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Political Responses to Economic Shocks

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Abstract

How does the experience of economic shocks affect individuals' political views and voting behavior? Inspired partly by the fallout of the financial crisis of 2008, research on this question has proliferated. Findings from studies covering a broadening range of countries and economic contexts highlight several notable patterns. Economic shocks—e.g., job loss or sharp drop in income—exert a significant and theoretically predictable, if often transient, effect on political attitudes. In contrast, the effect on voting behavior is more limited in magnitude and its manifestations less understood. Negative economic shocks tend to increase support for more expansive social policy and for redistribution, strengthening the appeal of the left. But such shocks also tend to decrease trust in political institutions, thus potentially driving the voters to support radical or populist parties, or demobilizing them altogether. Further research is needed to detect the conditions that lead to these distinct voting outcomes.

INTRODUCTION

A core assumption in the political economy literature holds that economic interests are a significant source of political preferences. Under this assumption, the poor would favor more redistribution, whereas high earners would be more opposed to such policies (Meltzer & Richard 1981, Alesina & La Ferrara 2005); the working class would vote for the left, while capital owners would mostly back parties on the right (Hout et al. 1993, Bartolini 2007); workers with precarious employment would strongly support investment in social insurance and welfare activation, whereas labor market insiders with high employment security would not (Rueda 2007, Häusermann et al. 2014). Such conjectures, which hold that economic interests shape political preferences, implicitly assume the counterfactual, namely that the same people would hold different, perhaps even opposite, views had their economic circumstances been reversed. Notably, however, for decades the empirical research supporting such conjectures was overwhelmingly static in nature, as scholars analyzed whether individuals' political views aligned with their economic interests at a given point in time. An open question, therefore, remains with regard to the dynamic nature of this empirical relationship: To what extent, and in what way, do individuals' political views change in response to significant shifts in their personal economic circumstances?

In recent years, partly in reaction to the fallout from the global financial crisis, a growing body of research has begun exploring this question. Employing a broadening range of empirical strategies, the research examines evidence regarding the impact of exposure to different types of personal economic shocks—e.g., loss of a job or a sizable drop in income—on people's political preferences and voting behavior. This article reviews the findings from this burgeoning strand of research and analyzes the key patterns that emerge.

How individuals respond to significant changes in their economic standing is an important question for study. As noted, the financial crisis and the economic shocks it engendered have had profound consequences for the well-being of millions. Understanding the implications for voters' preferences is therefore key to a meaningful analysis of the current political landscape. Indeed, the conventional wisdom immediately following the eruption of the crisis held that a leftward shift in public opinion would follow, as citizens reeling from the downturn would demand greater government protection and a tighter social safety net. Yet political developments in recent years, such as the dramatic rise of antiestablishment, far right, and populist parties, give reason to question these expectations and the logic underlying them (Bartels 2014, Mudde & Kaltwasser 2017).

The influence of economic shocks on people's political preferences is a longstanding preoccupation in political economy. In fact, Marxist critique of the capitalist system as unsustainable centers on the notion that economic crises and the vanishing of the middle class would eventually lead to a political sea change, namely a revolution [Marx 2010 (1904)]. The core Marxist idea was therefore that economic crises are a strong stimulus for change in people's political consciousness and readiness for action. Thus, while Marx's analysis centered on class, its logic rested on assumptions about the way individuals respond to a change in their economic circumstances.

People's response to economic shocks also ties into a broader debate over the malleability of political preferences, and particularly over the influence of self-interested considerations in shaping those preferences. Indeed, a considerable body of work gives reason to doubt that changes in economic standing lead to a subsequent shift in political views, arguing that ideological dispositions and views adopted early in life tend to endure (Newcomb 1967, Krosnick & Alwin 1989) and are largely resistant to contradictory new information (Taber & Lodge 2006). Research on the impact of economic shocks can shed light on the malleability question.

The focus and scope of this review warrant a brief explanation. In studying the attitudinal impact of economic shocks, I define a shock as an instance of a significant and intense change in one's personal economic standing, whether realized (e.g., job loss) or expected (e.g., a sharp increase in one's likelihood of being laid off). My primary interest here is in research that examines the *dynamic* relationship between changes in the economic standing of people and their political preferences; I therefore minimize discussion of studies that explore an empirical relationship between steady economic conditions and political views. For example, work on the political preferences of the poor, when their circumstances are largely stable, is outside the realm of this article. The review is focused on the political responses of individuals affected by an economic shock, not on the link between the state of the economy and the general vote (for that, see reviews of economic and retrospective voting, e.g., Duch & Stevenson 2008, Healy & Malhotra 2013). Thus, when discussing studies in which the unit of analysis is not the individual, I focus on cases where there is temporal or spatial variation in economic conditions, such that the setting provides insight into the political response of those plausibly affected by the shock.

The main patterns that emerge from a review of the literature can be summarized as follows. First, the personal experience of economic shocks tends to exert a significant impact on individuals' political attitudes and policy preferences. Experiencing negative economic shocks, primarily job loss, increases support for a more expansive social policy and for redistributive measures. Some evidence also indicates that such shocks erode trust in the political system. Yet a range of studies finds that these effects are often short-lived and tend to dissipate over time. This pattern helps account for another notable finding, namely that the experience of economic shocks has a more limited and less consistent impact on actual voting than on political attitudes and policy preferences. These findings suggest that the political significance of economic shocks lies not in reorienting the allegiances of the broad electorate, but rather in shifting the voting preferences of a narrow, yet potentially pivotal, segment of voters.

