Election Timing

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Chapter 1: Calling Elections

Under the British system almost all elections lost by the prime ministers are ex hypothesi thought to have been held on the wrong date. Roy Jenkins (1991, p367)

In many parliamentary systems the timing of the next election is at the discretion of the current government. This gives leaders in these systems the power to call elections at the most advantageous time for them-- when they expect to win. It is claimed that "[t]he choice of election date may well be the most important single decision taken by a British prime minister" (Newton 1993). Despite the apparent importance of this decision, political scientists have done little to explain when elections are called and how and why this timing affects electoral outcomes and subsequent economic performance. This book addresses these questions.

Most parliamentary systems specify a maximum time between elections, five years in Britain for example. Yet, leaders are not bound to wait five years and may call an election whenever ‘the time is right’. Most extant attempts to explain election timing focus on this idea of ‘political surfing’ (Inoguchi 1979). Governments wait until economic conditions and their popularity suggests elections are a sure thing, at which time they call elections. Such arguments assume that the electoral outcome is simply an expression of relative support for the government at the time the election is called. As such, a party's vote share simply reflects the government's performance during its time in office. There is no conception that the timing of an election influences the outcome beyond its being chosen when the government looks at its best.

Anecdotal evidence suggests the contrary. In May 1970, the governing British Labour party over took the opposition Conservative party in the opinion polls for the first time in three years. Harold Wilson, the then Labour Prime Minister, called a snap election to take advantage of Labour's sudden recovery. Yet, at the election Labour's support slumped, and the
Conservatives won 330 of 630 seats. This reversal of fortune is not an isolated incident. In 1997, right wing President Jacque Chirac's decision to call an early election for the French lower house led to an immediate decline in the right wing's support and large electoral gains for the left.

I propose and test an informational theory of endogenous election timing in parliamentary systems. I assume political leaders, most importantly Prime Ministers, have a more accurate assessment of future government performance than the public at large. This informational advantage helps leaders choose election dates when the government looks at its best. In particular, leaders want elections today if they expect to perform poorly in the immediate future. Unfortunately, leaders are unable to completely hide the impending decline since the very act of preempting the decline with an election indicates that the government has something to hide. The timing of elections influences electoral outcomes because the decision of a leader to call an election reveals information concerning her expectations about future performance.

Following the successful conclusion of the Falklands War in 1982, the British Conservative government under the leadership of Prime Minister Margaret Thatcher was extremely popular. Given that she was elected in 1979, she did not need to call an election before 1984. Yet, her enormous popularity following the war might have made for an excellent opportunity to secure another five year term. Indeed, speculation about the possibility of an early election was sufficiently intense that polling organizations took polls of the desirability and likelihood of an early election (see for example, Index of International Public Opinion 1982-83, p. 353). To illustrate the central arguments of this book, it is worth exploring the decision confronting Margaret Thatcher.

Suppose, consistent with the ‘surfing’ hypothesis, her popularity would ensure her victory
if she called an election in 1982. Opinion polls certainly supported such expectations. In June 1982, a Gallup poll of voting intentions showed 45% of voters intended to support the Conservatives with only 25% expressing support for the opposition Labour party. Further, 51% of voters approved of the Prime Minister, but approval for the opposition leader (Michael Foot) was only 14% (Butler 1994, p. 256). By waiting, Thatcher risked having her popularity undermined by policy failures. However, the extent to which she should have feared this depended upon how well she expected to perform over the coming year. If she believed she had effective solutions to the nation’s problems and if she believed that her party had the appropriate policies and was competent to implement these policies then waiting posed little threat as she could expect to get reelected in the future anyway. Yet, if she were less confident about her polices or her ability to effectively implement them, then waiting jeopardized a second term in office, since policy failure would likely undermine her support. In short, the more confident she was about the future, the smaller her incentive to call an early election; the less confident she was, the greater the incentive to cash-in on past successes with a snap election.

The timing of elections reveals information about how well incumbents expect to perform in the future. The less confident Margaret Thatcher was in her ability to rule well, the greater her incentive to call an early election when she was ahead in the polls. Competent governments wait longer before calling elections. Unfortunately, the above analytic narrative presents only half the picture. The initial supposition was that she would have been reelected if she had called an election immediately following the war. However, it is incompetent, not competent, leaders that want to take advantage of this opportunity. What then is the inference that the voters should draw upon seeing an early election? They should infer that the incumbent doubts her ability to
continue producing good outcomes in the future. Leaders that call early elections should expect to see their support decline. This waning of support is exactly what happened to Wilson in 1970 and to Chirac in 1997. The early election is a signal that leaders do not expect conditions to be as rosy in the future. In anticipation of this upcoming decline, the electorate reevaluate their assessment of the government’s record.

This signaling argument forms the core of my explanation of election timing. Leaders call elections to censor the public’s ability to observe future decline and to cash in on past successes. As with most acts of government censorship, preventing people from seeing information tells them that the information is worthwhile. Therefore, the signal of early, unanticipated elections cause voters to reevaluate their assessment of the government. Elections are more than a transfer of voting intention opinion polls into vote shares. Voters question why their opinion is being sought at that time.

The three major questions of this book are as follows:
1) When and under what conditions are elections called?
2) What are the electoral consequences of the timing decision?
3) How does the timing decision influence subsequent economic performance?

As already indicated above, I contend that a major determinant of the first question is a leader’s beliefs about future performance. Many other factors are also important, such as the time left before the statutory end of parliament, the government’s popularity, the size of the government’s majority, the need for a political mandate to initiate new legislation, and the government’s performance to date. Since this list of factors which influence elections is readily
observable to all and these factors have predictable effects on the timing of elections, I will analyze these factors to determine how likely parliamentary dissolution and new elections are. Although the leader’s expectations about future performance are unknown at the time of the election, the timing of elections provides a signal of such information. If given all the observable factors, the announcement of elections is expected, then calling elections provides little indication of future decline. As such, the government’s support should remain robust, and little economic decline is anticipated. However, if elections are announced out of blue-- when other factors predict an election unlikely-- then the timing decision indicates that the leader anticipates a drastic decline in future performance. Voters can use this new information to reassess their evaluation of the government. Since an unexpectedly early election indicates future decline, government support softens, and the government is likely to receive a lower vote share than pre-announcement voting intentions would indicate. These unexpectedly early elections are also likely to precede a decline in economic performance.

Had Margaret Thatcher called an election in the summer of 1982, I anticipate that her popular support would have declined drastically and that the Conservative’s share of the popular vote would have been considerably less than the 45% opinion polls suggested. The theory suggests the announcement of elections in June 1982 would have signaled that the Conservative government had little to offer in the future and did not trust its own ability to sustain economic growth and combat the growing unemployment problem. The calling of elections would have been seen as a blatant attempt to cash in on the government’s successful Falklands Islands policy.

Thatcher’s own words seem to support this conclusion. In the spring of 1983, speculation about elections was rife. In a raucous Commons clash, Denis Healey accused Thatcher of cutting
and running. As *The Guardian* reports, “The effect on Mrs Thatcher was awesome to witness.

Allowing scarcely half a seconds for contemplation, she began to bellow back at Mr. Healey. ‘Oh –the Rt. Hon. Gentleman is afraid of an election is he? Afraid afraid afraid. Frightened, couldn’t take it, couldn’t stand it...... Oh no, if I was going to cut and run I would have gone after the Falklands.’”

Prior to the Falklands War, Thatcher’s performance was less than stellar. Unemployment had climbed from 5% in June 1979 to over 11% in April 1982, and economic growth was on average negative. The only bright sign was the reduction of inflation, which had peaked at over 20% in the middle of 1980. By 1982 inflation appeared contained and falling. For example in May 1982 the Retail Price Index was at 9.5%. Within a year it would fall to 3.7%. Since Thatcher’s electoral platform had been to control inflation and to free up the economy through micro-level reforms, an initial economic decline was perhaps to be expected. Yet, had an early election been called in 1982, signaling that the pain of economic dislocations were for naught and an economic revival was not just around the corner, the Conservatives might well have lost in a 1982 election, despite opinion polls to the contrary.

Going to the people early indicates that leaders lack confidence in their future performance. Given this signal, it is reasonable to ask why any leaders ever call an early election. Indeed Margaret Thatcher did not wait until 9th May 1984 – the end of the statutory five year term but instead on May 9th 1983, announced elections for 9th June 1983.

Consistent with expectations, the elections preceded a downturn. In their autobiographies,

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both Thatcher and her future chancellor, Nigel Lawson, mention fears of increasing inflation. “It was pointed out that the main economic indicators would look slightly better then than in the autumn because inflation was due to rise slightly in the second half of the year” (Thatcher 1993, p288. See also Lawson 1992. p246). These expectations were correct. Inflation did indeed rise from the election level of 3.7% to over 5% in the fall of 1983 and the first half of 1984.

By calling the election in June 1983, they prevented the electorate from observing this worsening of inflation, which presumably would have resulted in a decline in popularity for the Tories (the Conservative Party). However, if as I propose, the signal of an early election reveals that the future will not be so rosy, then the very act of calling an election reveals the information that the government was trying to conceal. This relationship is borne out in public opinion data. In May 1983, prior to the election announcement, Gallup reported a voting intention of 49% for the Conservatives. Yet, in June’s general election they received only 42.2% of the vote. While the margin of error in the opinion data probably accounts for some of this difference, it is clear that elections are more than a direct translation of popularity into vote share.

The objective of politicians is not to maximize vote share but to remain in power. Despite their decline in popularity, the Conservatives won 397 of 650 seats. In contrast, the opposition was split between the traditional opposition (the Labour party) which obtained 209 seats with a vote share 27.6% and an alliance between the Liberals and Social Democrats which together obtained 23 seats from a vote share of 25.4%. The Conservative victory, the largest since 1945, was not a result of overwhelming popularity for the Tories but was instead the result of fighting a

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2 Approval of the government’s record and satisfaction with Thatcher dropped much more modestly by 1% and 2% respectively over the same period. A MORI poll for the same time period gave the Conservatives a 46% vote share.
divided and demoralized opposition. As Nigel Lawson put it, “Labour was in such a mess with an unelectable leader, left wing policies which the country would never stomach, and suffering badly from the Social Democrats defection....” (1992, p. 246). In fact Lawson goes on to state that at the time he thought Labour was in such a poor position that the Conservative could have won at anytime. However, he also admits, that with hindsight, a “bird in the hand” is powerful argument for an election.

Given the first-past-the-post, plurality electoral system in Britain, with such large divisions the opposition had little hope of unseating the Tories (Duverger 1963; Lijphart 1994; Rae 1967; Riker 1982). However, had the opposition overcome their differences and presented a unified opposition, the Tories’ reign looked much more assailable. Had the 1979 Parliament continued towards its statutory termination (May 9th 1984), the impetus of an impending election might have enabled the opposition to present a unified front. However, Thatcher forestalled any such developments by going to the polls before the opposition could reorganize.

A pervasive feature of the British political system is the shortness of campaigns. For example, in 1983, Thatcher announced the election on May 9th, Parliament dissolved on May 13th, and the general election was held on June 9th. The opposition had only one month in which to adopt a policy platform, prepare a manifesto, find candidates for each seat, and organize a campaign. Given such time pressures, the opposition needs to be ready. Unfortunately, parties have only limited resources with which to prepare for office. If they use them immediately following an election, then by the time an election is actually called their manifesto appears dated. However, if they save all their resources until the election is called, then they risk having
insufficient time to prepare. This dilemma between husbanding resources and being prepared becomes easier to resolve as the statutory five year limit approaches, since an election becomes inevitable. Yet, early in the electoral cycle, the opposition’s preparedness is lacking. This suggests a relationship between the timing of elections and subsequent performance. All else being equal, early elections are fought between incompetent incumbents and ill prepared challengers.

**Government survival**

Election timing is but one aspect of the more general theoretical problem of government turnover. Indeed, in the political science literature, comparativists have spent much energy examining the fall of governments. The topic of this book is the announcement of elections, which, as I shall argue, is the important political event in majoritarian parliaments. In more general settings, people have studied the survival of individual leaders in office (Bueno de Mesquita and Siverson 1995), the fate of political leaders (Goemans 1995, 2000), the survival of coalition governments and the breakup and reshuffling of cabinets (Diermeier and Stevenson 1999; Bienen and van de Walle 1992; Browne et. al. 1986, Diermeier and Merlo 2000; Grofman and Van Roozendaal 1994; King et. al. 1990; Strom 1988; Warwick 1992, 1995). In many political settings, these topics make more sense than the study of election timing. For instance, in autocratic polities, elections are typically rigged, if they occur at all. In proportional representation parliamentary (PR) systems, coalition dynamics make and break governments. Italy is notorious for having averaged close to a government per year in the post-war period. Of course elections still play a important role in the making and breaking of governments in PR systems, but they are not the exclusive mechanism or even the most common.
I believe that the incentives to time elections that I shall describe in this book also exist in multiparty PR systems. However, the multiple paths to dissolution and the ability of numerous actors to bring about government collapse makes the study of election timing in these systems more complex. Therefore, I focus primarily on majoritarian parliament systems and, in particular, on Britain. The political events referred to are from Britain unless explicitly stated otherwise. Majoritarian systems are typically characterized by single membered electoral district with first past the post (plurality voting). Such institutional arrangements promote two party competition, a results often referred to as Duverger’s rule (Duverger 1963; Riker 1982). Given the strength of parties in such systems, elections devolve into a contest of which party will gain the majority of seats and form the next government. In this context, the party in office remains in office until either it loses its majority and is forced from office or the incumbent Prime Minister believes her party has its best chance of winning and so calls for new elections. Elections dominate the survival of governments in majoritarian systems, which makes the timing of elections a key weapon in the armory of the incumbent.

Of course in reality, no real political system fits this stylized model of two party political competition, but for the purposes of studying election timing, the United Kingdom is sufficiently close as to render it the ideal case. It blends having rules that closely match those of the theoretical model with easy access to good reliable data. Yet, Britain is not the unique choice in this regard. Alternative choices of majoritarian systems to study include Australia, Canada, France, and New Zealand. Unfortunately, each of these systems presents additional complications over the British system. Australia for instance is a Federal system that demonstrates the most fascinating array of voting rules (Barlin 1997; Solomon 1988; Jaensch
Federalism creates conflicts between the Federal and State governments and incentives for the different levels of government to call elections in response to behavior at the other level of government, as studied by Maria Gallego (1998a,b) in the case of Canada. Additionally in Australia, the upper house, the Senate, is extremely powerful and is elected largely by proportional representation on a fixed election timing schedule. Given PR in the upper house and Australia’s federal structure, the Prime Minister and his ruling party in the lower house can not control legislation as directly as can a British Prime Minister. This has several consequences for election timing. Elections for the lower house are often called to realign lower house elections with the fixed schedule election for the upper house. Additionally Australian Prime Ministers sometimes need dissolution or its threat to override an obstructionist Senate. The Australian Senate can block finance legislation. If it refuses to acquiesce to the government’s policy and twice turns down the same legislation, then the Prime Minister can dissolve both the upper and lower house and hope that following new elections that the Senate will be less obstructionist (Barlin 1997; Penniman 1977).

Although France has a majoritarian electoral system, it has multiple parties. Generally these parties coalesce into two teams, thus fitting with Riker’s re-examination of Durverger’s prediction. France is also a Presidential system with differing term limits. The President is elected to a seven year term, while the maximum term of the lower house is five years. New Zealand’s electoral rules were largely modeled after the Westminster system, but with a three year term. Unfortunately, it is less suitable than Britain on a number of dimensions. First, data, particularly opinion polls, are much less prevalent. Second, although New Zealand has an endogenous election timing system, Prime Ministers rarely preempt the end of the term
Specified in the Septennial Act of 1715 and amended by Section 7 of the Parliament Act 1911. This lack of variance in the timing of elections makes the New Zealand case less interesting. Finally, New Zealand has recently changed its electoral system and adopted proportional representation. This limits the number of data points available and ensures that no more data are forthcoming. These alternative systems deserve study, yet they all add considerable complications to Britain’s Westminster system. While I shall draw on these alternatives anecdotally, I restrict the statistical analysis to Britain.

**Formal Procedures for Calling Elections**

In Britain, the maximum time between the first meeting of parliament and its dissolution pending new elections is five years. Prior to 1911 this limit was seven years. In the twentieth century, these limits have twice been suspended. During both World Wars the life of Parliament was extended by a series of Prolongation Bills introduced annually by the Home Secretary (see McCallum 1947, Chapt. 1).

Although constrained to call elections within five years, the Prime Minister is not compelled to wait and may ask the monarchy to dissolve parliament and call new elections whenever she sees fit. In modern times, the right to call for the dissolution of government has become the exclusive right of the Prime Minister. However, historically this distinction was less clear. For example, speculation has arisen that Gladstone wished to call for an immediate dissolution following the House of Lord’s blockage of his Home Rule for Ireland bill in 1893 but that his cabinet colleagues overrode him (see Mathew (1995 Ch. 15) and Jenkins (1995, ch. 35)

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3 Specified in the Septennial Act of 1715 and amended by Section 7 of the Parliament Act 1911.
As with many aspects of British parliamentary life, the absence of a formal constitution means that rules and procedures are not fixed in stone but rather are created through custom, precedence, and acts of parliaments. In many cases, rules are created only after a previously unanticipated situation arose. To my knowledge, in modern times the monarch has always acceded to a Prime Minister’s request for the dissolution of Parliament (although Edward VII contemplated denying Asquith’s request for dissolution (McLean 2001; Jenkins 1986)). This acquiescence perhaps is more due to Prime Ministers only asking the Monarch when there is good cause than to the Monarch feeling compelled to acquiesce to the Prime Minister’s request. In Australia, where the Governor General fulfils many of the monarch’s constitutional obligations, requests for the dissolution of Parliament have been refused (Barlin 1997). The rights of the monarch -- or her representative, the Governor General – vis-a-vis the Australian Prime Minister is a topic that I discuss later (in chapter 6) in the context of the constitutional crisis of 1975 and the strategic use Prime Ministers make of forcing early dissolution to push legislation through an obstructionist Senate.

Unlike Australia with its formal constitutional rules and a supreme court to interpret them, in Britain, parliament is its own arbiter. Since it is easier to agree to a dispute resolution procedure before parties have interests, guidelines exist. However, these guideline are often only written following a dispute. For example, after the February 1974 election in which no party managed to attain a parliamentary majority, the Queen was in somewhat of a dilemma. The Conservatives earned less seats than the opposition Labour party. However, Edward Heath, the incumbent Conservative Prime Minister, remained Prime Minister until either he resigned or he
was defeated in the House of Commons. After several days, Heath’s attempts to broker a coalition with the Liberals failed and he resigned. The Queen then summoned the Labour leader, Harold Wilson, to the palace and asked him to form a government. Subsequently, Parliament agreed to a set of rules as to how such situations are to be dealt with in the future. Yet, the lack of formalization and antiquated laws can lead to strange situations. For example, by a Parliamentary Act of 1797 if during dissolution of Parliament the monarch should die, then the old Parliament is returned to office rather than those newly elected. This became an issue in 1951 when the King became ill and required surgery a few days after Clement Attlee announced new elections (Butler 1952, p.87).

Despite past exceptions, for the purposes of this book I treat the five year limit on the life of a parliament as a hard deadline and assume that the Prime Minister has complete discretion to dissolve parliament at any time. A detailed description of British electoral procedures can be obtained from the House of Commons library (Gay and Randall 2001; Blackburn 1995). However, the basic procedure is as follows. There are two contingencies under which the Prime Minister requests the dissolution of parliament. First, she decides the time is right and voluntarily requests an election. It is with this case that I am primarily concerned. Second, the Prime Minister can be forced, as in 1979, to ask for the dissolution of Parliament because the government was defeated in a confidence motion. Upon the Prime Minister’s request, the Monarch issues a proclamation to dissolve Parliament and issues writs for new elections. By tradition elections fall on Thursdays, the last one not to do so was on Tuesday 27th October 1931.

\[4\] The Representation of the People Act 1985 freezes the electoral calendar for 14 days should the monarch die between dissolution and the election. The election then proceeds as if the proclamation had occurred 14 days later (Gay and Randall 2001).
Following the election, the monarch summons the leader of the victorious party and asks her to form a new government. Parliament then meets for the first time. It is from this moment that the clock starts and Parliament must dissolve within five years. Below Table 1.1 details the key political dates from the 1992 onwards. The table represents a small excerpt of Table 1.3 at the end of this chapter which details the key events for all twentieth century parliaments. I have numbered parliaments starting from 1900.

Table 1.1: Time Table of Key Parliamentary Dates from 1992 to 2001.

<table>
<thead>
<tr>
<th>Day</th>
<th>Month</th>
<th>Year</th>
<th>Political Event</th>
<th>Parliament</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td>5</td>
<td>1992</td>
<td>first meeting</td>
<td>25</td>
</tr>
<tr>
<td>24</td>
<td>9</td>
<td>1992</td>
<td>vote of confidence</td>
<td>25</td>
</tr>
<tr>
<td>23</td>
<td>7</td>
<td>1993</td>
<td>vote of confidence</td>
<td>25</td>
</tr>
<tr>
<td>17</td>
<td>3</td>
<td>1997</td>
<td>announcement of election</td>
<td>25</td>
</tr>
<tr>
<td>8</td>
<td>4</td>
<td>1997</td>
<td>dissolution</td>
<td>25</td>
</tr>
<tr>
<td>26</td>
<td>5</td>
<td>1997</td>
<td>last possible day for the dissolution of Parliament</td>
<td>25</td>
</tr>
<tr>
<td>1</td>
<td>5</td>
<td>1997</td>
<td>general election</td>
<td>25</td>
</tr>
<tr>
<td>2</td>
<td>5</td>
<td>1997</td>
<td>change in Prime Minster: Blair replaces Major.</td>
<td>25</td>
</tr>
<tr>
<td>14</td>
<td>5</td>
<td>1997</td>
<td>first meeting</td>
<td>26</td>
</tr>
<tr>
<td>8</td>
<td>5</td>
<td>2001</td>
<td>announcement of election</td>
<td>26</td>
</tr>
<tr>
<td>14</td>
<td>5</td>
<td>2001</td>
<td>dissolution</td>
<td>26</td>
</tr>
<tr>
<td>13</td>
<td>5</td>
<td>2002</td>
<td>last possible day for the dissolution of Parliament</td>
<td>26</td>
</tr>
<tr>
<td>7</td>
<td>6</td>
<td>2001</td>
<td>general election</td>
<td>26</td>
</tr>
<tr>
<td>13</td>
<td>6</td>
<td>2001</td>
<td>first meeting</td>
<td>27</td>
</tr>
<tr>
<td>13</td>
<td>6</td>
<td>2006</td>
<td>last possible day for the dissolution of Parliament</td>
<td>27</td>
</tr>
</tbody>
</table>

Table 1.1 illustrates the basic structure of the data. A parliament starts its life upon its first meeting; from this point on the five year timer is ticking. After the Prime Minister calls for new elections, parliament dissolves and new elections are held. Formally the life of a parliament ends with its dissolution; however for the purposes of constructing the data, I assume each parliament lives until the next one starts. Since most people are more familiar with the date of elections, as a general rule I will label figures and diagrams with the election that terminated the
parliament rather than the birth of the new parliament\textsuperscript{5}. I also annotate labels with W or L to indicate whether the government won or lost the election.

Parliaments last up to five years, yet few come even close to that mark. Figure 1.1 displays graphically how early elections are called relative to this five year maximum. The vertical axis is the number of years left in the statuary five year term when the elections were announced. The horizontal axis is the year of the election. As can be seen there is huge variation in the length of parliaments. In 1964, the Conservative government waited until 34 days before the compulsory termination of Parliament before calling for new elections. John Major’s Conservative governments of 1987-1992 and 1992-1997 were both also extremely long, with elections called with 97 and 71 days left respectively. In contrast, Harold Wilson, who formed a Labour government after the February 1974 General election waited a mere 196 days before calling for new elections (1630 days early).

From 1945 onwards, the average election has been called 1.40 years early (standard deviation of 1.35). The median election (1983) is announced one year early. Here, as elsewhere, I focus on the announcement of elections rather than the date of dissolution or the date of the election. This seems the appropriate date to analyze. However, legitimate arguments could be made in favor of either the dissolution or election date. Fortunately, with the short campaigns in Britain, these dates are close enough together not to effect any of the subsequent analyses.

\textsuperscript{5} There are two elections in 1974 (February and October), which I label 1974F, L and 1974O, W.
British election campaigns are short. Figure 1.2 show the length of time between the pertinent events: the public announcement of elections, dissolution of parliament, the general election, and the first meeting of parliament. Table 1.2 also provides summary statistics.

Table 1.2: Number of Days between Announcement, Dissolution, Elections and the First Meeting of the Next Parliament (mean, standard deviation, minimum and maximum).

<table>
<thead>
<tr>
<th></th>
<th>Dissolution</th>
<th>Election</th>
<th>First Meeting (Next Parliament)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Announcement</td>
<td>mean 12.3, st.dev. 9.5, min 1, max 35</td>
<td>mean 34.7, st.dev. 9.7, min 21, max 59</td>
<td>mean 44.4, st.dev. 12.0, min 27, max 77</td>
</tr>
<tr>
<td>Dissolution</td>
<td>mean 22.5, st.dev. 10.0, min 4, max 44</td>
<td></td>
<td>mean 32.2, st.dev. 13.3, min 6, max 72</td>
</tr>
<tr>
<td>Election</td>
<td></td>
<td></td>
<td>mean 9.7, st.dev. 4.7, min 2, max 18</td>
</tr>
</tbody>
</table>

While these lengths of time between these events vary, in comparison to a fixed electoral term system such as the United States, campaigns are extremely short.

Perhaps the most germane comparison is the time between the announcement and the general election which varies from a mere 21 days in February 1974 to the more lengthy 59 days in 1992. The average is 35 days. This is effectively the length of the campaign. The ability of Prime Ministers to call elections when desired makes it hard for the opposition to prepare. If the opposition uses its resources to prepare a manifesto and prepare a campaign too early, then the incumbent can simply postpone the election by making no announcement, allowing the opposition’s campaign plans to fall into obsolescence. At the other end, with the entire campaign period typically only about a month long, there is precious little time for the opposition to
prepare a manifesto, a campaign, and work out policy positions on which to run for office. The opposition faces a dilemma. If it spends too much too early, then the incumbent holds off and fights a financially strapped opposition later. If the opposition spends too little, then it risks being too unprepared to mount a credible campaign against the government. Of course at the end of the term, this dilemma becomes easier to solve since an election becomes inevitable and the government loses the element of surprise.

The ability to time elections when the government is ready and the opposition is not provides the incumbent an advantage, and not surprisingly the date of the election is a closely guarded secret. To maximize its surprise the government wants to minimizes the time it leaves the opposition to prepare. This also reduces the ability of the governing party to prepare. Although the top members of the party might be informed of an election date, the rank and file of the party are usually kept in the dark. The voters have had plenty of opportunity to observe the government’s performance so the opposition’s campaign is much more informative relative to the incumbent’s.

When the end of the election term approaches, and hence an election becomes inevitable, the government has less opportunity to surprise the opposition. We should expect the time between the announcement of elections and polling to be longer at the end of the term, when the timing of the election is easily anticipated. When elections are called early, the government maximizes its surprise by minimizing the time between announcement and polls. Margaret Thatcher chastised John Major for announcing the 1997 election six weeks in advance, “Three weeks is quite enough” (Cited in Butler and Kavanagh 1997). However, since he announced the last practical day possible, there was little surprise or advantage left to be gained.
The t-statistic is 1.73 for the best fit line to Figure 1.3. This significant at the 10.3% level in a two tailed test.

Figure 1.3 shows how the length of the campaign period (announcement to elections) varies with the timing of elections. There is a weak relationship between the campaign period and the earliness of the election. This provides some evidence that Prime Ministers use their discretion in scheduling elections for electioneering. The earlier the election, and hence the less likely the opposition is to be prepared, the shorter the campaign. Now is a useful time to point out a major complicating factor in the analyzes. Although the October 1974 election ended the shortest Parliament, given the government’s minority status, this Parliament lasted longer than many anticipated. Within the context of the theory I advocate, it is not the length of the parliament per se that is important, but rather the length of the parliament relative to expectations. I return again in chapter 4 to the question of campaign length, having examined what determines the expectations with which elections are called.

The Representation of the People Act 2000 has to a large extent routinized the scheduling of elections with polling to occur 17 working days after the dissolution of Parliament (Gay and Randall 2001).

The study of election timing

Anyone who grows up in Britain will be familiar with the guessing game that the timing of election creates and the hours of debate it generates. Indeed, the runup to the 2001 election was filled with discussion of when the election would be and what were the implications of the

6 The t-statistic is 1.73 for the best fit line to Figure 1.3. This significant at the 10.3% level in a two tailed test.
foot-and-mouth disease outbreak that had paralyzed much of Britain. Indeed the issue was of sufficient relevance that polling organizations took polls of whether a May election should be delayed. Although elections in May 2001 had been widely anticipated, in the spring of 2001, foot-and-mouth disease, an extremely contagious disease of cattle and sheep, meant that much of the countryside was under quarantine; where it was not, farmers were still extremely reluctant to travel for fears for coming in contact with the disease and bringing it back to their farm. Once a farm is contaminated, all the livestock on the farm, and often also those animals on surrounding farms, are destroyed. Indeed, the risk of transmitting the disease was considered so serious that many sporting events, such as six nations rugby matches, were canceled. Regular voting in rural areas would be extremely difficult in May.

It was widely anticipated that Tony Blair, the Labour Prime Minister, would call elections for May 3rd, to coincide with local government elections. The imposition of restrictions to control foot-and-mouth disease and the general fear of the disease meant that large portions of rural areas would have effectively been disenfranchised. Such fears caused many to speak out against the possibility of elections, including senior members of the Church of England. Such stories dominated the newspapers for much of March and April 2001 and demonstrate the importance of election timing in the political life of Britain. In chapters 3 and 4, I provide a quantitative examination of media coverage of the election timing question.

The news media treat the timing of elections as a serious political issue. However the topic has been largely ignored by social scientists. Of the literature that exists, there are studies of Japan (Cargill and Hutchison 1991; Inoguchi 1979, 1981; Ito 1990a, 1990b, Ito and Parks 1988; Saito 1999), India (Chowdhury 1993), Canada (Gallego 1998a,b; Reid 1998), cross national
comparative studies (Alesina, Roubini and Cohen 1997; Palmer and Whitten 2000), the relations between international business cycles and the timing of domestic elections (Kayser 2001) and general theoretical arguments (Baron 1998; Kayser 2000, 2001; Lupia and Strom 1995; Smith 1996). Political practitioner are also reluctant to comment on election scheduling; although the timing of elections must rank among their most important decision. For example, in his approximately 800 page account of the “The Labour Government, 1964-1970” Harold Wilson (1971) spends a scant 4 pages (p.778-781) on the run up to his decision to call early elections for June, a decision which cost him nearly a year in office (Dissolution was not required until April 16th 1971). A frustrating aspect of writing this book has been my inability to find frank open discussion by politicians of their motives. Most Prime Ministers’ autobiographical accounts contain little more than a discussion of calender days to avoid, a list of those with whom they consulted, and the formal procedure of visiting the palace.

The endogenous election timing literature has been developed around two broad themes: ‘political surfing’ and manipulation/political business cycles. Underlying both is the assumption that politicians want to win elections and keep control of the government. In the first conception, the government waits until conditions are right and then calls an election. In the second conception, governments actively manipulate policy instruments to engineer conditions appropriate for electoral success. Of the studies cited above, most, but not all, support surfing over manipulation.

Political business cycles remains a vibrant area of political economy research, and the arguments as to how governments manipulate policy instruments and how the economy and voters respond have become increasingly sophisticated. Alesina, Roubini, and Cohen (1997) and
Drazen (2000) provide good reviews of the development of the literature from the early naive models (Tufte 1978; Nordhaus 1975) to fully sophisticated models of rational expectations (Cukierman and Meltzer 1986; Rogoff 1990; Rogoff and Sibert 1988). Since I discuss the political business cycle literature in detail later, here I state only the basic idea. Leaders manipulate policy instruments to create a short-term economic successes or booms. In the longer run, such manipulation harms the economy, but by timing a boom to occur at the election, the government appears in the best possible light.

The following cartoons highlight the differences between the surfing and political business cycles approach. The first, Figure 1.4, from The Guardian (Wednesday May 4, 1983, p1.) depicts Margaret Thatcher conducting her government (the orchestra). The caption states “...the curtain [the general election ] stays down ... unless we get a decent round of applause.” The implication is that no general election will be called until the government is certain of its popularity. This is the surfing hypothesis.

The second cartoon, Figure 1.5 taken from the Daily Mail and reproduced in Butler and Rose (1960 p48), illustrates the political business cycle arguments. According to the cartoon, everything is wonderful, with wages improving, the cold war thawing and even sunny weather. But then the voter realizes that it is so only because of MacMillan’s dastardly election plot. The political business cycle approach suggests politicians engineer the economy to look good, at least superficially.

Figures 1.4 and 1.5 about here.

In the extant literature, surfing and manipulation are considered discrete mechanisms via
which leaders attempt to retain power. A core assumption of my arguments is that leaders have an informational advantage over the voters. In particular leaders have better expectations about future performance than the voters and so can time elections prior to any decline in performance. This approach partly challenges and partly unifies the ‘surfing’ and manipulation hypotheses.

Both ‘surfing’ and manipulation suggest elections occur at the peak of the economy and the height of government success. In contrast, the signaling arguments I propose suggest that governments call elections prior to downturns. While this differentiation is subtle, it suggests different empirical predictions. Rather than elections occurring at a peak, I predict elections precede a decline. Some initial support for this hypothesis is provided by Alesina, Cohen, and Roubini (1992), who found inflation increases following elections. The earlier and the less anticipated the announcement of the election, the worse the decline which follows. This suggests that rather than the decline which follows elections being of a constant magnitude, the extent of the decline depends upon the relative earliness or tardiness of the election. I test this proposition in chapter 4.

Leaders have more accurate expectations of the future than voters. For the logic of the theory it does not matter how this informational asymmetry arose. Proponents of surfing suggest that the government passively observes the economy and calls elections when things will be considerably worse in the near future. Proponents of political business cycles assume governments actively engineer good conditions today, at the expense of decline and worsening conditions in the near future. Again within this argument, the government calls elections when things are about to get worse. From the logic of the informational theory of election timing which I propose, the ‘surfing’ and manipulation arguments are the same. In both cases, the government
calls elections in anticipation of worsening conditions. The primary difference is that in the first case the government was passive-- only observing the downturn-- but in the second it actively created the downturn by prior manipulation of policy instruments. From an informational aspect, both arguments are observationally equivalent: elections precede downturns. In this context surfing and manipulation do not differ.

The book proceeds as follows: I develop the theory in chapter 2. I introduced the basis components of the theory via the narrative of Margaret Thatcher’s decisions in 1982 and 1983. While this encompasses the basic intuition, it fails to fully specify the theory and leaves a number of open questions. Chapter 2 precisely states and justifies the assumptions of the model. The theory generates hypotheses relating to the three main questions: 1) When and under what conditions are elections called? 2) What are the electoral consequences of the timing decision? 3) How does the timing of elections affect post-election economic performance?

Chapter 3 empirically assesses the first question. I start by examining how readily observable factors, such as government popularity, size of the government majority, economic performance and time remaining in the term, influence the timing of elections. These analyses provide the background risk that elections are called. The theory assumes that leaders have more accurate expectations about future performance than the people at large. To assess these expectations, I look at actual future performance, and ask the question, how does change in future economic performance affect the timing of elections? Specifically, I look at how such economic measures as the growth rate, the unemployment rate and the inflation rate change from the time at which the election is announced to the period three, six, or twelve months later. Consistent with theoretical predictions, the likelihood of elections increases as future economic conditions...
decline.

The empirical results of chapter 3 suggest leaders call elections in advance of declining performance. As such, elections called early relative to expectations signal impending decline. Given such a signal, the theory predicts voters reevaluate their assessment of government performance. Hence the earlier an election is called relative to expectations, the more the government’s popular support is expected to decline. In chapter 4, I test this prediction and find strong empirical support. Chapter 4 also tests other implications of the relative earliness or tardiness of elections. In particular, I find that the extent of economic decline that follows an election is related to election timing. This result is particularly important in that it helps distinguish the election timing argument from political business cycle theories. Chapter 4 also tests how the length of the campaign period and how the London stock market responds to the announcement of elections depends upon the timing of elections.

In combination, chapters 3 and 4 provide strong empirical support for the main hypotheses of the election timing theory. In chapter 5, I examine individual elections and ‘non-elections’ in detail to ensure that the causal story advocated fits the empirical cases. By the term ‘non-elections’ I mean cases where the Prime Minister chose not to call an election. As an organizing principle for chapter 5, I divide events into cases according to whether or not elections were anticipated and whether or not elections were actually called.

Chapter 6 concludes by examining extensions and implications of the theory. In particular, I discuss the implications of the theory for cabinet reshuffles, confidence votes, and internal party leadership battles. I also discuss how the theory could be extended to look at political systems other than Britain. The book culminates in a discussion of the relative...
properties of endogenous and exogenous election timing.
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<td>6</td>
<td>2001</td>
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Figure 1.1: Years Remaining in the Five Year Term at the Announcement of Elections.
Figure 1.2: Number of Days between Announcement, Dissolution, Election, and the First Meeting of the Next Parliament.
Figure 1.3: Length of Campaign (Announcement to Elections) and the Amount of Time Remaining in the Term
Figure 1.4: ‘Political Surfing.’ The Guardian (Wednesday May 4, 1983, p1.)
I'd like to point out that the curtain stays down and we play the overture all night — unless we get a decent round of applause.
Figure 1.5: Political Manipulation 1959 (Illingworth in the Daily Mail, Reproduced in Butler and Rose 1960 p48).
Chapter 2: An Informational Theory of Election Timing.

[An earlier date would have left us exposed to the taunt that we were cutting and running, opting to go early because we were privately aware that the economy was about to turn sour. Since Ken Clarke and I knew it was in fact going from strength to strength it seemed wise to leave as much time as possible for this to be demonstrated. John Major (1999 p.707 on why he did not call an early election during the 1992-97 Parliament).

Endogenous election timing gives leaders the power to call elections when the time is ‘right’. This ability of office seeking leaders to call elections when they look at their best is a powerful tool. In this chapter, I present an informational theory of election timing and derive predictions about the conditions under which leaders call elections and the electoral and economic consequences of the timing decision.

The primary motivation of leaders is to remain in office. One option to fulfill this ambition is to utilize every single moment of the current term and not dissolve parliament until the last possible moment. This is the option John Major utilized from 1992 until 1997. An alternative strategy for leaders is to call elections when they expect to win thereby giving themselves another full term, five years in the case of Britain. While the second option provides the possibility of considerably extending the government's tenure, it is not without risk. Seven of sixteen postwar elections have replaced the incumbent. While of these seven cases (1945, 1951, 1964, 1970, Feb. 1974, 1979, 1997) four might be regard as full term, or close to full term, three case (1951, 1970, Feb. 1974) were clearly early elections.

Why then, if it risks their tenure in office, do leaders call early elections. The heart of my argument is that at the time they announce elections, leaders believe they have their best shoot at securing another term-- as the opposition is fond to taunt, they ‘cut and run’. As I hinted at in the introductory chapter, leaders are informationally advantaged relative to the voters since they have
access to more and better information and they are in the best position to assess their ability and the prospective problems they are likely to face. If leaders expect their performance to decline, then getting reelected in the future becomes harder. Given this, leaders who have a reasonable prospect of reelection today might be prepared to gamble on securing another term, knowing that by waiting they are less likely to gain reelection in the future.

When making presentations on election timing, I have found audience fall into two categories: Those who are happy with the basic logic of the story, such as illustrated in the discussion of Thatcher's decisions in 1982 and 1983, and those who want to see a fully specified model of the timing decision with every aspect of the process fully tied down. Few appear to occupy the middle ground. This creates something of a dilemma in terms of presentation since neither group is happy with a compromise. Therefore in this chapter, I outline the basic theoretical logic of the model, explain the incentive to call elections, and discuss the consequences of doing so. Following this, I mathematize the arguments. While this inevitably leads to some degree of repetition, I believe it the best way to satisfy two different constituencies. Those happy with the basic logic should feel free to skip over that later section. Those only interested in a mathematical model of election timing should feel free to skip the next section and move straight to the nuts and bolts of the model.

**Modeling Election Timing**

British governments have a maximum term of five years. Yet, the government is free to call an election at any time. To model this, I divide the electoral term into T periods. These periods could be thought of as years, or quarters depending upon the coarseness with which one
wishes to consider the timing decision. In all but the final period, the government has the option of calling an election or of continuing to govern. Pictorially this is shown in Figure 2.1. If the government calls an elections then the voters choose between the incumbent and the opposition party. The reward for the winner is T periods in office. The loser must content itself with being the opposition. If no election is called, then the government governs and the voters get to observe how well the government performs.

The key assumption of my argument is that the government can more accurately approximate its likely performance in the next period than can the voters. If the government chooses to wait, then the voters have another opportunity to observe and assess the government. If the government anticipates a decline in its future performance, which will reduce the esteem in which the voters hold it, then it might censor the voters' ability to observe this decline by preemptive elections. The general problem facing the government is that given its informational advantage and its current popularity, does the government have a better shot at securing an another term in office with an immediate election or by waiting.

I assume voters care about two aspects of government behavior: their policy positions and all other aspects of their management skills and performance. While many aspects of political life have ideological overtones, some government functions are purely managerial. Such tasks include running the economy, maximizing the efficiency and minimizing the costs of bureaucratic tasks. For want of a better title, I refer to these tasks as public goods production or more simply performance.

