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Government Constraints and Accountability: Economic Voting in Greece Before and During the IMF Intervention

SPYROS KOSMIDIS

Incumbent parties in Southern Europe experienced losses in their electoral support that came along with a series of economic reforms imposed by the EU and the IMF. However, recent theories of accountability would predict lower levels of economic voting given the limited room left for national governments to manoeuvre the economy. To resolve this puzzle, the paper presents and models quarterly vote intention time series data from Greece (2000–2012) and links it with the state of the economy. The empirical results show that after the bailout loan agreement Greek voters significantly shifted their assignment of responsibility for (economic) policy outcomes from the EU to the national government, which in turn heightened the impact of objective economic conditions on governing party support. The findings have implications for theories linking international structures, government constraints and democratic accountability.

Although normative accounts of democracy expect citizens to hold their governments accountable in response to economic performance, a long list of factors make the relationship between the economy and the vote unstable (Hobolt, Tilley and Banducci 2013; Powell and Whitten 1993; Tilley and Hobolt 2011). This list of factors currently includes the moderating role of globalisation and international economic structures. On this account, voters are less likely to hold a government accountable when they think that governments have limited room to manoeuvre the national economy (Duch and Stevenson 2010; Hellwig 2001; Hellwig and Samuels 2007).

However, incumbent governments in countries with only minuscule room to propose and implement economic policy like Ireland, Portugal, Spain, and more notably Greece, experienced enormous defeats in the voting booth. Fianna Fáil won only 17 per cent of the vote, almost 25 per cent less

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compared to the 2007 Irish election, the Portuguese Socialist party shrank by 8 per cent, while the PSOE (Spanish Socialists) lost 15 per cent compared to the 2008 election. In Greece the two consecutive elections in 2012 revealed unprecedented voting patterns with the collapse of mainstream and the rise of extreme political parties. The safest explanations of these voting patterns have been based on retrospective economic voting (Fiorina 1981; Key 1966; Kramer 1983; Lewis-Beck and Paldam 2000) and recent empirical research by Bartels (2014) shows evidence that the losses in incumbent vote shares are predominantly explained by economic conditions and less by government ideology or other influences.

The puzzle remains, however, because the aforementioned countries share a number of constraints that would complicate the attribution of responsibility and thus give less credit to economic explanations of party support. The first layer of government constraints is their membership in the European Union and the Eurozone that combine to lessen their ability to manoeuvre policy (Hobolt, Tilley and WIlltrock 2013; Lobo and Lewis-Beck 2012).

After the beginning of the financial crisis (which officially started in September 2008) and because of the high interest rates for borrowing, these nations (with the exception of Spain) signed international loan agreements that were accompanied by a strict economic programme imposing austerity measures and spending cuts to reduce the high debt. This created the second – and thicker – layer of government constraints that dramatically reduced the ability to propose, design and implement policy.

The paper analyses accountability in Greece before and during the crisis and examines whether the variation in economic voting is conditional upon the distribution of responsibility between the national government and the European Union. Parallel to these contributions, the paper offers the first empirical dynamic analysis of Greek public opinion complementing recent work on individual-level economic voting (for a recent analysis of Greek economic voting see Nezi 2012). The time series data reveals two important findings. In line with what Lobo and Lewis-Beck (2012) found in their recent individual-level analyses, economic voting decreases when voters think that the European Union should deal with the national economy. What is particularly interesting is the variation in the responsibility variable that until 2010 was overwhelmingly pro-European and changed abruptly after the Memorandum was voted on in parliament. In effect, we only observe substantial economic voting in the last two years of the dataset. This suggests that the causal links in the constraints, economy and elections nexus are much more complex than initially believed.

The paper proceeds in the following way: in the next section I set out a brief review of the concepts relating to economic voting and proceed with a more extensive review of the works linking international economic structures, globalisation and accountability. The Greek case and its connection to international and supranational institutions, finally, lead to the statistical analyses of the paper. I conclude with a discussion of the main findings and the theoretical implications of the paper.

Theoretical Background

The interesting feature of the Greek case is the abrupt change in government decision-making after the spring of 2010 and especially the constraints imposed by the IMF and the European Union. This transition in the decision-making process offers a unique opportunity to see how accountability worked before and during the crisis, almost like a natural experiment. The theoretical expectations regarding the levels of economic voting for the two periods are motivated by the immense literature on both the workings of accountability in general but also its operations in situations of limited manoeuvrability.

Accountability and Economic Voting

Governments are held to account in response to economic outcomes (for a good overview see Lewis-Beck 1988; Lewis-Beck and Paldam 2000; Lewis-Beck and Stegmaier 2000). Increases in growth bring about increases in support, whereas increases in unemployment result in drops in popularity. The foundations of economic voting are thus laid on a simple rule on which voters reward a government for a good economy and punish it for a bad one (Kramer 1983). This rule, in turn, rests on the assumption that voters have the capacity to assign responsibility for economic outcomes. The clarity or ambiguity in the assignment of responsibility has produced a prolific literature on the robustness, the stability and the size of economic voting.

