# Voters and the IMF: Experimental Evidence From European Crisis Countries*

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**Abstract**

How can governments convince voters to support an unpopular policy in times of crisis? One solution may be to turn towards an external actor, such as the IMF, in order to make crisis resolution more effective. At the same time, the involvement of the IMF undermines national sovereignty, which is seen critically by many voters. Our analysis uses an experimental approach to assess how voters evaluate the costs and benefits of such external interventions. The results from Portugal, Ireland, Greece and Spain show that – with the exception of Greece – approval of fiscal adjustment is higher with than without an IMF intervention. According to a causal mediation analysis, this is the case because voters expect that the crisis is more likely to be solved when the IMF intervenes. At the same time, voters are critical of the loss of democratic control if the IMF intervenes. Taken together, however, the hope that the crisis can be resolved with the IMF dominates the dissatisfaction over the lack of democratic accountability. Nonetheless, cross-country differences suggest that support for interventions critically hinges the ability of the IMF to deliver on the promise to resolve the crisis.

**Keywords:** international institutions; conditionality; fiscal austerity; credibility; democracy; public opinion; voting

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# 1 Introduction

In times of crisis, governments have to make tough decisions that are unpopular among voters. During a debt crisis, for instance, the costs of borrowing money on capital markets increases massively when investors doubt that the government will be able to repay its debt in the future. This forces governments to adjust fiscal policy and to cut public spending in order to bring public expenditures in line with public revenues. Such fiscal austerity measures, however, often lead to significant political instability, including public protests and declining support for government parties (Ponticelli and Voth, 2019; Hübscher, Sattler and Wagner, 2021; Bojar et al., 2021) increasing the risk of government breakdown. This raises the question how governments can address this dilemma and convince voters to support unpopular reform policies, such as fiscal adjustments.

The political economy literature has pointed to external actors as a potential solution (Vreeland, 1999; Smith and Vreeland, 2006). In today's institutionalized international environment, countries in crisis can turn to international organizations, such as the IMF, to receive assistance. The involvement of such technocratic, external actors enhance the credibility of a reform policy (Stone, 2002; Gray, 2013; Alexiadou, Spaniel and Gunaydin, 2021) and allow the government to shift the blame for unpopular policies to a third party (Vreeland, 1999). This potentially increases the political feasibility of austerity. Yet, these technocratic solutions also have downsides. In particular, they raise concerns about loss of control to a non-elected actor and the resulting 'democratic deficit' (Berman, 2017; Caramani, 2017; Ruiz-Rufino and Alonso, 2017; Bertsou and Caramani, 2020*a*). This potentially increases resistance against reform policies.

Our analysis examines how voters evaluate this trade-off that characterizes IMF interventions and how this translates into more or less public support for a reform policy. Although voters are central for the debate about a 'democratic deficit' caused by IMF interventions, hardly any study directly examines the impact of IMF interventions on the mismatch between voters attitudes and the policy conditions imposed by the IMF. Existing research documents how IMF interventions correlate with aggregate political outcome (Dreher and Gassebner, 2012; Bojar et al., 2021; Alonso and Ruiz-Rufino, 2020), but these studies do not explicitly examine, first, how voters respond to IMF interventions and, second, how they judge the countervailing costs and benefits of these interventions. These questions, which we analyze in this paper, are central for how we think about the impact of the IMF on democratic societies.

A key challenge for such an analysis is the difficulty to disentangle the impact of the IMF from the impact of the economic crisis that necessitates the intervention of the IMF in the first place (Vreeland, 2003; Stone, 2008; Copelovitch, 2010*a*; Chwieroth, 2015). When governments turn to the IMF, they typically face serious economic problems and have difficulties to borrow money on capital markets. Under these constraints, governments would have had to adjust fiscal policy also without an intervention by the IMF. An analysis of the causal effect of IMF interventions, therefore, requires that we identify how voters would have reacted to the same policy in the same situation without the IMF. Existing, observational data do not allow us to do this.

To address this problem, we conduct survey experiments in four countries that were at the center of the European debt crisis – Portugal, Ireland, Greece and Spain – to estimate the causal effect of IMF interventions on voter attitudes. This approach allows us to isolate the direct effect of the IMF on voters from other potential mechanisms that generally are associated with IMF interventions, e.g. the severity of the crisis or the size of fiscal adjustment. We also probe different causal mechanisms through which the IMF influences voters. This causal mediation analysis helps us to clarify how exactly voters judge the costs and benefits of IMF interventions and how different considerations countervail each other.

Our key finding is that the presence of the IMF has a positive, overall effect on support for an unpopular policy. This means that – with the exception of Greece – voters are more likely to support a fiscal adjustment package with than without the presence of the IMF. This is the impact of the IMF holding the policy, in our case the size of fiscal adjustment, constant. The main mechanism behind this result works through the IMF's impact on economic credibility. Voters expect that the crisis is more likely to be solved if the IMF intervenes, which translates into greater support for the adjustment policy. At the same time, voters are aware of the constraints that the IMF imposes on national sovereignty. IMF interventions negatively influence citizens' perceptions of the government's room to maneuver, which translates into lower support for fiscal adjustment. Taken together, however, the hope that the crisis can be resolved with the IMF generally dominates the dissatisfaction over the loss of political control.

Nonetheless, this positive net effect of IMF interventions is not universal. Voters in Ireland react most positively to an IMF intervention, while voters in Greece are very skeptical. This discrepancy exists because voters in different countries have differing

views of the benefits of an IMF intervention. Irish voters have a strong expectation that the presence of the IMF helps to resolve the crisis, which by far outweighs their worries about democratic accountability. In contrast, Greek voters do not think that the IMF will help to end the crisis, and they still associate the intervention with a loss of democratic control. These differential assessments are consistent with the diverging experiences these countries made with external interventions during the Euro crisis. The legitimacy of IMF interventions, thus, critically hinges on the ability of the IMF to deliver on the promise that the crisis is effectively resolved.

# 2 A Voter Perspective on IMF Interventions

Economic reforms are often highly contested. Such reforms can cover a broad range of policy fields and include changes in labor market regulations, spending reductions on public employment, pensions, education or health care, or changes in taxation, such as corporate, income or the value added tax. These policy changes often have important costs on many voters in the short run while the benefits only materialize over a long period time. Voters who are adversely affected by these reforms oppose them, initiate public protest and withdraw their support from government parties. This threatens government survival, which in turn incentivizes politicians to avoid the reform or to reverse these policies when the political backlash hits (Hübscher and Sattler, 2017; Hübscher, Sattler and Wagner, 2021).

International financial institutions, such as the IMF, are often seen as a means to solve this problem. A key role of the IMF is to help countries that face economic problems by providing emergency loans. Today, these interventions almost always are accompanied with a series of policy conditions that aim at addressing the problems which led to the crisis in the first place. The question how voters evaluate the costs and benefits of IMF interventions is central for our understanding of democratic politics and economic outcomes in times of crises. Most obviously, voters hold governments accountable for policy decisions. In case these policy decisions do not meet voter approval, support for the party in government may be withdrawn and the government will be punished in the next election (e.g., Anderson, 1995). Political survival of democratic governments, thus, directly hinges on the support of voters. In addition, politicians within the government will increasingly voice their discontent when political support for government parties decline after the implementation of an unpopular policy (Smith and Vreeland, 2006). When ministers or parties leave the government to signal their opposition to these policies, gov-

ernments can break down even before the next election. The behavior of voters, thus, is decisive for the ability of governments to implement unpopular policy measures.

