The electoral consequences of austerity: 
Economic policy voting in Europe in times of crisis 
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Voters typically observe macroeconomic outcomes in order to evaluate government performance. However, during the crises when economic responsibility is blurred and the economy is declining everywhere, the need arises for additional sources of information. Government policy reactions are among such sources. Using novel measurement of economic policy stance, this analysis shows on a sample of 24 European nations from 2004, 2009 and 2014 that voters after the crisis react to economic policies more than before. In the post-crisis period, government decision to pursue fiscal austerity significantly lowers incumbent support. Furthermore, the paper tests the possibility that economic policy voting is conditioned by the clarity of responsibility. In multilevel systems, where policies are externally imposed, voters could be expected to hold incumbents less accountable for unpopular measures. The analysis, however, provides no evidence that policy effects depend on the extent to which national governments share policy responsibilities with supranational and intergovernmental institutions. Accountability for policy actions is primarily attributed at the domestic level as voters are able to identify the decisional role of national governments.

Keywords: economic voting, economic policy, EU, multilevel governance, clarity of responsibility

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Introduction

It is well established that political support is influenced by voter economic considerations. Citizens reward incumbent parties for strong economic performance and punish them when the economy is doing poorly (Key 1966; Kramer 1971; Fiorina 1978; Lewis-Beck 1988). However, rapid socio-economic changes over the past years suggest that the surrounding in which parties and voters operate is growing more and more sophisticated. According to the traditional theory of economic voting, voters form their opinion on government economic competence based on macroeconomic indicators. But during economic crises, when the economy is plummeting everywhere and the responsibility for the outcomes is blurred, the need arises to look for other sources of information to evaluate incumbents as economic managers. In a situation like this, the way governments react to economic shocks may gain importance.

European nations provide considerable variation in countermeasures to the most recent crisis. When confronted by major economic hits, governments can choose different stabilization and adjustment strategies depending, for instance, on the size and openness of the economy, the amount of debt, or domestic constraints (Haggard and Kaufman 1989). Economic policy has many dimensions, most notably fiscal and monetary, and within each dimension a number of positions can be taken (Gourevitch and Gourevitch 1986). In the Eurozone, monetary policy is largely coordinated by the European Central Bank (ECB), thus the crisis-time variability across countries can predominantly be attributed to fiscal policy measures, that is, changes in taxes and spending. By and large, the recession evoked one of the two alternative policy responses in Europe: austerity or fiscal stimulus. Sometimes the two appeared mixed, or were implemented one after another (Pontusson and Raess 2012). The liberal approach of fiscal expansion is defined as increase in public spending and/or reduction of taxes in order to encourage growth and to revive the economy. The idea follows the economic theory by John Maynard Keynes (1936), who advocated government policy intervention to stimulate demand and pull the global economy out of the Great Depression in the 1930s. Keynes and his followers argued that instead of waiting for wages and prices to adjust, expansionary policy offers a quick way out of the recession. Austerity, by contrast, refers to conservative measures taken to reduce government budget deficits, most
often by implementing tax increase and/or reducing public spending. This approach relies on the business cycle theory of the classic anti-interventionist view, known as Austrian economics, which states that fiscal policies are unnecessary because market mechanisms are able to keep the economy at the natural level of real GDP. For example, credit expansion during an economic downturn is ineffective as it merely postpones the sustainable boom (Tempelman 2010).

Governments are typically expected to pursue economic policies according to their party-political orientation: right-of-the-center free market ideology is traditionally associated with austerity and leftist views with financial expansion. During crises, however, policy preferences of political actors are often more complex than the economic positions would suggest (Kahler and Lake 2013). Investigating social policy, Starke, Kaasch and Hooren (2013) demonstrate that in large European welfare states cutbacks were pursued by left-wing and right-wing governments alike. Similarly in fiscal policy, radical retrenchment was introduced by the Conservatives in the UK and center-right leaders in Eastern Europe, but also by leftist or technocratic non-partisan governments in Southern Europe. Oftentimes, crisis-time policy decisions were strongly determined by the institutional setting. Economic policy was not simply a domestic issue but heavily influenced by foreign actors such as creditors and financial institutions, and often motivated by bailout agreements or the wish to remain in the Eurozone and in the EU (Haggard 2013). These circumstances left governments in Europe in a difficult position between meeting the external requirements and dealing with the electorate suffering over distressing fiscal reforms.

In ordinary times, citizens may be argued to possess little knowledge on and interest in government policies, but the severe economic hardship brought government choices and actions under greater scrutiny of the public eye, enabling citizens to develop opinions of and give evaluations to policy decisions. It is feasible to assume that these decisions frame voter perceptions of incumbent economic competence. Building on the latter, the aim of this analysis is to assess how national economic policies influence incumbent support. The paper offers an innovative examination of economic policy voting, which may emerge when the usual path of

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2 Starke et al (2013) attribute this to automatic stabilizers – features such as income taxes and welfare spending that are used in fiscal stabilization and that offset economic fluctuations without the government intervention.
economic voting via subjective economic opinions is disrupted. Using data from the European Election Studies (EES) Voter study combined with macroeconomic indicators, it first explores voter overall reactions to alternative policy approaches. From the rational point of view, fiscal retrenchment should be publicly unpopular, but here the expectation is tested that policy effects on incumbent support vary over the course of the economic cycle. Voters during the slump may deem strict austerity programs unavoidable and justified. Secondly, national policymaking takes place in a system of multilevel governance, where external restrictions limit the abilities of governments to shape macroeconomic outcomes. The European Union (EU) closely coordinates member states’ monetary policy, and increasingly also monitors national-level fiscal policies. It is likely that these macro-level characteristics influence individual-level voting decisions as citizens struggle with assigning economic responsibility. Therefore, the paper also considers the possibility that higher levels of international intervention in national policy actions weaken the electoral punishment of incumbents for unpopular austerity measures.

