

Incumbency as Wasting Asset: Structural shifts in federal politics

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The 2001 Australian elections saw a substantial shift in voting in favour of the incumbent Liberal–National Party Coalition Government. However, since 1966, incumbent governments have usually lost votes at general elections. The previous exceptions have been 1966 itself and 1993. Incumbency is generally a wasting asset. The reasons include the absence of splits in the Australian Labor Party; the electorate’s imperviousness to attempts by governments to win votes with spending; and the tendency of governments to alienate voters with particular policies.

The Australian Electoral Commission provides a more-or-less consistent series of the two-party preferred vote in Federal elections going back to 1949.¹ Looking at the results, we can see quite clearly that 1966 was a watershed year in Australian politics — the last time that there was a substantial swing to an incumbent Federal Government (all references to swings are in two-party-preferred terms).

In fact, since 1966 there has only been two swings to an incumbent Federal Government — the *Fightback!* election of 1993 and the 2001 election. Every other election since 1966 has seen a swing against the incumbent Government.

The division between the period 1949 to 1966 and the post-1966 period is stark. From 1949 to 1966, the average electoral shift was a 0.8 percentage point swing to the incumbent Government. Three elections saw swings to the incumbents — 1955, 1963 and 1966. Four elections saw swings against the incumbents, but only two — 1954 and 1961 — were of any substance.

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¹ The figures are based on a full recount only from the 1983 election onwards.

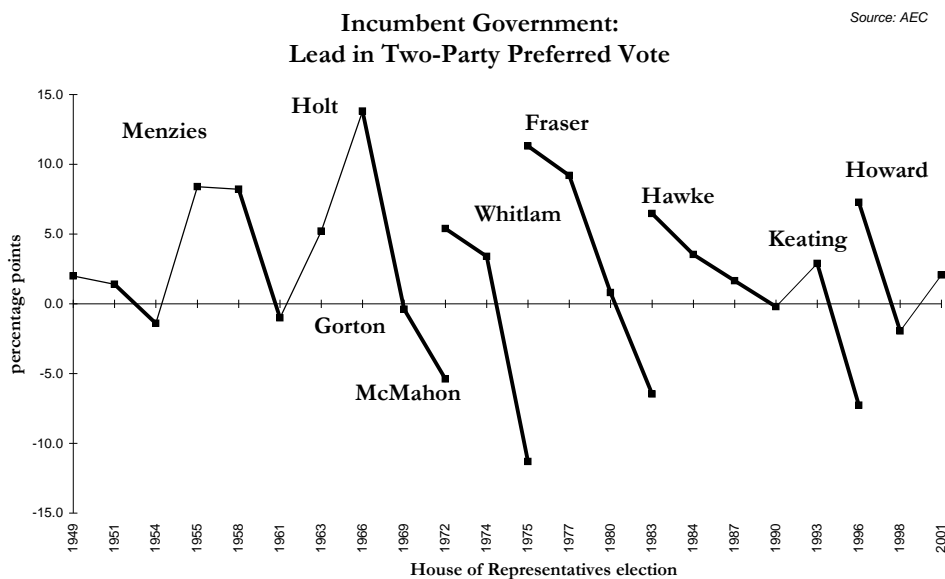


Table: 1 Two-Party-Preferred Vote, House of Representatives elections

	Coalition (%)	ALP (%)	Incumbent Swing (% pts)		Coalition (%)	ALP (%)	Incumbent Swing (% pts)
1949	51.0	49.0 *		1969	49.8 *	50.2	-7.1
1951	50.7 *	49.3	-0.3	1972	47.3	52.7 *	-2.5
1954	49.3 *	50.7	-1.4	1974	48.3	51.7 *	-1.0
1955	54.2 *	45.8	4.9	1975	55.7	44.3 *	-7.4
1958	54.1 *	45.9	-0.1	1977	54.6 *	45.4	-1.1
1961	49.5 *	50.5	-4.6	1980	50.4 *	49.6	-4.2
1963	52.6 *	47.4	3.1	1983	46.8 *	53.2	-3.6
1966	56.9 *	43.1	4.3	1984	48.2	51.8 *	-1.5
Average	52.3	47.7	0.8	1987	49.2	50.8 *	-0.9
				1990	50.1	49.9 *	-0.9
				1993	48.6	51.4 *	1.5
				1996	53.6	46.4 *	-5.1
				1998	49.0 *	51.0	-4.6
				2001	51.0 *	49.0	2.0
				Average	50.2	49.8	-2.6

