

**Non-cooperation by popular vote:
Expectations, foreign intervention, and the vote in the 2015 Greek
bailout referendum**

Stefanie Walter
University of Zurich
walter@ipz.uzh.ch

Elias Dinas
Oxford University
elias.dinas@politics.ox.ac.uk

Ignacio Jurado
University of York
ignacio.jurado@york.ac.uk

Nikitas Konstantinidis
IE University
Nikitas.Konstantinidis@ie.edu

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Abstract

When popular referendums fail to ratify new international agreements or succeed in reversing existing ones, it not only affects domestic voters, but also creates negative spillovers for the other parties of such agreements. This paper explores how voters respond to this strategic setting. We use original survey data from a poll fielded just one day before the 2015 Greek bailout referendum, a referendum in which the stakes for other countries were particularly high, to investigate how expectations about the likely foreign response to a non-cooperative referendum outcome influences voting behavior and to what extent foreign policymakers can influence those expectations. Our analysis shows that such expectations had a powerful effect on voting behavior: voters expecting that a non-cooperative referendum outcome would force Greece to leave the Eurozone were substantially more likely to vote Yes than those believing that it would result in renewed negotiations with the country's creditors. Leveraging the bank closure that took place right before the vote, we also show that costly signals by foreign actors made voters more pessimistic about the consequences of a non-cooperative vote and substantially increased the share of cooperative votes.

1. Introduction

After decades of ever closer international cooperation, the integration process has come under pressure in recent years. Faced with increasing trade-offs between the gains from international cooperation, democracy, and national sovereignty (Rodrik 2011), popular movements have proliferated that aim at slowing down or even reversing international integration. These movements have been particularly successful in Europe, where popular referendums have allowed voters to decide directly on whether to accelerate, stop, or even reverse the highly advanced integration process.

An important feature of these foreign policy referendums is that they have consequences well beyond the domestic realm. When referendums fail to ratify new cooperation agreements or succeed in reversing existing ones, they create negative spillovers for the other parties of such agreements, so that those other countries have a clear interest in a positive, cooperative referendum outcome. At the same time, the other countries have a range of options of how to respond to such a negative referendum outcome and whether to accommodate the referendum country's direct democratic choice or not. This creates interesting strategic dynamics in which foreign policymakers can interact with domestic voters during the referendum campaign in order to boost the cooperative vote.

Our paper sets out to explore how voters respond to this strategic environment, especially how their *expectations* about the foreign reactions to a non-cooperative referendum outcome shape their vote intentions and to what extent foreign policymakers can *influence* those expectations. For this purpose, we leverage a fascinating and important case of a foreign policy referendum in which the stakes of other countries were particularly high: the 2015 Greek bailout referendum. Although officially a referendum about the terms of an international financial bailout package designed to address the country's enormous financial crisis, it was widely feared at the time that a non-cooperative referendum outcome would put Greece's membership in the Eurozone at risk. Because a Greek exit from the currency union

(colloquially referred to as “Grexit”) would put the irreversibility of the euro in question, the referendum vote was seen as a threat to the entire project of European monetary integration – with potentially enormous negative consequences for all other Eurozone members.

To investigate how expectations and foreign signals about the likely foreign response to a negative, non-cooperative outcome influenced individual vote choices in the 2015 Greek referendum, we use original survey data from a unique poll fielded just one day before the referendum. Our analysis shows that expectations about the consequences of a non-cooperative referendum outcome had a powerful effect on voting behavior: voters expecting that a No-vote would result in Grexit were substantially more likely to vote Yes, in favor of the proposed bailout package, than those believing that Greece’s creditors would accommodate a No-vote in renewed negotiations about better terms for a new bailout package. This effect was especially strong for the vast majority of voters who wanted to stay in common currency. We also show that there is space for foreign actors to shift voters’ expectations and vote choices in their favor. Costly signals about the foreign resolve not to accommodate a non-cooperative vote – such as the European Central Bank’s (ECB) decision not to accommodate Greece’s heightened need for further capital injections that forced Greece to close its bank during the referendum campaign – influence expectations and increase the share of cooperative votes. Overall, our study provides a first step at creating a better understanding of the strategic international dimension associated with this direct democratic challenge to international cooperation.

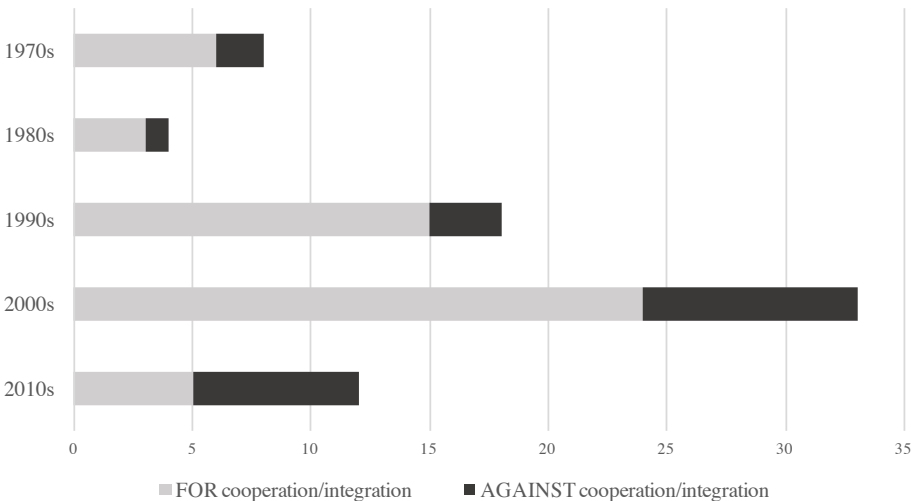
2. Expectations and foreign intervention in foreign policy referendum campaigns

By their very nature, the consequences of national referendums on foreign policy, especially those on treaties concerning international cooperation and supranational integration, are also felt abroad, affecting not only domestic voters but also citizens of other countries. When such a referendum results in a vote that enables the initiation, widening, or

deepening of international cooperation, these cross-country spillover effects are usually net positive. By contrast, whenever the outcome of a national foreign policy referendum precludes deepening or continuation of cooperation, it tends to generate net negative cross-border spillover effects.

Such negative outcomes of referendums on international cooperation are not a new phenomenon. From the 1972 rejection of EC membership by Norwegian voters to the 2016 rejection of the EU-Ukraine accession agreement by Dutch voters, efforts to create deeper international cooperation have failed time and again at the polls (for overviews, see Hobolt 2009; Hug 2003). However, a closer look reveals that non-cooperative referendum outcomes have become both more frequent and more disruptive in recent years. Figure 1 reports all national referendums on questions concerning international cooperation from the 1970s until today and shows that the share of referendums that resulted in a rejection of more or continued cooperation has markedly increased in recent years.

Figure 1: Voting outcomes in foreign policy referendums, 1970-2016



Source: C2D Datenbank, Zentrum für Demokratie Aarau

Notes: Classification of referendum outcome based on whether referendum result resulted in more/continued international cooperation or not.