In order to address these questions, the analysis employs a measure of government policy stance that is novel in the political science literature, but is commonly used in economics. Previous work typically operationalizes economic policies via government ideology or programmatic positions, but as crisis politics does not necessarily correspond to party ideology, political rhetoric alone hardly provides a full picture. Rational voters develop their perceptions of incumbent economic competence based on past performance rather than on campaign promises or ideological viewpoints. The key indicator used here is government structural balance, which helps to identify national fiscal position while taking into account country’s position in the economic cycle. This provides a more accurate policy measure. Additionally, the paper differs from preceding studies in terms of empirical scope. Existing evidence on political consequences of the recent crisis often relies on studies of single countries or elections. In this analysis, comparative data is used covering

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3 The argument presented here differs from ‘policy-oriented voting’ proposed by Kiewiet (1983). This paper focuses on government fiscal policy choices (i.e. expansion vs retrenchment), whereas Kiewiet conceptualizes economic policy as party’s ideological priorities on particular economic problems (i.e. inflation and unemployment). Both emphasize, nevertheless, that researchers should look beyond traditional evaluations of economic conditions.
24 European countries from before, during and after the slump. The cross-sectional time-series setup helps reveal broader and more generalized patterns of voter behavior.

**Economic voting in turbulent times**

Recent years have seen a shift of focus in economic voting studies to electoral consequences of the international financial and economic crisis. The economic turbulence, which unrolled amid the U.S. financial market crisis in 2007-2008, severely shook the advanced industrial world. Economic recovery from the subsequent Great Recession has been remarkably slow and uneven, and in several countries is still under way almost a decade later. In Europe, a painful aftershock emerged in late 2009 when the breakdown of Iceland’s banking system and the inability of several member states to repay government debt led the Eurozone to debt crisis. This further increased the differentiation within the euro area (Lewis-Beck and Costa Lobo 2016). The worldwide crisis, thus, incorporates several waves. Even though economic growth has for the most part turned to recovery, dropping government revenue, increased expenditure and record high borrowing have left European countries struggling with distressing levels of public debt and deficit (see Figure 1).

**Figure 1.** Macroeconomic changes in the EU from 2004 to 2014

Source: Eurostat.
Following the logic of economic voting, such a severe economic hit should evoke public protest in the form of electoral punishment. Yet, empirical evidence from Europe appears far more mixed. Public support for governing parties suffered great losses for example in the UK, Denmark, Iceland, Ireland and several countries in Southern Europe, but incumbents were re-elected in Luxembourg in 2009, in Norway in 2009, in Germany in 2009, in Sweden in 2010, in Latvia in 2010, in Poland in 2011 and in Estonia in 2011. Figure 2 graphically illustrates respective temporal changes in survey data. The proportion of respondents in the EES Voter study who negatively evaluated the national economy escalated altogether by 41.6 percentage points between 2004 and 2009 (from 37% to 78.6%). At the same time, differences in incumbent support are nearly non-existent. Approximately 19% of all respondents were willing to vote for the governing PM party in 2004 and 2009, and 18% in 2014. The proportion of respondents with no clear political preference (not shown) has risen slightly (up to 33.8% in 2014 from 28.4% in 2004), but the overall dynamics of incumbent support remained surprisingly stable in comparison with the changes in economic opinions.

**Figure 2.** Average incumbent support and economic evaluations in the EES Voter study

![Figure 2](image)

*Source: EES Voter study from 2004, 2009 and 2014. Author’s calculations.*
Voters are expected to form their electoral preference based on incumbents’ past record of economic performance as this is the optimal way to judge the competency of economic managers. They gather information about incumbent competence by observing macroeconomic outcomes (Duch and Stevenson 2008). During economic crises, however, this mechanism is interrupted because the economy is performing poorly everywhere. Indeed, on average 20.8% of respondents evaluate the economy positively in the EES Voter study in 2004 and 27.4% in 2014, but only 7.2% in 2009. In other words, there is little variation in economic assessments between individuals during the crisis as most people agree that things are going down the hill. Analytically, the association between the economy and the vote can be difficult to obtain when variation in economic opinions is limited. When all scores on the independent variable are similar, then this variable cannot explain variation in the outcome (Fraile and Lewis-Beck 2014; Lewis-Beck and Costa Lobo 2016). In addition, the global and complex nature of the crisis blurs voter understanding of economic management. Hellwig and Coffey (2011) show that in Britain only a quarter of citizens held the national government responsible for the economic crisis, while nearly two-thirds blamed banks and investment companies. Data from the EES Voter study in 2014 indicate that Europeans place the blame for country’s current economic situation on national governments (mean score 8.7 on a scale, where 0=no responsibility and 10=full responsibility), but banks (8.0) and the EU (7.6) follow closely behind. Altogether, when the clarity of economic responsibility for economic outcomes is low and, moreover, everyone agrees that the economy is doing badly, citizens are forced to base their judgments on other sources of information than macroeconomic indicators. Voters in such situation are likely to turn to economic policies. This paper argues that in times of crisis national economic policies may emerge as a significant predictor of vote choice.