The review shows that when shocks do influence vote choice, the effect can take the form of increased support for the left, an embrace of antiestablishment and populist parties (mostly) on the right, or an opting out from the electoral process altogether. Notably, research to date offers very limited insight on the conditions that lead to one such response over another. This variation is an important area for future research.

I begin by reviewing the theoretical arguments for why the experience of an economic shock should, or should not, have an impact on individuals' political views. The subsequent section discusses the empirical challenges of studying the impact of shocks, and surveys the methodological approaches scholars have taken toward addressing this issue. I then review key findings in the literature, starting with the effect of shocks on political attitudes and moving on to their impact on voting. The final section summarizes the main conclusions and highlights promising avenues for further study.

SHOULD ECONOMIC SHOCKS AFFECT POLITICAL BEHAVIOR?

The political implications of economic shocks have long been a rich topic of study, with emphases evolving over time. In particular, two prominent strands of research have developed in parallel. The first is composed of macro-level accounts, which center on the way major economic transitions and crises—from the Great Depression to globalization and, more recently, the financial crisis—have restructured key cleavages and political coalitions (Gourevitch 1986, Rogowski 1987, Kriesi et al. 2008, Bartels 2014). The second strand of research focuses on the micro-level link between personal exposure to shocks and individual-level political preferences and voting behavior (Malhotra & Margalit 2010, Dancygier & Donnelly 2014, Ahlquist et al. 2018).

The second strand of research, which is the primary focus of this review, lacks consensus about the implications of personal shocks. Different theoretical approaches produce divergent expectations regarding the extent to which a shock should bring about a change in political preferences, the likely direction of change, and its durability.

One prominent theoretical approach to these issues centers on individuals' economic self-interest as the guiding force. By this view, citizens' political stance reflects considerations based on their standing in the labor market and exposure to the risk of layoff, their position in the income distribution, and their expected earning streams (Meltzer & Richard 1981, Iversen & Soskice 2001, Mares 2006). If circumstances change and dictate different interests, political preferences are expected to adapt accordingly, as individuals seek either compensation or insurance to buffer possible future downturns. Note that this approach implies that the attitudinal impact of the shock is likely to be transient if the individuals' condition returns to its preshock state.

A second approach focuses on ideological dispositions. By this view, preferences and voting behavior are shaped by values and deep-seated beliefs (Campbell et al. 1960). These tend to be largely impervious to changing circumstances. Moreover, the literature on "motivated reasoning" holds that psychological biases lead individuals to stick to their longstanding views and shun new information if it is inconsistent with their prior beliefs, while embracing new information that reinforces their priors (Redlawsk 2002, Taber & Lodge 2006). Accordingly, new information in the form of changing economic circumstances is likely to have only a marginal impact on the way people think about political matters.

A third possibility is that the experience of an economic shock brings about a process of learning, which then leads to a more lasting change in views (Gerber & Green 1999, Page & Shapiro 2010). This would occur if people update their priors, for example about the incidence or severity of various social risks, or update the beliefs underlying their ideological views, such as the role of luck in explaining individuals' economic misfortune. Put differently, through some form of learning, economic shocks may change individuals' political views in a way that endures beyond the change in their immediate circumstances.

This third possibility is quite plausible given growing evidence that economic shocks also have long-term consequences on people's economic fortunes. In particular, job displacement and the need to search for a job during a weak labor market are shown to have long-term effects on earnings (Oreopoulos et al. 2012), on the likelihood of facing poverty (Schwandt & von Wachter 2017), and on the propensity to later experience anxieties about future job loss (Davis et al. 2011). Notably, these findings indicate that the ramifications of economic shocks are particularly strong on younger workers (Davis et al. 2011). This observation suggests that economic shocks may bring about heterogeneous attitudinal effects depending on the period of one's life in which they occur.

The different theoretical approaches described herein relate not only to policy preferences but potentially also to voting behavior. In particular, scholars have focused on four main electoral responses to the experience of significant changes to voters' economic standing. One expectation holds that, following the experience of a serious economic set-back, people will grow more likely to vote for parties on the left, as these tend to support more redistribution and an expansive social safety net (e.g., Hibbs 1977, Korpi 1983). A second argument holds that, in the face of economic downturns, voters will increasingly embrace antiestablishment, challenger, or far right parties and candidates (Golder 2016, Hobolt & Tilley 2016). This expectation rests on the idea that these types of parties represent a rejection of the status quo and often channel voters' discontent toward clearly identified "villains" that are alleged to be responsible for voters' predicament, be it immigrants, minorities, or a corrupt elite (Mudde 2004). A third conjecture is that voters who experience serious hardship engage in retrospective voting and thus vote against the incumbent, irrespective of their ideological stance (Anderson 2007). Finally, some have suggested that voters, when facing a negative economic shock, are more likely to reduce their interest in politics and not vote (Schlozman & Verba 1979).

Like the competing expectations about the effect of economic shocks on political attitudes, the arguments about the effects on voting behavior are all plausible ex ante. Their relative explanatory power is an empirical question. Before examining the evidence regarding these theoretical expectations, I briefly discuss the empirical approaches scholars have used for testing them.

