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**“What an Ungrateful Lot They Are:
The Electoral Impact of Federal Budgets”**

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¹ The views expressed in this article are solely those of the author, and do not necessarily reflect those of any organisation with which he may be associated.

Introduction

The lead up to, the release of, and then the follow on from the annual Federal Budget in Australia is often little short of a media feeding frenzy. The first stage, which takes place in the lead up to the Budget's release on the first Tuesday in May of each year, involves fevered speculation, 'leaks' and 'plants' of about what may or may not be in the document.

Cabinet Ministers and others expected (or self-identified as) being 'in the know' send out signals to an eager media and their readers. The second stage comes with the release and follow-on from the announcement: the details are analysed in fine detail; winners and losers are identified; with expansive media coverage of the usual, and largely predictable, complaints from various commentators (of differing degrees of objectivity).

Media coverage almost inevitably drifts toward what the Budget means for the electoral prospects of the incumbent government, more often than portending doom at the next Federal election (even when it is more than two years away). The headlines scream of political Armageddon: "*Coalition crashes after budget*" (AFR, 2014:1) and "*Budget quake puts PM on shaky ground*" (AFR, 2014: 6). The adjectives fly: "*(s)upport for Tony Abbott plummeted following the Budget*"; the Prime Minister's integrity taking "*a hammering*" and "*under fire since the Budget for broken promises*" (Coorey, 2014: 1).

We also hear voters are responding "*in spectacular, angry numbers*", with their reaction "*so visceral*" that "*the magnitude and violence of the reaction to the budget ... shatters (the federal government's political) dominance*" (Tingle, 2014: 6). And, that's the response from the more thoughtful print media; the tabloids and the 'shock jocks' are another case entirely.

If such prognostications were correct, government ministers and backbenchers would start packing up their offices, and their personal staff polishing off their curriculum vitae. Political oblivion awaits. While such colourful media reportage makes for good reading in the cold of the Australian winter, the hard political reality is markedly different. Even though the incumbent may take a political hit, in the form of a dip in its electoral support

– reflected in the better published opinion polls – such effects appear to be short lived, generally passing within three months of the federal budget.

The Data

The data series used in this analysis are derived from a number of politico-economic surveys published by Newspoll, a market research house. The economic data, primarily on voter attitudes to Australian national budgets, come from dedicated Newspolls' undertaken and published in May of each calendar year (soon after the annual Federal Budget is handed down in Parliament by the incumbent government).

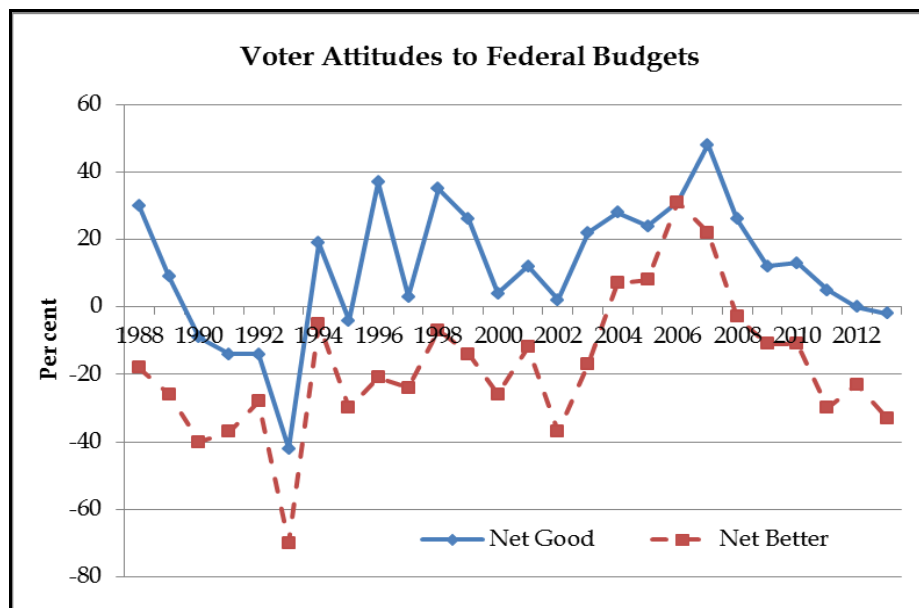
The Newspoll-Fiscal polls cover two main streams. The first asks respondents how they think the then recently released Federal Budget will impact on the *national economy*, which we have consolidated into four main categories - good, neutral, bad and uncommitted, which total to 100 per cent – and generated a 'NETGOOD' series which is simply 'good' less 'bad'. This group of responses is broadly analogous to what is known as 'sociotropic' or macroeconomic voting in the political-economics literature.