Crisis countermeasures and political support

Regrettably, similar data are not available for other survey years.
In the aftermath of the Great Recession, many European countries were forced to implement severe austerity programs in an attempt to shrink the soaring levels of budget deficit. Rationally, rigorous fiscal consolidations should be publicly unpopular as they are followed by an increase in inequality (Ball et al. 2013; Woo et al. 2013) and are strongly related with social unrest (Ponticelli and Voth 2011). However, a bulk of evidence indicates that voters may actually tolerate such decisions, and public response to financial cutbacks may not always be negative. For example, if taxes are rising everywhere, even a large tax increase may be politically acceptable (Besley and Case 1995). In a similar manner, voters may react positively to austerity and be willing to make short-term sacrifices if they believe that the reforms are justified and do not last long (Stokes 1996). In their analysis of nineteen OECD countries between 1975 and 2008, Alesina, Carloni and Lecce (2012) find that even large fiscal adjustments do not necessarily lead to governments being systematically voted out of office. The authors argue that strong and popular governments can implement reductions without facing electoral defeat. Likewise, Kalbhenn and Stracca (2015) show that contrarily to conventional wisdom, fiscal austerity is not associated with dimensions of public opinion such as life satisfaction, confidence, trust in national institutions, and trust in Europe and European institutions. Giger and Nelson (2011) suggest that electoral consequences of social policy cuts differ by party family, and retrenchment might not be as unpopular as previously presumed. Focusing on the Greek 2010 election, Karyotis and Rüdig (2015) detect considerable public doubt about government policy positions, but conclude that austerity had no impact on electoral behavior – mainly due to political rhetoric portraying cuts as the only possible solution, and the lack of a plausible alternative in voters’ minds. Various works show that governments may employ ‘blame avoidance’ techniques to escape electoral failure, for example insisting that fiscal consolidation is crucial, unavoidable and externally imposed (Weaver 1986; Hering 2008; ‘t Hart and Tindall 2009). Thus, even though contractionary policies that decrease public services and benefits tend to generally be unpopular, incumbents introducing painful cuts may avoid electoral sanctioning. Building on the latter, this paper firstly tests the hypothesis that overall, voters react more negatively to fiscal austerity than to stimulus, but considers the possibility that in times of crisis belt-tightening measures may find public approval.
Secondly, the paper investigates the conditioning effect of clarity of responsibility, and tests the expectation that economic policy voting is less pronounced when international intervention in national policy actions is high. Voter policy reactions must be placed in a larger context of rules and institutions in which policymaking essentially takes place. We know from previous literature that attribution of economic responsibility is blurred when the clarity of responsibility is low (Powell and Whitten 1993). A strand of literature therefore focuses on external restrictions on accountability attribution and suggests that globalization and growing economic integration send signals to voters about national governments having less responsibility over economic realities. This weakens the link between the economy and the vote. Consequently, economic responsibility is muted in highly internationalized countries, in systems of multilevel governance, and in open and interdependent economies (Katzenstein 1985; Hellwig 2001; Fernández-Albertos 2006; Kayser 2007; Hellwig and Samuels 2007; Duch and Stevenson 2010; Costa Lobo and Lewis-Beck 2012). By the same token, we can expect policy effects on incumbent support to vary depending on levels of contextual clarity. Voters are generally aware of the limitations that economic internationalization imposes on policy choices (Fernández-Albertos 2006). Especially in the EU, national economic policies are closely coordinated to support stability and growth. Nineteen countries share a common currency, together forming the euro area. All 28 EU member countries are part of the Economic and Monetary Union (EMU), through which the European Central Bank (ECB) manages a common monetary policy in the euro area, aimed at maintaining price stability and the efficiency of the internal market. Similarly, EU trade policy is administered exclusively at the EU level. Member state governments have more control in other economic policy areas, such as fiscal policy, which nevertheless is also monitored centrally. The national policy response to the sequence of crises was partially regulated as well. Among other measures, the EU provided financial assistance to nations in difficulties, but also introduced stronger fiscal rules, reinforced financial supervision and broadened surveillance in order to secure financial stability in Europe. In a system such as this, government ability to manage the national economy is curbed and policy responsibility is divided between various levels of governance. Following the clarity of responsibility hypothesis, voters in multilevel governance should therefore be less inclined to hold governments accountable for unpopular economic policy measures.
Data, measurement and method

In order to empirically test voter electoral response to government economic policies, the study utilizes both micro and macro-level data. Individual-level data are obtained from the EES Voter study, carried out every five years after the European Parliament (EP) elections. Typically, face-to-face or telephone interviews are conducted with a nationally representative sample of citizens aged 18 and more from every EU member country. Despite wide contextual coverage, each of the studies is designed in a similar manner and the questionnaires contain a large number of identical questions. This analysis relies on survey waves from 2004, 2009 and 2014, thereby covering the peak year of the global crisis as well as the period before and after that. With a total sample of 77,531 respondents, it includes data from 24 countries: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and the UK.