Traditionally the Labour party adopt left wing policies, while the Conservatives are associated with the political right. On the basis of these ideological differences, voters of
different ideological persuasions are attracted to different parties. There is a well developed literature on spatial voting (see for example Enelow and Hinich 1990) which suggests voters support those parties that are most closely located to their ideological position. This literature also suggests that office seeking parties converge to the position of the median voter (Black 1958; Downs 1957). Others suggest that parties have relatively fixed and divergent ideological policy positions (Cox 1990). For the purposes of my argument, it does not matter whether policy positions converge or diverge.

Based on their ideological preferences and the ideological positions of parties, voters are predisposed towards one or the other of the parties. Thinking of policy on a purely left-right dimension, the voters on the left strongly favor Labour over the Conservatives. Similarly voters from the right strongly endorse the Conservative party over the Labour party. Voters from the middle of the political spectrum might also have preferences for the policy positions of one party relative to the policy positions of the other. Yet being centrist, and hence lying ideologically close to both parties, these preferences are not as intense as those of extremists. Such relatively indifferent voters are influenced by other aspects of government performance such as the ability of the government to run the economy. Indeed, in public opinion polls, economic management is often expressed as a major concern of voters.

In each period, the government performs its managerial role, which I quantify as x. Voters observe this performance and use it as a gauge as to what they can expect the government to produce in the future. A good predictor of future performance is past performance. In this regard, governments that perform well, producing peace and prosperity and addressing the concerns of the electorate are popular. Governments that fail to perform are unpopular and liable to be
replaced. In this sense voters are retrospective (Key 1966; Kramer 1971; Fiorina 1981), since they look at past performance to evaluate the government. However, they are forward looking, or prospective, in that they use past information to assess the government's ability to perform in the future (Achen 1992; MacKuen, Erikson and Stimson 1992; Kiewiet 1983; Lewis-Beck 1990). The term rationally retrospective has been applied to describe such behavior (Alesina, Londregan and Rosenthal 1993; Persson and Tabellini 1990; Chappel and Keech 1985).

The underlying assumption is that voters want competent governments, those likely to perform well in the future, and that they use the signal of past performance to assess the quality of the government. Of course in reality, some extreme individuals might prefer an incompetent government because its inabilities inhibit it from implement policies these individuals object to. These preferences run contrary to those modeled here. Such extreme individuals are unlikely to be the median voter in any district and so their votes are not critical in influencing which party wins the seat. From a practical political view, the election is determined by the median voters in marginal districts. These voters are typically middle-of-the-road ideologically; this center position justifies the decision to separate ideological considerations from the ability of the government to supply public goods.

To specify the model more completely, suppose the government's ability is $c$ and its public goods performance is $x$. On average, the more competent a government is (high $c$), the better it will perform (high $x$). Upon seeing a government that consistently performs well, the voters infer it is competent (high $c$) and as a consequence the popularity of the government rises. In probability theory, such learning is called Bayesian updating or Bayesian learning.

Governments possess an informational advantage over the voters. Being in control of
government and knowing their own skills, leaders are in a much better position to assess their likely future performance than are individual voters who have neither access to information nor resources to process the data. That is to say, Prime Ministers have additional information about performance and/or competence. In particular, I conceptualize this in two ways which I shall call competence and foreknowledge.

In the competence conception, I assume that the government knows its ability precisely; that is to say, the government knows $c$. In contrast, in the foreknowledge formulation, I assume that the government knows how it will perform in the next period; that is to say, in time period $t-1$, it know what government performance in period $t$ will be: $x_t$. The technical difference between the two conceptualizations of the government's informational advantage is that in the competence formulation, leaders know the stochastic process that generates future performance, but they do not yet know the value of the random variable generated by this process. In contrast in the foreknowledge formulation the leader is assumed to know precisely the next random variable generated by the process. In both conceptualizations, the voters use past performance and the timing of elections to estimate the properties of the underlying stochastic process-- the ability of the government. Before moving on to analyze the incentives that these informational asymmetries create, it is worth pausing to discuss how they arise.

**Competence**

In the competence conception of the argument, leaders know their own abilities precisely. This is of course a mathematical nicety to reflect that the government has a more accurate idea of how it will perform than the uninformed voters. Some people are troubled by the idea that leaders so accurately know and quantify their abilities. Yet, I believe this assumption is perfectly
justifiable. Biographical comparison of leaders bears this out. While it is not true that leaders
typically rank themselves on a numerical scale, some leaders express control and understanding
of situations and relish the challenge of fixing problems. In other cases leaders appear
overwhelmed by problems and go from one crisis to another without clear direction or
consistency. Leaders in the first category expect to do better, on average, than leaders in the
latter. Of course leaders can be wrong, but on the average, the former do better than the latter.

**Foreknowledge**

In the foreknowledge conception, I assume that leaders know future outcomes. This is to
say that a British Prime Minister is assumed to know what will happen within the economy in the
near future. In addition to getting advanced access to economic reports and predictions from
bureaucratic agents, the government is advantaged by its knowledge of political events. For
example, while the Prime Minister knows how international agreements and meetings are
progressing, this information is not generally available to the average citizen. This information
might be particularly relevant on non-economic dimensions. For example, a leader might know
of a deteriorating foreign or military situation well in advance of it becoming news.

The foreknowledge conceptualization provides a link to another branch of political
economy: political business cycles (Alesina, Roubini and Cohen 1997; Chappell and Peel 1979;
Lacher 1982; Nordhaus1975; Reid 1998; Rogoff 1990; Rogoff and Sibert 1988; Tufte 1978;
Lindbeck 1976)\(^7\). In this literature, leaders manipulate policy instruments to generate favorable

\(^7\) In addition to these opportunistic political business cycles, which are the topic of
interest here, there are partisan business cycles (Hibbs 1977; Alesina 1987). These theories
suggest left wing parties generate lower unemployment but higher inflation than parties of the
right.
economic conditions under which to hold elections. In this context one reason currently successful leaders anticipate a decline in performance is because they engineered their current success in the first place.

In systems with fixed electoral terms, the incumbent cannot choose elections when conditions are rosy. Instead, the political business cycles literature suggests leaders manipulate policy instruments such that their performance looks good at the time of the election, even if such manipulations lead to lower aggregate performance in the long run. Suppose that leaders in parliamentary systems can manipulate policy instruments to manufacture short-term booms at the expense of long run performance. In terms of the modeling strategy I propose, such policy manipulations should be interpreted as information that the incumbent has about future performance. As discussed above, incumbents with strong current performance, but with low expectations about the future, have an incentive to call early elections. Thus, an electorate that sees an early election called during a string of government successes, particularly a short-term string of successes, should be wary of crediting the government. Peltzmann (1990) argues that voters assess the government based upon its entire term and not just immediate conditions. The fact that the government wants an election suggests that the future is not as rosy and that the boom might be a product of government manipulation rather than underlying successful policy.

Rational expectations proponents doubt the ability of governments to produce real changes in the economy. For example, they propose that if economic actors see prices rise at the end of the electoral term, then these actors infer that it is not the result of real economic expansion, but rather it is the result of the government's attempt to increase demand artificially. While their manipulations might not simulate a real boom, politician still attempt to manufacture
a boom. Given the incentives at the end of the term, economic actors expect policy manipulation and act as if underlying demand is less than it appears. Given this under-assessment of demand, if politicians do not artificially boost demand, they are likely to experience economic contraction. Rational expectations arguments suggest that even though politicians manipulate policy instruments, they fail to produce a boom. Such arguments have predominantly been developed within the fixed electoral cycle framework.

However, in the endogenous election timing framework, economic actors do not always know when the election is coming and so there is more ambiguity as to how they should interpret ‘boom’. This perhaps suggests that parliamentary leaders have more flexibility to engineer an economic expansion than fixed term Presidential leaders, since everyone knows the latter has incentives to manipulate the economy. Although suggestive of a difference in the ability of leaders to create an artificial boom, the theory proposed here suggests leaders from both systems face the same difficulty in capitalizing from such manipulation. In the fixed term system ‘rational expectations' actors know the government wants to stimulate the economy and so ignore economic signals. In the endogenous election system, at least for early elections, economic actors are uncertain whether an election is coming and so respond more positively to the manipulation, thus creating a boom. Although the boom creates good short run economic results, it harms long run expected performance. Unfortunately for the government, it can not cash in on its engineered

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8 Even though their manipulation fails to convince people that economic expansion is underway, Presidents still manipulate. Given that people discount any expansive pressures they feel, if the President does not expand then his performance is liable to look contractionary. In Rogoff (1990; Rogoff and Sibert 1988) leaders express their competence by the extent to which they can manipulate the economy. Hence leaders manipulate as much as possible in an attempt to signal their abilities to the electorate.
boom, since doing so signals that the boom is itself a short-term phenomenon and that leaner economic times are to follow.

Clearly the relationship between the manipulation of policy instruments and the timing of elections needs greater development than presented here. Yet the informational theory I propose unifies the concepts of `surfing' and `manipulation' that the literature sees as distinct. The theory predicts that early elections are triggered when the government anticipates an economic decline. It does not matter whether these expectations arise passively (surfing) or as the result of prior attempts by the government to actively engineer a boom (manipulation). Fortunately, with respect to testing the arguments here, the source of future performance does not matter. The only relevant consideration is that governments have more accurate expectations about the future than the citizens.

In reality both competence and foreknowledge are mathematically convenient ways to parameterize the underlying assumption that governments are better informed than voters. Individuals voters do not have the resources, or information available to them that government leaders do. A potential objection to this line of argument is that while individual voters do not have the required information, the opposition does have much of it and can collect and disseminate such information. A brief glimpse of parliamentary life, such as that exhibited by Prime Minster's question time, reveals the weakness of such objections. Except on rare moments, such as wars or international crises, the opposition relentlessly attacks the government and its record. Since the opposition never has an incentive to praise the government, its vilification is not entirely informative. Impartial third parties might, however, provide useful information as to future government performance. I pick up this theme of cue taking later when discussing the
stock market's response to election announcements.

With these preliminaries resolved we are ready to turn to the key question, under what conditions do leaders call early elections?

**Incentives to call elections**

In motivating my explanation of election timing, I drew on events following the Falklands War in 1982: the election that never was. With her popularity soaring, Margaret Thatcher faced a decision between calling an immediate election --hoping her currently buoyant support would win her another term in office-- or waiting. The relative value of the waiting option depended upon how well she anticipated performing over the subsequent year. As it was, economic conditions continued to strengthen throughout 1982/83, and she won a decisive victory a year later on 9th June 1983. Her decision to wait appears justified. Yet, on 9th May 1983, the day she announced the June election, she faced effectively the same decision she had faced the previous year: to go to the polls then or wait. In May 1983 she decided her political career was best advanced by an election. At the time of the election both she and her future Chancellor, Nigel Lawson, believed that the economy was likely to decline (slightly), with inflation growing in the third quarter (Thatcher 1993, p288. See also Lawson 1992, p246). Given this foreknowledge, she called the election which she won handsomely.

Within the reasoning of this story lies the logic of my explanation of election timing. In each period, the leader chooses between an election and allowing the voters to watch her perform one more time before revisiting the same question in the next period. If an electoral victory is a `sure thing' today then delay jeopardizes another term in office. Yet, the risk of delay depends
upon how well the leader expects to perform in the mean time. The higher her expected future performance the less she risks by waiting.

While the leader makes a timing decision in every period, for clarity it is sensible to think about the decision starting in the penultimate period of her term (T-1), such that in the next period (T) dissolution is compulsory. In the current period, the government chooses either to call elections or to wait the additional period. The primary motive of governments is to hold office. Let the value of being elected to another term in office be worth W, which might reflect the value of another T periods in office. Further assume that the value of holding office for the final period before elections are compulsory is one. Hence if the leader waits and is reelected in the final period, her payoff is W+1. If she loses the election in the final period, her payoff is 1. Alternatively, if she calls elections immediately, then her payoff is W if she wins and 0 if she loses.

Suppose that upon calling an election in the penultimate period the leader is reelected with probability \( p_{T-1} \). Given this expectation of reelection, the incumbent's expected payoff from an early election is \( p_{T-1}(W)+(1-p_{T-1})(0) = p_{T-1}W \), which reflects winning with probability \( p_{T-1} \) (which is worth W) and losing with the complementary probability (which is worth zero). The essential point to note about this expected payoff is that it is independent of the government's competence or knowledge of future outcomes. The payoff from an early election is the same whether the government is fantastically competent or not. The act of calling the election censors the voters' ability to learn additional information about the government. As such, the voters must make their decision based upon the leader's past performance and, as I shall argue, the act of calling an early election.
In contrast, if the leader waits until the final period before calling an early election then voters get an additional opportunity to observe the government's performance and can update their beliefs about the government's ability accordingly. The government's payoff from waiting is 
\[ p_T(W+1)+(1-p_T)(0+1) = 1+p_TW, \]
where \( p_T \) is the probability of reelection in the final period. The key to notice here is that \( p_T \) is increasing in the government's performance. As such, the more competent the leader believes herself and her government to be, or the better she believes future performance will be, the greater her expected payoff from waiting.

Leaders call early elections when the expected payoff of doing so is greater than the expected payoff of waiting. This is to say the leader calls an early election only if 
\[ p_{T-1}W > 1+p_TW. \]
Remember that the probability of reelection in the current period is independent of the leader's knowledge of future outcomes. In contrast, the probability of reelection in the future is increasing in the quality of the government's expected future performance. Therefore, the more competent, or the better relative to now that a leader expects to perform in the future, the smaller her incentive to announce an early election. The less well a leader expects to perform in the future, the greater her incentive to call an early election. This incentive compatibility condition underlies all the results in my explanation of election timing. The worse a leader expects to perform in the future, the greater her incentive to call early elections.

Before moving on to consider the implications of the timing decision, it is worth pausing to consider the conditions under which elections are called early: 
\[ p_{T-1}W \geq 1+p_TW. \]
An obvious implication of this expression is that unless \( p_{T-1} \geq p_T \), (reelection is more likely now than in the future), no early elections are called. Several conditions can lead to such eventualities. First, although the government might have had stellar performance up to this point, foreknowledge of
impending decline threatens to degrade the government's record, making reelection in the future harder. Alternatively, in the competence conception, the government, although successful thus far, might recognize that it has been lucky and that its performance far exceeds its competence. Secondly, as the end of the term approaches, elections become harder to win because the opposition is more prepared.

In the competence setting, early elections occur when governments are less competent than the voters currently think they are. In the foreknowledge conception, governments call early election when future performance will be poor and this decline will make them look worse than the voters currently consider them to be.

**What do early elections signal.**

The anecdotal case of Harold Wilson in 1970 and French President Jacque Chirac in 1997 suggest that despite their high pre-election standing in the polls, leaders calling early elections can see their support evaporate. These cases represent the extreme example in which a popular incumbent loses. While in general it might not cost them the election, leaders attempting to cash in their popularity with an early election see their popular support decline. This is a result I shall show in chapter 4. For instance, while Margaret Thatcher comfortably won in 1983, when compared to opinion polls taken prior to her announcement, she received 6.8% fewer votes than expected on polling day.

With hindsight and with her own admission, it is easy to see why. As already discussed above, in her memoirs, Thatcher indicated that, at least in part, it was the prospect of increasing inflation that lead her to call the election for June 1983 rather than wait longer. At the time of the
election announcement, the vast majority of voters would have been ignorant of the impending rise in inflation. Despite this they should have expected some form of future decline. After all, if their leader did not anticipate decline, then like as not she would have waited longer.

Of course, the early election signal provides voters with no information as to nature of the future problem, only that some future problem exists. Indeed, the future problem need not even be a economic problem. It could represent any aspect of government management from social policy to foreign policy. I focus on economic arguments since in terms of empirical testing economic indicators provide systematic measures of government performance. In such fields as foreign policy, objective measures are lacking. Yet, in reality this does not mean that anticipation of an impending military or diplomatic defeat is any less likely to spur an election than an economic slowdown.

While voters have no means to diagnose why an early election is called, they know it is not good news. Expressing these concerns after the announcement of the 2000 Federal election in Canada, "Ottawa taxi driver Singh Kuldeep was bewildered by the early call: ‘Things were going well, so why do they need an election.’" 9 The opposition is also keen to point out the negative signal a ‘snap’ election sends: “Mr. Chretien takes Canadians for fools,” 10 “When a party has been in office too long, has grown unpopular, calls an election for no good reason, it could very

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9 CNN.COM Sunday October 22 1:17 PM ET Canada's Chretien Makes Risky Bid for Third Term By Randall Palmer.

10 CNN.COM Chretien calls snap Canadian election October 22, 2000 Web posted at: 6:27 PM EDT (2227 GMT).
easily get turfed out. That could happen with Mr. Chretien and the Liberals." Although not actually seeing the decline before they voted, the voters include the knowledge on the existence of a future problem in their assessment of the government. This reduces their assessment of the government.

To see the mathematical logic of the argument, suppose the graph in Figure 2.2a represents the voters' beliefs about the competence of the government given its past performance. The horizontal axis show the level of competence of the government. The graph shows the likelihood with which the voters believe the government is at different levels of competence. Government competence is scaled such that its expected value is zero. Given particular conditions, suppose only incompetent governments, those less than c* (c*=-2) in the figure, announce early elections. Given the incentive compatibility condition derived above, those governments with greater competence wait. In this setting, an election is relatively unexpected since only around 2% of government types would call an election. The election timing decision is informative of government competence. Prior to the announcement, voters thought that the average competence of the government was zero. If an early election is called, then voters know the government is a type with competence less than -2. In particular, upon observing an early election, the voters infer that the expected competence of the government is -2.373. More competent governments wait; hence, the average competence of a government that waits is 0.0552. The voters get the opportunity to further update their beliefs when they see performance in the next period.

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Calling an early election badly harms the standing of the government since it provides a powerful signal that the leader lacks confidence in the ability of her government to perform in the future. The extent to which an early election harms the voters' faith in the government depends upon how unanticipated an early election is. If, all else equal, early elections are unlikely, as in Figure 2.2a, then their announcement provides a strong signal of decline which radically shifts the voters' assessment of the government. If, alternatively, elections are perceived as highly likely, then the signal of decline they provide is much weaker. Figure 2.2b shows this latter scenario; leaders with competence below $c^*=1$ call early elections while leaders more confident in their ability to perform wait. In this setting, 84% of leaders call an early election. Again prior to the election announcement, voters believe that the average competence of the government is zero. The signal of an early election again pushes this expectation lower, $E[c|_{early}]=-0.288$. Compared to the situation in which an election was unlikely (Figure 2.2a), this shift downwards is only about a ninth of the size.

Since less competent governments are more likely to call early elections, announcements reduce the voters' beliefs about the expected competence of the government. However, the extent to which the election signals incompetence depends upon how likely an election is. Ex ante, the more likely an election is, the smaller the impact an election announcement has on voter beliefs. In the foreknowledge conception, the signaling effect of early elections works in a similar manner. The less expected an early election is, the worse voters expect future outcomes to be, and hence the greater the extent to which voters degrade their opinion of the government.

The factors that create the expectation of whether an election is early or late include government popularity, government seat share, need for a political mandate to implement a new
policy initiative, and the time remaining in the current term. These factors, which I shall discuss at the beginning of the next chapter, form the basis of the `all else equal' qualifier. As I shall show quantitatively, an early election and an election early relative to expectations are different.

**Why ever go early?**

Early elections signal a decline in future performance. Given this, it is reasonable to ask why would leaders ever call early elections? A simple answer is that an early election hides the government's incompetence and its future failings from the electorate. Unfortunately, such an answer must be incomplete. In both Figures 2.2a and 2.2b, for type $c^*$ the signal an early election sends is worse than the reality of revealing that the government is of type $c^*$. In particular, in the first example, $c^* = -2$, but $E[c|\text{early}]=-2.373$. If all else were equal, it should be harder for type $c^*$ to be reelected at an early election than if the voters had the opportunity to observe its future performance. Remembering the earlier result $p_{t-1} W \geq 1+p_{t} W$, leaders do not want to call early elections unless it enhances their probability of victory. Anecdotally, we can see plenty of reasons why it is easier to win early, even if appearing slightly less competent, than it is to win later. For example, divisions within Britain's political left in the early 1980s made them largely unelectable, as I shall describe in detail in few moments. Providing the Conservatives called an election before Labour got its act together, victory was fairly certain. If the Conservatives had waited long enough for Labour to reorganized and form a unified opposition, then reelection would have become much harder.

While such anecdotal accounts might be compelling it is important to think systematically about why leaders call early elections when they would appear more competent and able by
waiting. I offer four arguments. First, when governments are extremely popular, all types of governments, whether competent or not, pool on an early election. Given its already high popularity, with respect to reelection, there is little upside for the government from waiting and potentially a few poor outcomes could have a massive downside in terms of electoral success in the future. In such a setting, no government, whatever its competence, benefits by waiting.

Second, over their time in office, governments often face different types of problems and their resources change. While a government might have the appropriate resources, personnel, and expertise to deal with the problems it faces early in its term, it might struggle with a different set of problems at the end of its term. Effectively, its competence might change. Given such a possibility, voters should strongly discount distant past results and focus on the government's recent performance. Such short memory makes a government's good reputation more fragile; governments know that any current high standing can be rapidly eroded. This exacerbates the incentives to call an early election.

Third, opposition parties differ in their preparedness to launch a campaign and mount a credible challenge for office. The closer the end of the electoral term comes, the more prepared the opposition becomes. In short, the opposition is easier to beat early in the electoral term than at the end of the electoral term, as hinted at in the narrative of the 1983 election. Fourth, thusfar I have assumed all voters are sufficiently sophisticated in their assessment of the government that they respond to the election timing signal. Others would challenge the assumption of a sophisticated electorate. The less the sophisticated the electorate, the smaller the electoral impact of an early election, and hence the more attractive such an option becomes. I now expand on each of these topics.
**Pooling behavior given large downside risk**

For a leader who is enormously popular, waiting imposes only a downside risk. Once a leader and her government are so highly regarded that they can not realistically move higher in the voters' esteem, thing can only get worse. In such a circumstance, even the most competent government may have its popularity undermined by a few unlucky outcomes. There is nothing to be gained by waiting, and potentially there is a risk from waiting. When there is only downside risk from waiting, then all governments, whatever their competence, pool on an early election. Since all governments call for early elections, the signal of an early election is uninformative and so does not harm the leader's electoral chances. This is to say, when an election is known to be certain, its announcement does not reduce the esteem in which the voters hold the government.

To make this more concrete, I construct the following very simple example. Suppose governments come in only two ability levels, which for convenience I label competent and incompetent. Similarly, suppose in each period the government produces either good or bad outcomes. On average competent governments perform better than incompetent ones. Suppose the probability of a good outcome given a competent government is 70%, and the probability of a good outcome given an incompetent government is 30%. Initially, the voters might believe each form of government is equally likely. Suppose the government produces three straight years (periods) of good outcomes. The probability of a competent government doing so is $0.7^3 = 0.343$, while an incompetent government has only a $0.3^3 = 0.027$ chance of doing so. After three straight years of success, the voters believe they have a good government with probability $0.343/(0.343+0.027) = 0.92703$. If the government succeeded in a fourth consecutive year of good performance this probability will shift up to $0.74/(0.74+0.34) = 0.96737$, while if the
government produced a bad outcome the voters' belief that the government is competent will fall to \((0.7 \times 0.3)/(0.7 \times 0.3 + 0.3 \times 0.7) = 0.84483\). The potential fall in the voters' beliefs from a bad outcome is about 8%, while the potential gain from another success is only 4%. Even though a competent government is more likely to perform well rather than poorly, it faces a greater downside risk from waiting than the potential upside. Even the competent government might prefer reelection after three years rather than a potential gamble after four years. Providing all types of governments call early elections (pooling behavior), there is no signal from the early announcement.

**Short Memory**

Several factors exacerbate the incentive of popular governments to cash in with an early election. If voters have a `so what have you done for me lately' attitude, having a short memory, then a stellar spell of government performance can still be easily undone by a few poor outcomes. Over time the problems facing governments change. While a government might be excellently equipped to deal with one set of problems, it may struggle to solve others. For example, Margaret Thatcher's Conservative government competently dealt with inflation and international conflict. Unfortunately, her government was less well equipped to deal with the problems of European integration, exchange rate policy, and the reforming of local government finance. Further, the personnel available to her over time changed. John Major, in his autobiography (1999), is clearly pained at not being able to keep Chris Patten in his government after the 1992 election. When Chris Patten lost his Bath seat, John Major lost his first choice for chancellor. In regard to both the problems faced and the personnel with which to confront them, governments vary in ability over time. Given this, there is good reason for voters to discount past performance and
As illustration, I return to the previously discussed setting with only two government types and suppose voters remember only the past three performances. Recall that with the government having scored three straight successes, the voters believe the government is 93% likely to be competent. Given that voters base their assessment on only the three most recent years, another success does not change this belief. However, a bad outcome reduces the voters confidence in the government's probability of being competent to only \( \frac{0.7 \times 0.3}{0.7 \times 0.3 + 0.3 \times 0.7} = 0.7 \). A government with three successes in a row can expect to do no better and gains nothing by waiting further.

Short memories, shifts in the personnel available to serve in government, and changes in the nature of the problems the government faces all discourage waiting and make calling an early election more likely.

**Opposition Preparedness**

Nigel Lawson stated of the opposition in 1983 that “Labour was in such a mess with an unelectable leader, left wing policies which the country would never stomach, and suffering badly from the Social Democrats defection....(1992. p. 246).” He goes on to state that at the time he thought Labour was in such a poor position that the Conservative could have won anytime. Lawson believed that Labour was unelectable and that was why the Conservative won. There is good reason to believe his evaluation of the situation. The Conservatives won 397 of 650 seats on a vote share of 42.2%. The Labour party obtained 209 seat on a vote share of 27.6%.

In terms of the two party vote share, it is clear the Conservatives dominated. Yet, this does not translate into popular support for the Tories. In the early 1980's, the Labour party tore
itself apart. The moderate wing of the party split from the main Labour party to form the Social Democrats. This former faction of the Labour party garnered much support nationally. Indeed in the election the SDP, with its Liberal alliance partners, had a vote share of 25.4%, only 2.2% behind the Labour party. Despite this, they obtained only 23 seats. Taken together the SDP-Liberal alliance and Labour parties received 53% of the votes, far in excess of the Conservatives. Under Britain's single-membered district, first-past-the-post electoral system this counted for little. The Conservatives obtained the most votes in 397 districts. In many of these districts, the combined vote shares of Labour and SDP would have comfortably toppled the Tories. Although the Conservatives won the largest electoral victory since 1945, their position was precarious. They were not fundamentally popular. Had the Labour and SDP parties reached an electoral pact, either patching up their differences or agreeing to govern in coalition and thus not run competing candidates in the same district, the Tories might well have lost.\textsuperscript{12} Thatcher preempted any such developments by calling the election.

Without the immediate constraint of election, the different factions within the Labour party were prepared to jockey for position. The result was that the left wing of the party maintained a dominant influence over the party. These internal dynamics left Michael Foot as Labour leader and party platform rife with socialist ideology. The polls bore out Lawson's prediction, Labour were unelectable. Although Labour did not defeat the Conservatives until 1997, following their defeat in 1983 they began a transition towards a more moderate position. Had they had longer to organize before the election, they might have put their house in order and

\textsuperscript{12} Fischer's (1999, 2001) research suggest the Tories were Condercet winner in both 1983 and 1987, and that the Liberal Democrats were the Condercet winner in 1992.
offered the Tories a far more serious challenger. In 1983 popular support for the Conservatives was weak and as such they were vulnerable to any such developments. Nigel Lawson was perhaps right in his use of the popular adage; “a bird in the hand” is powerful argument for an election.

The turmoil within the Labour party in the early 1980's illustrates a general theme. Opposition parties vary in their level of preparedness. Opponents are easier to defeat when they are not prepared. Early elections cut both ways. They reveal a future decline in government performance is expected. They also catch the opposition ill prepared. It is worth taking a moment to analyze this decision in detail. Suppose the government anticipates a bad policy outcome in the next period. By calling an immediate election, they censor the voters ability to observe this policy failure. Unfortunately for the government, the election announcement itself signals an impending policy failure. Whether the leader waits or calls an early election, the voters will either see or infer policy failure. The advantage of an early election is that the opposition is poorly prepared.

In terms of modeling this logic, suppose the opposition has only a fixed amount of resources to prepare for office. We might think of these resources as its war chest. Immediately after an election, the opposition might spend all its resources on research, developing policies, and writing manifestos. These functions are important for mounting an effective campaign. If they want to get elected, it is important that the opposition fill its shadow cabinet with those individuals who are best able to handle the various government posts and who advocate policies likely to solve the problems of the day. While spending its resources on the first day will make the opposition a formidable opponent in the short-term, the government can simply delay battle.
After five years, a campaign, policy positions, and manifesto look extremely dated. Maintaining the war analogy, when a campaign is unlikely, the opposition party hoard their resources. If the opposition is prepared too early, then the government postpones the battle and waits for the opposition's armor to tarnish.

Events leading up to the 1950 General Election illustrate this tactic (Nicholas 1951, Chap. IV). From their party conferences in 1948, the opposition parties started electioneering. By 1949, an election was thought imminent. Indeed, there were repeated calls for early elections. For example The Economist said “The sooner the General Election is held, the better.” The Times also advocated an election, saying “frankly if Ministers cannot make up their minds now on what must be done, the electors should be asked to choose for themselves as soon as possible” (Both quotes cited in Nicholas 1951, p.69.). Clement Attlee's Labour government did little to quell such speculation. It was not until October 13th when the “Prime Minster thinks it right to inform the country of his decision not to advise his Majesty to dissolve Parliament this year (quoted in Nicholas 1951. p.69).” This speech fell on the penultimate day of the Conservatives’ annual conference. Throughout their conference, the Tories had been elated with the prospect of an election. Attlee effectively deflated the Conservatives. “Mr Churchill sent the delegates away with scorn for the ‘twittering calculations’ of a government afraid to appeal to the country, and a warning to live the next few weeks ‘on alert, ready for any blow that may be struck.’” (Nicholas 1951, p.70). While the Conservative were squandering their resources, Labour kept their power dry. To some extent, the Conservatives were wary of preparing to early. For example, despite frequent calls to do so, they refused to unveil their campaign manifesto until an election was announced. However, on the whole the Conservatives were ready too early. Attlee simply
postponed the election until 1950 when he just sneaked back into office, although with a much reduced majority of only six seats.

The discretion afforded a Prime Minister provides ample opportunity for electioneering. For example in 1955, Eden's announcement caught the opposition leader, Attlee, abroad on holiday. Given the shortness of campaigns, such gamesmanship can have significant impact. Prime Ministers only rarely rule out elections, preferring to allow the opposition to worry 'will he or won’t he'. Churchill is one of the rare expectations. In October 1953 he announced there would be no election that year or early 1954 (Butler 1955).

Returning to modeling the problem, the opposition's problem is how many resources to spend in each period. The incumbent's problem is when to call an election given the level of preparedness of the opposition and their prospective performance. If the opposition spends too much, too early, then the incumbent waits. By doing so, the government fights an opposition which lacks sufficient resources. As the end of the electoral term approaches, elections become inevitable. At this point, the opposition pour all their remaining resources into preparation. The opposition's level of preparation increases as the end of the term approaches. Leaders face the choice of competing against an ill prepared opposition today, but appearing less competent from having called an early election, or waiting and facing a well prepared opposition later. The better a leader expects to perform in the future the more attractive the latter option appears. It is less competent governments --those who anticipate a decline in performance -- who call the early election. Given the result that early elections are between incompetent governments and ill-prepared challengers, we should expect, on average, worse performance following an early election than that following a late election.
**Sophisticated versus naive voters**

The signaling argument assumes voters are fully rational and understand the structure of the game and the incentives facing each player. Consistent with common usage in the literature, we might refer to such voters as sophisticated (Austen-Smith 1991). An alternative assumption is that voters do not draw inferences from the timing of election. Consistent with common practice, we might refer to these voters as naive. A common problem I have encountered when discussing this work is that many doubt voters are capable of making the inferential leap between the timing of the election and future performance. I disagree with this blanket characterization that voters are naive. Indeed I know definitively that a least one potential British voter--me--uses the timing of elections to make inferences about the future performance of the government (although I would never make the sophistication claim outside of the strict context of Bayesian updating). Conversations with family, friends, and colleagues leads to believe I am not alone. Obviously I am not claiming that any voters sit down and explicitly go through the mathematics, as characterized below. Yet, I strongly believe at least some voters make inferential connections between the earliness of elections and what the government is trying to hide.

As a compromise position, the population of voters might contain a mixture of naive and sophisticated voters. Suppose the proportion of sophisticated voters is $\theta$. Referring back to figure 2.2a, given the signal of an early election $\theta$ proportion of the voters would infer the government had expected competence of -2.373. Within this section of voters, support for the government would decline. The remaining (1-$\theta$) proportion of the voters, the so called naive voters, would retain their initial beliefs that government competence was the prior expected mean (0 in the case of the figure). Within this section of voters, support for the government would remain stable.
The overall stability of government support depends on how much an early election erodes the support of the former group of voters and on the relative size of the former group of voters. As already stated, I believe that the former group comprises a significant proportion of the electorate. Even if you believe, as some critics do, that the number of sophisticated voters is very small, there is considerable evidence that many more voters act as if they are sophisticated by following cues. The literature on cue taking suggests that a much larger proportion of the population can behave as if they are sophisticated than actually are (Lupia 1994; Popkin 1991).

The greater the proportion of sophisticated voters there are in the population, the more damaging the signal of an early election is to government support. To this extent, when announcing an unexpectedly early election, the government takes a gamble as to what proportion of the voters will cue on to the signal. In this regard Harold Wilson's gamble in 1970 might be ax ante rational given his beliefs about \( \theta \). Only in light of the ex post realization of \( \theta \) does Wilson's gamble appear wrong.

The greater the sophistication of the electorate, the less likely a leader is to call an early election. Figure 2.3 shows how the proportion of sophisticated voters within the electorate deters governments from calling an election. The details of the model used to construct this figure are discussed in the next section. The figure assumes government competence is normally distributed with mean one and variance one. The value of office holding is \( W=20 \). If there are no sophisticated voters, i.e. no-one responds to the election timing signal, then governments with competence less than \( c^*=0.818 \) call early elections. Under this setting, 42% of governments call an early election. The inference of election timing is that the expected value of government competence is \( E[c|\text{early}]=0.083 \), although when \( \theta = 0 \) no voters respond to this signal. As the
proportion of sophisticated voters rises, leaders are more reluctant to call early elections. For example, when $\theta = 0.3$, then governments only call elections when $c < c^* = -0.60$, so early elections are called only 5.5% of the time. Upon seeing an early election sophisticated voters draw the inference that $E[c|\text{early}] = -1.024$.

The logic behind the result that leaders are more likely to call elections when the electorate is unsophisticated is two fold. First the smaller the proportion of voters who use the election timing signal, the smaller the proportion of voters who punish the government for calling an early election. This ratio has a secondary kick on effect. Since more leaders call early elections, early elections provide a smaller signal of incompetence than they do when a larger proportion of the electorate is sophisticated. That is to say as $\theta$ decreases, $c^*$ increases which in turn increases $E[c|\text{early}]$.

Here I have provide four reasons as to why leaders call early elections. Other reasons exist. Biographical accounts often mention the need to avoid certain times of the year. In particular, leaders seem reluctant to call mid-summer elections because of the organizational difficulties caused by so many people vacationing. Elections are often also timed to coincide which other elections. Indeed the expectation that an election would be called for May 3rd 2001 was spurred, at least in part, by local elections being scheduled for that day. These local elections, and hence the General Election, were postponed due to the foot-and-mouth crisis in Britain. The timing of elections to coincide with other (fixed schedule) elections is particularly common in Australia. I discuss some of these factors at the end of chapter 5.

**What the Theory Predicts**
Above I have outlined the basis premise of the election timing model. In particular, I have stated the basic assumptions and I have shown how they create an incentive compatibility condition such that the worse leaders expect to perform in the future, the greater their incentive to call an early election. Given this difference in the types of leader who want to call elections, the announcement of elections signals that leaders expect their performance to decline. The extent of the anticipated decline increases, the earlier an election is called relative to expectations. Given the signal that election timing provides, popular support for a government should decline following the announcement of an election. Again the extent of the decline increases with the extent to which the election is early relative to expectations. Since elections are called in advance of bad news, or by less competent governments, performance following an early election is likely to be poor.

The theory provides a host of predictions, many of which are testable. I break these hypotheses into three categories, or questions: What determines the timing of elections? What are the electoral consequences of the timing decisions? How does the timing of elections affect post-electoral performance? Additionally, I examine how the timing of elections influences the length of campaigns and how stock markets respond to the announcement of elections. The following five hypotheses form the basis for the quantitative tests in the following chapters. In chapter 3, I test the timing of elections-- Hypothesis 1. In chapter 4, I test the consequences of the timing decision-- Hypotheses 2 through 5.

**H1:** Future performance affects the timing of elections, with declines in performance making elections more likely and improvements in performance making elections less likely.

**H2:** The earlier an election is called relative to expectations, the greater the
government's loss of popular support relative to pre-announcement public opinion.

H3: The earlier an election is called relative to expectations, the more economic performance is expected to decline following the election.

H4: The earlier an election is called relative to expectations, the shorter the campaign (measured as time between the announcement and the actual election).

H5: The earlier an election is called relative to expectations, the worse the stockmarket responds to the announcement.

Given the all else equal qualifier, the theory makes clear predictions. Unfortunately, all else is rarely equal, and there is a huge distinction between an early election and an election which is early relative to expectations. Indeed both of the shortest parliaments in the post-war era lasted much longer than most people anticipated at the time. This difference between early and early relative to expectations creates considerable difficulty in testing the arguments of the theory since it requires estimating the extent to which an election is relatively early or tardy. I start the following chapter with a detailed discussion of the appropriate control variables to form these expectations. I conclude this chapter with a discussion of the mathematical basis behind the arguments made above. The reader uninterested in such mathematical details should feel free to skip straight to the next chapter.

The Nuts and Bolts of the Election Timing Model

A Stochastic Model of Performance

In addition to implementing ideological policies, governments provide public goods. I represent the level of public goods produced, \( x \), alternatively described as government
performance, using a simple scale. In particular I assume performance \( x \) is drawn from the set \( X \), \( (x \in X \subseteq \mathbb{R}) \). The government's ability, or competence, influences its performance. Let \( c \in C = [c, c] \subseteq \mathbb{R} \) represent the government's competence. Given competence \( c \), performance is a random variable \( x \) with distribution \( F(x|c) \), with associated probability density \( f(x|c) \). Throughout I will assume standard ‘nice’ properties for all distributions, such as continuity, differentiability, stochastic dominance, and full support. To keep the math simple, I will look at the restricted case where \( E[x|c] = c \) and in particular I focus on the case \( x|c \sim N(c, \beta^2) \), where performance is normally distributed with mean \( c \) and variance \( \beta^2 \).

Voters do not know the precise competence of the government but have beliefs. In particular, competence is distributed \( \beta(c) \), with associated probability density \( \beta(c) \). Again I focus on the normally distributed case \( c \sim N(\mu, 1) \). The results are not dependent upon the normality assumption. Rather I focus on the normal distribution since the use of conjugate analysis keeps Bayesian updating simple.

Figure 2.4 shows the distribution of policy performance for governments of competence \( c=1 \) and \( c=-1 \). On average, the more competent the government, the greater their expected performance.

If the voters’ prior beliefs are that government competence is normally distributed with mean zero and variance one \( (c \sim N(0, 1)) \) then Figure 2.5 shows the voters' posterior beliefs having observed performance \( x=1 \) (solid line) and \( x=-1 \) (dashed line).

**Probability of winning election?**

The more competent the voters believe the government to be, the greater the probability that the government survives in office. We could model this formally by assuming that upon the
announcement of elections, the opposition mounts a campaign. Since the skills required to
organize an efficient and effective campaign are likely to be the same skills important in forming
and implementing effective policy, the campaign serves as a device for the voters to learn about
the opposition's ability.

Suppose that the competence of the opposition is \( c_o \) and that the voters initially believe
the distribution of \( c_o \) to be distributed \( \beta_o(c_o) \), with associated density \( \beta_o(c_o) \). Let \( y \) be the quality of
the opposition campaign and assume \( y \) is distributed \( H(y|c_o) \), with associated density \( h(y|c_o) \).
Upon seeing the campaign, the voters infer the competence of the opposition has probability
density \( \beta_o(c_o|y) \propto \beta_o(c_o) h(y|c_o) \), and hence infers an expected competence of
\[ E(c_o|y) = \int c_o \beta_o(c_o|y) \, dc_o. \]
The prior probability density of observing a campaign of quality \( y=y^* \) is
\[ j(y^*) = \frac{1}{\text{CONST}} \int \int \beta_o(c_o) h(y^*|c_o) dc_o \, dy \]
Given that for each possible value of the quality of campaign, \( y \), there is an expected
value for the competence of the opposition and given that the density of campaign quality is
\( j(y^*) \), then by the change of variable rule, there exists a probability density for the expected
quality of the challenger, \( k(z) \). Let \( K(z) \) be the associated distribution. With these
micro-foundations established, I model the reelection decision using the distribution \( K(z) \)
directly.

**Voter preference**

If the opposition is elected, then voters receive payoffs based upon the opposition's
ideological policy position and the government's competence. In particular, voter \( i \)'s expected
payoff from the opposition is
\[ E[U_i(\text{opposition})] = v_{o,i} + E[c_o], \]
where \( v_{o,i} \) is voter \( i \)'s payoff from the implementation of the opposition's policies and \( E[c_o] \) is the opposition's expected competence.
(how well the opposition is expected to perform in office).

In contrast, if the incumbent government survives $E[U_i(government)] = v_{g,i} + E[c]$, where $v_{g,i}$ refers to voter i's utility for the policy platform of the government and $E[c]$ is the expected value of the government's public goods production.

