The Electoral Consequences of Tax Increases

Abstract

This paper examines the potential electoral costs of raising taxes. We test if governments that presided over marginal increases in existing taxes lost vote and seat share in the subsequent election. We propose there are reasons to expect that tax increases may have different effects for right-of-centre versus left-of-centre parties. Previous research assessing consequences of tax increases is hampered by a lack of comparable cases, however our tests are conducted with results from hundreds of English local elections across several years. We find that taxes increased by Conservative-controlled local councils have little effect on vote and seat share for Conservatives. There is quite a different effect when taxes are increased by councils not controlled by Conservatives.
The Electoral Consequences of Tax Increases

Do voters punish elected officials for tax increases? We might safely assume that politicians have more to gain by signaling they will cut taxes than by saying they will raise taxes. Likewise, voters have been shown to be particularly receptive to tax cuts (Citrin and Sears 1983; while being much less supportive of tax increases (Donovan and Bowler 1998). Important theories of voting and democratic accountability (Key 1966; Fiorina 1981; Keiwiit and Rivers 1984; Lewis-Beck and Paldam 2000) assume that voters are sensitive to objective economic conditions, that they attribute responsibility for conditions to incumbents, and that they reward or punish incumbents retrospectively as a result. Theories of location choice also assume citizens are aware of and responsive to variation in tax and service levels across jurisdictions (Tiebout 1956). Given all of this, we might expect a clear relationship between taxation and the electoral fortunes of elected officials.

Yet the retrospective economic voting literature is built on assumptions about voter assessments of the macroeconomy or the voter's own pocketbook, rather than awareness of specific polices that governments enact. It might be one thing, then, for voters to hold incumbents responsible for a decline in disposable income. It is something different to expect that a substantial proportion of the electorate assesses incumbents at the polls in terms of actual fiscal policy decisions such as the rate at which taxes were increased. There are also solid theoretical reasons to expect that many people would be
unable to use their ballots to hold incumbents accountable for increased taxes, even if we make the assumption that many voters oppose tax increases.

Representatives, voters, and taxes

First, elected officials may take advantage of opportunities to increase taxes that make it difficult for voters to assign responsibility. In the Unites States, state taxes tend to be increased in times of fiscal crisis and when there is a longer period of time until the next election (Berry and Berry 1992; Nelson 2002). Second, many citizens may be somewhat unaware of who they tax es they pay taxes to (Teske et al 1993), particularly in the context overlapping jurisdictions (Lowery and Lyons 1989; Percy and Hawkins 1992). People often reside in complex taxation settings, with taxes paid to multiple levels of government, in different forms, for different services. Taxes and fees may also be difficult to detect if narrowly tailored or if hidden in transaction costs. Buchanan and Wagner (1977) suggest this causes people to systematically under-estimate the amount they actually pay in taxes. Third, and related to this, some taxes are less unpopular than others, and some are less visible than others. American voters have been found to be particularly responsive to marginal changes in the local property tax and less sensitive to minor changes in a sales tax or income tax rate (Bowler and Donovan 1995).

There are additional reasons to expect that some incumbents are relatively immune from electoral retribution when they serve on a body that increases taxes. Taxes have redistributive properties and provide benefits to particular groups. Some taxes may have efficiency properties such that they fund public goods that make all better off. As a result, there is likely to be a constituency that favors increased taxation. Electoral context
may also insulate many incumbents. Incumbent legislators from constituencies that are safe for a particular party may be relatively immune from vote swings against that party, limiting targets of electoral retribution to a set of representatives from marginal districts, and candidates for executive office. Related to the previous point, voters may judge incumbents differently, depending on their party (Hansen 1983; Lowry et al 1998; Sobel 1998; Tilman and Park 2009). Factors such as divided government in settings with separation of powers, regional devolution in taxing authority, and federalism may also make it difficult for voters to know which elected officials to hold accountable when taxes are increased (Fiorina 1996; Alt and Lowry 1994; see also Geys and Vermeir 2008).

Our limited understanding of voter response to tax increases

Despite the fact that many revenue increases might be difficult for voters to detect, there is a journalistic assumption and conventional wisdom that increased taxation causes voter retribution and incumbent defeat at the polls. One classic example is attributing George H.W. Bush's 1992 election loss to Bush's alienating his conservative base by signing a bipartisan deal for tax increases that eventually brought the US budget into surplus.\(^1\) Nonetheless, the search for evidence of electoral consequences of tax increases has demonstrated mixed, if not weak evidence, that legislators suffer systematic electoral costs from tax increases.

