Central European University
Department of Political Science
Departmental Doctoral Seminar
13.11.2008

Sari Rannanpää
Doctoral Candidate

Economic Voting in Estonia

Foreword

This paper is a by-product of my research into Estonian politics, labour law and tripartism. I got interested in the voting patterns of Estonia, and wanted to test how feasible would it be to use Boolean algebra/QCA in the research of economic voting, given the small number of cases.

I would ideally work this paper into a journal article, possibly including Latvia and Lithuania as well – I would be more than happy to receive comments and suggestions that would make it into a publishable piece.

Abstract

In this paper, I will focus on macro-level economic voting in Estonia. I will test three economic voting hypotheses on four Estonian general elections between 1995 and 2007, using Boolean algebra. To begin with, I will briefly discuss the specificities of economic voting in Central Europe during transition. Then, I will give a narrative of the political and economic developments in Estonia, highlighting the general elections and the coalition politics. Afterwards I will move on to discuss the economic voting hypotheses and illustrate the Estonian case study in parallel. First, I will test the vote-popularity function and show that only when the GDP was growing and unemployment decreasing country-wide did the incumbent party win the general elections. Then, using Fidrmuc's party responsibility hypothesis, I will show that when unemployment is high in the whole country, the Centre Party wins in most Estonian regions. Finally, I will illustrate, by using Tucker's transition hypothesis, that when disaggregating national voting patterns, one can easily find that left-leaning parties are more popular in those Estonian regions where unemployment levels are higher – plus their popularity rises together with the rise of unemployment in most of the regions.

1. Introduction

Economic voting is "a special case of the rational-choice perspective on electoral behaviour"[1] where the main focus is on the relationship between the voters and the state of the macroeconomy. The basic assumption underlying most economic voting theories is that when choosing whom to vote, economy is an important consideration for the electorate: the elections serve as referenda on the economy.[2] From this starting point, several kinds of research strands have emerged. Indeed, Lewis-Beck and Stegmaier characterise the research field as being dominated by three dimensions of economic evaluation: self versus society; past versus future; cognitive versus affective.[3] That is, the research is mainly focused on either micro- or macro-level, on ego-centred or sociotropic voting, as well as voting on the basis of economic past (retrospective voting) or economic future (prospective voting).

In this paper, I will focus on macro-level economic voting in Estonia. I will test three economic voting hypotheses on four Estonian general elections between 1995 and 2007, using Boolean algebra. To begin with, I will briefly discuss the specificities of economic voting in Central Europe during transition. Then, I will give a narrative of the political and economic developments in Estonia, highlighting the general elections. Afterwards I will move on discuss the economic voting hypotheses and illustrate the Estonian case study in parallel. First, I will test the vote-popularity function and show that only when the GDP was growing and unemployment decreasing country-wide did the incumbent party win the general elections. Then, using Fidrmuc's party responsibility hypothesis, I will show that when unemployment is high in the whole country, the Centre Party wins in most regions. Finally, using Tucker's transition hypothesis, I will show that when disaggregating national voting patterns, one can easily find that left-leaning parties are more popular in those Estonian regions where unemployment levels are higher – plus their popularity rises together with the rise of unemployment in most of the regions.

[1] Han Dorussen and Harvey D. Palmer, "The Context of Economic Voting," in *Economic Voting,* ed. Han Dorussen and Michaell Taylor (London, Routledge, 2002), 2
[2] Raymond Duch and Randy Stevenson. 2006. 'Assessing the Magnitude of the Economic Vote over Time and Across Nations." Electoral Studies 25, 529
[3] Michael Lewis-Beck, *Economics and Elections: The Major Western Democracies* (Ann Arbor, University of Michigan Press, 1998), 33-37

2. Specificities of Economic Voting in Central Europe

In Western democracies, large part of the electorate portrays relatively stable voting choices. Hence, economic voting research focuses on the volatile share of the electorate, that is, voters with no fixed party preferences and who may hence consider vote for a different party from one election to another. The size of the volatile electorate is estimated to be between 10 and 25 per cent,[4] and the economic vote has been estimated to be around 4.4% in Western democracies.[5]

Against this background, it was expected that the economic voting model would be particularly appropriate for Eastern Europe during the transition, since "economic considerations have substantial potential to affect individual vote. In Eastern Europe, strong party identification has been slow to develop, and party vote shares have shifted dramatically from one election to the next; thus, one might expect economic voting to be even more accentuated than in the West where there is greater partisan stability."[6] However, exactly the instability of the party system, electorates and economies in the early transition period made it rather difficult to research economic voting in Central Europe. The main problem faced by economic voting researchers was that they were not able to isolate the effect of economic voting amongst the variables – none of which could be held constant. Thus, the earliest studies found only modest evidence of economic voting in Central Europe.

The earliest studies of economic voting in Central Europe found that state of the economy was important, albeit not sole, factor affecting vote choices of the electorate. Demography, party ideology and programmatic goals, as well as national economic performance have all been found to be important considerations for voters.[7] Further, the regime transition attitudinal variables – attitudes toward the establishment of a free market economy[8] and satisfaction with

[4] Åsa Bengtsson, "Economic Voting: The Effect of Political Context, Volatility and Turnout on Voters' Assignment of Responsibility," *European Journal of Political Research* 43 (2004), 750
[5] Raymond Duch and Randy Stevenson, "Assessing the Magnitude of the Economic Vote over Time and Across Nations," *Electoral Studies* 25 (2006), 540
[6] Markus Harper, "Economic Voting in Postcommunist Eastern Europe," *Comparative Political Studies* 33 (2000), 1199
[7] Hubert Tworzecki, *Learning to Choose: Electoral Politics in Central and Eastern Europe* (Stanford, Stanford University Press, 2003), 208
[8] Joshua Tucker, "Transitional Economic Voting: Economic Conditions and Election Results in Russia, Poland, Hungary, Slovakia and the Czech Republic from 1990-1999, " Unpublished working paper (2004) at http://homepages.nyu.edu/~jat7/pubs.html

the development of democracy – have been found to be important considerations for the electorate.[9]

