberra: Australian National University, Social Science Data Archives
1983	T. Beed, E.M. Goot and J. Reark. 1983. <i>Reark post-election survey</i> (SSDA Study No. D0158). Canberra: Australian National University, Social Science Data Archives
1984	J. Kelley, R. Cushing, and B. Headey. 1984. <i>Australian National Social Science Survey</i> (ICPSR 9084). Ann Arbor, Michigan: Inter-university Consortium for Political and Social Research
1987	J. Kelley, C. Bean and M. Evans. 1988. <i>National Social Science Survey 1987-1988: Inequality</i> (SSDA Study No. 627). Canberra: Australian National University, Social Science Data Archives
1993	R. Jones, I. McAllister, D. Denmark and D. Gow. 1993. <i>Australian Election Study</i> (SSDA Study No 763). Canberra: Australian National University, Social Science Data Archives
1996	R. Jones, I. McAllister and D. Gow. 1996. <i>Australian Election Study</i> (SSDA Study No 943). Canberra: Australian National University, Social Science Data Archives
1998	C. Bean, D. Gow and I. McAllister. 1998. <i>Australian Election Study</i> (SSDA Study No 1001). Canberra: Australian National University, Social Science Data Archives
2001	C. Bean, D. Gow and I. McAllister. 2001. <i>Australian Election Study</i> (SSDA Study No 1048). Canberra: Australian National University, Social Science Data Archives

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