IMF interventions in countries that face a financial crisis, thus, put governments between a rock and a hard place. Receiving assistance from an international organization may increase the prospect for a swifter economic recovery. But the intervention also decreases the government's room to manoeuvre in the short- or mid-term because it subjects important policy decisions to an external actor. This means that major political processes are removed from domestic decision-making arenas and negotiated between the government and an international organization. The interference of the IMF in a core area of policy-making, therefore, presents voters with a trade-off between the prospect of economic stabilization, on the one hand, and a loss of control over economic policies, on the other hand. In the next two sections, we present each of these two mechanisms in detail.

## 2.1 The IMF and Economic Stability

A key objective of the IMF is to ensure the stability of the international monetary system. Under this umbrella term, the IMF has regularly intervened in countries to address macro-economic or financial problems that pose a threat to global financial stability. By resorting to the IMF a country's government acknowledges that the domestic economic situation and the level of public debt has become unsustainable and that help from the international community is needed to solve the crisis. The primary mechanism through which the IMF may affect voters is through their perception of economic credibility.

In such a situation of crisis, a key challenge for governments is to convince investors that they have the political strength and willingness to implement the economic measures to restore to financial stability. Economic crises have serious, detrimental effects on politically important societal groups, and investors have doubts that the government has the political strength to adjust policy in such a situation against the opposition of these societal groups (Alesina and Drazen, 1991; Barta, 2018). This undermines the credibility of a policy because investors understand the temptation to renege on the promise to fix the debt problem (Drazen and Masson, 1994). Often, investors also lack more detailed information about the country and the government. They then judge economic credibility not based on what governments do, but based on simple heuristics, such as their views of similar countries (Brooks, Cunha and Mosley, 2015). In this situation, it is very difficult, sometimes impossible, for governments to signal credibility on their own.

In both instances, the IMF can help to enhance the economic credibility of the government. The involvement of a strong external actor signals commitment to economic reform (Fischer, 1999; Stone, 2002). The involvement of technocratic policymakers signals that governments are willing to forgo political benefits, which enhances their perceived willingness to pay back the country's debt (Alexiadou and Gunaydin, 2019; Alexiadou, Spaniel and Gunaydin, 2021). International institutions can also serve as commitment device (Downs, Rocke and Barsoom, 1996) and help to overcome the resistance of vested interests against economic adjustments (Baccini and Urpelainen, 2014). Finally, governments can borrow credibility from international institutions when investors lack more detailed information. An IMF involvement can serve as 'seal of approval' that makes a policy more credible even if the content of the policy does not change (Gray, 2013).

In this mechanism, voters understand and value the stabilizing effect of the IMF. Voters have a strong interest in economic stability because they may lose their job or see a decline in the value of their assets during a crisis. Governments that are excluded from capital markets would have to adjust fiscal policy anyhow also without the IMF. Voters, on average, should be aware of this precarious situation and be supportive of measures that show a way forward and out of the crisis. Citizens, for instance, are not per se opposed to independent experts (Bertsou, 2021). They often understand that the government needs to take steps in order to enhance its economic credibility and that the IMF can play an important role in this process. With the commitment on the side of the government to involve the IMF, voters then become more confident that the crisis will be resolved. This increase in optimism then translates into greater support for harsh economic policies, such as fiscal adjustment, when the IMF intervenes.The following hypothesis captures this mechanism:

*H1 (Effectiveness Mechanism)*: Voters are more optimistic that fiscal adjustment measures effectively resolve the crisis when the IMF intervenes than when the IMF does not intervene.

## 2.2 The IMF and National Sovereignty

The flip side of signalling commitment with the help of the IMF are the potential negative effects that such interventions have on voters' perceptions of democratic accountability. A key premise of democratic politics is the accountability mechanism that ties governments to voters. Technocratic solutions often pose a "challenge to democratic self-government"

(Sánchez-Cuenca, 2020) because they put this key link into question.

As already indicated in the previous section, fiscal adjustment programs often raise political resistance among parts of the electorate (Ponticelli and Voth, 2019; Hübscher, Sattler and Wagner, 2019; Alonso and Ruiz-Rufino, 2020; Bojar et al., 2021). Serious fiscal adjustment typically requires significant spending cuts in major areas of the fiscal budget, such as public pensions, unemployment benefits, public employment, or health care. Cuts in most of most of these areas are unpopular among voters (Hübscher, Sattler and Wagner, 2021; Bansak, Bechtel and Margalit, 2021). This does not mean that everybody objects to these policies. Many voters may regard austerity as the right choice that helps to spur economic growth and increases economic stability (Barnes and Hicks, 2018). Others may also benefit from cutbacks, e.g. in the form of lower taxes. In fact, fiscal adjustments are so contested because voter attitudes over these policies diverge rather than converge.

In such a situation when voters hold heterogeneous beliefs and have diverging interests, democratic politics and political competition is particularly important. Harsh economic policies need to be democratically decided in order to be perceived as legitimate. Even voters who do not agree with a policy may accept it if these policies are decided in a meaningful political contest. The idea of democratic politics is that a political competition over policies takes place and potentially that a balanced solution is found. Democratic political competition, therefore, is a value in itself that stabilizes societies. Removing crucial decisions or have them 'dictated ' by an external, international actor stands in contrast to the idea of national sovereignty (Konstantinidis, Matakos and Hutlu-Eren, 2019). They deprive voters of the idea that they participated in the decision process in a meaningful way (Berman, 2017; Caramani, 2017; Bertsou and Caramani, 2020*b*,*a*).

This political competition over economic policies is reduced or even eliminated under technocratic government. Technocrats "often come with a set of fixed ideas about the nature of the reforms to be adopted" (Alexiadou, 2020, p. 215). More fundamentally, technocratic solutions are grounded in the idea that an 'optimal' policy exists, which puts in question the necessity of political debate and reconciliation. The IMF is no exception in this respect. Until recently, the IMF has been a promoter of neoliberalism and has been key in promoting policies associated with this approach, such as fiscal restraint (Chwieroth, 2010). As a result, the lack of choice when external actors intervene

has negative effects on voter satisfaction with democracy (Armingeon and Guthmann, 2014; Ruiz-Rufino and Alonso, 2017). The following hypothesis captures this mechanism.

*H2 (Sovereignty Mechanism)*: Voters are more likely to perceive austerity as going against their will if mandated by the IMF.

## 2.3 The Effect of the IMF on Policy Approval – Country and Voter Heterogeneity

These two mechanisms point to countervailing effects that the IMF can have on voters. The overall effect of the IMF on voter approval, therefore, depends on the weight that voters attribute to each mechanism. Variation in these weights may lead to differences in overall evaluations of voters across countries and across voters within a country.

In terms of *cross-country variation*, there is less a priori reason to expect countries to differ much in terms of their emphasis on political control. While the degree of nationalism and the emphasis on sovereignty may vary across countries (i.e. countries such as Switzerland and Norway who are both outside the EU, may value sovereignty more than neighbouring countries), the countries included in our analysis are all longstanding members of the European Union and embedded in the supranational institutional architecture in a similar way.[1] Also, all four countries are solidly grounded representative democracies.

