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

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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 (Genovese, Schneider and Wassmann, 2016; Hübscher, Sattler and Wagner, 2021; Bojar et al., 2021). 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; Przeworski and Vreeland, 2000). This potentially increases the political feasibility of austerity. Yet, the outsourcing of such decisions to technocrats and non-elected officials also has downsides. In particular, such processes 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, which then again undermines their credibility (Shim, 2022).

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' associated with

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. There is significant evidence now that IMF interventions undermine political support for governments (Dreher and Gassebner, 2012; Alonso and Ruiz-Rufino, 2020; Bojar et al., 2021), which supports the critique of a democratic deficit. But these studies do not explicitly examine how voters judge the countervailing costs and benefits of these interventions, which is central for how we think about the impact of the IMF on democratic societies.

A key challenge for analyses of IMF interventions, which also characterizes the observational studies mentioned above, is the difficulty to disentangle the impact of the IMF from the impact of the economic crisis that led to the intervention 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 on voter's evaluation of such an intervention, therefore, requires that we identify how voters would have reacted to the same policy in the same situation without the IMF. Naturally, observational data do not allow us to do this.

To address this problem, we conduct survey experiments 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. The survey experiments were fielded in Portugal, Ireland, Greece and Spain. All countries that were at the center of the European debt crisis after 2008.

Contrary to previous observational studies (Alonso and Ruiz-Rufino, 2020; Bojar et al., 2021), our key finding is that an IMF intervention has an overall positive effect on the level of 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 IMF involvement. 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. This is why 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 sovereignty. 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 of time. Voters who are adversely affected by these reforms oppose them, initiate public protests 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, 2016; Hübscher and Sattler, 2017)

International financial institutions, such as the IMF, often play an important role in such reform processes. When countries face economic difficulties, for instance a sovereign debt crisis, the IMF can intervene and provide an emergency loan. Such an IMF program takes the form of a contract between the respective country and the IMF that sets out the conditions for getting the loan and the payback modalities. These modalities include a set of conditions that aim at addressing the economic problems, which the IMF sees as a cause of the crisis. The conditions can vary, e.g. by the degree of policy adjustment, the areas and timing of reform or the payback conditions (e.g., Vreeland, 2007; Stone, 2008; Dreher, 2009; Copelovitch, 2010*a*; Dreher, Sturm and Vreeland, 2015). Public spending cuts usually are among the most important conditions, but the IMF has increasingly demanded broader, structural adjustments, such as labor market flexibilization, over the past decades (Caraway, Rickard and Anner, 2012). We will give more detailed examples of such programs below when discuss the history of IMF involvement in the four cases that we examine empirically.[1]

[1]The IMF was predominantly active in developing or transition economies for a long time, but the 2008 financial and subsequent sovereign debt crisis pushed a number of advanced European economies into the arms of the IMF.

The profound impact that the IMF has on domestic policymaking puts it at the center of debates about democratic legitimacy of supranational governance and the popular backlash against international cooperation and organizations (e.g., Hooghe, Lenz and Marks, 2019; De Vries, Hobolt and Walter, 2021; Voeten, 2021). Our analysis contributes to this debate by examining how voters evaluate the costs and benefits of IMF interventions, and, relatedly, to what extent public evaluations of economic policymaking are *input*- or *output*-oriented (Konstantinidis, Jurado and Dinas, 2022). Voters and their agreement or disagreement with the policies demanded by the IMF are crucial to understand the degree of democratic deficit and popular discontent that arises from international political integration. An IMF program presents voters with a trade-off between the prospect of faster economic stabilization, on the one hand, and a loss of control over economic policies, on the other hand. In the next two sections, we discuss these two countervailing mechanisms in detail.

2.1 The IMF and Economic Stability

When governments turn towards the IMF, they often face a situation in which they find it difficult to borrow on international financial markets. Such a situation arises when investors doubt that the government will repay its debt in the future and hence are hesitant to lend money or demand very high interest rates to be compensated for the risk of sovereign debt default. Examples of such crises are manifold, e.g. the Latin American debt crisis of the 1980s or the European debt crisis of the past decade.