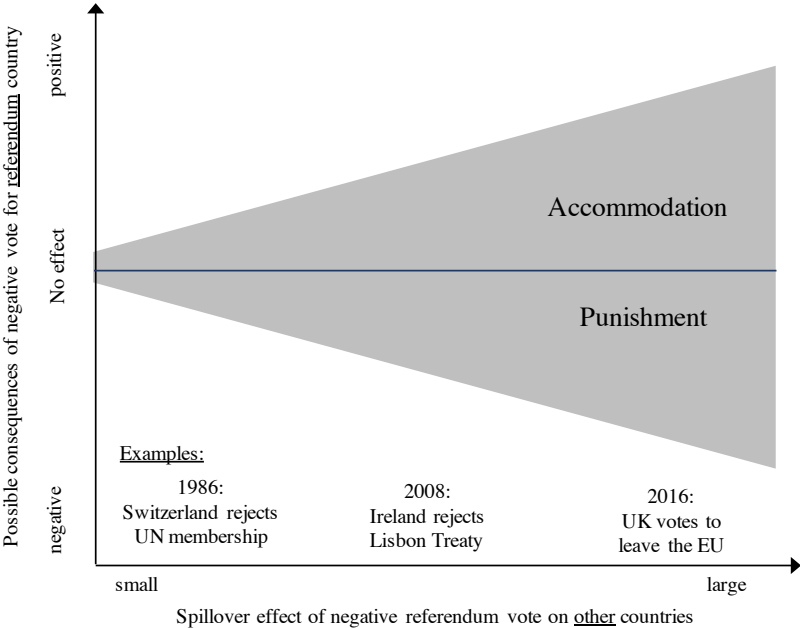
The ripple effects of non-cooperative referendum outcomes abroad have also grown. Whereas Switzerland’s 1986 rejection of UN membership barely registered abroad, for example, other

countries have been much more impacted by the consequences of the Dutch and French 2005 rejections of the EU Constitution or the 2016 UK referendum vote to leave the European Union. The magnitude of the potential spillover effects of a non-cooperative referendum outcome varies widely and depends on the specific circumstances of the referendum, such as the issue at stake, the political and economic importance of the referendum country for the other countries, the level of integration, rules of international cooperation, and the renegotiation process itself. Thus, the spillover effects can be small, but they can also impose significant costs on the other member states, especially when the referendum outcome prevents other countries from cooperating further or even unilaterally challenges the status quo of an existing arrangement. All else equal, the more integrated the referendum country is within a politically interconnected and highly institutionalized organization (such as the EU), the larger the potential damage a negative referendum vote can cause abroad. And the higher the potential spillover effects, the stronger the interest abroad in a cooperation-friendly, positive referendum outcome.

Yet, whereas the referendum country is free to vote in favor or against cooperation, the other countries are free to choose how to react. A range of foreign responses is possible, ranging from more to less accommodating ones. For instance, the other countries may accommodate the reservations of the dissenting country by modifying the agreement, granting exceptions, or negotiating a new one that better reflects the concerns of the referendum country. But they can also pursue more hardline responses such as making no concessions or simply moving forward without the referendum country. This choice is not easy, because the other countries face a dilemma: Accommodating the democratically expressed wishes of the referendum country's electorate allows them to salvage as many of the cooperation gains as possible, but carries moral hazard and political contagion risks, as other countries might be incentivized to call referendums to improve their bargaining hand as well. In contrast, pursuing a hard stance with the referendum country allows them to discourage such behavior,

yet is likely to be costly for everyone involved because of foregone cooperation gains. This dilemma will be particularly pronounced when the potential spillover effects of a negative referendum vote are large.

Figure 2: Range of possible consequences of a negative referendum outcome



Whatever the most likely strategic response on the part of other member states, this response strongly determines how the negative referendum vote will ultimately play out for the referendum country. It thus shapes the underlying stakes of the referendum vote for everyone involved, including above all the referendum country itself. Figure 2 illustrates that from the viewpoint of the referendum country, these stakes are lowest when a non-cooperative vote carries small negative externalities, and highest in referendums to which the other countries are highly exposed. This is because high spillover effects typically increase the range of (re-)negotiation options available to the countries involved, as more issue areas are affected and because a higher level of integration increases interdependence between states. Taken together with imperfect information over both the true preferences of multiple

actors and the magnitude of spillover effects that have yet to materialize, this variability of final payoffs effectively renders the consequences of a non-cooperative referendum vote uncertain *ex ante*.⁴

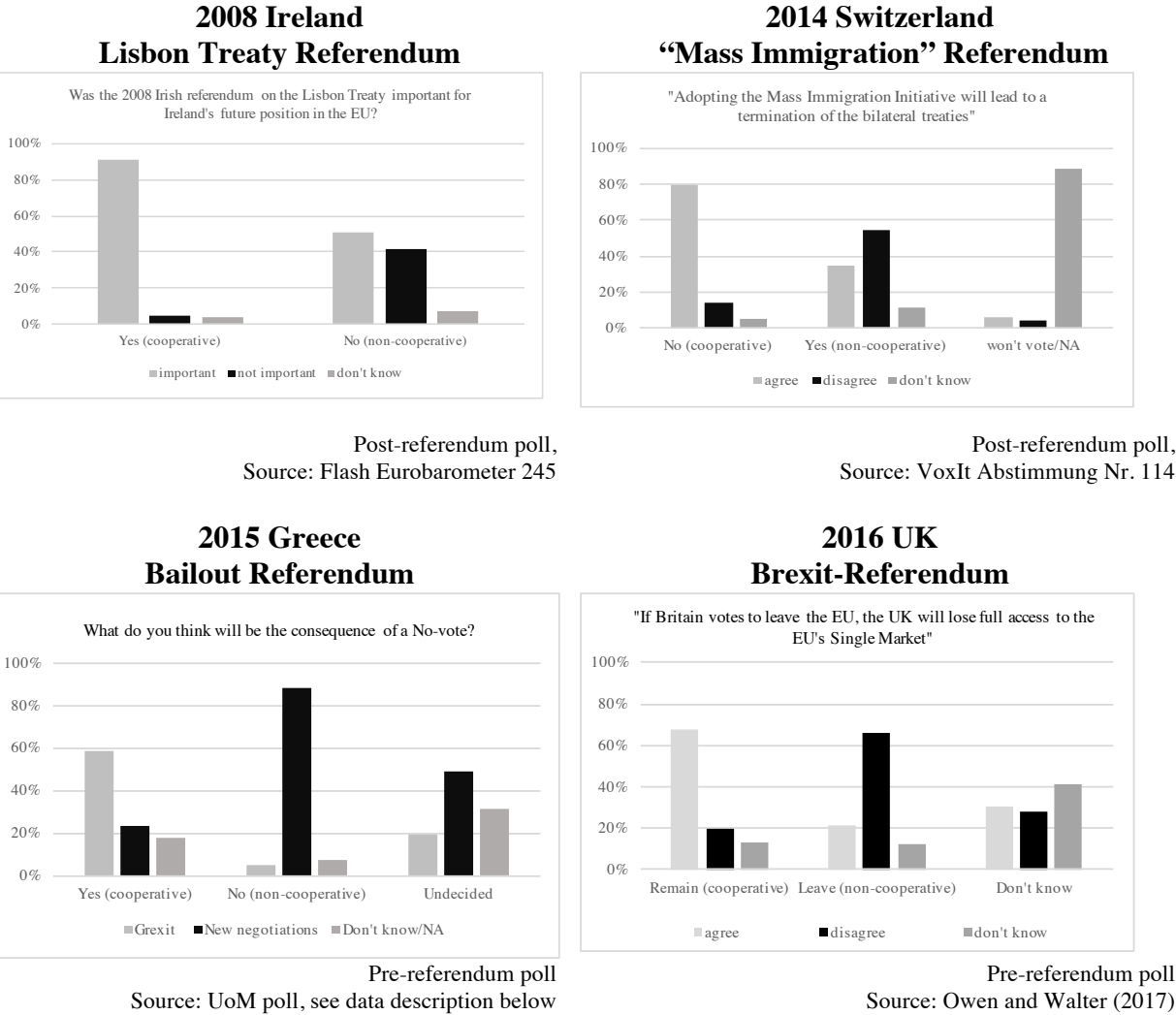
Because the consequences of a negative referendum outcome depend so strongly on the other countries' response, voters are likely to take it into account when deciding how to vote. Expectations about these responses and policy preferences should hence jointly determine voting decisions in foreign policy referendums (Christin, Hug, and Sciarini 2002). Not surprisingly, foreign policy referendum campaigns are often characterized by distinct and often contradictory narratives about the risks and benefits associated with referendum outcomes (Hobolt 2009). In such information-rich and politicized environments, voters will form certain sets of beliefs about how foreign actors will react to a non-cooperative referendum vote. These *expectations* are likely to influence their voting behavior, especially in cases in which the spillover effects of their decision are potentially large (Hobolt 2009; Owen and Walter 2017). *More skepticism about the willingness of the other countries to accommodate a non-cooperative referendum outcome should therefore be associated with a lower likelihood of voting against cooperation.*

Figure 3 illustrates the wide divergence of expectations about the likely consequences in four recent foreign policy referendums with relatively large spillover effects abroad: the 2008 Lisbon Treaty ratification referendum in Ireland, the 2014 Swiss referendum “*Against Mass Immigration*,” the 2015 Greek bailout referendum, and the 2016 Brexit referendum on EU membership. In all four referendums, expectations about the consequences of a non-cooperative vote diverged widely between voters favoring and opposing cooperation. In each case, voters in favor of new or continued cooperation assessed the likely international responses associated with a referendum outcome precluding further integration (as in the Irish

⁴ Although all referendums are characterized by a lack of full information about potential outcomes, irrespective of whether the issue at hand is domestic or international (Kriesi 2005; Lupia 1994; Hobolt 2009), this strategic complexity and dependence on the response of other countries magnifies the uncertainty surrounding a negative referendum vote in a referendum on questions of international cooperation.

case), compliance with an existing arrangement (as in the Greek case), or reversing existing forms of cooperation (as in the Swiss and British cases) much more negatively than voters opposed to such cooperation.