Rather than continually deal with terms $v_{o,i}$ and $v_{g,i}$, I define $bias_i = v_{g,i} - v_{o,i}$ as voter i's ideological bias towards the policy platform of the governing party relative to that of the opposition. Given this formulation, voter i supports the incumbent if $bias_i + E[c] \geq E[c_o]$. Therefore voter i supports the incumbent government with probability $Pr(E[c_o] \geq bias_i + E[c]) = K(bias_i + E[c])$, where $K$ is the distribution of expected competence of the opposition, as derived above.

If voter i supports the government, then all voters with a higher ideological bias toward the government will also support the government. Using the standard results of the median voter theorem (Black 1958; Downs 1957), if voter i is the median voter (with respect to bias) in a particular district then the outcome of that district will be determined by i's vote. Hence the outcome in each district can be characterized by the vote of the median voter in each district. Overall victory in the election (obtaining a majority of seats) depends upon the vote of the median of the median voters from each district. Labeling this median of the medians as individual m, the government's probability of retaining power is $p = Pr(E[c_o] = bias_m + E[c]) = K(bias_m + E[c])$.

A good Downsian would of course believe that the party platforms converge, such that $bias_m = 0$. This assumption is unnecessary for the theory and so I remain agnostic on the issue of convergence. This ability to characterize the outcome of the election in terms of the choice made
by a single individual greatly simplifies the election timing problem and justifies the focus on
majoritarian systems. If political competition were between multiple parties in multi-membered
districts this simplification would be impossible, and the modeling of the timing decision would
require specification of coalition formation, the relationship between coalition breakup and new
elections, how voters allocate blame to the various parties, and numerous other issues. Laver and
Schofield's (1990) provide an excellent discussion of these issues.

The above provides details how voters evaluate the government's performance and choose
between parties on the basis of the government's prior performance.

Calling elections

Above, public good provision is modeled as a stochastic process. Voters use performance
(x) to assess the quality of the government (c). Since voters prefer high levels of public goods,
they use the past performance of the government to gauge the ability of the government, which
indicates how the government is likely to perform in the future. If past performance has been
good, then the government is perceived as competent, or more colloquially-- popular. Given this
perceived competence, the government might decide to cash in on its popularity and call an early
election. I now examine a model of election timing within this stochastic framework.

The electoral system specifies a maximum number of periods between elections. If the
government comes to power in period 0, then it must hold elections in period T (T represents 5
years in Britain for instance). Yet the government is free to call elections in any period prior to
the final period. Figure 2.1 shows the timeline of government decision making. At the start of
each period the government decides whether or not to call an election. If it does so, then the
opposition runs its campaign, and the voters choose between the incumbent and the opposition. If
the government does not call an election, then the voters observe the government's performance,
and the next period starts with the government again deciding whether to hold an election or not.

In each period, except the last, the government faces the same fundamental decision
between calling an election or continuing in office. In the final period, the government must call
an election. One effect of an election is to censor the voters' ability to observe government
performance.

To model this formally, I consider the timing decision in the penultimate period and
characterize perfect Bayesian equilibria. The government has an informational advantage over
the voters, in that it knows more about the underlying stochastic process than the voters. In
particular, I consider two specific scenarios, which I refer to as competence and foreknowledge.

The primary assumption within the foreknowledge conception is that the government
knows performance in the next period. Specifically, in the penultimate period, T-1, the
government knows what its performance will be next period, x_T. The government is then faced
with a choice of waiting and letting the voters observe its performance (x_T) or preempting the
revelation of this information with an election in period T-1. As already shown (see also Smith
1996), there is an incentive compatibility condition which ensures that the better future
performance, the greater the incentive to wait and the less attractive early elections are. Suppose
there exists a type x_T* such that all types x_T ≥ x_T* wait and all types x_T < x_T* call early elections.

This situation is shown graphically in Figure 2.6. If the government calls early elections,
then the voters infer that the government's future performance will be less than x_T*. The voter's
assessment of the government's ability falls. If alternatively the government waits, then voters observe $x_T$. While the revelation of a performance level $x_T^*$ reduces the government's standing in the eyes of the voters, the revelation of $x_T^*$ does less to erode voter confidence than does an early election.

Formally the probability of reelection given an early election is $p_{t-1} = \Pr(E[c_o] \Delta \text{bias}_{m} + \text{E}[c|x_T < x_T^*]) = K(\text{bias}_{m} + \text{E}[c|x_T < x_T^*])$ where the $\text{E}[c|x_T < x_T^*]$ is the expected competence given that future performance is less than $x_T^*$.

**Competence**

In the competence setting the government is assumed to know its competence, the underlying parameter in the stochastic process which generates public goods. While the government does not know future outcomes precisely, given its knowledge of its own competence it knows the distribution of future performance more accurately than the voters. Strategies analogous to those in the foreknowledge setting can be developed within the competence conception of foreknowledge. The government calls elections if $c < c^*$, otherwise the government waits. Given a prior distribution of competence $\beta(c)$, with associated prior density $\beta(c)$, then the posterior density is $\beta(c|\text{early}) = c^*/\beta(c^*)$ if $c < c^*$ and $\beta(c|\text{early}) = 0$ if $c > c^*$.

If $\beta(c)$ is distributed normally with mean $\mu$ and variance 1, then $c|\text{early} \sim TN_{c^*}^c(\mu, 1)$, the truncated normal distribution with mean $\mu$, variance one and is truncated above at $c^*$; the expected value is $E[c|\text{early}] = \mu - \beta(c^*-\mu)/\beta(c^*-\mu)$, where $\beta(.)$ is the standard normal density, and $\beta(.)$ is the standard normal distribution.

Hence the probability of election is $p(\text{early}, c) = \Pr(\text{bias}_{m} + \text{E}[c|\text{early}] \geq E[c_o]) = K(\text{bias}_{m} + \text{E}[c|\text{early}])$. Therefore the expected value of an early election is $W(K(\text{bias}_{m} + \text{E}[c|\text{early}]))$. 

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If the government waits, then voters observe government performance $x_T$. Given this additional information, the voters update their beliefs: $\beta(c|x_T) = 0$ if $c < c^*$ and $\beta(c|x_T) = \frac{f(x_T)\lambda(c)}{(1-\Gamma(c^*))\int_c^\infty f(x_T)\lambda(c)dc}$ if $c \geq c^*$, and the expected competence of the government given $x_T$ is $E[c|x_T] = \int_c^{\infty} c\lambda(c|x_T)dc$.

Therefore for a government of type $c^*$ the probability of reelection $p(c^*, \text{wait})$ is

$$\int x Z(bias_m + E[c|x_T = x]) f(x|c^*)dx.$$  The expected payoff of waiting for a type $c$ is thus $1+Wp(c, \text{wait})$, which is strictly greater than payoff of an early election since $E[c|\text{wait}] > c^* > E[c|\text{early}]$.

Given governments only call early elections when the probability of reelection is higher today than the probability of reelection in the future, this result suggests there are no separating equilibria in which governments call early elections. This result fits with evidence from New Zealand (McRobie 1980), but not with the Australian, British, Canadian, or French cases. Why then are there early elections?

**Early Elections**

Early elections occur for a variety of reasons. Here I characterize four reasons. First early elections can occur in pooling equilibria, that is $c^* = \overline{c}$, such that no governments ever wait. The characterization of such equilibria requires consideration of ‘off the equilibrium path’ beliefs. Given the assumption for the out of equilibrium beliefs that the type that waits is the least
competent type, $c$, such equilibria are easy to support. Yet, such an assumption about beliefs contradicts standard refinements (see Banks 1991). Suppose instead that voters maintain their prior beliefs upon seeing an off the equilibrium path message. If the government is extremely popular (i.e. $E[c]$ is high), then all governments whatever their competence risk losing support should they be unlucky and have poor performance, $x_T$. Under such circumstances even the most competent government might prefer to avoid the risk of poor performance tomorrow. Such issues are considered in Smith (1996). Further, that article characterizes how the possibility of short memory or the possibility of competence changing over time (modeled by allowing competence to evolve as a simple random walk process) increases the conditions under which pooling equilibria with early elections exist. Here I will not develop these arguments further.

Anecdotally, the level of opposition preparedness appears an important determinant of the decision to call an early election. To model this, suppose that the opposition must prepare to campaign. For example, the opposition needs to research which policies are optimal to address the current problems the nation is facing and to pick the shadow cabinet best able to address these problems. Unfortunately for the opposition, the problems facing a nation change. If the opposition spends all of its resources early, while it might have initially assembled an excellent shadow government targeted to address the salient issues, by the time an election is called the shadow government is likely to appear old, out of touch and without the appropriate fixes for the problems of the day.

As a modeling strategy suppose that the opposition has $R$ resources. At the beginning of the penultimate period, the opposition chooses how many of these resources to invest in preparing for office. The level of resource expenditure is public information. If an election is not
Although I have already stated a new term in office is worth $W$, presumably the opposition would prefer to start their term sooner rather than later. Rather than introduce discount factors I add one to the payoff from coming to office earlier.

called then the opposition spend their remaining resources at the start of final period in preparation to launch a campaign. I assume the greater the resources invested, the more competent the opposition will be and hence the better the campaign they launch. Additionally I assume resource expenditure depreciates completely in a single period such that spending in one period does not carry over into the next. To develop this in a rigorous manner I could model how spending effects the distribution of the opposition's competence and then elaborate the model, as above, to show that it is harder for the incumbent to defeat an well prepared opposition than one that did not spend many resources. Instead I present a reduced form model by assuming the amount of resources spent, $r$, directly influences the expected competence of the government, i.e. the probability the government is reelected given the opposition spends $r$ resources is $p(r) = Pr(E[c_o|r] \Delta bias_m + E[c]) = K(bias_m + E[c] - r)$.

The strategy for the opposition is an expenditure level in the penultimate period: $r \in [0,R]$. Having observed the opposition's expenditure, the incumbents strategy is a choice of whether to call an early election or wait. Given the incentive compatibility condition, that higher types always wait, to characterize the incumbent's strategy it is sufficient to identify a type $c^\parallel (r)$, such that, having observed $r$, all types $c \geq c^\parallel (r)$ wait and all types $c < c^\parallel (r)$ call early elections.

The opposition receives a payoff of $W$ if elected in the final period, a payoff of $W+1$ if elected in the first period, and a payoff of zero otherwise.\footnote{Although I have already stated a new term in office is worth $W$, presumably the opposition would prefer to start their term sooner rather than later. Rather than introduce discount factors I add one to the payoff from coming to office earlier.} To construct as simple a game as possible I assume $x|c \sim N(0,1)$, $c \sim N(\mu,1)$, $bias_m = 0$ and $K(.)$ is also a standard normal distribution.

For any fixed $c^\parallel$ then $c|early \sim TN^{c^\parallel}(\mu,1)$ so the expected type of government that calls an early
election is \( E[c|\text{early}] = \mu - \beta (c^\dagger - \mu) / \beta (c^\ddagger - \mu) \). Upon seeing the government wait the voters believe the distribution of competence is \( c|\text{wait} \sim TN_{c^\ddagger}(\mu,1) \). The voters get an additional opportunity to update their beliefs about the government by observing \( x_T \). Given that \( \beta(c|x) \Delta f(x|c) \beta(c) \) [i.e. \( c|x \sim TN_{c^\ddagger}((\mu+x)/2,1/2) \)] the expected competence of the government given performance \( x \) is \( E[c|x] = \frac{\mu + x}{2} + \frac{1}{2} \left( \frac{\phi(2(\mu^\ddagger - \mu + x)/2)}{1 - \Phi(2(\mu - x)/2)} \right) \). Integrating over all the possible outcomes yields the probability with which a government of competence \( c \) is reelected given opposition spending \( r \) as \( p(\text{wait}|c,r) = K(bias_m + \mu - \beta (c^\ddagger - \mu) / \beta (c^\ddagger - \mu) - r) \). The best response strategy for the government given opposition spending \( r \) is characterized by the value of \( c^\ddagger \) that solves \( 1 + W p(\text{wait}|c) = W p(\text{early}|c) \).

The expected utility of the opposition given \( r \) is

\[
(1 + W)(1 - p(\text{early}|c^\dagger(r),r)) F(c^\dagger(r)) + W \int_{c^\dagger(r)} (1 - p(\text{wait}|c,r)) f(c) dc .
\]

The opposition's optimal strategy maximizes this payoff with respect to \( r \). Analytic solutions to this problem are extremely difficult to characterize. However, it is easy to characterize certain properties. For instance \( r \Delta R/2 \). To see why, suppose not. This implies the government is spending more in the penultimate period than the final period: \( r > (R/2) \). On the basis of both the signaling effect and opposition preparedness it is easier to get elected in the last period. Since \( p(\text{wait}|c) > p(\text{early}|c) \) for all \( c \) and
the incumbent gains from the additional period in office, no government would ever call an early
election. However, if the government never calls elections in the penultimate period then
opposition could improve its payoff by reducing expenditure in the penultimate period.
Combined with the incentive compatibility condition, this leads to the result that early elections
are between less competent incumbents and less well prepared opponents.

Figure 2.7 show numerical solutions to a restricted version of this game in which the
opposition must spend his entire resources (R) in a single period. The figure shows the
equilibrium values of $c^*$ for different levels of incumbent popularity under two sets of conditions.
The graph reveals considerable non-monotonicity.

**Naive versus sophisticated.**

The signaling model assumes voters are fully rational and able to calculate the signaling
implications of election timing. While I personally credit voters with being sufficiently
sophisticated to draw the appropriate inference, not all do. In modeling terms, voters who fail to
use Bayesian updating are commonly referred to as naive. We might suppose $\theta$ proportion of the
electorate are sophisticated, while the remaining $(1-\theta)$ proportion of voters are naive.
Unfortunately, as a modeling strategy, this makes the game extremely difficult to analyze since
the effective median voter in each district depends upon the distribution of sophistication within
each district. Given the law of large numbers and having no reason to believe the level of
sophistication differs between those of left or right political orientation, I ignore this issue and
treat the electorate as a single voter (the median of medians). With probability $\theta$ this voter is
sophisticated and with probability $(1-\theta)$ this voter is naive.

In this setting governments with sufficient competence, $c > c^*$, wait while less competent
government call early elections. With probability $\theta$ the voter is sophisticated, in which case she
draws the inference that the expected competence of the government is $E[c|\text{early}] = \mu - \beta(c^*-\mu)/\beta (c^*-\mu)$ if the prior beliefs are normally distributed with mean $\mu$ and variance 1. With the
complementary probability, $(1-\theta)$, the voter is naive and beliefs remain unchanged, $E[c] = \mu$ if the
prior beliefs are normally distributed with mean $\mu$ and variance 1.

The probability of reelection given an early election is
$p(\text{early}|c) = \theta K(bias_m + E[c|\text{early}]) + (1-\theta) K(bias_m + E[c])$. Since $E[c] > E[c|\text{early}]$ reelection is easier
than if all voters were sophisticated.

For a government of type $c$ the probability of reelection from waiting is
$p(\text{wait}|c,r) = \theta \Delta K(bias_m + E[c|x,\text{sophisticated}])f(x|c)dx + (1-\theta) \Delta K(bias_m + E[c|x,\text{naive}])f(x|c)dx$. The
$E[c|x,\text{sophisticated}]$ term is the expected competence of government given the voter is
sophisticated and the future performance is $x$. Given the normal prior $c \sim N(\mu,1)$ and normal
distribution of performance $x|c \sim N(0,1)$, $E[c|x,\text{sophisticated}] = \mu + x/2$. The
term $E[c|x,\text{naive}]$ is the expected competence of government given the voter is naive and the future performance is $x$. Given normal priors, $E[c|x,\text{naive}] = ((\mu + x)/2)$.

Type $c^*$ solves $1 + Wp(\text{wait}|c^*,r) = Wp(\text{early}|c^*)$. As we have already seen, when $\theta=1$ there
is no interior solution to this problem. It is worthwhile considering the other limiting case, $\theta=0$.
In this case the expected value of an early election is $Wp(\text{early}|c)$ where $p(\text{early}|c) = K(bias_m + \mu)$. The expected value of waiting is $1 + Wp(\text{wait}|c)$, where $p(\text{wait}|c) = \Delta K(bias_m + ((x + \mu)/2))f(x|c)dx$.

Figure 2.8 characterizes the solution $c^*$ for the case $bias_m = 0$ and $Z()$ is the standard
normal distribution. The figure calculates the type indifferent between calling and waiting ($c^*$) as a function of $\theta$ for four cases. These cases differ in the value of winning another term ($W$) and the popularity of the government ($E[c]$ or $\mu$). In all cases, as the electorate becomes increasingly sophisticated, fewer types call elections (as $\theta$ increases then $c^*$ decreases). The more naive the electorate, the more early elections are called.

A less sophisticated electorate diminishes the signal that an early election sends for two reasons. First, the obvious reason, more voters ignore the signal as the population becomes more naive. Second, as the negative impact of calling an election diminishes, more types of government call early elections. Given this, the signal itself is diminished even in the eyes of sophisticated voters since it is no longer only extremely incompetent governments that call early election. The less sophisticated the electorate, in terms of Bayesian updating, the more likely governments are to call elections and the less likely they are to be punished for doing so.

The above arguments for the occurrence of early elections have been developed only in the context of competence. I leave the construction of analogous arguments in terms of foreknowledge for the reader.
Figure 2.1: Timeline for the Election Timing Game.

- **t=0**: Government Elected
  - Government Policy Performance, $x_1$
    - Voters Choose
      - YES: Call Election
      - NO

- **t=1**: Government Policy Performance, $x_2$
  - Voters Choose
    - YES: Call Election
    - NO

- **t=T-1**: Government Policy Performance, $x_{T-1}$
  - Voters Choose
    - YES: Call Election
    - NO

- **t=T**: Government Policy Performance, $x_T$
  - Voters Choose
    - YES: Election Compulsory
    - NO
These types call early elections

These types wait

Figure 2.2a: Government Competence and the Calling of Elections (elections unexpected).

Figure 2.2b: Government Competence and the Calling of Elections (elections expected).
Figure 2.3: How the Proportion of Sophisticated Voters affects the Probability of Early Elections and the Government's Inferred Competence.

$W=20$ and government competence distributed normally with mean one and variance one.
Figure 2.4: The Distribution of Government Performance for Governments of Competence $c=1$ (solid line) and $c=-1$ (dashed line).

Government performance is normally distributed with mean $c$ and variance one.
Figure 2.5: Voters' posterior beliefs having observed performance $x=1$ (solid line) and $x=-1$ (dashed line).

Prior beliefs: $c \sim N(0,1)$. Performance: $x \sim N(c,1)$.
Figure 2.6: Future Performance and the Decision to Announce Elections

Expect future performance given an early election
Expect future performance given the government waits
These types wait
Call early election

Density of types

Future government performance, $x_\tau$
Figure 2.7: Opposition Preparedness and the Type of Government Indifference between Elections and Waiting ($c^*$) as a Function of Government Popularity ($E[c]=\mu$).

Government competence is distributed normally with mean $E[c]$ and variance one. The opposition has $R=2$ resources to prepare for office.
Government competence is distributed normally with mean $E[c]=\mu$ and variance one.
Chapter 3: The Timing of Elections

Her [Margaret Thatcher’s] view was that a Government should always wait until the final year of the quinquennium, but once there should go as soon as it is confident it will win - a maxim that it is hard to fault. Nigel Lawson (1992, p264).

When are elections called? The theory suggests, that all else equal, leaders call elections when they anticipate a decline in future performance. In this chapter, I test this claim by examining British general elections since 1945. However before doing so, I account for the ‘all else equal claim’, by examining other factors that influence the timing of elections. The theory provides insight into why such factors as popularity, past performance, seat share, and time remaining in the electoral term influence the election timing decision. Anecdotal accounts of elections also suggest that other factors, such as the need to seek a mandate, are important.

Having explained why such control variables influence election timing, I empirically estimate the extent to which they do indeed induce leaders to call elections. Given this base, I test whether expectations of future performance affect the timing of elections. To measure the expectations of future performance, I use measures of actual future economic performance. For example, I look at how economic conditions change between the time an election is announced and a quarter, half, or whole year later. These economic change data are unavailable to the voters at the time of the election. Indeed the theory suggests elections are called precisely so as to hide this information from the voters at the time they vote.

Consistent with expectations, elections precede a downturn in economic performance. This provides support for a key prediction. However, it does not differentiate it from competing political economy arguments. For example, political business cycles arguments predict the economic costs of priming the economy must be paid after the election. Consistent with the
results I show here, Alesina, Cohen and Roubini (1992) found that inflation increases after elections. Fortunately, the theory differentiates itself from other political economy theories in terms of the consequences of the timing decision. Tests of how the timing decision influences electoral outcomes and future performance are the topic of chapter 4.

**The Determinants of Election Timing**

The fundamental assumption is that leaders want to stay in power. Given this, they call elections when they expect to win and when winning significantly increases their time in office or the value they derive from office holding.

**Time Remaining**

British Prime Ministers have the discretion to call for elections whenever they wish. In principle, they might call for elections immediately following their electoral victory. Yet, such an action would serve little purpose; even if again victorious, a leader would have five years ahead of her whether she called the election or not. Further another election entails the risk of defeat. Although as we shall see there are cases, such as after the February 1974 election when Labour failed to gain a majority, that leaders dissolve Parliament soon after a previous election, providing the government has a governable majority this tactic makes little sense.

As the end of the term approaches, the situation becomes drastically different. When a leader calls an election, she sacrifices what is left of her current term for the chance of winning another five years. The shorter the time remaining, the less scarified. Therefore, as the end of her term draws near, a leader is more likely to call an election. In the final period an election become compulsory.
Past Performance and Popularity

Leaders call elections when they expect to win. A government that has performed well in the past producing peace and prosperity is far more likely to win an election than a government which has produced gloom and misery. Governments with a horrible record are unlikely to rush to the polls, since doing so is almost certain to cost them office. In contrast, governments with a stellar record are highly likely to receive another term in office if they call an election. There are many dimensions to performance. Unfortunately outside of economic indicators, there are few objective measures of policy performance. From the perspective of empirical testing, this means I consider only economic measures of performance. Although the economy is always a salient issue, it is not the only aspect of political life that voters care about. While these other policy dimensions are considered anecdotally, systematic consideration is unfortunately confined to economic indicators.

Public opinion provides the best measure by which to assess the government’s performance. Government popularity automatically takes account of which issues are salient to the voters. Even within economic data there is great disparity between what indicators are politically relevant. Given that my personal political experiences are founded on recent political events, I was shocked in researching for this book just what an important issue the trade balance was throughout the 1970s. To a large extent, public opinion data endogenizes what measures of performance are important to the voters. As will be bourne out in the data, these subjective

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14 Although this might appear somewhat obvious, this relationship exists only in large coalition systems, such as democracies. In small coalition systems, such as autocracies, enhancing public welfare harms a leader’s survival (Bueno de Mesquita et. al. 2001).
measures of government performance provide much better indicators of election timing that do objective economic indicators.

Following its forced exit from the European Exchange Rate mechanism shortly after its surprise victory in the 1992 election, John Major’s Conservative government trailed Labour by a large margin, often in double figures. Major’s government was clearly deeply unpopular and plagued by allegations of sleeze. Yet, this is not reflected in the government’s economic performance. Indeed it handed over a vibrant economy when it lost to the Labour party in 1997. It is easy to explain Major’s decision to wait until the last practical moment before calling an election. Given the government’s unpopularity, defeat was inevitable. While an early election held out an extremely faint prospect of winning another five year term, the odds were so slight that they did not compensate for giving up the remainder of the current term. This decision calculus changes when a government is popular. Buoyant support makes another term in office extremely likely so as to offset the remainder of the current term that is forgone.

There are numerous public opinion measures, such as approval ratings for the government, the Prime Minister, the opposition party, and the opposition leader. However, most directly relevant for the question of estimating the probability of winning an election are voting intentions. Such opinion polls, which are conducted monthly for most of the post-war period, give estimates of the proportion of voters likely to vote for each party ‘if an election were held tomorrow’. Although estimates of vote shares are not the same as seat shares, there is a strong correlation between the two, and as witnessed on election night broadcasts, swings in national vote shares can fairly reliably be translated into parliamentary seat shares. Although, I examine several measures of voting intentions, I focus primarily on voting intentions for the incumbent
relative to those for the major opposition party. As the prior discussion of Thatcher’s Conservative government in 1983 illustrated, given the single-membered district, first-past-the-post voting rule, it is not overall popularity that is important, it is popularity relative to the major challenger that matters. Such a two-party comparison also controls for the preparedness of the opposition.\textsuperscript{15} At elections, voters choose which is the better party. This is not same as choosing a good party.

\textbf{Value of Holding Office: Size of Majority}

In developing the theory, the fundamental decision that a leader faces is either to call an election today and win a new term with probability $p_{T-1}$ or to wait and enjoy another period in office before contesting an election and winning another term with probability $p_T$. Holding the probabilities fixed, the decision whether to call an early election depends upon the value of another period in office relative to the value of a new term in office. While in the mathematical model, I fixed these values at one and $W$, respectively, in practice the value of holding office depends upon the circumstances under which office is held. Any factors that influence the relative value of office today versus office tomorrow influence the incentive to call elections. In the 1950 General Election, against expectations, Clement Attlee’s Labour government managed to retain power, although with a much reduced majority of only six (Butler 1952). The government was only able to push through its legislation

\textsuperscript{15} As a practical matter in recent elections approximately 47 seats are effectively off limits to either of the major parties. For instance, the seats in Northern Ireland, as well as some seats in Wales and Scotland, go to regional parties. Effectively the two main parties have little prospect of capturing these seats.
in the house as a whole and the threat by the Tories of challenging every bill meant Labour MPs had to stay in the House until late most nights. The predominantly Conservative House of Lords also proved obstructionist. The result was exhaustion, and many Labour MPs thought the cost of office was too high. In the end Attlee folded, calling an election he anticipated losing. As Roy Jenkins puts it “Considering the vicissitudes which the government had suffered, and an election date chosen more in response to that of exhaustion than to any tactical game plan, it was a surprisingly narrow defeat (1991 p.88).” When holding office is worth little, going to the electorate early has little down side. Hence as a prediction, when the government has a large majority it is less likely to go to the polls early. In contrast, a minority government, or one with only a slim majority, has a greater incentive to seek a working majority, or as in the 1951 case, simply give up trying to rule against an obstructionist opposition.

Search for a Mandate

On 6th April 1955 Winston Churchill resigned as leader of the Conservative party and as Prime Minister. He was succeeded by Anthony Eden who on April 15th, making what was his first public speech since becoming Prime Minister, announced “[t]he Parliament elected in 1951 is now in its fourth year. It is therefore not surprising that with a change of Prime Minister there should be expectation of a general election. Uncertainty at home and abroad about the political future is bad for our influence in world affairs, bad for trade, and unsettling in many ways. I believe it is better to face the issue now (Quoted in Butler 1955).”

Eden sought a public mandate as new Prime Minister, believing that without it he would lack the public’s confidence. Others, such as Hugh Gaitskell, were more skeptical of his
motives. “The real reason for having an election eighteen months early is, however, not that we have a new Prime Minister .... [but] that the government are worried about the economic situation. (Quoted in Butler 1955).”

Whether Eden was sincerely motivated by the need for a mandate, or whether he was simply being opportunistic, leaders that come to power without an electoral mandate often feel uncomfortable until the voters have spoken. Having replaced Margaret Thatcher on November 28th 1990 during a midterm leadership battle within the Conservatives, John Major expressed discomfort. “The interval between assuming that office and seeking my democratic mandate to keep it was not without a certain ambiguity. ...-but always in the back of my mind was that huge and unescapable decision I would have to make: when to go to the country? Throughout that year and a half, I had the sneaking feeling that I was living in sin with the electorate. I wanted to change that. It took all my nerve to hold off calling the election until the PollTax had finally been buried and the Maastricht Treaty negotiations completed. What swayed me most, however, were my worries about an economy that stubbornly refused to improve (Major 1999 p.291).”

A new leader is not the only circumstance that requires a mandate. Prime Minister Edward Heath announced elections for February 1974 on the basis of the mandate issue of “who governs.” This circumstance arose as the result of a conflict between the Conservative government and striking mine workers. If the lack of a mandate truly prevents a leaders from implementing her legislative agenda then the value of office holding is low. As discussed above,

16 Bevan also rejects Eden’s claims that the election was motivated by need for an electoral mandate by pointing out “[i]t is an extraordinary thing for Sir Anthony Eden to announce an election before the electorate has had time to pronounce either on his policies or his conduct (Quoted in Butler 1955).”
this increases the incentive to go to the polls. In many cases, I suspect that the mandate claim is used to justify opportunistic election timing. Harold Macmillan reported in his dissolution announcement that important international negotiations lay ahead and as such a mandate was required (1972 p1.). Outside of a new leader, I do not know of a systematic method to code for mandate issues. Therefore the test of mandate issues is restricted to a new leader variable, which I code as a change of leader within the past 100 days (outside of changes due to elections). The choice of 100 days was made more for its focal point rather than for any substantive reason.

**Party**

Do Conservative or Labour Prime Ministers systematically differ in their propensity to call early elections. The theory has little to say on this issue and therefore my personal intuition was to exclude party from analyses. However when presenting this material such a large proportion of the audience insisted on controls for party that I felt compelled to code whether the Conservative or Labour party was in office. The inclusion of party controls makes theoretical sense in the analysis of stock market data in chapter 4, since traditionally the Conservatives have been seen as more market friendly. I confess to having no strong theoretical justification for its inclusion in the analysis of the timing decision; I am bowing to pressure. Although it is a statistically significant variable in many of the analyses presented, in many others it is not, and its exclusion produces no substantive differences.

**Expectations**

A key problem in testing the informational theory of election timing is the difference between physically early elections and elections early relative to expectation. The first is of course easy to measure with a calender. The later is much harder but is the pertinent measure of
time in the context of the theory. The factors described above -- calendar time remaining, past performance, popularity, seat share, need for a mandate, and party -- help establish the earliness or tardiness of an election relative to expectations.

Often well developed expectations as to the date of the next election form. Butler (1955) for instance reports that “as 1954 advanced, there seemed to be increasing expectation that the election would come in October 1955.” Given this expectation, the elections Eden announced for May 26th 1955 were early. The formation of such expectations are common. It was widely anticipated that Thatcher would call an election in spring 1987, and she did. The most recent 2001 election is no exception; it was widely perceived that elections would be timed to coincide with the local government elections scheduled for May 3rd. These expectations proved to be both true and false. The general election coincided with the local elections, but the local elections were postponed because of the foot-and-mouth outbreak. In this case, the expectations of elections for May 2001 were so strong that many groups, such as the church, spoke out about the unacceptability of elections at this time due to the foot-and-mouth outbreak, which was effectively paralyzing many rural areas. Although such expectations clearly exist, it is harder to pinpoint their origin. Living abroad, I get most of my British news from the BBC World Service online broadcasts. From late summer 2000 onwards, stories relating to British politics increasingly contained the phrase ‘at the general election widely expected next spring’ or some similar expression. No source was ever attributed for these expectations. There was certainly no statement from Tony Blair or the Labour party. Throughout fall and winter such references became more common and gradually focused in on May 3rd. While I am at a loss to pinpoint the origins of these expectations, they clearly existed.
While measures of likely election timing derived from popularity, seat share, and other objectives factors provide a first cut as to when elections are expected; it is the expectations held by the voters about when the election will be held that are key. On a few specific occasions, such as mid-1982 and March 2001, polling organizations ask questions about the likelihood and desirability of early elections. Unfortunately, such studies do not constitute a systematic data series and are asked only when expectations of early elections are high. Indeed a good indicator that early elections are likely is that pollsters ask about the possibility. The systematic inclusion of such questions in monthly polls would greatly facilitate my research; unfortunately, they are asked too infrequently. One alternative to assess expectations as to whether an election is early or late is to simply ask people or examine commentary at the time. Unfortunately such ex post evaluations of expectations are often contaminated by knowing the actual election date. Although polling data is too sparse to provide a systematic assessment of expectations, newspaper stories and editorials which relate to the timing of elections offer a possible metric with which to measure expectations.

Newspapers regularly contain stories and editorials relating to the next election and its possible timing. Using the assumption that editors are more likely to publish such stories when elections are likely, I use the frequency of such stories as a proxy for the likelihood of elections. There are obviously problems involved in this approach. First, I use the date of the story rather than the date the story speculates the election will occur in. The latter is often insufficiently clearly stated. Inevitably, I also undercount some story – I simply miss them– and overcount other – such as articles that relate to such issues as redistricting and changes in laws or procedures. While obviously problematic, when used in conjunction with other measures, these
counts of media stories represent reasonable estimates of people’s expectations. I leave a detailed discussion of the methods used until later.

**Data**

The data are British Parliaments from 1945 to 2001. This sample provides 15 parliamentary dissolutions. There are four basic sets of data: dates and election results, public opinion data, economic data, and newspaper stories on election timing. I provide a brief summary of each here and explain the setup of the data. Detailed descriptions of sources are below.

The key dates for parliaments are in Table 1.2. For each election I also record vote and seat shares for each of the major parties. I perform all analyses on a daily basis. This is to say there are 20411 daily observations, corresponding to each of the days from 1st August 1945 – the first meeting of Parliament 12 (as numbered in Table 1.2)– until 18th June 2001, just after the start of Parliament 27 (as numbered in Table 1.2). For each day, I know the Parliament to which it belongs and whether any significant political event occurred, such as an election or dissolution. For each day, I also know which party was in government, the seat shares of the parties, public opinion, and economic conditions. The central question for this chapter is, given this

17 I code the change in seat share only from the time of the by-election and not from the moment the seat becomes vacant since I do not have those dates. I record shifts in allegiance and/or removal as a change in a party’s seat share. These data are from Butler and Butler (1994), the Nuffield College series on *The British General Election of 19xx*, and the British Parliament’s official website (http://www.parliament.uk/). I included in the change of allegiance data MPs who had the whip removed. These data are typically only coded to the nearest month. In these circumstances, I took the shift of allegiance (and any reinstatement) to occur on the first of the month. Unfortunately after 1994 I do not have reliable measure of the whip being removed. However, with the exception of the simultaneous (and temporary) defection of 24 Labour MP in 1968, these changes are small in magnitude.
information, how likely is it that a Prime Minister will announce elections.

On March 28th 1979 the Labour government lost a no confidence motion by a single vote. This de facto meant James Callaghan, the Prime Minister, was forced on the following day to ask the Queen to dissolve parliament. Given that the theory is about the Prime Minister’s voluntary decision to call an election, it is fair to say that this observation is censored. By censoring, I mean the vote of no confidence prevented us from seeing when Callaghan would have voluntarily called for elections. All we know is that up to March 28th 1979, he had not called for early elections. For the analyses presented here, I code the 1979 election announcement as censored since this is the theoretically appropriate choice. As a practical matter including the 1979 election announcement makes little substantive difference to the analyses.

Unfortunately, economic and opinion data are not updated daily. When the economic data is quarterly, for example GDP, I assume all days within that quarter have the same economic conditions. I make analogous assumptions for monthly data.\(^{18}\) Given this, one might argue that analyzing data at a monthly level is more appropriate. However this is not the case. First moving to finer time periods does not influence the outcome since hazard analysis involves integrating over time and summing over the same variables for 30 days is equivalent to summing over them for a single 30 day month. Therefore it introduces no artifacts to examine the data on a daily level. Second, the use of daily, as opposed to monthly or quarterly data, allows for the more precise measurement of timing. Third, although public opinion is typically collected once a

\(^{18}\) An alternative that has been frequently recommended is to smooth the economic data to create daily variation. I reject such a fix since the majority of the economic variables I consider are changes over a month, a quarter, a half-year or a year (coded as 31, 91, 183 and 365 days respectively). In this setting, smoothing only introduces artifacts into the data which assuming all days in month have the same data does not.
month, it is not done on a strict calendar. For my analysis I am interested in the most recent opinion polls prior to the announcement of the election. Using a daily level of analysis I ensure that the opinion data at the time of announcement is the most recent poll prior to the announcement. Given the hypotheses to be tested, in particular how the announcement affects support for the government, it is important to identify the appropriate poll. With a monthly and quarterly analysis this precision is lost.  

To assess the contemporary expectations of the likelihood of elections, I counted the number of newspaper stories relating to election timing and/or the next general election. The working supposition is that newspapers are most likely to publish such stories when expectations are high and are unlikely to publish stories when elections are thought unlikely. The data provide a count of the number of related stories published each day. From 1945 until 1980, I used “The Official Index to The Times, 1906-1980" which is available in an electronically searchable form at Historical Newspapers Online (http://historynews.chadwyck.com/). From 1983 onwards, I used Lexis/Nexis (http://web.lexis-nexis.com/universe) to count related stories in The Financial Times, The Guardian and The Independent. Assembling these data involved searching

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19 Unfortunately, for the early years of the data I have only monthly opinion data and so in months in which elections are announced I can not be certain whether the polls were conducted before or after the announcement. For the analyses presented I assume the data were collected before the announcement. I have also checked the robustness of the results by looking at public opinion 31 days prior to the announcement decision.

20 It is an interesting question as to whether the media write about future elections because people believe they are likely or rather people think elections are likely because the media write about them. For my purposes, the direction of this causality is irrelevant.

21 The Official Index to The Times, 1906-1980 is the copyright of Primary Source Media Limited and is published in electronic form by Bell & Howell Information and Learning Company under licence.
on keywords and then reading the story to determine whether or not it really was a story related to the next election. Unfortunately, not having a single source from which to obtain a list of stories for the entire period presents potential problems. In particular, with the advent of superior electronic technology, the number of stories found under any particular key word has exploded over the last few years. To alleviate this problem, as far as possible, I restrict my quantitative use of these measure to comparison of ratios of the number of stories within parliaments. For example, I generate measures such as the number of stories in the past month relative to the number of stories over the past year. To a large extent this dissipates the problem of comparing data drawn from two differing sources. Unfortunately, given the coverage of these sources, I do not have reliable data for the Parliament ending in 1983.

Table 3.1 summarizes many of the main variables used in the analyses.

**Sources**

**Dates**

The key dates for these parliaments, shown in Table 1.2, where compiled primarily from Butler and Butler (1994) “British Political Facts 1900-1994” and the Nuffield college series “The British General Election of 19XX.”22 In addition to dates these sources also provided election results. By-election and allegiance change data is from Butler and Butler (1994), the British General Election of 19XX series and the British Parliament’s official website (http://www.parliament.uk/). Unfortunately, I do not have reliable data for allegiance changes after 1994. With the exception of the simultaneous (and temporary) defection of 24 Labour MPs,

22 I used Keesing’s Record of World Events to code the opening of Parliament in 1997.
in 1968, these changes are small in magnitude.

Extending the analysis back to the beginning of the century would provide 11 additional parliaments. Unfortunately, it is unclear that this really increases the degrees of freedom to work with. First, there are data restriction. Public opinion data was practically unheard of until after 1945. Economic data are also less prevalent. Second, the maximum length of parliament is seven years prior to 1911, and two Parliaments ignored the statuary limit during wars. Third, there is extreme volatility in the two party system with the Labour party displacing the Liberals. The ‘Irish’ question also produces a realignment of the parties. These factors combined to make coalition and national governments prevalent. Given the additional control variables and ambiguity of coding decision for this period, it is unclear that adding these 11 additional Parliaments really increases the available information.

Ninetieth century Parliaments differed significantly from modern Parliaments. In was only with the introduction of electoral reforms (1832, 1867, and 1872 for example) that the party system developed and public business, as opposed to private bills, began to dominate (see Cox (1987) and cites within for discussion of this evolution). Given these consideration, I believe post-1945 Parliaments represents the appropriate sample.

**Public Opinion Data**

Gallup public opinion data are compiled for the years prior to 1994 in Butler and Butler (1994). They include voting intentions, approval of government record, approval of Prime Minister and opposition leader, and which party is thought most likely to win the next election. For the post-1994 period, I supplemented these data using MORI (Market & Opinion Research International Ltd.) data.
Economic Data.

I obtained Economic data from several sources, predominantly the Office of National Statistics (ONS) and the International Financial Statistics CD-ROM (International Monetary Fund, Washington DC). ONS can be obtained via the University of Essex data archive (http://www.data-archive.ac.uk/). Selected individual data series can also be downloaded directly from statstore - the data locator (http://www.statistics.gov.uk/statbase/datasets2.asp). I used these data for the main measures of Gross Domestic Product (GDP) and inflation (change in Retail Price Index).\textsuperscript{23} In addition to supplementing the ONS variables, the IMF provide measures of interest rates and money supply.

The unemployment data were complied from a variety of sources. Unfortunately, I could not obtain consistent monthly data over the whole period. From January 1945 to June 1964 I used the International Labor Organization’s monthly data. This series become available only yearly after 1964. From January 1975, I used OECD’s quarterly Labour Force Statistics. These data are quarterly from October 1975 onwards and monthly from December 1980 onwards.

Counts of newspaper stories.

I owe a debt of gratitude to Jana Kunicova who helped me prepare the counts of newspaper stories. For the pre-1980 period we used the “The Official Index to The Times, 1906-1980" and searched under the key words ELECTION. Within this search we compiled lists

\textsuperscript{23} In particular I measure growth in GDP at current prices using IHYN (GDP at current prices: \%age change current quarter on last quarter); and growth in GDP in constant (1995) prices using IHYQ (GDP at 1995 prices: \%age change current quarter on last quarter). If missing I supplement the data with IMF data. In earlier work I have used exclusively IMF data and obtained similar results to those reported here. Monthly inflation is measured as the change in the RPI (series CZBH).
of stories under four subheadings: GENERAL ELECTION, FUTURE GENERAL ELECTION, LABOUR PARTY and CONSERVATIVE PARTY. Jana Kunicova then examined these article to check their relevance. The data used here are the sum of the number of stories under each of these categories. From 1983 onwards, we used Lexis/Nexis to search other British newspapers. We did not use The Times since the Lexis/Nexis search engine would only list results for every Times through out the world. Given the availability of different newspapers on Lexis\Nexis, for the 1983-87 Parliament we used only the Financial Times. The Guardian was also used starting with the 1987-92 Parliament and after 1992 The Independent was also used as well. The keyphrases used to search were General Election AND Britain OR British AND NOT (previous dated) general election, or next general election AND Britain OR British. Unfortunately this generated a vast number of stories and various attempts to refine the search electronically were unsuccessful. Further sifting required looking at the stories manually.