2.1 Clarity of responsibility

Clarity of responsibility assumes that in order for the voting behaviour to be counted as economic voting, it is a prerequisite that the voters are able to separate the efforts and economic programmes of the incumbents from those of other economic actors – and from other random variables that might affect the state of the national economy. Powell and Whitten argue that "considerations of the ideological image of the government, its electoral base, and the clarity of its political responsibility are essential to understand the effects of economic conditions on voting for or against incumbents."[10]

The discussion on clarity of responsibility is particularly important for Central European economic voting. First of all, as mentioned earlier, the party systems were highly fragmented. The party platforms were ambiguous, the party programmes were fluid, and there was low party identification by voters – all of which were illustrated by low electoral turnout and high voter volatility. All of these factors contributed to the blurring of the magnitude of economic voting in Central Europe. In addition, assigning the blame for adverse economic outcomes was not easy in the early transition: the earliest governments were dealing with economic problems inherited from the previous regimes. The earliest results on economic voting in Central Europe were modest, because "macroeconomic effects on voting are indeed more pronounced under institutional arrangements clarifying incumbent responsibility"[11] However, according to Duch, this is not a permanent state of affairs but "as citizens become more informed about democratic processes, they engage in higher levels of economic voting. Similarly, as they develop more trust in nascent democratic institutions, they are more likely to anticipate a responsive government and will be more likely to engage in economic voting."[12] Furthermore, he argues that "economic voting emerges in post-communist electorates as ambiguity regarding the link between government policy and economic

[9] Markus Harper, "Economic Voting in Postcommunist Eastern Europe," *Comparative Political Studies* 33 (2000), 1221
[10] Bingham Powell and Guy D. Whitten, "A Cross-National Analysis of Economic Voting: Taking Account of the Political Context," *American Journal of Political Science* 37(1993), 391
[11] Douglas Hibbs Jr., "Voting and the Macroeconomy" in *The Oxford Handbook of Political Economy*, ed. Barry R. Weingast and Donald A. Wittman, (Oxford, Oxford University Press, 2006), 570
[12] Raymond Duch, "A Developmental Model of Heterogeneous Economic Voting in New Democracies," *American Political Science Review* 95 (2001), 895

outcomes declines. The link becomes less ambiguous as citizens become more informed about how democratic institutions function and gain increasing confidence or trust in the responsiveness of these institutions to public preferences"[13] Thus, economic voting effects could be expected to increase at par with democratisation and transition processes.

Against this background, it is interesting to assess the state of economic voting in Estonia throughout the transition period. Does economic voting exist in Estonia? Are different governments judged differently with regard to macroeconomy? That is, are left-wing governments held more responsible for unemployment than right-wing governments?

3. Estonian Elections in the Post-communist Period

In most of the transition countries, the earliest elections were characterised by both great party and electoral volatility. Whereas the first post-communist elections were typically won by pro-reform, anti-communist parties, the reformed communist parties typically made their return in the second post-communist elections. In Estonia the power had been transferred to the reform communists already in March 1990, when Edvard Savisaar's Popular Front won the elections for the 105-member Estonian Supreme Soviet, which had been transformed into an authentic regional lawmaking body by late 1989.

Estonia started fiscal and price reforms in 1990. Estonian economy deteriorated rapidly after the August 1991 declaration of independence, mainly due to raw material shortage and the lack of capital financing. Savisaar was forced to resign in January 1992 due to continuing economic decline, hyperinflation, and emerging food shortages. Mr Tiit Vahi was appointed to be the caretaker Prime Minister in the transitional government, which was made up mainly of experts from the Coalition Party and non-party ministers. Under Vahi's government, Estonia adopted its constitution and established its national currency, the Estonian Kroon, under a currency board mechanism, effectively committing the Estonian governments into balanced budget. [14]

[13] Ibid, 906
[14] Mart Laar, *Estonia: Little Country that Could*, (Centre for Research into Post-Communist Economies, London: 2002), 116

3.1. Estonian Politics and Economy 1992-1995

The Estonian Riigikogu Election Act of 12 June 1992 prescribes a proportional representation system, in which candidates are elected from twelve[15] multi-member voting districts. Each district has 7-13 mandates, depending on the size of the electorate.[16] The districts are made up of Estonian counties (some of them are joined to make up one electoral district), as well as the cities of Tartu and Tallinn. Despite the electoral data being available at a county level, the macroeconomic data provided by the Estonian Statistical Office is available only at regional level, in some cases such as regional GDP as a proportion of national GDP, from 1996 onwards.[17]

17 parties took part in the October 1992[18] general elections. Only citizens could participate: non-citizens[19] were not allowed to be members of a party, nor vote in local and general elections.[20] The main topic of the elections was the speed of change – the Popular Front had a pragmatic approach, and it aimed at negotiated reform within the USSR, whereas the ENIP rejected any compromise on Estonian independence[21] as well as the Popular Front's "evolutionary approach of working within the system in order to undermine it.[22]" Pro Patria was formed right before the 1992 elections by the merger of four electoral cartels (Christian Democrats, Republicans, and Conservatives) whose leaders were mainly intellectuals and whose support is greatest in towns. With the leadership of Mart Laar, it promoted rapid change and strong free market policy.[23]

Pro Patria, Estonian National Independence Party (ENIP) and the Moderates emerged as winners in the elections. Pro Patria gained most votes in all but one region of Estonia, namely North-Eastern Estonia where the Popular Front gained most seats. Mart Laar's right-centre