Figure 3: Expectations about the consequences of non-cooperative referendum outcomes



Given the importance of voters' expectations in shaping vote intentions, all actors with a stake in the referendum outcome, including domestic and foreign ones, have the incentive to influence these expectations. Foreign policymakers in particular may seek to sway voters towards a cooperative vote by coaxing them through normative appeals and promises of future benefits, or by threatening them with negative consequences in the case of a non-cooperative referendum outcome. Especially when the stakes are high for other countries,

because they would be worse off under all potential outcomes of a non-cooperative referendum vote compared to the outcomes associated with a cooperative referendum vote, they have a strong strategic incentive to try to induce voters to cast a cooperative ballot. Yet, influencing domestic public opinion through foreign interventions is a difficult task. Not only is there a risk that these efforts may backfire (Shulman and Bloom 2012), but foreign governments face private information and time-inconsistency problems make it difficult for them to credibly communicate their actual resolve not to accommodate a non-cooperative vote (Fearon 1995). Because non-accommodation also imposes costs on those other countries, these have incentives to renege on campaign pledges to punish such a vote *ex post*, creating credibility problems for the other countries.

Much research in international relations has shown that one way to overcome such credibility problems is to send costly signals that reveal one's true resolve (Fearon 1997). By engaging in activities that create costs not only for the referendum country, but also for themselves, foreign policymakers can more credibly convey that they would not be willing to accommodate the referendum country's non-cooperative vote. As a result, such *costly signals from foreign policymakers should make voters more pessimistic in their expectations about the consequences of a non-cooperative vote, increasing the likelihood of casting a cooperative referendum vote.*

3. The 2015 Greek bailout referendum

To study the role of expectations and the foreign intervention in foreign policy referendums, we focus on the July 2015 bailout referendum in Greece, a particularly interesting case of a foreign policy referendum with potentially wide-ranging spillover effects abroad. All members of the eurozone had a strong interest in the Greek referendum, because it was widely believed that a no-vote would effectively end Greece's membership in the Eurozone. Grexit was an outcome European policymakers had been trying to avoid for years,

as it would likely lead to renewed financial market pressure on other European crisis countries such as Italy or Portugal, and would also trigger massive losses in the budgets and central bank balance sheet in surplus countries such as Germany and the Netherlands.¹⁶ Perhaps most importantly, Grexit would put the viability of the entire European monetary integration project into question. The referendum thus had potentially very large negative spillover effects on other EU member states. Not surprisingly, foreign intervention in the referendum campaign was unusually high and the likely consequences of a non-cooperative referendum outcome were a hotly debated issue during the campaign. These features render the 2015 Greek bailout referendum a critical and insightful case for studying the role of expectations and the effects of foreign intervention in foreign policy referendums.

The referendum was set against the background of one of the deepest and most prolonged economic crises in recent decades (Gourinchas, Philippon, and Vayanos 2016) and in the context of a bargaining process between Greece and her creditors in which neither showed a willingness to compromise. After the crisis started in 2010, Greece received two bailout programs on the condition of drastic austerity measures and structural reforms, which resulted in a sharp rise in unemployment and poverty. Against that backdrop, the populist left-wing party SYRIZA was elected to government in early 2015 with a mandate to end austerity. The new government of Prime Minister Alexis Tsipras immediately embarked on an aggressive negotiation strategy aimed at softening the conditions attached to the existing bailout programme in Greece's favour. Worried about political contagion and moral hazard the creditors were unwilling to make any concessions.

In the meantime, the country was facing increasing liquidity problems and it became clear that Greece would need an extension of the existing bailout arrangement beyond its 30 June 2015 expiration date. As that date drew nearer, events escalated. On June 24, 2015, the

¹⁶ Grexit would almost certainly be accompanied by a Greek default not just on its public debt (ca. €210bn in July 2015) but also its Target2 liabilities (ca. € 100bn).

European Commission made a ‘take-it-or-leave-it’-proposal about the conditions attached to a bailout extension to Greece. Tsipras rejected the ultimatum and broke off negotiations with the creditors, accusing them of blackmail and characterizing the proposal as an attempt to humiliate Greece. In the morning of June 27, Tsipras, in an effort to boost his bargaining leverage vis-à-vis the country’s creditors, surprised everyone by calling a referendum on the proposal, to be held only one week later. To the dismay of European policymakers, he recommended that voters vote No, i.e. to reject the creditors’ proposal.

An intense week of campaigning followed. Two dominant narratives emerged in the public debate, in which all major political actors took very clear stances. The three moderate pro-EU parties, conservative *Nea Demokratia*, center-left PASOK, and centrist *To Potami*, in tandem with European policymakers warned that a vote against the bailout proposal would inevitably result in Greece’s exit from the Eurozone, arguing that European policymakers’ would not give in to Greece for fears that granting Greece better terms in response to a non-cooperative referendum vote would signal a lack of resolve to enforce existing rules, thereby inciting similar non-cooperative behavior by other countries and eventually undermining the stability of the Eurozone. As a result, they strongly advocated voting Yes. By contrast, the No-camp, led by Tsipras and the government coalition government parties SYRIZA and ANEL (populist right), argued that a rejection of the agreement would enhance Greece’s bargaining leverage in renewed negotiations with its creditors, and would therefore ultimately result in debt forgiveness and less austerity.¹⁹ This second narrative emphasized that Greece’s membership in the Eurozone was not at risk because Europeans would not want to damage the EMU project by allowing Greece to crash out of the euro. Faced with competing claims about the consequences of a no-vote for the future of Greece and the Eurozone, Greek voters

¹⁹ The extreme right-wing Golden Dawn party (as well as a far-left faction of SYRIZA) also came out fervently in favor of a No-vote, but argued that this would be a way to force Greece to leave the Eurozone.

were thus exposed to very different narratives about the potential consequences of a non-cooperative referendum outcome.

The Greek referendum campaign also witnessed an unusual escalation of events involving foreign policymakers and politicians. For example, European Commission President Jean-Claude Juncker, IMF Managing Director Christine Lagarde, and German Finance Minister Wolfgang Schäuble strongly advocated a Yes-vote and threatened that a No-vote would result in disorderly default and Grexit.²¹ Moreover, foreign policymakers directly intervened in the campaign. On June 28, one day after Tsipras had called the referendum, the Eurozone finance ministers decided not to extend the ongoing bailout program, scheduled to end three days later. As a consequence, the ECB announced later in the day that it would not increase the emergency liquidity funds it had been supplying to keep the Greek banking system afloat, arguing that such support could not be granted without a bailout program. Faced with a bank run in the making, the Greek authorities reacted later in the evening of June 28 by closing the banks and imposing capital controls. Both measures were to last at least until the day after the referendum and immediately caused long lineups to form in front of the country's ATMs.²² Another major international event occurred two days later when an International Monetary Fund (IMF) loan expired and Greece became the first developed country ever to default on its debt to the IMF.