These studies have relied on two basic research designs: first, through linking party support (vote intentions or actual vote shares) with objective economic conditions like the levels of unemployment, inflation or/and growth and, secondly, by measuring subjective evaluations of performance or prospective and retrospective assessments of the financial situation. Without entering the debate about the endogeneity of subjective economic considerations (see e.g. Evans and Andersen 2006; Tilley and Hobolt 2011; Wilcox and Wlezien 1993; Wlezien *et al.* 1997), the hypotheses regarding the real economy and party support are less ambiguous. Increases in unemployment or inflation should correspond to a decline in governing party support, while declines in unemployment or inflation should correspond to a reward for the incumbent party that is reflected in linear increases in government popularity. However, there are serious asymmetries in these relationships.

Unemployment, for example, tends to be more important when a leftist government is in office, while inflation becomes more salient when a right-wing government is ruling. Moreover, the punishing aspect of accountability has found extensive support in the data, while rewards for booming economic conditions are only sparse in the literature (Key 1966; Lau 1982; Mueller 1973; Soroka 2006). In effect, the economic vote fluctuates across time; but also across contexts. The seminal work on the Clarity of Responsibility suggests that these fluctuations pertain to how clear the attribution of credit and blame is (Anderson 1995, 2000; Hobolt, Tilley and Banducci 2013; Powell and Whitten 1993).

International Constraints and Electoral Accountability

Greece is a high-clarity democracy, where the ease in attributing credit and blame should facilitate economic voting. Given that this is the first time series analysis of economic voting in Greece, the theoretical expectations should favour high levels of accountability. Still, the last 10–12 years have changed a lot about how the Greek economy operates, initially with the introduction of the Euro currency and more recently with the conditionality of the IMF loans. Very recent literature has examined how international political and economic institutions relate to the size of the economic vote.

For the last 30 years the international economic structures have changed substantially. As a result, next to the national economies there exists a global economy. Mass political behaviour has been affected by this shift by complicating the assignment of government responsibility for economic outcomes (Hellwig and Samuels 2007). The association between globalisation and domestic electoral politics is primarily related to the ability elected politicians have to propose and implement policies. There are two views concerning the room to manoeuvre. The first is informed by the idea that a country's integration into the global financial system only leaves limited room to decide for and implement policy (e.g. Hays 2003). Others, on the other hand, maintain that even though trade relations are more open than ever, and that capital flows are pivotal for economic growth, there is still space to implement policies and, consequently, the key functions of electoral competition are not shallow (Garrett 1998). From a different perspective, some have suggested that globalisation (trade openness in particular) tends to improve the voters' ability to evaluate the competence of a government to deliver economic policies (Alesina *et al.* 1993; Scheve 2001).

The debate is empirically settled and the findings conform to the work by Hellwig and his colleagues who report that globalisation tends to suppress the levels of economic voting (Hellwig 2001; Hellwig and Samuels 2007). The key aspect of this explanation is premised on the following idea:

> ...in closed economies, it is difficult for politicians to escape blame for poor economic performance. Globalisation, however, provides politicians with a tool to blame poor economic performance on factors beyond their control. (Hellwig and Samuels 2007: 288)

As a result, politicians seek to avoid the blame and voters need to be able to distribute responsibility to non-electorally dependent decision-makers (NEDDs). This tendency creates additional fluctuations in the economic vote. The actual mechanism expects voters to compare the variances in the competency component and the international shocks and then hold the national government responsible if the variation in competence shock is larger than the variation in the international shock (Duch and Stevenson 2010).

The key expectation is that the collective voting weights on the economy will vary substantially across different levels of exposure and integration to international structures. What remains less understood, however, is how voters distribute responsibility on occasions when non-elected officials influence the decisions of elected governments. Better suited to the paper's theme, what are the electoral implications when a high-debt country has the International Monetary Fund as a lender?

The key aspect of the IMF's role on accountability is the conditionality of the loans. The conditions, which in the Greek case were passed as a law by the parliament, pertain to a set of policies and fiscal goals required in exchange for financial resources. In the case the conditions are not met, the funds (instalments) are withheld. In order to avoid bankruptcy, or in Greece's case the sudden return to the drachma, countries conform to those conditions in order to receive the loan instalments. This conditionality is leaving only limited room to decide policy, amplifying the concerns about democratic interactions and accountability. Recent research on Latin America by Alcaniz and Hellwig (2011) illuminates the problem.

Alcaniz and Hellwig's (2011) argument, which finds support in the data, is that responsibility has international, contextual and individual variation. More specifically, the results show that much of the blame for low growth and market volatility is assigned to non-elected actors like the IMF and the World Bank. As a consequence, 'When voters grant responsibility to non-elected actors, they lighten the burden placed on the government's choices and execution' (Alcaniz and Hellwig 2011: 390). The empirical results also show that additional contextual factors can influence how successfully politicians shirk responsibility in Latin American democracies (Alcaniz and Hellwig 2011: 410). This creates a loophole in the quality of democratic interactions and suppresses the degree of economic voting. The political systems in Southern Europe, and particularly in Greece, are currently experiencing similar international pressures. The main difference is the well-established role of the European Union in their domestic politics and particularly its role as part of the IMF/ECB/EU troika.