[15] 1992 and 1995 elections had 12 voting districts
[16] Estonian elections at Estonian National Elections Committee website http://www.vvk.ee/engindex.html
[17] Estonian regions consist of 1) North-Eastern Estonia: Ida-Viru county; 2) Northern Estonia: Harju county and city of Tallinn; 3) Western Estonia: Hiiu, Lääne, Pärnu and Saare counties; 4) Central Estonia: Järva, Lääne-Viru and Rapla counties; 5) Southern Estonia: Jõgeva, Põlva, Tartu, Valga, Viljandi and Võru counties, city of Tartu
[18] Estonian elections at http://www.vvk.ee/engindex.html
[19] 602 000 ethnic Russians living in Estonia were unable to participate in the elections, as well as some 80 000 ethnic Estonians born outside of Estonia. In contrast, some 80 000 ethnic Russians living in Estonia were able to participate on the grounds of being either Estonian citizens in 1940 or their descendants.
John Fitzmaurice, "The Estonian Elections of 1992," *Electoral Studies* 12:2 (1993), 168
[20] Erik Andre Andersen, "The Legal Status of Russians in Estonian Privatisation 1989-1995," *Europe-Asia Studies* 49(2), 311
[21] John Fitzmaurice, "The Estonian Elections of 1992," *Electoral Studies* 12:2 (1993), 170
[22] Andre Kasekamp, "Extreme-right parties in contemporary Estonia," *Pattern of Prejudice* 37:4 (2003), 403
[23] John Fitzmaurice, "The Estonian Elections of 1992," *Electoral Studies* 12:2 (1993), 173

government aimed mainly at curbing inflation and keeping the budget balanced, even though "balancing the budget introduced shock therapy to people.[24]" Laar's government was adamant in its liberal ideology. Laar admits that "the reformers were not in power to bring a consensus to parliament or even, unfortunately to society, but to use the window of opportunity which was presented to them and to turn Estonia from the East to the West.[25]" Laar's government managed to reduce inflation, improve Estonian productivity and foreign trade, reform the pension system, as well as to attract first foreign direct investment (FDI) into Estonia. The Laar government also introduced a flat-rate income tax rate in Estonia in 1993. The choice of the tax type (flat-rate or progressive) was strongly ideological.[26] The same liberal principles were applied to unemployment, which was rising steeply after 1992.

Despite the economic improvements, Laar's radical reforms were facing sharp opposition, especially from farmers and pensioners. The party was also disintegrating, and two factions broke off Pro Patria. One of them, the radical free-market Reform Party represented the new business elites with the leadership of Siim Kallas.[27] Laar lost a non-confidence vote in October 1994 amidst scandals and defections from his own party[28], and Mr Andres Tarand of the Moderates became the caretaker Prime Minister until the March 1995 elections. The Tarand government followed largely the Laar government programme, keeping budget balanced but improving relations to Russia. The Estonian economy was showing signs of recovery – the inflation rate was at 29% in 1995, and the GDP growth had turned positive.[29]

3.2. Estonian Politics and Economy 1995-1999

In the March 1995 general elections, the ethnic Russian electorate was already 150 000, as the ethnic Russians living in Estonia continued to receive their citizenships.[30] The Estonian party landscape changed a lot since the previous elections. Pro Patria was split in three, and the

[24] Mart Laar, *Estonia: Little Country that Could*, (Centre for Research into Post-Communist Economies, London: 2002), 175
[25] Mart Laar, *Estonia: Little Country that Could*, (Centre for Research into Post-Communist Economies, London: 2002), 213
[26] Mart Laar, *Estonia: Little Country that Could*, (Centre for Research into Post-Communist Economies, London: 2002), 272
[27] John Fitzmaurice, "The Parliamentary election in Estonia, March 1999," *Electoral Studies* 20:1 (2001), 145
[28] *Central and South-Eastern Europe 2004*, (Routledge, London: 2004), 242
[29] Estonian price statistics at http://www.stat.ee/prices and Estonian national accounts at http://www.stat.ee/national-accounts
[30] Rein Taagepera, "Estonian Parliamentary Elections, March 1995," *Electoral Studies* 14:3 (1995), 330

ENIP lost "the core of its supporters when it made compromises within the government[31]", and two factions split off the ENIP.[32] The Moderates also lost key members to the Reform Party. After the 1995 elections, several parties disappeared from the Estonian political map, either by merger or by dissolution. For instance, the Estonian National Independence Party and the Pro Patria merged in December 1995 into Pro Patria Union, and a Our Home is Estonia!, a Russian minority electoral platform, was disbanded after the elections. The number of parties in the Riigikogu also dropped from nine to seven, but the party system was not stabile.

Tiit Vahi's KMÜ coalition of the Estonian Coalition Party and the Estonian Country People's Party won the elections and formed a coalition government with the Estonian Centre Party. The KMÜ coalition gained most votes in the rural regions of Central, Western and Southern Estonia, whereas the Reform Party gained most votes in North-Estonia and Centre Party in North-Eastern Estonia.

The Vahi coalition work was difficult, mainly due to differences between the Coalition Party and the Centre Party. Taagepera calls the government "and uneasy coalition of protectionist farm interests and market-oriented former Soviet managers become owners.[33]" After a scandal involving the Centre Party head Savisaar, the Centre Party left the government in October 1995. The Reform Party joined the governing coalition, which continued with the reforms but was plagued by clashes between the Reform Party and the rural parties. When it became known that the Coalition Party and the Centre Party signed a cooperation agreement to gain majority in the Tallinn City Council without the knowledge of the Reform Party,[34] Vahi was left with a minority government when the Reform Party withdrew from the coalition in November 1996. The minority government was not long-lasting, though. Vahi resigned in February 1997 as the news of a wire-tapping scandal involving a government minister, broke out. Mart Siimann of the Coalition Party was appointed as the Prime Minister for a new minority government. According to Mart Laar, the rural parties took advantage of Siimann's inexperience, which resulted in the discounting of liberal policies in several areas. In general,

[31] Rein Taagepera, "Estonian Parliamentary Elections, March 1995," *Electoral Studies* 14:3 (1995), 329
[32] Andre Kasekamp, "Extreme-right parties in contemporary Estonia," *Pattern of Prejudice* 37:4 (2003), 404
[33] Rein Taagepera, "Estonian Parliamentary Elections, March 1995," *Electoral Studies* 14:3 (1995), 329
[34] *Central and South-Eastern Europe 2004*, (Routledge, London: 2004), 242

Laar argues that the "policy of the new government tended to be quite indecisive.[35]" Faced with the worsened economic situation after the 1998 collapse of the Rouble, the Siimann government could not keep the tight fiscal policy of the previous governments. Both unemployment and budget deficit were increasing.