All 72 cross-sections were pooled into one dataset to maximize the variation in economic and political conditions. For contextual indicators, the study uses macroeconomic data published by the International Monetary Fund (IMF). Macro-level variables were merged with the survey data into a combined, hierarchically structured database.

The dependent variable is incumbent support, measured as vote intention for PM party in next national elections. The variable is coded as 1 if vote intention is PM party in office at the time of survey fieldwork and as 0 for any other party. Don’t knows, refusals, respondents who said they would not vote, would spoil the vote or vote blank, and missing answers are excluded. Although the role of the PM party can vary in political systems depending on, for example, its dominance,

5 The EES Voter study is carried out since 1979, but earlier survey waves are not included because consistent macroeconomic data needed for the current analysis is not available for these years.

6 In 2004, the fieldwork was carried out separately in Great Britain and Northern Ireland. For the purpose of comparability with 2009 and 2014, the data for Great Britain and Northern Ireland were combined.

7 The EES Voter study also measures respondent vote choice in last EP elections, but this analysis focuses on national elections instead because EP elections are widely regarded as second-order elections, where accountability attribution operates differently (Reif and Schmitt 1980). The political mood is typically anti-government, and many dissatisfied citizens abstain from voting. This may limit the abilities to accurately assess incumbent support patterns. Additionally, focusing on EP elections would considerably reduce the number of objects in the analysis due to a large proportion of missing answers in the data.
size, strength, and government composition, in multiparty systems the head of the government is still typically held more accountable by voters for economic performance than any other party. Voters are able to identify the party that holds the key position in the cabinet and recognize its role as the main decision maker (Duch and Stevenson 2008; Fisher and Hobolt 2010; Debus, Stegmaier, and Tosun 2014). In this study, too, PM party is expected to be the primary target of electoral accountability.

Models include a number of individual-level predictors, known to influence political preferences. One of the key determinants of incumbent support is subjective economic evaluations. Respondents were asked to assess whether the economy in their country is now better, the same or worse than a year ago. Other standard controls include respondent’s ideological orientation (measured as the distance between respondent’s position and perceived PM party’s position on a left-right scale), age (in full years), gender, education (age when stopped full-time education), self-assigned social class, and religiosity (frequency of attendance of religious services). In order to ensure the correct model specification, social class and religiosity were adjusted to match the ideology of incumbent PM party (for a similar approach, see Nadeau, Lewis-Beck, and Bélanger 2013). For example, the religiosity scores remained unaltered (0=left, 10=right) if the incumbent PM party is positioned right from the center, as the latter is typically associated with religious values, but were reversed (0=right, 10=left) if the PM party is left. This enables to avoid an ambiguous situation where in some elections positive regression coefficient indicates higher support for a left-wing PM party and in others for a right-wing party.

Additionally, number of macro-level variables are used in the analysis. To quantify economic policy, the study employs an indicator of general government structural balance. Structural balance reflects the difference between government revenues and expenditure, and is in economics commonly used to assess the stance of government fiscal policy (IMF 1995). It aims to capture structural trends in order to estimate whether the fiscal policy of a country in a given period is expansionary, neutral or restrictive. A positive balance refers to government budget surplus and a negative balance to budget deficit. Balance deficit suggests an expansionary fiscal stance, where government spending exceeds the revenue, which primarily comes from taxes. Conversely, financial surplus suggests reduced spending and increased revenue due to
contractionary policy (IMF 1995; OECD 2015). Because fiscal balance is directly related to
government spending, it also captures the usage of public resources for bailout of financial
institutions – a measure widely executed by Western governments after the crisis outbreak.
Importantly, the indicator of structural balance is cyclically adjusted, that is, purged from the
impact of macroeconomic developments as well as one-off events on the budget. It takes into
account the fact that over the course of the business cycle, revenues are likely to be lower and
expenditure higher during the slump. Government revenues and expenditures are highly sensitive
to economic developments, and thus changes in fiscal balance cannot always be attributed to
adjustments in the fiscal stance, but may simply reflect that the economy is moving through the
cycle. These cyclical deviations are corrected for in the structural balance indicator, which enables
to identify the underlying trends in fiscal policies (IMF 1995; OECD 2015). Changes in non-cyclical
balance are therefore indicative of medium-term orientation of government fiscal policy
(Hagemann 1999). Structural balance is originally measured in units of national currency. In order
to make the figures comparable, percentage change from previous year is calculated for the
current analysis. This aggregate-level variable, indicating change in economic policy stance, is
generated for all 72 cross-sections. Positive change refers to increase in balance deficit (i.e.
spending exceeds revenue), which indicates movement towards fiscal stimulus, and negative
estimate to balance surplus (i.e. revenue exceeds spending), which marks movement towards
austerity.