As in federal states, European electorates have to distinguish whether policy choices and outcomes are the responsibility of the sovereign government or the European Union. This is reflected in the way European voters assign responsibility for government policy. Hobolt, Tilley and Wittrock (2013) find that much of this difficulty in assigning responsibility corresponds to the levels and the sources of information (see also Johns 2011). They argue that voters assign responsibility by following partisan cues charged with favourable and unfavourable opinions about the Union. These patterns also have implications for the levels of economic voting. Lobo and Lewis-Beck (2012) show that voters who hold the European Union accountable for national economic policy accord less weight to economic considerations when they cast their votes. The evidence, based on survey data from Spain, Portugal, Italy and Greece, supports their main 'European integration' argument in which the European Union and the Eurozone are important layers of governance that tend to obscure the attribution of responsibility in the European south and thus suppress the size of the economic vote (see also Anderson 2006).

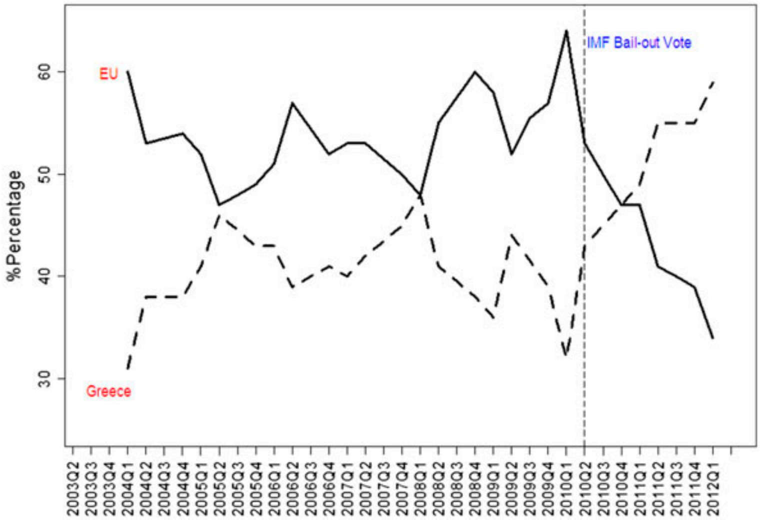
Theoretical Expectations

The paper is interested in two aspects of accountability in Greece. The first corresponds to whether the IMF obscured or clarified the reward/punishment scheme for the Greek electorate and, secondly, whether the changes in the way the Greek electorate assigned responsibility contributed to any changes in the levels of accountability. The first hypothesis examines whether accountability (i.e. economic voting) increased or decreased after the loan agreement between the Greek state, the IMF, the European Central Bank and the European Union. The above literature on accountability and manoeuvrability suggests that the Greek electorate would place less weight on economic conditions since the lenders designed most of the economic policy. On the other hand, the fact that Greek governing parties collapsed in the 2012 twin elections (May/June), would raise doubts about the validity of the manoeuvrability hypothesis. Part of this paper's argument is that the Greek electors changed the way they assign responsibility, which, in turn, altered the voting weights placed on economic conditions. According to this hypothesis, the more voters thought that the national government should be responsible for dealing with the economy the greater the economic vote.

Distribution of Responsibility and Public Opinion, 2000–2012

Individual perceptions of responsibility, like those used by Lobo and Lewis-Beck (2012), are helpful to understand individual variations in political behaviour and accountability. Aggregate assessments of those opinions can highlight dynamic processes in the electorates. Figure 1 displays the percentages of voters reporting whether Greece (dashed line) or the EU (or other international organisations – solid line) should be responsible for dealing with important Greek problems. The dashed vertical axis corresponds to the quarter when the Greek parliament voted in favour of the IMF/ECB/EU bailout loans and the economic measures attached to them. The chart displays percentages of respondents derived from the survey question, 'Do you believe that

FIGURE 1
EUROPEAN AND NATIONAL RESPONSIBILITY TO DEAL WITH IMPORTANT ISSUES



important issues should be dealt with at the national level, or within international unions, like the European Union?'

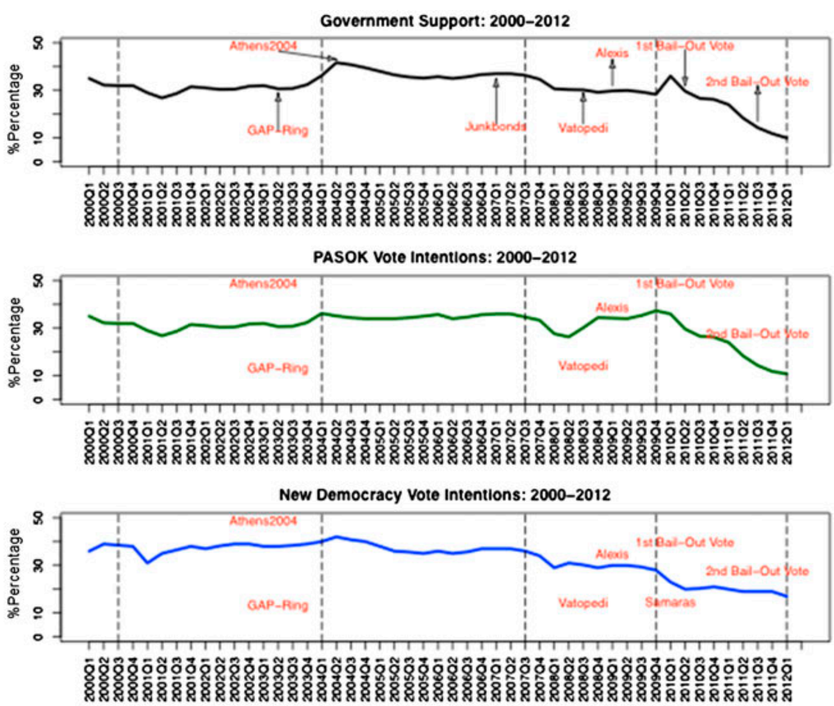
Although this survey question does not report public opinion on the assignment of responsibility per se, it offers a rather useful series that effectively describes the change in public opinion in the normative preference over who should deal with economic policy. However, the distinction between national governments and the EU and the prospective phrasing of the question make this item a rather useful measure to analyse mass attitudes towards the preferred agent of economic policy.