EMPIRICAL CHALLENGES AND OPERATIONALIZATION

Investigating the impact of personal economic shocks on individuals' political views is empirically challenging for a number of reasons that merit discussion, as they provide necessary context for assessing the accumulating evidence on the topic. A key difficulty stems from the fact that most economic shocks are not assigned at random. For example, an employer's decision over which workers to lay off is often based on their motivation and performance level. This means that those laid off possibly differ from those who kept their jobs in a range of ways, including in unobserved factors such as their personality traits or upbringing. For this reason, a "naive" comparison of the political views expressed by members of the treatment group (i.e., those affected by the shock, in this case a layoff) and those in the control group (those unaffected) cannot be assumed to reflect only the causal impact of the economic shock. Rather, these differences may have been present well before the shock and simply reflect unobserved factors.

To better deal with this possibility, researchers need data that track individuals' political views and economic experiences over time. Of course, such data do not eliminate all the inferential problems resulting from a lack of randomization in the assignment of the shock, but they do allow researchers to control for the baseline views of the subjects, i.e., those held before the shock occurred. Assuming (or better, demonstrating) that the preferences of the treatment and control groups moved in similar ways before the shock occurred—what is known as the parallel trends assumption—the effect of the shock on political preferences can be estimated using the difference-in-differences method. This is done by comparing the average change in the views of the treatment group (pre- versus postshock) to the change observed among the control group during the same period (Angrist & Pischke 2008).

Longitudinal data at the individual level, which are necessary for analyses of this type, have traditionally been quite rare due to the logistical difficulty and high costs of tracking the views and experiences of the same set of individuals over time. Thus, earlier work on economic shocks predominantly relied on cross-sectional data, drawing inferences from correlations between individuals' economic circumstances (e.g., employment status) and their political views at a given point in time. For the reasons outlined above, this inferential approach is problematic. However, the advent of Internet surveys has led to a dramatic drop in both the costs and the difficulty of conducting panel studies. This contributed to the creation of new data that researchers can use to draw inferences regarding the impact of economic changes on political views. Moreover, panel data are increasingly collected in countries beyond the United States—the site of most such studies in the past—and this expansion allows for an examination of the effects of shocks in different economic and political contexts.

Increased attention to issues of causal identification in the study of economic shocks has also led to a growing use of survey and lab experiments (Durante et al. 2014, Fisman et al. 2015, Barr et al. 2016). These studies add to the literature by providing insight primarily on the mechanisms that underlie individuals' responses to economic shocks.

ECONOMIC SHOCKS AND POLITICAL PREFERENCES

In the study of the impact of economic shocks on political attitudes and policy views, scholars have focused on the issues most directly related to the impact of the shock: unemployment insurance and assistance to the needy, the welfare state, and income redistribution. Other outcomes studied relate to broader issues such as the desired role of government, trust in political institutions, and people's sense of political efficacy.

A series of studies finds that the experience of job loss brings about a subsequent shift in support for redistribution and for a more active role of government in welfare provision. In my own research, I find that individuals who experienced job loss during the financial crisis grew significantly more supportive of assistance to the needy and the unemployed (Margalit 2013). Using a four-wave panel that starts in 2007, a year before the financial crisis erupted, and tracking the experiences of a large sample of Americans until 2011, I find that workers who lost their job grew significantly more likely to support increased government spending on the social safety net.

Scholars who examined other contexts have documented a similar empirical pattern of a leftward shift in social policy views following the experience of job loss. This work includes a set of studies that utilize panel data from the United States (Hacker et al. 2013, Owens & Pedulla 2013), the Netherlands (Naumann et al. 2015), Sweden (Martén 2019), and Denmark (Alt et al. 2017). Cross-sectional data from both Europe and the United States further establish this empirical relationship (e.g., Alesina & Giuliano 2011, Giuliano & Spilimbergo 2013).

The effects reported in these studies are not only statistically significant but often also substantively sizable. For example, Naumann et al. (2015) find that support for unemployment benefits in the Netherlands increased by 17% above the baseline rate. In a study of the United States, I find that Americans who experienced a loss of a job were 24 percentage points more likely to support increased welfare spending than they were before the experience of the shock, representing a 42% increase above the baseline rate of support (Margalit 2013).

The attitudinal effects of economic shocks other than job loss are more mixed. In the same study described above, I find that a spouse losing a job, or a large increase in one's self-perceived risk of layoff, corresponded with significantly smaller leftward shifts in policy views. In the case of job insecurity, the substantive effect on social policy views was about one third the magnitude of that associated with actual job loss. A major drop in household income (of 25% or more) corresponded with a statistically insignificant shift in attitudes. Examining a similar income shock, Owens & Pedulla (2013) analyze three waves of panel data from the General Social Survey (between 2006 and 2010) and find that a drop in respondents' income of 20% or more was associated with lower support for redistribution but had no discernible impact on support for a more active government role in helping the poor.

Studies using panel data from European countries also report mixed results regarding the attitudinal effects of negative income shocks. In both the Netherlands (Naumann et al. 2015) and Sweden (Martén 2019), researchers find that decreases in income brought about either statistically insignificant or small leftward shifts in social policy preferences. Using Swiss household panel data spanning the period 1999–2011, O'Grady (2017) finds that changes in income had no discernible effect on support for social spending, and a weak positive effect on support for taxing the rich. The one exception is a stronger effect of the shock on the attitudes of the young. Such differential effects by age are a pattern I return to in the discussion below.