Our understanding of voter response to rate changes in existing taxes is rather limited. It is likely that adopting an entirely new, visible tax can be much more

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\(^1\) This after Bush promised not to increase existing taxes, and, more famously, pledged "read my lips, no taxes" at the 1988 Republican Convention.
unpopular than a marginal change in the same tax after it is adopted (Bowler and Donovan 1995). Given this, is no surprise that there is some evidence of incumbents being punished by voters after the adoption a new form of taxation (Hansen 1983; Eismeir 1979; Gibson 1994). However, marginal changes to existing taxes are by far the most common ways that governments alter their revenue streams. Although there is limited evidence that voters punish incumbents who raise existing taxes, the most notable effects have been shown to be associated with highly visible taxes levied by higher levels of government; with political retribution primarily being directed at national governments and executives.

Many studies looking for a link between tax increases and voting have produced substantively weak or null results (e.g. Pomper 1968; Turett 1971; Kone and Winters 1993; Beasly and Case 1995; Sobel 1998; Hansen 1999) that may be attributed to measurement issues and the fact that comparisons across nations, or even across the American states, do not produce enough directly comparable data. For example, the tax policy, constituency, and voter perceptions of a state Democratic party in the US south may be very different than those of a Democratic party in the Northeast or west coast. As for measurement, where some studies (e.g. Kone and Winters 1993; Sobel 1998; Nelson 2000) focused on tax increases that were directly attributable to the officials seeking re-election, many others simply measured changes in aggregate levels of revenue collected, rather than changes in taxation associated with legislated increases (e.g. Geys and Vermeir 2008; Lowry et al 1998; Besley and Case 1995; Pomper 1968; Turett 1971). This is due to the fact that it is very difficult to obtain comparable data on the timing and magnitude of legislatively enacted changes in marginal tax rates across a large number of
This means that many studies simply measure the relationship between votes and trends in public revenues associated with economic growth and recession, rather than measuring how votes are associated with taxation decisions that incumbents have made. Furthermore, studies of the relationship between tax revenues and government popularity functions, while providing insights about the short-term relationship between taxation and popularity, do not provide direct tests of electoral retribution.

**Do voters punish for tax increases?**

Much of the early work searching for a link between taxation and voter response examined support for American governors, in part because of the availability of data. To date, a large amount (if not a majority) of existing research on the electoral consequences of tax increases focuses on public support for executives. Early research found no clear evidence that voters punished incumbents who raised taxes, nor evidence of incumbents being rewarded when taxes were decreased. One of the earliest studies of the relationship between tax increases and voting (Pomper 1968:133-4) found that governors who raised taxes did not suffer at the polls significantly. Turett (1972) and Hansen (1999) also failed to detect any significant relationship between changes in tax burden and incumbent vote share.

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2 For example, the partisan electoral consequences of legislatively enacted sales tax increases in the American states are difficult to assess because rate increases are rare, there is substantial variation across states in the proportion of total revenues (if any) it generates, substantial variation across the states in what the tax applies to, and variation in voter perceptions of state Democratic or Republican parties. Similar problems affect comparisons of the effect of legislated income tax increases across nations.
Subsequent research has revealed a link between tax increases and electoral retribution, but several studies report that the substantive magnitude of such effects is rather small. Upon examining a larger set of gubernatorial elections than Pomper (1968) and Turett (1972), Eismeir (1983) found that candidates who advocated tax increases did suffer electorally, but their risk of defeat was not "overwhelming." Kone and Winters (1993) also found a "weak" negative relationship between tax increases and gubernatorial vote share, with effects being limited to one particular type of tax (the sales tax). Niemi et al (1995) made use of survey data to estimate that, other things equal, a voter living in a state where taxes increased had a .13 lower probability of supporting the incumbent party candidate for governor.³ Besley and Case (1995) report that voter sensitivity to taxation is weakly correlated (at a marginal level of statistical significance) with the defeat of incumbent governors. Nelson (2000) found that large, "broad based" tax changes⁴ decreased the odds that a party would retain control of the governor's office, but that that election year tax increases had little effect on party control of the legislature after an election.

Sobel (1998:70) found tax increases reduced support for incumbent party legislators, but the effect was minimal. A tax increase equal to one percent of the state budget was estimated to produce just a .013 decrease in the probability of an incumbent being re-elected, or a net loss of a single seat. A study of voter response to increases in national income taxes found evidence that voters sanctioned parties that raised taxes, but

³ Niemi et al do not report the baseline probability that a voter would support an incumbent governor.
⁴ An example of a broad-based tax from this study is the US state income tax.
the effect was limited to changes in tax brackets that affected a large segment of the electorate (Tilman and Park 2009).