Source: AEC

By contrast, for the period 1969 to 2001, the average electoral shift was a 2.6 percentage point swing *against* the Government of the day. Out of 14 elections, 12 saw a swing against the incumbent. This is a dramatically different pattern. Even the two swings to the incumbent — in 1993 and 2001 — were markedly less than any of the swings to the incumbent in the 1949–66 period.

There is, however, one clear electoral advantage of incumbency — only incumbents have won a House of Representatives election with a minority of the two-party-preferred vote (in 1954, 1961, 1969, 1990 and 1998). Only in 1969 did it presage defeat, as on all other occasions there was swing back to the incumbents in the next election.

Splitting and competing

The 1966 election was a watershed year in a different sense. Of the 26 House of Representatives elections from 1901 to 1966, the ALP won only five — 1910, 1914, 1929, 1943 and 1946 — although the Watson Government briefly held office during the term of the Parliament elected in 1903 and the Curtin Government first came to power a year into the term of the Parliament elected in 1940.

By contrast, of the 14 House of Representative elections from 1969 to 1998, the ALP has won seven — 1972, 1974, 1983, 1984, 1987, 1990 and 1993. It is certainly a dramatic change in fortunes to go from winning less than a fifth of House of Representative elections to winning half. The history of the last third of the 40 House of Representatives elections since Federation is quite different from the history of the first two-thirds.

What has changed? Well, the most obvious change is that the ALP is no longer in the habit of splitting. The ALP lost office in 1916 by splitting over conscription. Splits also fractured the Party in 1931 and 1955. Each split saw a prolonged period out of office. It took 13 years (and six elections) for the ALP to return to power after the 1916 split, 10 years (and four elections) after the 1931 split and 17 years (and seven elections) after the 1955 split (it was unlucky not to win in 1961, though the 1966 election dramatically reprised the issue at the heart of the 1955 split — policies towards communism). That is a total of 40 years out of power following internal fractures. In a 71-year period, that is enough in itself to explain the ALP's poor fortunes — particularly as it was not a serious contender for achieving an electoral majority in its own right until the 1910 election.

The ALP has always been noted for its rigid party discipline. That created a party which was strong but brittle: it has apparently learnt to become less brittle. This has not been a smooth process. The Curtin–Chifley Government was the first time the ALP was in power during a national crisis without splitting (though one might argue that the strain was a causal factor in Curtin's untimely death), yet it was to be

followed by the most traumatic split of all, and one which occurred, moreover, while the Party was in opposition federally. No less than three non-Labor prime ministers were former Labor politicians — Cook, Hughes and Lyons. Their combined terms as non-Labor PMs totalled almost 15 years, or a fifth of the time from Federation to the election of the Whitlam Government. The total term of all ALP governments in that period came to less than two years more.

But what about the changed fortunes of incumbency? Why has retaining electoral support when in office become so much more difficult?

For much the same reason, I would suggest. What is the difficulty in retaining electoral support a sign of? Increased intensity in competition for votes. If, in a two-party system, one side no longer displays a previously crippling tendency, we cannot be surprised if electoral results are suddenly much closer. After all, the post-1966 period is an even score: seven wins each to the Coalition and to the ALP. Moreover, while in the 1949 to 1966 period the average two-party-preferred vote favoured the Coalition (52.3 to 47.7 per cent), from 1969 onwards the average two-party-preferred vote is effectively dead even (50.2 per cent Coalition, 49.8 per cent ALP).