I normalized the data by dividing by number of stories by the number of newspapers analyzed (one paper prior to 1987, two papers for 1987-92 and three papers from then on). Further, Lexis Nexis returns far more stories than does the The Official Index to The Times. Having no reason to believe speculation about election timing in the media radically increased after 1983, I have normalized the data by simply dividing the number of stories by two when the counts came via Lexis/Nexis. This places the number of stories from each data source on a similar scale. For the systematic tests in chapter 4, I generate measures by comparing the number of stories within different time periods within each parliament. Constructing these measures within parliaments avoids concerns about the normalization between parliaments.
The Timing of Elections

If forced to characterize election timing in a few sentences, I might break elections into three categories, which I indicate on Figure 3.1, a Kaplan-Meier survival analysis. In the first group, which is comprised of governments with little or no majority, elections occur early. The second group is governments with a comfortable majority who are popular relative to the opposition. This group tends to call elections a year or so early, as typified by 1983, 1987, and 2001. In the third group are governments who have governable majorities but are unpopular; as in 1964, 1992, and 1997, these governments run out the clock.

Although this broad brush categorization provides some account of the election timing pattern, there are significant exceptions. The Labour government in 1978 was in minority status following the breakup of the Lib-Lab pact, an informal coalition with the Liberals. There was popular speculation that an election would be called in the fall. It was not, and the parliament continued towards its statutory termination before being prematurely ended by a no confidence vote. Even if we ignore these exceptions there is still considerable variation in the timing of elections within each group. The purpose of this section is to explore what factors influence the timing of elections and to test the extent to which expectations of future performance influence timing.

Figure 3.1 is a Kaplan Meier survival analysis. This non-parametric estimate of survival shows the proportion of parliaments that survive beyond a certain time. The graph shows a strong time dependence. As the five year limit approaches, all parliaments end.

24 When presenting legislation to reduce the legislative term from seven years to five years in 1911, the then Prime Minister, Herbert Asquith thought this would “probably amount in practice to an actual working term of four years. (Cited in Gay 2001)”
The statistical analysis of the length of parliaments falls under the topic of survival or hazard analysis. The basic objective of such analyses is to estimate the probability that a parliament will end conditional upon it not having already done so. This conditional probability is known as the hazard rate. There is a direct mathematical relationship between the hazard rate and survival (the probability of surviving to at least a certain time) and the distribution of the lengths of parliaments (Kalbfleisch and Prentice 1980, Greene 1993, chapter 22; Flemming and Harrington 1991).

Hazard analysis presents an interesting problem in terms of model specification. In addition to the usual problem of which independent variables to include, there is the additional complication of specifying the functional form of the hazard. Hence a variety of estimators have arisen, some non-parametric, some parametric, and some which specify the functional form only up to some unknown underlying hazard rate. This later class is typically referred to as semi-parametric models. In what follows, I present parametric models which impose a precise distributional form on the underlying hazard model. I do so, however, with the following proviso. The Cox proportionate hazard model, a semi-parametric technique, produces results that generate similar substantive conclusions. Similarly, splitting the sample into categories, for example popular and unpopular governments, and examining the Kaplan-Meier estimates of each also supports the parametric results. Unfortunately, the limited sample size prevents the effective use of non-parametric models.

The Prime Minister must dissolve parliament within five years. This imposes a strong time dependence on the data. As the statutory termination date approaches, elections become inevitable. As such the hazard rate should rise as five years approaches. In parametric hazard
analysis a number of different functional forms have been proposed to model the hazard model, such as exponential, weibull, lognormal, loglogistic, gompertz and gamma. Given the strong temporal dependence induced by the maximum term length, I added additional flexibility in the modeling of the hazard rate by including a number of variables to measure time remaining. These variables (years-to-go), (years-to-go)², and (years-to-go)³ is the time remaining in units of years, but measured to the nearest day. To select between the various possible specifications, I used nested tests, where possible, Akaike Information Criteria --a statistic that penalizes the loglikelihood function according to the number of parameters estimated and model fit test based on residuals. Throughout I used Stata (version 7), whose manuals provide great background on survival models. These manuals also summarize and describe how to implement a variety of residual tests to check the fit of models (Therneau et.al., 1990; Cox and Snell 1968; Flemming and Harrington 1991).

Across a wide range of models either a weibull model with the inclusion of (years-to-go), (years-to-go)² as independent variables or an exponential model with the inclusion of (years-to-go), (years-to-go)², and (years-to-go)³ performed consistently well. Although with particular sets of independent variables, an alternative functional form might provide a superior AIC statistic, such alternative specifications of the functional form did not provide the consistently strong fit obtained from the models above. In Table 3.2 I compare these two functions forms. Figure 3.2 plots the predicted hazard rate for each. As is readily apparent, these two forms are virtually

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25 I experienced considerable difficulty in getting the gamma specification to converge.

26 Akaike Information Criteria, AIC = -2(loglikelihood) + 2(c+p+1), where c is the number of model covariates and p is the number of ancillary parameters to be estimated. The preferred model is the one with the smallest AIC (Akaike 1974).
indistinguishable from each other. As we would expect, both show a rapid increase in the predicted hazard rate as the statutory limit approaches.

In table 3.2 and throughout I use a single star to represent statistical significant at the 10% level in a one tailed test and 2 stars to represent statistical significant at the 5% level in a one tailed test. These significance levels are less demanding than is industry standard. At the start of this project, I selected these significance levels realizing I had so few observations. In practice results are much stronger than I anticipated, and the reader will notice most of the significant coefficients are significant at the 1% level. I continue to report significance at my initially chosen levels since I do not believe in moving the goal posts. I use one tailed test throughout since in nearly all cases the alternative hypothesis specifies direction.27

The Weibull model specifies the hazard rate at time t as h(t)=p*exp(Xβ)*t^(p-1), where X is the standard vector of covariates, β the standard coefficient vector, and p is an ancillary parameter to be estimated. In the exponential model, the ancillary parameter, p, is fixed at one. Independent variables affect the hazard rate (which in this case means the probability that the Prime Minister calls elections) through the Xβ term. If the coefficient (β) on a variable is positive, then as the variable increases in magnitude it increases the probability of elections being called. A negative coefficient means that as the variable increase the announcement of an election becomes less likely.

27 Tables occasionally report Loglikelihoods that exceed zero. Since a likelihood is the probability of observing the data given the model, and is hence bounded above by one, this is impossible. Stata, in convention with other statistical packages, reports the loglikelihood only up to a normalizing constant. See Stata 7 for details.
Determinants of Election Timing.

Popular governments are more likely to call elections than are unpopular ones. Across all the models reported (in Table 3.2 and subsequently), the coefficient of the voting intentions variable is positive and significant. In Model 3.2 the effect of a one percent increase in the number of people expressing intent to vote for the government relative to the opposition increases the probability of an election by about 13%. As can be seen in Table 3.2, the magnitude of this coefficient is similar across a wide range of model specifications. Alternative measures of government popularity\(^{28}\) tell a similar story: governments call elections when they expect to win.

Governments with small seat shares are more likely to call early elections than governments with large seat shares. The negative coefficient of the Government majority variable indicates that each seat the governments loses makes an election about 2% more likely. Again the magnitude and significance of this variable is similar across a wide range of models. This seat share variable was the only variable that ever violated tests of the proportionality assumption in the Cox proportionate hazard model. The null hypothesis was only rejected in a few model specifications and then only in some, and not all, of the tests. This suggests the government’s seat share might have differing effects depending upon where the government is in its term. In the Parliaments ending in 1966 and October 1974, the government rapidly sought new elections to alleviate the problems of governing with a small majority. In contrast, in 1979 and 1997, governments with small majorities attempted to limp on.

The majority variable used in the models reported in Table 3.2 is the size of the

\(^{28}\) Such measures include voting intentions for the government (not measured in relation to the opposition), government approval rating and Prime Minister approval rating.
government’s seat share relative to that of the major opposition party. Other measures of government majority, such as that relative to all other parties, have similar substantive impacts. To avoid repetition, I shall report the effects of government popularity and government majority in terms of two party comparisons throughout.

Ten days after taking over from Churchill as Prime Minister, Anthony Eden called for new elections. However, Macmillan’s replacement of Eden, his subsequent replacement by Douglas-Home, Callaghan’s succession following Wilson’s resignation, and Major’s deposition of Thatcher all occurred without spurring parliamentary dissolution. The coefficient on the new leader variable, which codes whether the Prime Minister has changed within the last 100 days (not as the result of an election), indicates a new leader makes the announcement of elections around seven times more likely. The variable is significant at the 5% level in two of the models reported and at the 10% level (all one-tailed tests) in another model. Across a wider range of model specifications the new leader variable flirts around the 5% and 10% confidence limits.

The negative coefficient on the party variable indicates that Conservative governments are about half as likely to call elections as Labour governments. However, this coefficient is only statistically significant at the 10% level in one of the models reported. Across a wider range of model specifications, the party variable is typically insignificant. The theory offers no prediction as to why a left or right ideological orientation should influence the timing decision. Given this, I shall exclude both the party and the new leader variables from most of the subsequent analyses reported. I do so noting that their inclusion or exclusion does not affect the impact of other variables. Using the estimates reported for model 3.3, I generate the predicted hazard rates for each parliament. I graph these predicted hazards in Figure 3.3. In chapter 4, when testing the
consequences of election timing, I make extensive use of these predicted hazards to assess the relative timing of elections.

As already seen, government popularity strongly influences the Prime Minister’s decision to call elections. Yet, objective measures of performance do far less well at predicting the timing decision. Model 3.4 includes variables for the growth rate (measured as the annualized percentage growth rate in GDP, constant 1995 currency), the unemployment rate, and the inflation rate. Statistically these economic factors have no impact. Interestingly, if the constant currency measure of the growth rate is replaced with the growth rate measured in nominal currency, then both the growth rate and inflation rate both appear statistically significant. The coefficients were -.117 (st.err=0.064) and .151 (st.err.=.068) respectively, with the other coefficients remaining similar. Model 3.5 tests the impact of economic and popularity variables simultaneously. The economic variables remain insignificant. Under the alternative specification of the growth rate measured in nominal units, the inclusion of popularity makes the coefficients on the economic variables insignificant.

The theory predicts that governments with a strong record of performance are more likely to call elections than governments with weak records. In terms of economic indicators, controlling for popularity, there is little evidence of this. Yet, this is perhaps not surprising. First, economic performance reflects only one, albeit extremely important, aspect of government performance. John Major’s Conservative government was deeply unpopular and badly lost the 1997 election despite strong economic performance. Second, economic conditions differ radically during the domain of the data. For example, during the 1970's average inflation was in double digits while outside the 1970's it averaged only 4.7%. Given these differences, what
constitutes economic success might differ greatly across time periods. Additionally the goals and objectives in economic policy might also differ. Throughout the 1960's and 1970's maintaining the value of the pound was a primary economic goal. Harold Wilson was prepared to deflate the economy rather than risk devaluing the pound (Wilson 1971, 1976; Butler and Pinto-Duschinsky 1971). Popularity presumably incorporates the voters’ assessment of the government’s economic performance and places it within the contemporary context. That raw economic factors do not influence timing as much as popularity should be no surprise.

While economic indicators tell the state of the economy, they provide no indication of government success. For example, Thatcher’s electoral platform in 1979 promised to control inflation. During the 1979-83, Parliament inflation averaged 12.3%. In terms of level, it would appear she failed. Yet, in terms of improvement, the government achieved success. Inflation averaged 17% during 1979 and 1980. By the time of the election in 1983 it was below 4%.

In Table 3.3, I assess the impact of economic performance, as measured by change in economic conditions, on the impact of election. The variables measure the change in economic conditions between now and a quarter, half-year , or year earlier. For the purposes of variable construction a quarter is 91 days, a half-year is 183 days, and a year is 365 days. For example the variable $\Delta$Growth Rate over previous half-year is defined as the growth rate at time t minus the growth rate at time t-183days. The other economic variables are defined analogously. These variables reflect whether economic conditions have improved or worsen.

Models 3.6 and 3.7 assesses whether changes over the previous half-year influence the probability that an election is called. Neither changes in the growth rate nor changes in the unemployment rate significantly affect the likelihood of elections. However, an increase in the
inflation rate does make elections more likely. In particular, in model 3.6, if over the previous half-year the inflation rate has risen one percent then an election becomes about 74% more likely. Model 3.7 shows that this effect persists in the absence of controls for government popularity and seat share. Similar results are obtained if the change in economic conditions is measured over the longer period of one year. Again changes in the growth rate and the unemployment rate do not affect the likelihood of elections, but increasing inflation makes elections more likely. When shorter term economic changes are considered, the results are less statistically significant. Statistically, the change in the growth rate and the unemployment rate measured over the previous quarter do not affect the timing decision. The change in the inflation rate over the previous quarter influences the likelihood of election to a similar extent as that seen in the half-year change, but it is less statistically significant.

It is worth pausing to explore this anomalous inflation result. First the result appears strange since the six month difference has a much greater impact than the three month difference, suggesting that changes in inflation between six and three months ago rather than inflation changes over the previous three months are important in triggering elections. Second, the theory predicted elections to be called prior to increases in inflation not after such changes have occurred. Fortunately, I believe this anomalous result is readily explained. A brief glance at the change in inflation rate over the previous half-year and quarter year reveal two outliers. At the announcements for the 1951 and the October 1974 election, the six month changes were 7.3 and 3.6, respectively, and the quarterly changes were 2.7 and 0.6, respectively. This suggests that between 6 months and 3 months prior to these elections inflation shot up by 4.6% and 3% respectively. These differences are much in excess of such changes for all other parliaments. The
Parliaments ending in 1951 and October 1974 are among the shortest parliaments -- lasting only 567 and 196 days respectively (first meeting to announcement). Given such short parliaments and that the theory suggests economic deterioration follows an election, I am inclined to believe that the inflation between six and three months before the elections in 1951 and October 1974 are a result of inflation following the 1950 and February 1974 elections. Further support for this conjecture is added by noting that the inflation finding disappears if the 1951 and October 1974 observations are dropped.

Given that the anomalous inflation finding is readily explained away, there is little evidence that contemporary economic conditions, or changes in economic conditions influence the timing of elections. Reassuringly, the coefficients on other variables remain relatively unchanged by the inclusion or exclusion of these economic variables. This robustness in the results provides confidence since the substantive results reported do not depend upon specific model specifications. It is now time to move to the central claim of the theory that elections precede declines in performance.

**The influence of future performance on the timing of elections.**

The theory suggests that the prospect of economic decline triggers elections. Since voters use government performance to assess the quality of the government, leaders realize that they will lose popular support if their performance declines. Therefore, leaders call elections in advance of downturns. This censors the voters’ opportunity to observe the decline. I assume leaders have better expectations of future performance than the voters, either because they know their own abilities (competence) or because they know future outcomes (foreknowledge). To
measure leaders’ beliefs about future performance I use actual future performance. That is to say, I measure how economic conditions vary after the election relative to conditions prior to the election and assume Prime Ministers possess this information.

It is unconventional to include future economic conditions in an analysis to predict current behavior. Yet, the theory predicts that just such information triggers the announcement of elections. I construct measures of future economic change by examining how economic conditions in the future differ from current economic conditions. In particular, the variable $\Delta \text{Growth Rate over next half-year}$ is defined as the growth rate 183 days into the future minus the growth rate today ($\text{Growth}_{t+183} - \text{Growth}_t$). The other economic variables are defined analogously with a year defined as 365 days, a half-year as 183 days, and a quarter as 91 days.

Future economic conditions influence the timing of elections since the theory predicts that leaders call elections in advance of economic decline. Next I test these predictions. Before doing so it is worth pausing to consider how far it is appropriate to look into the future. Leaders are obviously more likely to accurately know economic conditions one month into the future than they are to know economic conditions many years into the future, not least because they might themselves no longer be in office. This said, considering future performance one month into the future is not useful since such data would typically be revealed prior to any election. For example, Wilson’s loss in 1970 has be partially attributed to disappointing trade figures released a few days prior to the election (Jenkins 1991 p. 282). For this reason I examine economic change a quarter year, half-year, and year into the future. While we should doubt that leaders precisely know conditions a full year in advance, biographical information suggests often see problems well in advance. For example, John Major saw the economy overheating at the end of
the 1990's and anticipated future decline (Major 1999 ch.5). While it is unrealistic to believe that he knew precisely what the unemployment rate would be, I believe it realistic to believe he knew it would climb significantly over the next year.

Table 3.4 reports how future changes in economic variables influences the timing of elections. Model 3.9 examines how changes over the coming quarter affect the timing of elections. The positive and significant coefficient on the change in future inflation rate variable indicates an anticipated increase in the inflation rate of one percent over the next quarter makes an election approximately 70% more likely. Model 3.10 examines comparable change a half-year into the future. Increases in future inflation and unemployment make elections more likely. In particular, anticipation of a one percent increase in the unemployment rate over the next six months makes an election approximately two and a half times more likely.

The remaining results in Table 3.4 support the same basic pattern. When future unemployment and inflation rise elections become more likely. Unemployment and inflation show different temporal dependence, with the influence of inflation being more immediate than that of unemployment. The effect of inflation is quite rapid, with inflation rising in the quarter after the election. In contrast, the effect of unemployment is slower to manifest itself with its influence being six to twelve months after the election. This temporal difference is consistent with most description of the economy with unemployment lagging behind changes in inflation and growth. Future changes in the growth rate (measured in constant currency) do not significantly affect the election timing decision in any model. This result is not in accordance

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29 Analogous measures of changes in the growth rate based on GDP in current currency were significant in some models.
with the theory which suggests that a future decline in the growth rate makes elections more likely. In large part, the lack of a relationship between the future change in the growth rate and elections is accounted for by the February 1974 election. Following this election there was a massive surge in growth. However this surge was not the result of an underlying improvement in the economy but the ending of a miners strike which had forced the government to enact a three day working week. With the end of the strike after the election and the return to a full working week, there was a return to full production. This produced a large blip in the growth rate. I discuss the details of the February 1974 election in chapter 5. In chapter 4, I demonstrate that, excluding the February 1974 election, the predicted relationship between future growth and election timing exists. Overall the results in Table 3.4 provide strong evidence that elections are called in advance of economic decline.

A primary hypothesis of the election timing theory is that elections are called to preempt decline. While the tests above focus only on economic performance, they confirm that a deterioration in performance is indeed a trigger for early elections. While the theory has passed a major test, it has yet to distinguish itself from competing political economy explanations. In addition to predicting when elections occur, the theory also predicts the electoral and economic consequences of election timing. The extent to which an election is early or tardy relative to expectations signals the extent to which the decline is expected. As such, the relative timing of an election affects electoral support and signals subsequent economic performance. Unfortunately, it is not election timing per se that is important but rather election timing relative to expectations. Hence before moving on to test the consequences of election timing in the next chapter it is worth validating whether the estimates above serve as a reasonable basis for peoples’
Validating the hazard analysis

The hazard analyses estimate the probability a Prime Minister will announce elections based upon popularity, seat shares, party, new leadership, economic performance, and future economic performance. The next chapter assesses the consequences of election timing by examining how the relative timing of the elections influences electoral support and subsequent performance. The predicted hazard rate provides a basis for determining whether or not an election was likely when it was called. However, the theory specifies it is the timing of the election relative to voters’ expectations that is important, not the relative timing of an election in terms of an analyst’s regression model.

Counts of newspaper stories relating to the next general election provide the only systematic assessment I can find of peoples’ expectations about the likelihood of an election being announced. Although there is some background level of stories, such as created by by-elections and redistricting issues, on the whole the presence of a story relating to the next general election indicates a significant risk of an election in the near future. For each parliament, I provide a running total of the number cumulative number of stories written. This variable is plotted in Figure 3.4. Treating each story as indicating a significant risk of elections then the cumulative number of stories is effectively the cumulative hazard rate, the hazard rate summed over all previous time periods within a parliament. Figure 3.4 also shows the predicted cumulative hazard estimated by model 3.3. Model 3.3 predicts the probability the Prime Minister announces elections based on popularity, seat shares and time remaining alone and represents a bare bones model.
There is a stark difference between the fit of these curves pre- and post-1979. The newspaper data up to 1979 is from *The Official Index to The Times*. There is no newspaper data for the 1979 to 1983 Parliament, and newspaper data after this period was assembled using LexisNexis. The later search procedure finds far more stories than the earlier source. Unfortunately, there is no easy way to normalize these data so as to place them on the same scale. The correlation between the cumulative predicted hazard and the cumulative number of stories for parliaments before 1979 is 0.76, which suggests the econometric estimates of the likelihood of elections do indeed reflect peoples expectations. Table 3.5 calculates the correlation between the cumulative predicted hazard and the cumulative count data for each parliament separately. The average correlation is 0.80.

The predicted cumulative hazard was calculated using model 3.3. A justification is needed for its use to approximate voters’ beliefs. It is inappropriate to include measures of future economic performance, such as those results reported in table 3.4, since at the time this information was unavailable to voters so they can not be expected to include it in their expectations. Measure of contemporary economic conditions (or recent changes in conditions) have also been excluded since these have been shown to have no impact on the timing decision once popularity is controlled for. Arguably I should have included the variables party and new leader. However there inclusion produces only a minimal improvement in the correlation between the predicted cumulative hazard and the cumulative newspaper count data. Combined with the lack of theoretical reason to include party and frequent lack of statistical significance, I omitted these variables in favor of a simpler specification.\(^{30}\)

\(^{30}\) I used the more encompassing specification in earlier work (Smith 1999, 2000, 2002).
Conclusion

This chapter explored the determinants of election timing. Hazard analysis of British parliament between 1945 and 2001 reveals Prime Ministers are most likely to call election when they are popular, have a low seat share, and the end of the term is approaching. These results are strong and robust. There is weaker evidence that a recent change in Prime Minister, such as Eden’s replacement of Churchill in 1955, also triggers early elections. Weaker still is evidence that Labour governments go to the polls earlier than Conservative ones.

Objective economic measures of government performance have no significant impact on the timing of elections once popularity is controlled for, with the exception of changes in the inflation rate over the preceding six months. As discussed at length above, I believe that this result obtains solely from an artifact in the data. Mathematically the results is driven by high inflation six months prior to the elections in 1951 and October 1974. However, both these parliaments are extremely short such that six months prior to the election is just after the previous election. With the omission of these short parliaments the result completely disappears.

The theory advocated here predicts that all else equal elections are called in advance of declining performance. The data support this prediction with elections being far more likely if inflation is going to rise over the next month and unemployment is going to rise over the next six month to a year.

Traditional Political Business Cycle (PBC) arguments suggest governments engineer the economy such that elections occur at the peak. In contrast, the theory of election timing suggests elections are called prior to a decline. Both arguments suggest a decline in economic conditions following the election. The election timing argument does not predict a boom at the time of the
election, only that things get worse afterwards. The analyses showed no evidence of improving conditions before elections. Given this, I believe the evidence leans slightly in favor of the election timing argument which predicts that contemporary economic conditions do not influence the timing of elections beyond the determining the popularity of the government. In a traditional PBC we should expect some sort of boom prior to the election.

Rational expectations theorists, such as Rogoff (1990) dispute the association of boom in connection with PBC. If consumers anticipate that the government is manipulating the economy, then they do not respond to inflationary signals. Although governments still have incentives to attempt to manipulate the economy, the effects of such attempts are diminished by the consumers’ expectations of government manipulation.\(^{31}\) Of course such results are predicated on fixed election schedules such that the voters know the government has an incentive to manipulate the economy. When the date of the election is flexible, consumers and voters are less certain as to whether inflationary pressures are from real underlying growth or government manipulation. This suggests governments with discretion over the date of elections are better able to engineer PBC. However, as the cartoon in chapter 1 suggested (Figure 1.5), politicians might be in no better position with respect to cashing in on their engineered boom.

The election timing arguments predict that leaders call elections in advance of decline. It does not preclude the possibility that the upcoming decline results from prior manipulation. A leader might anticipate future decline on the basis of either passive observation or prior active manipulation. In the election timing context, these eventualities are observationally equivalent

\(^{31}\) In Rogoff’s (1990; Rogoff and Siebert 1988) formulation of the PBC, governments signal their competence by the extent to which they can manipulate the economy.
unless there is direct evidence that policy instruments are being manipulated. Given this observational equivalence, I remain agnostic as to whether politicians engineer PBC, although Prime Ministers clearly believe they can. Harold Wilson said of Harold Macmillan “[a]s Prime Minster, he never lost control of the Treasury, which he saw as the means of creating a favorable financial system for winning elections. Had the trade cycle never existed, he would have invented and used it for his electoral purposes. As Chancellor under Churchill, Butler had begun it.

Sixpence off income tax before the election, an emergency Budget afterwards to ward off the resultant crisis by increased indirect taxes to claw the money back. But whereas Butler had been the apprentice, Macmillan was the craftsman. As Chancellor and Prime Minister he played the cycle. In 1958-9, vast tax remissions to stimulate the economy in time for the ‘You’ve never had it so good’ election of 1959. He was right, he had played the cycle, and saw even ahead of Gaitskell, the further electoral significance of an economic situation based, not in a cyclical but a secular sense, on the sudden impact of the virtual first introduction to Britain of hire-purchase. He was still at it in 1962-63. 1961-2 were years of acute depression. On 5 November 1962 - the eve of a number of significant by-elections – the Chancellor, Reggie Maudling, embarked on a reflationary boom (Wilson 1977 p.315)”.

I believe the observational equivalence accounts for the failure of evidence to consistently mount of on one side or the other of the PBC argument.

Thusfar, I have shown elections are called prior to economic downturns. Yet, proponents of PBC have argued from similar results that policy manipulation causes economic decline following elections. For example Alesina Cohen and Roubini (1992) show that inflation increases after elections. While I believe that the evidence favors my election timing arguments
since no boom precedes elections, clearly choosing between arguments based on such subtle
distinctions is not wholly convincing. Fortunately, the election timing theory predicts how the
timing decision affects electoral support and subsequent economic performance. In particular, the
relative earliness or tardiness of the election signals the extent of the decline to follow. How the
timing decision influences electoral supports and subsequent performance provides dimensions
on which to distinguish between election timing and PBC arguments.
### Table 3.1: Definition of Key Variables.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years-to-go</td>
<td>Number of days remaining until the statutory five year limit divided by 365.</td>
</tr>
<tr>
<td>Voting intentions (2 party)</td>
<td>Public opinion data: voting intentions for the incumbent party minus the voting intentions for the major opposition party.</td>
</tr>
<tr>
<td>Gov. Majority (2 party)</td>
<td>Government’s seat share minus the seat share of the major opposition party.</td>
</tr>
<tr>
<td>New Leader</td>
<td>Dummy variable coded 1 if the Prime Minister has changed within the last 100 days within the same parliament.</td>
</tr>
<tr>
<td>Party</td>
<td>Conservative = 1; Labour = 0</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>Annualize %age change in Gross Domestic Product (constant currency)</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>Unemployment as a percentage of the workforce.</td>
</tr>
<tr>
<td>Inflation Rate</td>
<td>Inflation, measured as the annualized %age change in the consumer price index.</td>
</tr>
<tr>
<td>ΔGrowth Rate over next half-year (other economic variables are defined in an analogous manner)</td>
<td>Growth rate in 183 days minus the current growth rate: ( \text{Growth}_{t+183} - \text{Growth}_t )</td>
</tr>
<tr>
<td>ΔGrowth Rate over previous half-year (other economic variables are defined in an analogous manner)</td>
<td>Growth rate today minus the growth 183 days before: ( \text{Growth}<em>t - \text{Growth}</em>{t-183} )</td>
</tr>
</tbody>
</table>
### Table 3.2: Hazard analysis of the duration of British Parliaments, 1945-2001.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 3.1</th>
<th>Model 3.2</th>
<th>Model 3.3</th>
<th>Model 3.4</th>
<th>Model 3.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voting intentions (2 party)</td>
<td>.129** (.033)</td>
<td>.136** (.035)</td>
<td>.131** (.033)</td>
<td>.174** (.048)</td>
<td></td>
</tr>
<tr>
<td>Gov. Majority (2 party)</td>
<td>-.017** (.006)</td>
<td>-.017** (.006)</td>
<td>-.017** (.006)</td>
<td>-.019** (.007)</td>
<td></td>
</tr>
<tr>
<td>New Leader</td>
<td>1.879** (1.117)</td>
<td>1.935** (1.129)</td>
<td></td>
<td></td>
<td>1.620* (1.139)</td>
</tr>
<tr>
<td>Party</td>
<td>-.885* (.654)</td>
<td>-.816 (.654)</td>
<td></td>
<td></td>
<td>-.429 (.719)</td>
</tr>
<tr>
<td>Growth Rate (GDP)</td>
<td></td>
<td></td>
<td>-.029 (.087)</td>
<td>-.077 (.097)</td>
<td></td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td></td>
<td></td>
<td>-.102 (.094)</td>
<td>-.133 (.114)</td>
<td></td>
</tr>
<tr>
<td>Inflation Rate</td>
<td></td>
<td></td>
<td>.084 (.068)</td>
<td>.040 (.084)</td>
<td></td>
</tr>
<tr>
<td>Years-to-go</td>
<td>-7.293** (1.794)</td>
<td>-5.231** (1.153)</td>
<td>-4.679** (1.032)</td>
<td>-3.141** (.843)</td>
<td>-4.937** (1.147)</td>
</tr>
<tr>
<td>(Years-to-go)^2</td>
<td>2.248** (.868)</td>
<td>1.358** (.418)</td>
<td>1.252** (.416)</td>
<td>.778** (.401)</td>
<td>1.340** (.446)</td>
</tr>
<tr>
<td>(Years-to-go)^3</td>
<td>-.235** (0.124)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>6.993** (1.357)</td>
<td>-3.457 (5.457)</td>
<td>-4.067 (5.539)</td>
<td>-3.545 (5.914)</td>
<td>-4.120 (5.880)</td>
</tr>
<tr>
<td>p, ancillary parameter</td>
<td>Exponential</td>
<td>6.236** (3.256)</td>
<td>6.036** (3.320)</td>
<td>4.031* (3.315)</td>
<td>6.787** (3.510)</td>
</tr>
<tr>
<td>LogLikelihood</td>
<td>7.219</td>
<td>8.036</td>
<td>6.397</td>
<td>-1.662</td>
<td>8.921</td>
</tr>
<tr>
<td>Observations/parliaments/failsures</td>
<td>19742</td>
<td>19742</td>
<td>19742</td>
<td>17903</td>
<td>17903</td>
</tr>
<tr>
<td>Likelihood ratio, (\chi^2)</td>
<td>(\chi^2(7)=48.61)</td>
<td>(\chi^2(6)=36.04)</td>
<td>(\chi^2(4)=32.76)</td>
<td>(\chi^2(5)=16.00)</td>
<td>(\chi^2(9)=37.16)</td>
</tr>
</tbody>
</table>

Weibull Parametric Regression: There are a maximum of 16 parliaments: The calling of elections is censored in 1979 (by a vote of no confidence) and in the Parliament starting in 2001 (it is only a few days old). Economic data are unavailable for the last few months of the Parliament ending in 2001. This results in the announcement of elections in 2001 also being censored. The standard errors, reported in parentheses, are adjusted for clustering on parliaments. * significant at 10% level (one tailed test); **significant at 10% level (one tailed test).
Table 3.3: Hazard analysis of the duration of British Parliaments, 1945-2001.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 3.6</th>
<th>Model 3.7</th>
<th>Model 3.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voting intentions (2 party)</td>
<td>.197** (.052)</td>
<td>.161** (.043)</td>
<td></td>
</tr>
<tr>
<td>Gov. Majority (2 party)</td>
<td>-.020** (.007)</td>
<td>-.020** (.007)</td>
<td></td>
</tr>
<tr>
<td>ΔGrowth Rate over previous half-year</td>
<td>.070 (.075)</td>
<td>.052 (.059)</td>
<td></td>
</tr>
<tr>
<td>ΔUnemployment Rate over previous half-year</td>
<td>.0193 (.586)</td>
<td>.199 (.502)</td>
<td></td>
</tr>
<tr>
<td>ΔInflation Rate over previous half-year</td>
<td>.553** (.186)</td>
<td>.378** (.157)</td>
<td></td>
</tr>
<tr>
<td>ΔGrowth Rate over previous quarter year</td>
<td></td>
<td>-.014 (.073)</td>
<td></td>
</tr>
<tr>
<td>ΔUnemployment Rate over previous quarter year</td>
<td></td>
<td>-.294 (.968)</td>
<td></td>
</tr>
<tr>
<td>ΔInflation Rate over previous quarter year</td>
<td></td>
<td>.383* (.269)</td>
<td></td>
</tr>
<tr>
<td>Years-to-go</td>
<td>-3.386** (1.044)</td>
<td>-2.364** .8746079</td>
<td>-4.303** (1.177)</td>
</tr>
<tr>
<td>(Years-to-go)^2</td>
<td>1.037** (.463)</td>
<td>.531* (.413)</td>
<td>1.339** (.492)</td>
</tr>
<tr>
<td>Constant</td>
<td>-6.888 (5.710)</td>
<td>-2.969 (5.645)</td>
<td>-6.925 (6.379)</td>
</tr>
<tr>
<td>p, ancillary parameter</td>
<td>7.329** (3.582)</td>
<td>3.277 (3.102)</td>
<td>7.645** (3.947)</td>
</tr>
<tr>
<td>LogLikelihood</td>
<td>11.899</td>
<td>.06312233</td>
<td>7.932</td>
</tr>
<tr>
<td>Observations/parliaments/failures</td>
<td>17720 15, 13</td>
<td>17720 15, 13</td>
<td>17810 15, 13</td>
</tr>
<tr>
<td>Likelihood ratio, $\chi^2$</td>
<td>$\chi^2(7)$=42.50</td>
<td>$\chi^2(5)$=18.83</td>
<td>$\chi^2(7)$=34.89</td>
</tr>
</tbody>
</table>

Weibull Parametric Regression: There are a maximum of 16 parliaments: The calling of elections is censored in 1979 (by a vote of no confidence) and in the Parliament starting in 2001 (it is only a few days old). Economic data are unavailable for the last few months of the Parliament ending in 2001. This results in the announcement of elections in 2001 also being censored. The standard errors, reported in parentheses, are adjusted for clustering on parliaments. * significant at 10% level (one tailed test); **significant at 10% level (one tailed test).
### Table 3.4: The Effect of Future Economic Conditions on the Timing of Elections, 1945-2001.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 3.9</th>
<th>Model 3.10</th>
<th>Model 3.11</th>
<th>Model 3.12</th>
<th>Model 3.13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voting intentions (2 party)</td>
<td>.164** (.041)</td>
<td>.165** (.044)</td>
<td>.174** (.044)</td>
<td>.174** (.046)</td>
<td>.171** (.046)</td>
</tr>
<tr>
<td>Gov. Majority (2 party)</td>
<td>-.020** (.007)</td>
<td>-.021** (.008)</td>
<td>-.022** (.008)</td>
<td>-.022** (.008)</td>
<td>-.022** (.008)</td>
</tr>
<tr>
<td>ΔGrowth Rate over next quarter year</td>
<td>.028 (.049)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ΔUnemployment Rate over next quarter year</td>
<td>.485 (1.169)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ΔInflation Rate over next quarter year</td>
<td>.524** (.273)</td>
<td>.633** (.262)</td>
<td>.473** (.234)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ΔGrowth Rate over next half-year</td>
<td>.008 (.054)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ΔUnemployment Rate over next half-year</td>
<td>.888* (.600)</td>
<td>.955* (.588)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ΔInflation Rate over next half-year</td>
<td>.259** (.152)</td>
<td></td>
<td></td>
<td></td>
<td>.204* (.131)</td>
</tr>
<tr>
<td>ΔUnemployment Rate over next year</td>
<td></td>
<td></td>
<td></td>
<td>.529** (.298)</td>
<td>.611** (.312)</td>
</tr>
<tr>
<td>Years-to-go</td>
<td>-4.722** (1.111)</td>
<td>-4.945** (1.155)</td>
<td>-4.867** (1.138)</td>
<td>-5.070** (1.204)</td>
<td>-5.140** (1.213)</td>
</tr>
<tr>
<td>(Years-to-go)^2</td>
<td>1.596** (.522)</td>
<td>1.841** (.608)</td>
<td>1.844** (.594)</td>
<td>1.780** (.547)</td>
<td>1.793** (.546)</td>
</tr>
<tr>
<td>Observations/parliaments/failures</td>
<td>17810 15, 13</td>
<td>17720 15, 13</td>
<td>17934 15, 13</td>
<td>17752 15, 13</td>
<td>17752 15, 13</td>
</tr>
<tr>
<td>Likelihood ratio, $\chi^2$</td>
<td>$\chi^2(7)=36.76$</td>
<td>$\chi^2(7)=35.84$</td>
<td>$\chi^2(6)=39.15$</td>
<td>$\chi^2(6)=39.58$</td>
<td>$\chi^2(6)=37.79$</td>
</tr>
</tbody>
</table>

Weibull Parametric Regression: There are a maximum of 16 parliaments: The calling of elections is censored in 1979 (by a vote of no confidence) and in the Parliament starting in 2001 (it is only a few days old). Economic data are unavailable for the last few months of the Parliament ending in 2001. This results in the announcement of elections in 2001 also being censored. The standard errors, reported in parentheses, are adjusted for clustering on parliaments. * significant at 10% level (one tailed test); ** significant at 10% level (one tailed test).
Table 3.5: Correlation between Cumulative Newspaper Stories and Predicted Cumulative Hazard for each Parliament.

<table>
<thead>
<tr>
<th>Parliament (Date of election ending the parliament)</th>
<th>Correlation between Cumulative Newspaper Stories and Predicted Cumulative Hazard</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950, Win</td>
<td>0.6534</td>
</tr>
<tr>
<td>1951, Lose</td>
<td>0.9587</td>
</tr>
<tr>
<td>1955, Win</td>
<td>0.9787</td>
</tr>
<tr>
<td>1959, Win</td>
<td>0.8982</td>
</tr>
<tr>
<td>1964, Lose</td>
<td>0.7650</td>
</tr>
<tr>
<td>1966, Win</td>
<td>0.9049</td>
</tr>
<tr>
<td>1970, Lose</td>
<td>0.8187</td>
</tr>
<tr>
<td>1974F, Lose</td>
<td>0.9128</td>
</tr>
<tr>
<td>1974O, Win</td>
<td>0.8736</td>
</tr>
<tr>
<td>1979, Lose</td>
<td>0.9632</td>
</tr>
<tr>
<td>1983, Win</td>
<td>.</td>
</tr>
<tr>
<td>1987, Win</td>
<td>0.8614</td>
</tr>
<tr>
<td>1992, Win</td>
<td>0.7858</td>
</tr>
<tr>
<td>1997, Lose</td>
<td>0.7699</td>
</tr>
<tr>
<td>2001, Win</td>
<td>0.8356</td>
</tr>
<tr>
<td>Average correlation</td>
<td>0.7986</td>
</tr>
</tbody>
</table>
Figure 3.1 Kaplan-Meier Survival Analysis of British Parliaments 1945-2001.

Kaplan-Meier survival estimate

- Early dissolution: Small majorities
- Around one year early: Popular governments relative to opposition
- Last minute Elections: Unpopular governments
Notes: The hazard rates are plotted for a Labour government (with no new leader) that has a 10% lead in the opinion polls and a 50 seat majority. The hazard rate explodes rapidly (towards a hazard of 1500) as the five year mark is approached with both curves look indistinguishable in a plot to five years.
Figure 3.3: Cumulative Predicted Hazards (Model 3.3), 1945-2001
Figure 3.4: Cumulative Count of Newspaper Stories and Cumulative Predicted Hazard (Model 3.3) for each Parliament.
Chapter 4: The Consequences of Election Timing

*A decision on election-timing is a lonely one.*

Harold Wilson (1971, p. 201)

*All election victories are inevitable in retrospect; none in prospect.*

Margaret Thatcher (1993, p. 560)

The timing of an election affects both the outcome of the election and subsequent performance. Governments that call unexpectedly early elections experience a decline in their popular support and economic performance declines following the elections. In this chapter, I investigate the electoral and economic consequences of the timing decision. In particular, I ask does the timing of elections affect the outcome beyond the election being picked at a time favorable to the incumbent? Additionally, does the timing decision provide a signal of the economic conditions that are likely to follow the election?

The theory predicts that all else equal, leaders call elections when they anticipate a future decline in their performance. A popular leader is unlikely to call a snap election if she knows that the future will be rosy. It is leaders who lack confidence in their ability to continue to produce favorable outcomes that call early elections. Therefore, an unexpectedly early election signals future decline. Given this signal, government support is expected to soften and the future economic performance is likely to decline following a snap election. The earlier the election is relative to expectations, the stronger the signal of decline and hence the greater the extent to which government support should weaken and the worse the decline in future economic performance should be. Whether or not these predictions are borne out by the data is the topic of this chapter.