3.3. Estonian Politics and Economy 1999-2003

The March 1999 Riigikogu elections[36] electoral coalitions were forbidden. The Estonian Coalition Party, representing the interests of the business elite, had been dismantled. Edgar Savisaar's Centre Party gained almost a quarter of all votes, winning most seats in all but the region of Northern Estonia. Yet, he was not tasked to form a government. Instead, Mart Laar's Pro Patria Union formed a government with the Reform Party and the Moderates with whom it had been cooperating under "United Opposition" umbrella since 1998.[37] The government aimed at strengthening economic and political ties with the West and enhancing Estonian competitiveness by lowering taxes and abolishing corporate tax altogether.[38] Even though the Moderates held the Ministry of Social Affairs, the 2000 budget saw cuts in social programs, in order to foster growth and balance the budget.[39]

During the year 2000, Estonian unemployment rate reached its highest levels, 13.6%.[40] The GDP growth of 1999 was only 0.3%, but in 2000 it rose to 10.8%.[41] Laar's government faced sharp criticism on the management of the infrastructural privatisation, and the popularity of the governing coalition was waning.[42] Mart Laar resigned in January 2001, and the Pro Patria Union left the government, due to differences with the main coalition partner Reform Party on the local government reform. The "United Opposition" collapsed when the Reform Party changed its alliances in Tallinn to Centre Party, supporting Edvard Savisaar as the Tallinn Mayor.[43] Siim Kallas of the Reform Party was nominated Prime Minister, and he led the minority government consisting of the Reform Party and a majority of Centre Party ministers

[35] Mart Laar, *Estonia: Little Country that Could*, (Centre for Research into Post-Communist Economies, London: 2002), 323
[36] Estonian elections at http://www.vvk.ee/engindex.html
[37] John Fitzmaurice, "The Parliamentary election in Estonia, March 1999," *Electoral Studies* 20:1 (2001), 144
[38] Mart Laar, *Estonia: Little Country that Could*, (Centre for Research into Post-Communist Economies, London: 2002), 355
[39] Mart Laar, *Estonia: Little Country that Could*, (Centre for Research into Post-Communist Economies, London: 2002), 358
[40] Estonian labour market statistics at http://www.stat.ee/labour-market
[41] Estonian national account statistics at http://www.stat.ee/national-accounts
[42] *Central and South-Eastern Europe 2004*, (Routledge, London: 2004), 248
[43] Vello Pettai, "The parliamentary elections in Estonia, March 2003," *Electoral Studies* 23:4 (2004), 829

until the next elections. According to Pettai, the Kallas government parties disagreed strongly on issues such as taxation and privatisation, but they agreed to put their disagreements on hold. In addition to the EU accession negotiations, the government did not even aim at making major reforms.[44]

3.4. Estonian Politics and Economy 2003-2007

The main issues dominating the March 2003 general elections, in which 11 parties took part, were taxation, family issues and corruption. The Reform Party called for a reduction in the flat-rate income tax, whereas the Centre Party campaigned around the introduction of progressive taxation. The newly established, national conservative Res Publica campaigned mostly on corruption, against the Centre Party, as "its raison d'etre was to offer 'new politics' to voters.[45]" The Centre Party and the Res Publica gained about a quarter of the electorate each. The Centre Party gained most votes in North-Eastern Estonia, whereas Res Publica was most popular in the regions of Northern, Central and Western Estonia. The ethnic Russian parties did not gain any seats in the Riigikogu, even though 15% of the electorate was Russophone[46]. Despite winning the largest number of votes, the Centre Party was left outside of the government. Res Publica formed a coalition government with the Pro Patria Union and the Reform Party, with the 35-year-old Juhan Parts of the Res Publica as the Prime Minister. The Parts government "was widely regarded as exceptionally young and inexperienced, even by Estonian standards.[47]"

The coalition work was difficult, mainly due to conflicting views on tax reform, as well as Res Publica's credibility problems and loss of support. The party lacked coherent vision, and some of its ministers were inexperienced. The party also switched its pro-European view to a mildly eurosceptic one before the European Parliament elections, in which it gained no seats. Res Publica allied with the Centre Party in the Tallinn city council, undermining its vow never to work with Savisaar.[48] The agenda of the Res Publica shifted to the right, to the dismay of its centrist voters. The party leadership also disregarded the party's ethical code, which was made up of practises they had criticised their predecessors of. According to

[44] Vello Pettai, "The parliamentary elections in Estonia, March 2003," *Electoral Studies* 23:4 (2004), 829
[45] Vello Pettai, "The parliamentary elections in Estonia, March 2003," *Electoral Studies* 23:4 (2004), 830
[46] Rein Taagepera, "Meteoric trajectory: the Res Publica Party in Estonia. Democratization 13:1 (2006), 81
[47] *Central and South-Eastern Europe 2004*, (Routledge, London: 2004), 248
[48] Mikhel Solvak and Vello Pettai, "The parliamentary elections in Estonia, March 2007," *Electoral Studies* 27:3 (2007), 574

Taagepera, the Reform Party took advantage of the parliamentary inexperience of the Res Publica newcomers and consequently pushed its programme forcefully.[49] After a vote of no-confidence on his Minister of Justice, Parts resigned in May 2005 and the Res Publica left the government.