The plot starts in 2004 and the final reading is from the first quarter of 2012. The data reveals interesting patterns about the relevant attitudes. First of all, the EU as an answer has the lead for the vast majority of the series. The two time points when the two groups appear closer are the second quarter of 2005 and the first quarter of 2008. In the first instance the newly elected New Democracy government admitted to EU officials that the Greek deficit is larger than initially believed (and recorded by previous PASOK (Socialist Party) governments) while the second possibly coincides with the period immediately after the Lisbon treaty that was voted on at the end of 2007.[1]

After 2009 the EU series drifted further apart in anticipation of European assistance to resolve the debt problem and avoid bankruptcy. In 2010, however, the Greek government was unable to borrow money from the markets and began negotiations with the Union and the IMF. The percentage of Greeks in favour of Europe as a vehicle to solve important issues declined and a quarter after the parliamentary vote on the international bailout loan, the two series crossed making the national government the preferred institution to resolve important issues.

Figure 2 presents the main time series to be analysed in this paper. The figure plots the aggregate vote intentions for the two major parties that have governed Greece for the last 35 years. The dashed vertical lines denote the four elections that have taken place during the period under investigation (March 2000, March 2004, September 2007, October 2009). The series, like the one in Figure 1, shows data gathered from face-to-face interviews with a representative sample of 1,200–1,400 Greeks who were provided with a ballot box to mimic the actual voting process. This method ensures that problems like interviewer effects or social desirability do not influence the quality of the survey responses.[2] The middle panel corresponds to PASOK support and the low panel to New Democracy's. The top series corresponds to government support, which is the key dependent variable in the analyses to follow. The measure of party support is constructed using the typical 'If there were a general election tomorrow, which party would you vote for?' vote intention question.

FIGURE 2
QUARTERLY GREEK PARTY SUPPORT, 2000-2012



The series begins just before the 2000 election that gave PASOK and Costas Simitis a very fragile majority (PASOK's third consecutive) in parliament. For the next four years PASOK's polling numbers were constantly declining, despite the growing economy. New Democracy and Costas Karamanlis won the 2004 election and aimed to maintain the booming economy and deliver on the 2004 Athens Olympics. In 2007, New Democracy called for an early election that secured Karamanlis a fragile majority in parliament. A combination of events along with the 2008 economic meltdown further shrank the electoral appeal of New Democracy and after 10 years of trailing in the polls, PASOK became the election favourite. Indeed, in October 2009 Papandreou won a landslide with 44 per cent of the vote and 160 MPs.

After PASOK's victory and, more notably, after the announcement that the budget deficit was not 3 per cent but 12 per cent, the spread of the 10 year Greek bond drifted upwards and the country's ratings were being constantly downgraded by all rating agencies (Fitch, Moody's, Standard & Poor's etc.).[3] After six months of deliberation and unsuccessful efforts to minimise the budget deficit and reduce the sovereign debt, Papandreou announced (April 2010) that the Greek government would ask its EU partners to prepare a rescue package. The bailout package was voted on in the Greek parliament the following May. The Troika (European Central Bank, European Union and the International Monetary Fund) gave a loan of €100 billion and started monitoring the agreed reforms that were primarily concerned with the reduction of the budget deficit.

The Political Consequences of the Memorandum

Even though the Memorandum (i.e. the bailout conditions) would promote a series of structural economic reforms, its main concern was the shrinking of the sovereign debt through increasing taxes (both direct and indirect) and reducing government spending through horizontal cuts in public sector jobs. In effect, within a year there was a 30 per cent cut in salaries in the public sector, a 2 per cent increase in VAT, and a substantial increase in ad hoc property taxation. The economic consequences were immediate, with an enormous increase in unemployment, shrinking output and growing income inequality. At the same time, the actual national debt increased by almost 20 per cent and in the last quarter of 2011 GDP growth shrank by 7 per cent. Besides the actual failure to deal with the basic problem (i.e. the sovereign debt) the conditionality of the loans and the consequences of the cuts brought about social and political unrest.

