Economic voting and constraints on government accountability:

Are small, open and integrated countries different?

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Abstract

Voter assignment of responsibility to the government is a key linkage between the economy and political outcomes. Yet in an increasingly interwoven world, domestic decision-making is heavily influenced by external forces, processes and actors, suppressing the propensity of voters to hold incumbent authorities responsible for economic realities. This paper examines how external constraints on government accountability for economic outcomes influence economic voting. Specifically, it focuses on three constraining factors: economic openness, country size, and the extent to which governments share economic responsibility with supranational or multilateral institutions. The paper argues that in small countries with open, highly integrated economies, the ability of national governments to pursue economic policies is severely curtailed, potentially leading to lower levels of accountability attribution. These expectations are tested on a heterogeneous sample of more than 77,000 voters from 24 European countries from before, during and after the period of the worldwide economic crisis. The findings demonstrate that electoral punishment is indeed diminished in small and open economies, which are more vulnerable to external shocks and where political leaders have less control over economic policy making.

Introduction

It is well established that voter evaluations of political incumbents are influenced by economic considerations. Voters reward government parties for strong economic performance and punish them when the economy is doing poorly. However, the effect of economic perceptions on incumbent support has been found to vary extensively across countries, elections and over time. This has led students of voting behavior to examine various contextual factors which condition the effect of the economy on incumbent support.

Central to the contextual turn in economic voting studies is the understanding that voter assignment of responsibility to the government is a key linkage between economic conditions and voters' decisions (Fiorina 1981, Lewis-Beck 1988). Governments differ greatly in the degree to which they are constrained in pursuing economic policies (Powell and Whitten 1993). To the extent that voters are aware of such limitations, we would expect their propensity to hold incumbent authorities responsible for economic outcomes to reflect the magnitude of the constraints faced by their governments.

The constraints on government accountability for economic outcomes fall into two broad categories. The first relates to the domestic political and institutional context, while the second focuses on external constraints arising from exposure to the global economy. While the effects of the domestic political and institutional set-up have been examined quite extensively (Powell and Whitten 1993; Whitten and Palmer 1999; Anderson 2000; Duch and Stevenson 2005; Fisher and Hobolt 2010; Hobolt, Tilley, and Banducci 2013), the literature on external constraints is more recent and more limited, oftentimes focusing somewhat narrowly on the electoral implications of exposure to international trade. Although the bulk of the evidence so far suggests that high levels of trade exposure suppress economic voting (Hellwig 2001; Hellwig and Samuels 2007; Duch and Stevenson 2010), there is no consensus on this issue yet as some studies suggest this is true only for certain economic considerations and some subsets of individuals and countries (Hellwig 2001; Fernández-Albertos 2006).

This paper contributes to the literature on the domestic consequences of globalization by focusing on three constraining factors on government econsmic accountability: economic openness, country size and the extent to which the national government shares economic responsibility with supranational or multilateral institutions in a system of multilevel governance. By extending the components and measures of economic integration beyond international trade, the study provides a rigorous test to previous findings. The paper argues that in small countries with open, highly integrated economies, the ability of national governments to pursue policies influencing economic outcomes is severely curtailed. If the assumption that voters are aware of such constraints and take them into account when assessing incumbent performance is correct, we should find more pronounced economic voting in large countries that are less exposed to the world economy and less integrated into

regional systems of multilevel governance compared to countries that are small, highly exposed and strongly integrated.

The study uses data on 24 European countries from 2004, 2009, and 2014, with a total of more than 77,000 voters to test these expectations. The cross-sectional time-series approach enables us to cover a large variety of economic and political conditions and to provide a robust systematic test of the globalization consequences on domestic politics. The results confirm some of our expectations derived from the existing literature on external constraints on government accountability. As hypothesized, the effect of economic perceptions on incumbent support in Europe is affected by a country's size and its exposure to international trade. However, there is no evidence that economic effects are mitigated by integration to multilevel governance. On the contrary, voters from countries that amid the severe financial troubles were forced to participate in international bailout programmes, conditional on the implementation of painful austerity measures, executed stronger punishment of political leaders than voters from countries that received no bailout loans.

The paper is structured in four sections. The first provides a brief overview of the recent contextual turn in economic voting studies, focusing on clarity of responsibility as a necessary link between economic perceptions and incumbent evaluations. It then develops three hypotheses, focusing on the constraining effects of economic openness, smallness and multilevel governance, and presents a rationale for each of these. The second section describes the data used for this analysis and explains how our key concepts will be measured. The third section presents descriptive statistics and presents the results of a multivariate analysis. The final section summarizes the findings and discusses their implications.