While threatening statements by foreign officials may have been nothing more than 'cheap talk', the creditors' decision not to extend the existing bailout program and ELA assistance to Greek banks effectively amounted to a costly signal of their determination not to accommodate the anti-austerity mandate the Greek government. Greece was being told in no less than unequivocal terms that the creditors would not budge in this game of 'chicken'

²¹ <https://www.theguardian.com/business/2015/jun/29/greek-crisis-referendum-eurozone-vote-germany-france-italy>

²² In fact, the bank closure lasted for three weeks and some capital controls still remain in place at the time of writing.

and that the country had to choose between the creditors' path of austerity and leaving the euro. Recognizing the potential impact of this signal on the referendum campaign, Tsipras responded arguing that the aim of this decision "had no other aim but to blackmail the will of the Greek people."²⁴ Yet this decision was not only costly for Greece, but also costly for the creditors: the economic damage it inflicted on the Greek economy vastly increased the amount needed for an eventual third bailout package, which would ultimately have to be financed with foreign funds. In fact, whereas the sum needed for a third bailout program had been estimated to range between €30 billion and €50 billion just one month before the referendum,²⁵ the amount had risen to about €90 billion when a new bailout package was finally agreed later in July 2015.²⁶

Despite all these international efforts to sway Greek voters to vote cooperatively on July 5, 2015, however, the bailout referendum ended in a 61%-39% landslide victory for the No-camp. Greek voters had rejected the bailout proposal with a non-cooperative referendum vote.

4. Research Design and Data

To understand the Greek vote in the 2015 bailout referendum and the role expectations and foreign interventions played in this context, we use original survey data from a poll we conducted on Saturday, 4 July 2015, one day before the referendum. Our nationwide, computer-assisted telephone survey covered 989 respondents identified through a multistage sampling process.²⁷ Our survey was fielded just some hours before the polling stations

²⁴ <http://money.cnn.com/2015/06/28/news/economy/what-greek-prime-minister-tsipras-said/>

²⁵ <http://www.economist.com/blogs/economist-explains/2015/06/economist-explains-5>

²⁶ http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/index_en.htm

²⁷ In the first stage (cluster sampling), electoral districts were chosen, in the second stage (stratified sampling) strata within each cluster were identified based on socioeconomic characteristics and in the third stage, a simple random sample was drawn within each stratum. Because interviews were done on fixed telephone lines, the youngest respondents are somewhat under- and female respondents overrepresented. We therefore use population weights in our analyses to match the basic demographics of the Greek population. The data was collected by the University of Macedonia (UoM) Research Institute of Applied Social and Economic Studies in

opened, allowing us to gain a very accurate depiction of the motives of the Greek people and their vote. Although few surveys correctly predicted the strong rejection of the creditor proposal in the referendum, our survey mirrors the actual referendum outcome quite closely, increasing our confidence in the validity of the results. Among those planning to vote, 58.0% of respondents in our sample said they would reject the bailout package, which is very close to the 61.3% rejection rate in the actual referendum.

Our analysis proceeds in two steps. We first analyze the role of expectations played for the vote choice in the Greek referendum using both regression analysis and matching methods. We then explore the ability of foreign policymakers to shape voters' expectations about the consequences of a non-cooperative vote through costly signals. For this purpose, we concentrate on the effect of the ECB's decision not to increase emergency liquidity assistance to Greek banks, which forced the Tsipras government to close the banks, arguably the biggest event in the campaign period. Overall, we show that expectations about the response of international actors were the most important predictor of individual vote intentions in the Greek 2015 bailout referendum, and that foreign intervention influenced both expectations and vote intentions.

Our main variables in the first part of the analysis are individuals' vote intentions, expectations about the consequences of a No-vote, and attitudes towards to euro. To measure vote intention, we use respondents' answers to the following question: *“As you're probably aware, PM Alexis Tsipras announced a referendum regarding the ratification of the agreement that Greece's creditors offer, that will take place on next Sunday, July 5th. What are you going to vote in the referendum?”* For our analysis, we create a dummy variable that takes the value of 1 if voters stated that they intended to vote against the creditor proposal in the referendum or would probably do so, and 0 otherwise²⁸. The left-hand panel in Figure 4

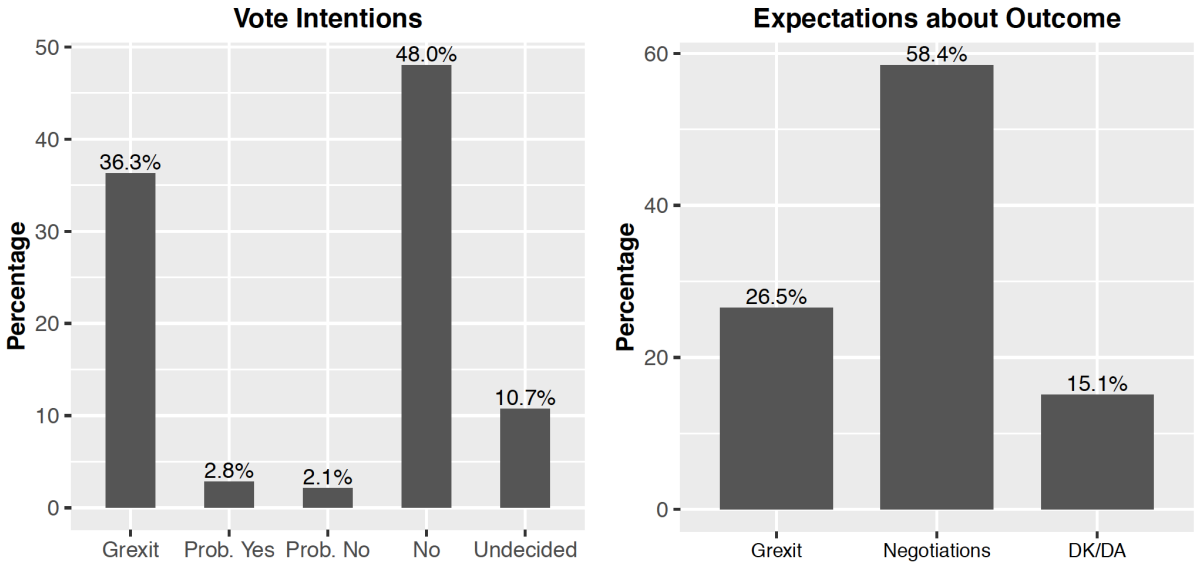
Thessaloniki.

²⁸ Table A1 in the online appendix shows the descriptive statistics of all variables.

shows most voters had made up their mind about their referendum vote, with a majority (52.8% of our weighted sample) stating that they would probably or certainly vote No.

Expectations are measured with respondents’ answers to the question “*What do you think will be the consequences of a No-vote?*” Respondents could choose between (i) “*Greece will exit the eurozone*” reflecting the narrative of the Yes-camp, that a non-cooperative referendum outcome would not be accommodated abroad, (ii) “*The government will continue negotiations,*” which captures the No-camp’s narrative that a No-vote would enhance the government’s bargaining leverage in a new round of negotiations, and (iii) “*Don’t know/no answer.*” The right-hand panel in Figure 4 shows that most voters (86%) had clear expectations on the eve of the referendum. A majority believed that a non-cooperative referendum outcome would result in continued negotiations, whereas only about one quarter thought that a No-vote would lead to Grexit.

Figure 4: Vote intentions and Expectations – Descriptive Statistics



Note: Based on UoM survey from 4 July 2015. Data are weighted with respect to gender and age.

Because Greece’s membership in the Eurozone was the key issue at stake in the Greek referendum, voters’ attitude towards the euro conditioned by expectations should have a

strong influence on their vote choice. We therefore asked respondents what they personally thought was best for Greece's future: staying in the euro or adopting a national currency. More than three quarters of respondents (76%) wanted to keep the euro, whereas only 13% of respondents preferred to leave the euro relative to staying in the Eurozone (about one tenth of respondents were undecided about this issue or did not answer). Interestingly, even among those voting No in the referendum, a clear majority (61%) favored keeping the euro, the option that was preferred by virtually all Yes voters (98%).

Our argument suggests that expectations about the consequences of a non-cooperative vote should be a key driver of voting behavior. To account for alternative determinants of referendum vote choice identified by existing research, we control for a number of additional variables. Most importantly, much research has shown that voter's partisan identification is a strong determinant of the vote in popular referendums (Lupia 1994; Hobolt 2007). Parties frame the issues at stake (Kriesi 2005) and have a heuristic value for voters that allow them to overcome cognitive and information limitations around the referendum question (Lau and Redlawsk 2001). Moreover, foreign policy referendums often turn into a contest about the incumbent parties' popularity (Dür and Konstantinidis 2013; Schneider and Weitsman 1996). To control for these partisan and incumbency effects, we use the vote recall from the January 2015 general election in Greece and create dummy variables for the main political parties in Greece: the governing parties *SYRIZA* and *ANEL*, the conservative opposition party *Nea Demokratia* (reference category), the center-left *PASOK*, the centrist *To Potami*, and the radical right *Golden Dawn*. We also include a dummy variable for those who abstained in the January elections and the *other* options.