There are two major and two minor questions assessed. I start with the major topics of the
electoral and economic consequences of election timing. Then I investigate two additional topics: the length of campaigns and how the London stock market responds to the announcement of elections. First, I examine how government support changes following the announcement of an election. To do so, I construct a measure of the change in the government’s support by comparing the most recent poll of voting intentions taken before the announcement with the popular vote share the government actually receives at the election. I find that, on average, the later the election relative to expectation the more robust the government’s support. In contrast, on average, governments that call unexpected snap elections experience a decline in their popular support. The timing of elections has electoral consequences beyond elections being called when the government expects to win. Elections are not a simple translation of popularity into vote shares. The time at which the election is called affects the translation, with late elections generally producing increased popular support and early elections generally leading to reduced popular support.

Second, the timing of elections affects subsequent economic performance. The earlier elections are relative to expectations, the more likely inflation is to rise in the quarter to half-year following the election and the more likely the unemployment rate is to rise over the half-year or year following the election. In short, snap elections signal recession. While the tests show how the economy changes after the election based on the relative timing of the election, it is important to note that this is not the causal explanation. In contrast to many extant political economy arguments, such as political business cycles, which argue that the occurrence of elections affects the economy, the election timing arguments suggest that the election is called because of future economic conditions. This is an important distinction because it enables us to distinguish
between competing arguments. I shall return to this important issue momentarily and argue that because the extent of the recession following elections depends upon the relative timing of the elections, political business arguments can not be solely responsible for economic decline after elections.

Third, the relative timing of the election influences the length of the campaign. On average, the earlier an election is relative to expectations, the shorter the campaign period. Well anticipated elections are more likely to have a long campaign period between the announcement of the election and its actual occurrence. Fourth, I examine how stock market indices respond to the announcement of elections. While these results are the weakest of the four questions examined, they provide some support to show the relative timing of elections affects how markets respond to the announcement of an election. On average, market indices are more likely to decline following a relatively early election than a relatively late election. Taken together, I believe these four sets of results provides compelling evidence for the election timing theory.

**Design of the tests**

Before launching into a discussion of the results, I pause explain my research design, its advantages, and its limitations. The empirical analyses throughout this book are plagued by having only a limited number of observations. The cases of British parliaments, 1945-2001, generates at most a sample of fifteen observation. This is further reduced because I exclude the decision to call an election in 1979 since this election was spurred by a vote of no-confidence rather than a voluntary decision by Prime Minister James Callaghan.\(^{32}\) Given these limited data, we must be concerned about placing too much confidence in any single test. It is for this reason

\(^{32}\) The inclusion of the 1979 observation does not change the substantive results.
that I have attempted to test as many predictions coming out of theory as possible. The only conceivable way to obtain more observations on British parliaments is to wait longer. While such an approach has much to commend it, it is not conducive with getting tenure and keeping my job. Therefore, I broaden the focus of my tests. Without more data it is impossible to be definite about any single prediction. Therefore I regard my results on each question as more circumstantial than definitive evidence. However, many convictions are obtained by amassing circumstantial evidence. Lacking an alternative, this is my approach.

The examination of multiple hypotheses rather than focusing on a single major prediction also helps in distinguishing between competing theories. This is particularly important because although the results of the previous chapter support the election timing theory advocated here, to a certain extent they also support political business cycle arguments. Even with a vast increase in data, it is extremely unlikely that we could distinguish between these rival arguments on the basis of the timing question posed in the previous chapter. Only by testing hypotheses upon which the theories disagree can we distinguish between them.

Political Business Cycles argue that governments manipulate policy instruments to generate short-term booms to coincide with election. Although such actions improve immediate conditions, overall they reduce aggregate performance. Hence after the election the country pays the price of the short-term boom with an economic decline. In contrast, the election timing theory argues that it is a leader’s expectations of decline that leads to the announcement of elections, although a completely plausible reason why a leader anticipates decline is because she has previously primed the economy. This latter possibility suggests these rival explanations are largely observationally equivalent.
Broadly both theories expect economic decline to follow elections. However, they differ in the details. The PBC and other related arguments suggest elections result in economic decline. All leaders have incentives to manipulate before an election. Yet, this suggests that the magnitude of the subsequent economic decline is unrelated to the relative timing of the election. 

Suppose for a moment that only PBC arguments are true. While the economic impact of a PBC may vary and not be of a fixed constant size, it should be unrelated to the relative timing of elections. As subsequent tests show, this is not so: the economic conditions that follow elections vary with the timing of elections. This suggests that PBCs alone cannot be responsible for economic decline following elections. Additionally, the other tests in this chapter show that the relative timing of elections affects government support, stock market response to election announcements, and the length of campaigns. On these questions PBC is silent. Taken together these results support the argument that expectations of future outcomes shape when leaders call elections.

I think it is important to be extremely clear about the null and alternative hypothesis in attempting to distinguish between PBC and election timing. The null hypothesis is that expectations of future performance do not influence the timing decision. The alternative hypothesis is that they do. Rejecting the null does not exclude the possibility that PBCs also exist. Indeed it would be ludicrous to claim it did, since I have already argued that one potential reason why leaders anticipate decline is because they have previously manipulated policy.

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One might relax the PBC arguments and argue that governments only manipulate to the extent required to win and this results in the variation in post-election decline. Unfortunately, such an argument suggests that when post-election decline is mild the government should always win. This is not the case as witnessed by, for example, the 1997 election.
instruments to engineer good conditions.

I have spent much time arguing my research design, the necessity of considering as many dimensions of the election timing problem as possible, and what arguments the tests support. It is now time to examine the data and tests.

**The electoral consequences of election timing.**

The timing of an election signals a leader’s expectation of future performance. When leaders anticipate good future performance they postpone elections. When they expect their performance to decline in the future, they call elections. Hence when an unexpected election is announced – out of the blue – voters infer that the future is less rosy and adjust their assessment of the government accordingly. The earlier an election is relative to expectations, the worse the signal of decline and hence the more support the government should lose. In particular, if a snap election is called then many voters who in opinion polls expressed support for the government are likely to reevaluate their appraisal of the government and defect to the opposition. The act of announcing an election alters the voters’ assessment of, and hence support for, the government. To systematically measure the change in government support I subtract the percentage of voters who expressed an intent to vote for the government in the most recent poll prior to the announcement of elections from the percentage of voters who actually voted for the government at the election. A negative measure means fewer people voted for the government than the pre-announcement poll indicated. A positive measure means support for the government

\[34\] This suggests that rather than the polling question if an election were called tomorrow who would you vote for? should be replaced by the question if an election were called tomorrow by random chance who would you vote for?
increased following that election announcement. These changes in support are shown by the dates in Figure 4.1. These data are also reported in Table 4.1. The figure also shows the change in government support measured in terms of two party support, which appear as triangles. If the Conservative party were in government then this two party measure in change of support equals 100%* \( \left( \frac{\text{con\_vote}}{\text{con\_vote} + \text{lab\_vote}} \right) - \left( \frac{\text{vi\_con}}{\text{vi\_con} + \text{vi\_lab}} \right) \), where con\_vote is the Conservatives’ percentage vote share and vi\_con is the pre-announcement percentage voting intentions for the Conservatives. An analogous definition applies when the Labour party are in office.

In the test that follows I work primarily with the two party version of the support measure since in a mainly two party system it is support relative to the major opposition party which is essential to retaining office. Analyses using the general (not two party version) lead to similar conclusions.\(^{35}\)

As shown in Figure 4.1 and Table 4.1, expressed support for the government prior to announcement and the support they actually receive differs drastically. For example, compared to the 50% percentage of voters expressing an intent in the MORI poll of April 4\(^{th}\) 2001, Prime Minister Tony Blair’s Labour government received only 40.8% of the vote at the subsequent election on 7\(^{th}\) June, a drop of 9.2%. Similarly Margaret Thatcher’s Conservative government saw their support slip from a pre-announcement intention of 49% to 42.2% in 1983. While in both cases, this change in support seems huge, both governments won huge majority. As comparisons with the two party change in support measures show, third parties, not the main

\(^{35}\) An alternative model specification is using the government vote share (or a two party version of vote share) directly as the dependent variable and include voting intentions on the right hand side. This specification results in the same substantive conclusions.
opposition, were the main beneficiaries of the government’s loss of support. In terms of other polls, or other measures of decline, the loss of support also seems more modest. At the opposite extreme, having announced an election on 25th October 1951, Clement Attlee saw support for his Labour government soar by 8%. Unfortunately, this was insufficient to offset the Conservatives huge lead and they went on to win with a vote share of 48% (less than Labour’s 48.8%) and 321 of 625 seats.

The change in level of support for the government following the announcement of elections shows great variance. Some might argue that this demonstrates the enormous importance of campaigns. Others might point to the margin of error in opinion polls. While these are valid points to raise, if such explanations accounted for all the variation then the change in government support would be unrelated to the relative timing of the election. Surely politicians run the best campaign they can. Equally surely there is no reason to suppose polls become systematically biased as a function of the date.\(^{36}\) Although both campaigns and the margin of error in polls suggest variance in the change of support variables, neither suggest these changes should be related to the timing of elections.

As should be transparent by a causal glance at Figure 4.1, the length of the parliament (i.e. the actual timing of the election) has little impact on how government support changes. Governments see their support change both up and down at both early and late elections. This is confirmed statistically by model 4.1 (Table 4.2) which represents the best fit line in Figure 4.1.

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\(^{36}\) While there is no reason to believe polls are biased as a function of the date, leaders are more likely to call an election in response to an optimistic rather than pessimistic poll. This selection potentially creates a bias with polls prior to early elections showing a greater bias in favor that polls preceding late elections. This possibility is discussed later.
This result is unsurprising. It is the timing of the election relative to expectations that informs voters of future prospects, not timing per se. As we saw in the previous chapters, a variety of observable conditions, such as popularity and size of majority, influence the timing of elections. It is relative to these expectations that the timing of an election is measured. This is problematic in terms of testing since I need measures of peoples’ expectations. I use two sets of such measures. First I use the estimates from the timing of elections generated in the previous chapter. Second, I use measures of newspaper stories to gauge expectations of elections occurring. I start by exploring the logic of the first approach.

Measuring the relative timing of elections

Suppose, for pedagogical purposes, the timing of elections problem addressed in the previous chapter were a simple regression model, rather than the econometrically more complicated hazard model with its inherent limited dependent variable and censoring. In such a regression setting, having estimated the best fit line, it is straightforward to measure the extent to which each particular observation deviates from its predicted value. Such a residual would provides a measure of whether an election were early or late. If the theory’s predictions are correct, then these residuals should be statistically related to the change in government support, as well as to subsequent economic performance. Conceptually this is what I intend on doing. Unfortunately, the hazard analysis of the election timing decision does not generate such simple residuals.

There have been, however, numerous to generalize the concept of residuals (Cox and Snell 1968; Flemming and Harrington 1991; Therneau, Grambsch and Flemming 1990). In earlier work (Smith 1999, 2000) I estimated two competing hazard models. The first contained
only commonly observable variables such as popularity, majority size, party, and new leader. The second included future economic conditions in addition to these commonly observable factors. The first analysis might be thought of as the general public’s estimate of election timing, while the second reflects the leader’s estimate of election timing. To a certain extent, residuals from each model reflects the relative timing of the election from the voters’ and leader’s perspective. The difference between these two martingale residuals represents a signal of future economic conditions— which of course mathematically is the difference between them. In Smith (1999, 2000) I showed this difference in martingale residuals is statistically related to the change in government support. It appears that voters can indeed recover the informative about future economic conditions from the timing signal.

While this result is important, it requires knowledge of future economic conditions and so can not be estimated contemporaneously. Further, the use of the martingale residual from the voters’ estimate of the timing decision is of limited use since even snap elections are called by popular governments. The 1970 election serves as illustration. Figure 4.2 shows the predicted hazards for models 3.3 and 3.12 estimated in the previous chapter. Until a matter of weeks before the announcement of the actual election, the predicted hazard in both models were negligible. The fortunes of the governing Labour party then radically improved as they passed the Conservative in the polls for the first time in years. The predicted hazard rate jumps radically. There is a few weeks of rampant election speculation before, the then Prime Minister, Harold Wilson announces elections. Although in terms of the preceding months, and popular perception, this was an unexpected snap election, the predicted hazard rate at the announcement of the election was high. The hazard at the immediate moment of announcement, by itself, does not well diagnose an
election early relative to expectations. Yet when combined with the medium-term hazard preceding the election, it provides a powerful tool to determine the relative earliness or tardiness of elections.

Using predictions generated from model 3.3, that is estimating the timing of elections in a Weibul model with two party voting intentions, two party measure of government seat share, years-to-go and \((\text{years-to-go})^2\) variables, the cumulative hazard over the 30 days prior to the announcement of elections is 36.08. That is to say I generated a variable, the cumulative hazard over the previous month, by summing the predicted hazard from model 3.3 for each of the 30 days preceding the announcement of the election. The variable the cumulative hazard over the previous half-year is the same predicted hazard except now summed over the previous 183 days. At the announcement of the 1970, election this latter variable took the value of 58.15. Clearly over the previous 6 months there was little expectation of an election until the last month. The cumulative hazard in the final month before the election was 1.6 times greater than the cumulative hazard over the entire five months preceding that. As Figure 4.2 shows, even then most of the hazard in the penultimate five months occurs at the last moment. Consistent with anecdotal evidence, the 1970 election was widely unexpected, at least until the last month. A loose interpretation of this comparison between the cumulative monthly and half-year hazards is that Wilson took his first opportunity to cash in on his current success. In 1966 he had not.\(^37\) In chapter 5, I analyze the distinction between these elections in detail.

In 1987 Margaret Thatcher called elections about a year early. Although the physical

\(^{37}\text{The monthly and half-yearly cumulative hazards for the 1966 election are 22.27 and 134.02 respectively.}\)
timing was similar to Wilson’s decision in 1970, the circumstances under which she made her
decision were very different. Throughout the six months preceding the election announcement
the Conservatives held a large, often double digit, lead over Labour in the polls. The predicted
hazard rate was high throughout this period, and certainly popular perception was that an election
was likely. The monthly and half-yearly cumulative hazards are 13.61 and 30.53 respectively.
Unlike Wilson in the 1970 election, in 1987 Margaret Thatcher can not be accused of trying to
cash in at the first possible opportunity. She had resisted the temptation to secure another term in
office for over six months. Although the signal of an election might still reveal a decline over
the coming quarters, the government had a long string of successes to weigh against this signal.38
Her support remained buoyant. Unfortunately, for Wilson his success had been much more
ephemeral and without long-term evidence to refute it, the electorate put Wilson’s early 1970’s
successes down to luck, or engineering, rather than competence. This suggests that the electorate
should punish the government for cashing in on short-term successes and reward them for
resisting such temptations.

38 I use Bayes rule to put some analytical rigor behind this assertion. Suppose the
government’s performance can be classified as either good or bad in each period, and the
probability of success depends upon the ability of the government. As an example, let the
probability of a good outcome be 70% for a competent government, but only 30% for an
incompetent one. Assuming that an election announcement signals a bad outcome in the next
period, I calculate the electorate’s belief about the competence of the government depends upon
the number of successful periods prior to the election. Suppose initially the government has a
50% probability of being competent. Having seen a single good outcome, the voters should
revise their assessment of government competence to 70%. Yet, given that an early election
implies the next outcome is bad, the voters should, upon the announcement of the election, revise
their assessment back to 50%. After three successes, the voters put government competence at
92.7%, which is revised down to 84.5% upon seeing an election. This decline is only 8.2%
compared with 20% when the election comes after only a single success.
Before moving to systematic tests as to how measures of cumulative hazards influence government support, it is worthwhile to consider Figure 4.2 again. There are two predicted hazards plotted, corresponding to models 3.3 and 3.12. Model 3.3 is a Weibull analysis with the independent variables two party government voting intentions, two party seat share, years-to-go and (years-to-go)^2. Model 3.12 includes these variables with the addition of the change in the inflation rate over the next quarter and the change in the unemployment rate over the next year. Figure 4.2 shows considerable support for the main prediction that leaders call elections in anticipation of declining future performance. For much of the graph, the two predicted hazards are indistinguishable. However, the predicted hazards diverge in the months leading up to the election. Model 3.3 shows a large boost in the risk of elections starting a few months before the election. Consistent with media speculation, the rise in Labour’s popularity created the possibility of an early election. Had the voters known future economic conditions, as I assume the Prime Minister did, their anticipation of an election would have been even more intense, as shown by the predicted hazard for model 3.12. Following the 1970 election, economic conditions did indeed decline. Armed with this information, a leader is more likely to call an election than the voters would suppose.

Throughout many of the tests that follow I use comparisons of the monthly and half-year cumulative hazard estimated from model 3.3. A justification for the use of model 3.3 is required. Model 3.12 provides better predictions of election timing than does model 3.3, thus arguably this model would be better for forming the basis for voters’ expectations. Unfortunately, model 3.12 includes measures of future economic performance, variables, which although known by the leader, are assumed to be unknown by the electorate. Hence to use model 3.12, or any other
model which includes future economic conditions as a variable is inappropriate. There are alternative models which out perform model 3.3 in terms of predictions. For example, model 3.2 includes the party and the new leader variables. Although these additional variables improve the fit of the model, there is no theoretical reason to include the party variables and the statistical support for the inclusion of the new leader variable is not as strong as it is for the popularity and majority variables.\textsuperscript{39} Given the limited number of observations I have therefore opted to use a bare bones model. In earlier work (Smith 1999, 2000), I used model 3.2 with the addition of inflation over the half-year prior to the election.\textsuperscript{40} Rather than simply replicate previous work, here I work with a bare bones model (3.3), believing this presents an even harder test of the theory. The results here are consistent with those reported earlier.

**Empirical Determinants of the Electoral Consequences of the Timing Decision**

Table 4.2 shows regression results. The dependent variable in each case is the change in two party government support between the pre-announcement voting intentions and vote shares at the election. Model 4.1 shows that the physical timing of an election, per se, does not influence the electoral outcome. The timing of the election relative to expectations does.

The variable Ratio of Cumulative Hazards is the ratio of the cumulative hazard for the 30 days prior to the election announcement divided by the cumulative hazard for the five months preceding that (Five months defined as 153 days):

\textsuperscript{39} Although significant at the 5% level in model 3.2, across a wider range of models new leader is less significant.

\textsuperscript{40} As argued earlier, although the change in the inflation rate over the half-year prior to the election is statistically related to the timing of elections, I believe this is an artifact of the sample and as such should be excluded. I included this variable in early analyses simply because the explanation for the aberrant result had not occurred to me.
Ratio of Cumulative Hazards = \( \frac{\sum_{t=30}^{t=31} \hat{h}}{\sum_{t=183}^{\infty} \hat{h}} \), where \( \hat{h} \) is the predicted daily hazard estimated from model 3.3. If the government is taking the first opportunity to cash in on its success, (i.e. the medium-term hazard is small but the immediate-term hazard is high) then this variable takes a large value. Alternatively, if the government has been patient and forgone the opportunity to cash in immediately (i.e. the cumulative half-year hazard is large) then this variable is small. At the announcement of elections (including 1979) the Ratio of Cumulative Hazards variable has mean .597, standard deviation .384, a minimum of .106 (in 1979), and a maximum of 1.635 (in 1970). Table 4.13 lists the cumulative hazards and newspaper count data at the announcement of elections for each parliament.

Model 4.2 shows that the larger the Ratio of Cumulative Hazards, the greater the decline in the government’s support upon the announcement of elections. This might alternatively be expressed as voters reward patient governments that forego the opportunity to cash in on their current popularity and punish governments that do. The coefficient of -4.536 indicates that a change of one standard deviation in the Ratio variable produces a change in support of 1.74%. Moving from the (non 1979) minimum of 0.135 in 1951 to the maximum of 1.635 in 1970 predicts a decline in support of nearly 7%.

In the next few models, I show the robustness of the Ratio of Cumulative Hazards variable. Model 4.3 includes pre-announcement voting intentions for the incumbent as an independent variable. This variable consistently provides a powerful account of change in government support. The more popular a government is, the more support it loses when it
attempts to convert this popularity into electoral success. The coefficient on the Ratio of Cumulative Hazards variable remains statistically significant and of a similar magnitude.

Rather than working with the ratio of the Monthly and Half-yearly Cumulative Hazards, model 4.4 examines their impact directly. The greater the monthly hazard, which is to say short-term incentive to call an election, the more the government’s support declines. In contrast, the larger the half-yearly hazard, which is to say the extent to which the government has foregone the opportunity of securing another term over the previous six months, the greater the government’s support at the election. Interestingly, although when both variables are included in the regression equation they are both statistically significant, in isolation from each other these variables are statistically insignificant. It appears that it is the comparison of the short-term to the long-term incentives that is important. For here onwards I will present the Ratio of Cumulative Hazards variable only. In nearly all cases it has the same impact as the simultaneous inclusion of the monthly and half-yearly hazards.

The evidence thus far supports the idea that voters punish governments who attempt to cash in and reward patient governments who do not jump at the first opportunity to gain reelection. Model 4.5 asks what components of a government’s incentive to call elections do the voters punish. Model 4.5 includes variables for government popularity, size of majority, party, and new leader. Although the coefficients indicate that government support is more likely to decline for Labour governments with a small majority and a new leader, these effects are statistically insignificant. These variables remain insignificant in a much broader range of models than those reported here. The factor that most influences the change in the government’s support following the announcement of elections is government popularity. A straightforward
interpretation of this is that voters punish popular governments who attempt to cash in on their immediate success with an early election. This interpretation deserves additional investigation.

The prospect of declining future performance induces leaders to risk what remains of their current term in office in order to try to secure an additional term. As the end of the term approaches leaders place little on the line when they call for elections since their current term has nearly expired anyway. In contrast, at the beginning of their term, leaders require a far greater impetus to call elections because they place much more at risk—nearly a full term in office. As such, if a leader is confronted by two sets of conditions that differ only in that one is near the begin of the term and one is near the end of the term then if the conditions are sufficient to cause the leader to call an election at the early date then the conditions are certainly sufficient to ensure the leader calls an election at the latter date. The opposite however does not follow. For a given level of popularity, seat shares, current economic conditions etc. it would require a worse decline in future performance to trigger the election earlier in the term than late in the term. Therefore, controlling for observable factors, the earlier an election is, the greater the signal of future decline. Not only should voters want to punish leaders for trying to cash in with an election, but they should punish them more the earlier the election is called. The models in Table 4.3 show this is exactly what voters do.

The models presented in Table 4.3 include the interaction of the popularity variable with the time remaining. In particular, the variable voting intentions * ln(1+years remaining) is the product of the 2 party voting intentions variable and the logarithm of the years remaining in the term variable plus one. The addition of one to the years remaining variable ensures the logarithm remains positive. This variable takes its maximum value for popular governments at the being of
the five year term and takes its minimum value for unpopular governments at the last moment. The variable Ratio of Cumulative Hazards * ln(1+Years-to-go) has parallel construction.

In model 4.6 the coefficients on both the voting intentions variable and its interaction with time remaining are negative. The same pattern is observed in the other models in Table 4.3. This indicates that not only do popular governments lose support when they announce elections, they lose more support the earlier they announce the election, a result consistent with expectations. Models 4.7 and 4.8 include assessments of the Ratio of Cumulative Hazards and its interaction with the time remaining. These variables tell a similar story. Not only do voters punish impatient governments seeking to immediately secure another term, but the extent to which they punish the government is larger the earlier the election.

Although conforming to theoretical expectations the coefficients reported in Table 4.3 often appear insignificant. This however is misleading. In joint hypothesis tests, the variables are highly significant. For example in model 4.8 neither the Ratio of Cumulative Hazards variable nor its interaction with time remaining appear significant. Yet, a joint hypothesis test that both coefficients are simultaneously zero produces an test F of $F(2,8)=3.95$ which is significant at the 0.0641 probability level. The joint hypothesis test that both the popularity variable and its interaction with time remaining are simultaneously zero produces an test F of $F(2,8)=8.41$, which is significant at the 0.0108 probability level. The corresponding joint hypotheses tests in model 4.6 and 4.7 produce even stronger results.

Voters punish governments who impatiently attempt to cash in with an election at the first opportunity. In contrast, governments that show restraint and forego opportunities to call elections are rewarded with robust support when they do eventually call an election. The extent
to which voters punish and reward governments varies with the length of the parliament. The earlier the election, is the greater the extent to which voters punish impatience. While these results follow the predictions of the theory, alternative explanations for these results exist. Since elections are chosen non-randomly, this creates a selection effect that could potentially generate results similar to those shown in Table 4.3. Since the construction of these selection arguments is somewhat involved, and to a large extent supports the arguments of the theory anyway, rather than break the continuity of the chapter with a wide digression, I discuss the origins of the selection effect, its consequences, and tests that future research might use to distinguish between these alternative explanations in an appendix to this chapter.

The results above rely upon hazard analysis estimates of the timing of elections as the basis from which to assess the relative timing of elections. In the previous chapter, I showed that these objective estimates of the likelihood of elections correlated well with the expectations about the timing of elections expressed in the news media. I now use the counts of newspaper stories relating to the next general election as direct measures of voters’ expectation about the likelihood of elections. As described in detail in the previous chapter, I have counted newspaper stories relating to the next general election for each parliament on the pretext that newspapers are more likely to publish such stories when they believe elections are likely. The primary problem with these count data is that they are not normalized on the same scale. For example, for the later parliaments I utilized Lexis-Nexis which consistently finds more stories that *The Times* index. It is also quite possible that even within each source, the number of stories recorded changes because different people coded stories at different times. While I am prepared to compare the number of stories published in different time periods within a parliament, the lack of
normalization makes comparisons between parliaments inappropriate.

I compose variables analogous to the Ratio of Cumulative Hazards used above. In particular, I generate a count of the number of relevant newspaper stories in the thirty days prior to an election announcement. I also generate similar counts for the 183 days and 365 days before an announcement. The variable Ratio of NewsStories (month over half-year) is the count of stories within the last 30 days divided by the count within the last 183 days. This variable, and the analogous variable over the previous year, provide a measure of the relative patience or impatience of the government in deciding to call an election. The justification for this construction is much the same as for the Ratio of Cumulative Hazards. Unfortunately, since the monthly and half-yearly count data are not normalized, these individual variables can not be used directly; so no specification analogous to Model 4.4 is appropriate.

The Ratio of NewsStories (month over half-year) is listed at the time of announcement for each parliament in Table 4.12. It has a mean of 0.359, standard deviation of 0.242, a minimum of 0.125 (in 1950) and a maximum of 0.748 (in February 1974). Thus the coefficient estimate of -6.252 in model 4.9 of Table 4.4 predicts a nearly 4% difference in the change in government support variable between the 1950 and February 1974 Parliaments (the minimum and the maximum). If over the last six months the vast majority of newspaper stories relating to the next general election occurred in the last month, then following the announcement of elections government support declines. In contrast if the government has shown restraint and not impatiently attempted to secure another term in office at the first opportunity, reflected in the number of newspaper stories over the last six months not being bunched at the last moment, then government support remains robust at the announcement of elections. Throughout the models
reported in Table 4.4 this result remains consistent.

Model 4.10 substitutes the Ratio of NewsStories (month over year) variable for the half-yearly variable and generates similar conclusions. The use of the yearly version of the newspaper variable results in the loss of the October 1974 Parliament, since it lasted less than a year. Model 4.11 adds controls for the popularity of the government and the size of its majority. This strengthens the impact of the Ratio of NewsStories variable. Model 4.12 combines the Ratio of Cumulative Hazards and Ratio of NewsStories variables. In the context of electoral support, it appears that the objective measures of relative election timing generated via the predicted hazard rates provides a better explanation of the change in government support than measures of newspaper stories. Yet, even in the presence of these objective measures, the effect of the Ratio of NewsStories variable is still in the predicted direction.

Elections are not simply a conversion of popular support into vote shares. The analyses above provide strong evidence that government support at elections is influenced by the relative timing of the election. In particular, governments that attempt to utilize their first opportunity to secure another term in office see their support decline. I construct a measure of the short-term incentive to call an election as either the number of newspaper stories over the previous month or the sum of the predicted hazard rate over the previous month. I also generate measures of the medium-term incentive to call elections as either the number of newspaper stories over the previous half-year or the sum of the predicted hazard rate over the previous half-year. The greater the ratio of the monthly variable relative to the half-yearly variable, the more the government’s support declines following the announcement of elections.

The timing of the election per se does not consequently alter the level of government
support. Yet, it does influence the extent to which voters reward patient and punish impatient governments. Since it requires worse future performance to trigger an election early in the term compared to late in the term, the physical timing of the election influences the extent to which an election announcement signals decline. Consistent with theoretical explanations, voters punish governments showing impatience (measured by the Ratio variables) to a greater extent early in the term than late.

Beyond providing support for the theory advocated here, I believe that these results demonstrate the previously over looked result, that the timing of an election influences the outcome of the election. Given the signal of decline that early elections provide and consequent loss in government support, it is worth briefly returning to the question of why a government would ever call an early election. Although an early election costs governments popular support this does not mean they lose the election. This is perhaps most clearly shown by Tony Blair’s 2001 election success. In terms of the two party measure of support, Labour lost 6.3% of popular support to the Tories. They still achieved an overwhelming victory. In a first past the post system the extent to which you are ahead of your opponent does not matter providing you are ahead. To demonstrate this more systematically, I run a probit model of whether the incumbent wins the election against the change in two party government support. The coefficient on change in government support variable is -.059 with a standard error of 0.099 which is not only insignificant but suggests that governments experiencing an improvement in their popular support are less likely to win. Early elections might cost leaders popular support, but leaders do not call them if they do not expect to still win.
The economic consequences of election timing.

The theory predicts elections are called in anticipation of a decline in performance. Since economic performance is perhaps the predominant, although not only, dimension on which government performance is evaluated, we should therefore expect economic conditions to worsen after elections. Indeed there is extant evidence that this is so. Additionally, in chapter 3, I showed that future economic conditions influence the timing of elections. At first glance, therefore, it might seem that this section is redundant. Yet studying the economic consequences of the timing decision is an essential aspect of this research because it helps distinguish the election timing theory advocated here from more traditional political economy arguments.

In this section, I show that the economic conditions that follow an election are related to the relative timing of the election. The prospect of future economic decline spurs leaders to call elections. The magnitude of the decline required in order for a leader to announce an election depends upon conditions. For example, late in a leader’s term a mild decline might precipitate an election, while earlier in the term leaders might have to anticipate a prolonged and harsh downturn before calling an election. The relative timing of the election thus signals the extent of the decline to follow. If the election timing theory is right then economic conditions after the election depend upon the relative timing of the election. Of course it is important to point out this is not the direction of the causality being argued.

Many other political economy theories also suggest a relationship between elections and subsequent economic performance. For example partisan theory (Hibbs 1977; Alesina 1987) would expect the economy to depend upon party. Others argue that governments use the first part of their term to push through reforms that inflict economic hardship but allow time for the
economy to recover before the necessity of another election (Przeworski 1993). I focus on Political Business Cycle (PBC) theories, which argue that leaders manipulate policy instruments to foster favorable conditions prior to an election and pay the costs of such manipulation after the election. As such after an election, conditions decline. However, the decline is unrelated to the relative timing of the elections. Whether the alternative argument is partisan, PBC, or any other explanation that argues elections influence the economy, timing should not matter. Since I show that subsequent economic performance is related to the relative timing of the election, alternative explanations alone can not be responsible for the economic decline following elections.

Using many of the same variables introduced above in the discussion of electoral consequences, I examine the changes in the economic indicators of the growth rate (in constant currency), the inflation rate, and the unemployment rate over a quarter, a half-year and a year following the announcement of elections. Again I exclude the 1979 Parliament since the timing decision was censored by a no confidence vote. The addition of this observation produces no consequential differences. Given this wide range of dependent variables, I do not want to present all the models specifications considered above in the electoral consequences section. Rather, I first intend to provide a general description of the relationship between the various measures of future performance and the measures of relative election timing and illustrate these results with a few selective models. Following this, I estimate how the timing of elections influences several economic indicators simultaneously.

Broadly speaking, the Ratio of NewsStories variables provides the best estimates of future economic performance. Both the half-yearly and yearly version of the newspaper measure relate strongly to the change in the inflation rate over the quarter, half-year, and year after the
announcement of election. For example, a standard deviation change in the Ratio of NewsStories (month over half-year) variable (.251) accounts for an increase in the inflation rate of about 1.15% over the six months following the election (Model 4.13 in Table 4.5). This result is significant at the 0.018 level. On the whole the Ratio of Cumulative Hazards is a weaker regressor, although as seen in Model 4.14, in conjunction with the size of the government majority it is sometimes significant. It is important to point out that model 3.3, which was used to calculate the predicted hazards did not include the effect of future economic variable. Had, for example, the predicted hazards been obtained from model 3.12, which includes change in future economic condition, then by construction we would have expected an association between the predicted hazard variable and economic performance. Neither government popularity, party, new leader, nor years remaining variables appeared systematically related to future changes in the inflation rate.

Although few variables explained changes in the unemployment rate over the next quarter, Ratio of NewsStories, time remaining, and to a certain extent government majority account for changes in the unemployment rate over the half-year and year following the election, as demonstrated by Model 4.15 and 4.16. The combination of Ratio of Cumulative Hazards together with its interaction with the time remaining variable also appear strongly related to future changes in unemployment. Government popularity, the Ratio of Cumulative Hazards (in the absence of its interaction with time), new leader and party all appear unrelated to future unemployment.

At a first glance the change in the growth rate measured in constant currency is perhaps the least well explained economic indicator. In the absence of other measures of relative timing,
no single measure shows any significant relationship with future growth. In combination the Ratio of NewsStories and Ratio of Cumulative Hazards provide a powerful account of future economic growth as seen in Model 4.17. The large positive coefficient on the Ratio of NewsStories variable suggests that when newspaper stories over the last six months are bunched at the last moment then growth improves following the election. This is the opposite to expectations but is largely counteracted by the large negative coefficient on the Ratio of Cumulative Hazards. However, the enormous coefficients on these ratio variables suggest an unreliable fit. The February 1974 election accounts for this problematic result. The change in the growth rate following this election vastly exceeded those for other elections\textsuperscript{41} and occurs immediately before the October 1974 election, following which the growth rate declines. Earlier I quoted Harold Wilson accusing Harold Macmillan of being the master of engineering political business cycles. I conjecture that Wilson was no slacker himself. Omitting the change in growth rates following February 1974 as the run up to October 1974 produces results entirely consistent with expectations. In chapter 5, I examine the circumstances leading up to the February 1974 election. Industrial action by miners severely contracted the economy prior to the election. With a strike settlement after the election, the economy rebounded. This one-off shock provides a further reason to omit the February election.

Declines in the growth rate following elections increase in magnitude as the size of the Ratio of Cumulative Hazards or the Ratio of NewsStories increase, as witnessed by Model 4.18. There is limited evidence that Conservative governments are associated with higher future

\textsuperscript{41} Measured has a quarterly percentage change in GDP (constant currency) the growth rate (IHYQ) is the first, second, third and fourth quarters of 1974 are -2.5\%, 2.1\%, 1\% and -1.6\%, respectively.
growth rates. Other variables, such as popularity, appear unrelated to future economic performance.

While many of the single equation models are statistically significant, they do not capture the concept of an overall economic decline. Differences in goals between parties and possible changes in these goals over time suggest the economic tradeoffs governments choose over time vary. Traditional partisan ideologies for example might suggest left wing governments trade off increased inflation for lower employment. Given these considerations, a decline in one economic indicator is not necessarily an indicator of economic decline. However, no government voluntarily chooses a increase in both the inflation rate and the unemployment rate. Indeed, economic downturns are associated with the simultaneous increase in inflation and unemployment and a decrease in growth. I test how the relative timing of elections affects several measures of economic indicators simultaneously using the method of Seemingly Unrelated Regression (Zellner 1962, Greene 1993, Chapt 17). This multiple equation method accounts allows for the possibility that the errors in each of the equations are correlated.

Table 4.6 examines a SUR model looking at changes in the inflation and growth rates over the following six months and changes in the unemployment rate over the following year. The results in this table are indicative of a broader range of analyses. Changes all three economic indicators are strongly influenced by the Ratio of NewsStories variable. For example in Model 4.19, going from it minimum value (0.125) to its maximum value (0.748) the newspaper count variable predicts an increase in the inflation rate of 2% over the six months following the announcement, an increase of 1.4% in the unemployment rate over the year following the announcement, and a decline in the growth rate of 2.8% in the half-year following the
announcement. Similarly, in model 4.20 moving from the minimum (.106) of Ratio of Cumulative Hazards variable to its maximum (1.635) predicts increases in the inflation rate and unemployment rates of 2.9% and 1.4% and a decline in the annual growth rate of 8.1%.

The evidence strongly supports the prediction that the relative timing of an election is related to the extent of subsequent economic decline.

**The Length of Campaign and the Timing of Elections**

The length of campaigns show considerable variation. The relative timing of elections largely accounts for this variation. I define the length of the campaign as the time between the announcement of elections and the actual elections. As the summary statistics presented in chapter 1 showed, campaigns vary between the minimal 21 days in February 1974 and the maximal 59 days in 1992.

The ability to set the electoral calendar allows the incumbent to spring an election on an unprepared opposition. To maximize this surprise, the incumbent wants to minimize the time the opposition has to prepare. Thus the greater the extent to which the election is a surprise, the shorter the election period. In contrast when the announcement of elections is a near certainty, such as when the current term is about to expire, there is little gained from a short campaign since the opposition is already prepared and unofficial campaigning has already begun. With his party mired in sleaze, and yet at the same time producing solid economic results, in 1997 John Major opted for a long campaign arguing “I wanted a drawn-out battle. I was sure the Labour Strategy would be to duck policy discussions and highlight Tory weaknesses - this had, after all, been their policy since John Smith became leader, and it had proved very successful. The long
campaign was an attempt to ensure that when ‘sleaze’ had run its course, there would be ample time to bring to the fore the economic and social issues that usually dominate elections; our best chance was to focus on the strong economic situation we had created (1999 p.707).”

The earlier an election is relative to expectations, the shorter the campaign is expected to be. I now test these expectations by seeing whether the length of the campaign is systematically related to the measures of relative election timing developed above. The results in Table 4.7 support the prediction. To maintain consistency with the other dependent variables in this chapter, I exclude the length of the 1979 campaign, although it is less clear that despite being brought down by a no confidence vote the government would not want to exploit any potential surprise. As with the other results, the inclusion or exclusion of 1979 does not have a consequential effect.

Model 4.21 replicates the analysis is chapter 1, showing that for each year that an election is called early, the campaign period is, on average, reduced by 3 days. The Ratio of NewsStories variable indicates when media speculation primarily occurs in the month immediately before elections are announced then campaigns are shorter (Model 4.22). In particular, moving from the minimum to the maximum on the newspaper count variable reduces campaigns by about 15 days. Leaders calling snap elections, which until recently were unanticipated, minimize the campaign period. By itself, the Ratio of Cumulative Hazards variable has little relation to campaign length. Yet, as shown by model 4.23, the interaction of this variable with time remaining shows that campaigns are shorter when the election is early in the term and the predicted hazard rate was low until immediately before the announcement.

In model 4.24, I use the monthly and half-yearly cumulative hazards rather than their
The negative coefficient on the monthly variable and the positive coefficient on the half-yearly variable support the prediction that campaigns at early elections are shorter. This analysis also suggests that popular government Conservative governments with a small majority but no new leader are the most prone to short campaigns. These later results need to be considered with caution since the variables popularity, seat share, party, and new leadership are not especially robust and are insignificant in many other model specifications.

The evidence is clear. Surprise elections have shorter campaign than elections that are widely anticipated well in advance.

The Reaction of Stock Markets to the Announcement of Elections.

Economic conditions affect the profitability of firms. If the announcement of elections signals future performance then it also provides a signal of future profitability of firms. Since an underlying essential in the price of a company’s stock is it profitability, new information about future economic conditions should alter stock prices. In this section, I test whether or not stock market indices are indeed systematically related to the relative timing of elections. I conclude that they are, although given data limitations this conclusion needs to be treated with some caution.

Snap elections signal future economic decline. It might therefore be expected that the announcement of an unexpected election would hurt stock prices. Indeed this is the central argument tested here: Does the response of British stock market indices to the announcement of elections systematically depend upon the relative timing of elections?

A primary assumption used here is that a decline in future economic conditions in Britain harms the future profitability of firms listed on the London stock exchange and that this consequentially lowers their stock price. While I believe that this generalization is appropriate, it
makes a number of heroic assumptions. For example, it assumes that declining economic conditions hurt firms. In many cases this is true, but there are exceptions. High interest rates, that might for example be used to combatant inflation, might increase profits within the banking and financial sector. Increases in unemployment might enable firms to reduce, or at least hold in check, labor costs. This might in particular help an exporter since the economic decline in Britain does not harm demand for its products abroad (although see Kayser 2001). There might therefore be winners as well as losers from economic decline. However, overall I assume that the net effect on stock prices of an economic downturn, as represented by market indices, is negative.

A signal of economic decline rapidly affects stock prices even though the actual decline in profitability has yet to occur. Once future profits are anticipated to decline, then net present value of a firm expresses this decline. In this regard market actors are sophisticated. This raises several questions worth exploring. First, to what extent do market actors know future economic conditions? Second, given their financial incentives, stock market actors should be more likely to draw inferences from the election timing decisions than should less well informed and less attentive voters. In short, market actors should be more sophisticated (in the sense of using Bayes rule) than the average voter. This raises the additional question of, to what extent do financial markets provide cues for less attentive voters?

The amount of money at stake in stock exchange trades is truly staggering. Institutional investors often perform trades worth hundred of millions of pounds. Given such multipliers, over or under paying by even a fraction of a single percent amounts to a huge loss or profit. Unlike the average voter, institutional investors have a huge financial incentive to find out everything they can about the future economy. This has two consequences. First, market actors, if not
individually then as an aggregate, have much better expectations of future economic conditions than the average voter. Indeed some true market believers might claim the market knows even more than the Prime Minister about future conditions. I shall assume they are more informed than voters but less informed that the Prime Minister. This ameliorates any market response to an election announcement since to a certain extent the market already knew the future state of the economy and so the signal is proportionately less valuable. Although a market response to an election announcement will not be as intense as it would be had market actors had no more information than the average voter, the timing of an election should still contain some information.