Economic voting and external constraints on government accountability

Over the last fifty years, economic voting has become a firmly established paradigm in studies of voting behavior. The overarching argument of the theory of economic voting is that under poor economic circumstances voters tend to punish the incumbents by not voting for them (Campbell et al. 1960; Key 1966; Kramer 1971; Fiorina 1981; Lewis-Beck 1988). The positive relationship between economic performance and incumbent support holds both at the individual and aggregate level of analysis. At the macro level, indicatros such as GDP growth, unemployment and inflation rate are typically correlated with incumbent support, whereas individual-level studies rely on survey data and examine how subjective perceptions of how the economy is doing affect the support for governing parties. The existing literature suggests that when evaluating incumbent performance, voters give more weight to country's overall economic situation rather than their own personal financial situation

(Kinder and Kiewiet 1981; Kiewiet 1983) and that they are more influenced by retrospective evaluations than by prospective ones (Fiorina 1981).

The realization that the extent to which voters punish governing parties for poor economic performance varies notably across countries and elections has prompted the so-called contextual turn in economic voting. At the center of this new interest in contextual determinants has been the question of whether and how vote and popularity functions are conditioned by differences in the magnitude to which governments can reasonably be held accountable for economic outcomes. It is now widely understood that various domestic and international circumstances blur incumbent responsibility for economic performance (Powell & Whitten 1993).

One strand of this reasoning focuses on the domestic political context and institutional set-up. A number of studies have demonstrated that the effect of the economy on incumbent support is influenced by differences in electoral and party systems, cabinet composition, and government ideology (Powell and Whitten 1993; Whitten and Palmer 1999; Anderson 2000; Duch and Stevenson 2005; Fisher and Hobolt 2010; Hobolt, Tilley, and Banducci 2013). Another strand of the literature examines international constraints on government responsibility for economic outcomes. It is suggested that globalization, internationalization and economic integration constrain government ability to pursue economic policies and, consequently, diminish government responsibility for economic outcomes. The central argument is straightforward. As economies have become increasingly interlinked and interdependent, the capacity of elected policy makers to shape macroeconomic realities decreases. These developments blur voter ability to assign responsibility for economic outcomes, and the tendency to hold governments accountable for poor economic performance is muted (Hellwig 2001; Fernández-Albertos 2006; Hellwig and Samuels 2007; Duch and Stevenson 2010).

This paper focuses on three types of external constraints on government responsibility for economic outcomes: economic openness, country size, and incorporation in regional systems of multilevel governance. The following section summarizes the key arguments and relevant empirical findings of previous studies pertaining to each of these factors before presenting the hypotheses that will be empirically tested in this study.

Economic openness

Scholars have been increasingly concerned with the political and electoral consequences of global market integration (for an overview, see Kayser 2007). Transnational exchange of capital, goods and services has increased significantly over the recent decades, and in most countries international trade accounts for a significant share of the gross domestic product. International economic integration has been accompanied by an emphasis on liberalization,

deregulation, and privatization, which has strengthened market forces within the domestic economy and reduced governmental control over economic outcomes. As the result of global economic interconnectedness, macroeconomic performance of developed countries has become highly correlated. Economic openness also implies greater vulnerability to external shocks. In the age of globalization, economic crises can quickly become contagious: instability in one country can spill over to a regional or global crisis, as amply illustrated by the financial crisis of 2007-2008 and the ensuing Great Recession.

A number of studies have addressed the question of whether and how economic openness affects the calculus of voting. The results have been mixed. Early studies on the topic found no direct connection between economic openness and economic voting (Lewis-Beck 1988, 104–06). More recent studies, however, have lent considerable support to the proposition that exposure to the world economy reduces the propensity of voters to punish incumbents for poor domestic economic performance. Employing data from the Comparative Study of Electoral Systems (CSES) collected during 1996, 1997, or 1998 in nine advanced democracies, Hellwig (2001) was among the first to demonstrate that where international economic integration is high, economic performance has a smaller effect on the vote. Fernández-Albertos (2006) used Eurobarometer data from 1997 to examine the relationship between vote intention and perceived economic performance in 15 European democracies. The results suggest that the effects of general economic considerations are not conditioned by economic openness. However, the relationship between employment expectations and the vote is influenced by levels of exposure to international trade, albeit only under left-wing governments. The hypothesis that open economies, which are more subject to exogenous economic shocks, have a smaller economic vote is confirmed by Duch and Stevenson (2010) who use time-series data from 19 countries over the period of 1979–2005. The study also demonstrates that voters are able to gauge the extent to which economic shocks are the result of incumbent competency as opposed to exogenous shocks to the economy. The most comprehensive test on the topic to date covers 560 elections in 75 democracies over 27 years and also concludes that exposure to the global economy weakens connections between economic performance and support for political incumbents (Hellwig and Samuels 2007). Building on this literature, we postulate our first hypothesis:

H1: Higher economic openness reduces economic effects on support for national incumbents.