The growing public discontent towards the elected Greek government and some opposition MPs triggered one of the longest protests in the centre of Athens that lasted for more than three months.[4] If one combines the apparently unsuccessful efforts to reduce the debt and the simultaneous increase in unemployment and reduction in output, the Greek government was in deadlock after being in office for less than two years. By January 2011, the Papandreou administration was becoming increasingly unpopular. The latest polls (last quarter of 2011) would indicate that PASOK had lost more than 75 per cent of its electoral support as compared to the 2009 election.[5] The 6 May election confirmed the collapse of the two mainstream parties. The Greek voters gave a huge boost to SYRIZA's (Radical Left Party) electoral support and the neo-Fascist party Golden Dawn secured several positions in the Greek parliament, winning 7 per cent of the vote (almost half a million votes).

How is the economy related to this dramatic electoral change? Scholars interested in economic voting would classify Greece as a high-clarity democracy and the expectation would be in favour of a strong economic vote. Indeed, in the last 35 years Greece has experienced relatively stable one-party governments that benefited from the 'winner takes all' electoral formula. In this high clarity of responsibility setting only the EU could obscure the attribution of credit and blame. The first expectation of the paper thus posits that for the first 10 years of the dataset (until the IMF's intervention), economic voting in Greece was high and stable. Following the literature linking international structures and economic voting, the expectation after the 2010 intervention (and the minuscule room for manoeuvre regarding the economy) should change, i.e. economic voting should – at least – decline. Nevertheless, such a prediction is at odds with what happened in the voting booths across Southern Europe and in Ireland. If that is the case, and manoeuvrability did not alter the voting weight of economic conditions, what did really happen after the IMF/ECB/EU bailout?

Empirics

The recent voting patterns and the recent literature on international structures and accountability create an interesting puzzle. To shed light on that puzzle and derive some answers about what really happened in Greece the paper analyses quarterly government popularity in Greece from 2000 until 2012. The hypotheses of the paper will be tested specifying simple OLS time series models. As with most economic voting studies, the analyses are based on aggregate data that allows for dynamic analyses and it is less susceptible to endogeneity problems. The dependent variable is the levels of governing party support, i.e. the proportion intending to vote for the incumbents (displayed in Figure 2) measured every quarter. The key explanatory variable, which I label *Objective-Economy*, represents the misery index (unemployment + inflation) that is expected to exert a negative effect. In other words, increases in unemployment or/and inflation are expected to lead to losses in governing party support. In what follows I present some simple accountability models that are specified to capture the impact of the objective economy on governing party support.

Table 1 presents four OLS time series models of governing party support. Column 1 reports regression coefficients showing the negative relationship

TABLE 1
TIME SERIES ORDINARY LEAST SQUARE MODELS OF GOVERNING PARTY SUPPORT

GovernmentSupport$_t$	**(1)**	**(2)**	**(3)**	**(4)**
GovernmentSupport$_{t-1}$	0.889*** (0.083)	0.845*** (0.077)	0.886*** (0.076)	0.882*** (0.074)
ObjectiveEconomy$_{t-1}$	−0.481*** (0.175)	−0.495*** (0.182)	−0.436** (0.182)	−0.273 (0.166)
Election		0.283 (1.105)	0.355 (1.114)	−0.124 (1.277)
Events		−0.386 (0.838)	−0.104 (0.849)	−0.170 (0.872)
Trend		−0.046* (0.026)	−0.035 (0.025)	−0.013 (0.032)
IMFvote(May2010)			−4.331***(1.037)	
Constant	9.659* (4.912)	12.490** (4.903)	10.117** (4.820)	7.761* (4.400)
N	2000Q2–2012Q1	2000Q2–2012Q1	2000Q2–2012Q1	2000Q2–2010Q2
R^2	0.892	0.901	0.909	0.840

Heteroscedasticity robust standard errors in parentheses.
***$p < 0.01$; **$p < 0.05$; *$p < 0.1$.

between the objective economy and party support.[6] The actual impact of lagged economic conditions (*ObjectiveEconomy*$_{t-1}$) is highly statistically significant ($\beta_{\text{model1}} = -0.481$) even though the model specification controls for dynamics via the endogenous lagged version of party support (*GovernmentSupport*$_{t-1}$). Besides adding dynamics to the model specification, the endogenous lag variable safely captures any prior shocks or any other omitted considerations in the dependent variable. Alternative specifications without endogenous lag and the economy at time *t* lead to the same conclusions.

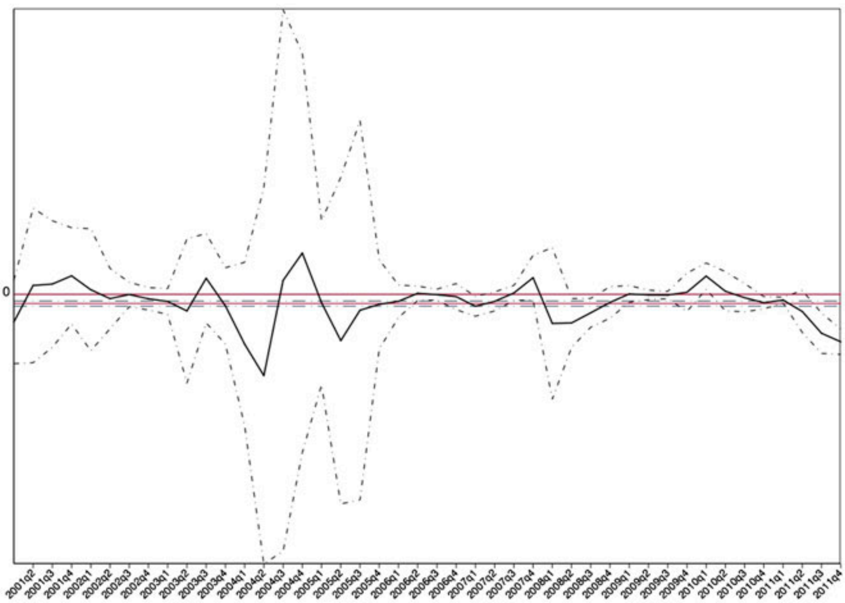
These results suggest that, in line with the notion of electoral accountability, worsening economic conditions bring about a decline in government popularity. To increase confidence in the empirical assessment, I include a set of controls that might alter the relationship. For model stability, model 2 includes a trend variable (*Trend*) that starts from 0 in the first observation and adds one point until the end of the dataset, an index of important political events (*Events*)[7] and an election dummy (*Elections*) variable that takes the score of 1 in an election quarter and 0 otherwise. Even after the inclusion of the controls, the impact of the economy remains strong and statistically significant ($\beta_{\text{model2}} = -0.495$).