Andrus Ansip, the newly-elected chairman of the Reform Party (Siim Kallas had just started his post as European Commissioner in 2004) and the Minister of Economic Affairs and Communication in the Parts government, was asked to form a government. The first Ansip government consisted of the Reform Party, Centre Party, and the rural People's Party Rahvaliit. Even though the Reform Party and the Centre Party remained divided over tax issues and social policy issues, because "Estonia enjoyed a large budget surplus at the time, the two parties found an easy compromise by both lowering taxes and raising pensions.[50]" Meanwhile, Res Publica and Pro Patria merged in June 2006, creating the centre-right Pro Patria and Res Publica Union (PPRPU).[51]

3.5. Estonian Politics and Economy 2007 onwards

The campaign for the March 2007 general elections[52] was dominated by economic questions. In 2006, the unemployment level was at 5.9, having almost halved since 2002. The inflation had started to rise from its lowest point (1.3% in 2003), reaching 4.4% in 2006.[53] The main argument concentrated around the "question of how to keep Estonia's economic boom going while satisfying demands for sharp increases in public sector pay and social welfare spending.[54]" The Reform Party campaigned with income tax cuts, whereas the Centre Party promised raises in public sector salaries and the PPRPU concentrated on family policy and education. [55]

[49] Rein Taagepera, "Meteoric trajectory: the Res Publica Party in Estonia. Democratization 13:1 (2006), 81
[50] Mikhel Solvak and Vello Pettai, "The parliamentary elections in Estonia, March 2007," *Electoral Studies* 27:3 (2007), 575
[51] Pro Patria and Res Publica Union at http://www.irl.ee/en
[52] Estonian elections at http://www.vvk.ee/engindex.html
[53] Estonian labour market statistics at http://www.stat.ee/labour-market and Estonian price statistics at http://www.stat.ee/prices
[54] Mikhel Solvak and Vello Pettai, "The parliamentary elections in Estonia, March 2007," *Electoral Studies* 27:3 (2007), 575
[55] Mikhel Solvak and Vello Pettai, "The parliamentary elections in Estonia, March 2007," *Electoral Studies* 27:3 (2007), 575

11 parties took part in the March 2007 elections, in which electronic voting was possible for the first time. The Reform Party won the elections in all but one region, namely North-Eastern Estonia where the Centre Party gained most seats, increasing the number of its mandates in the Riigikogu. As Solvak and Pettai put it, "Since 1999 the Reform Party had consistently held the position of kingmaker in Estonian politics, participating in all coalition governments, with parties from the right or the left as necessary. The 2007 elections turned the RP from kingmaker to dominant force, as it finally emerged as the largest party in parliament.[56]" With Andrus Ansip as a Prime Minister, the Reform Party formed a coalition government with Union of Pro Patria and Res Publica (which merged in 2006) and the Social Democratic Party (until 2004 Moderates).

4. Vote-popularity Function

The earliest research on economic voting focused on the so-called vote-popularity function, where "vote for a government in an election, or the popularity of a government in an opinion poll is determined by a series of conditions, economic as well as political, and events which have occurred during the government's incumbency."[57] In the vote-popularity function, electoral scores are plotted against the absolute level of unemployment in the year preceding the election. The assumption is that if voters hold the government responsible for the state of the economy, the government popularity should "fall or rise proportionate to the improvement or decline in the economy."[58]

Typically, in vote-popularity functions, the vote share of the incumbent (coalition) is used as the dependent variable. The independent variables used in the regressions are, on the other hand, inflation and unemployment levels in the year preceding the election. Given that the number of elections, as well as the number of regions, is very small in Estonia, regression analysis will not produce reliable results. Furthermore, as we are interested in the non-occurrence of the event as well, we need a method that accounts for the occurrence of multiple conjunctural causation. Hence, Boolean algebra and qualitative comparative analysis (QCA) will be used, as they are "especially effective for revealing how conditions combine to

[56] Mikhel Solvak and Vello Pettai, "The parliamentary elections in Estonia, March 2007," *Electoral Studies* 27:3 (2007), 576
[57] Jocelyn Evans, *Voters and Voting: an Introduction*, (London, Sage Publications, 2004), 122
[58] Ibid, 120

generate particular outcomes and for assessing which conditions are necessary or sufficient for these outcomes.[59]"

To generate the data to be used in Boolean algebra and QCA[60], both quantitative and qualitative data was analysed. The socio-economic indicators were collected from the Estonian Statistical Office[61], and the electoral results from the Estonian National Elections Commission.[62] For the inflation, unemployment and GDP growth, the direction of change from the preceding year to the election year was coded as increase=1; no increase=0. Further on, the coding of the incumbent coalition and winning party ideology was based on academic literature. [63] The coding can be found in Table 1 in the Annexe.

According to Mikkel, there are three main cleavages in Estonia: urban/rural, right-wing/left-wing/ and Estonian/Russian, with the former dominating the latter in all relationships.[64] The political left is relatively weak in Estonia, and thus we cannot consider the coding on the traditional left-right continuum. Instead, the political left is considered to include centre, centre-left and left-wing parties. For a party to be considered incumbent, it must have taken part in the governing coalition in power at the time of elections. In Estonia, the winner of the previous elections and the incumbent are typically not the same at election time – since its re-independence, Estonian governments have not survived a full electoral cycle. The winner of the elections has been coded as the party that received the most votes in the elections. Typically, the leader of this party is asked to form a government by the President of Estonia. However, in 1999, despite the Centre Party winning the elections, it was left in the opposition. In 2003 the Centre Party managed to increase its support and to win elections again, and ended up participating in the Parts and Ansip governments, although it did not form the government. The Estonian electoral results for the major parties are shown in Table 3 in the Annexe.