Country size

In addition to economic openness, smallness constitutes another major constraint on government economic responsibility: small states are not able to equally influence their national economies. Smallness is a common condition. Roughly forty percent of the world's

over 200 sovereign states have populations of five million people or less, and over a quarter have populations under two million. Small states have several features that reduce government responsibility for economic outcomes. Small countries typically rely heavily on external trade and foreign investment to overcome their inherent scale and resource limitations. Trade-to-GDP ratios are much larger in smaller countries compared to larger economies with similar location and policies. On average, small states also have lower trade barriers. While small states depend on international trade to a greater extent than any other group of countries, they have very limited opportunities to influence the rules that govern trade (Jones, Deere-Birkbeck, and Woods 2010). They have little bargaining power, limited institutional capacity and small budgets (Baker 1992). Because their markets are small, they are not in a position to offer negotiating partners favorable market access concessions, and may face coercive threats by bigger powers (Jones, Deere-Birkbeck, and Woods 2010). In short, small states are rule and price takers rather than setters on the global markets (Katzenstein 1985).

While small states are not, on average, poorer than large states (Easterly and Kraay 2000), their open economies are much more vulnerable to shifts in the world economy than their larger counterparts. Vulnerabity is defined in terms of "inherent features which render countries exposed to external shocks, including high degrees of trade openness, exacerbated by high degrees of export concentration and dependence on strategic imports" (Briguglio 2014). The greater vulnerability of small states, particularly island nations, is confirmed by various vulnerability indeces (Briguglio 1995, 2014; Crowards 1999; Atkins, Mazzi, and Easter 2001; Briguglio and Galea 2003). Greater vulnerability means that in small states, levels of output, growth and revenue, as well as employment and inflation rates are more volatile than in large states. Easterly and Kraay (2000) demonstrate that the volatility in terms of trade shocks experienced by small states is much greater than for larger states. Vulnerability is increased by a limited ability to maneuever that stems from a narrow production base, big government (arising from diseconomies of scale), and often relatively high levels of public debt. In addition, small states are more likely to peg their exchange rates to another currency. While currency boards offer certain advantages to small open economies, they deprive countries of the ability to set monetary policy according to domestic economic considerations.

These findings should have clear implications for economic voting. When changes in macroeconomic conditions are primarily caused by external shocks and when government ability to pursue policies influencing macroeconomic realities is limited, we would expect citizens to be less likely to hold governments accountable for economic outcomes. Based on the above, we propose the following hypothesis:

H2. Economic effects on support for national incumbents are less pronounced in small countries.

Multilevel governance

The third type of external constraints considered in this paper stems from membership in multilateral regional arrangements that reduce the control of national governments over economic policy decisions. The European Union (EU) represents the most far-reaching example of regional integration in the world, having created a customs union, a single market and a monetary union. Although not formally a federation, the EU has many features of a federal state (Kohler-Koch 1996; Hooghe and Marks 2003). The complexity of the EU multilevel system of governance means that European voters face significant challenges when attributing responsibility for economic outcomes (Hobolt and Tilley 2013).

Responsibility for most areas of economic policy in the EU is shared between European institutions and national governments. The constraints on government accountability associated with multilevel governance in the EU are particularly stark for countries that belong to the eurozone, currently 19 of the 28 EU member states. The single monetary policy of the eurozone is exclusively exercised by the European Central Bank (ECB) with the goal of ensuring price stability within the euro area as a whole. Other economic policy areas, such as fiscal and tax policies, are also increasingly closely coordinated and monitored by European institutions. The recent financial and economic crisis has accelerated the evolution of a new rule-bound system of economic governance in the euro area. Based on the emerging norm of responsibility to the collective and backed by a strong regulatory framework including sanctions, this emerging system provides for greater intrusion of external actors in the domestic politics and governance of the euro states (Laffan 2014).

The recent crises have highlighted another dimension of external constraints on economic policy decisions. Government ability to steer the national economy is particularly limited in the eurozone countries that received financial assistance from the EU, the IMF, or the World Bank. Amid severe economic collapse and record-high levels of budget debt and deficit, eight euro area countries were forced to seek international bailout deals: Cyprus, Greece, Hungary, Ireland, Latvia, Portugal, Romania, and Spain. These disbursements were strongly conditional on policy achievements in fiscal consolidation. The countries were forced to impose rigorous austerity measures and structural reforms in order to restore financial stability and to return to sustainable growth. Consequently, the bailout countries were more constrained in managing national economicies as they were subject to much higher scrutiny from external institutions (Okolikj and Quinlan 2016).

The blurring of responsibility that stems from regional economic integration and multilevel governance has been noted by students of economic voting. Using survey data on Southern European countries, Costa Lobo and Lewis-Beck (2012) report that a heightened perception of the economic responsibility of the EU reduces the magnitude of the national economic

vote. Hobolt and Tilley (2013) examine the question of how voters attribute responsibility in the EU using survey data from 2009 for 27 member states. They find that citizens' responsibility evalutions do, to a significant extent, reflect the actual distribution of responsibilities in the EU multilevel, 'variable geometries' system. More specifically, citizens in countries not belonging to the eurozone were found to attribute significantly less responsibility to the EU in the area of economic policy making than citizens within the eurozone. Contrarily, citizens in the eurozone countries attribute more responsibility to the EU than their national government in general and monetary policy making in particular.