Additionally, a variable for survey year is added in the models, which is later on interacted with
the policy indicator in order to explore the temporal dynamics of policy effects. To grasp the
impact of institutional constraints on national economic policy decisions, I rely on a contextual
predictor which measures whether or not a country has received international financial
assistance. Altogether, eight Euro area countries were forced to seek bailout, receiving financial
support from the EU, the IMF or the World Bank (Cyprus, Greece, Hungary, Ireland, Latvia,
Portugal, Romania, and Spain). However, these disbursements were strongly conditional on policy
achievements in fiscal consolidation. The countries were forced to implement stringent austerity
measures and structural reforms in order to restore financial stability and to return to sustainable
growth. Consequently, nations that received bailout were more constrained in steering national
economic policies as they were subject to much higher scrutiny from external institutions (Okolikj and Quinlan 2016). As lower economic responsibility generally leads to lower electoral punishment, I expect policy effects to differ between bailout and non-bailout countries. External constraints to economic policies are measured with a dummy variable, where countries that received financial assistance in the year of or prior to the survey are coded as 1 and all other countries as 0. This constitutes no bailout countries in 2004, two in 2009 (Hungary and Latvia), and five in 2014 (Cyprus, Greece, Ireland, Portugal and Spain). Additionally, to account for a common monetary policy in the euro area, a dummy variable for the Eurozone membership is included. Finally, macro-level controls also include temporal distance from last general elections, which enables to account for the effects of the political cycle. For this variable, logarithmic transformation was used because I expect the relationship between electoral cycle and incumbent support to be non-linear. Summary statistics of all variables are listed in Appendix 1.

To explore the influence of individual-level and contextual factors on political support, multilevel logistic regression analysis is used. In addition to statistical reasons stemming from hierarchical data structure (Luke 2004), there is a motivation for using multilevel modeling when there is substantive interest in the effect of group-level predictors on individual outcomes (Steenbergen and Jones 2002). Here, the multilevel approach is appropriate both due to clustered data and an interest in contextual factors in explaining political support. I estimate a 3-level model, where respondents are nested in country-years at level 2 (68 unique values), and country-years are nested in countries at level 3 (24 values) (for a similar approach in fitting multilevel models to comparative longitudinal survey data, see Fairbrother 2012). Based on previous results

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8 Alternatively, fixed effects models could be used to for the analysis. The fixed effects approach, however, suffers from various serious pitfalls. In addition to potentially violating the independence assumption and ignoring random effects, the inclusion of year and country dummies leaves no variance to be explained by additional variables at these levels (see e.g. Allison 2009; Bell and Jones 2015). This is particularly critical here as the substantive interest lies precisely in the effects of a higher-level variable.

9 From the original 72 country-years, four are dropped due to missing data either on vote intention or government structural balance.

10 Admittedly, the application of multilevel models requires caution when the number of higher-level units is small (see e.g. Stegmueller 2013). However, in three-level models, the sample size that matters the most is the one at which the effect is measured (see e.g. Snijders 2005). As this analysis tests the effect of a variable measured at the country-year level, the number of country-years is of main importance. With 62 country-years included, the sample
demonstrating large variation in economic voting (for an overview, see e.g. Stegmaier and Lewis-Beck 2013; Anson and Hellwig 2015), the individual-level effect of economic perceptions on incumbent support is allowed to vary across all three levels. The scores of individual-level interval predictors, age and left-right ideology, were centered around country-year mean (for variable centering in 3-level models, see Fairbrother 2012). At the country level, raw variables were used (for variable centering and its implications, see Snijders and Bosker 2011; Tabachnik and Fidell 2012).

**Empirical results**

To firstly explore the overall popularity of alternative policy approaches, a multilevel model of incumbent support is estimated for the data pool of 72 surveys. The random effects in Model 1 in Table 1 imply that economic effects differ significantly across countries ($\sigma^2=0.05$) and especially across country-years ($\sigma^2=0.54$), stressing the necessity to use the multilevel design. Fixed effects in Model 1 show that economic opinions play a substantial role in incumbent support levels: poor economic evaluations considerably diminish and good ones consolidate incumbent popularity. Additionally, respondent ideological views, social class, religiosity, age and gender significantly influence the likelihood of incumbent vote. We also witness that incumbent support levels are somewhat lower in 2004 and in 2014 compared to the crisis peak year in 2009. The main interest in this study, however, lies in the impact of government policy decisions on vote intention. The model includes government structural balance as a proxy for economic policy, with a positive estimate pointing to expansionary and a negative one to contractionary measures. The coefficient appears positive in the model, as if to propose that change in government economic policies towards fiscal stimulus is rewarded by an increase in party support levels, but the effect is not statistically significant. The findings for a combined dataset of 72 surveys provide no evidence that developments in government fiscal balance are associated with incumbent support.