There are, however, good reasons to expect that voters in different countries, on average, have different perceptions of the benefits of an IMF intervention. As previous research shows, the economic impact of IMF programs on countries is not unambiguously positive (Vreeland, 2003). Instead, the economic policies prescribed by the IMF may be more successful for some countries than for others, depending on the economic structure of the country or other factors. Particularly relevant for people's assessment of IMF interventions could be the success of previous IMF interventions. Argentina, for example, has seen multiple interventions from the IMF in the past years. Given that some of the measures did not have the desired impact or have led the country into a downward spiral, the IMF is seen critically by many and enjoys little credibility. For European countries, the Euro debt crisis represented the first interaction with the IMF for decades and little prior expectations existed. However, the experiences citizens in the

[1]Overall, public attitudes towards international institutions has grown more negative over the past decades (Bearce and Scott, 2019). This trend, however, is very similar across countries.

four countries made during the path of recovery differ greatly, which may also influence their ex-post evaluation of the intervention and the expectations they have about future interventions. Lastly, the existing economic structure (growth model) of a country influences to what extent the economic policy solutions mandated by the IMF will help to reestablish economic growth (in short, austerity predominantly helps the export sector while suppressing domestic demand).

Overall, this means that if voters, on average, are convinced that the IMF will effectively help to restore economic stability, they may find a temporary loss of democratic control less problematic and primarily see the benefits of such an intervention. If they doubt that the IMF will provide the right economic policy solutions, then they may primarily see the costs of an intervention in form of lower democratic accountability.

*H3a*: If the effectiveness mechanism dominates, voters, on average, are more likely to approve of fiscal adjustment when the IMF intervenes than when the IMF does not intervene.

*H3b*: If the sovereignty mechanism dominates, voters, on average, are less likely to approve of fiscal adjustment when the IMF intervenes than when the IMF does not intervene.

Given that respondents position on the general left-right dimensions yield ambiguous predictions about the key mechanisms at stake, we propose that in terms of *cross-voter heterogeneity*, respondent's economic ideology is key in determining which of the two mechanisms prevail.[2] While the efficiency mechanism will be dominante for individuals with a more market-oriented economic ideology, voters who identify themselves as conservative are more likely to give more weight to national sovereignty than the average respondent (see Bearce and Scott, 2019; Hooghe, Lenz and Marks, 2019).

*H4a*: On average, the efficiency mechanism will dominate for voters with a clear market-oriented economic ideology.

*H4b*: On average, the sovereignty mechanism will dominate for votes who position themselves on the (far) right of the political spectrum.

[2]Respondents who are economically liberal and perceive themselves towards the right on the political spectrum should exhibit a preference for efficiency on the one hand but be sceptical about the violation of national sovereignty on the other hand.

# 3 Research Design

## 3.1 Empirical Strategy

Research on the political effects of IMF involvement faces an important challenge. To identify the causal effect of the IMF on voter attitudes and behavior, we need to compare a fiscal adjustment measure imposed the IMF to an identical (or similar) situation of fiscal adjustment without IMF involvement. For instance, if we compare an IMF intervention in a crisis situation to no IMF intervention in normal times, then we cannot disentangle the effect the intervention from the effect of the crisis. Or, if we compare an IMF intervention that entails a fiscal adjustment package to a situation without the IMF and no fiscal adjustment, then we cannot disentangle the effect of the IMF from the effect of policy. This is problematic because voters also punish governments for economic crises and fiscal spending cuts if the IMF does not intervene (Hübscher, Sattler and Wagner, 2021).

Researchers who study the IMF are well aware of this problem. Most analyses today make a serious effort to address the problem that countries under an IMF program are systematically different from countries without a program (Przeworski and Vreeland, 2000; Stone, 2008; Copelovitch, 2010*b*; Chwieroth, 2015). This research employs sophisticated empirical models that distinguish between different stages of the selection process into an IMF program. For instance, the models account for the government's decision to demand financial support and the IMF's decision to respond to the country's request. Modelling this process helps to reduce the bias that arises from non-random selection into IMF programs, but it can only imperfectly address the resulting problems for causal inference.

We address this problem through survey experiments, which have two advantages in this context. First, they allow us to present different scenarios to voters that are identical except for whether there was an IMF intervention or not. We do this by using vignette experiments embedded in population surveys. By randomly assigning respondents to either a scenario involving the IMF or a scenario without IMF involvement, we can identify the causal effect of IMF interventions on the responses of voters. Second, survey experiments allow us to examine the political effects of IMF interventions at the individual level rather than relying on aggregate election results. In this way, we examine a crucial link

in the mechanism that connect IMF interventions and the political stability of a country.

To test our hypotheses, we selected the following four countries: Portugal, Ireland, Greece and Spain. These are the countries that were hit most by the Euro crisis, and they all implemented serious fiscal adjustment programs. Most importantly for our purposes, the IMF intervened in all four countries during the crisis. This previous experience with the IMF means that the IMF intervention that we describe in our experiment represents a plausible scenario that many respondents will see as relevant. Voters in all four countries have prior experience with IMF interventions, and many will thus have developed attitudes about what such an intervention means for them and their country.

We decided to constrain our analysis to Europe instead of selecting countries from other parts of the world where the IMF has intervened regularly, notably Latin America. The focus on Europe to some extent limits the contextual variation because the IMF interventions happened roughly at the same time and as a result of the same, overarching economic crisis in the Eurozone. Nonetheless, there are still significant differences across these four countries. Namely, while all four countries were facing a serious debt crisis and appeared to be at the brink of public bankruptcy, the origin of the crisis differed across countries. Relatedly, the structure of the domestic economy varies as does the pace and path of economic recovery, i.e. the crisis in Ireland was more quickly resolved than in the other countries with Greece suffering the most during the immediate crisis but also during the long period of recovery.

The roots and origins of the debt crisis differ significantly between Ireland and Spain on the one hand, and Portugal and Greece on the other. The debt crisis in both, Ireland and Spain has its origins in a construction and credit boom, which led to a housing bubble, which – in the wake of the world wide financial crisis – resulted in a (near) collapse of the domestic banking infrastructure. In a first response to the burst of the construction bubble and the following , both countries designed rescue packages to safe system relevant banks and nationalized key mortgage lenders. As a response, both economies experienced a significant increase in (youth) unemployment, migration and a jump in the level of the public debt. As public finances and debt in both countries became unsustainable, they called on the IMF/Troika for support. While the IMF intervention in Ireland took place in 2010, Spain called for international support from the IMF and the EU in 2012. Both countries exited the IMF program within a relatively short time frame (Ireland at the end of 2013 and Spain at the beginning of 2014). Ireland's economic recovery has been

relatively smooth, which can also be attributed to the extremely high level of interconnectedness and financialization of the Irish economy. In comparison, Spain has been struggling more and while different types of reforms greatly helped to increase the share of exports, youth unemployment and sluggish domestic consumption remained a problem.

The underlying roots of the sovereign debt crisis in Portugal and Greece are different from the ones identified for Spain and Ireland. Both countries are at the periphery of the European Union/Eurozone and are considered late industrializers. Both countries have been struggling with structural economic problems well before the financial crisis. While the near collapse of the international financial system and the world-wide recession contributed to the exacerbation of the Greek situation, home-made factors, such as excess government spending (spending consistently outstripped revenues ever since the 1980s), endemic tax evasion and tax avoidance, accelerated and significantly worsened the crisis. Greece thus turned to the IMF in 2010 for the first time after new figures on key macro-economic indicators revealed the real extent of Greece's deficit and public debt, which made it impossible for the country to borrow on the private capital market. The country turned to the IMF two more times (in 2012 and 2015) and exited the supervision of the IMF in 2018 only. The length and the multiple interference of the IMF shows that economic recovery has been slow. While the depth and extent of the crisis in Portugal was less severe than in Greece, the country had to succumb to the pressure from financial markets as it saw itself unable to refinance government debt without the help of third parties. The Portuguese government thus turned to the IMF in 2011 and progress has been monitored by the IMF until mid-2014, when Portugal exited the program.