Building on the discussion above, we expect economic voting to be less pronounced in countries that belong to the eurozone compared to those that do not. Following a similar logic, we expect economic effects to be less intense in countries that received financial bailout form international roganizations. These expectations lead to the following hypothesis:

H3. Higher levels of integration in a system of multilevel economic governance reduce economic effects on support for national incumbents.

Data and method

To empirically test the globalization effects on economic voting, we employ quantitative analysis of both micro and macro-level data. The individual-level data are obtained from the three most recent waves of the European Election Studies (EES) Voter study in 2004 (Schmitt et al. 2009), 2009 (Egmond et al. 2011), and 2014 (Schmitt et al. 2015). The EES Voter study is a cross-national comparative post-election survey of all EU member states, with a nationally representative sample of around 1,000 respondents aged 18 and over in each country. The questionnaires include identical items on voters' economic perceptions as well as other political and demographic variables relevant for this analysis. With a total sample of 77,531 respondents, we include 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 United Kingdom.

The dependent variable in the analysis is incumbent support, operationalized as vote intention for incumbent Prime Minister's (PM) party in next national elections. Previous studies have shown that in multiparty systems, the head-of-government's party is held more accountable by voters for economic performance than any other coalition member (Duch and Stevenson 2010; Fisher and Hobolt 2010; Debus, Stegmaier, and Tosun 2014), supporting our choice to consider PM party the primary target of retrospective voting. To measure vote intention, respondents were asked which party they would vote for if there were a general election the following day. The answers were recoded as 1 for the PM party

in office and 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 were excluded from the analysis.

The main independent variable of interest is perceptions of economic performance. Respondents were asked to retrospectively evaluate the economic situation in their country compared to 12 months previous using five answering categories: 1=a lot worse, 2=a little worse, 3=same, 4=a little better, and 5=a lot better. By using this measure of economic evaluations, we follow a prominent tradition in economic voting research (see Lewis-Beck 1988).

For aggregate-level variables we employ two indicators to operationalize each of the three central theoretical concepts, including economic openness, country size, and incorporation in regional systems of multilevel governance. In order to gauge economic openness, we rely on two widely used indicators: international trade as a percentage of GDP and foreign direct investment net inflows as a percentage of GDP. The trade-to-GDP ratio reflects exposure to and integration with the world economy, with small countries generally being more integrated, and indicates the degree of dependence of domestic producers on foreign markets (OECD 2013). Foreign direct investments (FDI) inflows refer to all direct investments by non-residents in the reporting economy at a given time (*Ibid.*). Country size is measured in terms of the total population (million people) and the size of the economy (nominal GDP in billions of US dollars). For population and economic indicators, we use World Bank data for a year previous to the EES Voter study fieldwork year. To measure the extent to which national governments share responsibility for economic policy with supranational and intergovernmental institutions, we include dummy variables for eurozone membership (12 countries in 2004, 15 in 2009 and 17 in 2014), as well as one for bailout countries (none in 2004, 2 countries in 2009 and 5 in 2014). In order to improve the normal distribution of variables, logarithmic transformation was used for population, GDP, trade and FDI ratios before modeling.

In addition, we include a number of control variables. At the individual level, we control for respondent's ideological orientation (measured as the distance between respondent's position and perceived PM party's position on a left-right scale, where 0=left, 10=right), self-assigned social class (1=working class, 2=middle class, 3=upper class), frequency of religious attendance (1=several times a week, 2=once a week, 3=few times a year, 4=once a year or less, 5=never), age (in years), gender (1=male, 2=female), and education (age when stopped full-time education, 1=still studying, 2=up to 15 years, 3=16-19 years, 4=20 years or more). Aggregate-level control variables include electoral cycle, measured as cabinet time in office (in months). For this variable, logarithmic transformation was used because we expect its relationship with incumbent support to be nonlinear. The wording of all questions and frequency distribution of variables appear in Appendix A.

Due to the hierarchical nature of the cross-sectional time-series survey data, we opt for multilevel analysis to test our hypotheses. This approach accounts for the fact that respondents are clustered, which may cause underestimation of standard errors (Luke 2004). In addition, multilevel modeling is appropriate when the interest lies in contextual effects on individual-level outcomes (Steenbergen and Jones 2002). We define two levels of analysis: individuals (level 1) are nested in country-years (level 2). This yields 66 units at the higher level. Alternatively, citizens could be considered nested in countries (24 units). However, our study includes data from 2009, a year of steep economic recession, when both political and economic conditions differed significantly from these in other years. For this reason, we consider it necessary to account for the possibility that variables are time-varying within countries. Moreover, using 66 level-2 units helps us to avoid methodological problems arising from limited number of higher-level units. We estimate models with random slopes for economic perceptions, as previous studies indicate large variation in economic effects between countries (for an overview, see Stegmaier and Lewis-Beck 2013). The scores of individual-level interval predictors were centered around country-year means; at the country-year level raw variables were used (for variable centering and its implications, see Snijders and Bosker 2011; Tabachnik and Fidell 2012).