A key challenge for governments in such a situation is to convince investors that they have the political strength and willingness to implement the policy measures to restore to financial stability. These policy measures include fiscal adjustments that either increase public revenues or decrease public expenditures. Since these policies have serious, detrimental effects on politically important societal groups, it may be doubtful to investors that the government is able to adjust policy against the opposition of these

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). These circumstances make it very difficult, sometimes impossible, for governments to overcome the crisis on their own.

In such instances, the IMF can help to enhance the economic credibility of the government because it signals the government's commitment to economic reform (Fischer, 1999; Stone, 2002). International institutions often serve as commitment device for governments (Downs, Rocke and Barsoom, 1996) and help to overcome the resistance of vested interests against economic adjustments (Baccini and Urpelainen, 2014). This is also the case for the IMF. Policymakers who are in favor of reform can use the IMF as a scapegoat, which reduces the political pressure on the government and opposition against reform from veto players within the government (Vreeland, 1999; Smith and Vreeland, 2006). Governments can also borrow credibility from international institutions when investors lack more detailed information about the political and economic circumstances of a country (Gray, 2013). This means that an IMF involvement can also serve as 'seal of approval' that makes a reform policy more credible even if the content of the policy does not change. More broadly, the involvement of technocratic policymakers enhance the credibility of a reform because it shows that the government is willing to incur a political cost, i.e. the loss of policy autonomy, to ensure debt repayment (Alexiadou and Gunaydin, 2019; Alexiadou, Spaniel and Gunaydin, 2021).

In this mechanism, voters should value the stabilizing effect of the IMF. Voters have a strong interest in economic stability and are willing to accept harsh measures when they face large economic uncertainty (Jurado et al., 2020). 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. From an *output*-oriented perspective, this should translate 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 this mechanism are the potential negative effects that IMF interventions have on voters' perceptions of national sovereignty. As we now know, many voters have become increasingly concerned about the impact of economic and political integration on their countries (Norris and Inglehart, 2018; Mansfield, Milner and Rudra, 2021; Walter, 2021). International institutions play an important role for these concerns. Globalization increases the need for international cooperation to address international problems, such as financial crises that threaten the stability of the international monetary system. The IMF organizes such a coordinated response, but it also simultaneously reduce policy autonomy, which potentially increases dissatisfaction among voters.

As already indicated above, fiscal adjustment programs often raise political resistance among significant parts of the electorate (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; Bremer and Bürgisser, 2022). 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.

The involvement of the IMF, and technocratic solutions more generally, may help to override the resulting political resistance against fiscal adjustment. But they can also raise concerns about the democratic legitimacy of the policy. When voters hold heterogeneous beliefs and have diverging interests, the autonomy to decide over a policy in a competitive political process is particularly important. Even voters who do not agree with economic adjustment policies, they may accept them if they 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. Independent of the content of the actual policy that is ultimately selected, this process is a value in itself that stabilizes societies because voters are more likely to take ownership of the adjustment measures (Konstantinidis and Reinsberg, 2020). Removing crucial decisions or have them 'dictated ' by an external, international actor stands in contrast to the idea of national sovereignty (Konstantinidis, Matakos and Mutlu-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*).