The second stream asks respondents how they think the just released Federal Budget will impact on their *personal financial situation*, which we have again consolidated into four groups – better, neutral, worse and uncommitted, which total to 100 per cent – and generated a 'NETBETTER' series which is just 'better' less 'worse'. These series are broadly analogous to the 'pocketbook' or microeconomic voting in the political-economics literatures.

Both the national economy and the personal financial situation data sets are annual, commencing in 1988 and ending in 2013 ($n = 26$). An ALP Government was responsible for 14 of these budgets, being those from 1988 – 95 inclusive (the Hawke/Keating years: $n = 8$) and from 2008 - 13 inclusive (the Rudd/Gillard years: $n = 6$), while an LNP/Coalition Government delivered 12 of them, from 1996 to 2007 inclusive (the Howard years).

The general pattern of voter responses to the 26 Federal Budgets under review can be seen in Graph 1.

Graph 1: Voter Attitudes to Federal Budgets



Several messages emerge from an inspection of Graph 1: firstly, there is a strong, positive and statistically significant correlation ($r = 0.84$; $p = 0.00$), and a reasonably good concordance ($\rho = 0.40$; $p = 0.00$), suggesting a general tendency for the two indicators to move more or less in tandem; and, secondly, voters generally rate Federal Budgets as being better for the national economy (the blue/ solid line: average = + 1.6 per cent) than they do for their personal financial situation (the red/ broken line: average = -17.5 per cent), with the difference between the two series being highly statistically significant ($t = 12.95$; $p = 0.00$) – that is, voters appear to clearly differentiate between the likely impact of the Federal Budget on the national economy, and on their personal financial situation.

Interestingly, voters appear to rate the Federal Budgets of the two major parties markedly differently, although this ‘ratings wedge’ may be contextual, taking into account prevailing macro/ micro-economic conditions, challenges and prospects which the then incumbent governing party had to confront at the time (for example, the so-called Global Financial Crisis of the late 2000’s which fell upon the then Rudd-led ALP Government).

However, it is still noteworthy, ALP Governments (Hawke/Keating, and later Rudd/Gillard) averaged just 2.1 per centage points on the ‘NETGOOD’ rating for the national economy, and a substantial minus (-) 26.1 per centage points on the

‘NETBETTER’ rating for personal financial situation for the 14 budgets they delivered during the period under review. By contrast, LNP/Coalition Governments (Howard) had almost the reverse profile, averaging +22.7 per centage points on the ‘NETGOOD’ rating for the national economy, but a still notable minus (-) 7.5 per centage points on the ‘NETBETTER’ rating for personal financial situation.

Not surprisingly, the differences in the attitudes of voters to both the ‘NETGOOD’ and the ‘NETBETTER’ assessments between the political parties are statistically significant (for ‘NETGOOD’: $t = -3.14$; $p = 0.00$; and, for ‘NETBETTER’: $t = -2.48$; $p = 0.02$), suggesting potentially party differentiation amongst ordinary voters in their assessment of federal budgets.

The political data are taken from Newspolls conducted at close to fortnightly intervals asking respondents the usual suite of vote intention questions, with the responses for the survey’s closest to the middle of the calendar month attributed in this study to that month (for example, the responses for a survey conducted on say 12 June, rather than one on 28 June, would be designated the “June” observation). The political dependent variable in the modelling is the share of survey respondents who would support the incumbent government (VGOV) were an election held on the coming weekend, in primary vote (rather than two party preferred) form.