The model presented in Column 3 adds to the specification a dummy variable that seeks to control for the official beginning of the bailout/rescue package. The variable is scored 1 for the second quarter of 2010 (the actual parliamentary vote took place in May) and 0 otherwise. The coefficient on the *IMFVote(May2010)* predictor thus gives the percentage change in the government's electoral support after the parliamentary vote on the Memorandum. The impact, as expected, is significant and it appears that PASOK's government lost around 4.5 percentage points just for passing the Memorandum in the Greek parliament. Unsurprisingly, the impact of the economy remained strong (though less than in model 2) and statistically significant, suggesting that much of what happened in the political realm has dual antecedents; the giveaway of national sovereignty and the abrupt economic decline (and plausibly their combination). Model 4, finally, only includes the observations before the bailout (2010Q2). This model is presented to give a rough appreciation of the democratic interactions before the IMF/ECB/EU loans. The main explanatory variable *ObjectiveEconomy* is now indistinguishable from zero ($\beta_{\text{model4}} = -0.273$, $p > 0.1$), while none of the remaining variables exert a substantial effect on governing party vote intention. These results raise speculations that the size and the significance of the economic variable might be heightened in that final period within the sample that relates to the dramatic decrease in output and the abrupt increase in unemployment.[8]

This speculation can be further explored by looking at the temporal variation in the economic vote (i.e. the regression coefficient over time). Although the optimal empirical strategy is to estimate dynamic conditional correlations via a bivariate GARCH model (Lebo and Box-Steffensmeier 2008), the very limited number of observations makes the task difficult. Instead, I estimate a multivariate rolling regression with four Moving Windows. Given that within the rolling regression framework observations are expected to be sacrificed, the first four quarters are omitted from the analyses. The estimated coefficient for the objective economy is plotted in Figure 3 and it should be examined as follows: The straight horizontal line features the constant (i.e. time invariant) coefficient with 95 per cent confidence bands. This is very close to the coefficient reported in Table 1. The varying line measures the size of the coefficient over time while the dashed lines around it represent the 95 per cent confidence intervals. To conclude that there is a statistically significant the confidence intervals should not include zero and theory expects the rolling coefficient to be below zero (i.e. increases in unemployment/decline in support). As is clear from the plot, economic voting seems to matter for the Greek electorate in only a few periods.[9] The plot suggests that the economic vote was particularly high during the final observations in the sample (plus the second quarter of 2008). This corroborates the findings reported in Table 1.[10]

The introductory discussion on whether this is a puzzling finding – reported in both comparative and Greek analyses by Bartels (2014) and Nezi (2012) respectively – is again important. This final period corresponds to the time when the Greek government had only minuscule room to manoeuvre over the economy, while simultaneously benchmarking would be unfavourable to any national or international comparison. The paper argues that over the same period the way voters attribute responsibility also changed. To test whether economic voting varies along with the future attribution of responsibility I construct a variable measuring the share of Greeks thinking that the national government is

FIGURE 3
ROLLING REGRESSION COEFFICIENT OF THE GREEK ECONOMIC VOTE (4 MW)



better at dealing with important issues than the EU (*GreekResponsibility*). After this manipulation, scores in the region of 0.5 denote an equal share of opinion in the electorate while scores closer to 1 denote beliefs that Greece is best able to deal with the important problems in Greece.[11] The lagged version of this variable is then interacted with the lagged rate of unemployment and included in the accountability model.

The results are reported in Table 2. It should be noted that the number of observations drop to 32 because the survey question was first asked in 2004. The important variable here is the sign of the interaction term ($GreekResponsibility_{t-1} \times Unemployment_{t-1}$) that produces a significant negative coefficient. This suggests that the higher the value of the responsibility variable (*GreekResponsibility*) the larger the economic vote. To visualise this relationship I plot the marginal effect and the simulated confidence intervals. The conditional relationship is displayed in Figure 4.

As was noted before, the 0.5 point on the *x*-axis represents an equal share of responses, while values closer to 1 denote more respondents preferring the national government to deal with important issues. In effect, the plot, in line with the regression coefficient, suggests that when the proportion of voters who think that important issues should be dealt by the elected national government increases, accountability also increases (i.e. an increase in unemployment and inflation brings about a decline in government support). As with the model specification in Table 1, this model also controls for a time trend to increase the reliability of the parameter estimates.