The survey was carried out in August 2020. It was administered by *Ipsos* who either used its own country-specific panels or collaborated with other firms to provide a large enough sample of respondents. From these access panels respondents were selected using gender- and age-based quotas. The individual country-samples are restricted to voting-age nationals under the age of 70. In each country, we surveyed approx. 1.200 respondents.

## 3.2 Experimental Design

Our experimental design follows previous analyses of public opinion in international politics (Tomz and Weeks, 2013; Mattes and Weeks, 2019). We provided all respondents with a general scenario that takes place in the future in 2026. Respondents were told that their country is experiencing an increase in the level of public debt and that the

government is finding it more difficult to borrow money on financial markets. The head of government therefore announces that spending cuts will be implemented, which will affect funding for a broad range of areas, including public pensions, health care, education and public transport. And finally, the main opposition party criticizes the measures and doubts whether they will be successful.

Within this general description, we randomly manipulated four aspects of the scenario, which yields a $2 \times 2 \times 2 \times 2$ experimental design. First and foremost, one group of respondents learned that the spending cuts are a condition from the IMF. Specifically, respondents in this group read: *"The Prime Minister says that these spending cuts are necessary. This is because the International Monetary Fund (IMF) has made these cuts a precondition for [country] to get an emergency loan that could stabilize the financial situation. The IMF is an international organization that provides emergency loans to countries in crisis, but only to governments who commit to carry out certain reforms. Ireland would not receive the IMF loan without the cuts."* The statement about IMF involvement was omitted in the scenario presented to respondents of the other group.

We deliberately refer to the IMF instead of the EU, some EU institution or the Troika, even though the EU played an important role for bailouts and conditionality during the Euro crisis.[3] Financial assistance is one of the IMF's primary functions, and the IMF regularly intervenes in this manner in member states. In contrast, financial assistance and the conditionality was an exceptional role that the EU took for the first time during this crisis. Given the EU's role in many other issue areas, respondents have many other connotations when they think about the EU, which in turn are affected by the respondent's general euro-friendliness. The IMF, therefore, better represents the type of organization that the mechanisms that we examine in this paper speak to.

In addition to the IMF intervention, we also manipulated the size of the debt increase and the seriousness of the economic situation; the size of the spending cuts and how seriously they affect public spending; and the partisanship of the government and the main opposition party. The latter was varied between the two largest parties – at the time – in each country.[4] These additional treatments allow us to rule out potential con-

[3]During this crisis, governments in crisis countries interacted with the so-called Troika, which consisted of representatives from the IMF, the European Central Bank and the European Commission.

[4]Fianna Fail and Fine Gael in Ireland, Pasok and Syriza in Greece, PS and PSD in Portugal, and PP and PSOE in Spain.

founders. Respondents potentially associate IMF interventions with more serious crises, greater spending cuts or a particular type of government. By manipulating these dimensions, we can isolate the impact of the IMF from these other factors that often covary with the IMF. At the end of the experimental part, we summarized the situation again for the respondent using four bullet points, one for each treatment. Table 1 summarizes these four treatments. The exact wording and setup of our experiment is in the Appendix.

**Table 1:** Treatments

| Treatments | Attributes of treatment |
|---|---|
| IMF Intervention | [yes] [–] |
| Government partisanship | [right] [left] |
| Size of proposed cuts | [moderate] [large] |
| Severity of crisis | [moderate] [large] |

After the description of the scenario, we asked respondents to evaluate the government's decision. Specifically, respondents were asked: "To what extent would you approve of the Prime Minister's announcement to impose spending cuts in response to the debt crisis?" They could then respond using a slider on an 11-point scale where 0 means 'strongly disapprove' and 10 means 'strongly approve'. We also asked respondents if they would vote for the government after this announcement, which they could respond with 'Yes' or 'No'. In the analysis, we concentrate on policy approval, but we discuss the results for vote intentions in the text and show the results in the Appendix.

# 4 Results

The main result of our experiment concerns the treatment effect of including IMF loan conditionality in the vignette. Figure 1 shows the difference in approval of austerity for respondents who were exposed to a scenario in which austerity has been mandated by the IMF and respondents that were exposed to a scenario in which austerity is announced without the involvement of the IMF. The figure offers two key take aways. 1) The level of approval for austerity – on average – is higher for respondents that were exposed to the IMF-treatment as for respondent who were exposed to a vignette that doesn't mention the involvement of the IMF. This is the case for most increments of our dependent variable, but particularly pronounced for higher levels of approval. 2) When disaggregating the data and assessing approval of austerity for each country individually, we see a more nuanced picture. What stands out in particular are the particularly high levels of

approval of austerity in Ireland, particularly in the case in which austerity is mandated by the IMF. A similar picture is presented for Spain, whereas in Greece and in Portugal, the overall level of approval of austerity is lower on average and the differences between the two groups is not as pronounced as for the other two countries.

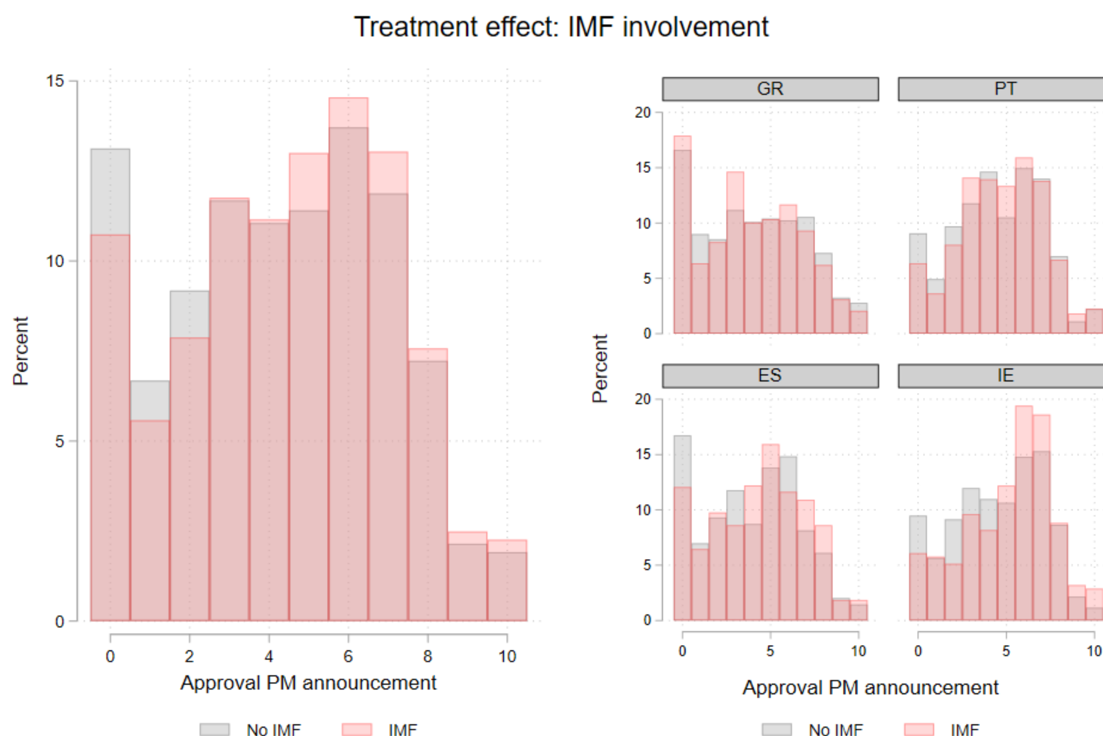


**Figure 1:** Distribution of IMF conditionality across different levels of voter approval for austerity package

As already indicated by the descriptive evidence presented before, Figure 2 shows that the IMF treatment has a positive effect on support for the austerity package. If the IMF has made providing a necessary loan conditional on passing the policy package, approval for that package increases by .3 units on the 0-10 scale. This effect is statistically significant at the 0.001 level for all four countries combined. This is equivalent to about ten percent of the standard deviation of the outcome variable (2.6 units).