---

[59] Ibid, 389
[60] Charles Ragin, *Constructing Social Research*. (Pine Forge Press, Thousand Oaks (CA): 1994) and Charles Ragin, *Fuzzy-set Social Science. (*University of Chicago Press, Chicago: 2005)
[61] Statistics Estonia at http://www.stat.ee/subject-areas
[62] Estonian National Electoral Committee at http://www.vvk.ee/engindex.html
[63] Janusz Bugajski, *Political Parties of Eastern Europe: A Guide to Politics in the Post-Communist Era,* (New York: M.E. Sharpe: 2002)
[64] Evald Mikkel, „Patterns of Party Formation in Estonia: Consolidation Unaccomplished," in ed. Susanne Jungerstam-Mulders, *Post-Communist EU Member States: Parties and Party Systems,* (Ashgate, London: 2006), 41

When looking at the election results on the national level, we can see that only twice has an incumbent party been able to gain most votes in Estonia, namely in the last two elections (Centre Party in 2003 and Reform Party in 2007). From the little data that we have, we can see that the incumbent won elections when unemployment was decreasing and the GDP was growing. The incumbent did not win elections when the unemployment was increasing. These observations support the vote-popularity hypothesis, which assumes that the popularity of the government is depended on the economic performance of the country.

Table 4: Vote-Popularity Function in Estonian Elections 1992-2007

Election year	Increasing inflation	Increasing unemployment	Increasing GDP growth	Righ-centre or right incumbent coalition	Right-centre or right winner	Incumbent win
1992	1	1	0	0	1	0
1995	0	1	1	1	0	0
1999	0	1	0	0	0	0
2003	0	0	1	1	0	1
2007	1	0	1	1	1	1

5. Party-specific economic voting

The vote-popularity function tests the popularity of the incumbent coalition only. Another strand of economic voting research looks at the vote distribution for different parties under certain macroeconomic conditions. [65] These studies usually assume that left-leaning parties are more interested in unemployment and right-leaning parties concern themselves more with inflation.

A quick analysis of the Estonian voters' reflection on the macroeconomy shows that in times of rising inflation Estonians voted more right-wing. (Table 4) After the initial win of the liberal Pro Patria in 1992, the Estonians voted more centrist in two elections when the

[65] Raymond Duch and Randy Stevenson, "Assessing the Magnitude of the Economic Vote over Time and Across Nations," Electoral Studies 25 (2006), 530

unemployment was increasing. Later on, together with the GDP growth and decreasing unemployment, the right-wing vote share increased.

When studying Central European regional economic voting against national macroeconomic performance, Jan Fidrmuc found that higher unemployment levels reduced support for the reformer parties and increased support for leftist parties. [66] In Estonia, only in the 1999 elections, which were held at a time when the national unemployment rate was above 12%, did the Centre Party win in the majority of regions. In 2007, when the economic conditions were positive, the Reform Party won in all but one region of Estonia, as Table 5 below shows.

Table 5: Unemployment Rate (%) and Election Winners

Region	***UER 1995***	**Winner 1995**	***UER 1999***	**Winner 1999**	***UER 2003***	**Winner 2003**	***UER 2007***	**Winner 2007**
Estonia	***9.7***	***KMÜ***	***12.2***	***Centre***	***10***	***Centre***	***4.7***	***Reform***
NE	*8.4*	Reform	*10.2*	Reform	*9.6*	Res Publica	*3.3*	Reform
NEE	*14.6*	Centre	*20*	Centre	*18.2*	Centre	*9*	Centre
WE	*5.8*	KMÜ	*11.8*	Centre	*7.8*	Res Publica	*4.2*	Reform
CE	*6.7*	KMÜ	*12*	Centre	*7.9*	Res Publica	*5.1*	Reform
SE	*12*	KMÜ	*11.6*	Centre	*8.3*	People'sU	*4.8*	Reform

6. Regional economic voting

Even though it would be highly interesting to disaggregate the national voting patterns and analyse them in the light of economic voting also on a regional and municipal level, this has not been done in the literature of economic voting in Central Europe. The main reason is that the national governments who are in charge of labour market policy and macroeconomic policy for the entire nation, so the correct level of responsibility lies at the central government. Further on, the regional budgets are typically decided centrally at the national level. In post-communist Central Europe, despite the decentralisation attempts, regions are not meaningful economic entities. They do not have their own financial resources but are dependent on the central governments' redistributive policies. Moreover, in Estonia the

[66] Jan Fidrmuc, "Economic Voting in Post-Communist Countries," *Electoral Studies* 19(2000), 199

regions and counties are not independent political entities, either, and the party structures remain rather centralised.

In recent years, regional data has been utilised in a different way in economic voting research. Indeed, the term regional economic voting has gained a specific meaning in the context of economic voting research. Namely, Joshua Tucker uses the term to connotate the effect of regional economic differences in voting patterns in national elections. By analysing regional voting patterns, differences in unemployment levels and some demographical factors, he has been able to increase the number of cases to such level that statistical analysis is possible. Thus, this kind of research assumes that the central government is responsible for regional economic problems and that "unemployment may hit different areas of a nation, and hence will affect voting and government popularity to differing degrees according to region."[67] This is slightly different view to that of Fidrmuc and others who compare regional voting patterns to the macroeconomic indicators on the nation-level. Yet, the results show similarities.

In his on the effect of regional unemployment levels on voting for nationalist and communist successor parties, Tucker finds that "while there is strong support for the contention that communist successor parties performed better in areas of the country where economic conditions were poor, there is very little evidence to support the contention that nationalist parties benefited from bad economic conditions in a similar manner."[68] Interestingly, the results are not dependent on whether the party was incumbent or not. The voters seem to be more concerned about voting for a party which is more interested in decreasing the unemployment levels, rather than punishing the incumbent party for the state of the economy.

