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

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Motivation

• Recent trend:
  – Popular referenda on foreign policy issues that potentially have large negative consequences for other countries.

• Examples
  – British 2016 „Brexit“ referendum
  – Greek 2015 bailout referendum
  – Swiss 2014 „Mass immigration“ referendum
Research Questions

• How can we conceptualize these referenda in a comparative manner?

• What role do expectations about the reactions abroad play in individual voting decisions?

• Can foreign policymakers influence the referendum vote?
Externalities of foreign policy referenda

- Non-cooperative foreign policy referendum outcomes (non-ratification, disintegration) have negative effects on other countries.

Externalities of non-cooperative referendum outcome

- Small
  - 1986: Switzerland rejects UN membership
- Large
  - 2005: France and Netherlands reject European Constitution
  - 2016: UK votes to leave the European Union
Externalities of foreign policy referenda

Externalities of non-cooperative referendum outcome

- **Small**: 1986: Switzerland rejects UN membership
- **Large**: 2005: France and Netherlands reject European Constitution
- **High-stakes foreign policy referenda**: 2016: UK votes to leave the European Union
In high-stakes referenda, the outcome of a non-cooperative vote strongly depends on the response of other countries.

- Uncertainty high
Foreign campaign intervention

- A non-cooperative referendum outcome in a high-stakes referendum has large negative consequences for international partners.

- Strong incentive for foreign partners to influence referendum campaign in favor or a yes-vote.

- But: Foreign policymakers face private information problems.
  - Costly signals needed to convey willingness to punish/not accommodate non-cooperation ex post.
Hypotheses

1) Voters’ expectations about how foreign actors will respond to a non-cooperative referendum vote will be a main driver of voting behavior in a high-stakes foreign policy referendum.

2) Threats and costly signals from foreign policymakers make voters more pessimistic in their expectations about the consequences of a non-cooperative vote.

3) Costly signals increase the likelihood that voters cast a cooperative referendum vote.
Case study of voting in high-stakes referendum: The 2015 Greek bailout referendum

27 June 2015

- Negotiations between Greece and creditors about bailout extension and crisis resolution fail.
- PM Tsipras calls for a referendum on last creditor proposal and recommends that voters vote against it.
  - YES-side: No = better bargaining position + less austerity
  - NO-side: No = Greece will be kicked out of eurozone

Escalation of events

- Massive interventions by European policymakers
- Eurozone rejects request to extend bailout, ECB rejects request to raise ELA.
- Greece closes banks, imposes capital controls and misses IMF payment.

5 July 2015

- Landslide victory for the No (OXI)-Camp.
Research Design

Original Survey Data
- telephone survey
- fielded in Greece one day before the referendum (4 July 2015)
- 989 respondents

Key variables
- Vote intention
  - Dummy-Variable: No-vote
- Expectations
  - “What do you think will happen if the agreement is rejected in the referendum?”
    - Country will exit the eurozone
    - The government will continue negotiations
    - DK-NA
- Foreign Intervention: Bank holiday
  - “Did the bank holiday change your vote intention?”
    - Yes
    - No
    - DK-NA
Expectations about consequences are a very strong predictor of the vote (H1)

- Matching analysis
  - Effect of holding a „Grexit“-expectation on the probability of a no-vote among otherwise identical respondents.

Note: Black dots denotes the ATT, with Abadie Imbens standard errors accompanying them. Using these standard errors, the horizontal closed segments indicate the 95% CIs in the case of genetic matching and linearized CIs in the entropy balancing case.
Foreign intervention: Foreign threats (H2)

Threat by some, but not all foreign politicians increases willingness to cooperate (here: repay debt).

Survey Experiment:
“Varoufakis (T1) / Draghi (T2)/ Schäuble (T3)/ recently confirmed that the situation could get worse if Greece stops paying their creditors.
Thinking of all this, would you say that the country should continue to repay their lenders or stop doing?
Please answer using a scale where "1" means that we should stop paying the creditors and "5" means we must continue to pay the creditors.”
Foreign intervention: costly signals (H3) – ECB decision not to raise ELA –

1. Poll of polls: Bank shutdown and predicted yes-vote in Greek bailout referendum.
Foreign intervention: costly signals (H3) – ECB decision not to raise ELA –

Effect of bank holiday on

2. Expectations about consequences of a no-vote
   – bank shutdown reduced the predicted probability of expecting
     • New negotiations by almost 20%.
     • Grexit by almost 10%.

3. Vote intention
   – bank shutdown changed vote intention of 21% of voters. Of these,
     • 12% switched to cooperation.
     • 4% switched to non-cooperation
     • 5% switched to undecided.
Conclusion

• How can we conceptualize these referenda in a comparative manner?
  – Role of negative externalities and the strategic challenges for foreign countries.

• What role do expectations about the reactions abroad play in voting decisions?
  – These expectations are strongly associated with voting decisions
    • Optimists vote non-cooperatively, pessimists vote cooperatively

• Can foreign policymakers influence the referendum vote?
  – Yes, using threats and – more effectively – costly signals.
  – But this may not be enough to sway referendum outcome.
Can we generalize these findings?