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size should not constitute a major concern here. Nevertheless, the potential limitations of the multilevel setup must be kept in mind when interpreting the findings.
Preliminary findings do not indicate that incumbents are punished for fiscal austerity, although common logic suggests that purely self-interested citizens would react painfully to tax increase, massive layoffs, cuts in public goods and services and in welfare state functions, which negatively affect their living standards and economic wellbeing. Nonetheless, the severe magnitude of recent economic turbulence gives us a reason to scrutinize the attitudinal patterns further and explore their dynamics during the crisis, when the salience of national economic policies increased drastically. Citizens may accept that desperate times call for desperate measures and be willing to endure the temporary cutbacks. Therefore, I next examine variation in public reactions to government policies over time. For this, I estimate a similar 3-level model of incumbent support as before, but introduce in addition an interaction term between the economic policy stance and survey year. This enables us to observe whether the effect of policy decisions on incumbent vote varies across different time points.
Table 1. Effects of government economic policies on incumbent support

<table>
<thead>
<tr>
<th></th>
<th>(1) Overall policy effects</th>
<th>(2) Interaction with time</th>
<th>(3) Interaction with responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed effects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government structural balance</td>
<td>0.00 (0.00)</td>
<td>-0.00 (0.00)</td>
<td>0.01*** (0.00)</td>
</tr>
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<td>Bailout country</td>
<td>-0.24 (0.22)</td>
<td>-0.14 (0.23)</td>
<td>0.25 (0.28)</td>
</tr>
<tr>
<td>2004</td>
<td>-0.46*** (0.14)</td>
<td>-0.49*** (0.17)</td>
<td>-</td>
</tr>
<tr>
<td>2014</td>
<td>-0.47*** (0.14)</td>
<td>-0.60*** (0.16)</td>
<td>-</td>
</tr>
<tr>
<td>2004 X Structural balance</td>
<td>-</td>
<td>0.00 (0.00)</td>
<td>-</td>
</tr>
<tr>
<td>2014 X Structural balance</td>
<td>-</td>
<td>0.01*** (0.00)</td>
<td>-</td>
</tr>
<tr>
<td>Bailout country X Structural balance</td>
<td>- (0.00)</td>
<td>-</td>
<td>0.01*** (0.01)</td>
</tr>
<tr>
<td>Economic evaluations</td>
<td>0.51*** (0.08)</td>
<td>0.52*** (0.07)</td>
<td>0.49*** (0.13)</td>
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<tr>
<td>Ideological distance from PM party</td>
<td>-0.44*** (0.01)</td>
<td>-0.44*** (0.01)</td>
<td>-0.51*** (0.01)</td>
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<tr>
<td>Social class</td>
<td>0.32*** (0.03)</td>
<td>0.31*** (0.03)</td>
<td>0.35*** (0.04)</td>
</tr>
<tr>
<td>Religiosity</td>
<td>-0.14*** (0.01)</td>
<td>-0.14*** (0.01)</td>
<td>-0.00 (0.02)</td>
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<tr>
<td>Age</td>
<td>0.01*** (0.00)</td>
<td>0.01*** (0.00)</td>
<td>0.02*** (0.00)</td>
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<tr>
<td>Gender</td>
<td>0.13*** (0.03)</td>
<td>0.13*** (0.03)</td>
<td>0.17*** (0.05)</td>
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<tr>
<td>Education</td>
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<td>-0.02 (0.02)</td>
<td>0.06* (0.03)</td>
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<tr>
<td>Distance from past elections logged</td>
<td>-0.08 (0.07)</td>
<td>-0.04 (0.07)</td>
<td>-0.24** (0.10)</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.93*** (0.28)</td>
<td>-2.01*** (0.27)</td>
<td>-2.90*** (0.42)</td>
</tr>
</tbody>
</table>

Random economic effects

|                              |                            |                           |                                     |
| Country-year                 | 0.05                       | 0.01                      | -                                    |
| Country                      | 0.54                       | 0.55                      | 0.61                                 |

Log likelihood

|                              | -17851.008                 | -17846.009                | -5734.1917                           |
| Number of countries          | 23                         | 23                        | 21                                   |
| Number of country-years      | 62                         | 62                        | -                                    |
| Number of individuals        | 37,484                     | 37,484                    | 12,770                               |

Notes: Entries are regression coefficients with standard errors in parentheses. The dependent variable is 1 if vote intention is incumbent PM party and 0 if any other party. Don’t knows, refusals, respondents who said they would vote blank, spoil vote or would not vote, and missing answers are excluded. Left-right self-placement and age are centered around country-year mean. Model 3 estimated only for 2014.