Nor should it be surprising that incumbency proves to be a disadvantage in retaining electoral support in a situation of intensified competition. Governments have to bear the electoral consequences of what they do (or appear to do) and what actually happens (or appears to happen). Moreover, trying to build an electoral majority requires appealing to groups with interests not all of which will be compatible. As decisions and events accumulate (and any pattern of preferred interests becomes clearer), the chances of seriously alienating different sets of voters increases. By contrast, oppositions merely suggest and promise. Actions have a somewhat greater capacity to alienate than words.

Marking down the pork-barrel

Of course, if governments have a reasonably strong ability to ‘buy’ votes, then incumbency should be an advantage in gaining voter support. Yet during the period during which incumbency has so clearly become a wasting asset, government expenditure has expanded markedly. From 1966–67 to 2000–01, Commonwealth outlays per head more than doubled in real terms.²

Nor does a comparison of the increase in Commonwealth outlays per head between the financial years in which House of Representatives elections were held with the

² Calculation by author using Commonwealth budget papers and ABS national accounts data from RBA website and ABS population statistics. Per capita figures throughout are adjusted for inflation. Commonwealth outlays expanded from 19 per cent of GDP in 1966–67 to 23 per cent of GDP in 2000–01, having reached 29 per cent of GDP in 1984–85 (Commonwealth Budget Papers).

swing experienced by the incumbent government provide any more support for a strong ability to 'buy votes' through government expenditure.

The most spectacular marks against the reliability of 'vote-buying' through government expenditure are that the largest swing against an incumbent government in the post-1966 period was recorded against the government which increased outlays the most, while the smallest swing against an incumbent government was against a government which had cut outlays. Overall, the correlation between incumbent swing and the change in Commonwealth outlays per capita is in fact weakly negative, indeed more so for the post-1966 period.

Nor is the evidence any stronger if we concentrate on that hardy perennial, the 'election give-away' budget, limiting ourselves to changes in expenditure in the election year.

Once again, the most 'generous' Government had the largest swing against, the most 'miserly' the smallest swing against while the correlation between change in expenditure and swing is negative, though not strongly so in the post-1966 period. Assuming that voters have a short-time horizon, or that politicians target cleverly in election years, does not provide any further evidence of success in 'buying' votes.

Table: 2a **Buying Votes? (I):**
Increase in Commonwealth outlays over life of Parliament

	Incumbent Swing (% pts)	Per capita increase in C'wlth outlays (%)		Incumbent Swing (% pts)	Per capita increase in C'wlth outlays (%)
1955	4.9	2.8	1969	-7.1	7.1
1958	-0.1	4.2	1972	-2.5	12.7
1961	-4.6	11.0	1974	-1.0	2.0
1963	3.1	4.9	1975	-7.4	33.1
1966	4.3	18.6	1977	-1.1	3.7
<i>Average</i>	<i>1.5</i>	<i>8.3</i>	1980	-4.2	1.9
			1983	-3.6	7.1
			1984	-1.5	14.7 *
<i>Correlation</i>		<i>-0.05</i>	1987	-0.9	-2.8
			1990	-0.9	-5.9
			1993	1.5	13.6
			1996	-5.1	8.6
			1998	-4.6	-2.9
			2001	2.0	3.8 **
			<i>Average</i>	<i>-2.6</i>	<i>6.9</i>
			<i>Correlation</i>		<i>-0.36</i>

Sources: AEC, ABS National Accounts, RBA, Commonwealth Budget Papers

Notes: RBA Budget sector figures used prior to 1963/64,
 Budget papers general government sector figures thereafter.
 * Figures for 1986/87 used as election was in July 1987.
 ** Figures for 2000/01 used, as 2001/02 figures not yet available.