There are few studies of the effect of tax increases in the British context. Ferry (1979) found limited evidence of a relationship between tax rates and electoral performance of the incumbent government in a ten year period in London. Bristow (1982) found "very little" relationship, yet Gibson (1988) did find tax increases to be a statistically significant determinant of local election results. Rallings and Thrasher (1992) found that the "poll tax" had no power explaining variation in election results. Another study found that tax increases had a negative relationship with local government popularity, but this effect was reduced substantially when national conditions were accounted for (Revelli 2002). Geys and Vermier (2008) also note that, in the German case, the political costs of taxation are limited to taxes imposed by the federal government, not those levied by lower levels of government.

Political consequences of tax increases: Theory and hypotheses

We have derived rival hypotheses about the electoral consequences of tax increases from theory and the extant literature. The primary hypothesis is: H1) Voters are sensitive to changes in their tax rates and they punish incumbents who raise taxes. This flows from well established theories of economic voting (Fiorina 1981; Ferejohon 1986), where voters are expected to make decisions based on retrospective judgments about incumbent performance. An influential theory of inter-jurisdictional politics (Tiebout 1956) also assumes that voters are attentive to economic conditions, aware of taxation rates (perhaps in multiple jurisdictions), and that they respond to changes in their
tax rates. Tiebout's theory predicts that citizen displeasure with taxation would lead to exit from the relevant taxing jurisdiction. A strict reading of the Tiebout model would suggest that voters do not punish incumbents at the polls for raising taxes. Under this model, citizens "vote with their feet" and relocate to places that have bundles of taxes and services that fit each citizens' preferences. Hirshman (1970) and others have downplayed Tiebout's emphasis on exit by noting that "voice" is a political alternative to "exit" at the local level - citizens can express their concerns via voting in local elections. Either way, voters are assumed to be responsive to taxes, even at the local level. With Hirshman's modification, theory would predict they vote in response to local conditions such as tax rates. All of this would suggest symmetrical consequences for parties. Parties on the left and right could both suffer equally if taxes were raised.

We propose three alternate hypotheses related to this. The first can be derived from the exceptions noted in our discussion of the existing literature above: with the jurisdictional context so muddled, and with sufficient opportunities for incumbents to "hide" marginal changes in tax rates, voters might not notice when taxes are increased. A rival (null) hypothesis to the idea that voters punish incumbents for tax increases is: H2) Voters are unable or unwilling to make retrospective evaluations of incumbents based on tax increases, at least not in a manner that is systematic and predictable.

We also propose two hypotheses that are corollaries of the hypotheses (H1) that voters punish incumbents for tax increases symmetrically. Voters may evaluate left-of-centre and right-of-centre parties differently when taxes are raised. If they have different expectations about how parties should perform when controlling government (Lowry et al 1998), voters may mete out punishment for tax increases asymmetrically depending on
who is in power. Political economists have demonstrated systematic partisan differences in economic policies (e.g. Hibbs 1977, 1978; Beck 1982; Alesina and Sachs 1988), with left-of-centre parties pursuing redistributive policies more than right-of-centre parties, and right-of-centre parties exercising greater fiscal restraint (Bartels 2008). Left-of-center and right-of-centre parties also have groups of core supporters who differ in their economic circumstances (Hibbs 1987; Bartels 2008), and thus differ in how a tax increase might affect them.

In other words, voters may expect a party of the left to raise taxes. A left-of-centre party's voters may not be displeased if taxes are increased, while the left-of-centre party's opponents may expect it to increase taxes and thus have a muted response.

Conversely, a party on the right may be expected by its supporters and opponents alike to hold the line on taxation. This leads to our third hypothesis: H3) When a right-of-centre party raises taxes, it may be punished more than a left-of-centre party when the latter raises taxes. There is some evidence, at least from the U.S., that the Republican party suffers more at the polls than Democrats when the former presides over tax increases (Hansen 1983; Lowry et al 1998; Sobel 1998).

A different assumption about voter expectations about taxation by right-of-centre versus left-of-centre parties leads to a final hypothesis. Voters may have different expectations about rival parties' reputations for raising and spending public funds. Pocketbook-oriented retrospective voters may have a general distain for tax and spending increases (Peltzman 1992) and right-of-centre parties may have established reputations for greater fiscal restraint than left-of-centre parties (Hibbs 1987; Bartels 2008).