Empirical results

Before turning to hypothesis testing, we provide a brief overview of the descriptive results. The average support for incumbent PM party in the data pool of 72 surveys is 18.8%. 50% of all respondents indicate vote intention for some other party, and the preference of 31.3% remains unknown (incl. don't know, refused, would not vote, would spoil the vote or vote blank, and missing answers). Incumbent support reflects relatively stable patterns across survey years: 19.6% of all respondents in 2004, 19.2% in 2009 and 17.6% in 2014 would vote for the PM party in office. However, variation is quite remarkable across countries, with lowest scores in Czech Republic (12.5%) and highest in Luxembourg (42.9%). An intraclass correlation for a null-model (not reported) indicates that 17% of the variation in incumbent support is explained on the country-year level, strengthening the case of using a multilevel design.

National averages for economic perceptions vary notably as well. The proportion of pessimistic economic perceptions remains just below 30% in Denmark, but reaches 70.2% in Italy. Similarly sharp fluctuations appear in temporal comparison: 37% of respondents evaluated the national economy negatively in 2004 and 34.3% in 2014, but in 2009 the proportion of negative assessments jumped to a remarkable 78.6%. At the individual level, there is a positive correlation between incumbent support and economic assessments. The additive multilevel logistic model, which includes only an economic predictor and control variables (see Appendix B), demonstrates that the probability of incumbent vote is 13%

among respondents who consider the economy much worse compared to 12 months previous and almost three times as high (35%) among those who consider it much better. However, the extent to which economic perceptions influence incumbent support differs significantly across country-years (σ^2=0.60).

Moving on to statistical testing, we estimate a series of logistic multilevel models of incumbent support. Each model includes an economic predictor, control variables, and a cross-level interaction term. In other words, we expand our analyses by interacting subjective perceptions of the state of the economy with six different level-2 indicators in order to detect the extent to which economic accountability co-varies with country size, economic openness and multilevel governance. These six aggregate-level variables are correlated with one another: smaller countries tend to have higher scores of economic openness (see Appendix C). In order to avoid multicollinearity, we therefore run a separate model for each crosslevel interaction term.

The results are presented in Table 1. Each of the six models includes one multiplicative term where economic evaluations are interacted with one of the measures of smallness, openness or multilevel governance. Testing our first hypothesis, which focuses on global economic integration, Model 1 in Table 1 indicates that levels of international trade significantly influence economic voting. The higher the trade-to-GDP ratio in a country, the less accountable national incumbents are held for macroeconomic conditions. These tendenices, however, are not confirmed in Model 2, which uses the indicator of FDI to measure economic openness. The interaction effect does not appear statistically significant in the model. Thus, we only find partial confirmation to the expectation that greater exposure to and integration with the world markets suppress economic voting.

Models 3 and 4 in Table 1 test our second hypothesis, according to which we expect to witness less electoral punishing for economic outcomes in smaller countries. This expectation finds strong support in the analysis: both the size of the nominal GDP and total population have a significant positive effect on economic accountability. The results provide solid evidence that retrospective voting is less pronounced in small countries, which are more vulnerable to external shocks and where national governments are more curbed by international constraints in their ability to steer economic policies. In countries like these, voters are less likely to hold incumbents accountable for the poor state of the economy.

Table 1. Multilevel interaction models for incumbent support

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Intercept	-5.23***	1.39	-0.25	-1.36	-2.77***	-2.62***
	(1.19)	(4.56)	(1.34)	(1.91)	(0.22)	(0.18)
Individual-level variables						
Economic perceptions	1.57***	0.90	-1.04**	-1.20*	0.33***	0.34***
	(0.39)	(1.52)	(0.42)	(0.61)	(0.06)	(0.04)
Left-right self-placement	-0.44***	-0.44***	-0.44***	-0.44***	-0.44***	-0.44***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Social class	0.30***	0.30***	0.30***	0.30***	0.30***	0.30***
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Religious attendance	-0.13***	-0.13***	-0.13***	-0.13***	-0.13***	-0.13***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Age	0.01***	0.01***	0.01***	0.01***	0.01***	0.01***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Gender	0.13***	0.13***	0.13***	0.13***	0.13***	0.13***
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Education	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Aggregate-level variables						
Cabinet time in office	0.05	0.06	0.04	0.02	0.04	0.05
	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Trade	0.57**	-	-	-	-	-
	(0.26)					
FDI	-	-0.88	-	-	-	-
		(0.98)				
Population	-	-	-0.15*	-	-	-
			(0.08)			
GDP	-	-	-	-0.05	-	-
				(0.07)		
Eurozone membership	-	-	-	-	0.24	-
					(0.24)	
Bailout country	-	-	-	-	-	-0.29
						(0.40)
Cross-level interactions						
Economic perc. X Trade	-0.27***	-	-	-	-	-
	(0.08)					
Economic perc. X FDI	-	-0.12	-	-	-	-
		(0.33)				
Economic perc. X Population	-	-	0.08***	-	-	-
			(0.03)			
Economic perc. X GDP	-	-	-	0.06**	-	-
				(0.02)		
Economic perc. X Eurozone	-	-	-	-	0.05	-
					(0.08)	
Economic perc. X Bailout	-	-	-	-	-	0.21
						(0.14)
Country-year-level random effecs	0.58	0.58	0.57	0.57	0.57	0.59
Log likelihood	-18708.06	-18709.96	-18703.58	-18702.72	-18706.89	-18711.99
Number of country-years	66	66	66	66	66	66
Number of respondents	39,664	39,664	39,664	39,664	39,664	39,664

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 ideology and age are centered around country-year mean. *$***p<0.01$ $**p<0.05$ $*p<0.1$*

Source: EES Voter study for 24 countries from 2004, 2009 and 2014, and the World Bank. Authors' calculations.