All studies cited above focus on the effects of negative economic shocks and report that those lead to a leftward shift in social policy preferences, although in some cases the shift is small or below statistical significance. In a revealing contrast, studies of *positive* economic shocks report a shift in policy views to the right. For example, Doherty et al. (2006) exploit the random assignment of lottery prizes in the United States and find that a sudden increase in income led to a significant drop in support for the estate tax. Comparing lottery winners of varying amounts to each other and to the general public using an additional survey, they also find lower support for redistributive measures among lottery winners. Powdthavee & Oswald (2014) analyze the effects of a similar income windfall in the United Kingdom (discussed below) and also find a rightward shift in attitudes with respect to the perceived justice of the current wealth distribution in society.

Several mechanisms may underlie the shift to the left (right) following exposure to negative (positive) economic shocks. It could be partly driven by changing beliefs regarding the role of luck versus merit in explaining people's economic success and their entitlement to subsequent riches (Giuliano & Spilimbergo 2013). Indeed, a number of studies using lab experiments report evidence consistent with this mechanism. For example, Barr et al. (2016) had subjects participate in behavioral experiments over two rounds that took place a year apart. They find that subjects who were employed during the first wave but unemployed during the latter were less likely to acknowledge "earned entitlements"—an individual's right to benefit from the rewards of her effort or endeavor—than participants who kept their jobs.

Using a different experimental set-up, Fisman et al. (2015) point to another potential mechanism for the leftward shift in attitudes. Combining a real-world economic shock with an experimental manipulation, the authors conducted identical dictator games during and after the Great Recession. They find that subjects who were exposed to the recession grew more selfish. The growing concern with self-interest may help explain why, following the experience of a personal economic shock, individuals become more supportive of welfare spending by the government, a policy that should benefit them personally. Yet, notably, the authors find that those exposed to the effects of the crisis also became less concerned with equality. This suggests that the leftward shift in support for social spending reflects a self-interested motivation, not a sociotropic concern regarding the broader implications of increased social spending on society.

Economic shocks can also change individuals' political views by affecting their perception regarding their relative economic standing in society. Fernández-Albertos & Kuo (2015) offer evidence of this mechanism. They find that informing people about their true position in the income distribution in society has a significant and theoretically predictable impact on their attitudes on redistribution. Holding objective economic conditions constant, the authors find that Spanish subjects who learn that they are relatively poorer (richer) than they had previously recognized become more (less) supportive of redistributive measures. Other studies report a similar finding (Cruces et al. 2013, Karadja et al. 2017). Kuziemko et al. (2015) conducted a similar experiment in the United States but find that the effects on policy preferences, while consistent with those reported by other studies, were substantively small.

Finally, evidence shows that economic shocks also affect noneconomic attitudes, including value orientations and levels of trust in political institutions. Ballard-Rosa et al. (2017) find that Britons living in areas more strongly affected by import shocks from China exhibited higher levels of authoritarian values. Such values are generally associated with greater support for parties on the right. Algan et al. (2017) examine the impact of unemployment shocks at the regional level on political trust in a wide array of European countries. They find that a 5-percentage-point increase in regional unemployment (approximately one standard deviation) is associated with a 3.6-point drop in trust toward the country's national parliament (roughly a third of a standard deviation). Guiso et al. (2017) also analyze data from the European Social Survey (ESS) and find strong associations between economic insecurity—an index measure that includes unemployment, income level, and higher exposure to globalization—and trust in political institutions (see also Dustmann et al. 2017).

Notably, Pop-Eleches & Pop-Eleches (2012) find that a positive economic shock brought about the opposite response, namely an increase of trust in government. Employing a regression discontinuity design, they study the impact of receiving assistance from a local government program aimed at aiding the poor. They find that program beneficiaries, benefiting from assistance of about 200 euros—more than three times the monthly income of an eligible family of four—reported trust in local government that was significantly higher than among nonbeneficiaries (an effect of 1.07 points on a 10-point scale). The authors found no such effect with respect to trust in government at the national level.

ECONOMIC SHOCKS AND VOTING

I divide the discussion of the findings regarding the link between economic shocks and voting behavior into several outcomes, as outlined above: turnout, support for the left, embrace of anti-establishment (including far right and populist) parties, and anti-incumbent vote.

Turnout

The effect that economic shocks exert on turnout is not obvious from a theoretical standpoint. On the one hand, people experiencing a negative shock—such as an income drop necessitating work in multiple jobs—may become less politically involved, as they have little time to invest in political activity. Economic shocks can lower people's sense of political efficacy or, as discussed above, decrease their degree of trust in the political system, both of which could translate into higher rates of vote abstention. On the other hand, adverse economic conditions could spark individuals into action, whether to vote the incumbent out of office or to support a party that represents their new economic interest. Which of these opposing effects dominates is, again, an empirical question. A review of the literature indicates that the former is more often the case than the latter: Negative economic shocks tend to decrease political participation.

Emmenegger et al. (2015) analyze Dutch panel data from the Longitudinal Internet Studies for the Social Sciences project and find that higher labor market disadvantage—an index of shocks that includes job loss—increases the probability of not voting. In a later study, they examine data from the German Socio-Economic Panel and find that the experience of unemployment is associated with lower turnout primarily among the young (ages 17 to 35). Emmenegger et al. (2017). In a similar vein, Guiso et al. (2017) examine data from a range of European countries and also find a strong empirical relationship between negative changes in individuals' economic circumstances and a decline in voter turnout. Marx & Nguyen (2016) point to a mechanism that can potentially account for this pattern. Analyzing ESS data on 26 European countries, they find that "internal political efficacy"—citizens' perceived competence in making meaningful political decisions—drops when unemployed, an effect that is notable among both the young and the old.