We note that this effect is large compared to the other three treatments included in the vignette (see supplemental material). The size of the debt has no overall effect (p=0.2), while the effect of the size of the spending cuts is about half the size of that of IMF involvement and less clearly statistically significant (p=0.1). The overall effect of the party in government is also not statistically significant (p=0.68), though additional

analyses show that, unsurprisingly, reactions to this treatment are strongly conditional on whether the voter is a supporter of the party in government.

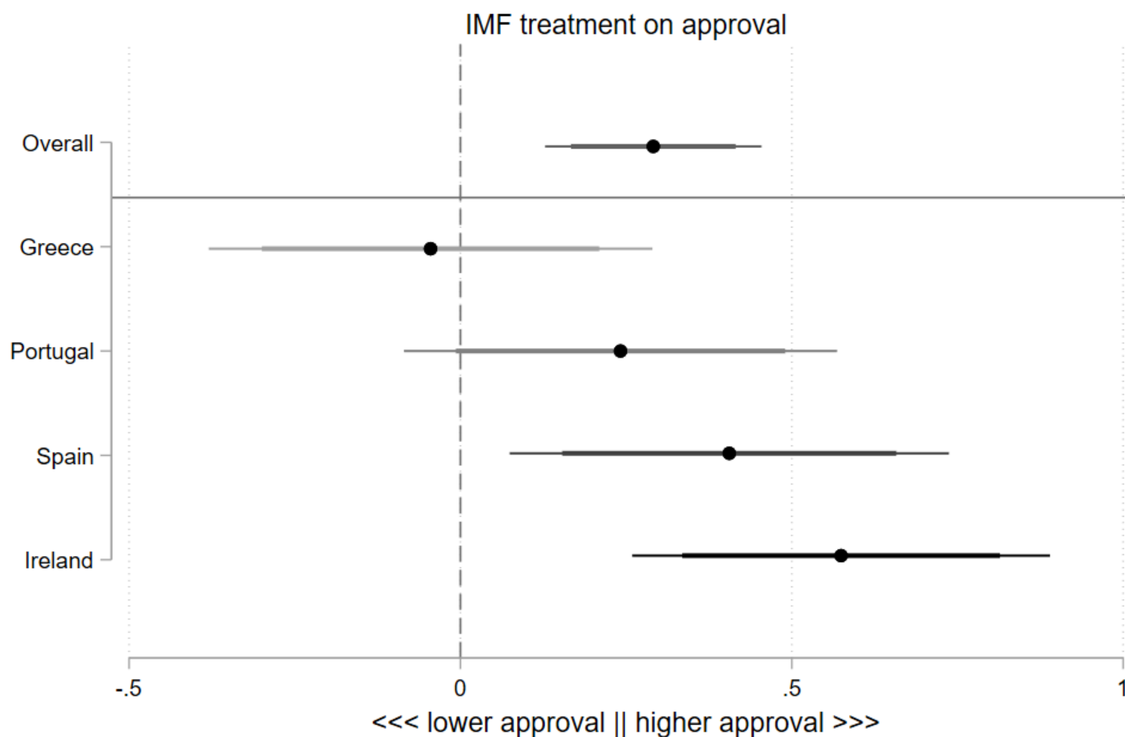


**Figure 2:** Effect of IMF conditionality on voter approval for austerity package

While the overall treatment effect of IMF involvement is positive, it also varies by country, with the clearest positive effect in Ireland and Spain. In Portugal, the positive response is also positive and similar in magnitude, if not statistically significant at the 0.05 level. Overall, the effects in Portugal, Spain and Ireland are nevertheless broadly similar. However, in Greece there is no positive, statistically significant response to IMF conditionality. This may be related to the overall experience of the economic crisis compared to the other three countries.

## 4.1 Mechanisms

Next, we turn the question of the mechanisms that underlie the effect of IMF involvement on approval of the policy package. The experimental setup has the advantage that we can also explore these mechanisms individually. After asking about approval for the package and vote choice, we therefore ask four additional follow-up questions that capture the

four different mechanisms discussed in our theoretical section.

The effectiveness mechanism suggests that voters believe that a policy package will be more likely to be successful if demanded by the IMF. To test this, we asked whether respondents 'think that the government's decision to cut spending will be successful or unsuccessful in resolving the debt crisis?' We also tested a related mechanism based on competence; this would mean that IMF intervention makes voters see the government as more competent. We asked whether respondents 'think that, in this debt crisis, the government proved to be a competent or an incompetent manager of the economy?'

For the accountability mechanism, we asked two questions to asses whether IMF involvement will make a policy package appear more divorced from voter preferences. We asked about accountability directly, asking to what extent respondents 'think that the decision to cut spending matches the views of the [Irish/Spanish/Portuguese/Greek] voters?' We also asked about national sovereignty, so whether IMF involvement reduces national room to manouevre. We asked to what extent respondents 'think that the government was free to choose its own response to this debt crisis?'.

Using these mechanisms as outcome variables shows that the IMF treatment has an effect on perceived effectiveness and perceived sovereignty (see Figure 3. If the IMF is involved, this increases the perceived effectiveness of the policy package. The overall model shows that IMF involvement increases the perceived probability that the package will be successful by about 0.2 units. At the same time, IMF involvement reduces the perceived sovereignty of the national government: perceptions that the government was free to choose its own policy are about 0.4 units lower if the IMF treatment is included in the vignette. The IMF treatment does not affect the measures capturing competence or democratic accountability. We also find that perceived effectiveness and sovereignty themselves positively affect approval for the policy package (see supplemental material).

Next, we use causal mediation techniques developed by Imai, Keele and Tingley (2010) and Imai, Keele and Yamamoto (2010) to calculate the average causal mediation effect of each of these four mechanisms (for a similar approach, see Mattes and Weeks, 2019). Figure 4 shows that there is one dominant mechanism: voters approve of the policy because they believe that a package demanded by the IMF will be more effective in resolving the debt crisis. The average causal mediation effect of effectiveness is about .11, with 40 per cent of the total effect mediated by this mechanism.