Table: 2b **Buying Votes? (II):**
Increase in Commonwealth outlays in election year

	Incumbent Swing (% pts)	Per capita increase in C'wlth outlays (%)		Incumbent Swing (% pts)	Per capita increase in C'wlth outlays (%)
1955	4.9	4.4	1969	-7.1	0.0
1958	-0.1	4.8	1972	-2.5	3.0
1961	-4.6	8.8	1974	-1.0	2.0
1963	3.1	4.3	1975	-7.4	12.4
1966	4.3	6.3	1977	-1.1	2.6
<i>Average</i>	<i>1.5</i>	<i>5.7</i>	1980	-4.2	1.9
			1983	-3.6	5.5
<i>Correlation</i>		<i>-0.76</i>	1984	-1.5	6.5
			1987	-0.9	-4.3 *
			1990	-0.9	0.6
			1993	1.5	4.2
			1996	-5.1	2.8
			1998	-4.6	-3.0
			2001	2.0	-4.6 **
			<i>Average</i>	<i>-2.6</i>	<i>2.1</i>
			<i>Correlation</i>		<i>-0.38</i>

Sources: AEC, ABS National Accounts, RBA, Commonwealth Budget Papers

Notes: RBA Budget sector figures used prior to 1963/64,
 Budget papers general government sector figures thereafter.
 * Figures for 1986/87 used as election was in July 1987.
 ** Figures for 2000/01 used, as 2001/02 figures not yet available.

The putative ability to 'buy' votes rests on the notion that the costs of raising revenue, predominantly from taxation (including the taxes themselves, compliance costs imposed in paying taxes and lost economic activity from the displacement effects of taxes) plus administrative costs, inefficiency and wastage (plus any envy effects from non or lesser recipients) are nevertheless exceeded by the gratitude paid for. (Commonwealth revenues per person more than doubled from 1966–67 to 2000–01).³ On the evidence, the hypothesis of 'buying votes' gives rather too much credence to the effectiveness of government action. Yet it has been a common assumption, even among advocates of less government, that government provision was reasonably effective at purchasing votes. It is ironic that government appears to

³ Calculation by author using Commonwealth budget papers and ABS national account data from RBA website and ABS population statistics. Commonwealth revenues rose from 20 per cent of GDP in 1966–67 to 24 per cent of GDP in 2000–01, peaking at 27 per cent of GDP in 1986–87 (Commonwealth Budget papers).

be as limited in its effectiveness in this regard as it has proved to be in a wide range of areas.⁴

Besides, people are likely to treat alleged entitlements as precisely that, particularly as they have every reason to believe the alternative government will not take them away. Which would make it even more likely that people annoyed at being left out be more annoyed than the recipients are grateful.

The belief that governments can reliably ‘buy votes’ from government expenditure may be a very consoling one for politicians, since spending is something they can control comparatively easily. It becomes even more understandable that they may seek such consolation when one examines the record of per capita GDP and incumbent swings.

Table 3: **Good Management?**

	Incumbent Swing (%pts)	Change in per capita GDP		Incumbent Swing (%pts)	Change in per capita GDP		
		(Parliament term) (%)	(Election year) (%)		(Parliament term) (%)	(Election year) (%)	
1951	-0.3	4.5	4.5	1969	-7.1	12.9	3.7
1954	-1.4	1.9	3.7	1972	-2.5	3.3	1.8
1955	4.9	5.1	3.5	1974	-1.0	3.6	3.6
1958	-0.1	4.2	4.8	1975	-7.4	1.1	1.6
1961	-4.6	3.8	-1.1	1977	-1.1	1.7	-0.4
1963	3.1	9.9	4.9	1980	-4.2	7.6	1.7
1966	4.3	9.3	4.8	1983	-3.6	-2.7	-4.1
<i>Average</i>	<i>0.8</i>	<i>5.5</i>	<i>3.6</i>	1984	-1.5	7.9	3.7
<i>Correlation with swing</i>		<i>0.68</i>	<i>0.67</i>	1987	-0.9	7.6	3.7 *
				1990	-0.9	4.5	2.2
				1993	1.5	0.0	2.5
				1996	-5.1	9.0	2.9
				1998	-4.6	5.7	3.2
				2001	2.0	7.8	0.7 **
				<i>Average</i>	<i>0.8</i>	<i>5.0</i>	<i>1.9</i>
				<i>Correlation with swing</i>		<i>-0.21</i>	<i>-0.05</i>

Sources: AEC, ABS national accounts from RBA website and ABS population statistics.