Furthermore, parties of the right, if they are indeed more fiscally prudent, may preside
over governments with lower taxes generally. Regardless of actual tax levels, conservative parties can be perceived by voters as being more efficient than left-of-centre parties when using public funds. Each of these factors could mean that a right-of-centre party presiding over an area with a rate increase would be less subject to retrospective electoral punishment than a left-of-centre party that controlled an area having the identical rate increase. Thus, H4) Parties of the right may be less vulnerable to the electoral consequences of tax increase than parties of the left.

*Data and analysis: UK local elections*

As noted above, data constraints related to measuring the timing and magnitude of legislatively enacted tax rate changes have made it difficult to assess the consequences of tax increases across a large number of comparable elections. We avoid this constraint by making use of taxation and election result data from local elections in the United Kingdom (England only). In one sense, UK local elections could provide an overly conservative test for electoral consequences of tax increases. Local authorities are funded disproportionately by the central government, and the central government sets the range at which local councils may increase taxes. With locally-raised revenues comprising only a modest proportion of total revenues that pass through local authorities, marginal changes in the local rates may be difficult for people to perceive.

Yet there are reasons to expect UK local elections to provide a viable context to test how voters respond to changes in tax rates. First, all local council elections are partisan across the UK, with roughly similar party systems across England. This standardizes the election context more than US state legislative and gubernatorial
contests, where studies find mixed evidence of electoral accountability associated with
tax increases. Second, the party system in the UK remains reasonably nationalized, with
candidates vying for control of local governments largely using the same well know
labels that exist in national politics. Consistent party labels provide voters an enhanced
ability to determine who to hold accountable for taxes, particularly if a majority from one
party controls a council at the time taxes are raised. Third, unlike elections for executives
and most legislatures, many UK local councils have part of their members elected
annually. Fourth, local councils do have discretion to raise local tax rates (within bounds
of a set range), and all councils set rates at the same time prior to elections. National and
local news give substantial attention to governments that set rates well above and well
below the national average.

The British equivalent of the US local property tax – the Council Tax – is levied
annually, and the new annual rates (incorporating increases or decreases) are publicized
the first week of every March. Therefore from the perspective of the voter, there is one
“local tax” even though portions of the council tax go to a variety of local “precepts.”

Additionally, there is a roughly uniform time sequence once the initial tax rates are set:
the new rates are announced in March, they take effect in April, and then annual local
elections are usually held the first week of May, occasionally early June. Regardless of
when local elections are held, they are on the same day across the United Kingdom.

The structure of local elections in England allows us to test the hypotheses stated
above in a rigorous manner that simultaneously accounts for alternative explanations that
a cross-national (or even cross-state in the US) design might not afford. The LGC

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5 For example, a council tax bill issued by a district council could include precepts for the county council,
the parish council, the police authority and, in some cases, the fire authority.
Elections Centre at the University of Plymouth houses a comprehensive database of local elections results. We use data at the local district level between 1999 and 2008, including measures on council control (whether or not the council is controlled by the Conservatives, Labour, Liberal Democrats, or no overall control), the vote share for the relevant parties, and the seat share for the relevant parties, the latter two expressed as percentages.

To this, we add several measures on council tax available from the Department of Communities and Local Government matched to each election year in our study. The Council Tax in the United Kingdom came into effect in 1993, replacing the unpopular poll tax that briefly preceded it. It is derived from property valuations and calculated in eight “bands” lettered A through H, with A being the least valuable properties, H the most. Band D is the base rate, with those below and above calculated as a percentage of the tax set at Band D. Therefore, when a local council decides to adjust the council tax, all eight move (either up or down) as a linear function. Furthermore, the system is transparent when contrasted with property taxes in the United States. Whereas in the U.S. only the property owner is liable for the tax (and presumably passes this on to renters opaque via increased rents), in the United Kingdom it is the occupant who is liable for the council tax, not the owner.

Our analysis includes measures of the average total tax paid in each jurisdiction each year (for Band D, in Pounds) and the percentage that the tax rate was increased (or decreased) over the previous year. These measures are available for every election year in our data set. Finally, we also include national polling data in order to account for variation in support for the major parties nationally. As local contests are clearly second
order elections, they are susceptible to both local and national effects. Indeed, it could be argued that the surge of support for the Conservative Party in local elections in 2008 and 2009 had as much to do with the relative national popularity of the Conservatives vis-à-vis Labour as with local considerations. Trends in support for the parties nationally thus has to be factored into our models in order to separate out local from national considerations. We use data from The Guardian/ICM poll which has been running since 1984 at a frequency of no less than once per month; this frequency allows us to include polling data no more than two weeks prior to the local elections.