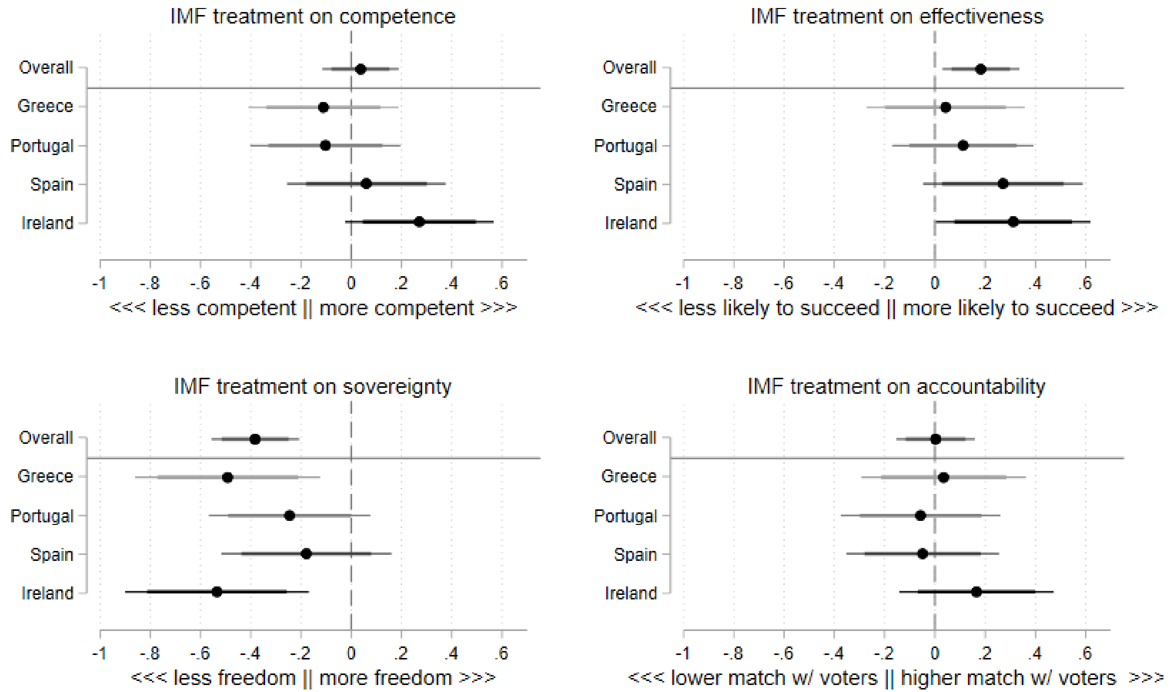


**Figure 3:** Treatment effects on mediators, by country

Interestingly, this positive mediating effect is counteracted slightly by the negative mediating effect of the IMF treatment on the perception that the national government was free to choose its own path (sovereignty). The average causal mediation effect of sovereignty is about -.04, with -.14 per cent of the total effect mediated by this mechanism. Hence, we also find that IMF involvement makes respondents see the government as less sovereign, reducing support for the policy package. However, this effect is not strong enough to outweigh the positive effect of IMF involvement on the perceived effectiveness of the programme.

Figure 4 shows that the two other perceptions we tested are not relevant mediators: the effect of IMF involvement does not occur via either accountability, so the extent to which the package matches the wishes of each country's voters, or competence, so how well the government is seen as managing the economy.

Finally, Figure 4 also shows that these mediating effects are similar across contexts. Concerning perceived effectiveness, the main exception is Greece, where it is not via this mechanism that IMF involvement has an effect on approval of the policy package. Turn-

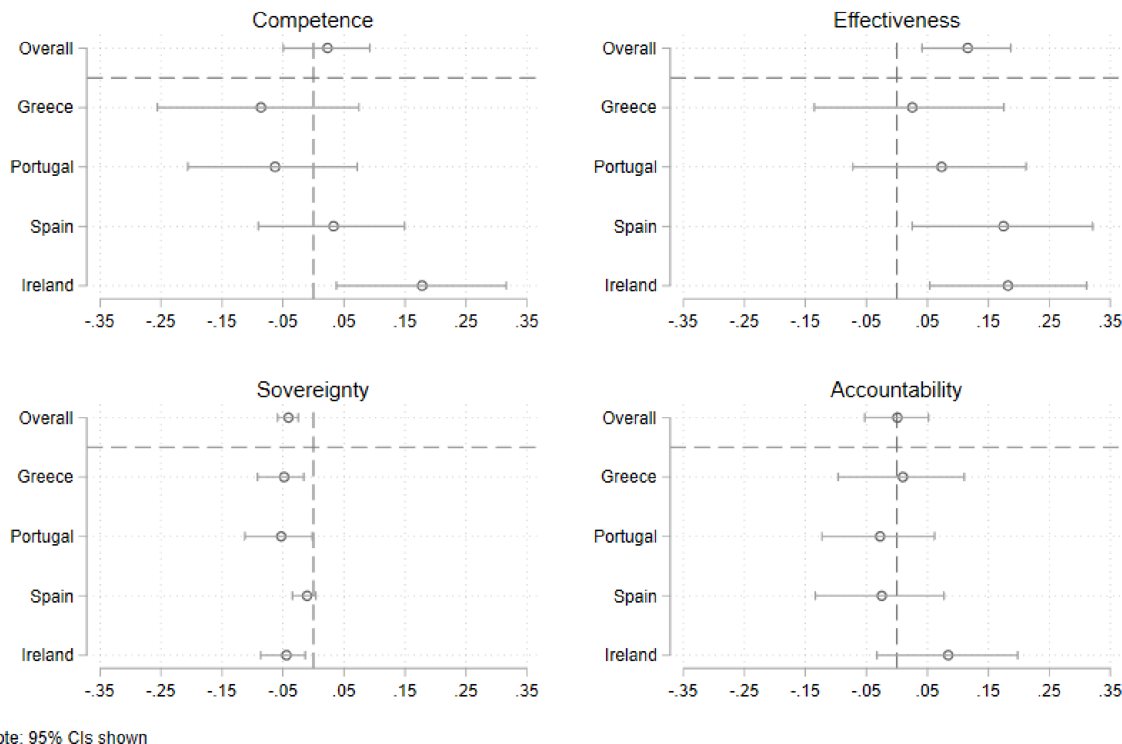


**Figure 4:** ACME for each mechanism, by country

ing to the government's national sovereignty, the effects are remarkably similar, even if the mediating effect for Spain is smaller than for the other countries. The hypotheses concerning the other two mediators find no support in these results, with the exception of Ireland, where IMF involvement affects approval by increasing perceptions of competence among respondents.

In sum, we find that the key mechanism through which IMF involvement is via perceived effectiveness. When voters learn that the policy package is demanded by the IMF, they believe that this package will be more likely to address the crisis. At the same time, IMF involvement also reduces perceptions of national sovereignty, which in turn lowers approval for the policy package. However, this negative effect is not large enough to outweigh the positive impact of IMF involvement overall.

# 5 Conclusion

This paper examines how voters judge the credibility – accountability trade-off that characterizes the delegation of economic policymaking to technocratic, external actors, like the

IMF. We find that the impact of interventions on voter approval with fiscal adjustment is more positive than often assumed. Our results differ from previous research because our experimental approach allows us to disentangle the impact of the IMF from the impact of the economic situation of the country that needs a rescue package. Although voters are unhappy about the loss of democratic control, their expectation that the IMF helps to resolve the crisis dominates in many countries, albeit not in those that have had negative experiences with the IMF in prior crises, such as Greece.

Our results have important implications for the legitimacy of the IMF and its operations. Economic critique about the adequacy of the IMF packages (CITE) goes hand in hand with political concerns: if the IMF imposes conditions that do not match the country's needs, then the political support will quickly fade. The IMF needs to adapt its policy conditions to the needs of the countries where it intervenes. If they fail to do so, this raises doubts about the IMF and undermines its legitimacy.

It should be noted that our analysis identifies the impact of IMF presence holding other important factors, such as the size of fiscal adjustment, constant. In other words, we assume that the IMF does not change policy and that the same fiscal adjustment would have taken place without the IMF. Our analysis, thus, does not tell us about the political consequences that would occur if the IMF demands harder adjustment measures than would have occurred otherwise. If the presence of the IMF leads to more stringent policies, then the negative effect of additional adjustment on political support may well cancel out the positive effect of IMF presence through economic credibility (e.g. Hübscher, Sattler and Wagner, 2021).