Notes: * Figures for 1986/87 used as election was in July 1987.

** Figures for 2000/01 used as 2001/02 figures not yet available

⁴ The American experience of a strong advantage for incumbency pertains to individual legislators and deals with a situation where each legislator has far greater capacity to tailor their behaviour to the characteristics of their electorate (and manage to do so with a level of government expenditure lower, as a percentage of GDP, than Australia, though more per capita, even if defence expenditure is excluded). Moreover, in any two-party system, given that shifts in voting tend to be relatively small, most members will be re-elected.

While there is a reasonably strong correlation for pre-1969 period between incumbent swing and changes in per capita GDP, for the post-1966 period there is no such correlation — either over the course of the parliamentary term or in the year of the election. This is a shift which is possibly also a sign of the changed dynamics of increased political competitiveness.

There are other likely reasons for this persistent belief that votes can be bought, apart from seeking a consoling belief in having a useable lever of control over one's political fate: people not seriously examining the evidence; because it seems intuitively obvious that votes can be bought; because it is a basis for easy — indeed, simple-minded — analysis; and because some votes presumably *can* be bought, it is just that one does not get a net electoral gain out of it (that is, votes gained are more than compensated for by losses elsewhere).

In the event, governments have had to deal with the reality of incumbency being a wasting asset, the trick being to slow the rate of loss as much as possible. This was the great achievement of the Hawke-Keating Government, at least until after the 1993 election. In its first three elections as an incumbent Government, it suffered a combined electoral swing against it of only 3.3 percentage points — ~~when not much more than~~ the average swing against incumbents per election since 1966 ~~has been 2.6 percentage points~~ — and then achieved, against Hewson, the first swing to an incumbent Government since 1966. Matters eventually caught up with it — losing office in the third-highest swing against an incumbent government since 1966, with the second-lowest vote for an incumbent government in the 1949–2001 period: a swing twice the size of that which ejected the McMahon Government from office in a result some commentators (such as Malcolm Mackerras) saw as a result that fear of the GST had delayed.

An era of balance

Given that the Coalition has won 7 of the 14 House of Representative elections since 1966 (and includes the terms of two prime ministers who have served longer than any ALP prime minister other than Bob Hawke⁵), contemporary talk about persistent failure by the Coalition has proved to have been somewhat exaggerated. Though it is understandable — the longer history makes it natural to think of non-Labor Federal Government as the 'norm', which, of course, it was until 1972, by which time the ALP had been in power for only 23 per cent of the time since Federation. The ALP currently being in power in all six States and both Territories gives extra credence to a notion of the ALP as the new 'natural party of government'.

⁵ The longest-serving PMs are, in order, Menzies, Hawke, Fraser, Hughes, Lyons, Bruce and Howard. In the current parliamentary term, Howard could overtake every previous PM except Hawke and Menzies.

But what we are really in is a period of balance. Even if we take 1972 as the start year for the new era — as the final proof of recovery from the 1955 split — then the ALP has been in power federally only 51 per cent of the time since. Even the period of ALP success from 1983 to 1996 can reasonably be ascribed to a series of contingent factors — in the words of one person who commented on earlier drafts of this paper, the ALP's success could be plausibly put down to a popular leader (Hawke), good luck (Joh for Canberra), a bad Opposition (the Peacock/Howard feud) and a complicated tax policy (*Fightback!*). The even split in average two-party-preferred vote further indicates that we are in an era of balance, with no side predominating.

Conclusion

Since 1966, incumbency at a Federal level has become a wasting asset, with national swings against incumbents in 12 out of 14 elections. The ALP losing its previously crippling tendency to split has created much more intense competition for votes resulting in a much more even split in election results. The lack of any clear or reliable ability for government expenditure to 'buy' votes, coupled with the inherently greater tendency of government actions, rather than Opposition words, to alienate voters, has led this intensified competition for votes to make incumbency a wasting asset. ?