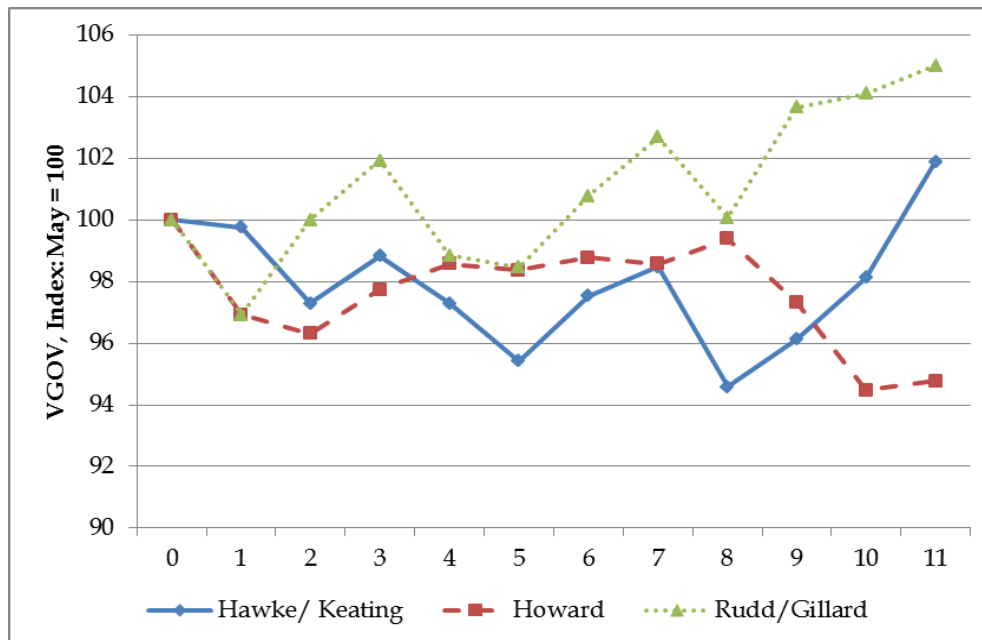
Time Series Analysis

The central issue being examined is the temporal impact of voter assessments of the Federal Budget, both in terms of its effect on the national economy (NETOOD) and on voter’s personal financial situation (NETBETTER), over time on voter support for the incumbent government (VGOV). In short, do voters carry forward a memory of the Federal Budget in forming their vote intentions, and if so how far ahead in time; what is the ‘decay rate’?

Graph 2 provides an insight into the pattern of overall voter support for each of the governments holding office in the 26 years under review. The horizontal axis measures the months since the Federal Budget, so Month 0 = May, Month 1 = June and so on, with Month 11 = April, being just before the following Budget. The vertical axis is an

index of VGOV, where the index equals 100 in May of the year, with each line being the average for the three governments under consideration.

Graph 2: Voter Support for the Federal Government



Looking at Graph 2 suggests little in the way of common patterns in voter support for any of the three governments in the months following delivery of their respective Federal Budgets, although some might see something of a correlation in the relationship between the Hawke/Keating (blue, solid line) and the Rudd/Gillard (green; small dotted line) Governments, but statistical analysis suggests there is little in the way of association ($r = 0.27$; $t = 0.87$; $p = 0.40$).

Three memory horizons are considered in the regression modelling: contemporaneous (that is, the immediate impact); after three months; and after six months. The dependent (political) variable is primary vote intention for the government (VGOV; which has political-management responsibility for the preparation and marketing of the Budget). Three explanatory variables are considered: the 'NETGOOD' for the national economy, and 'NETBETTER' for personal financial situation, and INCUM which is a binary variable to distinguish the partisan identify of the then governing party (ALP = 0; LNP = 1).

The NETGOOD and the NETBETTER indicators were rebased as differences from 100 (for example, a rating of minus 23 became $100 - 23 = 77$), and then converted to log form for ease of comparison and analysis. INCUM remained in its binary form. The dependent variable is the log of VGOV. The results of the modelling are reported in Table 1.