Tucker's transition hypothesis predicts that the "new regime parties will benefit from stronger economic condition and old regime parties will benefit from weaker economic conditions."[69] In the transition model, the basic hypothesis is that "certain economic conditions – generally higher unemployment – are likely to increase the vote for left wing parties, while other

[67] Jocelyn Evans, *Voters and Voting: an Introduction*, (London, Sage Publications, 2004), 132
[68] Joshua Tucker, "Red, Brown, and Regional Economic Voting: Russia, Poland, Hungary, Slovakia and the Czech Republic from 1990-99," Unpublished working paper (2005) at http://homepages.nyu.edu/~jat7/pubs.html, 3
[69] Joshua Tucker, "Transitional Economic Voting: Economic Conditions and Election Results in Russia, Poland, Hungary, Slovakia and the Czech Republic from 1990-1999, " Unpublished working paper (2004) at http://homepages.nyu.edu/~jat7/pubs.html, 2

economic conditions – generally higher inflation – are likely to increase the vote for right wing parties."[70]

There are some regional voting patterns in Estonia that can be correlated to the socio-demographic characteristics of the population. Namely, the stronghold of the Centre Party is the economically deprived region of North-Eastern Estonia, where it has emerged as a winner in every general election since re-independence. The Reform Party is popular in Northern and Western Estonian regions with most urban inhabitants and the highest regional GDP per capita. The support base of the Pro Patria and Res Publica Union (and its predecessors) and the Social Democrats (previously Moderates) and the People's Union can be found in the rural, ethnically Estonian regions of Western, Central and Southern Estonia.[71]

An analysis of the regional results of Estonian general elections of 1995, 1999, 2003 and 2007 shows that out of the twenty cases (4 elections, five regions), 11 happened under increasing unemployment (Table 6, Annexe). Out of those, three were in Northern Estonia, which voted for right-centre or right-wing despite increasing unemployment. In the rest of the cases (72%), the regional winner was a centrist party when unemployment was rising before the elections. When looking at absolute unemployment figures, eight times out of ten when the regional unemployment levels were above 10% in any given Estonian region during the election year, the Centre Party won the most seats in the region.

For the analysis of regional GDP, a measure of regional GDP per capita as per cent of Estonian average is used. Even though absolute GDP growth could have been used, this measure differentiates more the effects of the government policies on the region relative to the other regions. If the relative GDP per capita increased from the preceding year to the election year, it was coded as increase=1; no increase=0. As the data on regional GDP was available only from 1996 onwards, only the 1999, 2003 and 2007 elections can be considered for this purpose. There were six regional cases where the relative GDP per capita increased, and out of those four times did a right-leaning party win the elections. In nine cases the relative GDP did not grow, resulting to only one right-leaning party winning the most seats in a region.

[70] Ibid, 7
[71] Estonian National Electoral Commission at http://www.vvk.ee/engindex.html

7. Conclusion

After testing three economic voting hypotheses, we can conclude that there is evidence of economic voting in Estonia, supporting each of the three hypotheses. In line with the predictions of the vote-popularity function, we found that the incumbent has never won elections in Estonia under increasing unemployment. The incumbent won the elections twice when the unemployment rate was decreasing and the GDP growth increasing. The Estonians also seem to vote more centrist when the national unemployment rate is high (above 10%), and more rightist when the economic conditions are good. Finally, supporting Tucker's transition hypothesis, we find evidence for adverse economic conditions increasing the vote for old regime parties. In terms of regional patterns, the Centre Party is constantly popular in North-Eastern Estonia, which suffers from high levels of unemployment and deindustrialisation. The liberal parties have more support in the urban, ethnically Estonian areas with higher levels of GDP per capita. When looking at changes within regions, we find that in most cases when the regional unemployment rates have increased prior to the elections, centrist parties emerge as regional winners in the general elections. Similarly, most often regions vote more right-wing when the relative regional GDP per capita increases, switching to centrist voting upon relative regional GDP decrease.

8. Annexe

Table 1: Incumbent and Winning Party Ideologies and Prime Ministers

Elections	Incumbent Prime Minister	Incumbent	Right-centre or right winner	New Prime Minister
1992	Vahi	PF	PP	Laar
1995	Tarand	Mod, PP, ENIP	KMÜ	Vahi
1999	Siimann	KMÜ	Centre	Laar
2003	Kallas	Reform, Centre	Centre	Parts
2007	Ansip	Reform, Centre, PPRPU	Reform	Ansip

Table 2: Estonian Election Results (% of total votes) 1992-2007, major parties

	Party	1992	1995	1999	2003	2007
	PPU	22	7.9	16.1	7.3	
	ERSP	8.8				
*	Right-wingers		5			
*	Reform Party		16.2	15.9	17.7	27.8
*	Res Publica				24.6	
*	PPURP					17.9
	PF	12.3				
*	Centre		14.2	23.4	25.4	26.1
	Pensioners	3.7				
	Greens	2.6				7.1
	Moderates	9.7	6	15.2	7	
*	SDP					10.6
	CoalP	13.6		7.6		
	CoalRur		32.2			
	CountryPP			7.3		
*	People'sU				13	7.1
	Roayalists	7.1				
	Better Estonia	6.9	3.6			
	ChrDem				1.1	1.7
	FarmAss	2.9		0.5		
	UnitedPP		5.9	6.1	2.2	
*	ConstP					1

*splinter/successor party to the previous party without asterix

Table 3: Major Estonian Parties and their Ideologies

PPU	Pro Patria Union	Isamaa	Right-wing, nationalist
ENIP	Estonian National Independence Party	ERSP	Right-wing, nationalist
PPRUP	The Union of Pro Patria and Res Publica	IRP	Right-wing, conservative
PF	Popular Front	Rahvarinne	Centrist
Centre	Estonian Centre Party	Keskerakond	Centrist
SDP	Estonian Social Democratic Party	SDP	Centrist
CoalP	Coalition Party	Koonderakond	Centre-right
CoalRur	Coalition Party and Rural Union	KMÜ	Centrist
CountryPP	Country People's Party	Maarahva Erakond	Centre-left
People'sU	People's Union	Rahvaliit	Centre-right, agrarian
FarmAss	Farmers' Assembly	Pollumeeste Kogu	Centrist, agrarian
UnitedPP	United People's Party	Meie Kodu on Eestimaa	Centre-left, ethnic Russian