Lastly, Models 5 and 6 in Table 1 examine our third theoretical expectation, which concerns economic voting in multilevel governance. But contrary to our hypothesis, these multilevel models provide no confirmation of integration in a system of multilevel economic governance conditioning the individual-level relationship between economic perceptions and incumbent support. Interaction terms in both models lack statistically significant effects. In the data pool of all 72 cross-sections, rewarding and sanctioning of incumbents for economic performance does not seem to be less intense in countries that belong to the euro area or that have received financial aid from international organizations.

The latter results contradict what theoretical considerations and the bulk of empirical evidence led us to expect. Therefore, we decide to check the robustness of these results and run a few additional tests. Firstly, focusing on financial bailout, we replicate the analysis using only surveys from 2009 and 2014, while dropping data from 2004, which does not include any bailout countries. We estimate a model which in all other aspects is similar to the ones used earlier, with individuals nested in country-years and economic effects allowed to vary across both levels of analysis. The selection of control variables remains the same. In this model, the product term between the bailout variable and economic perceptions appears significant at the 90% confidence level (see Appendix D). However, the results are in an opposite direction to that proposed in our hypothesis. Contrarily to what we expected, economic voting is *more* pronounced in countries that have participated in bailout programs in comparison to those that have not.

We repeat the analysis once more, opting for a simple logistic regression model, where, in order to account for the possibility that the hierarchical structure of data leads to reported standard errors being too small, we utilize robust clustered standard errors. Additionally, country and year dummies are used as a control for unobserved heterogeneity. The results point to significant differences between bailout and non-bailout countries in the extent to which economic assessments shape the willingness to vote for the governing party (see Appendix E), but, again, in an opposite direction than hypothesized. Average marginal effects (not reported) demonstrate that one-unit change in economic evaluations increases the likelihood of incumbent vote by 5 percentage points in non-bailout countries and by twice as much, 10 percentage points, in states that received international financial aid. Similarly significant results appear when we run a multilevel model for all 72 surveys, where individuals are nested in countries instead of country-years (not reported). At the same time, neither of these methodological attempts provide support that eurozone membership has a significant effect on retrospective voting. This leds us to believe that the very first modeling approach used, albeit the most conservative one, may not be the best fit for our data when testing interactions with the bailout variable as the latter lacks values for the year 2004.

Finally, to scrutinize the unexpected direction of the bailout effect, Figure 1 decomposes economic evaluations back to the original scale of 5 categories in order to take a closer look

at differences between the two subsets of countries. We witness a steeper prediction line for bailout countries. Especially the sanctioning of incumbents if economic conditions are considered much worse than 12 months previous is notably more pronounced among voters from bailout countries compared to their counterparts from other states. Substantively, the probability of voting for the governing party is 22% among the respondents in non-bailout countries who consider the economy very bad and 44% among those who consider the economy very good. In bailout countries, the figures are 10% and 50% respectively. The findings suggest that despite blurred economic responsibility in bailout countries that were heavily dependent on external constraints in national economy policy making, the traditional rewarding and punishing mechanism still seems to overperform the globalization influences.