In light of these concerns, technocratic solutions, like the IMF, can be seen as a "challenge to democratic self-government" (Sánchez-Cuenca, 2020) This political competition over economic policies is reduced or even eliminated under technocratic government. Tech-

nocrats "often come with a set of fixed ideas about the nature of the reforms to be adopted" (Alexiadou, 2020, p. 215) that 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. The IMF has been characterized as a promoter of neoliberal economic ideas that has used its power to impose policies in line with this approach on the countries under an IMF program (Chwieroth, 2010). As a result, voter satisfaction with democracy decreases when voters have the perception that their governments do not have a meaningful choice (Armingeon and Guthmann, 2014; Ruiz-Rufino and Alonso, 2017). From an *input*-oriented perspective, an IMF intervention should have a negative effect of support for fiscal adjustment. 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. For instance, voters How much voters weight each mechanism is ultimately an empirical question. For instance, voters can resort more to *input*-oriented evaluations when supranational constraints are large (Konstantinidis, Jurado and Dinas, 2022). Yet, the loss of sovereignty under IMF programs is temporary, while the benefits of economic stabilization are meant to be more long-term. To what extent voters weight one argument more than the other, therefore, is ultimately an empirical question.

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 nation-

alism and the emphasis on sovereignty may vary across 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.[2] Also, all four countries are solidly grounded representative democracies.

There are, however, reasons to expect that voters in different countries, on average, have different perceptions of the benefits of an IMF intervention. The economic and social impact of IMF programs on countries can vary considerably (Vreeland, 2003; Kentikelenis, Stubbs and King, 2016), 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. For European countries, for instance, the Euro debt crisis represented the first interaction with the IMF for decades and little prior expectations existed. However, the experiences citizens in the four countries made during the path of recovery differ greatly as we describe in section 3.2, which can influence their ex-post evaluation of the intervention and the expectations that they have about future interventions. Lastly, the existing economic structure of a country influences to what extent the economic policy solutions mandated by the IMF will help to reestablish economic growth.

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

[2]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.

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.[3] 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.

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 with the IMF to an identical (or similar) situation of fiscal adjustment without IMF involvement. For instance, if we compare an IMF intervention

[3]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.

in a crisis situation to no IMF intervention in normal times, then we cannot disentangle the effect of 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 may also punish governments for economic crises and fiscal spending cuts in situations when the IMF does not intervene.

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.

Our experimental design follows previous analyses of public opinion in international

politics (Tomz and Weeks, 2013; Mattes and Weeks, 2019).[4] 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 past financial interventions in the countries that we examine (see below).[5] 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 was an exceptional role that the EU took for the first time during the Eurozone crisis. Given the EU's importance for many other issue ar-

[4]We pre-registered our study at `https://osf.io/thzru/`.

[5]During the Eurozone 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.

eas, 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 is central for our analysis of technocratic external interventions during financial crises.

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 a country.[6] These additional treatments allow us to rule out potential confounders. Respondents may 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

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

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.

3.2 Countries and context

We conducted the survey experiment in the four countries that were at the center of the European debt crisis: Greece, Ireland, Portugal and Spain. 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 approximately 1'200 respondents.

We chose these four countries because the IMF intervention that we describe represents a plausible scenario for respondents in these countries. The IMF was part of external interventions in all four countries during the European debt crisis, which gives respondents an idea what such an intervention entails for them and their country. This prior experience, therefore, enhances the external validity of our analysis. In contrast, it would be unclear what an IMF program means for voters in countries that have never seen such a program and are unlikely to see one in the near future, e.g. in Germany or the U.S..[7] At the same time, the prior involvement of the IMF in these countries requires that we interpret our survey results in light of these prior experiences and the varying, country-specific contexts. Our multi-country approach has the advantage that we can examine how voters in different countries perceive the costs and benefits of IMF interventions differently. This allows us to explore the scope conditions of our findings, which we will discuss at the end of the results section.

[7]We decided to constrain our analysis to Europe instead of selecting countries from other parts of the world where the IMF has intervened regularly, e.g. Latin America. By focusing on Europe we limit the contextual variation because the IMF interventions happened roughly at the same time (see Table 2) and the interventions were a result of the same, overarching economic and sovereign debt crisis in the Eurozone.