Past research has also shown that material interests affect vote choices in foreign policy referendums (e.g., Christin, Hug, and Sciarini 2002; Curtis, Jupille, and Leblang 2014). For Greece, this suggests that more educated people should be more inclined to vote Yes, because they tend to disproportionately benefit from international integration. In contrast, the

young, the unemployed, private sector employees and the self-employed, who have been hurt most by Greece's adjustment programs, should be more inclined to vote against the bailout proposal than public officials and pensioners, who have seen lower decreases in their incomes (Matsaganis and Leventi 2014).

We control for *Education* using an ordinal variable with the following categories 1) no education or primary studies; 2) secondary; 3) post-secondary and 4) tertiary education. *Age* is operationalized in six categories — 18-24, 25-34, 35-44, 45-54, 55-64, and over 65 years old—, and we include it as a continuous variable in all models. *Occupation* is operationalized with a series of dummy variables: *public sector employee*, *private sector employee*, *unemployed*, *farmers*, *entrepreneur*, *pensioners* and *others*. We also control for *gender* and whether the voter lives in a *rural* or *urban* area.

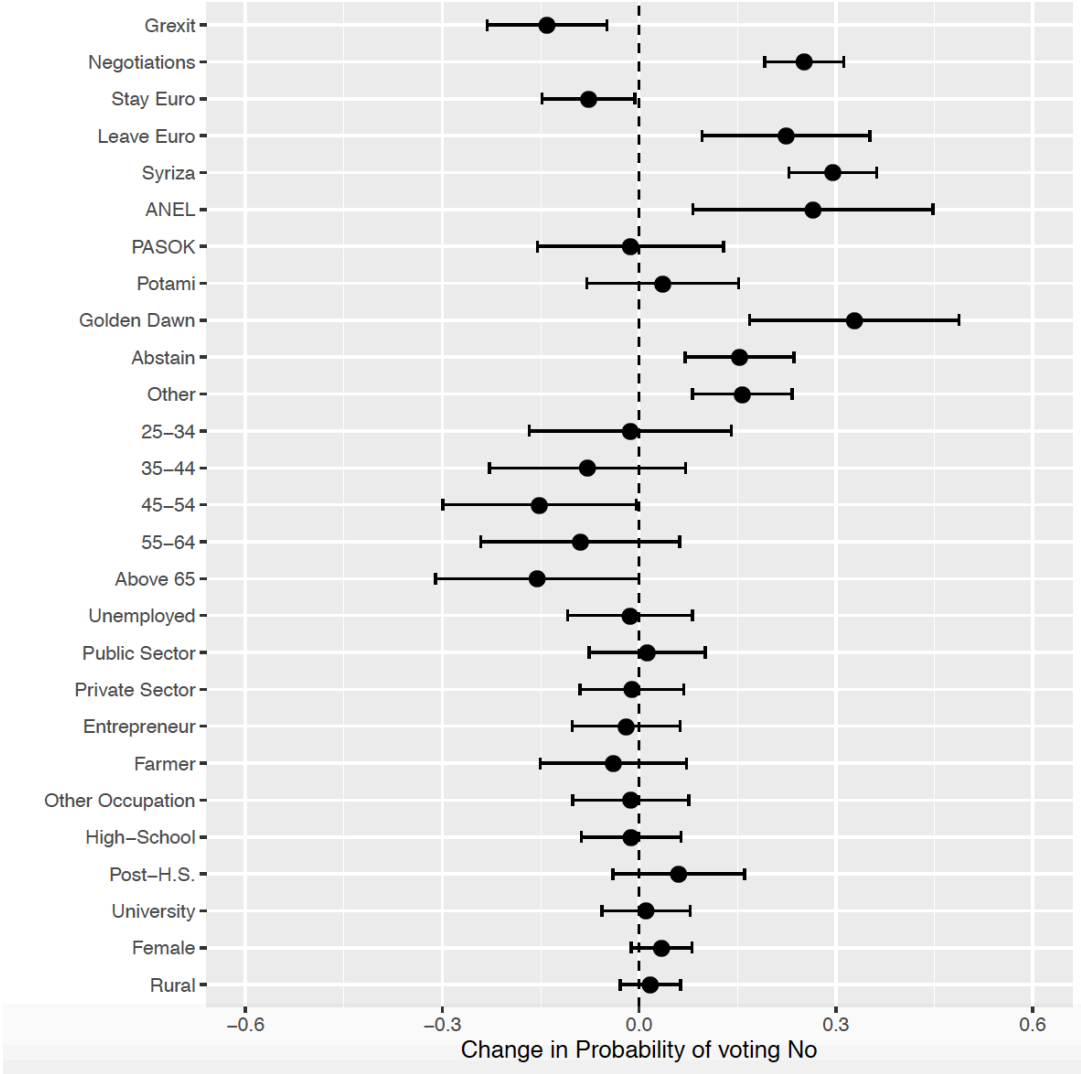
5. Vote choice in the 2015 Greek referendum: The role of expectations

How did expectations about the likely consequences of a non-cooperative referendum outcome influence voting behavior in the 2015 Greek referendum? To answer this question, we gauge the effect of expectations on the referendum vote net from the possible confounders described above by using both regression and data-preprocessing techniques.

Figure 5 shows the results from a regression analysis of vote intentions. It displays the change in the probability of voting “No” as a result of moving from the baseline category to each of the variable values denoted on the vertical axis.³⁵ As predicted by our argument, expectations about the consequences of a No-vote have substantially strong and statistically significant marginal effects on individuals' voting decisions, even after controlling for a range of alternative explanations. All else equal, a switch in expectations from *Grexit* to *New Negotiations* increases the probability of voting No by more than 40%.

³⁵ The full logit regression analysis can be found in the online appendix. The results remain robust when we additionally control for an imputed indicator of nationalism and respondents' evaluation of EU membership.

Figure 5: Determinants of the NO-Vote in the 2015 Greek bailout referendum.



Note: Dots indicate estimates of change in the estimated probability of voting No as we move from the reference category to each category denoted on the vertical axis. Reference categories are: DK/DA (expectations and euro questions); 18-24 age group; pensioner; primary education; male; urban, and *Nea Demokratia* (party preference). Logit regression analysis, 95% confidence intervals.

Not surprisingly, issue preferences and partisanship also mattered. A preference to reintroduce a national currency strongly increased the odds of voting No, whereas a pro-euro attitude reduced these odds (although to a lesser extent). Moreover, we find strong partisan effects: voters of *Nea Demokratia* (the baseline category), PASOK and *To Potami* were all significantly less likely to vote No than voters of the governing parties SYRIZA and ANEL as well as the right-wing Golden Dawn, all of which had campaigned in favor of a No-vote. Substantively, and taking the partisan effects globally, these effects are somewhat larger than in other studies (Hobolt 2007; Hug and Sciarini 2000), suggesting that parties played a

particularly important role in the referendum campaign and that that voters were influenced by their preferred party's recommendation. This is not surprising in this specific context, which was characterized by a polarized campaign, a short decision time of only one week and a complicated referendum question. Nonetheless, the marginal effects of the expectation variables remain large and their magnitude is comparable to the partisan effects.

