Economic performance and political popularity in the Republic of Ireland*

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Abstract. This paper develops a model of discrete choice to analyse the choice of voters among a number of political parties. It then applies the model to an empirical analysis of the relationship between a government's economic performance and its political popularity for the Republic of Ireland over the period 1974–1987.

Within this general statement the paper makes three contributions. First, it sheds light on a hitherto unknown phenomenon – namely the nature of the relation between economic performance and political popularity in Ireland. Second, it does this within the context of analysing the reactions of different types of voters viz. voters of all social classes and then of social classes ABC1 and C2DE. Third, the empirical work is grounded firmly in a choice theoretic model involving optimal choices between discrete alternatives.

1. Introduction

It is a truism that in societies characterised by democratic political systems governments have periodically to submit themselves to the judgement of their electorates. All those who participate in the democratic process have therefore an interest in identifying the factors that exert a significant influence on the electorate's judgement; they may, or may not, then proceed to manipulating — if they can — these factors, in such a manner as to elicit a favourable verdict.

In recognition of this, several economists and political scientists have devoted considerable attention to uncovering the relation between a government's economic performance and its political popularity in a number of Western democracies (cf. Paldam, 1981; Borooah and van der Ploeg, 1984; Alesina, 1988; for surveys of this literature).

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In this plethora of results, the case of the Republic of Ireland — a democracy since 1923 — has been singularly neglected. Partly this was due to the belief that the mould of Irish politics was set at the time of Irish independence and that Irish politics remained untouched by contemporary events. Partly also it was due to the absence of a sufficiently long run of opinion poll data to allow for the possibility of econometric testing. The purpose of this paper is to challenge the "unbroken mould" assumption by showing through the medium of econometric analysis — using hitherto unpublished opinion poll data for the period 1974–87 — that movements in the political fortunes of Irish parties over this period had very much to do with contemporaneous movements in economic and political events.

Within this general statement of purpose this paper makes three contributions. First, it sheds light on a hitherto unknown phenomenon — namely the nature of the relation between economic performance and political popularity in Ireland. Second, it does this within the context of analysing the reactions of different types of voters viz. voters of all social classes and then of social classes ABC1 and C2DE. Third, the empirical work is grounded firmly in a choice theoretic model involving optimal choices between discrete alternatives. The alternatives in this case are of course the different political parties but the analysis — based on the logit model — is very similar to other discrete choice situations.

With this background the plan of the paper is as follows. The next section sets out the basic facts of the Irish political system in a historical context. Section 3 then develops a general model of voter behaviour based on the theory of discrete choice. This model is then specified in Section 4 for Irish politico-economic conditions and estimated in Section 5 on Irish economic and political data, for three classes of voters. Section 6 then discusses the stability and forecasting properties of this equation and Section 7 concludes the paper.

2. Irish political parties

The three major political parties in Ireland, Fine Gael, Fianna Fail and Labour were all founded around the time that Ireland gained independence from Britain. The Irish Labour Party, the smallest of the three, was formally created in 1914 (cf. Lyons 1986) and thus is the oldest of the three. Fine Gael and Fianna Fail both evolved out of Sinn Fein, the nationalist movement which successfully led the campaign for Irish independence. The Government of Ireland Act 1920, offered two home rule parliaments, with limited powers, one for the South and a separate one for the six counties in the North. This culminated in a signing of the Articles of Agreement for a Treaty between Great Britain and Ireland, which created the Irish Free State with dominion status. The signing