Eight OLS models are reported below using pooled data from English local elections ranging from 1999 to 2009. The dependent variable for the first four is the vote share in the election received by the Conservative Party, and the Labour party, respectively. The dependent variable for the remaining four models is the share of the seats up in the local election won by the Conservative Party and the Labour Party. As our hypotheses hinge upon which party was in control of the council at the time of the council tax increases and subsequent elections, Table 1 offers an overview of partisan control. Note that in nearly two-thirds of these cases councils were controlled by Conservatives or Labour, with most of the remainder being places where no party had an overall majority. The fully specified models include dichotomous variables that account for councils controlled by Conservatives, Labor, and Liberal Democrats, respectively (the reference category being councils with no party in overall control). These variables act as a lag term for a party's strength prior to the election and thus capture a substantial proportion of variance explained by our models. These models also include terms that account for the different types of local councils that are elected in order to control for
variation in party strength across different regions in England. Dummy variables represent elections to London boroughs, metropolitan boroughs, unitary authorities, and shire districts.\(^6\)

\[(\text{Table 1 about here})\]

As discussed above, the two tax measures are the absolute amount of the annual tax levied by the billing authority, expressed in pounds, and the annual increase (or decrease) in the local council tax. The latter ranged from a decrease of 11% to an increase of 23%, with a mean of 6%). The Guardian / ICM polling data we use are limited to Conservative Party support nationally, as our dependent variables are measures of Conservative Party performance in local elections. Estimates of Labour Party vote and seat share include Guardian / ICM data on Labour support nationally. Additionally, the opinion measure serves as a proxy to control for election year as it is a constant for each year in the data.\(^7\)

The first columns in each table estimates a basic model of Conservative vote (Model 1) and Conservative seat share (Model 5), where the effect of change in the annual tax rate is expressed as the effect on Conservative vote (seat) share regardless of which party controlled a council. The second columns in each table estimate Conservative vote (Model 2) and Conservative seat share (Model 6) with additional measures of partisan control, and interaction terms that test for the effect of tax increases by party control of council. We test hypotheses about the partisan differences in electoral consequences of tax increases by including terms that interact dichotomous measure of

\(^6\) Models distinguish between councils where all seats are elected quadrennially and those where one-third of seats are up at each annual election.

\(^7\) We did run the models with categorical measures for each election year, not reported here. The various estimates were similar in direction, substance, and significance.
party control of local councils with the annual local tax increase. With these terms included in the models, we are estimating the differential (conditional) effect of taxes being increased by a Conservative (or Labour) controlled council on Conservative (or Labour) vote and seat shares. The third and fourth columns in each table estimate similar models of Labour seat (Models 3 and 4) and vote share (Models 7 and 8).

Results: Partisan consequences of tax increases

The model estimates are reported in Tables 2 and 3. We find that voters do appear to respond to taxation, but that during the period of time under study here higher tax increases corresponded with greater support for the right-of-centre party, and less support for the left-of-centre party. Model 1 demonstrates that all else equal, a one percent increase in a local council tax corresponded with a 0.4% increase in Conservative vote share in a council election, and a 0.4% decrease in Labour vote share (Model 3). We find similar effect when estimating the percent of seats won at elections (Table 3).

(Table 2 and Table 3 about here)

However, results from the basic models do not necessarily mean that Conservatives gain electorally when they raise taxes. The basic models are not specified such that they tell us if voters responded differently to taxes raised by the centre-right or centre-left party. The models we estimate with interaction terms shed light on this question. In models 2, 4, 6, and 8, the substantive effect of regression coefficients are conditional (Brambor et al 2006; Jaccard et al 1990). With Model 2 in Table 2 and

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8 Additional models, not reported here, incorporated a series of socio-economic measures from the UK census as a control. There was no effect on substance, significance, or critically, direction of the estimates.
Model 6 in Table 3 the coefficient for tax increase now represents the effect of a tax increase on Conservative vote (seat) shares when a council is not controlled by Conservatives. As taxes went up in places with councils having no majority control or that were controlled by other parties, voters were more likely to favor the Conservatives.

As Brambor et al (2006) and others note, the substantive meaning of interaction terms in such models is best presented graphically. Figure 1 reports Clarify (Tomz et al 2003) simulations predicting Conservative vote share generated from Model 2 in Table 2. Figure 2 reports Clarify simulations predicting Conservative seats share from Model 6 in Table 3. All component parts of the interactions from these models are statistically significant. The figures demonstrate the estimated relationship between tax increases and Conservative support when the absolute level of the council tax is at the mean value and Conservative poll standing is at the mean. Each bar in the figures represents the estimated Conservative vote (or seat) share at various levels of tax increase in places where Conservatives were in control, where Labour was in control, and where there was no overall party control.