***p<0.01 **p<0.05 *p<0.1

Source: EES Voter study from 2004, 2009 and 2014, and IMF. Author’s calculations.
Figure 3 portrays the fixed effects of economic policies on PM party’s support by year, holding other variables in the model constant. 95% confidence intervals are included. Additionally, regression coefficients in the form of log odds are shown in Model 2 in Table 1. The plot illustrating the interaction effect between government structural balance and time shows that there is virtually no difference between 2004 and 2009 in the extent to which policy actions affect incumbent support. In both years, policy effects on party preference remain insignificant. The results for 2014, however, are quite contrasting. In the post-crisis period, positive change in government structural balance, that is, fiscal stimulus, considerably enhances PM party’s support, and, vice versa, incumbent is sanctioned for austerity measures. The average marginal effect for 2014 is 0.0013, stating that an increase in balance deficit of an approximately 8 percentage points raises the likelihood of incumbent vote by 1 percentage points. Substantively, the effect size may seem low, but if we take into consideration that change in structural balance in 2014 was, for instance, approximately 140 percentage points in Italy, -91 percentage points in the Netherlands, 52 percentage points in Hungary, 42 percentage points in Sweden, and 38 percentage points in Germany, no doubt remains that shifts in economic policy stance may have considerable consequences for government popularity. Furthermore, if we standardize all variables to a comparable scale using z-standardization, and compare the effect sizes within each year separately, then we witness that in 2014 government policies are the strongest predictor of vote intention after political ideology (see Model 3 in Appendix 2). In two other survey years, incumbent vote is, as traditional voting theories suggest, primarily determined by voter ideological leaning, subjective economic perceptions, and social cleavages (see Models 1 and 2 in Appendix 2). These results imply, firstly, that policy considerations have gained importance after the crisis. Turbulent times have resulted in citizens observing government economic policy decisions more closely and using this information to form their judgments on leaders’ economic competence. Secondly, after years of austerity, fiscal retrenchment in particular tends to be publicly disapproved in the post-crisis era.
Several European nations struggling with unprecedented economic downturn amid the crisis were forced to seek external help to stabilize their economies and restore public finances. As discussed earlier, financial assistance from the European institutions was provided, but the disbursements were accompanied by external policy requirements, posing strict limits on the room for fiscal maneuver of national governments. As blurred economic responsibility may curb voter willingness to sanction or reward incumbents for economic policy decisions, I will next test the hypothesis that policy effects are moderated by institutional restrictions. To do so, I add in the model an interaction term between the policy indicator and a dummy variable for bailout countries. I expect government policy stance to exhibit weaker effects on political support in Eurozone countries that have participated in financial rescue programs and where the clarity of responsibility for policy decisions is divided between various levels of governance. Because there is very limited variance in the bailout variable for 2004 and 2009, the model is only estimated for

Notes: Entries are average marginal effects with 95% confidence intervals.
Source: EES Voter study from 2004, 2009 and 2014, and IMF. Author’s calculations.
The random intercept model is defined with two levels of analysis, with respondents at level 1 nested in countries at level 2. The results appear in Model 3 in Table 1. First taking a look at the main effects, we notice that in the 2014 model economic policies significantly influence incumbent support. In line with the findings above, willingness in the post-crisis period to cast a vote for the PM party in office is higher in countries where governments have pursued expansionary fiscal policies. Quite surprisingly, however, the interaction term between policies and the bailout variable appears insignificant. Government economic policies seem to influence the likelihood to vote for incumbent in a similar manner both in bailout and non-bailout countries, even though responsibility attribution for policy actions in these two subsamples could be argued to vary. In other words, the findings do not provide support to the expectation that institutional restrictions on economic policies moderate policy effects on individual-level voting behavior.

Conclusions

During the worldwide economic and financial crisis, economic policies may emerge as an important determinant of vote choice next to economic perceptions. The traditional responsibility attribution is blurred between various actors and levels of governance, and citizens may search for other indicators than the state of the national economy to evaluate incumbent performance. When the economy is performing poorly everywhere, it is feasible to assume that the way governments react to the crisis gains voters’ attention. This work offers a novel examination of economic policy voting in the face of the crisis when virtually everyone agrees that the economy is bad and the usual mechanism of economic voting is clogged. The analysis utilized an operationalization of government policy approach that is new in the political science literature, but is commonly used in economics. The key indicator used was government structural balance, which reveals government’s underlying fiscal position, while taking into account country’s current position in the economic cycle. The paper also contributes to the literature by providing large-scale empirical evidence on the electoral consequences of the crisis, while previous academic knowledge on the subject matter is often limited to single elections or nations.
The findings of a multilevel analysis for 24 nations measured before, during and after the crisis demonstrate that economic policy voting is a post-crisis phenomenon. European citizens react to government policy decisions more in the post-crisis period, and economic policy choices have emerged as one of the key predictors of political preference next to traditional indicators. In 2014, five years after the peak of the global collapse, voters express particularly strong disapproval of fiscal retrenchment: budgetary cuts and tax increase clearly lead to lower incumbent support levels. The political rhetoric of ‘no pain, no gain’ has not earned long-term success; instead, citizens in Europe have grown tired of large-scale cuts, especially if these failed to bring along the promised results (see also Clarke et al. 2013). Continuing rise in public debt and deficit as well as persistently high unemployment levels have done little to boost the confidence in incumbents as capable economic managers. Meanwhile, there is no empirical evidence that stringent reduction measures found overwhelming public endorsement during the worst years of the crisis due to belief that cutbacks are justified, temporary, and no better alternatives are available. But reductions were not associated with severe electoral losses either – in fact, in 2009 economic policies exhibited no considerable impact on political support at all. These tendencies suggest that voters in the midst of the crisis primarily reacted to economic conditions (see also Okolikj and Quinlan 2016). Policy considerations had no impact on vote choice in the immediate aftermath of the crisis; instead, citizens in many countries focused on incumbents’ performance and simply punished them for hard times (see also Bartels 2012; Magalhães 2014; Bellucci 2014; Marsh and Mikhaylov 2014). In the early years of the crisis, stronger consensus existed between political actors on the causes of the economic troubles and on necessary measures, and voters did not identify parties with alternative policy positions. However, over time voter considerations have become more multidimensional and citizens have grown more policy-oriented. With government struggles to balance public finances placed under the media’s magnifying glass, voters are able to observe and assess actions taken in the economic field, and chances increase for electoral repercussions (see also Armingeon and Giger 2008).