Table 6: Truth Table of Socio-Economic and Electoral Data on Estonia

	Increasing unemployment	**Increasing GDP (of national average)**	**Primary sector above national average**	**Urban population above Estonian average**	**Proportion of ethnic Estonians above national average**	**Proportion of elderly above national average**	**Right-centre or right winner**
NEE95	1	n/a	0	1	0	0	**0**
NE95	1	n/a	0	1	0	0	**1**
WE95	0	n/a	1	0	1	1	**0**
SE95	1	n/a	1	0	1	1	**0**
CE95	1	n/a	1	0	1	1	**0**
NEE99	1	0	0	1	0	1	**0**
NE99	1	1	0	1	0	0	**1**
WE99	0	0	1	0	1	1	**0**
SE99	1	0	1	0	1	1	**0**
CE99	1	1	1	0	1	1	**0**
NEE03	0	0	0	1	0	1	**0**
NE03	1	1	0	1	0	0	**1**
WE03	0	0	1	0	1	1	**0**
SE03	0	0	1	0	1	1	**0**
CE03	1	0	1	0	1	1	**0**
NEE07	0	1	0	1	0	0	**0**
NE07	0	0	0	1	0	0	**1**
WE07	0	1	1	0	1	1	**1**
SE07	0	1	1	0	1	1	**1**
CE07	0	0	1	0	1	1	**0**

Bibliography

Andersen, Erik Andre, "The Legal Status of Russians in Estonian Privatisation 1989-1995," *Europe-Asia Studies* 49(2), pp. 303-316

Bengtsson, Åsa, "Economic Voting: The Effect of Political Context, Volatility and Turnout on Voters' Assignment of Responsibility," *European Journal of Political Research* 43 (2004)

Bugajzki, Janusz, *Political Parties of Eastern Europe: A Guide to Politics in the Post-Communist Era,* (New York: M.E. Sharpe: 2002)

Dorussen, Han and Harvey D. Palmer, "The Context of Economic Voting," in *Economic Voting,* ed. Han Dorussen and Michaell Taylor (London, Routledge, 2002)

Duch, Raymond "A Developmental Model of Heterogeneous Economic Voting in New Democracies," *American Political Science Review* 95 (2001)

Duch, Raymond and Randy Stevenson. 2006. 'Assessing the Magnitude of the Economic Vote over Time and Across Nations." *Electoral Studies* 25, pp. 528-547

Evans, Jocelyn*, Voters and Voting: an Introduction*, (London, Sage Publications, 2004)

Estonian National Electoral Committee at http://www.vvk.ee/engindex.html

Fidrmuc, Jan "Economic Voting in Post-Communist Countries," *Electoral Studies* 19(2000)

Fitzmaurice, John, "The Estonian Elections of 1992," *Electoral Studies* 12:2 (1993), pp. 168-173

Fitzmaurice, John "The Parliamentary election in Estonia, March 1999," *Electoral Studies* 20:1 (2001), pp. 141–146

Harper, Markus, "Economic Voting in Postcommunist Eastern Europe," *Comparative Political Studies* 33 (2000)

Hibbs, Douglas Jr., "Voting and the Macroeconomy" in *The Oxford Handbook of Political Economy*, ed. Barry R. Weingast and Donald A. Wittman, (Oxford, Oxford University Press, 2006)

Kasekamp, Andre "Extreme-right parties in contemporary Estonia," *Pattern of Prejudice* 37:4 (2003), pp. 401-414

Laar, Mart, *Estonia: Little Country that Could*, (Centre for Research into Post-Communist Economies, London: 2002)

Lewis-Beck, Michael, *Economics and Elections: The Major Western Democracies* (Ann Arbor, University of Michigan Press, 1998), pp. 33-37

Mikkel, Evald, "Patterns of Party Formation in Estonia: Consolidation Unaccomplished," in ed. Susanne Jungerstam-Mulders, *Post-Communist EU Member States: Parties and Party Systems,* (Ashgate, London: 2006), pp. 23-51

Pettai, Vello, "The parliamentary elections in Estonia, March 2003," *Electoral Studies* 23:4 (2004), pp. 828-834

Powell, Bingham and Guy D. Whitten, "A Cross-National Analysis of Economic Voting: Taking Account of the Political Context," *American Journal of Political Science* 37(1993)

Ragin, Charles, *Constructing Social Research*. (Pine Forge Press, Thousand Oaks (CA): 1994)

Ragin, Charles, *Fuzzy-set Social Science. (*University of Chicago Press, Chicago: 2005)

Solvak, Mikhel, and Vello Pettai, "The parliamentary elections in Estonia, March 2007," *Electoral Studies* 27:3 (2007), pp. 574-577
Statistics Estonia at http://www.stat.ee/subject-areas

Taagepera, Rein, "Estonian Parliamentary Elections, March 1995," *Electoral Studies* 14:3 (1995), pp. 328-332

Taagepera, Rein, "Meteoric trajectory: the Res Publica Party in Estonia. Democratization 13:1 (2006), pp. 78–94

Tucker, Joshua, "Red, Brown, and Regional Economic Voting: Russia, Poland, Hungary, Slovakia and the Czech Republic from 1990-99," Unpublished working paper (2005) at http://homepages.nyu.edu/~jat7/pubs.html

Tucker, Joshua "Transitional Economic Voting: Economic Conditions and Election Results in Russia, Poland, Hungary, Slovakia and the Czech Republic from 1990-1999," Unpublished working paper (2004) at http://homepages.nyu.edu/~jat7/pubs.html

Tworzecki, Huber, *Learning to Choose: Electoral Politics in Central and Eastern Europe* (Stanford, Stanford University Press, 2003)