(Figure 1 and Figure 2 about here)

Both figures demonstrate that where the Conservatives were already in power they receive a much larger share of votes and seats than where they were out of power - regardless of what happened with taxes. This reflects, in part, the geography of where Conservatives and Labour party supporters are located. Put differently, at any level of tax increase, all else equal, Conservatives won somewhere between 40% to 45% of the council vote on average and about 65% of seats in places where Conservatives were already in control.
The effect of tax increases conditioned by party control can be seen in the differential rates that tax increases by Labour controlled councils and no majority councils corresponded with increased Conservative vote and seats shares. Conservative vote share increased notably at higher levels of tax increases in elections where councils were controlled by Labour, and in elections where no party had overall control of a council. In other words, we see an asymmetrical effect: Conservative vote and seat share does not appear to be adversely affected when taxes were raised by councils controlled by Conservatives. Conservative electoral support increased in elections conducted where taxes were increased under Labour and where taxes were increased by councils operating with coalition arrangements.

It is important to take note of the substantive magnitude of these effects. The highest levels of tax increases from councils where Labour was in control corresponded with results that may have allowed Conservatives to take control of a council from Labour after an election. In places where a Labour controlled council experienced a very high-end 20 percent tax increase, Conservatives are estimated to have won 44 percent of seats up at the election. This is no trivial amount of seats; although many councils only elected one-third of seats at each election, councils are large and averaged 27 seats up per contest. A forty-four percent seat share estimate equals 12 seats out of the average 27 seats at stake. ¹⁹

The substantive magnitude of the effect at a mean level of tax increase (six percent) is more modest. A six percent tax increase under a Labour council is estimated to have

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⁹ 27seats* .44 share of seats =11.88
netted the Conservatives just about 8 seats out of the average 27 seats at stake.\textsuperscript{10} This compares to an average of 6 seats out of the average at stake that Conservatives are estimated to win in elections for Labour controlled councils where taxes were not increased. In other words, the estimated electoral difference between a Labour controlled council with no tax increase and a Labour council with a mean level of tax increaser is roughly just 2 seats for the Conservatives. On a Labour controlled council, this would not likely shift the balance toward Conservatives.

The situation is somewhat different with councils where there was no party in overall control of a council at the time of the election. This represents 28\% of the cases. In Figure 2 illustrates that Conservatives win more seats on councils where no party has a majority of seats. The electoral difference between 5\% tax increase and a 15\% tax increase on such a council corresponds with about an 1.5 seat gain for Conservatives.\textsuperscript{11} In a places where Conservatives hold a large plurality (but not majority) of seats, this could affect which party assumes control after an election.

\textit{Discussion}

Taken together, our results provide support for the hypothesis that people are responsive to tax increases when they vote, and also for the hypothesis that voters temper this responsiveness by their expectations about the party in power. We find no evidence consistent with the hypotheses that voter expectations of fiscal prudence for right-of-centre parties causes these parties to suffer more when taxes increase. Rather, the right-of-centre party appears to have been safe from harm when tax increases occurred in areas

\textsuperscript{10} 27 seats * .285 share = 7.7
\textsuperscript{11} 5\% increase: 27 seats *.389 share = 10.5 seats; 15\% increase: 27 * .445 = 12 seats.
they presided over. The Conservatives benefited at the polls when others raised taxes. As noted above, this may reflect that conservative parties have established reputations with voters for being relatively more fiscally restrained than left-of-centre parties. This may provides space for voters to give some "benefit of the doubt" when rates are raised by conservatives, and for retrospective voters to gravitate toward a right-of-centre party when taxes increase under the watch of other parties.

These results are noteworthy for a number of reasons. This study is rather unique in that it identifies the timing and magnitude of legislatively enacted tax increases across a large number of comparable cases. Our analysis illustrates that the potential electoral consequences of tax increases is conditioned by the party in control when taxes were increased. Other studies, using data that makes comparisons across cases less straightforward, have also found that the consequences of tax increases depend on the party responsible for the increase. The major difference in here is that where previous research found that right-of-centre parties (particularly in the US) suffered more electorally for tax increases, we find that the right-of-centre party was relatively safe when it presided over tax increases, and that it benefited when others raised taxes. Clearly, these results could be contingent on the unique partisan context of the UK during the time of our study, but they do suggest we need to reconsider how voters might evaluate political parties that preside over tax increases.