More broadly, our analysis does not show general support for the 'technocratization' of economic policy. Our results do indicate that the involvement of external actors can be useful in a situation of crisis. However, to what extent voters are willing to give up political control in normal times is still an open question. Our results suggest that voters in fact are conscious of the democratic challenges that come with technocratic solutions. The results suggest that they are less willing to give up democratic control when the credibility gains are less substantial.

Relatedly, an important question concerns the downstream electoral effects of policy approval. We have found that IMF involvement reduces perceived national sovereignty; this has been found to reduce economic voting, for instance after the Eurocrisis (Costa Lobo

and Lewis-Beck, 2012; Costa Lobo and Pannico, 2021). The increased support for the policy package may therefore not translate in electoral benefits. Indeed, we find weaker effects for vote choice in our analyses.

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# Appendices

## A Effects of other treatments

Figure A.1 shows that the other treatments have varying effects on policy approval. Recall that the effect of our main treatment of interest was about 0.3 overall. The size of the public debt – in other words, the severity of the crisis – has no impact on policy approval, though Portuguese respondents react somewhat negatively to this treatment. Spending cuts lead to lower policy approval, though this effect is not quite statistically significant at the 0.05 level. Interestingly, Portuguese respondents respond positively to cuts. Finally, the effects of which party is said to be in government depend on which party each respondent supports. Specifically, those who support the opposition are less likely to support the policy.

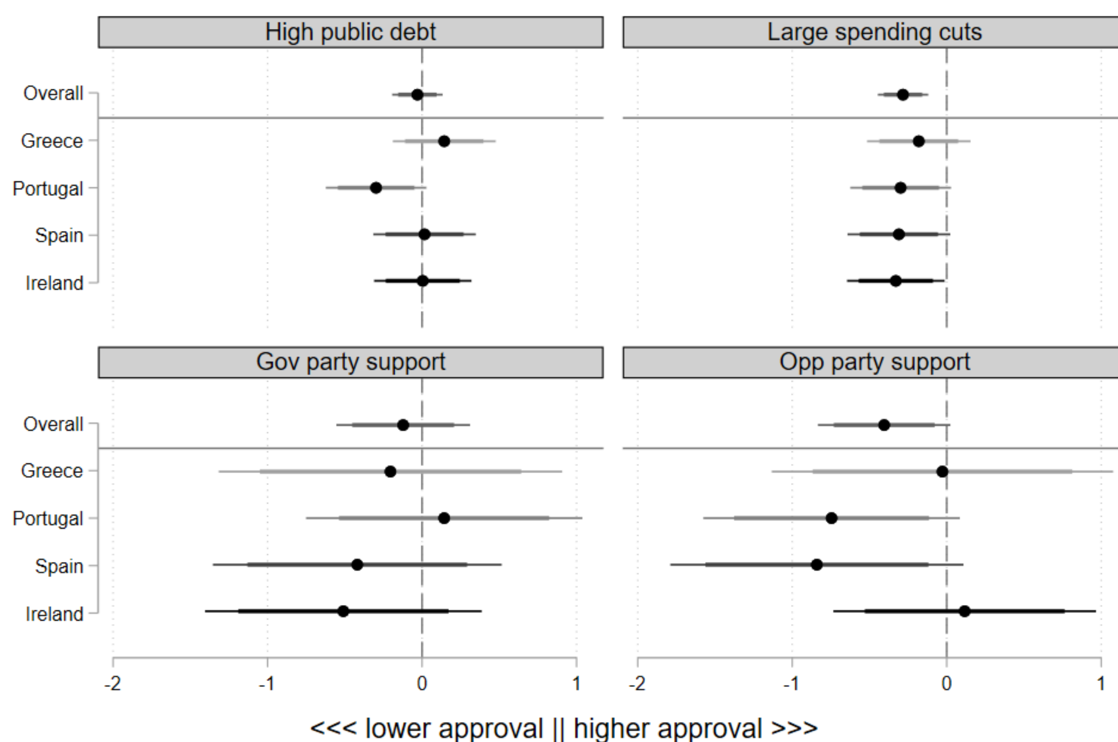


**Figure A.1:** Effect of other treatments on policy approval

# B Vote choice

The effect on vote choice is more complicated to present as we need to examine treatments conditional on whether each respondent is generally a supporter of the government or not. Recall that the government party varied randomly between the two largest parties in the system. Figure B.2 shows the effect of IMF conditionality on whether respondents say they would vote for the government in the vignette. We can see that those who are generally supporters of the government party do not respond to the treatment. However, opposition supporters are more likely to vote for the government if the IMF demanded the policy programme. The treatment is statistically significant across the four countries and for Ireland, with substantively similar effects in Portugal and Spain. Smaller sample sizes mean statistical significance is harder to reach here. Interestingly, independent supporters (i.e. those who before the experiment do not voice support for either the government or the opposition) do not respond to the treatment.

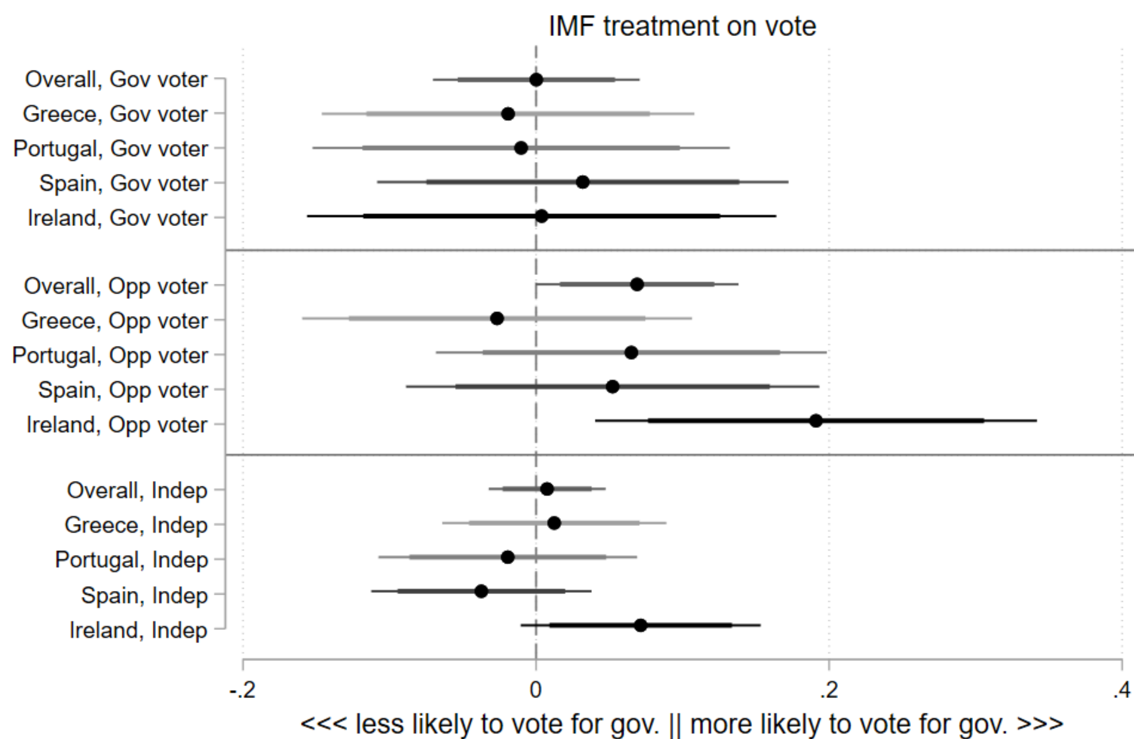


**Figure B.2:** Effect of IMF conditionality on vote choice

# C Effect of mediators on policy approval

Figure C.3 shows that the four mediators all have an impact on the outcome variable. Respondents view policy packages more positively if they also believe that their government is competent and sovereign and that the policy package will be effective and represents voters well. The smallest effect is that of sovereignty, while that of effectiveness is the largest (closely followed by competence).