For instance, the origins of the debt crisis differed significantly between Ireland and Spain on the one hand, and Portugal and Greece on the other. In Ireland and Spain, the crisis followed a construction and credit boom, which led to a housing bubble, which – in the wake of the global financial crisis – resulted in a collapse of the domestic banking infrastructure. In a first response to this crisis, both countries designed packages to rescue banks and nationalized key mortgage lenders. Both economies experienced a significant increase in unemployment, emigration and a sharp rise in public debt. As a result, they called on the IMF/Troika for support. While the IMF intervention in Ireland took place in 2010, Spain first tried to address the problems on its own, but had to resort to the IMF in 2012. The financial support for Spain came exclusively from the EU, but the deal and reform conditions were negotiated in close cooperation with the IMF. Both countries exited the program within a relatively short time frame (Ireland at the end of 2013, Spain at the beginning of 2014). Ireland's economic recovery was smoother than in Spain, which can be partially attributed to the high interconnectedness and financialization of the Irish economy. In Spain, different types of reforms helped to increase the share of exports, but youth unemployment and sluggish domestic consumption remained a problem.

Table 2: Deficit, Austerity, and Bailouts

	Deficit 2009	Deficit 2010	IMF*	EU*	Austerity**
Greece (2010/12)	-15.5%	-12.0%	91.3	182.0	23.6%
Portugal (2011)	-9.9%	-11.4/%	26.0	52.0	16.8%
Spain (2012)	-11.3%	-9.5%	0.0	41.3	11.3%
Ireland (2010)	-13.9%	-32.1%	22.5	45.0	14.5%

Notes: * = in billions (€), ** cumulated spending cuts and tax increases as % of GDP, 2008-2015.
Source: Devries et al (2011); Alesina et al 2019, IMF Reports.

Portugal and Greece struggled with structural economic problems already before the financial crisis. While the international financial crisis worsened the Greek situation, other factors, such as large fiscal deficits and endemic tax evasion and tax avoidance accelerated the crisis. Greece turned to the IMF in 2010 for the first time after new data revealed the real extent of Greece's public deficit and debt, which de facto excluded the

country from private capital market. The country turned to the IMF again in 2012 and 2015 and exited these programs only in 2018. The length and the multiple interference of the IMF shows that economic recovery was very slow. In comparison the depth of the crisis in Portugal was less severe, but the country also faced sharp pressure from financial markets and was unable to refinance government debt without the help of third parties. The Portuguese government turned to the IMF in 2011 and was part of a program until mid-2014. Table 2 provides an overview of the situation in the four countries at the time.

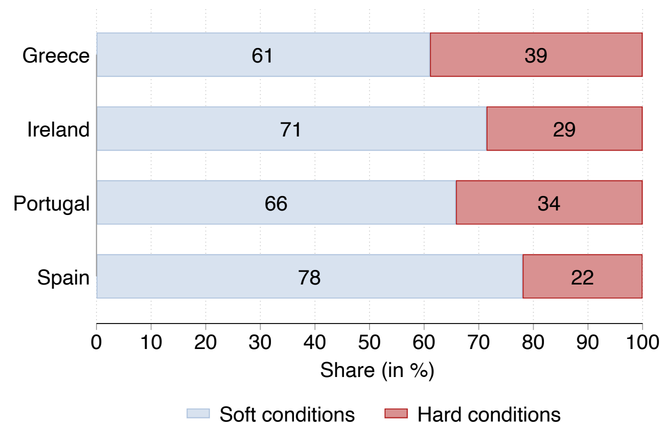

Figure 1: Proportion of hard vs. soft conditions demanded by the IMF; Source: Kentikelenis, Stubbs and King (2016) and own analyses.