Table 1: Modelling Results

Time: Contemporaneous (Month = May)					
	b	t	p	B	SSD
Netgood	0.65	2.00	0.06	0.85	40.20
Netbetter	-0.41	-1.90	0.07	-0.77	23.80
Incum	0.08	1.30	0.21	0.27	36.00
Cons	2.42	2.87	0.01
R Sq	0.277		AIC	-1.00	
Adj Rq	0.179		BIC	-0.95	
F	2.81				
p of F	0.06				
Time: Lag = 3 (Month = August)					
	b	t	p	B	SSD
Netgood	0.15	0.57	0.57	0.25	18.90
Netbetter	-0.08	-0.44	0.67	-0.18	7.90
Incum	0.09	1.79	0.09	0.40	73.20
Cons	3.28	4.69	0.00
R Sq	0.211		AIC	-1.38	
Adj Rq	0.103		BIC	-1.33	
F	1.96				
p of F	0.15				

Time: Lag = 6 (Month = November)					
	b	t	p	B	SSD
Netgood	0.31	1.21	0.24	0.51	28.40
Netbetter	-0.16	-0.97	0.34	-0.39	11.40
Incum	0.09	1.81	0.08	0.38	60.20
Cons	2.95	4.62	0.00
R Sq	0.265		AIC	-1.51	
Adj Rq	0.165		BIC	-1.32	
F	2.65				
p of F	0.07				

Table 1 reports the results of three modelling runs, the top panel summarising the impact of voter assessment of the Federal Budget of both the NETGOOD and NETBETTER variables on voter support for the incumbent government on a contemporaneous basis (that is, in the month of May when the Budget is released; the ‘May Model’), while the middle panel replicates this approach for a lag of 3 months (that is, for August, three months after the Budget is brought down; the ‘August Model’), while the bottom panel does so for a lag of 6 months (that is, is in November; the ‘November Model’).

Taken as a whole it would appear Federal Budgets have at best only a modest impact on vote intention for the incumbent government. Looking first at the diagnostics for each of the models, they appear to explain not more than 18 per cent of the variation in government support (Adj R2 = 17.9 per cent for the ‘May Model’; 10.3 per cent for the ‘August Model’; and, 16.5 per cent for the ‘November Model’).

At the same time, the share of the explanatory power accounted for by the two main explanatory variables of interest (NETGOOD and NETBETTER) also declines with the passage of time, from 74 per cent for the ‘May Model’, to 27 per cent for the ‘August Model’, before rising to 40 per cent for the ‘November Model’. The parsimony and the efficiency of each of the models (measured by the AIC and BIC metrics respectively) also decline with time.

Turning to the specific results of the three modelling exercises, it would appear the practical impact of both the NETGOOD and the NETBETTER explanatory variables (measured by parameter coefficients) declines with time, most notably between the 'May' and the 'August' Models, although they turn up in the November Model. However, NETGOOD and NETBETTER only come close to conventional levels of statistical significance ($p = 0.05$ or less) in the 'May Model', and are quite far distant in the 'August Model' and a little lesser so in the 'November Model'.

Pulling all of these results together paints the following broad picture: voters appear to reward the incumbent government when the Federal Budget is seen to have a net positive impact on the national economy in the very short term (that is, contemporaneously), with a 1 per cent increase in the NETGOOD rating lifting voter support for the incumbent government by 0.65 per cent), although this effect dissipates fairly quickly (usually disappearing within three months of the Budget – that is, by August); and, voters appear to punish the incumbent government when the Federal Budget is seen to have a net negative impact on voters' personal financial situation in the short term ($b = -0.41$; $B = -0.77$), which could reflect voter cynicism at 'big spending/ vote buying' budgets and/or an expectation 'what is given today may well be taken away again tomorrow'.

The inference for politicians and strategists framing Budgets, especially less electorally appealing/ 'tough love' Budgets, is fairly clear: the electoral impact of Federal Budgets in Australia is short-lived, and appears to have a fairly fast decay rate with any meaningful practical and/or statistical significant impacts evaporating within three months of the annual Budget (that is, by the following August). As such, unless the incumbent government intends to go to a May or June election (that is straight after the Budget, which is winter in Australia), then they appear to be reasonably safe to assume voters will have discounted the most recent Federal Budget when they form/review their vote decision at the ballot box.

At the same time, the media hype (hysteria?) around Budget time that a tough Budget spells 'inevitable defeat for the incumbent' is, is really just that, hyperbole with little basis in fact. The corollary, however, is politicians and their advisers should not expect voters to necessarily remember, and reward them for, 'hand-outs for all' style Budgets when

they march to the polling station (without at least more than a little bit of advertising stimuli).

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