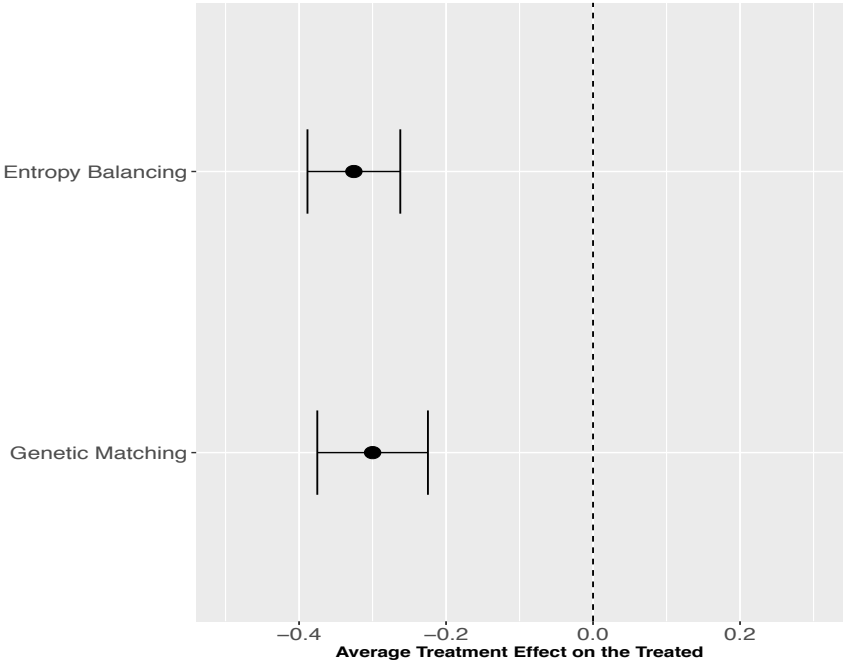
In contrast, material interests and demographics do not seem to matter much once expectations, issue preference, and partisan identification are taken into account. The only exception is age, where older voters are, as expected, more likely to vote Yes than younger voters, who have been hit hard by austerity.

A key issue of concern is, of course, that partisan preferences and expectations are not independent from each other. To examine in more detail whether expectations have an independent effect on vote intentions or whether they are driven by partisanship and other variables such as issue preference, we repeat our analysis using matching analysis. Matching is a method of data pre-processing that allows us to pair "treated" cases with almost identical "control" cases in order to estimate the treatment effects independent of shared confounders (for a review, see Sekhon 2009). In our analysis, this means that each individual who is "treated" with the expectation that a non-cooperative referendum outcome will result in Grexit, is matched to another individual from our dataset who did not expect this outcome (the control category) but who is otherwise almost identical, meaning that he/she voted for the same party, had the same view of the euro and so on.³⁷ Matching analyses thus allow us to compare how different expectations about the consequences of a non-cooperative referendum outcome affect the vote intentions among individuals who are almost identical on all other relevant covariates. The advantage of the matching approach is not only that it allows us to

³⁷ We choose the Grexit option as the treatment status because it leaves the modal category in the control group, thus increasing the pool of control units to be selected for the matching. In the Appendix, we replicate the analysis using the "Negotiations will continue" option as the treatment status, placing the "Grexit" option together with the DKs in the control group. Balance is now worsened, although the treatment effect estimates are substantively identical. We opt for a binary rather than a trichotomous treatment because balance tests for the DK category would be seriously underpowered.

evaluate more transparently the degree of similarity in pre-treatment covariates between control and treated units, it is also less model dependent (Sekhon 2009).³⁹ We employ two methods of data pre-processing, genetic matching and entropy balancing.⁴⁰ Although there are clear imbalances in the observable characteristics of the two groups in the raw data, including key demographics and the two most obvious attitudinal confounders, partisan preferences and attitudes towards the euro, these differences evaporate after the matching process. The matching process thus creates practically identical treatment and control distributions for all covariates, increasing our confidence in the results.

Figure 6: Average Treatment Effect of expecting Grexit on the likelihood of voting No in the Greek Referendum



Note: Black dots denote the Average Treatment Effect on the Treated, with Abadie Imbens standard errors accompanying them. Using these standard errors, the horizontal closed segments indicate the 95% confidence intervals in the case of genetic matching and linearized confidence intervals in the entropy balancing case.

³⁹ Matching only assures balance on observable characteristics. The identifying assumption is that unobserved characteristics of control and treatment observations are similar. We cannot test this assumption, but with matching we can at least be more transparent than with parametric regression techniques about whether there is balance in observed pre-treatment characteristics.

⁴⁰ The first is a nearest-neighbor matching method with balance optimization, the second a generalization of a propensity score weighting approach. For a more details as well as the balance statistics, see the online appendix.

Both matching analyses produce very similar estimates and confirm that expectations about the consequences of a non-cooperative referendum outcome significantly shaped the vote in the 2015 Greek referendum, independently of partisanship or issue preferences. Figure 6 shows that on average and using the Average Treatment Effect on the Treated as our estimand of interest, individuals who expected Grexit in response to a No outcome of the referendum were 32 (entropy balancing) and 30 (genetic matching) percentage points less likely to vote against the proposed bailout package than individuals who believed that a No-vote would result in new negotiations, but who were otherwise identical.⁴³ Thus, the matching analysis confirms that expectations had a substantial effect on vote intentions, which reassures us of the robustness of our results.

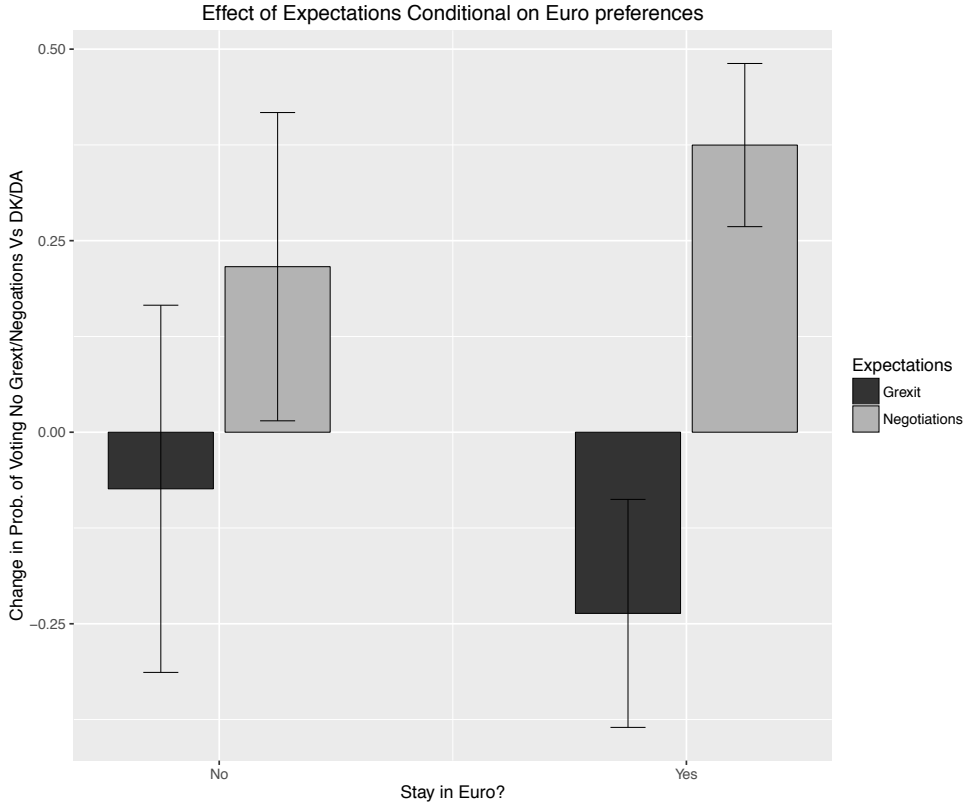
Our analysis so far has centered on the unconditional effect of expectations because a vast majority of Greeks had a clear preference for remaining in the Eurozone. But expectations matter because they guide voters towards a vote choice that is consistent with their preferences. In our case for example, for the majority of Greeks, who wanted Greece to stay in the euro, the expectation that a No-outcome in the referendum would result in Grexit should drive them to vote for the Yes-option. For those, however, in favor of reintroducing a national currency, Grexit would be a desired outcome. Expectations about the consequences of a No-vote should thus matter much less for this latter group because of their embrace of Grexit. To see if this the case and to shed further light on the mechanism driving the effects of expectations on Greek voters' referendum choice, we therefore replicate our regression analysis from Figure 4, to explore the extent to which voters' preferred outcome – staying in or leaving the Eurozone – conditioned the effect of expectations on their vote.