Given their vast financial stakes, market actors should also interpret the election timing signal in a more sophisticated manner than the average voter. Each individual voter has only a minuscule chance of being pivotal at the election. Although the middle of the road voter, who might be influenced in her vote choice by consideration of which party is more competent to run the economy, might change her vote if she seriously considered the implications of the election timing signal given the conditions under which the election was called, the expected benefit of doing so are extremely small (i.e. the probability of being pivotal multiplied by expected improvement in welfare for having chosen correctly given the signal). Hence few voters will bother expending the effort to interpret the election timing decision. Market actors with literally millions of pounds on the line have the incentive to do so. All else equal, market actors should be more sophisticated than the average voter.

The literature of cue taking (Lupia 1994; Popkin 1991) suggests voters can act as if fully informed, yet avoid the cost of collecting information, by following the appropriate cues. Stock
markets serve the role of potential cues since they aggregate the information of informed market actors.

I proceed as follows. First, I examine how the response of stock market indices to the announcement of election depends upon the relative timing of the election. I find that if elections are called early relative to expectations (as measured by the Ratio of NewsStories and the Ratio of Cumulative Hazrds) then on average market indices decline in value. In contrast, if elections are late relative to expectations, then market indices are likely to increase in value. Second, I explore the possibility that stock markets serve the role of cue givers by studying whether the change in stock market indices predicts change in the government’s support following the announcement of elections.

I have several indices for the London stock exchange (described in chapter 3). In particular, I have the Financial Time 30 share index (FT30), the Financial Time 500 share index (FT500), and the datastream corporation’s total market index (TOTMKUK). Additionally, I have indices for United States stock. In particular I will present results controlling for the Dow Jones Industrial Average (DJ). International stock markets often tend to move in parallel. The inclusion of the DJ controls for overall movement in world prices.

To assess the impact of an election announcement I generate several measures. In particular $\Delta$FT30 (pre-call to pre-elect) is the percentage change in the FT30 index between the most recent market close prior to the announcement (typically the close on the day before) and the most recent market close prior to the election (typically the close on the Wednesday before

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42 Additionally, I used the Standard and Poor 500 composite index as a control. This produced similar results and is not presented.
the election). A positive value indicates the stock market rose over this period. This variable captures the change in stock market value as influenced by the election announcement and the campaign. It does not however include the market’s response to who wins the actual election, which as witnessed by the Conservative’s surprise victory in 1992 can be quite dramatic (Herron 2000). The effect of the election is captured by a second variable in which the market close on week after the election is used as the latter date to calculate the percentage change in the FT30 index. I also look at a third measure where the latter date is six months after the election. These latter two variables produce substantively similar results. I focus mainly on the (pre-call to pre-elect) version of the measure. The percentage changes in the other market indices are defined analogously. These data are shown in Table 4.13 in the appendix to this chapter. Although I have data on the FT30 index for all but the 2001 election, I have only nine observations (1966 to 1997) for the FT500 and TOTMKUK indices. For this reason I initially concentrate on the FT30 index.

Table 4.8 shows how the FT30 responds to the election announcement. Model 4.25 shows that with the inclusion of the corresponding change in the DJ to control for worldwide movements, the coefficient on the Ratio of Cumulative Hazard variables is negative and significant. This means that the greater the extent to which expectations of an election is a recent phenomena the greater the expected decline in the London stock market, as measured by the FT30. In particular, in moving from its minimum value of .106 to its maximum of 1.635 the Ratio of Cumulative Hazards variable predicts a 10.4% drop in market value from before the announcement of the election to the end of the campaign. Model 4.26, which also includes the government popularity variable, suggest that the Ratio of Cumulative Hazard variable has an even greater effect producing a 12.8% drop in market value. It would appear that market actors
interpret an unexpected election as bad news. By itself the Ratio of NewsStories variables perform less well, as evidenced by Model 4.27. However, in the presence of other variables, the newspaper count variables also suggest markets decline when governments are impatient (Model 4.28), although the overall significance of the model is questionable.

Although model 4.28 suggests a relationship, over a broad range of models, the variables for popularity, seat share, time remaining, and also new leader and party failed to consistently account for stock market responses to election announcements. One might expect that partisan difference mattered in terms of stock price. Although in some models coding for party or for Conservative victory produced statistically significant results, over a broad array of models no consistent pattern for these results emerges.

Unfortunately the FT30 is a relatively narrow measure of the London stock exchange. Although I have the alternative measure of FT500 and TOTMKUK, these are available for a smaller number of parliaments. In order to bring as much information to bear as possible, I utilize the fact that the three indices are effectively measures of the same thing: the movement of the stock market. Each index contains spurious idiosyncratic deviations from the underlying market due their composite stocks. By simultaneously estimating the impact of the election timing on all three indices, the impact of these spurious error can be averaged out.

The estimate in Table 4.9 are Seemingly Unrelated Regression estimates of the impact of relative election timing on three stock price indices. Model 4.29 shows that the less patient a government is, as measured by the Ratio of Cumulative Hazards, the greater the decline in stock price that follows the announcement of the election. Model 4.30 shows the same relationship in the Ratio of NewsStories variable. Both models include controls for the corresponding DJ index.
and the number of years-to-go. These results as robust to the exclusion of the years remaining variable and the inclusion of other variables.\footnote{Obviously given the low sample size, the impact of other variables can only be tested one at a time.}

Table 4.10 shows analogous results to those in Table 4.9 except that the dependent variable is percentage changes in the stock indices from the market close prior to the announcement to the market close six months after the election. These models show the same pattern as above. Market actors respond favorably to elections called late relative to expectation, but market indices fall when elections are early relative to expectations. Although the fit of these models is truly remarkable, caution must be expressed given the small sample size. Despite this warning, it appears that the relative timing of elections strongly influences the London stock market’s response to election announcements.

Stock markets respond strongly to the relative timing of elections. As such they provide potential cues for voters. If voters do indeed use cues from the stock market then government support should be related to changes in stock prices. The regression results in Table 4.11 show that they are. In particular, Model 4.34 shows that changes in government support mirror change in the FT30 index. The variable ΔFT30-ΔDJ (pre-call to pre-elect) is the difference between the percentage change in the FT30 index and the percentage change in the DJ index. It represents a proxy for how the London stock market has moved relative to the rest of the world from the market close before the announcement to the market close before the election. Adding both the ΔFT30 and the ΔDJ variables to the equation separately produces the same consequential result. Model 4.34 controls for the Ratio of NewsStories variables. An alternative explanation for model
4.34 is that the ΔFT30-ΔDJ and government support are related only because both separately correlated with the relative timing of elections variable. The inclusion of the Ratio of NewsStories weakens the impact of the ΔFT30-ΔDJ. Yet this cue variable remains a significant regressor in explaining government support. Obviously, this does not provide a convincing causal argument. Since the question of whether stock markets in fact serve as a cue for voters is some what tangential to my main arguments, I refrain from further analysis.

**The consequences of relative election timing**

The timing of elections matters. In this chapter, I derived measures of the relative timing of elections and showed that these measures were both substantively and statistically related to the electoral outcome (in terms of vote shares), subsequent economic performance, the length of campaigns, and the response of stock market indicators. In particular, when elections are called early relative to expectations then, on average, government support declines, economic conditions decline after the election, campaigns are short, and stock market indices decline. In contrast, at elections called late relative to expectations, government support increases, economic declines following the election are mild, campaigns are longer and stock market indices increase. Despite the limited number of observations, I have shown strong statistical evidence of these relationships.

Harold Wilson (1976, p.37-41 and 1971, p. 199-201) suggests that early elections also encourage apathy among voters. Although I predict that early elections are between incompetent

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44 A simultaneous equations approach, such as three stage least squares, to estimate change in government support and the change in stock indices simultaneously initially appears the appropriate method. Yet, the advantage of such methods lies in their asymptotic consistency. Given the small sample size their use is not warranted.
incumbents and ill-prepared challengers, the theory provides no prediction as to why this reduces turnout. Therefore, I have not focused on this dimension. However the Ratio of Cumulative Hazards and the Ratio of NewsStories measure of relative election timing, in the presence of a control for the closeness of the election (for which I used the square of the two party voting intentions variable) are both significantly and strongly negatively related to turnout.45

Causality is not the same as correlation. The tests show that subsequent economic conditions depend upon relative election timing. This is not, however, the theoretically argued direction of causality. To the contrary, leaders call elections in anticipation of economic declines. The worse the future conditions are expected to be, then the earlier leaders are prepared to call elections. Therefore, the earlier an election is relative to expectations, the worse the economic decline that follows. In contrast to alternative political economy arguments, such as PBCs, the election does not cause economic decline, but rather the election is caused because of the economic decline. From a research design perspective, this difference is critical since it helps distinguish between arguments. If the only mechanisms at work imply that elections alter subsequent performance then the relative timing of elections would be unrelated to economic conditions. The evidence rejects this null hypothesis and this provides support for the election timing argument. It is important to stress, however, that this result does not rule out the possibility of PBCs also operating.

45 Turnout models:
Turnout (%) = -.0197 (2 party voting intentions squared) - 6.979 (Ratio of Cumulative Hazard Ratio) - 1.327 (years remaining) + 84.879
Turnout (%) = -.0167 (2 party voting intentions squared) - 9.931 (Ratio of NewsStories) + 0.529 (years remaining) + 80.991
Throughout this chapter I have been pedantic in specifying the tests. While I apologize for
the boredom this induces, it is vital to the enterprise. Little confidence can be gained in the theory
I advocate from a single test: the available sample is too small and the range of alternative
explanations is too large. Confidence is built by the ability of the theory to predict on many
dimensions and by the failure of the data to falsify any of these hypotheses.
Appendix

In testing the electoral consequences of election timing I showed that voting intentions, and in particular interaction of voting intentions with time remaining, predict electoral support. While this evidence is consistent with the theory, this result could also be generated by the combination of a measurement error problem and the non-random selection of the election date. Here I derive these alternative arguments and propose how the election timing argument might be differentiated from this measurement error explanation by future research.

The evidence in Table 4.3 shows that the greater voting intentions are for the incumbent and that the earlier the election is, then the greater is the decline in the incumbent’s support at the election. The theory suggests this result follows because all else equal it takes worse anticipated future conditions to induce a leader to call elections early in the term compared to late in the term. Therefore, all else equal, the earlier the election is, the greater the signal of future decline and hence the greater the extent to which the voters should reassess their evaluation of the government. Hence in models 4.6, 4.7, and 4.8 the coefficient on the interaction of voting intentions with time remaining is predicted to be negative.

The change in support variable is constructed by comparing vote shares with pre-announcement voting intentions. Although polls are instructive as to the general level of support within the electorate, they are based on samples, not the whole electorate, and as such contain a margin of error, typically a few percentage points. Given this margin of error we should expect variance in the change in government support of at least a few percentage points. Further, we should on average expect government support to decline with the announcement of elections. Popular governments, those that expect to win, are more likely to call an election than unpopular
governments. For a given set of circumstances, there is a popularity threshold above which leaders call elections. All else equal (including now future performance), governments above the threshold call elections while those below it wait. An opinion poll must exceed a threshold to trigger an election. The expressed level of government support is the true level of government support plus some error. It is more likely that the expressed support surpasses the threshold when the error is optimistic than pessimistic.\footnote{Leaders are aware of this sampling problem and factor it into their calculation of the popularity threshold required to trigger an election. If polls were definite measure of government popularity, then the threshold would in general be lower than when polls contain a margin of error.} Therefore, on average, the announcement of elections occurs with an overly optimistic assessment of government popularity. By itself, a measurement error in the dependent variable creates a downwards bias in the data—shifting the intercept downwards—and an increase in the variance which increases the standard errors of our estimates. Given this later effect it is remarkable that any coefficients are statistically significant.

Unfortunately the selection effect created by popular governments being more likely to call elections than unpopular ones is not entirely benign. It is useful to return to the ‘surfing’ analogy to explain why. In surfing competitions surfer have a fixed amount of time in which to impress the judges. Given this, surfers do not attempt to ride the first wave they see but rather wait until the ‘right’ wave comes. As a result surfers will typically ride fewer waves than is physically possible in the time allowed. Yet, as their time expires surfers become less picky about their waves. They face the choice of riding the current wave or riding no wave. As a result, on average, the last wave a surfer rides in competition is worse than earlier waves. The same adage is true in timing elections, although governments only get to ride a single wave. At the end
of their term leaders have no room to manoeuver and go with whatever conditions confront them. No longer having the option to wait, they ride whatever wave is available. In terms of election timing this is to say the threshold level of popularity required to trigger an election is reduced. As such, the upward bias in government popularity is diminished.

This measurement error explanation also accounts for why popular governments lose more support earlier than later. Fortunately, this alternative explanation requires that leaders pick elections when they anticipate winning. However, it does not require that the decline in support is due to the signal that the announcement of the election sends. Of course, in reality leaders do not rely upon a single opinion poll to assess their popularity. Rather they look at variety of polls, by-election results, local or European elections, and information from grass-root constituency services. As the cartoon in chapter 1 indicated, Margaret Thatcher used local government elections a gauge of support before announcing the General Election in 1983. This considerably diminishes the overly optimistic assessment of popularity that would be created should a leader rely upon a single poll. This provides a possible method to rule out the measurement error explanation for the results in Table 4.3 and thus show that the larger decline after earlier announcements is due to the signal that the election announcement sends.

I use a single measure of government popularity, Gallup or MORI opinion polls. However as already discussed, there are alternative sources of evidence from which to gauge support, for example local elections, by-elections, and alternative polls. Suppose rather than the single measure of government support used here that three different measures are available, making it possible to construct three different versions of the change in government support variable. These three measures can then be simultaneously regressed against the chosen set of independent
variables, for example in a SUR model. The presence of multiple measures lowers the measurement error in the assessment of government support. If the results from these multiple measures lead to the same conclusion as the single measure results presented here then there is reason to believe that they are not due entirely to measurement error. Unfortunately, since my research resources are tapped out, this refinement will have to wait.
Table 4.1: Change in Government Support (Vote Share minus Pre-announcement Voting Intentions).

<table>
<thead>
<tr>
<th>Election</th>
<th>Win/Lose</th>
<th>Change in Government Support</th>
<th>Change in Two Party Government Support</th>
<th>Length of Parliament (years to announcement)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>Win</td>
<td>5.10</td>
<td>3.22</td>
<td>4.45</td>
</tr>
<tr>
<td>1951</td>
<td>Lose</td>
<td>8.00</td>
<td>6.33</td>
<td>1.55</td>
</tr>
<tr>
<td>1955</td>
<td>Win</td>
<td>1.70</td>
<td>-.46</td>
<td>3.46</td>
</tr>
<tr>
<td>1959</td>
<td>Win</td>
<td>-.60</td>
<td>-.76</td>
<td>4.26</td>
</tr>
<tr>
<td>1964</td>
<td>Lose</td>
<td>-.60</td>
<td>1.25</td>
<td>4.91</td>
</tr>
<tr>
<td>1966</td>
<td>Win</td>
<td>-2.10</td>
<td>-1.01</td>
<td>1.34</td>
</tr>
<tr>
<td>1970</td>
<td>Lose</td>
<td>-6.00</td>
<td>-5.75</td>
<td>4.08</td>
</tr>
<tr>
<td>1974 Feb.</td>
<td>Lose</td>
<td>-1.10</td>
<td>-.78</td>
<td>3.61</td>
</tr>
<tr>
<td>1974 Oct.</td>
<td>Win</td>
<td>-.80</td>
<td>.32</td>
<td>.54</td>
</tr>
<tr>
<td>1979</td>
<td>Lose</td>
<td>-.10</td>
<td>3.62</td>
<td>4.44</td>
</tr>
<tr>
<td>1983</td>
<td>Win</td>
<td>-6.60</td>
<td>-.68</td>
<td>4.00</td>
</tr>
<tr>
<td>1987</td>
<td>Win</td>
<td>4.40</td>
<td>-.42</td>
<td>3.91</td>
</tr>
<tr>
<td>1992</td>
<td>Win</td>
<td>4.90</td>
<td>4.85</td>
<td>4.74</td>
</tr>
<tr>
<td>1997</td>
<td>Lose</td>
<td>-.30</td>
<td>4.19</td>
<td>4.81</td>
</tr>
<tr>
<td>2001</td>
<td>Win</td>
<td>-9.20</td>
<td>-6.30</td>
<td>3.99</td>
</tr>
</tbody>
</table>
Table 4.2: Change in Government Support Following the Announcement of Elections. Dependent Variable is Two Party Change in Government Support.

<table>
<thead>
<tr>
<th></th>
<th>Model 4.1</th>
<th>Model 4.2</th>
<th>Model 4.3</th>
<th>Model 4.4</th>
<th>Model 4.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years-to-go</td>
<td>.103 (.748)</td>
<td></td>
<td></td>
<td></td>
<td>.307 (1.058)</td>
</tr>
<tr>
<td>Ratio of Cumulative</td>
<td>-4.536**</td>
<td>-3.841**</td>
<td>-4.212**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hazards</td>
<td>(2.458)</td>
<td>(1.475)</td>
<td>(2.007)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly Cumulative</td>
<td></td>
<td>-0.046**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hazard</td>
<td></td>
<td>(.0215)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Half-yearly</td>
<td></td>
<td></td>
<td>.024**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative Hazard</td>
<td></td>
<td></td>
<td>(.010)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voting intentions (2</td>
<td></td>
<td>-0.244**</td>
<td>-0.282**</td>
<td>-0.250**</td>
<td></td>
</tr>
<tr>
<td>party)</td>
<td></td>
<td>(.051)</td>
<td>(.056)</td>
<td>(.068)</td>
<td></td>
</tr>
<tr>
<td>Government Majority</td>
<td></td>
<td></td>
<td></td>
<td>.006</td>
<td></td>
</tr>
<tr>
<td>(2 party)</td>
<td></td>
<td></td>
<td></td>
<td>(.015)</td>
<td></td>
</tr>
<tr>
<td>Party</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.117 (1.943)</td>
</tr>
<tr>
<td>New Leader</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-2.054 (2.413)</td>
</tr>
<tr>
<td>Constant</td>
<td>.135 (1.479)</td>
<td>3.154* (1.787)</td>
<td>3.439 (1.069)</td>
<td>.086 (.785)</td>
<td>1.597 (4.415)</td>
</tr>
<tr>
<td>observations (exclude</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>1979)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R2</td>
<td>.0016</td>
<td>0.221</td>
<td>0.745</td>
<td>0.735</td>
<td>0.814</td>
</tr>
<tr>
<td>F-test</td>
<td>F(1,12)=</td>
<td>F(1.2)=</td>
<td>F(2,11)=</td>
<td>F(3,10)=</td>
<td>F(6,7)=</td>
</tr>
<tr>
<td></td>
<td>0.893 Pr.=</td>
<td>3.41 Pr. =</td>
<td>16.08 Pr. =</td>
<td>9.24 Pr. =</td>
<td>5.09 Pr. =</td>
</tr>
<tr>
<td></td>
<td>.89</td>
<td>.089</td>
<td>.000</td>
<td>.003</td>
<td>.025</td>
</tr>
</tbody>
</table>

Standard errors in parentheses. * significant at 10% level (one tailed test); **significant at 5% level (one tailed test).
Table 4.3: The Influence of Time Remaining on the Determinants of Change in Government Support.
Dependent Variable is Two Party Change in Government Support.

<table>
<thead>
<tr>
<th></th>
<th>Model 4.6</th>
<th>Model 4.7</th>
<th>Model 4.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voting intentions (2</td>
<td>-0.136* (.091)</td>
<td>-0.104 (.092)</td>
<td>-0.107 (.098)</td>
</tr>
<tr>
<td>party)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voting intentions *</td>
<td>-0.176* (.125)</td>
<td>-0.187* (.122)</td>
<td>-0.190* (.129)</td>
</tr>
<tr>
<td>ln(1+Years-to-go)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of Cumulative</td>
<td>-3.738** (1.416)</td>
<td>-2.596* (1.660)</td>
<td>-3.249 (3.188)</td>
</tr>
<tr>
<td>Hazards</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of Cumulative</td>
<td></td>
<td>-2.869 (2.319)</td>
<td>-2.073 (4.066)</td>
</tr>
<tr>
<td>Hazards * ln(1+Years-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to-go)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years-to-go</td>
<td></td>
<td></td>
<td>-0.184 (.749)</td>
</tr>
<tr>
<td>Constant</td>
<td>3.608** (1.032)</td>
<td>3.993** (1.052)</td>
<td>4.368** (1.889)</td>
</tr>
<tr>
<td>observations (exclude</td>
<td>14</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>1979)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R2</td>
<td>0.787</td>
<td>0.818</td>
<td>0.820</td>
</tr>
<tr>
<td>F-test</td>
<td>F(3,10) = 12.34</td>
<td>F(4,9) = 10.13</td>
<td>F(5,8) = 7.27</td>
</tr>
<tr>
<td></td>
<td>Pr. = .001</td>
<td>Pr. = .002</td>
<td>Pr. = 0.008</td>
</tr>
</tbody>
</table>

Standard errors in parentheses. * significant at 10% level (one tailed test); **significant at 5% level (one tailed test).
Table 4.4: Newspaper Stories and the Change in Government Support.
Dependent Variable is Two Party Change in Government Support.

<table>
<thead>
<tr>
<th></th>
<th>Model 4.9</th>
<th>Model 4.10</th>
<th>Model 4.11</th>
<th>Model 4.12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of NewsStories (month</td>
<td>-6.252*</td>
<td>-6.336**</td>
<td>-2.802</td>
<td></td>
</tr>
<tr>
<td>over half-year)</td>
<td>(4.061)</td>
<td>(3.265)</td>
<td>(2.257)</td>
<td></td>
</tr>
<tr>
<td>Ratio of NewsStories (month</td>
<td>-8.606*</td>
<td>-2.802</td>
<td>-3.126**</td>
<td></td>
</tr>
<tr>
<td>over year)</td>
<td>(4.966)</td>
<td>(2.257)</td>
<td>(1.457)</td>
<td></td>
</tr>
<tr>
<td>Voting intentions (2 party)</td>
<td>- .270**</td>
<td>-.261**</td>
<td>- .0005</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.083)</td>
<td>(.055)</td>
<td>(.014)</td>
<td></td>
</tr>
<tr>
<td>Government Majority (2 Party)</td>
<td>-.0005</td>
<td>-3.126**</td>
<td>- .0005</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.014)</td>
<td>(1.457)</td>
<td>(.014)</td>
<td></td>
</tr>
<tr>
<td>Ratio of Cumulative Hazards</td>
<td></td>
<td></td>
<td>-3.126**</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(1.457)</td>
<td></td>
</tr>
<tr>
<td>Years-to-go</td>
<td>.815</td>
<td>.815</td>
<td>.815</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.605)</td>
<td>(.605)</td>
<td>(.605)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>2.578*</td>
<td>1.927</td>
<td>3.842**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.743)</td>
<td>2.507</td>
<td>(1.195)</td>
<td></td>
</tr>
<tr>
<td>observations (exclude 1979)</td>
<td>13</td>
<td>12</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>R2</td>
<td>0.177</td>
<td>0.231</td>
<td>0.789</td>
<td></td>
</tr>
<tr>
<td>F-test</td>
<td>F(1,11) =</td>
<td>F(1,10)</td>
<td>F(4,8) =</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.37</td>
<td>=3.00</td>
<td>7.49</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pr. =0.152</td>
<td>Pr. =0.114</td>
<td>Pr. =0.008</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F(3,9)=</td>
<td>F(3,9)=</td>
<td>F(3,9)=</td>
<td></td>
</tr>
<tr>
<td></td>
<td>12.87</td>
<td>12.87</td>
<td>12.87</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pr. =0.001</td>
<td>Pr. =0.001</td>
<td>Pr. =0.001</td>
<td></td>
</tr>
</tbody>
</table>

Standard errors in parentheses. * significant at 10% level (one tailed test); **significant at 5% level (one tailed test). There is no newspaper data for 1983, and the announcement decision in 1979 is censored by a no-confidence vote. The October 1974 Parliament is less than one year long so the Ratio of NewsStories (month over year) can not be calculated for this Parliament.
Table 4.5: Economic Consequence of Election Timing

<table>
<thead>
<tr>
<th></th>
<th>Model 4.13</th>
<th>Model 4.14</th>
<th>Model 4.15</th>
<th>Model 4.16</th>
<th>Model 4.17</th>
<th>Model 4.18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Δinflation Rate over next half-year</strong></td>
<td>4.587** (1.624)</td>
<td>3.747** (1.021)</td>
<td>20.198** (6.716)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ratio of NewsStories (month over half-year)</strong></td>
<td>2.223** (1.176)</td>
<td></td>
<td></td>
<td></td>
<td>-12.515** (4.379)</td>
<td>-5.346** (1.650)</td>
</tr>
<tr>
<td><strong>Government Majority (2 party)</strong></td>
<td>-.018** (.007)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Years Remaining</strong></td>
<td></td>
<td>.469** (.224)</td>
<td>-3.915** (1.323)</td>
<td>-1.123** (.441)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Constant</strong></td>
<td>-.973 (.720)</td>
<td>.789 (.827)</td>
<td>-.989** (.452)</td>
<td>-.400 (.456)</td>
<td>7.312** (3.388)</td>
<td>4.734** (1.586)</td>
</tr>
<tr>
<td><strong>Observations (exclude 1979)</strong></td>
<td>12</td>
<td>13</td>
<td>12</td>
<td>13</td>
<td>12</td>
<td>12 (1974F excluded)</td>
</tr>
<tr>
<td><strong>R2</strong></td>
<td>0.444</td>
<td>0.420</td>
<td>0.574</td>
<td>0.285</td>
<td>0.571</td>
<td>0.564</td>
</tr>
<tr>
<td><strong>F-test</strong></td>
<td>F(1,10)=7.97 Pr.=0.018</td>
<td>F(2,10)= 3.62 Pr.=0.065</td>
<td>F(1,10)= 13.47 Pr.=.0043</td>
<td>F(1,11) = 4.38 Pr.=0.060</td>
<td>F(3,8)= 3.55 Pr.=0.067</td>
<td>F(2,9)= 5.82 Pr.=.024</td>
</tr>
</tbody>
</table>

Standard errors in parentheses. * significant at 10% level (one tailed test); **significant at 5% level (one tailed test).
Table 4.6: Seemingly Unrelated Regression Analysis of How Relative Election Timing Affects Future Inflation, Unemployment and Growth.

<table>
<thead>
<tr>
<th>Ratio of NewsStories (month over half-year)</th>
<th>Seemingly Unrelated Regression: Model 4.19</th>
<th>Seemingly Unrelated Regression: Model 4.20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of NewsStories (month over half-year)</td>
<td>Seemingly Unrelated Regression: Model 4.19</td>
<td>Seemingly Unrelated Regression: Model 4.20</td>
</tr>
<tr>
<td>Ratio of Cumulative Hazards</td>
<td>1.911** (1.030)</td>
<td>.914* (.669)</td>
</tr>
<tr>
<td>Years Remaining</td>
<td>.100 (.309)</td>
<td>.264* (.182)</td>
</tr>
<tr>
<td>constant</td>
<td>-.811 (.668)</td>
<td>-.955** (.392)</td>
</tr>
<tr>
<td>R2</td>
<td>0.319</td>
<td>0.178</td>
</tr>
<tr>
<td>$\chi^2$</td>
<td>5.150 (Pr.=.076)</td>
<td>2.385 (Pr.=0.303)</td>
</tr>
</tbody>
</table>

Standard errors in parentheses. * significant at 10% level (one tailed test); **significant at 5% level (one tailed test).
Table 4.7: The Length of the Campaign and the Timing of Election

<table>
<thead>
<tr>
<th></th>
<th>Model 4.21</th>
<th>Model 4.22</th>
<th>Model 4.23</th>
<th>Model 4.24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years-to-go</td>
<td>-3.041*</td>
<td>1.886</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of NewsStories (month</td>
<td>-23.841**</td>
<td>(10.114)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>over half-year)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of Cumulative Hazards</td>
<td></td>
<td>4.422 (7.762)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of Cumulative Hazards</td>
<td></td>
<td></td>
<td>-23.236** (10.084)</td>
<td></td>
</tr>
<tr>
<td>* ln(1+Years-to-go)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly Cumulative Hazard</td>
<td></td>
<td>-266** (.032)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Half-yearly Cumulative</td>
<td></td>
<td>.136** (.016)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hazard</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voting intentions (2 party)</td>
<td></td>
<td>-.784** (.087)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Majority (2 party)</td>
<td></td>
<td>.0928** (.012)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Party</td>
<td></td>
<td>-4.983 (2.084)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Leader</td>
<td></td>
<td></td>
<td>19.099** (3.518)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>38.860** (3.725)</td>
<td>43.152** (4.340)</td>
<td>41.087** (4.934)</td>
<td>23.674** (1.685)</td>
</tr>
<tr>
<td>observations</td>
<td>14</td>
<td>13</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>R2</td>
<td>0.178</td>
<td>0.336</td>
<td>0.353</td>
<td>0.953</td>
</tr>
<tr>
<td>F-test</td>
<td>F(1,12)=2.60 (Pr.=0.133)</td>
<td>F(1,11)=5.56 (Pr.=.038)</td>
<td>F(2,11)=2.99 (Pr.=.092)</td>
<td>F(6,7)=23.67 (Pr.=.000)</td>
</tr>
</tbody>
</table>

Standard errors in parentheses. * significant at 10% level (one tailed test); **significant at 5% level (one tailed test).
Table 4.8: Stock Market Responses to the Timing of Elections.
The dependent variable is ΔFT30 (pre-call to pre-elect)

<table>
<thead>
<tr>
<th></th>
<th>Model 4.25</th>
<th>4.26</th>
<th>4.27</th>
<th>4.28</th>
</tr>
</thead>
<tbody>
<tr>
<td>ΔDJ (pre-call to pre-elect)</td>
<td>.905**</td>
<td>1.123**</td>
<td>.514**</td>
<td>2.013**</td>
</tr>
<tr>
<td></td>
<td>(.364)</td>
<td>(.344)</td>
<td>(.399)</td>
<td>(.796)</td>
</tr>
<tr>
<td>Ratio of Cumulative Hazards</td>
<td>-6.568**</td>
<td>-8.353**</td>
<td>-2.396</td>
<td>-17.133**</td>
</tr>
<tr>
<td></td>
<td>(3.063)</td>
<td>(2.891)</td>
<td>(4.948)</td>
<td>(7.524)</td>
</tr>
<tr>
<td>Ratio of NewsStories (month over half-year)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.179**</td>
<td>.240*</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.095)</td>
<td>(.153)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voting Intentions (2 party)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Majority (2 party)</td>
<td></td>
<td></td>
<td></td>
<td>-.046**</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(.030)</td>
</tr>
<tr>
<td>Years Remaining</td>
<td></td>
<td></td>
<td>2.706*</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(1.804)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>7.056**</td>
<td>7.939**</td>
<td>3.484*</td>
<td>8.203*</td>
</tr>
<tr>
<td></td>
<td>(2.209)</td>
<td>(2.025)</td>
<td>(2.195)</td>
<td>(4.547)</td>
</tr>
<tr>
<td>Observations (exclude 1979)</td>
<td>13</td>
<td>13</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>R2</td>
<td>0.412</td>
<td>0.579</td>
<td>0.186</td>
<td>0.586</td>
</tr>
<tr>
<td>F-test</td>
<td>F(2,10)=3.50 (Pr. = 0.070)</td>
<td>F(3,9)= 4.12 (Pr. =0.043)</td>
<td>F(2,9)=1.03 (Pr.=0.397)</td>
<td>F(5,6)= 1.70 (Pr.=0.269)</td>
</tr>
</tbody>
</table>

Standard errors in parentheses. * significant at 10% level (one tailed test); **significant at 5% level (one tailed test).
Table 4.9: The Effect of Election Timing on Multiple Market Indices.
SUR regression looking at change in market indicator from the pre-announcement close until the pre-election close.

<table>
<thead>
<tr>
<th></th>
<th>Semingly Unrelated Regression: Model 4.29</th>
<th>Semingly Unrelated Regression: Model 4.30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ΔFT30 (pre-call to pre-elect)</td>
<td>ΔFT30 (pre-call to pre-elect)</td>
</tr>
<tr>
<td>ΔDJ (pre-call to pre-elect)</td>
<td>1.166** (.515)</td>
<td>3.567** (.780)</td>
</tr>
<tr>
<td>Ratio of Cumulative Hazards</td>
<td>-7.403** 3.479394</td>
<td>-19.794** (6.366)</td>
</tr>
<tr>
<td>Ratio of NewsStories (month over half-year)</td>
<td>-5.771** (3.206)</td>
<td>-18.699** (4.215)</td>
</tr>
<tr>
<td>Years Remaining</td>
<td>.3877116 1.186156</td>
<td>8.465** (2.215)</td>
</tr>
<tr>
<td>constant</td>
<td>6.699** 3.268</td>
<td>-4.952** (2.777)</td>
</tr>
<tr>
<td>Observations</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>R2</td>
<td>0.515 0.653</td>
<td>0.773 0.914</td>
</tr>
<tr>
<td>( \chi^2 )</td>
<td>8.480 (Pr.=.037)</td>
<td>23.856 (Pr.=.000)</td>
</tr>
</tbody>
</table>

Standard errors in parentheses. * significant at 10% level (one tailed test); **significant at 5% level (one tailed test).
Table 4.10: The Effect of Election Timing on Multiple Market Indices.
SUR regression looking at change in market indicator from the pre-announcement close until the close six month after the election.

<table>
<thead>
<tr>
<th></th>
<th>Seemingly Unrelated Regression: Model 4.31</th>
<th>Seemingly Unrelated Regression: Model 4.32</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\Delta$FT30 (pre-call to half-year after election)</td>
<td>$\Delta$FT500 (pre-call to half-year after election)</td>
</tr>
<tr>
<td>ADJ (pre-call to half-year after election)</td>
<td>1.329** (0.094)</td>
<td>1.408** (.111)</td>
</tr>
<tr>
<td>Ratio of NewsStories (month over half-year)</td>
<td>2.161** (1.023)</td>
<td>2.566** (1.200)</td>
</tr>
<tr>
<td>Years Remaining</td>
<td>14.449** (4.068)</td>
<td>9.183* (4.775)</td>
</tr>
<tr>
<td>constant</td>
<td>0.967</td>
<td>0.960</td>
</tr>
<tr>
<td>Observations</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>$\chi^2$</td>
<td>240.893 (Pr.=.000)</td>
<td>193.287 (Pr.=.000)</td>
</tr>
</tbody>
</table>
Table 4.11: Cue taking from Market Indicators: How Change in Stock Market Indices affect Government Support.
The dependent variable is Change in two Party Government Support.

<table>
<thead>
<tr>
<th>Model</th>
<th>Model 4.33</th>
<th>Model 4.34</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voting Intentions (2 party)</td>
<td>-.266** (.059)</td>
<td>-.242** (.063)</td>
</tr>
<tr>
<td>ΔFT30-ΔDJ (pre-call to pre-elect)</td>
<td>.367** (.141)</td>
<td>.295** (.129)</td>
</tr>
<tr>
<td>Ratio of NewsStories (month over half-year)</td>
<td></td>
<td>-4.321** (2.200)</td>
</tr>
<tr>
<td>Constant</td>
<td>.189** (.661)</td>
<td>1.833* (1.044)</td>
</tr>
<tr>
<td>Observations (exclude 1979)</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>R²</td>
<td>0.692</td>
<td>0.805</td>
</tr>
<tr>
<td>F-test</td>
<td>F(2,10)=11.21 (Pr.=.003)</td>
<td>F(3,8)=11.04 (Pr.=.003)</td>
</tr>
</tbody>
</table>

Standard errors in parentheses. * significant at 10% level (one tailed test); **significant at 5% level (one tailed test).
Table 4.12: Key Indicators of Relative Election Timing.

<table>
<thead>
<tr>
<th>Election</th>
<th>Cumulative Monthly Hazard (Model 3.3)</th>
<th>Cumulative Half-Year Hazard (Model 3.3)</th>
<th>Ratio of Cumulative Hazards</th>
<th>Ratio of NewsStories (Month over half-year)</th>
<th>Ratio of NewsStories (Month over year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950,W</td>
<td>16.064</td>
<td>45.416</td>
<td>0.547</td>
<td>0.125</td>
<td>0.084</td>
</tr>
<tr>
<td>1951,L</td>
<td>1.469</td>
<td>12.300</td>
<td>0.136</td>
<td>0.182</td>
<td>0.083</td>
</tr>
<tr>
<td>1955,W</td>
<td>20.092</td>
<td>68.248</td>
<td>0.417</td>
<td>0.231</td>
<td>0.158</td>
</tr>
<tr>
<td>1959,W</td>
<td>182.804</td>
<td>437.538</td>
<td>0.718</td>
<td>0.222</td>
<td>0.123</td>
</tr>
<tr>
<td>1964,L</td>
<td>485.958</td>
<td>946.721</td>
<td>1.055</td>
<td>0.217</td>
<td>0.107</td>
</tr>
<tr>
<td>1966,W</td>
<td>22.273</td>
<td>134.016</td>
<td>0.199</td>
<td>0.714</td>
<td>0.488</td>
</tr>
<tr>
<td>1970,L</td>
<td>36.083</td>
<td>58.153</td>
<td>1.635</td>
<td>0.709</td>
<td>0.598</td>
</tr>
<tr>
<td>1974F,L</td>
<td>19.188</td>
<td>44.161</td>
<td>0.768</td>
<td>0.748</td>
<td>0.672</td>
</tr>
<tr>
<td>1974O,W</td>
<td>7.575</td>
<td>23.198</td>
<td>0.485</td>
<td>0.686</td>
<td></td>
</tr>
<tr>
<td>1979,L</td>
<td>37.290</td>
<td>387.949</td>
<td>0.106</td>
<td>0.416</td>
<td>0.157</td>
</tr>
<tr>
<td>1983,W</td>
<td>136.876</td>
<td>425.233</td>
<td>0.475</td>
<td>.</td>
<td></td>
</tr>
<tr>
<td>1987,W</td>
<td>13.607</td>
<td>30.530</td>
<td>0.804</td>
<td>0.180</td>
<td>0.104</td>
</tr>
<tr>
<td>1992,W</td>
<td>188.734</td>
<td>542.828</td>
<td>0.533</td>
<td>0.196</td>
<td>0.116</td>
</tr>
<tr>
<td>1997,L</td>
<td>60.764</td>
<td>165.443</td>
<td>0.580</td>
<td>0.211</td>
<td>0.129</td>
</tr>
<tr>
<td>2001,W</td>
<td>16.427</td>
<td>49.154</td>
<td>0.502</td>
<td>0.193</td>
<td>0.132</td>
</tr>
<tr>
<td>Election</td>
<td>ΔFT30 (pre-call to pre-elect)</td>
<td>ΔFT30 (pre-call to 7 days after election)</td>
<td>ΔFT30 (pre-call to 6 months after election)</td>
<td>ΔFT500 (pre-call to pre-elect)</td>
<td>ΔTOMKUK (pre-call to pre-elect)</td>
</tr>
<tr>
<td>----------</td>
<td>-----------------------------</td>
<td>-------------------------------------------</td>
<td>-------------------------------------------</td>
<td>-------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>1950,W</td>
<td>2.467</td>
<td>-0.380</td>
<td>8.065</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>1951,L</td>
<td>3.368</td>
<td>1.123</td>
<td>-15.120</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>1955,W</td>
<td>3.887</td>
<td>8.839</td>
<td>0.745</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>1959,W</td>
<td>5.251</td>
<td>13.519</td>
<td>26.607</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>1964,L</td>
<td>0.683</td>
<td>-1.694</td>
<td>-9.156</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>1966,W</td>
<td>-0.690</td>
<td>-1.237</td>
<td>-12.223</td>
<td>-2.563</td>
<td>-1.636</td>
</tr>
<tr>
<td>1970,L</td>
<td>-3.724</td>
<td>0.769</td>
<td>-0.887</td>
<td>-2.236</td>
<td>-0.894</td>
</tr>
<tr>
<td>1974,O,W</td>
<td>-1.421</td>
<td>0.931</td>
<td>44.243</td>
<td>-8.445</td>
<td>-9.136</td>
</tr>
<tr>
<td>1987,W</td>
<td>5.637</td>
<td>7.500</td>
<td>-22.530</td>
<td>5.951</td>
<td>6.584</td>
</tr>
<tr>
<td>1997,L</td>
<td>-1.085</td>
<td>0.573</td>
<td>7.900</td>
<td>-1.646</td>
<td>-0.602</td>
</tr>
</tbody>
</table>
Figure 4.1: Change in Government Support (Difference between vote share at election and pre-announcement voting intentions).

How electoral support differs from pre-announcement voting intentions

Dates indicate change in government support.
Triangles indicate change in two party government support.
Figure 4.2: Predicted Hazard for the Parliament ending in 1970.
(Thin line: informed model 3.12; Thick line: uniformed model 3.3)
Chapter 5: Early and Late Election in Britain.

“The overriding consideration in choosing an election date is whether or not you think you are going to win.” (Thatcher 1993 p.288)

Why was no election called in the fall of 1978 following the break up of the Lib-Lab pact, or in 1982 following the Falklands War? What would have been the consequences of an election on these dates had one been called? Is it valid to assert that his decision to call a snap election in 1970 lost Harold Wilson his popular support and hence the election? In this chapter I attempt to answer these, and similar, questions by examining the decisions to call elections and the consequences of these decisions in the context of particular parliaments.