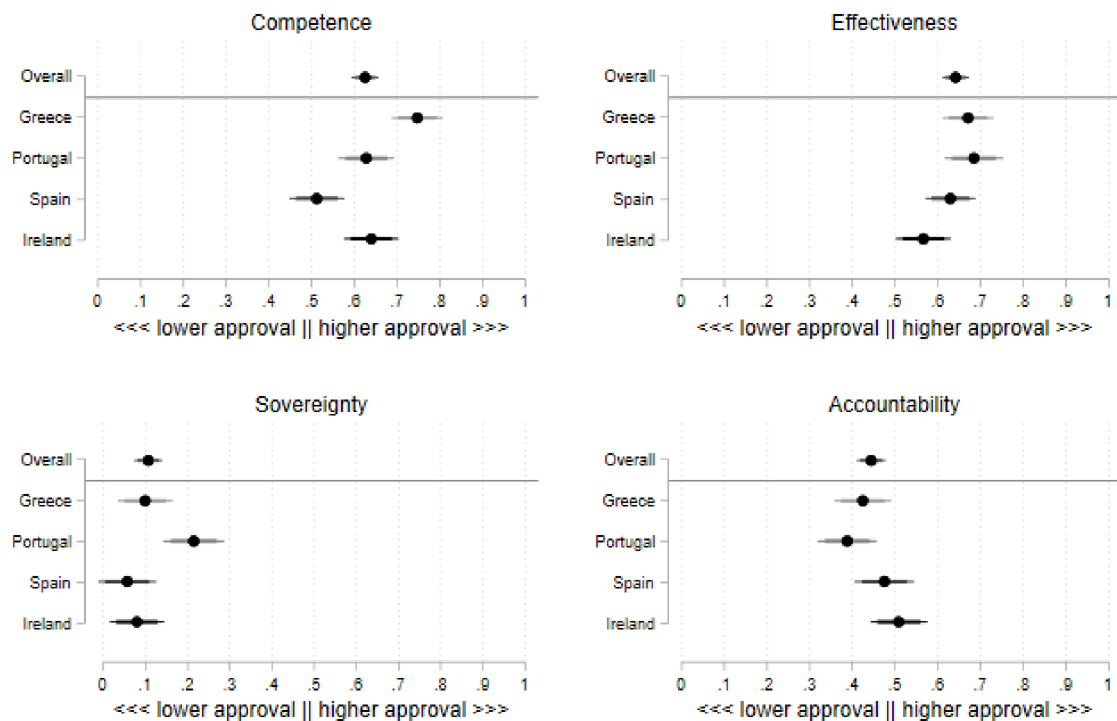


**Figure C.3:** Effect of mediators on policy approval

# D Design of Survey Experiment

## Programming instructions

Randomly draw *econ_sit* = 0,1

If *econ_sit* == 0, set

- publicdebt = massive
- debtlevel = extremely
- borrowing = very
- urgency = highly

If *econ_sit* == 1, set

- publicdebt = moderate
- debtlevel = somewhat
- borrowing = fairly
- urgency = somewhat

Randomly draw *imf_t* = 0,1

If *imf_t* == 0, set

*imf_text*: ['...']

If *imf_t* == 1, set

*imf_text*: 'The Prime Minister says that these spending cuts represent the precondition for an emergency loan from the International Monetary Fund (IMF).'

Randomly draw *party_setting* = 0,1

if *party_setting* == 0, set

- party = [Fianna Fáil, PASOK, Partido Social Democrata, Partido Popular]
- oppositionparty = [Fine Gael, New Democracy, Partido Socialista, PSOE ]

if *party_setting* == 1, set

- party = [Fine Gael, New Democracy, Partido Socialista, PSOE]
- oppositionparty = [Fianna Fáil, PASOK, Partido Social Democrata, Partido Popular]

Randomly draw *cuts_t* = 0,1

if *cuts_t* == 0, set

- spendingcuts = 'massive'
- extent = 'deeply'

if *cuts_t* == 1, set

- spendingcuts = 'moderate'
- extent = 'slightly'

## Experiment

**IMF.B.0**: We are going to describe a situation [country] could face in the future, in 2026. Some parts of the description may seem important to you; other parts may seem unimportant.

**IMF.B.1**: Here is some background: [country] has experienced a ${e://Field/publicdebt} increase in the level of public debt. The debt level is ${e://Field/debtlevel} troubling. The government is finding it ${e://Field/borrowing} difficult to borrow money on financial markets to pay for public spending. This presents a ${e://Field/urgency} urgent threat to the security of your savings and to the broader economic situation in Ireland [Spain, Portugal, Greece].

**IMF.B.2**: Here is some more background: To address the economic concerns, the ${e://Field/party} Prime Minister announces in a televised speech that the government will implement ${e://Field/spendingcuts} spending cuts to limit the increase in public debt. These cuts will ${e://Field/extent} affect funding for pensions, health care, education and public transport, for instance. The main opposition party, ${e://Field/oppositionparty},

criticizes the measures and doubts whether they will be successful.

*if **imf_t** = 1*:

**IMF.B.3**: Here is some additional background:

The Prime Minister says that these spending cuts are necessary. This is because the International Monetary Fund (IMF) has made these cuts a precondition for Ireland [Spain, Portugal, Greece] to get an emergency loan that could stabilise the financial situation. The IMF is an international organization that provides emergency loans to countries in crisis, but only to governments who commit to carry out certain reforms. Ireland [Spain, Portugal, Greece] would not receive the IMF loan without the cuts.

**IMF.B.4**: Here is a summary of the situation again, for your reference:

- [country] has experienced a ${e://Field/publicdebt} increase in the level of public debt.

- The Prime Minister is a member of ${e://Field/party}.

- The government will implement ${e://Field/spendingcuts} spending cuts to limit the increase in public debt.

- ${e://Field/imf_text}

### Outcome Questions (direct effect)

**IMF.Q**: To what extent would you approve of the Prime Minister's announcement to impose spending cuts in response to the debt crisis?

Response categories: 'Strongly disapprove' (0) to 'Strongly approve' (10)

**IMF.Q.1.2**: Would you vote for the government after this announcement?

Response categories: 'Yes', 'No'

**IMF.B.5**: Here is another summary of the situation again, for your reference:

- [country] has experienced a ${e://Field/publicdebt} increase in the level of public debt.

- The Prime Minister is a member of ${e://Field/party}.

- The government will implement ${e://Field/spendingcuts} spending cuts to limit the increase in public debt.

- ${e://Field/imf_text}

**Outcome Questions (mechanisms, mediators)**

**IMF.Q.2.1**: Do you think that, in this debt crisis, the government proved to be a competent or an incompetent manager of the economy?

Response categories: 'Completely incompetent' (0) to 'Completely competent' (10)

**IMF.Q.2.2**: Do you think the government's decision to cut spending will be successful or unsuccessful in resolving the debt crisis?

Response categories: 'Completely unsuccessful' (0) to 'Completely successful' (10)

**IMF.Q.2.3**: To what extent do you think that the government was free to choose its own response to this debt crisis?

Response categories: 'Entirely unfree' (0) to 'entirely free' (10)

**IMF.Q.2.4**: To what extent do you think that the decision to cut spending matches the views of the Irish [Spanish, Portuguese, Greek] voters?

Response categories: 'Not at all' (0) to 'fully' (10)