The conditional effects of expectations are shown in Figure 7, which display the change in the predicted probability of voting No as a result of expecting *Grexit* or *new*

⁴³ To examine the sensitivity of our results, we additionally conducted a Rosenbaum test. The results suggest that the likelihood that we are omitting an important unobserved confounder is very small.

negotiations, respectively, compared to those who are undecided. Consistent with our argument, we find that expectations matter greatly for those who want to stay in the euro. If these voters are convinced that a non-cooperative vote will lead to new negotiations, possibly with more leverage for Greece, their likelihood of voting against the bailout package increases by about 38 percentage points. But those who fear that a No-vote would result in Grexit, although they want to stay in the Eurozone, are 23 percentage points less likely to vote against the bailout proposal. In contrast, and as expected, expectations matter much less for those in favor of a return to the national currency.

Figure 7: The Impact of Expectations on the referendum vote varies according to euro preferences.



Note: Bars denote the marginal effect of expectations, given euro preferences, the vertical bars capture the 95% confidence intervals. Regression model contains all covariates shown in figure 4.

Taken together, these findings underscore that voters' expectations about the consequences of a non-cooperative outcome strongly influenced their referendum choice, especially for those voters who wanted to remain in the common currency.

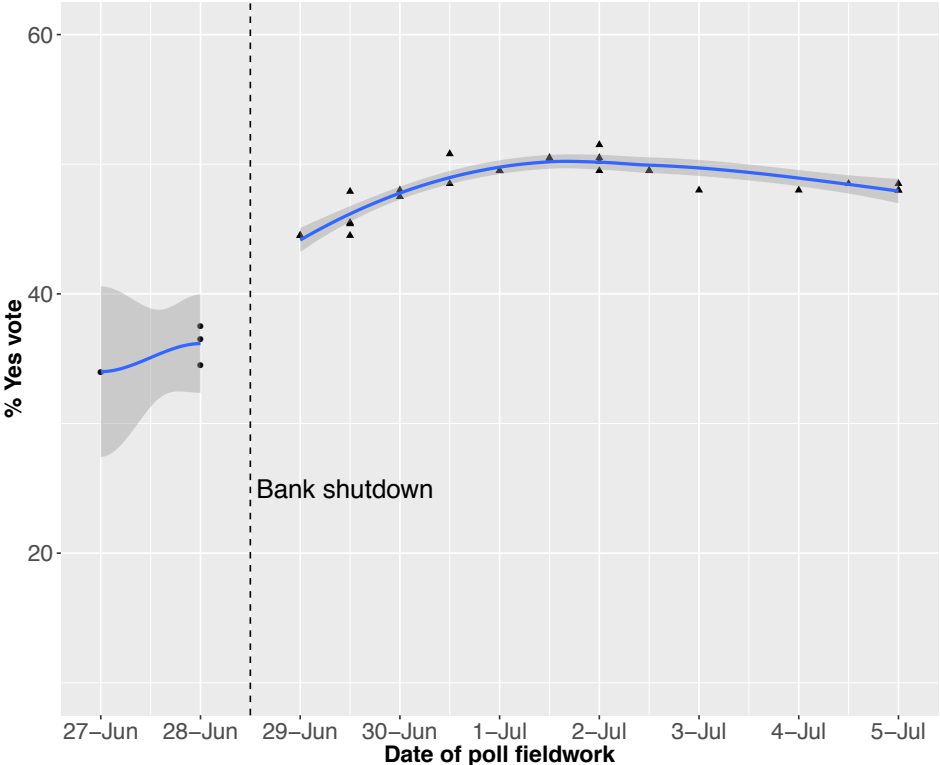
6. Can foreign policymakers influence expectations and the vote?

The 2015 Greek referendum campaign also provides a good environment to examine whether and how involvement by foreign policymakers can influence voters' expectations and ultimately vote intentions in favor of a cooperative vote. As discussed above, foreign policymakers not only issued stark warnings that a No-vote would spell the end of Greece's membership in the Eurozone,⁴⁴ but also took costly measures designed to increase pressure on Greece and signal European policymakers' resolve to punish the country for a non-cooperative referendum outcome. Our argument suggests that such a costly signal should shift voters' expectations towards a more pessimistic evaluation of the consequences of a No-vote, thus decreasing their propensity to vote against cooperation.

To examine how costly signals sent by foreign policymakers affect expectations and vote intentions, we examine how the ECB's decision not to raise ELA assistance and the subsequent decision of the Greek government to close the banks and impose capital controls influenced referendum vote intentions. Our argument suggests that if this foreign intervention indeed served as a credible signal of the creditors' resolve not to accommodate a negative Greek referendum vote, the bank shutdown should increase the propensity of Greek voters to vote for the bailout proposal in the referendum. To test this empirical implication of our argument, Figure 8 uses data from all 33 public opinion polls published during the referendum campaign in Greece to show how the proportion of respondents intending

⁴⁴ To examine the effect of foreign threats, we also analyzed the results of a survey experiment conducted shortly before the referendum campaign that randomly assigned warnings by domestic and foreign policymakers about the consequences of a debt default. The results (included in the online appendix) show that respondents were more willing to repay the debt when exposed to a warning by a foreign policymaker, although this effect depends on whom the policymaker represents. This suggests that foreign threats can be effective.

Figure 8: Effect of bank shutdown on average support for bailout proposal (yes-vote) based on 33 polls on referendum vote intention.



Note: Each dot/triangle represents a poll published during the referendum campaign. The blue curve denotes local average estimates, shaded areas denote 95% confidence bands. Sources for each poll in online appendix.

to vote Yes in the referendum evolved throughout the campaign.⁵³ We classify each poll according to the date of fieldwork and distinguish between polls conducted prior and posterior to the bank shutdown, which was announced in the evening of June 28, becoming effective the next day, June 29.⁵⁴ For each group of polls, we plot a local polynomial smoother that indicates the evolution of public opinion during each phase. As expected, the announcement of the bank closure and capital controls had a significant effect on vote intentions. In line with our argument that a costly foreign signal should increase support for a cooperative vote, the bank shutdown bumped up vote intentions in favour of the bailout package by approximately 10 percentage points, thus bringing the predicted outcome to a much narrower margin.

⁵³ We plot the percentage of Yes-voters over all voters that declared an intention to vote Yes or No. For a list of polls used, see the online appendix.

⁵⁴ For those cases where the date of fieldwork was not available, we take the date the poll was published. When a poll was conducted over two days, we consider the fieldwork was conducted between both days. No poll was conducted both before and after the announcement of the bank shutdown.

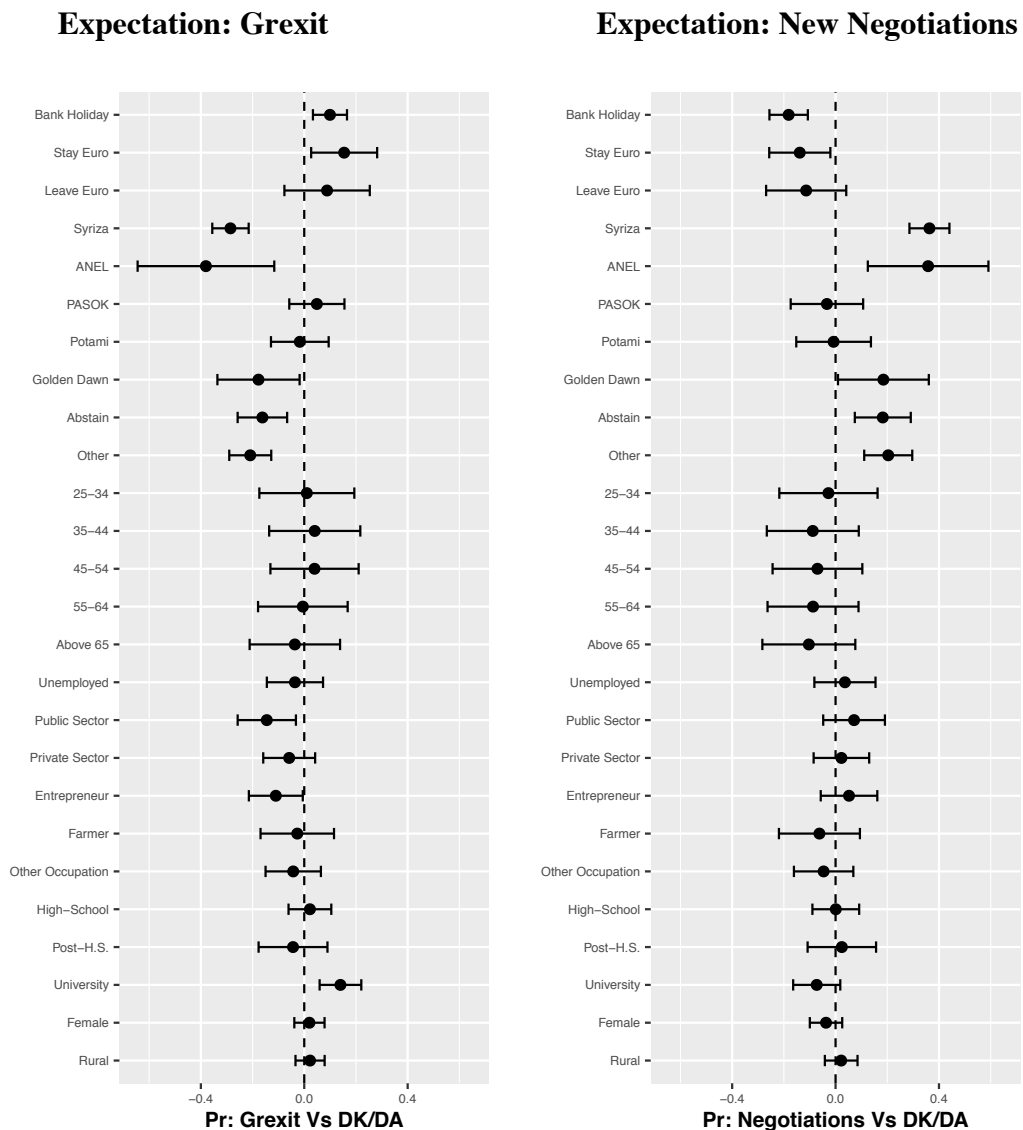
Although this did not ultimately change the outcome of the referendum, which was still rejected with only 39% Yes-votes, this is a fairly substantial increase in average vote intentions, which would have been able to sway the vote in a closer race.