Nevertheless, there are also certain data limitations that may inhibit identifying austerity effects for the crisis years. Macroeconomic dynamics reveal that governments in Europe first responded to the economic collapse with attempts to revive the economy, whereas fiscal reductions
intended to shrink the rapidly growing deficits were only introduced later. Although the individual policy mix varied across nations, the share of government spending generally increased after the outbreak of the crisis. Part of this reflects declining GDP, but the other part points to increased government expenditures attempting to ensure the stability of the financial system and stimulate the economy in response to the crisis (OECD 2011). By 2014, fiscal balance had taken a sharp turn towards surplus, signaling that initial pursuits to stimulate the economy had been replaced. Governments were now trying to shrink the record high deficit levels with contractionary measures such as budget cuts and tax increase. For this reason, it is likely that by measuring government policy position in 2009 and 2014 we do not capture the harshest crisis-time fiscal adjustments as in many countries these were implemented in the period in between. For example, in Greece and Portugal the first austerity packages were enacted in 2010, in Italy in 2011, and in Cyprus only in 2012. In other words, using data from only certain time points in this analysis – the decision dictated by the availability of survey data – may constrain exposing voters’ immediate reaction to rigorous austerity programs. Still, even if fiscal retrenchment did find some compassion and understanding at first, it is safe to say that the optimism has worn off quickly.

Finally, turning to the conditionality of economic policy voting, the paper explored whether policy effects are moderated by clarity of responsibility. Intergovernmental organizations and supranational institutions constrained national fiscal policy responses to the crisis through increased financial supervision, bailout agreements and stabilization funds. Additional pressure to control the budgets followed from international bond markets. It is fair to expect that external restrictions to fiscal adjustments affected public perceptions of national-level crisis management and muddied the waters of responsibility attribution. When terms are imposed from higher levels, voters may not place all the blame on the incumbent, and the penalizing effect of austerity policies may be reduced. The analysis, however, provided no evidence to this expectation: the reduced capacity of governments to steer national economic policies does not interact with electoral sanctioning and rewarding. Despite the dispersion of decision making to the supranational level of governance in the EU, responsibility attribution for economic policies is still, for the most part, exercised at the domestic level, and citizens are able to identify the decisional role of national governments.
References


Appendix 1. Summary statistics of variables

| Question                                                                 | ‘PM party’ | ‘Other party’ | ‘Blank, spoil or not vote’ | ‘Worse’ | ‘Stayed the same’ | ‘Better’ | ‘Worse’ | ‘Stayed the same’ | ‘Better’ | ‘Worse’ | ‘Stayed the same’ | ‘Better’ | ‘Worse’ | ‘Stayed the same’ | ‘Better’ | ‘Worse’ | ‘Stayed the same’ | ‘Better’ | ‘Worse’ | ‘Stayed the same’ | ‘Better’ | ‘Worse’ | ‘Stayed the same’ | ‘Better’ |
|------------------------------------------------------------------------|------------|---------------|----------------------------|---------|------------------|----------|---------|------------------|----------|---------|------------------|----------|---------|------------------|----------|---------|------------------|----------|---------|------------------|----------|---------|------------------|----------|---------|------------------|----------|
| If there was a general election tomorrow, which party would you vote for? | 18.78%     | 49.96%        | 31.26%                     |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |
| What do you think about the economy? Compared to 12 months ago, do you think that the general economic situation in [country] is... | 48.99%     | 27.81%        | 18.82%                     |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |
| Respondent’s ideological distance from the PM party on a 0-10 scale, where 0=left and 10=right (absolute value of the difference) | Mean 3.05  | Std. deviation 2.64 | % Missing 23.51 |        |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |
| If you were asked to choose one of these five names for your social class, which would you say you belong to? | 29.1%      | 62.29%        | 2.05%                      |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |
| Apart from special occasions such as weddings and funerals, how often do you attend religious services nowadays? | 3.12%      | 13.29%        | 30.85%                     |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |
| What year were you born? Recoded into age in full years. | Mean 49.69 | Std. deviation 17.36 | 3.56% Missing |        |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |
| Are you... | 45.29% ‘Male’ | 53.37% ‘Female’ | 1.34% Missing |        |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |
| How old were you when you stopped full-time education? | 5.4% ‘Still studying’ | 15.3% ‘15 or younger’ | 38.49% ‘16-19’ |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |
| Government structural balance (% change from previous year) | Mean 33.58 | Std. deviation 117.62 | 6.74% Missing |        |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |
| Bailout country | 8.82% ‘Yes’ | 91.18% ‘No’ | 0% Missing |        |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |
| Distance from last general elections (months) | Mean 21.38 | Std. deviation 15.31 | 0% Missing |        |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |

Source: EES Voter study from 2004, 2009 and 2014, and IMF. Author’s calculations.
Appendix 2. Effects of government economic policies on incumbent support by year, standardized variables

<table>
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<td>(0.09)</td>
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<td>(0.03)</td>
<td>(0.04)</td>
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Notes: Entries are regression coefficients with standard errors in parentheses. The dependent variable is 1 if vote intention is incumbent PM party and 0 if any other party. Don’t knows, refusals, respondents who said they would vote blank, spoil vote or would not vote, and missing answers are excluded. The scales of all variables are converted to z-scores.

**p<0.01  *p<0.05  *p<0.1

Source: EES Voter study from 2014, and IMF. Author’s calculations.