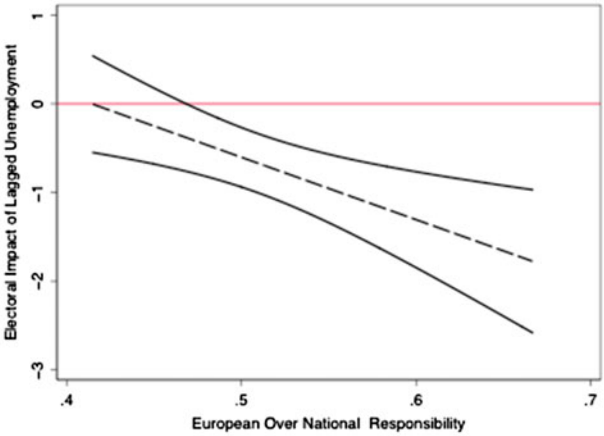
To be sure, many would argue that the interaction term is a mere multiplication of unemployment by itself. In effect, in the period when unemployment increased so rapidly, anti-EU sentiment also increased making the multiplicative relationship non-causal and spurious. To test for that possibility, I purge the responsibility variable from its economic (i.e. unemployment) determinants and then plug it into the model specification. This way the interaction term captures the true covariance between public opinion and the economy rather than representing the mere multiplication of unemployment by itself.[12]

TABLE 2
OLS MODEL WITH INTERACTION TERM

$GovernmentSupport_t$	(5)
$Unemployment_{t-1}$	3.144*** (1.318)
$GreekResponsibility_{t-1}$	44.318 (30.682)
$GreekResponsibility_{t-1} \times Unemployment_{t-1}$	−5.040* (2.683)
Trend	−0.498*** (0.053)
Elections	1.460 (1.385)
IMFVote(May2010)	−5.040* (2.683)
Constant	30.282* (15.187)
N	2004Q2–2012Q1
R^2	0.949

Heteroscedasticity robust standard errors in parentheses.
***$p < 0.01$; **$p < 0.05$; *$p < 0.1$.

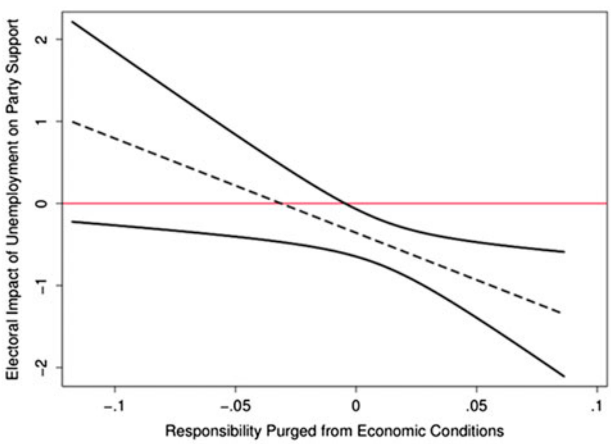
FIGURE 4
EFFECTS OF UNEMPLOYMENT ON PARTY SUPPORT CONDITIONAL UPON EU/NATIONAL RESPONSIBILITY



The conditional relationship presented in Figure 5 shows a picture identical to the plot in Figure 4.[13] Economic voting is still conditional upon responsibility perceptions even when responsibility is purged from its economic antecedents. For reasons discussed below, the relationship presented in Figure 4 is intuitively valid when responsibility is measured without any manipulations (i.e. as in Table 2).

The economy is the single most important contextual factor that not only determines government popularity in contemporary democracies, but also

FIGURE 5
EFFECT OF UNEMPLOYMENT ON SUPPORT CONDITIONAL UPON PURGED EU/NATIONAL RESPONSIBILITY



exerts indirect effects on political considerations that tend to correlate with party support. Economic conditions correlate with party identification (MacKuen *et al.* 1989), perceptions of competence (Green and Jennings 2012) and movements in policy mood (Bartle *et al.* 2011). Similarly, the simultaneous correlation between economics and vote intentions and perceptions of responsibility with economics denote the dramatic change in Greek politics after the economic crisis. The movements in those series are by no means distinct, but they do represent the aggregate change in the way the Greek electorate thinks about responsibility and how this, in turn, modulates the over-time patterns in electoral accountability.

On top of that, a careful inspection of Figure 1, which displays the responsibility time series, and Figure 4, which plots the economic vote, would affirm that the economic vote was heightened in periods when the proportion of people saying Greece should be responsible was as high as that saying that the EU should resolve domestic issues. Such periods come before quarters where we observe economic voting as this is depicted in the rolling coefficient displayed in Figure 3. This is the case for the first two quarters of 2005 when there is a sharp decline in the rolling coefficient estimate. For the second quarter of 2008 a similar increase in economic voting (i.e. decline in the line) renders a statistically significant effect. In both cases, Greece is not under a binding international agreement and not visibly affected by the current crisis.