In line with the varying economic context in the four countries, the IMF programs differed on multiple dimensions. The IMF literature differentiates between soft- and hard conditions that a country must fulfill in order to receive financial support. Soft conditions can usually be changed retrospectively, while hard conditions represent reforms a country has to implement independent of potential changes in government. As Figure 1 shows, the share of soft- vs. hard conditions was higher in Portugal and especially in Greece and Portugal and lower in Ireland and especially Spain.[8]

[8]The original data provides information on the conditions listed in the memorandum of understanding (MoU) between the IMF and the respective country. For the purpose of this paper, some policy areas were merged and data recoded (see the Appendix for details). Since the financial support for the Spanish financial sector was provided by the EU, there is no formal MoU between the IMF and Spain. We, therefore, coded the agreements between the EU and Spain ourselves using the same coding scheme as the

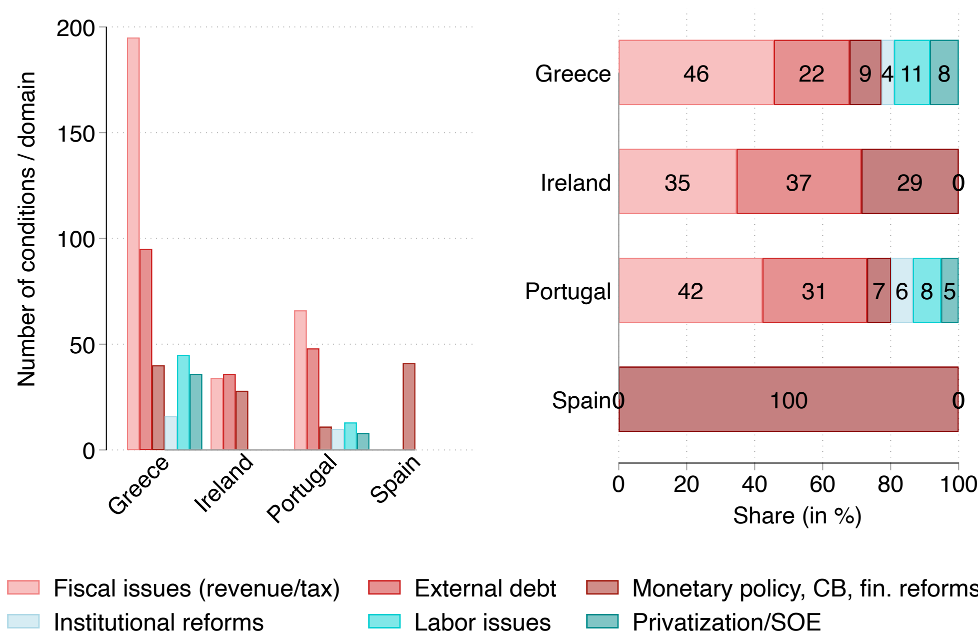

Figure 2: Reform conditions by policy dimensions (absolute numbers and %); Source: Kentikelenis, Stubbs and King (2016) and own analyses.

Figure 2 shows, which policy areas were most affected by conditionality, as the absolute number of conditions in a policy area (left) and the share of conditions in this area relative to the total number of conditions (right). We differentiate between six core policy fields, three of them are closely linked to fiscal policy (revenues and taxes), debt management, and financial regulations. The other three dimensions are more related to labor markets and state interferences in markets. The following pattern emerges. With the exception of Spain, most IMF conditions concerned a) fiscal policy issues (revenue and taxes) and b) the size and management of external debt. The third, large policy dimension was related to monetary policy, the regulation of the financial sector and central banking. This confirms that the focus on fiscal adjustment in our survey experiment touches upon a highly salient component of IMF programs.

In terms of country variation, we see again that Greece had to implement the highest numbers of reforms, of which almost half of the reform requirements were linked to fiscal

one used by Kentikelenis, Stubbs and King (2016).

issues. The Greek government, for instance, had to implement significant spending cuts, but also to increase taxes, in order to reduce the fiscal deficit. Portugal also faced a significant share of reforms related to fiscal policy-making, but the absolute number of conditions imposed in this sector was smaller. This is also the case for Ireland and especially Spain whose bailout package was mostly designed to stabilize the Spanish banking sector. Portugal and Greece also had to liberalize labor markets, privatize state-owned firms and other specific services, such as telecommunications and energy, and implement other institutional reforms. Again, the number of conditions in Greece in these policy areas surmounted those in Portugal.