An intriguing result is that voters are in some cases also less likely to turn out to vote following positive changes (Brunner et al. 2011, Gay 2012). Charles & Stephens (2013) study the impact of an economic shock on voting in the United States. They instrument economic changes at the county level by using exogenous shocks to world oil supply, and interact exposure to the shock with the prior importance of energy production in the county. They find sizable and negative effects on turnout in elections for governor, senator, and congressional seats (but not in presidential elections), with a 3–4% drop in turnout in counties that experienced a one-standard-deviation increase in employment levels and income between elections.

In contrast, studies examining the effect of gaining eligibility for government cash transfer programs show that new recipients are both more likely to vote and to do so in support of the incumbent. De La O (2013) finds this pattern in the context of the Mexican *Progresa* conditional cash transfer program, and Pop-Eleches & Pop-Eleches (2012) find a similar pattern with respect to Romania's Euro 200 program.

The evidence on the effect of economic shocks on turnout is still limited. But taken together, the evidence suggests that adverse economic shocks tend to decrease turnout, while the response to positive economic shocks appears to depend on the source. Income shocks resulting from eligibility for new governmental transfers increase voter mobilization (to the benefit of the incumbent), while those resulting from exogenous factors depress turnout.

Voting Along the Left–Right Dimension

Experience of a negative economic shock, as described above, tends to bring about a leftward shift in views on social-economic policy. To what extent does this shift in policy preferences translate into changes in actual voting behavior?

Most longitudinal studies that use data at the individual level provide evidence on the political impact of shocks on attitudes without an examination of voting behavior. This may be because of limitations of the data or because the authors detected only weak effects, a possibility I discuss in the concluding section.

Examining data from Sweden, Martén (2019) finds that loss of a job is associated with more favorable views of the Social Democrats. Yet her analysis also indicates that the effect on the overall likelihood of voting for parties on the left, while positive, is not statistically significant. Similarly, Emmenegger et al. (2015) analyze data from the Netherlands and find that higher labor market disadvantage increases support for redistribution, which positively affects voting for the left. However, they find no direct relationship between disadvantage and voting. Both of these findings indicate that despite significant changes in political attitudes of individuals following economic shocks, a change in voting behavior does not necessarily follow. This is also consistent with my own examination of the US case; I find a strong impact of personal shocks on attitudes on welfare spending (Margalit 2013), but no effects on voting behavior.

A recent study of Danish data sheds light on the impact of a significant increase in one's perceived risk of layoff (Alt et al. 2017). The authors utilize an exceptionally rich data set that combines detailed individual-level administrative records on almost eight million individuals in Denmark together with a panel survey on attitudes. This data set allows them to identify unemployment shocks that hit "second-degree connections," i.e., instances where there is one degree of separation between the respondent and the person who lost a job. The authors find that such second-degree exposure to the shock increases the likelihood of voting for the left.

Other studies report a significant impact of adverse economic changes on vote for the left, but the evidence is less direct. For example, Wright's (2012) study of US gubernatorial and presidential voting finds that increases in unemployment at the local level were associated with higher support for the left. Notably, he finds that only Republicans were punished for increases in unemployment while Democrats were not.

Che et al. (2017) analyze votes in congressional races between 1998 and 2010 and find a statistically significant relationship between exposure to a trade shock that affects unemployment at the county level and growing support for the Democratic candidate. However, the substantive effect is moderate: The difference between a county at the 25th or the 75th percentile of counties in terms of exposure to the shock is associated with a 1- to 2-percentage-point increase in the Democratic vote.

As with attitudes on social policy, studies examining the electoral effects of positive income shocks also find that economic windfalls bring about a rightward shift. For example, Powdthavee & Oswald (2014) analyze longitudinal data from the British Household Panel Survey. Exploiting a sample of over 4,200 lottery winners in the United Kingdom who were observed before and after receiving their windfall, they find that a lottery win brought about a shift in winners' preferences in favor of the Conservative Party. The effect was larger among those who won larger prizes. Controlling for individual fixed effects, the probability of switching support to the right was about 2.5 percentage points higher among winners of the large prizes (£500 or more) than among non-winners.

Peterson (2016) reports a similar pattern. He uses administrative data from Pennsylvania on lottery winners (a median prize of $113,000) and matches the administrative records with the state's voter file. He finds that lottery windfalls shifted the political preferences of the winners to the right. This effect was most substantial among those who were not registered as voters prior to the windfall, among whom a one-log increase in their winnings increased their expected probability of registering as Republicans by 9.6 percentage points. This finding suggests that the income shock is more likely to shape the political behavior of individuals who are less involved in politics, or less committed to a certain political party or ideology. The result is consistent with other studies that find that the attitudinal impact of economic shocks is strongly conditioned by the strength and direction of ideological dispositions that people have prior to the experience of the shock (e.g., Brunner et al. 2011, Esarey et al. 2012, Autor et al. 2016).

The findings discussed here indicate that economic shocks influence not only attitudes on policy matters but also in some cases voting behavior. However, as the following sections show, even when economic shocks affect voting behavior, there is significant heterogeneity in the ideological direction of the political response as well as in the magnitude of the effects.