Discussion

This paper comes with certain limitations. The first relates to the nature of the data and its capacity to test specific causal mechanisms. We can directly observe the change in the way voters attribute responsibility and its consequences for economic voting, but we can only speculate about the specific micro-mechanisms underpinning the aggregate results. Moreover, there are certain data limitations that could undermine the robustness of the results. However, even with the data at hand, the results of this paper are rather illuminating for theories of accountability as well as for a better understanding of what happened in Greece. It is the first time series analysis of Greek public opinion that covers a good portion of Greece's membership in the Eurozone. Notwithstanding, the ideal setup would demand data long before the introduction of the Euro currency (perhaps from 1996 onwards), yet no such data exists and the quarterly time series analysed here is the best collection of surveys using the same questions over time.

The paper also makes theoretical and empirical contributions to the literature. The first contribution of the paper lies in the analysis of the 'natural experiment' created by the change in the way the decisions were made in Greece after the loan agreements. More specifically, the paper is an addition to a recent stream of research testing for accountability in situations of limited room to manoeuvre. In effect, the main set of findings that clearly contradict these theories show that the nexus comprising of the economy, public opinion and manoeuvrability is not that straightforward.

The discrepancy between theoretical prediction (room to manoeuvre) and the empirical findings warrant further discussion. The literature suggests that, on average, countries with a greater integration into the global financial system exhibit lower levels of electoral accountability and this is premised on the limited room to manoeuvre thesis. Yet the theory has not been tested for periods of economic decline let alone for periods of severe austerity and extreme unemployment levels. It could be that when economic conditions change so dramatically over such a short period, the manoeuvrability condition has a curvilinear impact on the levels of accountability. In other words, economic voting is high when national governments have full control over the economy (fully closed economies) and when international institutions fully take over the economic programme implemented by the government. Economic voting only tends to be smaller in the middle points, which correspond to open economies with limited room to influence economic policy – but with some room to avoid the blame for bad outcomes.

The paper shows evidence that after the bailout agreement the Greek electors changed the way they assign responsibility for important issues like the economy. The actual pattern here is interesting. The less the room for manoeuvre, the more voters believed that the Greek government should take responsibility without supranational intervention. It appears that the Greeks not only punished their government for poor economic performance but also for allowing those international interventions. Had those interventions been successful, however, perhaps no punishment would follow. To be sure, the research design of the paper does not suffice to make that claim.

Finally, it also seems that the interventions along with the economic decline clarified the attribution of responsibility and elevated the degree of electoral accountability. It is still unclear what the exact micro-mechanism is here, but a set of survey experiments could shed light on the causal process at the voter level. In this way we could identify the causal impact of international interventions and the room for manoeuvre on economic perceptions and examine its causal impact on the vote.

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Notes

1. Given that the data is quarterly, some reservations should be held about the role of these events onpublic opinion. A rigorous analysis of this time series is not provided in this paper.
2. The prominent polling company Metron Analysis, which is a member of the Hellenic and European Market Research Association and of the Worldwide Association of Public Opinion Research, gathered the survey data. Metron Analysis does not release any individual-level survey data and thus only macro expectations can be tested.
3. The second time in four years that a Greek government admitted that the Greek statistics are trustworthy.
4. The reasoning behind these protests were (1) the austerity measures and its severe consequences and (2) the popular belief that national sovereignty was on hold due to the two rescue packages and the IMF impositions. In reality, the actual room to manoeuvre the economy was indeed limited because of the mutual agreement between the Greek government and its international lenders (IMF/ECB/EU).
5. However, note here that the elected Greek parliament voted in favour of the two bailout agreements with 172 MPs in May 2010 and 216 in February 2012.
6. Notice that an interrupted time series design would also be appropriate here. To be sure, the specification is very close to that setup and the upcoming analyses offer a similar test. I thank an anonymous reviewer for pointing this out.
7. Most of them are depicted in Figure 1. Additional events include the quarter the Greek police arrested the 17 N terrorist group, the summer of the Olympic games, the Grigoropoulos events, Vatopedi, the phone-hacking incident, the Zahopoulos events and the junkbonds scandal.
8. Additional models (Prais–Winsten/Newey–West) that take autocorrelation into account show that the main results of the study are robust. The Newey–West regression estimates, moreover, account for the fact that some of the missing data was linearly interpolated.
9. What is interesting is that the period after the election of New Democracy in 2004 the uncertainty around the estimate increased substantially. This is presumably due to the fact that the previous government had stayed in office for almost 11 consecutive years and the assignment of responsibility for economic outcomes was ambiguous.
10. However, some reservations should be held with rolling coefficients, as they are not stable across different specifications. The rolling coefficient presented in Figure 3 is from a simple specification that controls for elections and political events. However, alternative specifications more or less corroborate the main findings of the study.
11. The variable is worked out as follows: Greece/(Greece + EU).
12. Note that the coefficient for the lagged levels of the unemployment measure is positive and significant in Table 2. When the responsibility measure is purged from its economic causes, the coefficient on the lagged levels of unemployment is in line with the theoretical prediction (negative and significant $Unemployment_{t-1} = -1.08$; $p < 0.00$). The full regression table corresponding to Figure 5 is available upon request.
13. The *x*-axis measures the innovations from the conditional variable. The 0 point on the *x*-axis of Figure 5 is now the equivalent of the 0.5 middle point in Figure 4.

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