Results in this study are consistent with a model of retrospective economic voting where people have different punish parties differently when taxes are increased...
Table 1: Breakdown of Partisan Control of Council

<table>
<thead>
<tr>
<th>Party Controlling Council</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservatives</td>
<td>605</td>
<td>35.6</td>
</tr>
<tr>
<td>Labour</td>
<td>422</td>
<td>25.0</td>
</tr>
<tr>
<td>Lib Dem</td>
<td>155</td>
<td>9.2</td>
</tr>
<tr>
<td>Other</td>
<td>19</td>
<td>1.1</td>
</tr>
<tr>
<td>No Overall Control</td>
<td>480</td>
<td>28.5</td>
</tr>
</tbody>
</table>
## Table 2: The Effect of Council Tax Increases on Vote Share in English Local Elections

<table>
<thead>
<tr>
<th></th>
<th>Model 1: Conservative</th>
<th>Model 2: Conservative</th>
<th>Model 3: Labour</th>
<th>Model 4: Labour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of council tax in £</td>
<td>-.02*** (.002)</td>
<td>-.02*** (.002)</td>
<td>.01** (.002)</td>
<td>.01*** (.002)</td>
</tr>
<tr>
<td>% tax increase from previous year</td>
<td>.40*** (.08)</td>
<td>.44*** (.12)</td>
<td>-.40*** (.08)</td>
<td>-.63*** (.13)</td>
</tr>
<tr>
<td>Tory council control (0 / 1)</td>
<td>14.5*** (0.5)</td>
<td>14.3*** (1.0)</td>
<td>----</td>
<td>-4.5*** (1.3)</td>
</tr>
<tr>
<td>Labour council control (0 / 1)</td>
<td>----</td>
<td>-6.2*** (1.0)</td>
<td>17.8*** (0.5)</td>
<td>11.3*** (1.3)</td>
</tr>
<tr>
<td>Liberal Democrats control (0/1)</td>
<td>----</td>
<td>-3.1** (1.6)</td>
<td>----</td>
<td>-6.2*** (0.9)</td>
</tr>
<tr>
<td>Tory control * tax % increase</td>
<td>----</td>
<td>.21* (.10)</td>
<td>----</td>
<td>.33* (.15)</td>
</tr>
<tr>
<td>Labour control * tax % increase</td>
<td>----</td>
<td>.33 (.22)</td>
<td>----</td>
<td>.73*** (.18)</td>
</tr>
<tr>
<td>Tory support (national polling)</td>
<td>1.4*** (0.1)</td>
<td>1.3*** (0.1)</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Labour support (national polling)</td>
<td>----</td>
<td>----</td>
<td>.74*** (.08)</td>
<td>.70*** (.08)</td>
</tr>
<tr>
<td>Unitary (thirds up)</td>
<td>-8.5*** (1.0)</td>
<td>-8.0*** (1.0)</td>
<td>4.5*** (1.1)</td>
<td>4.1*** (1.1)</td>
</tr>
<tr>
<td>Unitary (all up)</td>
<td>-6.9*** (1.1)</td>
<td>-5.8*** (1.1)</td>
<td>-3.2** (1.3)</td>
<td>-2.0 (1.3)</td>
</tr>
<tr>
<td>Shire (all up)</td>
<td>-6.1*** (0.6)</td>
<td>-5.6*** (1.1)</td>
<td>-3.8*** (0.7)</td>
<td>-3.3*** (0.7)</td>
</tr>
<tr>
<td>Metropolitan Borough</td>
<td>-10.0*** (0.7)</td>
<td>-8.4*** (0.8)</td>
<td>6.1*** (0.6)</td>
<td>6.3*** (0.7)</td>
</tr>
<tr>
<td>London Borough</td>
<td>-7.3*** (1.3)</td>
<td>-6.0*** (1.3)</td>
<td>3.7** (1.2)</td>
<td>4.8*** (1.2)</td>
</tr>
<tr>
<td>Intercept</td>
<td>7.3* (3.5)</td>
<td>10.7** (3.5)</td>
<td>-17.8** (5.9)</td>
<td>-11.8* (6.0)</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.49***</td>
<td>.51***</td>
<td>.53***</td>
<td>.55***</td>
</tr>
<tr>
<td>N</td>
<td>1635</td>
<td>1635</td>
<td>1618</td>
<td>1618</td>
</tr>
</tbody>
</table>

**Notes:** Dependent variable is the share of votes won by Conservative Party or Labour Party candidates.

Reference category for variables representing the type of local authority is Shire Districts elected in thirds. Reference category for party control variables is councils with no overall control, or with a Liberal Democratic majority.