To corroborate this finding, we asked voters in our referendum survey if they had changed their vote intention as a result of the bank shutdown. About one fifth (21%) of all voters answered affirmatively. The majority of those who changed their vote intention because of the bank closure, switched to a Yes-vote (12.3% of all voters). Some voters (4.9% of all voters) became undecided, and a few voters (3.8% of all voters) hardened their position and switched towards a No-vote. This latter group illustrates that costly signals sent by foreign policymakers can also backfire, pushing voters towards a non-cooperative vote. Nonetheless, the net effect is positive, and these individual-level results correspond closely with the average 10 percentage point increase in Yes-vote intentions that we saw in the analysis of all polls shown in Figure 8.

Our argument suggests that foreign signals influence the vote because they affect expectations about the likely foreign reaction to a non-cooperative referendum outcome. In the last step of our analysis, we examine this prediction empirically, testing whether the bank holiday predicts expectations about the consequences of a No-vote in the referendum. For this analysis, our dependent variable, *expectations*, is trichotomous (respondent expects Grexit, new negotiations, or does not know/answer). We therefore employ a multinomial logit regression model, where those that “did not know/answer” serve as reference category. This allows us to investigate whether shifts to and from this category can be attributed to the bank closure after controlling for all the covariates included in the previous analyses.⁵⁶

⁵⁶ The full multinomial analyses is displayed in the online appendix (table A.3). To mirror the previous analyses, we also conducted matching analyses. We again obtain substantively identical estimates of the effect of the bank closure on expectations (figures A.4 and A.5 in online appendix). Both approaches produce near-to-perfect balance and similar ATT estimates.

Figure 9: Determinants of Expectations about the Consequences of a No-vote.



Note: Dots indicate estimates of change in the estimated probability of expecting Grexit (left panel) or new negotiations (right panel), compared to the “don’t know/no answer” category based on multinomial logit regression analysis, with 95% confidence intervals. Reference categories of the predictors are the same as in Figure 5.

Figure 9 shows the determinants of respondents’ expectations about the consequences of a No-vote. In line with our findings on the determinants of the vote intention, our results show that both partisan attachments and euro preferences influence these expectations. Sociodemographic variables, such as education and occupation, also seem to matter. The most relevant result, however, is that after controlling for all these influences on voters’

expectations, the bank closure also affects people's expectations. Those who changed their vote intention because of the bank shutdown were significantly less optimistic about the likely foreign response to a No-vote: Substantively, the bank shutdown reduces the predicted probability of expecting new negotiations by almost 20 percentage points.⁵⁸ At the same time, the bank shutdown is associated with an increase in expectations that a No-vote would push the country towards Grexit by almost 10 percentage points. The strategy of European policymakers not to accommodate Greece's new financing needs during the referendum campaign thus succeeded in making some voters more pessimistic about the likely consequences of a No-outcome in the referendum⁵⁹.

Overall, these results demonstrate that the European policymakers' decision to take a hard line on Greece did indeed convince some voters that they would not accommodate a negative referendum outcome, increasing Greek voters' propensity to support the bailout proposal. Yet our results also demonstrate the difficulties associated with this strategy. Despite the huge cost that the ECB's decision generated, both for Greece and the other European states, this foreign intervention did not sway enough voters to change the referendum outcome. Our analysis thus suggests that while international actors can indeed affect expectations in referendum campaigns through costly signals, this influence has its limits.

7. Conclusion

In recent years, popular referendums about questions of international cooperation and supranational integration have posed an increasing challenge to European integration. What unites these referendums is that a direct democratic vote that rejects further cooperation or reverses existing levels of cooperation affects not just the referendum country, but is costly

⁵⁸ For both the analysis on vote intention and expectations, we also explored interactive effects between the bank shutdown and partisan variables, but did not find any evidence for an effect.

⁵⁹ In the online appendix, we present causal mediation analyses to account for the effect of the bank shutdown on the vote through expectations.

for other countries as well. At the same time, the response of the other countries to such a negative referendum outcome shapes how the vote will ultimately play out for the referendum country. In this strategic setting, foreign policymakers have incentives to warn domestic voters about a harsh foreign reaction to a non-cooperative referendum vote in order to induce them to vote cooperatively.

Our paper has explored one aspect of this strategic setting, focusing on how voters' expectations about foreign reactions to a non-cooperative referendum outcome shape vote intentions, and whether foreign policymakers can influence these expectations. Leveraging survey data from the 2015 Greek bailout referendum, a referendum in which the stakes of other countries were particularly high, we showed that expectations about the likely consequences of a No-vote had an unusually large impact on vote choice. Voters more optimistic about the foreign response were much more likely to vote non-cooperatively, than voters expecting a harsh foreign reaction were much more likely to cast a Yes-vote. Our analysis also suggested that foreign policymakers were able to influence these expectations among some voters by sending a costly signal (cutting Greece off from additional financing) about their determination not to accommodate a non-cooperative referendum outcome. Our paper thus contributes to unpacking the popular dynamics and strategic interactions in the 2015 Greek bailout referendum, a fascinating and important instance of a foreign policy referendum with large potential consequences for other nations

Our results point to a number of open questions that future research should investigate: how are signals and statements by foreign policymakers received in different contexts? How costly do such signals have to be in order to sway voters in favor of supporting new or continued cooperation? And, moving up one level of analysis, (how) do policymakers anticipate and respond to the expected reactions of other countries and the feedback effects between their actions and expectations?

More generally, this paper contributes to a better understanding of the mass politics of international cooperation. While the role of the mass public in creating new international agreements has been studied in detail, the spillover effects of popular rejections of new or existing forms of cooperation and integration on other countries, and the role of foreign interventions in domestic elections and referendum campaigns have so far received much less attention. Yet, as these spillover effects are growing, especially in highly integrated countries such as the member states of the European Union, the stakes other countries have in the outcome of domestic referendums and elections is equally growing. This is most vividly demonstrated by the vast consequences of the pro-Brexit vote in the 2016 UK referendum for the remaining 27 EU member states, but is also evidenced by the strong interest abroad in the 2017 French elections. In this setting, the interaction of policymakers not only with their own publics, but also with voters abroad is becoming increasingly salient, raising important questions with regard to international cooperation, democracy, and national sovereignty, which open new and exciting avenues for future research.

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