Voting for Radical Right and Populist Parties

Research studying the individual-level determinants of support for far right parties has overwhelmingly relied on cross-sectional survey data. Key findings in this work are that the far right voter is disproportionately male, young, and less educated, and is a manual worker, self-employed, or unemployed (Norris 2005, Golder 2016). Recent research that centers on the impact of changes in economic conditions reports results that are generally consistent with these earlier findings.

Using data on layoff notifications during the Great Recession, Dehdari (2018) finds that unskilled native-born workers in Sweden who received layoff notifications were substantially more likely to support the Sweden Democrats, a far right party, than others who had kept their jobs. The effect is quite large, amounting to 31% of the overall increase in the party's vote share.

Despite conceptual distinctions between radical right and populist parties, support for both party families seems to increase in response to economic shocks. Guiso et al. (2017) use ESS data (2002–2014) to test whether economic insecurity, a measure that includes being unemployed, is associated with the rise of populist parties in Europe. They show that the effects of economic malaise contributed to the populist surge in two different ways: by mobilizing voter support for a populist agenda and by disproportionately suppressing turnout among supporters of nonpopulist parties. Their results indicate that a one-standard-deviation increase in one's economic insecurity level had a direct effect of bolstering the populist vote by 4.3% (from 6.7% to 7%) and lowered turnout by 6.2% of their sample mean (from 78% to 73%).

Algan et al. (2017), who also use ESS data, find that a crisis-driven increase in unemployment is associated with a decrease in trust in both national and European political institutions and, in turn, with a rise in support for populist parties. Notably, the effects they find on voting behavior are much more modest than on attitudinal questions, indicating again that the impact of economic shocks on policy preferences and political attitudes is often not translated into changes in actual vote choice.

Colantone & Stanig (2018a,b) assess the relationship between exposure to trade shocks and voting. Following the empirical approach advanced by Autor et al. (2013), they exploit variation in import exposure stemming from initial differences in industry specialization. They instrument for imports in a specific country using changes in Chinese imports in other comparable countries. Their findings indicate that import shocks at the region level lead to an increase in support for radical right, nationalist, and isolationist parties, as well as a general electoral shift to the right (Colantone & Stanig 2018b). In the United Kingdom, they also show that the impact of the import shock led to greater support for the Leave camp in the Brexit referendum (Colantone & Stanig 2018a).

Building on the same identification strategy, and using both locality-level and individual-level panel data from Germany, Dippel et al. (2015) show that those most vulnerable to the trade shock—low-skilled workers in manufacturing—were more likely to support parties on the far right as a result of the "China shock." Using a similar empirical approach, and examining data covering the period 1995–2002, Malgouyres (2017) finds that exposure to the import shocks increased French voters' support for the presidential candidate of the far right National Front.

These electoral changes—increased support for nationalist, populist, and far right parties—may be a response to the aforementioned value change or decline in trust in political institutions. But they may also reflect an increase in Euroskepticism, a trend exacerbated by the financial crisis (Fernández-Albertos & Kuo 2016, Hobolt & De Vries 2016).

Anti-Incumbent Voting

A sizable literature on retrospective voting documents a pattern, at the aggregate level, whereby voters tend to punish (reward) the incumbent for negative (positive) economic performance during their time in office (for a recent review, see Healy & Malhotra 2013). Yet we know relatively little about the extent to which the personal experience of economic shocks brings about an anti-incumbent vote. Several recent studies shed light on this question.

Ahlquist et al. (2018) examine the impact of an income shock in Poland resulting from a sharp revaluation of the Swiss Franc, which hurt Poles with mortgages denominated in Swiss currency. The authors find that supporters of the incumbent Civic Platform (PO) Party who experienced the income shock were more likely to vote against the government in the subsequent elections. This anti-incumbent response was at least partly due to the fact that the main opposition challenger, the Law and Justice Party, championed a bailout to borrowers exposed to foreign-denominated mortgages.

Using the British Household Panel Survey, Tilley et al. (2018) show that voting for the incumbent is less likely following a drop in one's earnings. Their data cover periods of Conservative and Labor governments (1991–2008) and show that under governments led by both parties, improvement (deterioration) in a household's financial situation led to a small but statistically significant electoral reward (punishment) of the governing party. Respondents' perceptions regarding the reason for the change in financial situation seem to matter: The effect is twice as large when the change in income was caused by government transfers, as opposed to private earnings.

In line with this result, studies show that positive income shocks in the form of governmental cash transfers increase support for the incumbent. In Mexico, the vote share of the incumbent in the 2000 presidential election grew significantly among beneficiaries of *Progresa* (De La O 2013). Manacorda et al. (2011) analyze the electoral effects of eligibility to PANES, a large conditional cash transfer program in Uruguay. Using a regression discontinuity design, they find that support for the incumbent among those eligible to the income transfer went up in the short run by 11 to 14 percentage points. Moreover, they find that some of the effect persisted after the program ended. Yet this is perhaps an exception that proves the rule; evidence from Brazil (Zucco 2013), the United States (Chen 2013), and Germany (Bechtel & Hainmueller 2011) shows a similar rewarding of the incumbent for government assistance, but the pro-incumbent shift dissipated quickly.