As an organizing principle, and noting that no political science book is complete without one, I propose using the following two-by-two table (Figure 5.1).

<table>
<thead>
<tr>
<th>Elections Announced?</th>
<th>Elections Expected?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Popular support remains robust. Mild post-election decline</td>
</tr>
<tr>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Decline in popular support. Drastic post-election decline</td>
</tr>
<tr>
<td></td>
<td>Popular support improves. Economic conditions improve.</td>
</tr>
<tr>
<td></td>
<td>No change in support or in future economic outcomes.</td>
</tr>
</tbody>
</table>

While Figure 5.1 serves as a useful organizing principle it is deficient; the extent to which elections are expected is a continuous not discrete variable. Hence in reality, actual incidences of election timing do not fit precisely into one of the cells, but rather the cells should be considered as limiting cases, towards which particularly instances tend. With this in mind, I start by considering specific instances when elections were called and assess how expected these elections were. Given
these expected likelihoods of elections, I examine the electoral outcomes and post electoral performances. I then move on to consider instances when elections did not happen. While it is easier to focus on the elections that actually happened, selecting cases only on the dependent variable leads to false inferences. Thus, I attempt to undercover the motives behind the decision to not call elections and examine what the likely consequences of elections that never were.

**Elections**

All else equal, leaders call elections when they anticipate a decline in future performance. When elections have been widely anticipated for a while, an election announcement signals little expected decline. In contrast, an election called ‘out of the blue’ signals that the government is ‘cutting and running’ and that serious declines should be anticipated. In this section, I explore the motivating incentives to call elections and how relative earliness or tardiness influences outcomes.

In pure calendar days, the earliest elections are October 1974, 1966, and 1951. However, relative to expectations at the time, all three of these parliaments last longer than expected. The longest parliaments and hence the latest elections are 1964, 1997 and 1992, respectively. Yet given the contingent circumstances, few were surprised by the Prime Minster’s choice to wait.

It is not timing per se that is informative, but rather timing relative to expectations. To estimate these expectations, I proposed two measure. First I used model 3.3 to estimate the daily hazard for each parliament. To measure the short-term incentive to call an election I summed these hazards over the previous thirty days. To measure the long-term incentive to call an election I summed these hazards over the previous six months. When the later measure is large, the government has exhibited patience and forgone opportunities to cash in on its popularity. In contrast,

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47 Measured from first sitting until announcement.
when only the former monthly cumulative hazard is large, there has been no long-term expectation of elections and the government is utilizing its first opportunity to call an election. Rather than work with both of these cumulative hazard variables, for many of the tests I used their ratio, a variable I called the Ratio of Cumulative Hazards. By this measure the earliest elections relative to expectations are 1970, 1964, 1987, and 1974 February. In contrast, by this measure 1951, and 1966 stand out as late elections relative to expectations.

On the basis that newspapers are more likely to write stories and editorials about the next election when an election is anticipated, I also measured people’s expectations of elections by counting newspaper stories. Using a similar logic to that above I compared the number of stories published in the month before the election announcement to the number of stories published in the previous six months before the election. Unlike the cumulative hazards variable where I am able to work with both the monthly and half-yearly cumulative hazards, as well as their ratio, the necessity to use different sources to count newspaper stories for difference parliaments means that the absolute number of stories are not standardized. Working with the ratio variable normalizes the count data, making them comparable between parliaments. The details of the variable constructions were discussed in chapter 3 and 4.

The Ratio of NewsStories variable suggests that the earliest elections relative to expectations are 1974 February, 1966, 1970, and 1974 October, which take values 0.748, 0.714, 0.709 and 0.686 respectively. The remaining elections appear qualitatively later by the newspaper measure, taking values between a low of 0.125 in 1950 and 0.231 in 1955.48

Although the two Ratios vary significantly, they agree in their extremes. Both suggest

48 The Ratio of NewsStories for the censored 1979 case is 0.416.
February 1974 and particularly 1970 were elections called early relative to expectations. The elections of 1950, 1955, 2001, and particularly 1951 are relatively late by both measures of expectations.49

**Early Elections (relative to expectations).**

Leader call elections early when they anticipate a decline in future performance. Given this motivation, elections called early relative to expectations signal an impending decline. As systematically shown in chapter 4, economic conditions and government support decline after the announcement of snap elections. In addition, campaigns are short, and the stock market reacts unfavorably. Here I examine the reasons for and the consequences of the timing of the 1970 election. Having looked at this case in some detail, I also examine the February 1974, and the French parliamentary elections of 1997.

**1970 Election**

Wilson’s Labour government was re-elected on March 31st 1966. Since Parliament first met on April 18th, Wilson had until April 18th 1971 to dissolve Parliament. Yet, following successful
local elections and with a 7% lead in the opinion polls over the Conservatives on May 18th 1970 he announced the dissolution of Parliament for May 29th, with elections to follow on June 18th. Despite his lead going into the contest, he lost, with the Conservatives taking 330 seats versus Labour’s 287.

Wilson’s Labour administration first came to power in 1964 but was dogged by its small majority. Wilson called an election in 1966 and gained 363 seats, giving his government a comfortable majority. Unfortunately, from 1966 onwards the government was plagued by numerous problems. A particular trouble was pressure against sterling. Britain was running a high trade deficit and this forced the government to choose between devaluing the pound from the $2.80 per pound level or taking deflationary steps to reduce demand. In both 1966, immediately after the election, and in 1968 the government imposed deflationary budgets to defend the pound. The pressure was too much, and the government succumbed announcing devaluation to $2.40 on November 18th 1967. Industrial disputes also marred the government’s performance, with 1968 being named the ‘Year of the Strike.’ Wilson’s attempts to lead Britain into Europe were also defeated by French President de Gaul’s veto. The government suffered many wounds and it was the failure of these to heal that Wilson would blame for his defeat. These problems harmed the government’s popularity. Labour lost numerous by-election, and from March 1967 onwards, Labour trailed the Conservative badly in the opinion polls.

In September 1969 things began to change with the pressure on sterling eased by current account trade figures which showed the country was finally in the black. The growth in the trade surplus continued over the coming months allowing Labour to promise an increase in public services. By the end of September, at the party conference, the Conservative’s lead in the polls was

50 Butler and Pinto-Duschinsky (1971) provide a detailed account of this Parliament.
down to around 11%, from a July figure of about 19%. This reversal of fortune continued in earnest throughout the end of 1969 and the beginning of 1970. Figure 5.2 plots public opinion leading up to the 1970 election. The two horizontal lines represent the vote share the major parties eventually received at the election. The upper line represents the Conservatives 46.4% vote share and the lower represents Labour 43% vote share.

As Wilson himself puts it "the public opinion polls... were moving steadily in our favour... It was not until 22nd April that the first of the four regular national polls showed a Labour lead. I had just emerged from a railway sleeping compartment at Glasgow when the Scottish Daily Express was thrust into my hand, with the headline ‘Good Morning, Mr. Wilson’ and the news that the Harris poll showed a Labour lead (1971 p.778-9).” Labour’s lead continued to grow. By May 12th Gallup reported a 7% Labour lead and speculation began in earnest about the possibility of an early election, which only months previously would have been unthinkable. As Butler and Pinto-Duschinsky (1971 p.138) put it "the June election was unexpected, at least to judge by the commentaries of a few weeks earlier.” This conclusion is supported by the newspaper evidence, Figure 5.3. Prior to the start of 1970, there were only 50 stories published in *The Times* relating to the next election. By the start of April, this number was up to 70, and by May 1st it was 100. An additional 52 stories were published about the next election in the remaining 17 days of May before Wilson announced elections.

Some selected titles provide context for these data: "Timing the general election: who should decide" (April 22 1970); "Risks of gambling on a June election" (April 23 1970); "June would be best" (April 23 1970); "Labour’s tactical victories" (April 27, 1970); "Choosing the date" (April 30th 1970); "Chances of snap June pool fade" (May 1st 1970); "June 18 seen as possible election date" (May 7th 1970); "Secret meeting on election date, says Crossman" (May 9th 1970); "June or October"
When Labour was ten plus point down in the polls it is easy to understand why Wilson did not call an election. To have done so would have been to surrender office. Yet, the question remains why did he act upon his first possible opportunity to secure another term in office? The improvement in economic conditions and the growth in Labour’s popularity were certainly important in making an election possible, but why did Wilson choose to act? I conjecture Wilson’s decision was spurred by fears of future economic conditions. Figure 4.2 shown in the previous chapter supports this idea.

Figure 4.2 compares the predicted hazard assuming no foreknowledge (model 3.3) and assuming complete foreknowledge of future economic conditions (model 3.12). Although both hazards experience a sharp rise in the spring of 1970, with a knowledge of the impending economic declines, the predicted hazard for model 3.12 rises far higher than that for model 3.3. Had the voters possessed the same information as Wilson, they would have thought an election twice as likely as they actually did. Put another way, the announcement of elections in May was more expected by Wilson than by the average uninformed voter. As The Times (May 14th 1970) story, "The Storm Clouds Ahead", suggests, although current conditions are good, their sustainability were questionable especial in light of growing inflationary pressures fueled by organized labor’s wage claims. These pessimistic predictions are indeed borne out. The electorate had good reason to favor the government. In the second quarter, GDP rose 2% over first quarter GDP (an annualized rate of over 8%). Yet, following the election, the growth rate fell, and inflation rose, as shown in Figure 5.4. The unemployment rate would also increase from 2.4% in 1970 to 3.4% in 1971. With this post-election
economic performance, perhaps the electorate was wise to dismiss Labour. The theory suggests that it is precisely to prevent the voters from incorporating this information into their assessment that the Prime Minister calls an election.

Wilson’s account of what influenced his decision is spartan. "I consulted my senior colleagues on the Cabinet’s parliamentary committee about the election timing. Almost all were in favour of June; after the borough [local] elections the following week, the waverers were to express the same view. I consulted Roy Jenkins on the economic prospects. Regardless of any personal views he might then have held, he gave me his professional view as Chancellor on the election timing. There was nothing known or foreseen by him to influence the decision in favour of either June or October. But, other things being equal, an early election would remove the uncertainty that was building up – there was widespread public comment in expectation of an early election and, indeed, criticism of my ‘dithering’. I decided to go for June, it would enable decisions to be taken with the minimum delay. (Wilson 1971 p780-1)" Although he goes on to discuss in the results of the borough election and cabinet approval of his decision, his account contains practically no additional details as to his motivation on a decision that cost him nearly a full year in office. It is important to note, however, that in writing this in 1971 he was still leader of the opposition, and he would return to office on March 6th 1974. Presumably, if he were motivated by fears of an upcoming economic decline which he hoped to hide from the electorate then admitting such would not improve his standing.51

Whatever Wilson’s motives may have been, it is how the voters interpret his signal that is electorally important. As Figure 4.2 shows, from Wilson’s informed position, elections were about

51 Writing later in 1976 (p. 36-7) he is no more forthcoming on his 1970 election decision.
twice as likely as an ill-informed voter might think. It is important to remember that by the informed/uninformed distinction I refer only to foreknowledge of performance. From the voters’ perspective the election is earlier than it is from Wilson’s perspective. It is precisely this difference that informs voters about Wilson’s expectation of the future.

That Wilson took his first opportunity to gain reelection forces voters to question future performance. The data suggest that he had good reason and that given subsequent economic conditions, he might indeed have taken his best shot. By calling the election, he demonstrates to the voters that he is sufficiently worried about the future that he prefers to hide it from them. Learning this, the voters downgrade their opinion of the government. Although there is some variation between polls52, Labour was around 7% ahead of the Conservatives in May. Yet, Wilson’s support was ephemeral. In both absolute and two party terms, Labour lost around 6% of its support. With only a very short run of success to separate Labour’s performance from years of failure, the signal of more bad news ahead critically harmed the government’s support.

In 1970 the voters punished Wilson’s administration for calling an election nearly a year early. In contrast, in 1966 when Wilson called an election more than three and half years early his support remained robust. Although, much earlier in terms of actual time, relative to expectations the 1966 election was late. In 1964 Labour had won a minimal majority. Expectations were for an immediate new election, but Wilson continued government. With electoral loses at by-elections eating away at his already minuscule majority, Wilson’s position became increasingly untenable. Combined with his strong lead in the opinion polls from the fall of 1965 onwards elections were long

52 See *The Times* May 15th 1970 p.10 "Six years of shifting viewpoints in a volatile electorate” for a discussion of the polls.

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expected. As Butler and King (1966 p.85) put it "by late February it was clear to all three parties that polling day would come towards the end of March. Everyone had expected an election some time in 1966, but there had been so many false alarms that when it finally came it took almost everyone by surprise."

The combination of long-term popularity and small seat share conspired to make the 1966 election late relative to expectations. Even when the election did finally come it was to secure a majority rather than an attempt to cash in on popularity. "A great deal has been written about the decision to hold the election in March [1966], almost all of it wrong. It has been assumed that I decided to call it following on our remarkable victory in the Hull North by-election on 27th January, when our majority was increased from 1,181 to 5,351, a four and a half per cent swing to Labour from 1964. The truth is almost the opposite. I had decided on an early election quite firmly, before Hull polled. Indeed, had we lost Hull I should have had to go to the country, as the majority would then have been down to one. And there were serious reports coming in about the deterioration in the health of one of our comrades, Harold Hayman, who had been killed off in costly stock market rumour one Friday in the previous summer. (He died in February.) If anything, Hull was a signal not to go to the country. I interpreted the Hull vote not as a decisive vote of confidence but as a vote to tell us to get on with our job. (Wilson 1971 p.199.)"

In 1966 Wilson had long forgone the temptation to cash in. Further, when he did eventually go to the people, he had easily justifiable reasons to do so. The election was late relative to expectations. As the theory would predict, his support remain robust, the stock market remained relatively stable, and there was little post-election economic decline. In 1970, Wilson had a secure majority and nearly a year left in his term. There was no pressing reason for an election on these
grounds. The early election signaled future decline. When combined with the failures of earlier years, the government’s short-term successes were insufficient to maintain the voters’ confidence. Labour’s support declined, and they lost the election.

**February 1974 Election**

In many ways the February 1974 election is strange. Indeed looking back it is hard to fathom the political conflicts. Perhaps the political events that preceded the election can best be summarized by *The Guardian’s* February 7th 1974 cartoon, which depicts a King Kong like coal miner at the top of the Houses of Parliament with Prime Minister Heath demanding ‘Just you come down this instant - or I’ll ask the electorate who owns the building’ (Figure 5.5). From its election in 1970 Edward Heath’s Conservative government had struggled with numerous issues including pressure on the pound, sectarian violence in Northern Ireland, industrial disruption, and inflation\(^{53}\). To tackle the latter problem, the government had resorted to incomes policies (caps on the level of wage increases), a policy that it had criticized at the previous election.

During the 1970-74 Parliament, coal miners had won substantial wage increases via industrial action. In October 1973 the government announced maximum wage increases of 8-9% in Phase Three of its incomes policy. The National Coal Board immediately offered the miners this maximum amount, which their union, the National Union of Mineworkers refused. If their incomes policy was to succeed, the government needed the miners to accept Phase Three, but with the NCB already offering the maximum there was no room to bargain. It was this confrontation that provided the backdrop for the February 1974 election.

On November 7th, the NUM announced a ban on overtime which cut coal production by 30%.

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\(^{53}\) For a basic account of the 1970-74 Parliament see Butler and Kavanagh (1974).
The risk that the country would run out of coal stocks before the end of the winter became a very real possibility. This problem was exacerbated by the 1973 conflict in the Middle East and the resultant oil crisis. The increased oil price put yet further pressure on Britain’s balance of payments problems. The government called a state of emergency and on December 13th implemented a three-day working week. It was thought that the resultant saving in electricity production of 20% would enable the country to last out the winter.

Coinciding with these industrial problems, the government’s popularity was rising. On December 7th, *The Times* reported the Conservatives ahead of Labour in the opinion polls for only the second time in two years. As the industrial conflict worsened and agreement with the unions became less likely, speculation about an election flourished and phrases such as ‘we can’t give in to the miners without an election first’ began to be associated with Conservative Ministers (Butler and Kavanagh 1974 p.32). With statements like ‘some of my fellow MPs are all in favour of an early election because they feel we are going to be a lot more popular in the next six weeks than in the two years following’ coming out of the January 10th meeting of the Conservative’s 1922 Committee, it is not surprising that the newspapers were flooded with election speculation.54 Figure 5.6, which plots the cumulative number of newspaper stories relating to the next election from 1973 onwards, shows the rapidity with which the possibility of an election arose. This figure also plots two party voting intentions for the government.

Throughout the Parliament prior to December 1973, there were only 72 stories in *The Times* relating to the next election. From the end of December speculation becomes furious, with 83 election related stories in January alone. From out of nowhere, an election became a real possibility.

54 Cited in Butler and Kavanagh 1974 p.32.
While the Labour leader Harold Wilson continued to believe an election unlikely, Labour began work on a manifesto. On January 3rd *The Times* reported “Parties are preparing for a snap election.” In early January it appeared that the unions might compromise and this lessened speculation. Indeed on its front page *The Times* reports “Prospect of four-day week as Prime Minister defers election decision. (January 18th 1974).” But when talks failed and the mine workers voted on February 4th for a strike, an election again appeared likely.

Figure 5.7, the analog to Figure 4.2, plots the predicted hazard given a knowledge of future economic conditions and the predicted hazard without this knowledge. The difference is dramatic. Without a knowledge of future economic conditions, there is practically no motive for an election. Yet, with a knowledge of future inflation and unemployment, which it is assumed PMs possess, an election becomes extremely likely. The enormous difference between these informed and uninformed perspectives provide a strong basis for the voters to distrust the government’s motives in calling an election.

On February 7th, Prime Minister Heath announced elections for February 28th. On January 9th the polls had given the Tories a 65 to 75 seat lead over Labour55. They lost, but only just. The election produced no majority winner, and initially Heath approached the Liberal party to form a coalition government. After three days, these attempts failed, and the Queen summoned Labour’s Harold Wilson to form the next government. Although Labour was the largest party, having four more seats than the Conservatives, it was far short of a majority. It was initially thought that this Parliament would last no more than a few weeks. It actually lasted until the fall, with elections being announced on September 18th and polling on October 10th. Although the February to October

Parliament was the shortest since 1681, it lasted much longer than anticipated at the time.

In their analysis of the February election, Butler and Kavanagh (1974 p. 43) state what is perhaps most perplexing about the February 1974 election: “It was not clear how an election would settle the strike but, for the government, it seemed preferable to a war of attrition with the miners and the inevitable industrial chaos that would ensue.” However, with the intransigence of the NUM leadership, who allegedly were attempting to bring down the government, perhaps nothing could be resolved without an election. Butler and Kavanagh conclude “some of the pressure on Mr Heath for an early election did indeed come from Conservatives who thought that their chances of winning would recede as further economic and industrial troubles built up later in the year. Yet, in February 1974 it was notable how far Mr Heath lacked real freedom. He found himself cornered between the miner’s determination to cripple the economy rather than compromise and the Conservative party’s resistance to anything that smacked of surrender..... It was unprecedented for an outside challenge to government policy to force dissolution but the issue was one on which ministers thought it impossible to change course, without a new mandate (p. 44).”

The newspaper data demonstrates clearly that prior to 1974 expectations of an election were low. Until 1974 only 88 stories had been written the next general election. By February 7th the total was up to 185. The growth in popularity of the government by the end of 1973 and the confrontation with the miners created this expectation. In January the government had a slight lead over Labour, but, as pointed out, with the prospects of economic turmoil the Tories were unlikely to keep their lead for long. As advocated throughout, the prospect of a future decline triggers elections. Therefore, we might expect a decline in economic performance following the election. As indicated in the previous chapters, the economic conditions following February 1974 are the exception. While
inflation and unemployment soared after the February election. The growth rate rose drastically, which is against theoretical expectations. Yet, this is easily accounted for. The imposition of the three-day working week cut industrial output by about 20%. On March 6th, two days after Wilson took office, the miners strike was settled. With the return to a full working week, growth shot up.

While economic growth is the exception, showing sharp increase, following the February election the economy faced serious problems. For example, the FT30 stock index dropped radically in value. At the start of 1973 this index was around 500. Prior to the announcement of elections in February 1974 it had already fallen to 307. Over the next six months it fell yet further to 237. At the start of 1975 it went down to 163. It was only from at this point onwards that it started to recover. Even with hindsight, perhaps a February election was the best shot the Conservatives would have had.


On April 21st 1997, French President Jacques Chirac announced ‘snap’ parliamentary elections about a year early, expecting that the right wing parties would comfortably retain a large majority. Instead they were decisively defeated by the Socialists. As the New York Times put it “The month began with talk of a “new elan” based in a new center-right majority and ended with a decisive electoral defeat on Sunday that swept “elan” under the carpet and reinvigorated Socialists into office. (June 3 1997 “The French Vote: The Overview.” Late edition p.A8)”.

The political institutions of the French fifth republic differ from those of the British system. The President is directly elected with a seven year term, while the parliament is elected to a five year term. Under Article 12 of the Constitution, the President can prematurely dissolve the legislature and call for early elections. In 1993 the political right had captured 470 of 577 legislative seats, giving
France has majoritarian electoral laws which require two rounds of voting. In the first round of voting a candidate requires a strict majority of the votes to be elected to the seat. This does not often happen. In the second round of voting the candidate with a plurality (i.e. the most votes) wins. Only candidates with at least 12.5% of the vote in the first round move on to the second round.56 Although the first round is rarely decisive, it plays a key role in coordinating the second round voting. Rather than a strict two-party system, France operates as a system of two teams of parties. For example, the French political right is composed of multiple parties. Hence the political right end up running multiple candidates in the first round, but in the second round the results of the first round serve to coordinate the right wing vote onto the best placed candidate. Although this system introduces several complexities, for my account here they are largely irrelevant since the system effectively devolves to two team competition. Rather than complicate the story with a plethora of party names I will simply refer to the left and the right as the two teams. For a detailed account, and the one on which I draw, see Lewis-Beck’s (ed. 2000) “How France Votes.”

The opinion polls prior to Chirac’s announcement gave the right a 7% lead over the left (Cautres 2000 p.64), so the popular opinion was that the right would comfortably win the election. In reality, the right lost, and Chirac, under a cohabitation, was forced to ask Lionel Jospin to become

56 If two candidates fail to attain the 12.5% threshold then the top two candidates move on to the second round.
Prime Minister of a Socialist government. Although scholars (for example, Cautres 2000 and Grunberg 2000) point to numerous factors, such as crises in the political leadership of the right, as the cause for the right’s demise, they also point to the failure of the President to justify the need for dissolution. As Grunberg (2000 p.120) expresses it “Chirac could legitimize a dissolution only on certain conditions: replacement of the Prime Minister, a change in the government’s political line of thought, a dramatization of the issues at stake, the president’s strong personal commitment, and the nullification of political alternatives. Not one of these five conditions was met.”

Uttering similar arguments, Cautres (2000 p.42) argues “[t]he tremendously negative outcome of Chirac’s bet was due largely to a simple factor that undoubtedly was underestimated by the government: the public grasped neither the reason for the dissolution nor the motives behind it. Never, during the campaign did these questions elicit convincing answers from the president of the republic, his Prime Minister, or anyone else in the government. On the contrary, French voters remembered the tactical aspect of the dissolution, and their discontent with the chief of state was probably underestimated.... The 1997 dissolution was merely a political tactic. None of the elements that until then had justified the use of dissolution could be found in 1997: all that remained was the tactical intention, and that was quickly seen through by voters and the opposition during the campaign.”

While not expressed in the language that I have thus far used, these accounts strongly argue that voters took an early election to signal future decline as predicted by the election timing theory. With the French voters perceptive to the timing signal, it remains to explore why Chirac risked sending this signal. Both Cautres and Grunberg point strongly to the ‘Juppe Problem’. Chirac had appointed Alain Juppe as Prime Minister and very much wished to retain him. Unfortunately Juppe
was unpopular with the electorate, with his style being seen as authoritarian. His retention as PM was creating problems within the governing coalition of right wing parties. Chirac felt that only by securing another five-year term could he secure Juppe’s position. Unfortunately, in terms of a campaign, this created a trap. Chirac attempted to justify dissolution with the need for unity in upcoming European issues. Yet Europe was only a limited issue during the campaign. The need for unity trapped the right since they were reluctant to endorse Juppe as the unity Prime Minister. Eventually, they achieved the worse of both worlds. The average voters did not want Juppe, but thought that despite the failure of the right to endorse him that he would be reappointed PM. Without even the unity pretense for the dissolution preserved, the voters inferred the worst.

**Late Elections**

Elections in 1964, 1992, and 1997 all occurred at practically the last moment. It would be hard to classify these elections as anything except late. Yet, elections need not occur at the last moment in order to be late relative to expectations. To a certain extent, I have already discussed this in the case of the 1966 and the October 1974 elections. Following discussion of the physically late 1964, 1992 and 1997 elections, I examine the 1951 election- another election that is physically early but late relative to expectations.

**1964 Election**

From the middle of 1961 onwards, the Conservative government badly trailed Labour in the polls. Under such conditions, there was little expectation of early elections. Prior to the Conservatives’ decline, there had been some speculation about the possibility of an early election. However, on April 9th 1961 the Prime Minister Sir Alec Douglas-Home ruled out such a possibility.
His statement was warmly received by Conservative MPs who feared an election. Although the government’s approval rating improved, as the end of the term approached the Conservatives still trailed Labour. The last legally possible date for dissolution was November 5th 1966. Given this, an October election was taken for granted by all. Indeed Butler and King (1965) state that the parties were already acting as though the date was fixed.

On September 15th Douglas-Home announced elections for October 15th. Under the circumstances, it was easy to explain his decision. With a comfortable majority his government was in no danger and an early election would simply surrender power to Labour. Waiting offered the prospect of recovery, which to a certain extent happened. When the election finally came, Conservative support remained robust. Indeed at the election, in terms of two-party support, the Conservatives did approximately 1.25% better than pre-announcement polls indicated they would.

1997 Election

The 1997 election exhibits the same logic seen in 1964. After his surprise victory in the 9th May 1992 election, Prime Minister John Major’s Conservative administration was forced to devalue sterling and drop out of the European Exchange Rate Mechanism in September 1992. From this point onwards, its fortunes plummeted. Figure 5.8 shows voting intentions for the Labour and Conservative parties.

Although the preceding 1992 election had taken place during an economic slow down, the Conservatives’ policies had started to lifted the country out of recession by the end of 1996. Despite its economic successes, the Tories could not regain their popularity. Indeed as John Major put it “somewhere the gods must have been chuckling. The iron law of politics that a good economy leads to a good election win was about to be broken (Major 1999 p.689).” In large part their inability to
woo support resulted from ‘sleaze’ and internal party differences over Europe. Throughout the Parliament, the government was mired by scandal such as the money for questions, David Mellor’s affair, and the Matrix Churchill exportation of weapons to Iraq. The party was deeply divided by its stance towards Europe. Many within the party supported deeper integration within the European union. By and large government policy fell under the domain of this Europhile fraction. Other, typically labeled Euroskeptics, opposed further integration and questioned the extent to which Britain had surrendered sovereignty to Brussels. This division continues until today and forms the basis of the upcoming Conservative leadership battle.

Lacking popular support, Major had little to gain from an early election. The number of newspaper stories relating to the next elections shows a slow and gradual increase with none of the explosive increases in the number of stories witnessed before the 1970 or the February 1974 election. Indeed, the only real prospect of an early election came from the risk of Major losing his majority.\footnote{57 As an aside, in the summer of 1995 I asked Hugh Harper, a college friend and Conservative party hack, when he thought the next election would be. Although, I forget the precise date he gave, I was shocked by the precision of his estimate. He explained that on an actuarial basis that was the date on which sufficient by-elections would have occurred so as to end the Conservative’s majority.} Although mounting by-election loses reduced the Conservative’s seats, even at the end Major faced little risk of defeat in the commons providing back benchers voted along party lines.

Despite his lack of popularity, John Major did consider the possibility of a snap election. “The question remained of when to call the election. One choice would have been to surprise our opponents (including those within the party) with an early poll. I had considered doing so, first with November 1996 in mind, then March 1997. March became an odds-on favourite... But in the end I reluctantly decided against both those dates - the rapidly improving economy and falling...
unemployment figures suggested it would be best to wait until the last moment. (Major 1999 p.706).” Major’s rejection of an early election illustrates the primary theoretical development in this book. A surprise election is less attractive to a leader anticipating an improvement in conditions than it is to one anticipating decline.

As the theory would anticipate, with the mandatory five-year limit effectively forcing Major to call the election, the timing of the election contained no signal of decline. Major’s patience was partly rewarded. After four plus years in the doldrums, support for the Conservatives showed slight signs of improvement in the final months and at the election, in terms of two party support, the Conservatives polled 4.2% more support than predicted by pre-announcement polls. Economic conditions also remained buoyant after the election.

1992 Election

The 1992 election produced a shock result. It was widely perceived going into the election that Labour would win, although only by a small margin. Despite jokes about Glynis Kinnock measuring Number Ten (10 Downing St. is the official residence of the Prime Minister) for curtains, the Conservatives hung on to power.

In terms of two party support, at the election the Tories polled 4.84% more votes than indicated by pre-announcement opinion polls. Looking at future economic conditions there is good reason for the voters to have returned John Major’s Conservative government. Figure 5.9 shows economic conditions leading up to and immediately following the 1992 election. The vertical line indicates the announcement of elections (March 17th). The election occurred on May 1st. Going into the election, inflation was falling, and this trend continued following the election. Economic growth was also strong following the election. Indeed, the election occurred during the worst quarter for
Following her 1987 victory, Margaret Thatcher embarked on a plan to reform local government finance from the rates, a property tax paid only by the home-owner, to a more widespread community charge. The basis for these reforms was to make local government more accountable. In reality, the majority of local authority funding was provided directly from the central government. Since only a minority of voters paid the rates, local governments tended to overspend. The thinking was that since everyone would pay the community charge it would make local government more accountable. The reforms were an unmitigated disaster. Immediately labeled as the poll tax, the introduction of the community charge brought about large scale civil disobedience and protest. When the poll tax debacle was combined with a recession which started in the late 1980s Conservative popularity fell. To many Conservatives, Thatcher’s increasingly authoritarian style and her unwillingness to compromise on the poll tax made her an electoral liability. In November 1990, Michael Heseltine challenged Thatcher’s leadership of the Conservative party. Having failed to secure enough votes in the first round of the leadership election, Thatcher bowed out in favor of her Chancellor of the Exchequer, John Major, who became Prime Minister on 28th November 1990.

Figure 5.10 graphs voting intentions for the Conservative and Labour parties. The decline in Tory fortunes after mid-1989 that contributed to Thatcher’s ouster can be clearly seen. With Thatcher’s replacement, the Conservatives experience a new lease of life. Major was tempted to call an election. “Chris Pattern, as party chairman, was concerned that an election in the midsummer of 1991 would be too late for me to seize the initiative as newly appointed Prime Minister, and too early for the party to reap the benefits of any improvement in the economy that might occur. ‘Go early or
late’ was his view. Conventional wisdom held that no government could win an election in a recession, but Treasury forecasts suggested that an up turn in the economy was at hand. A late election, therefore, became my preference (Major 1999 p.292).”

Throughout the remainder of the term, Labour and the Conservative remained neck and neck in the opinion polls. While election speculation was not intense at the time, it was never far from front page news. The ebbing and flowing of expectations can be seen in Figure 5.11 which plots the cumulative count of newspaper stories and the hazard predicted by model 3.3 from the time Major becomes Prime Minister.

Major exhibited considerable patience and on numerous occasions gave up the opportunity use surprise with a snap election. As the quotes above (see also chapter 3) indicate, his decision to postpone elections was motivated by an anticipation that conditions were improving. By waiting he showed the voters he had nothing to hide. This reinforced his claims of economic improvement.

1951 Election

Elections can be late relative to expectations without being physically late. The election of 1951 provides just such an example. On January 10th 1950 Clement Attlee, the Labour Prime Minister) had announced elections for February 23rd. It was an exceedingly close race. Labour retained 315 seats to the Conservatives 298, with 12 seats going to the Liberals and other parties. At the time, it was doubted whether the government could proceed with such a small majority. But last it did. Not until September 19th 1951 did Attlee throw in the towel and announce elections. As described in chapter 3, throughout this time the Conservatives were obstructionist, forcing the government to put all legislation before the house and forcing Labour members to stay late most
nights by threatening to return later and defeat the government on a division. Behind in the polls and struggling to pass its legislation, the “election date [was] chosen more in response to that of exhaustion than to any tactical game plan (Jenkins 1991 p.88).”

Of all the elections examined in this book, the 1951 election distinguishes itself by lacking opportunistic behavior on the part of the government, not just in terms of the anecdotal evidence but also quantitatively. The Ratio of NewsStories is amongst the lowest values in 1951. The Ratio of Cumulative Hazards variable is 0.136. The next lowest values are 0.199 in 1966 and 0.417 in 1955. Further, future economic conditions do not support the idea of a snap election. Although there was a modest decline in the growth rate and a slight increase in unemployment, inflation declined strongly following the election.

With the 1951 election being perceived as relatively late, despite the physical shortness of the Parliament, the announcement provided little signal of decline. As a result, the government’s support remained buoyant. In fact, Labour’s vote share rose 7.8% relative to pre-announcement opinion polls (6.3 % in two party terms). Indeed Labour obtained more votes than the Conservatives, although they gained fewer seats.

The elections in 1983, 1987, and 2001 were each called about a year early and might well be thought of as called in line with expectations. The first two of these elections were called in anticipation of mild declines to follow. It is still too early to know the economic consequences of the 2001 election; however, predictions based on Model 4.20 suggest the growth rate will rise a modest tenth of one percent over the next six months, inflation is likely to rise 0.4%, and unemployment will

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58 Excluding 1979
rise by 0.14% over the next year-- a very mild downturn. In the six months after the announcement of the election, the analyses predict the FT30 stock index will rise in value about 1.4% more than the Dow Jones Industrial average.

The 1959 election is another election call about a year early that might be thought of as on time. With the first meeting of Parliament having been on June 7th 1955, no election announcement was required until spring 1960. “By the end of August [1959] an autumn election was taken for granted and different Thursdays in October were being confidently tipped by rival newspapers. Speculation grew until on September 8th Mr. Macmillan paid a flying visit to Balmoral to see the Queen. On his return he issued a statement from 10 Downing Street announcing that polling day would be on the most predicted day, October 8th .... This was in no sense a ‘snap’ election, since an autumn dissolution had been generally expected. (Butler and Rose 1960 p45).”

Although from 1956 onwards the government had trailed Labour in the polls, by the middle of 1958 the Conservatives’ recovery had started. Although in early 1959 Labour again gained a brief ascendancy, by the fall of 1959 Macmillan could boast ‘you’re never had it so good.’ Economic conditions following the election remained relatively stable. Support for the government also remained fairly constant.

**Election that never were.**

It is always more difficult to explain events that never happened than to explain events that did. Yet, these counterfactual are as important to the theory as the elections that actually happened. I was motivated to consider the election timing question by speculating as to Margaret Thatcher’s motives after the Falklands War. Therefore, I regard it as just as essential to explain why she did not
call an election in 1982 as it is to explain why she did call an election in 1983. In this section, I return to the initial motivation, why Margaret Thatcher did not call an election following the Falklands War. I then look at James Callaghan’s decision not to call a widely anticipated election in the fall of 1978. Finally, I complete my examination of Figure 5.1 by briefly looking at two dates when elections were neither expected nor called.

1982 and the Falklands War

Although Margaret Thatcher would go on to be an extremely successful Prime Minister, serving in that office for eleven years, her initial years in office were more ignoble. Her Conservative government came to power following Labour’s defeat in the May 3rd 1979 General Election. Her government’s honeymoon ended quickly as Britain slipped into recession and unemployment rose (see Butler and Kavanagh 1984 for a detailed description of the course of government). While Thatcher achieved some successes, such as controlling inflation, reforming unions and preventing industrial action, and selling council houses to their tenants, by October 1981 her approval rating had dropped to only 24%, the lowest ever recorded (Butler and Kavanagh 1984 p16).

During her early years as Prime Minister, Thatcher’s authoritative style had earned her the nickname, the Iron Lady. She was adamantly committed to her policies despite the economic pain and hardship they were inflicting on many groups. Phrases such as ‘the lady is not for turning’ and ‘there is no alternative’ soon became associated with her unwillingness to be deflected from her policies and goals. Initially she had struggled to assert her control, yet, by the fall of 1981 via cabinet reshuffles and sheer endurance, she had fully established her leadership with the government.

The Falklands conflict was a watershed in British politics. The Falkland Islands are a group of Islands located in the South Atlantic about 600 miles off the coast of Argentina. The Islands were
under British control, but their ownership was disputed by Argentina. (For a detailed discussion of events leading up to the war and the course of the war see Hastings and Jenkins 1983). In late March 1982, British intelligence reported that an Argentine invasion was underway.

As an aside, the motives for the invasion appear diversionary (Levy and Vakili 1992). General Galtieri and his military regime were under enormous pressure. Upon the Argentinian capture of the Islands, the regime’s fortunes rebounded as the streets of Buenos Aires filled with celebrating crowds. Had the Argentinian government waited a year longer then, due to ship retirements, the British would no longer have been able to launch the task force it sent to liberate the islands. When the junta failed to hold the Falklands, it was removed from office.

Between April 2nd and 5th, Argentine forces occupied the Islands. The foreign secretary, Lord Carrington resigned, and the government was under extreme pressure, particularly because small preventative steps a few months earlier could easily have prevented the invasion. After a series of emergency cabinet meetings, Thatcher announced that a task force would be sent to retake the Islands. Following the long passage down to the South Atlantic, the establishment of a 200 mile exclusion zone and extensive aerial action, the British started their reinvasion of the Falklands with an amphibious assault of San Carlos waters on East Falkland, one of the two main islands, on May 21st. Despite the efforts of the Argentine air force, the British troops overran the Argentine land forces which surrendered at the capital, Port Stanley, on June 15th.

Although Britain is a more powerful state than Argentina, it was an extremely close decision.

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59 For discussion of diversionary war theory see Downs and Rocke 1993; Levy 1989; Smith 1996; Goemans 1995; Richards et. al. 1993.

60 Earlier on April 25th the British recaptured the remote island of South Georgia.
As documented by Hastings and Jenkins, the British forces were under constant pressure from the Argentine air force, and the lost of even a single aircraft carrier would have been disastrous. Had the Argentine army garrisoned the islands with experienced troops rather than under-supplied and poorly led raw recruits or had the Argentine navy put to sea the result might easily have been reversed.61

As result of her strong leadership and decisive decision making, Thatcher acquired a reputation for resoluteness and decisiveness. The political fortunes of both Thatcher and the Conservatives more generally turned around. Even before the end of the conflict, the Conservatives won a seat from the opposition in the Mitcham and Morden by-election, a rare event in Britain62. In a Times profile (p. 8) on Thatcher on June 21st, “Unchanged and Unstoppable”, Julian Critchley, a Conservative MP for Aldershot, details Thatcher’s transformation. Prior to the crisis her future was in doubt and her deposition widely expected. Following the conflict, she was perceived by many as almost Churchillian in statue. Figure 5.12 reflects these changes quantitatively, showing voting intentions for the Conservative and the Labour parties. Thatcher’s personal approval rating largely mirrors that of voting intentions, although she receives a bigger boast from the Falklands than her party.

Figure 5.12 also shows an unusual figure for a two party system. Voting intentions for both the Conservatives and Labour simultaneously drop prior to the Falklands war. During this period

61 A cruiser, the General Belgrano, did put to sea and was sunk by a British submarine on May 2nd. The incident led to much recrimination because of the large loss of life (382) and the ambiguity of whether or not the ship was or had been inside the 200 mile exclusion zone. For an explanation as to why the Argentine junta did not try harder to win the war see Bueno de Mesquita et. al. 1999, 2001.

both party lose significant ground to the Social Democratic Party, a party which is created from a fissure in the Labour party. The SDP experiences huge initial success. Indeed in December 1981, combined with the Liberals the SDP receives 50% of voting intentions, far higher than the 23% obtained by both Labour and the Conservatives. Whether the SDP’s popularity represents an expression of protest or a real expression of intent is difficult to discern. Although the SDP remained popular throughout the Parliament, its support declined from this 1981 high. While prior to the Falklands, the possibility of the SDP being a real third party in British politics dominated the newspapers. After the Falklands, the SDP never again achieved such notoriety. As already discussed earlier, the Conservatives’ eventual victory in 1983 was more to do with a divided opposition than strong support for the Conservatives. There is considerable debate as to whether or not the Falklands War played a role in the Conservatives’ success in 1983 (see Sander et al. 1987 and Norpoth 1991 for competing arguments).

Following the Falklands, the polls gave the Conservatives around a 20% lead over Labour. With such a lead, it is not surprising that electoral speculation began to flourish. Indeed polling organizations even conducted polls as to the likelihood and desirability of elections. For the next few months much reference was made to the next election. Yet, the extent to which a general election really was possibility is more debatable. As Judith Harts wrote for *The Times*, “she [Thatcher] does not see a quick election this year as really the best thing to do, tempting as it is when she is riding high. After all she has her majority in Parliament to do whatever she chooses: an election would be too clearly opportunistic” (Judith Hart *The Times* July 4th 1982 “Stand by for the great Tory election build-up”).

Towards the end of July, Thatcher herself largely ended election speculation stating “I would
like more trade union legislation in the Parliament, and this would be possible if we went the full five years. We do not rule certain options, and we certainty want another year at the very minimum (The Times July 26th 1982 “Tories may run full term, Thatcher says.”). In echoing her comments from July 23rd (The Times “Another year needed, Thatcher tells Tories.”), her comments set the stage for an election in fall 1983 at the earliest. In making these comments, she cites improving economic conditions. With the exception of unemployment, which remained at over three million workers, by and large the economy did subsequently perform well. For the remainder of the year, the Falklands story and the possibility of an election remained dead issue in the news media which consistently assumed that the next election would be in the fall of 1983.