Robust standard errors for the OLS estimates are in parentheses.

*** = p < .001  ** = p < .01  * = p < .05 (two-tailed t-tests).
Table 3: The Effect of Council Tax Increases on Seat Share in English Local Elections

<table>
<thead>
<tr>
<th></th>
<th>Model 5: Conservative</th>
<th>Model 6: Conservative</th>
<th>Model 7: Labour</th>
<th>Model 8: Labour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of council tax</td>
<td>-.02*** (.003)</td>
<td>-.02** (.003)</td>
<td>.01** (.004)</td>
<td>.01** (.004)</td>
</tr>
<tr>
<td>in £</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% tax increase</td>
<td>.46** (.14)</td>
<td>.55*** (.19)</td>
<td>-.45*** (.12)</td>
<td>-.70*** (.16)</td>
</tr>
<tr>
<td>from previous year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tory council control</td>
<td>32.2*** (0.9)</td>
<td>30.0*** (1.9)</td>
<td>----</td>
<td>-10.0*** (1.7)</td>
</tr>
<tr>
<td>(0 / 1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour council</td>
<td>----</td>
<td>-14.4*** (2.6)</td>
<td>36.1*** (1.1)</td>
<td>27.1*** (2.4)</td>
</tr>
<tr>
<td>control (0 / 1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liberal Democrats</td>
<td>----</td>
<td>-12.2*** (1.5)</td>
<td>----</td>
<td>-9.4*** (1.2)</td>
</tr>
<tr>
<td>control (0/1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tory control * % tax</td>
<td>----</td>
<td>-.43* (.22)</td>
<td>----</td>
<td>.48* (.19)</td>
</tr>
<tr>
<td>increase</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Labour control * %</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>.77* (.35)</td>
</tr>
<tr>
<td>tax increase</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tory support</td>
<td>2.19*** (.25)</td>
<td>1.92*** (.24)</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>(national polling)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour support</td>
<td>----</td>
<td>----</td>
<td>.88*** (.14)</td>
<td>.74*** (.14)</td>
</tr>
<tr>
<td>(national polling)</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Unitary (thirds up)</td>
<td>-10.0*** (2.0)</td>
<td>-9.3*** (2.0)</td>
<td>7.1*** (2.0)</td>
<td>5.8*** (2.0)</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Unitary (all up)</td>
<td>-10.3*** (1.8)</td>
<td>-86.7*** (1.9)</td>
<td>-.08 (1.8)</td>
<td>1.3 (1.8)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shire (all up)</td>
<td>-7.4*** (0.9)</td>
<td>-6.0*** (0.9)</td>
<td>-3.4*** (0.9)</td>
<td>-2.2* (0.9)</td>
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<tr>
<td></td>
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<tr>
<td>Metropolitan</td>
<td>-15.2*** (1.3)</td>
<td>-11.5*** (1.3)</td>
<td>13.2*** (1.2)</td>
<td>12.9*** (1.2)</td>
</tr>
<tr>
<td>Borough</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>London Borough</td>
<td>-7.5*** (2.1)</td>
<td>-4.0* (2.0)</td>
<td>11.1*** (2.1)</td>
<td>12.6*** (2.0)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>-14.1* (5.8)</td>
<td>-5.0 (5.7)</td>
<td>-28.7* (9.6)</td>
<td>-15.8 (9.6)</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.57*** 1635</td>
<td>.60*** 1635</td>
<td>.62*** 1618</td>
<td>.64*** 1618</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Dependent variable is the share of seats won by Conservative Party or Labour Party candidates.

Robust standard errors for the OLS estimates are in parentheses. Reference category for variables representing the type of local authority is Shire Districts elected in thirds. Reference category for party control variables is councils with no overall control, or with a Liberal Democratic majority.

*** = p < .001   ** = p < .01   * = p < .05 (two-tailed t-tests).
Figure 1:

![Percent of Votes Won by Conservatives](image)

*Note:* Generated by Clarify (Tomz et al 2003) from Model 2, Table 2. Vote share is predicted at mean Conservative national poll standing, and at mean absolute level of taxation. Standard error of the estimates are represented by the error bars.
Figure 2:

Note: Generated by Clarify (Tomz et al 2003) from Model 6, Table 3. Seat share is predicted at mean Conservative national poll standing, and at mean absolute level of taxation. Standard error of the estimates are represented by the error bars.
References


Gregory, R. 1969. Local elections and the 'rule of anticipated reactions'. *Political Studies* 17:31-47