It remains an open question whether this is a general pattern or a result of the fact that some of these transfers were instances of government aid distributed as part of disaster relief efforts.[1]

Studies reveal a more consistent pattern of anti-incumbent effects when the focus is on economic shocks at the local level. Yet, in these studies, findings regarding the link between personal shocks and subsequent political response rely more strongly on ecological inference. This means that one cannot confidently know what the political response was among those directly affected by the shocks. For example, analyzing voting patterns at the county level in the United States, I find evidence that job losses resulting from foreign competition, particularly due to offshoring, brought about an anti-incumbent vote. This was the case under both Republican and Democratic presidents (Margalit 2011). Jensen et al. (2017) present further evidence that increases in job insecurity resulting from foreign competition, primarily in low-skilled manufacturing, translate into systematic electoral shifts against the incumbent president. Finally, Healy & Lenz (2017) analyze the impact of changes to wages and employment around the 2008 financial crisis. Using data at the zip code and county levels, they also find that negative shocks led voters to turn against the incumbent. The findings in these studies are certainly consistent with the notion that the personal experience of an economic shock affected support for the incumbent, but as noted, the inferences are more limited.

DISCUSSION AND FUTURE RESEARCH

Research investigating the impact of economic shocks on political preferences and vote choice has grown sharply in recent years. While significant progress has been made, important questions still remain unanswered. In this section, I discuss some of the key patterns that emerge from the literature and outline several directions for future research on the topic, focusing on six main takeaway points.

The Impact of Economic Shocks

> *Point 1:* Political attitudes tend to change significantly following the experience of economic shocks, whereas the change in voting behavior is less consistent and often modest in magnitude.

At least three factors may account for this difference. First, a substantial body of work shows that partisanship is increasingly akin to a social identity, affecting choices and behavior on political, social, and economic matters (Iyengar & Westwood 2015, McConnell et al. 2018). Therefore, even when changing personal circumstances lead to different policy preferences, citizens may not change their voting behavior; switching to another party may be seen as almost heresy.

Another possibility is that different time lags account for the differential effects. Elections often take place several years after the experience of an economic shock, yet a growing body of evidence indicates that postshock changes in attitudes tend to be short-lived (see below). It is therefore possible that surveys gauging attitudes are administered relatively close to the occurrence of the shock, whereas voting—a rarer event—often occurs long after the shock, and that this difference accounts at least partly for the difference in the magnitude of the reported effects. Indeed, several studies show that when the economic shock takes place closer to election time, its effect on voting is more substantial (Bechtel & Hainmueller 2011, Bagues & Esteve-Volart 2016, Hall et al. 2017).

[1] I minimize discussion of the political impact of natural disasters. It often reflects both the reaction of voters to the effects of the shock itself (e.g., damage to property, the loss of loved ones) and a retrospection on the government's disaster relief efforts. For a review of that literature, see Healy & Malhotra (2013).

A third explanation could be that economic shocks change attitudes on some issues (e.g., social policy, redistribution) but have no impact on other dimensions, such as cultural values or ethnocentrism. If so, a change in preferences in one dimension may not lead to a change in voting behavior, as the voting decision reflects preferences in multiple dimensions (Lee & Roemer 2006).

Point 2: Economic shocks often have a transient effect on political attitudes. The effect may be more enduring when the shock occurs early in one's life.

A pertinent issue in assessing the political impact of economic shocks is whether the effect endures. The evidence at hand on this question is still limited, primarily due to the small number of data sets that track both the economic circumstances of individuals and their attitudes over an extended period of time. The data that do exist indicate that the effect of an economic shock on political attitudes is often transient. For example, in my own study of the United States, I find a sizable increase in support for welfare expansion among Americans who had lost their jobs, yet this increase vanished once individuals found new employment (Margalit 2013). Other studies also find evidence of a transient attitudinal effect following the experience of personal economic hardships. These include analyses of data from Sweden (Martén 2019), Denmark (Danckert 2017), and Switzerland (O'Grady 2017) [but see Naumann et al. (2015) regarding the Netherlands].

One caveat, though, is that the transience of the attitudinal impact might be related to the age at which the individual experiences the shock. For example, using longitudinal data from the United States and repeated cross-sections from 37 countries, Giuliano & Spilimbergo (2013) show that economic crises during one's late teens and early twenties have a lasting impact on political preferences, increasing support for redistribution and likelihood of voting for left-wing parties. Neundorf & Soroka (2018) use cohort analysis of almost 30 years of surveys from Britain and find further evidence of this pattern. In contrast, both studies find that economic recessions experienced later in life have no discernible long-term effects.

These findings may be reconciled as follows: The experience of economic shocks at an early age, during the window of formative years, shapes political views in significant and lasting ways. Later in life, the personal experience of shocks can have significant effects on political views, but these tend to be more short term.

The Mechanism of Change in Response to Economic Shocks

Point 3: Relatively few people update their views in response to a shock, despite a change in their material circumstances. However, among those who do change their views, the change is typically consistent with self-interested considerations. Thus, evidence on whether self-interest shapes people's responses to economic shocks is subject to opposing interpretations, depending on which of these two empirical regularities one chooses to emphasize.

A recurring question is whether a shift in political preferences following an economic shock reflects an instrumental calculation based on one's self-interest, or whether instead it reflects sociotropic considerations based on a changed view of what is desirable for the broader community. Evidence presented in this review—a shift leftward (rightward) following a negative (positive) economic shock, together with the dissipating attitudinal effects of shocks as individuals' circumstances change again—suggests that in those circumstances, economic self-interest plays an important role in the formation of political preferences.