Butler and Kavanagh (1984, p27-8) believe that an election in 1982 was never a real possibility because of redistricting. The Boundary Commission’s reapportionment of districts was anticipated to be worth about 30 seats for the Conservatives.63 Hence no election was likely before its completion. Realizing the Conservative advantage that would ensue, in July 1982, Michael Cocks, the Labour chief whip, used his private money to initiate a law suit to delay redistricting. The case was not resolved until February 1983.

Figure 5.13 shows the predicted hazard rates from models 3.3 and 3.12. Although both show a considerable increase during the Falklands, neither hazard rate attains the high level experienced later in the Parliament. As discussed above, model 3.3 is estimated assuming no knowledge of future economic events, while model 3.12 assumes the leader knows future conditions. Beyond the contemporaneously observable factors, the key theoretical result is that elections become more likely

63 The Guardian estimate the eventual change to be worth 20 Conservative seats (March 3rd 1983. P3. “Redrawn constituencies rushed through hastily in time for General election: Labour attacks boundary changes”).
when the hazard estimated under model 3.12 is much greater than that estimated under 3.3, (i.e.
when economic conditions will decline). As the figure shows, in 1982, the predicted hazards move
together reflecting little expectation of decline and hence little cause to rush to the polls.

In her memoirs, Thatcher says little about the possibility of an election following the
Falklands, beyond noting the shift in popular support. Facing a similar decision after the Gulf War,
John Major argues “there was a case for going to the polls in the Spring of 1991, as soon as the Gulf
War was over. This option had begun to be talked about even before the fighting had ended. I
disliked the idea of a `khaki election’. It struck me as cynical, and I thought that a victory won in the
after-glow of Desert storm would be a false one. Far from the Gulf War being a trigger for an
election, it became for me an argument against (Major 1999 p.291.).” The possibility that
servicemen’s lives would be used to further party political goal certainly leaves a bitter taste in the
mouth.

Having examined events closely, it would appear elections were never really especially likely
after the Falklands as I initially perceived or remembered. I now move to the question of what would
have been the likely consequences had Thatcher announced an election in the second half of 1982.
Unfortunately, I lack systematic counts of news stories for this period. However, relying on predicted
hazard rates (Ratio of Cumulative Hazards) I use mode 4.3 to prediction change in government
support and model 4.20 to prediction the economic condition that would likely have followed an
election in 1982. Had Thatcher announced an election in July 1982, then these estimates suggest her
popular support would have declined 7.7%. These estimates also suggest an election at that time
would have been indicative of a 1.2% rise in inflation and a 3.8% decline in GDP over the next six
months. Further Model 4.26 suggest the FT30 stock market index would have lost over 7% in
response to a July election announcement. These figures suggest that a khaki election would have signaled a severe downturn in future performance.

**Election 1978**

In the October 1974 election, Harold Wilson’s Labour government obtained a majority, but only just. Labour obtained 319 seats, the Conservative 277, the Liberals 13 and other parties took the remaining 26. This gave Wilson at scant majority of three.

During the Parliament, the government faced numerous problems. In particular, the government struggled to combat inflation and industrial action by unions. There was also a large balance of payments problem that eventually forced the government to secure an IMF loan for $3.9 billion. On March 16th 1976, Wilson announced his resignation. Following three rounds of balloting, James Callaghan was chosen by the Labour party as its new leader and Prime Minister.

Throughout nearly the whole Parliament, the government trailed the Conservative opposition in the polls. The Conservatives’ poll lead was in double digits for the second half of 1976 and much of 1977. This loss of popularity harmed the government’s grip on power, as by-elections ate into Labour’s three seat majority. By 1977, Labour held only 310 of 635 seats, and depended for its survival on minor parties not voting against the government. On March 23rd 1977, the government survived a confidence motion only by forming a Lib-Lab pact with the Liberal party.

As 1978 began, the economy was improving and with it Labour closed the gap in the opinion pools. On May 25th 1978, David Steel, the Liberal leader, announced that the Lib-Lab pact would not be renewed for the next legislative session. Speculation as to the timing of the election began to flourish. In their description of the 1979 election, Butler and Kavanagh (1980 p.42-3) describe events. “Shortly after the 1977 party conference the Prime Minister told Tom McNally, his
political secretary, to make arrangements for an election which might come at any time from Spring 1978. In March 1978 Mr Callaghan told his staff that he had a date in mind for the General Election and that, while he would not reveal it to anyone, he would listen to advice. He also asked for a ‘calender’ of autumn Thursdays, noting the problems that any of them would pose for an election. One aide had the impression that Mr. Callaghan’s mind was moving to October 12 as the likely election date. .... During the summer it was generally assumed that there would be an autumn election. Indeed some Conservatives thought he would dissolve in June. The termination of the parliamentary pact with the Liberals in the summer made the government’s position in Parliament even more parlous and it was expected that the economy would worsen at the turn of the year. But by October the figures showed an annual advance of 6% in living standards, the largest for 20 years. (Butler and Kavanagh 1980 p.42-3)

Figure 5.14 plots the number of newspaper stories relating to the next election. Following the announcement that the Lib-Lab pact would not continue, election stories flourished. Reassuringly, the anecdotal account of the election timing speculation fits well the newspaper count data. As the figure shows, as the summer progressed, the number of stories relating to the next election grew rapidly. As John Major put it “But stagger on they did. And on. And on. An election looked inevitable in October 1978 when Jim Callaghan announced that he was making a Prime Ministerial broadcast, but all he said of note was that there would be no election until the spring (Major 1999 p. 63).” Callaghan’s statement that there would be no fall election reduces expectations. In Figure 5.14 the graph of the number of election stories flattens out after this announcement.

It is unusual for Prime Ministers to end election speculation. Yet, Callaghan was in a somewhat unusual position in that he needed the support of Scottish Nationalists and Ulster
Unionists in order to survive in the legislature. Labour proposed legislation favored by these parties. For example, Labour proposed devolution for Scotland. In order to prevent these minor parties voting against the government in a confidence motion, Labour needed to reassure them that the government intended to continue and pass this legislation. This offers an explanation as to why Callaghan announced his postponement of the election.

A key question to consider is why Callaghan decided to postpone the election. As the Butler and Kavanagh account above suggests, although the economy was generally expected to deteriorate, it actually strongly improved. Figure 5.15 graphs the predicted hazard estimated by model 3.3 which assumes no knowledge of future economic conditions, and model 3.12 which assumes the leader knows future economic conditions. In the late summer and fall of 1978 this latter model, the dotted line, lies below the former model. This means that given a knowledge of forthcoming economic conditions, an election was less likely than popularly perceived. The improvement in economic conditions during the fall justifies Callaghan’s decision to wait. Consistent with the arguments made throughout this book, Butler and Kavanagh conclude that “[i]n the end, however, Mr. Callaghan decided on delay because his assessment was that he would not win a clear victory in October and that he stood a better chance in 1979 (1980 p.45)”.

On March 28th 1979 Callaghan’s government lost a vote of no confidence of 311 votes to 310. Had the Labour MP Alfred Broughton, not been too sick to travel to Westminster, the government might yet have survived to finish its term (In event of a tie the Speaker’s vote would have supported the government). Devolution helped defeat Callaghan. The Scottish and Welsh Nationalists had been unwilling to vote against the government while it implemented devolution. In the Scottish referendum, devolution received a majority, but it failed to secure support from the
requisite 40% of eligible voters. With the government unsure as to how to proceed, and with the implementation of devolution being increasingly unlikely in the current Parliament many regional parties voted with the opposition.

No election occurred in the fall of 1978 because the Prime Minister expected to do better by waiting. In addition to the extra months enjoyed in office, delaying the election allowed the voters to see the good economic conditions to follow. By waiting, Callaghan revealed his government as capable and as such we would expect his electoral support to remain strong. In terms of two-party support on the May 7th 1979 election, Labour gained 3.6% over the Conservative relative to earlier opinion poll data. It is important not to make too much of this figure care since the 1979 election was called under different electoral circumstances than the other elections examined.

**No elections and No expectations of elections.**

To complete the examination of Figure 5.1 calls for consideration of events when no elections were called and none were expected. By definition, in such events elections are not expected. As such the lack of an election signals little. I look at two dates which fulfill these requirements: 15th September 1967 and 15th September 1985.

In September 1967 Labour were behind the Conservatives by 4% in the opinion polls but had a comfortable 110 seat majority relative to the Tories. An election offered little upside since the government still had over three and a half years left in the current term. Further, at least according to the polls, the government was likely to lose any election. Given such conditions an election had little to recommend it. Indeed there was practically no media speculation, with relevant stories around this time only appearing in August (2nd) and October (30th). The predicted hazard rate suggests practically no possibility of an election. Further, since the economy was about to experience
strong growth, with only modest increases in inflation, and unemployment waiting was likely to improve Labour’s position.

An election in September 1985 was equally unattractive. Margaret Thatcher’s Conservative government had nearly 3 years left in their term and 187 more seats than Labour. Coupled with these political conditions, the economy was set it improve with strong growth and falling inflation over the next year. Given this position, the Conservatives could expect to do much better by waiting. At the time, they trailed Labour in the polls by 0.5%. During September The Financial Times reported 12 stories relating to the next election; however practically everyone of these related to the fate of the SDP and Liberal (the remaining stories being reports of economic performance). An election was never regarded as a realistic possibility.

An interesting counterfactual to consider is what would have happened had elections been announced on either of these dates. The theory suggests such completely out of blue elections signal a massive decline in future performance and a consequential loss in popular support for the government. It is tempting to use the econometric estimates from chapter 4 to predict the consequences of such elections. Unfortunately such attempts are probably misguided. The predicted hazard variables in these two events are orders of magnitude smaller than those in the analyses. Such massive extrapolations can not be expected to yield reliable predictions.

This chapter examined historical events to check the causal plausibility and logic of the theory. These cases support the main claim of the theory: leaders who anticipated a decline call for elections; those expecting an improvement wait.

Spurious Considerations that Affect Timing
Throughout this book I have argued that numerous factors systematically affect the timing of elections. In particular, I have focused on expectations of future performance and economic and political factors. Yet, in many cases leaders admit idiosyncratic factors also had influence. As a conclusion to this chapter, I propose a light hearted examination of these factors.

In most accounts of election timing, leaders request a list of holidays and dates on which economic reports are released. The later are relatively explicable. Leaders may or may not want key economic reports announced prior to an election. Much has been made of the disappointing trade figures announced a few days before the 1970 election. Holidays raise another potential hazard. Wilson writes that members of his cabinet kept reminding him of the Yom Kippur holiday. Additionally, leaders typically shy away from major vacation times such as July, August, and December. Wilson also discusses how as expectations of an election rose, Labour MPs would inform him of local holidays in their districts. Barbara Castle (1984 p.799) records that Wilson cited the need for the 1970 election not to overlap with the proposed South African cricket tour and all the controversy that it was likely to cause. John Major (1999 p293) records that Lady ‘Bubbles’ Rothermere, vivacious wife of the owner of the Mail group of newspapers phoned him to say “I want you to win the election... But you mustn’t go in April – it will be unlucky.” In 1964, the Queen’s schedule caused complication and October 7th had to be ruled out as the Queen would be away in Quebec and hence could not be asked to dissolve Parliament (Butler and King 1965 p109.).

By-elections and/or local elections can also provide a trigger for the general election. In some cases a leader will use an election to gauge support. In 1983, Thatcher used the May 3rd local elections as a measure of support. Wilson’s 1966 election announcement also followed on the heals of the Hull North by-election, although as discussed above, Wilson denies that the support shown
there pushed him towards dissolution. In other cases, leaders called elections to coincide with other elections (for example, 2001).

The precise details of some election decision appear purely idiosyncratic. John Major, for instance, choose April 9th 1992 over competing April Thursdays because it was the anniversary of first meeting his wife, Norma. In 1987 Margaret Thatcher was concerned by the Ascot horse racing festival, an event which is as much social as it is equine. “But Ascot began the following Monday and I did not like the idea of television screens during the final week or penultimate weeks of the campaign filled with pictures of toffs and ladies in exotic hats while we stumped the country urging people to turn out and vote Conservative” (Thatcher 1993. P.289).

These idiosyncratic factors are clearly influential in the choice of an election day. Yet, they tend to be important in determining which Thursday in the month will be election day. In contrast, government popularity, seat share, and the prospects of future performance determine basic time frame for elections.
Figure 5.2: Public Opinion Prior to the 1970 Election.

Conservative Voting Intentions

Labour Voting Intentions

Voting Intentions

01jan1969 01sep1969 01jan1970 18may1970
Figure 5.3: Number of Newspaper Stories Relating to the Next Election for the Parliament ending in 1970.
Figure 5.4: Economic Conditions Before and After the 1970 Election.
Figure 5.5: ‘Just you come down this instant - or I’ll ask the electorate who owns the building’
The Guardian February 7th 1974
Figure 5.6: News Paper Stories Relating to the Next Election and Public Opinion (Conservative minus Labour Voting Intentions).
Figure 5.7: Predicted Hazard of an Election Prior to the February 1974.
Figure 5.8: Voting Intentions for the 1992/97 Parliament.
Figure 5.9: Economic Condition Before and After the 1992 Election.
Figure 5.10: Voting Intentions 1987-1992.
Figure 5.11: Count of Newspaper Stories Relating to the Next Election and the Predicted Hazard (Uninformed Model 3.3).
Figure 5.12: Voting Intentions 1979-1983.
Figure 5.13: Predicted Hazard of Elections 1982/3.

- Pred. Hazard: Uninformed (3.3)
- Pred. Hazard: Informed (3.12)
Figure 5.14: Number of Newspaper Stories Relating to the Next Election 1978/9.
Figure 5.15: Predicted Hazard for Uninformed Model 3.3 and Informed Model 3.12 for 1978/9.
Chapter 6: Conclusions

The fact that there is a general election ahead of us must never be out of our minds.

Sir Alex Douglas-Home⁶⁴

Sir Alex Douglas-Home’s statement reminds us that elections must be called sometimes. Yet within this constraint the timing of elections raises considerable controversy. When the government is unpopular, the opposition clamors for an election. For example, on 18th Sept. 1949, following a large devaluation of the pound, Winston Churchill, leader of the Conservative opposition, called for an election: "It is high time for another Parliament.... and an appeal to the nation is due and overdue." Sometimes even the news media will join such refrains. The Economist echoed Churchill’s statement, "The sooner the General Election is held, the better."⁶⁵ Yet subject to the five year time limit and the necessity to avoid a confidence motion defeat by a legislative majority, the Prime Minister is free to name the day of her choosing. She need not be hurried by the opposition, and she can wait hoping her standing will improve.

At the opposite end of the spectrum, the opposition rebukes the Prime Minister when she attempts to secure another term with an early election. As The Guardian reported (Tuesday May 9th 1983 p1.), “She [Thatcher] was accused [by the opposition Labour party] of abandoning her pose of resolution and determination in favour of a “cut and run” attempt to cash in on her current lead in the opinion polls.” While it is within the discretion of the Prime Minister to dissolve Parliament, even within her own governing party, the benefits of doing so are often questioned. Just prior to the

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⁶⁴ Quoted in Ian Gilmour, Conserative MP. “Timing the general election: who should decide?” Letters to the Editor The Times April 22 1970 p.11

⁶⁵ Both quotes in Nicholas 1951. P. 68-69.
announcement of the June 1983 election The Guardian\textsuperscript{66} polled 183 Tory MPs. “It resulted in 36 per cent in favour of a June general election, with 34 per cent in favour of going to the country in the autumn, and a further 16 per cent recommending the Prime Minister to wait until next year.”

This book systematically assesses when leaders call elections and what are the consequences of the timing decision. Based on the game theoretic model presented in chapter 2, I argue that, all else equal, leaders call elections when they anticipate a decline in future performance. To systematically test this prediction, in chapter 3, I use public opinion data, seat shares in parliament, new leadership, economic performance, and time remaining in the term to control for the ‘all else equal’ clause. Popular governments with a small seat share who are approaching the end of their term are the mostly likely to call for elections. In contrast, unpopular governments with a comfortable majority are extremely unlikely to call for an election. Once popularity is controlled for, contemporary economic performance has little impact on the timing decision. To test the principle theoretical prediction that leaders call elections in anticipation of an upcoming decline, I use actual economic performance in the future as a proxy for leaders’ expectations of future conditions. In particular, I look at changes in the growth, inflation and unemployment rates 3, 6 or 12 months ahead. The hazard analyses in chapter 3 demonstrate that when these economic indicators show future decline then leaders are more likely to announce elections. Elections become more likely if inflation will rise over the next three or six months, if unemployment will rise over the next six months or year, or if growth will fall over the next six months.

The empirical tests in chapter 3 establish that elections precede economic decline. The announcement of elections signals that a decline in future performance is about to occur. The theory

\textsuperscript{66} April 30, 1983 Tory MPs divided on election.
predicts that the extent of the decline depends upon the relative earliness or tardiness of the election. Since it requires a much larger decline in future performance to trigger an election early in the term than it does late in the term, the relative timing of an election announcement signals the extent of decline. Voters use the timing of an election to update their assessment of the government. Since a ‘snap’ election signals declining future performance, the voters should degrade their evaluation of the government in light of this information. In chapter 4, I tested the consequences of the election timing decision. In particular, I showed that the relative timing of elections systematically affected government support, post election economic performance, the length of campaigns, and the London stock market’s reaction to the announcement of elections.

As the case studies in chapter 5 highlight, there is considerable difference between the physical timing of elections and the timing of elections relative to expectations. For instance, although Clement Attlee called an election in October 1951, only twenty months after the previous election, most contemporaries were surprised the parliament lasted as long as it did given Labour’s minuscule majority. The 1951 election is an example of a physically early election that is late relative to expectations. To test the consequences of the election timing decision, I develop two measures of the relative timing of elections. First, I use the hazard analysis estimates from chapter 3 to predict the likelihood of elections. I aggregate the hazard over the 30 days preceding the announcement of elections. This cumulative hazard represents the short-term incentive for leaders to cash in with a new election. I also assess the longer run incentives to call an election by examining the hazard over the six months prior to the election. If this six month cumulative hazard is large, then the government has consistently resisted the temptation to ‘cut and run’. In contrast, if the six month hazard is relatively small compared to the thirty day hazard then the government is taking its first opportunity
to convert its popularity into a new term in office. The greater the ratio of the one month cumulative hazard relative to the six months cumulative hazard the greater impatience the government has exhibited, and hence the worse the signal of impeding decline.

As an alternative measure of peoples’ expectations of an election, I use counts of newspaper stories relating to the next election. Newspapers are more likely to publish stories and editorials about the next election when they believe another election is likely. Using a similar construction to that of the cumulative hazards, I compare the number of relevant stories in the past month with the number of stories over the past six months. When this ratio is large, nearly all the relevant stories were published immediately before the election and there was little long-term expectations of an election: a ‘snap’ election. In contrast, when the government has expressed patience and foregone the opportunity to ‘cut and run’, there are many election related stories published over the entire six months prior to the election. In this latter case the stories are not all bunched at the last minute and so the one month to six month ratio of news stories is low.

Using the ratio of cumulative hazards and the ratio of newspaper stories, in chapter 4 I test four consequences of election timing. First, I examine electoral consequences by comparing the vote share the government receives at the actual election with public opinion measures of voting intentions prior to the announcement of an election. The earlier an election is relative to expectations, the greater the signal of future decline its announcement sends and hence the greater the decline in popular support for the government upon the announcement of elections. This is exactly what the data show. The earlier an election is relative to expectations, the lower the government’s popular support is relative to pre-announcement voting intentions.

Second, the relative timing of elections affects the extent of post-election decline. In
particular, I show that the extent to which growth falls and inflation and unemployment rise after an election depends upon the relative timing of an election. Early elections are followed by worse economic conditions than relatively late elections. This result is particularly important in distinguishing the election timing theory from extant political economy explanations. Many such arguments, Political Business Cycles for instance, suggest that elections cause economic slowdowns. If elections themselves are responsible for economic decline, then the decline following each election should be of a similar magnitude. Certainly such arguments do not suggest a linkage between the timing of an election and the extent of the decline. Yet, empirical I show that the relative timing of an election strongly influences subsequence performance. This suggests that PBCs alone cannot be responsible for economic slowdowns after elections.

Third, the relative timing of elections affects the length of campaigns. When elections have been widely anticipated, the opposition’s preparations are already well under way before the election announcement is made. The incumbent gains little by surprise. In contrast, when an election is announced ‘out of the blue’ the opposition has made few preparations. By limiting the campaign period, the government reduces the opposition’s ability to launch a credible campaign. Early elections have shorter campaigns (the time between the announcement of the election and the actual election) than do late elections.

Fourth, the London stock market’s response to an election announcement depends upon the relative timing of the election. When an election is announced early relative to expectations, then stock market indices decline. In contrast, on average stock market indices remain robust when elections are late.

This book proposes an informational theory of election timing and tests the prediction for the
case of Britain. Other political systems provide the opportunity to further test the arguments and to examine how endogenous election timing interacts with other aspects of political life. Next I look at the election timing problem in nations other than Britain.

**Extensions to other systems**

At the Federal level, the Canadian system is very similar to the British one. Perhaps the greatest difference is the presence of regional parties. Rather than a strict two national party system, it effectively operates as two national coalitions of regional parties. To this extent, it is somewhat like France, where there are multiple parties on both the left and the right, but where, via runoff elections under its majoritarian system, this effectively devolves to two party competition in each seat. Canada is also a Federal system, so in addition to the national government in Ottawa, there are regional governments in each of the provinces.

Maria Gallego (1999a,b) explores how elections at one level of government affect the incentives to time elections at the other level of government. Suppose the median voter prefers a middle of the road government, then such a voter might prefer a left government at the national level and a right government at the local level, or versa visa. We might think of this as the equivalent to split ticket voting. This creates incentives for the provincial and federal governments to timing their election in response to elections at the other level. For instance if a left wing government has recently made big gains in a national election, a left wing regional government will be wary of calling for early elections. Indeed, in anticipation of left wing national success, a left wing regional government might want to pre-empt the national vote. In contrast, the split ticket hypothesis suggests a right wing regional government will call early elections following a left wing national success and delay elections if national elections are anticipated. The possibility of strategic competition between
national and regional governments in the timing of elections adds another wrinkle to the timing problem.

Australia is also a federal system. In addition, it manifests several other differences that complicate election timing. Australia has a formal constitution which specifies that the Governor General, the Queen’s representative, is responsible for dissolving parliaments. However, there is considerable uncertainty as to when and on what grounds dissolution can occur. By convention, the Prime Minister has advised the Governor General as to when to dissolve parliament, in effect making the system operate much like the British one. However, on three occasions the Governor General has refused the Prime Minister’s advice (1904, 1905 and 1909; Barlin 1997 p.10-11). The most common justifications given for dissolution are a parliamentary loss by the government and the need to synchronize elections with the regularly scheduled upper house elections (Barlin 1997 p8-9).

Australia demonstrates an enormous profusion of electoral rules (see Jaensch 1995). The lower house, the House of Representatives, is generally elected by preferential voting. This rule which requires voters to rank all candidates, works by progressively eliminating the candidate with the least votes and transferring their votes to the next candidate choice expressed by the voter. This process continues until a single candidate achieves an absolute majority and is elected to the seat. This rule exhibits many majoritarians features and typically results in two party competition, with one party (or coalition of parties) achieving a legislative majority. This majority party forms the

67 Throughout I draw on Barlin’s (1997) of House of Representatives Practice.

68 While the Governor General serves as the Queen’s representative, it is with him that power resides. For example in 1975 the Speaker of the House appealed directly to the Queen over the issue of Whitlam’s removal from office. The Queen made it clear that it was not within her discretion to act, rather it was the Governor General’s job.
government and has an electoral term of three years.

In contrast, the Senate, the upper house, is elected by Proportional Representation. Senators serve a quasi-fixed six-year term with half the Senate coming up for election every three years. Unlike the British House of Lords, Australia’s upper house is extremely powerful, with the ability to initiate legislation (except on appropriation bills) and to amend or reject lower house legislation (Tsebelis and Money 1997). Given PR electoral rules, it is common for the government to be in minority in the Senate. Under such circumstances a hostile Senate can obstruct the government’s legislative agenda.

Section 57 of the Constitution provides one retaliatory weapon for the government (Barlin 1997 chapt.3). If the Senate on two occasions, separated by at least three months, fails to pass a bill originating in the lower house and deadlock is reached with each house obstinately refusing to compromise or accept the other’s amendments, then the Governor General (usually at the request of the Prime Minister) can order a double dissolution. This results in new elections for both houses, which hopefully resolves the deadlock. A double dissolution can not occur within six months of the expiration of the House’s term. This provision is intended to protect the Senate from the House opportunistically seeking a contentious issue between the Houses in order to force the Upper House to also face elections.

Double dissolutions have occurred in 1914, 1951, 1974, 1975, 1983, and 1987. The 1975 double dissolution is of particular note. A hostile Senate opposed 21 bills proposed by Whitlam’s Australian Labour Party administration that were considered to fulfill the criteria of Section 57. Of particular concern was the Senate’s opposition to the government’s Appropriations Bills (Nos 1 and 2) 1975-76. Having passed the House, these bills went to the Senate on 8th October 1975. The Senate
added the following amendment “this Bill be not further proceeded with until the Government agrees to submit itself to the judgement of the people, the Senate being of the opinion that the Prime Minister and his Government no longer have the trust of the Australian people... (quoted in Barlin 1997 p.54)” The House countered with a motion stating the government’s right to govern provided it maintained a majority in the House and blaming the Senate for the pain that would be inflicted on the Australian people if no appropriations bill passed. A Constitutional crisis ensued with the House and Senate passing a series of amendments and motions directed against each other. It was anticipated that without the passage of the appropriations bill, the government would be unable to pay its bills after the end of November. On October 29th the government survived a motion of no confidence. Based on the inability of the government to pass its appropriations bill in both houses, Fraser, the leader of the opposition called for a motion censuring the government. On November 11th Whitlam allowed this motion to proceed but added an amendment calling for the censure of the Fraser.

At the lunch recess during this debate Prime Minister Whitlam attended a pre-arranged meeting with the Governor General. Apparently Whitlam intended to ask for elections for half the Senate (which were due in June 1976). Instead, Kerr, the Governor General removed Whitlam from office and called Fraser to establish a new government on the condition that he ensure the passage of the appropriation bills. This Fraser did with the Bills passing the Senate a few minutes before he announced his appointment to the House. With the budget now passed, the House supported the following motion proposed by Whitlam, “That this House expresses its want of confidence in the Prime Minister [Fraser] and requests Mr. Speaker forthwith to advise His Excellency the Governor-General to call the honorable Member for Werriwa [Whitlam] to form a government (quoted in
At 3:15 pm the Speaker went to see the Governor-General to express this motion. The Governor-General agreed to see the Speaker at 4:45 pm, but prior to this appointment, at 4:30 pm, he proclaimed a double dissolution, so the House’s motion was never presented to him. At the subsequent elections on December 13th Fraser’s Liberal-Country party coalition secured a majority in both houses.

The 1975 constitutional crisis reveals the additional complexities in the Australian system. An obstructionist Senate can and often does prevent the Government from passing its legislation. This can force premature dissolution of either the lower House or both Houses as in the case of the double dissolution provision. This adds another strategic dimension to the election timing issue. Prime Ministers need to consider the possibility of future obstructionist behavior, the timing of future Senate elections, and their likely consequence. There is also a need to consider whether the threat of double dissolution will force Senate compliance or result in electoral defeat at the subsequent election. The complex electoral rules and the power of the Senate (not to mention the interaction with state level governments) creates a host of strategic possibilities for Prime Ministers which significantly complicate the election timing decision and its consequences. Unfortunately, the integration of these issues is beyond the scope of the current book, but it offers an exciting extension for future research.

Election timing in coalition governments, such as those endemic in PR systems, is perhaps the area in which the election timing theory is most in need of additional development. Under PR rules, it is common for no single party to secure a legislative majority, as such, governments rely on the support of multiple parties to survive. Unlike majoritarian systems were governments are
generally only deposed by election losses, governments often fall and form without elections. Government defeat need not have anything to do with electoral defeat. Dissolution is but one option available to governments. A further complicating factor is the issue of who is responsible for calling new elections. Although in many systems the decision, de facto if not de jure, resides with the Prime Minister, she faces additional pressures that a majoritarian leader typically does not. Coalition members, for instance, might induce a leader to dissolve parliament by threatening to desert the coalition. Alternatively, the PM might use the threat of dissolution to maintain discipline within the coalition and occasionally be forced to carry out her threat.

Above and beyond who is responsible for dissolving parliaments in PR systems, there is the question of how the electorate attributes credit and blame among government and parliamentary parties. Differing assumptions on this question profoundly affect the incentives of parties to cause the dissolution of parliament and the consequences of such dissolution. While a few models of coalition have attempted to integrate the calling of new elections (for example Baron 1998, Lupia and Strom 1995, Strom 1988, Huber 1996a,b and Deiermier and Federsen 1998), the majority of coalition models completely neglect the contingent circumstances under which the election was called and its possible consequences (see Laver and Schofield 1990 for a comprehensive review of the literature on coalition politics).

Although the theory above is set in a majoritarian context, it suggests that elections are called, or forced, when one of the parties able to cause the dissolution of parliament expects to do better by an election now than by an election in the future. Unfortunately, in the coalition context the interpretation of what it means to do better is far more ambiguous since it need not be directly related to government performance. Clearly this question is due much more attention.
Other Questions

The election timing theory speaks to other aspects of government behavior. For example, one might ask what does a Prime Minister’s decision to rearrange her cabinet reveal. In some cases reshuffles are unavoidable due to death or illness. Similarly, some members of cabinet are forced out of government by the loss of their seat, as happened to Chris Patten in the 1992 General Election. Yet, in many cases reshuffles are discretionary.

There are two dimensions to a Prime Minister’s decision to reshuffle her cabinet. First, how does the change in personnel affect the ability of the government. Presumably, she wants to promote those she believes capable and demote non-performers. Such changes should improve government ability, and hence, on average, result in better performance in the future. Second, the Prime Minster cares about the signal her reshuffle sends. Since a reshuffle changes personnel, it reduces the government’s legacy. This might be advantageous if the government is unpopular. It also reveals that the Prime Minister lacks faith in her old cabinet. A skeptical voter might well wonder whether they should trust the Prime Minister to pick the best personnel for government given her failure to pick the best personnel previously. The decision to reshuffle is more complex than simply choosing the best person for each job.

To illustrate the logic, it is worthwhile to consider a hypothetical example. If the PM removes, for example, her Chancellor, then this action can signal several things. First, there could be general disagreement in the cabinet over policy, and the Prime Minister wishes to reduce dissent. Second, the PM reveals that she lacks faith in the abilities of her minister. Neither of these are likely to enhance the government’s overall standing. If a PM removes a chancellor who has successfully achieved economic growth, then one might infer than the Chancellor was simply lucky and had no
great skills. The replacement of the successful chancellor with an unknown reduces the government’s legacy of success, since its ability, in terms of personnel and also possibly policy direction, has changed. However, if the replacement is genuinely better than the current chancellor, the short-term down-turn in the voters’ assessment of the government’s ability will be offset by better long-term performance.

For a popular government, the trade off between long-term better prospects versus a short-term reduction in the electorate’s assessment depends upon whether an election is likely. At the end of an electoral term, even if the replacement is significantly better than the incumbent, the Prime Minister is unlikely to reshuffle her cabinet until after the election.

Of course, distancing the government from past performance is sometimes desirable. For example John Major (1999 chapt. 27) discusses his reluctance to replace Norman Lamont as Chancellor. He believed that Lamont was doing an excellent job and was simply unlucky. Yet as the negatives collected against Lamont, Major was eventually forced to drop him. This event signaled that the government lacked confidence in its own abilities but did provide it with the opportunity to partially reset the electorate’s evaluation of the government’s economic record. Lamont’s subsequent vehement attack on the government reveals he realized he was supposed to take the fall to reduce the government’s ties to its past record. In 1962, following a series of by-election loses, Macmillan devastated his cabinet by replacing many of his most senior ministers including the Chancellor. A Gallup poll reported that 62% of people believed Macmillan was acting out of desperation (reported in Butler and King 1965 p16).

On average, cabinet reshuffles should reduce the government’s record, be it good or bad. Hence successful governments signal that they were lucky (or that they can no longer agree) when
they switch personnel. As a prediction, popular governments should be unlikely to reshuffle shortly before elections, while unpopular governments are always more likely to reshuffle even though it sometimes means competent ministers are sacrificed for new faces.

General Elections are not the only politically important elections to time correctly. On 22\textsuperscript{nd} June 1995 Prime Minister John Major announced his resignation as Conservative party leader and his intention to seek re-election to that post. He won the July 4\textsuperscript{th} ballot of Conservative MP with 218 votes versus 89 for his challenger John Redwood. Had he lost, or not received sufficient support\textsuperscript{69}, he would have been forced to resign as Prime Minister. He was under no obligation to call an election for leader of the party. Indeed in most years the position of leader of the party remains uncontested. However, John Major’s leadership was under pressure.

The parliamentary Conservative party was deeply divided over European integration. Some members of the party favored more integration, while others called for a revision of the Maastricht treaty and no further European integration. This division between the Europhiles on the one hand and the Euroskeptics on the other continues to split the Conservative party and it is a, if not the, dominant issue in the current battle over who should be the next party leader. Neither side was happy with the compromise position adopted by Major, who notes “the speculation about whether my leadership would be challenged was draining the government (1999 p. 612).” The in-fighting within the party was destroying the government’s unity and jeopardizing its chances at the next election. The “infighting had to stop (Major 1999 p610).” In an attempt to restore party unity, Major “pointed to a pre-emptive strike on my part: to force an

\textsuperscript{69} He claims he set himself the goal of 215 seats without which he intended to resign as PM.
early contest for the leadership, inviting my critics to ‘put up or shut up’.(1999 p.612)’

The timing of a leadership battle exhibits many of the features of the timing of general elections. For example, Major sought to exploit surprise: “my announcement had caught potential rivals by surprise. They had assumed that any contest would be in November. Now it was not, and they needed to make quick decisions (Major 1999 629).” The serious contenders were not ready for a competition, and in the end, only John Redwood stood against the Prime Minister.

This example also reveals how the value of office holding influences the decision to carry on. “For me, the strain and frustration of trying to maintain a balance between the two sides was immense. I was no longer willing to endure the pain, and was prepared to put the leadership to hazard (Major 1999 p.616).”

Effectively Major sought to make the leadership election a mandate issue. In this regard, his decision is much like Winston Churchill’s speech to the House of Common on January 27th 1942 in which he stated that “it is because things have gone badly and worse is to come that I demand a Vote of Confidence.” In the confidence motion that followed two days later, Churchill won 481 votes to one. Recognizing that grumbling was starting and realizing that there was no good news afoot, Churchill’s demand for a mandate helped secure his leadership for the rest of the war.70

Major benefitted from his early leadership election. “The contest was beneficial in helping to clear the air. It was probably decisive in saving my leadership, for to have drifted on into the autumn, at the mercy of speculation about when my enemies would spring a contest on me (as

70 The perhaps unusual feature of Churchill’s call for a motion of confidence is the extent to which he is brutally honest about prospects for the future: “I must warn you, as I warned the House of Commons before they gave me their generous vote of confidence a fortnight ago, that many misfortunes, severe, torturing losses, remorseless and gnawing anxieties lie before us. (Churchill February 15, 1942 Broadcast).”
opposed to my springing one on them), could hardly have added to the 218 votes I received in July. I firmly believe that my re-election as leader postponed - and, I hope, saved the party from - an irrevocable split over European policy. At the time, it would very likely have hemorrhaged if a leader had been chosen who gave unconditional backing to one side or the other in an argument so fundamental to the protagonists that none was prepared to concede (Major 1999 p646-7).”

Although these early elections secured leadership, as the theory would predict, they foreshadowed the depths of the problems. The war continued to worsen for Britain and the fracture of the Tory party continues until today.

Leadership elections and calls for votes of confidence are not unique to Britain, and such tactics do not always succeed. On December 9th 2000 Israeli Prime Minister Ehud Barak announced that he intended to resign and called for new elections stating that "[d]ue to the emergency situation the country is in ... and the need to continue reducing the violence and moving forward the chances of peace negotiations, I have decided to ask again for the trust of the people of Israel," (CNN.com Barak resigns in move to sidestep push for new elections December 9, 2000). In the weeks prior to his announcement, his popularity had slumped as Israeli-Palestinian violence escalated. His government also faced threats in the Israeli legislature, the Knesset71.

The Prime Minister is directly elected and must then form a coalition government within the legislature. Rather than call a General Election, Barak announced elections only for Prime Minister. “His decision to quit was widely seen as a political tactic aimed at blocking his chief rival, former Prime Minister Benjamin Netanyahu, from running for the post.(CNN.com Barak formally resigns

71 See for example CNN.com Israel's Barak says he welcomes early elections November 28, 2000
Israel has subsequently abolished the direct election of the Prime Minister. Under the election law, only a member of the Knesset is eligible to run. Hence despite his popularity with the voters, Netanyahu was unable to run. Instead Barak’s chief challenger was the Likud party leader Ariel Sharon, a much less popular figure than Netanyahu. Despite this, Sharon convincingly defeated Barak, capturing 62.6% of the vote.

Given that he lost, one might question Barak’s decision to call an early leadership election. Although Barak lost, he might well have taken his best shot at retaining power. His minority coalition government was facing increasing pressure in the legislature, his popularity was declining, and peace talks with the Palestinians were faltering. Upon hearing the announcement of his decision, I drew the inference that the Mid-east peace talks were dead and that violence would escalate. Unfortunately, these predictions have come true. Anticipating a decline in conditions, Barak knew his popularity was only likely to decline still further and that his government would face even greater pressure in the legislature. By calling an early leadership election he censored the people’s ability to see the escalating violence. He also matched himself against a weaker opponent. Unfortunately for him this was still not enough and he was defeated.72

**Endogenous vs. Exogenous Election Timing**

Having discussed the properties of elections under a flexible date regime, it is worth comparing them to elections under fixed terms.73 At first glance it is tempting to think the possibility...
of calling elections whenever ‘the time is right’ gives the incumbent a huge advantage. Indeed when I confront US undergraduates with this fact they are typically startled, with some even claiming such a practice can not possible be democratic.

“If the owner of the Derby [horse race] winner announced to the Jockey club that the following year the race would be run at a date and under the conditions of his choosing even that notoriously phlegmatic body might feel driven to remonstrate. If the winners of the F.A. [soccer] cup made a similar claim there would be a public outcry. Yet, we unquestioningly accord a similar privilege to the winners of the last general election. Ian Gilmour, Conservative MP. (“Timing the general election: who should decide?” Letters to the Editor The Times April 22 1970 p.11)”

Seven of sixteen post war British elections produced a change in the ruling party. The comparative difference for US Presidential elections is seven changes in thirteen Presidential elections. This difference is certainly not statistically significantly, making it difficult to argue that endogenous timing privileges the incumbent. Neither ratio is significantly different from the 50:50 lottery of a coin flip. The flexibility to call elections when they are most advantageous is not the great incumbency advantage one might initially imagine.

In their 1992 Manifesto the Labour party stated “This general election was called only after months of on-again, off-again dithering which damaged our economy and weakened our democracy. No government with a majority should be allowed to put the interests of the party above government, as the Conservatives have done. Although an early election will sometimes be necessary, we will introduce as a general rule a fixed parliamentary term.” The uncertainty created by a flexible election
date, is a common theme for the opposition. For instance, in 1949 Winston Churchill the opposition Conservative leader stated “There has undoubtedly been disturbance of trade and industry. But whose fault is that? It is the fault of one man, the Prime Minister, Mr Attlee, who could, at any time in the last month by a nod or a gesture, have dispersed the rumours that he intended to spring a snap election (quoted in Nicholas 1951 . 70).”

Such arguments suggest political uncertainty harms the economy. While this may or may not be true, endogenous election timing offers opportunities unavailable to governments in fixed term systems. Governments stuck will minimal majorities such as the 1950-51 Parliament, or even no majority as in 1974, can not effectively implement policy. In the two party system without the serious possibility of coalitions forming to provide effective government, this can leave the country without direction, conceivably for many months, until the next election. The threat of early dissolution and the use of confidence votes provides an effective tools to secure the passage of legislation (Huber 1996a,b).

Endogenous election timing also serves to keep campaigns short, and hence relatively inexpensive. In contrast, in the US candidates become beholden to special interests who help finance the cost of massive campaigns. By keeping the election period short, endogenous election timing helps ensure British politics is not captured by wealthy campaign contributors.

It is also possible that endogenous election timing reduces the use of political business cycles. If by chance fluctuations in the economy produces conditions ripe for an election then the government foregoes the need to manipulate the economy. In contrast, when the electoral term is fixed governments do all in their power to manipulate conditions prior to the election. They do so even if, as rational expectations arguments suggest, the manipulation causes no real positive change in the economy and only hurts the long-term vitality of the economy. Governments feel compelled to
engineer the economy even if it has no effect since voters and economic actors behave as if the
government has fiddled with the levers of state. Given the discount voters apply to the government’s
performance immediately before the election, without manipulation the government harms itself. In
fixed-term electoral systems the economy always suffers from the manipulations of the political
business cycle. Flexibility in the timing of elections allows the economy to sometimes escape these
temptations.

Whether desirable or not, in Britain the Prime Minister has the right to call elections when
ever she feels the time is right. Britain is not alone. Most parliamentary system have some provision
via which the government can call for early elections. Whether or not you find the arguments
presented in this book convincing, I profoundly hope you agree that the timing of election is an
important and understudied phenomenon.
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