Figure 1: Economic effects on incumbent support in bailout and non-bailout countries
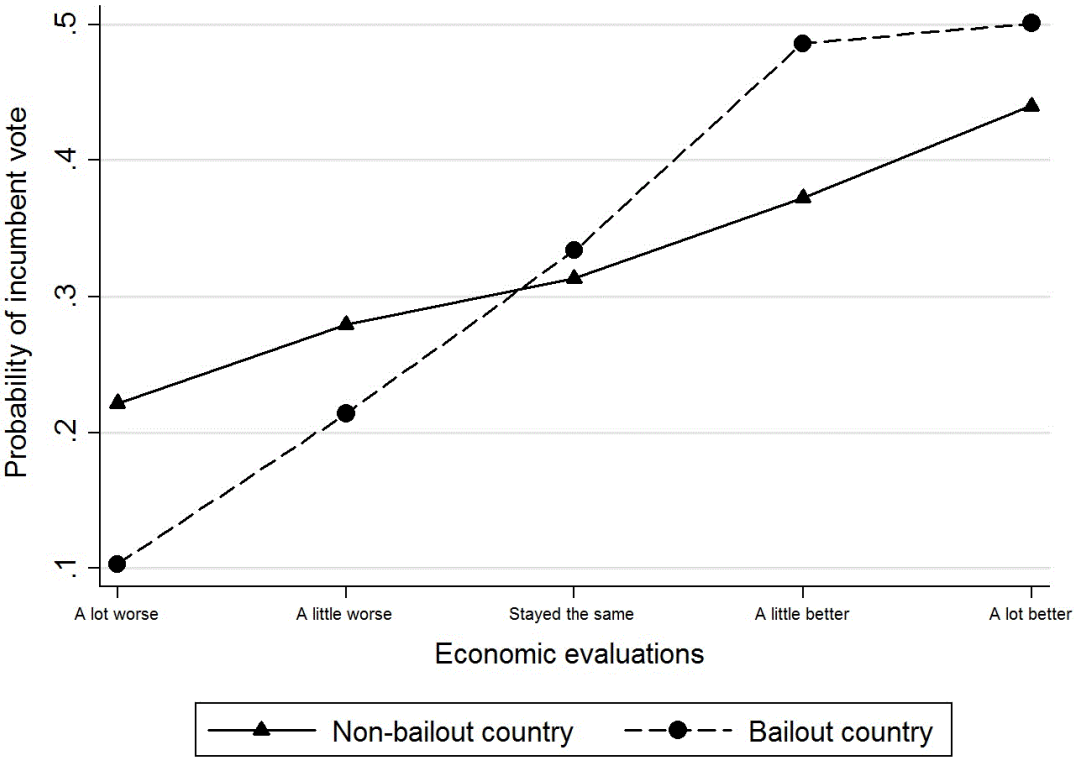
Source: EES Voter study for 24 countries from 2009 and 2014. Authors' calculations.

Conclusions and discussion

This paper began by asking how external constraints on government economic accountability impact individual-level mechanisms of economic accountability. Domestic decision-making in a globalizing world is increasingly influenced by outer forces, processes

and actors. Governments of small, economically open and regionally integrated states have less "action capacity", less control and less room to maneuver. This led us to expect that the extent to which citizens hold their governments responsible for economic outcomes varies according to economic openness, country size, and the degree of integration in multilevel governance frameworks. These expectations were tested with diverse data from before, during and after the global economic crisis on 24 European countries and more than 77,000 respondents.

Overall, our results suggest that accountability attribution is influenced by economic globalization. The findings are the most straightforward for country size: we find strong and robust support that the individual-level relationship between subjective economic perceptions and incumbent support is weaker in small countries. The analysis also provides some support to the expectation that retrospective voting is conditioned by economic openness, in that voters from countries with higher levels of international trade are less willing to hold their incumbents responsible for economic conditions. However, we find no evidence supporting the conjecture that electoral sanctioning is dampened by constraints posed by intergration to multilevel economic governance. Eurozone membership does not significantly influence economic effects, and while receiving financial bailout does, the results appear in a direction opposite to the one hypothesized. Contrarily to theoretical expectation, voters from bailout countries during and after the period of economic crisis seem to execute even more severe electoral punishment of governing parties than voters from countries that received no financial aid.

These results are in line with the latest work on the electoral consequences of financial assistance. Okolikj and Quinlan (2016) argue that economic evaluations had a more potent impact on government support in bailout countries, where the economic crises were markedly worse compared to non-bailout countries and the consequences were felt more profoundly. Moreover, the bailout agreements brought along stringent austerity measures, a fiscal policy approach widely unpopular among the electorates. Financial negotiations with international organizations also signaled to the voters the loss of national economic sovereignty (Magalhães 2012; Marsh and Mikhaylov 2012), which on some occasions even accentuated incumbent punishment (see the Irish case in Marsh and Mikhaylov 2012). It seems, then, that amid the severe economic shock, voters in bailout countries held their leaders accountable not only for poor economic performance but also for agreeing to international economic intervention.

In sum, this paper contributes to the literature by helping explain variation in economic accountability across elections and nations. Our findings suggest that voter calculus is strongly determined by subjective assessments of the state of the economy, but economic effects are to a certain extent determined by the the magnitude of constraints incumbents face from external sources in pursuing policies that influence macroeconomic outcomes. The

results also imply that even in complex multilevel governance systems, citizens are able to assess the division of competences and responsibilities, forcing students of economic voting to pay attention to the question of how voters attribute responsibility for economic outcomes in such advanced settings.