This finding is not obvious. Indeed, substantial public opinion research indicates that preference formation is often *not* based on one's material self-interest (e.g., Margalit 2012, Hainmueller & Hopkins 2014). One explanation for the findings reported here might be that in instances where people's economic circumstances change in a significant manner, as is the case in many of the studies of the shocks discussed above, concern with personal interests might be greater than it typically is. Updating of political views in such cases would therefore be more prevalent.

However, even in the studies that report a shift in attitudes following the experience of a shock, most people stick with their prior views. Put differently, self-interest matters in the sense that it helps account for the observed shifts in preferences, but such shifts occur rarely. Whether because of ideological commitments or due to the stickiness of attitudes in general, it is not the case that political views routinely update in response to changing economic circumstances.

The broader and arguably more significant point is that in politics, which so often is a competition over tight margins, the effect of economic shocks on the preferences of a narrow segment of voters can still have a profound impact on the overall electoral outcome. The political significance of economic shocks thus typically lies not in reorienting the allegiances of the general electorate, but rather in influencing the preferences of a narrow, yet potentially consequential segment of voters.

Conditioning Effects

> *Point 4:* The political effect of economic shocks is strongly conditioned by prior political dispositions. However, it is not clear when such conditioning is likely to be more or less significant.

Research indicates that individuals' political preferences are affected by shocks, yet the evidence also suggests that the direction and magnitude of the change is often conditioned by prior political leanings. For example, Autor et al. (2016) report that a trade-induced shock has driven left wing voters leftward, while those on the right moved further to the right. In other words, the shock had a polarizing effect on voters as a function of their prior leanings.

Brunner et al. (2011) estimate the causal effect of employment shocks on statewide ballot propositions in California. They find that positive employment shocks cause Democrats to shift rightward on issues on the ballot, while preferences of Republicans remain unchanged. My analysis of the United States shows that following job loss, individuals who had been right-leaning became more supportive of social spending, while the effect among leftists was in the same direction but substantially smaller (Margalit 2013).

These three sets of results do not mesh into a simple conclusion, other than that ideological leanings prior to the experience of a shock clearly condition its subsequent impact on political views. Yet notably, most studies of economic shocks do not analyze these conditioning effects; in fact, some analyses do not even control for prior political stance. How prior leanings condition the response to the shock is an important topic that merits further investigation.

Research Design and Theoretical Framework

Our understanding of the impacts of economic shocks on political attitudes and behavior is constrained by several features of the research designs used when studying the topic. I conclude the review by discussing two of these issues and their implications for future research.

> *Point 5:* Publication bias may pose a serious problem for how we interpret the accumulated evidence. Specifically, the set of papers that are published may overstate the true extent to which economic shocks bring about a political response.

If researchers tend to write, and editors to publish, predominantly positive findings ("Economic shock X caused political outcome Y"), it may well be the case that there are also instances where researchers find that shock X did not cause outcome Y but those cases are not written up as articles, or not published in journals, as they are seen as less interesting or valuable. Such a tendency, if prevalent, would create a misleading picture in which economic shocks are seen as a reliable cause of changing political preferences, even if this is not necessarily the case.

One potential solution to this type of problem is the use of preanalysis plans, in which scholars write up their research design and empirical strategy before receiving or analyzing the data. The broader the use of preanalysis plans becomes, the more likely we are to see researchers report the full set of results, including null findings. It is then incumbent on reviewers and editors to treat well-designed studies, even if they report null results, as a contribution no less worthy of publication than a study with a similar design that reports statistically significant effects.

> *Point 6:* Economic shocks sometimes lead to growing support for the left; in other cases to a vote for populist or far right parties; and in still other cases to a vote against the incumbent or to outright abstention. The literature lacks a good theoretical framework for explaining when we should expect to see one type of response rather than another.

This issue reflects a bigger problem with the current approach to the study of economic shocks and their political repercussions. To date, most of the studies on the topic have been typically framed in the following way: "How did shock X affect support for Party Y?" It is far less common to see studies that ask: "What is the overall effect of shock X on the distribution of votes across the party system?" or alternatively, "Why did Party Y benefit from the response to the shock rather than Party Z?" The way scholars frame the question has major consequences for the type of answers they obtain.

One useful way to think about this problem is the distinction in economics between partial equilibrium and general equilibrium. The former approach analyzes the functioning of a specific part of the market (for example, analyzing the price of a single product while holding the prices of all other products fixed), whereas the latter approach analyzes the functioning of all markets as a whole rather than as individual phenomena. For some purposes, the partial equilibrium approach is sensible, as it renders the analysis more lucid and tractable. Yet it comes at a price, as it often offers a limited understanding of the broader phenomenon of interest. In many ways, this is also the case with respect to the challenge of studying the political impact of economic shocks. Progress on this topic requires researchers to go beyond the investigation of each political response to a shock as a separate phenomenon. Instead, what is needed is a broad framework that considers in tandem the range of possible responses to the shock, and provides guidance for the instances in which each response is likely to occur. Crucially, advancing such a framework means reorienting some of the questions researchers ask. Doing so will pay dividends by allowing the growing number of disparate studies about the political impact of economic shocks to cohere into a theoretically informed and more cumulative body of knowledge.

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