Appendix A: Summary statistics of variables

If there was a general election tomorrow, which party would you vote for?	18.78% 'PM party' 49.96% 'Other party' 31.26% Missing (incl. refused, don't know, would vote blank, spoil vote or not vote)
What do you think about the economy? Compared to 12 months ago, do you think that the general economic situation in [country] is…	22.00% 'A lot worse' 26.99% 'A little worse* 27.80% 'Stayed the same' 17.20% 'A little better' 1.62% 'A lot better' 4.39% Missing
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?	29.10% 'Working class' 62.29% 'Middle class' 2.04% 'Upper class' 6.56% Missing
Apart from special occasions such as weddings and funerals, how often do you attend religious services nowadays?	3.12% 'Several times a week' 13.29% 'Once a week' 30.85% 'Few times a year' 18.00% 'Once a year or less' 28.63% 'Never' 6.10% Missing
What year were you born? *Recoded into age in full years.*	Mean 49.70 Std. deviation 17.35 3.56% Missing
Are you…	45.29% 'Male' 53.38% 'Female' 1.34% Missing
How old were you when you stopped full-time education?	5.37% 'Still studying' 15.30% '15 or younger' 38.50% '16-19' 36.24% '20 or older' 4.58% Missing
Cabinet time in office (months)	Mean 25.84 Std. deviation 25.11 0% Missing
Trade-to-GDP ratio	Mean 109.26 Std. deviation 55.51 0% Missing
Foreign direct investment	Mean 5.12 Std. deviation 10.22 0% Missing
Nominal GDP (billion US dollars)	Mean 712 Std. deviation 976

	0% Missing
Total population (million)	Mean 20.6
	Std. deviation 24.3
	0% Missing
Eurozone memebrship	59.47% 'Yes'
	40.53% 'No'
	0% Missing
Bailout country	8.82% 'Yes'
	91.18% 'No'
	0% Missing

Source: EES Voter study for 24 countries from 2004, 2009 and 2014, and the World Bank. Authors' calculations.

Appendix B: Multilevel additive model for incumbent support

Intercept	-2.63***
	(0.18)
Individual-level variables	
Economic perceptions	0.36***
	(0.04)
Left-right self-placement	-0.44***
	(0.01)
Social class	0.30***
	(0.03)
Religious attendance	-0.13***
	(0.01)
Age	0.01***
	(0.00)
Gender	0.13
	(0.03)
Education	-0.02
	(0.02)
Aggregate-level variables	
Cabinet time in office	0.05
	(0.04)
Country-year-level random effecs	0.60
Log likelihood	-18714.42
Number of country-years	39,664
Number of respondents	66

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 ideology and age are centered around country-year mean. ****p<0.01 **p<0.05 *p<0.1*

Source: EES Voter study for 24 countries from 2004, 2009 and 2014, and the World Bank. Authors' calculations.

Appendix C: Correlation between main variables of interest

		Pearson's correlation
Incumbent support	Economic perceptions	0.15
Population	Trade	-0.52
GDP	Trade	-0.44
Eurozone	Trade	0.09
Bailout	Trade	-0.01
Population	FDI	-0.14
GDP	FDI	-0.09
Eurozone	FDI	0.06
Bailout	FDI	0.10
Population	Incumbent support	0.04
GDP	Incumbent support	0.04
Eurozone	Incumbent support	0.05
Bailout	Incumbent support	-0.04
Trade	Incumbent support	0.02
FDI	Incumbent support	-0.05
Population	Economic perceptions	-0.01
GDP	Economic perceptions	-0.01
Eurozone	Economic perceptions	-0.04
Bailout	Economic perceptions	-0.05
Trade	Economic perceptions	0.03
FDI	Economic perceptions	-0.03

Appendix D: Multilevel interaction model for incumbent support, years 2009 and 2014

Intercept	-2.48***
	(0.21)
Individual-level variables	
Economic perceptions	0.30***
	(0.05)
Left-right self-placement	-0.46***
	(0.01)
Social class	0.29***
	(0.03)
Religious attendance	-0.10***
	(0.01)
Age	0.01***
	(0.00)
Gender	0.15***
	(0.03)
Education	-0.02
	(0.02)
Aggregate-level variables	
Cabinet time in office	0.06
	(0.05)
Bailout country	-0.59
	(0.38)
Cross-level interactions	
Economic perc. X Bailout	0.24*
	(0.13)
Country-year-level random effecs	0.49
Log likelihood	--12582.35
Number of country-years	45
Number of respondents	26,863

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 ideology and age are centered around country-year mean. *$***p<0.01$ $**p<0.05$ $*p<0.1$*

Source: EES Voter study for 24 countries from 2009 and 2014, and the World Bank. Authors' calculations.

Appendix E: Logistic model for incumbent support, years 2009 and 2014

Intercept	-2.64***
	(0.34)
Economic perceptions	0.31***
	(0.04)
Left-right self-placement	-0.45***
	(0.03)
Social class	0.17**
	(0.07)
Religious attendance	-0.04
	(0.04)
Age	0.01***
	(0.00)
Gender	0.14***
	(0.04)
Education	-0.02
	(0.03)
Cabinet time in office	-0.02
	(0.10)
2014	-0.41***
	(0.14)
Bailout country	-1.56***
	(0.42)
Economic perc. X Bailout	0.54***
	(0.12)
Pseudo R^2	0.22
Number of respondents	26,863

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 ideology and age are centered around country-year mean. Standard errors clustered by country-year. Country dummies not shown. ****p<0.01 **p<0.05 *p<0.1*

Source: EES Voter study for 24 countries from 2009 and 2014, and the World Bank. Authors' calculations.

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