4 Results

The main result of our experiment concerns the treatment effect of including IMF loan conditionality in the vignette. Figure 3 shows the difference in approval of fiscal adjustment for respondents who were exposed to a scenario in which adjustment has been mandated by the IMF and respondents that were exposed to a scenario in which adjustment 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.[9]

[9]Also note that there is a large fraction of respondents who strongly disagree with fiscal adjustment, i.e. who chose 0, while only few strongly agree, i.e. who chose 10 on the 11-point scale. This is especially the case for Greece and Spain and to a lesser extent in Portugal in Ireland. In the latter three countries, the IMF treatment has a fairly strong

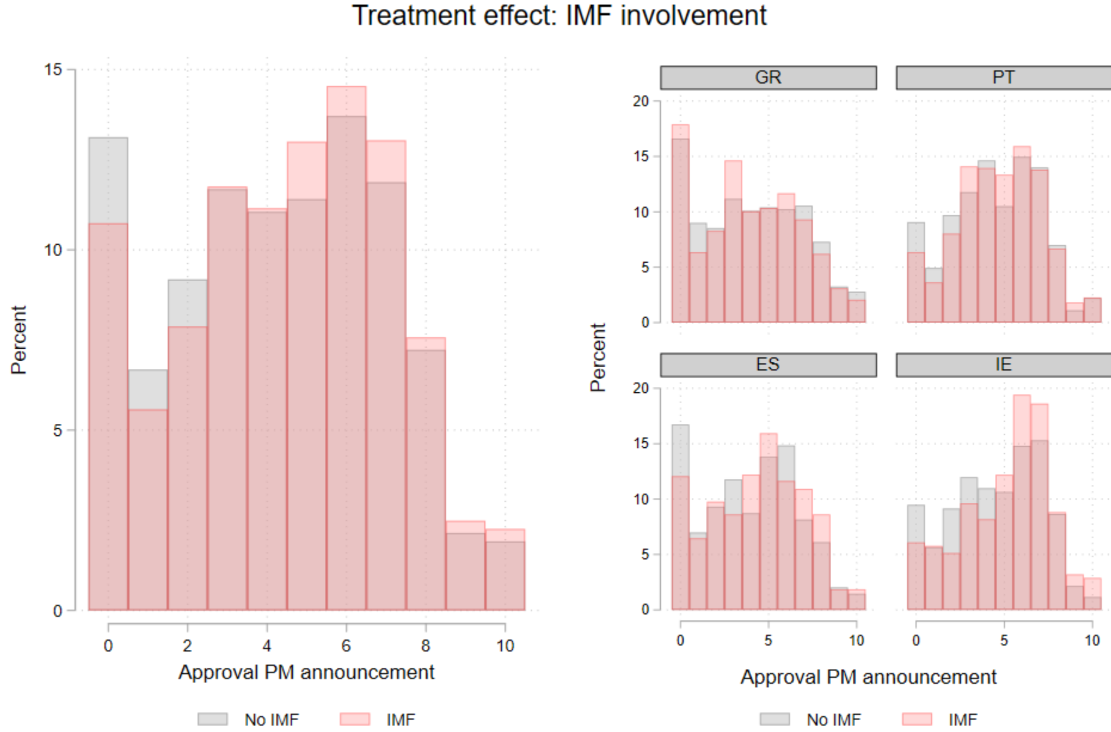

Figure 3: Distribution of IMF conditionality across different levels of voter approval for austerity package

In line with these results, autorefapproval shows that the IMF treatment has a statistically significant, positive effect on support for the adjustment package. Specifically, approval for that package increases by .3 units on the 0-10 scale when the IMF is involved. 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 also 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.

effect on those who strictly oppose fiscal adjustment, but not in Greece.

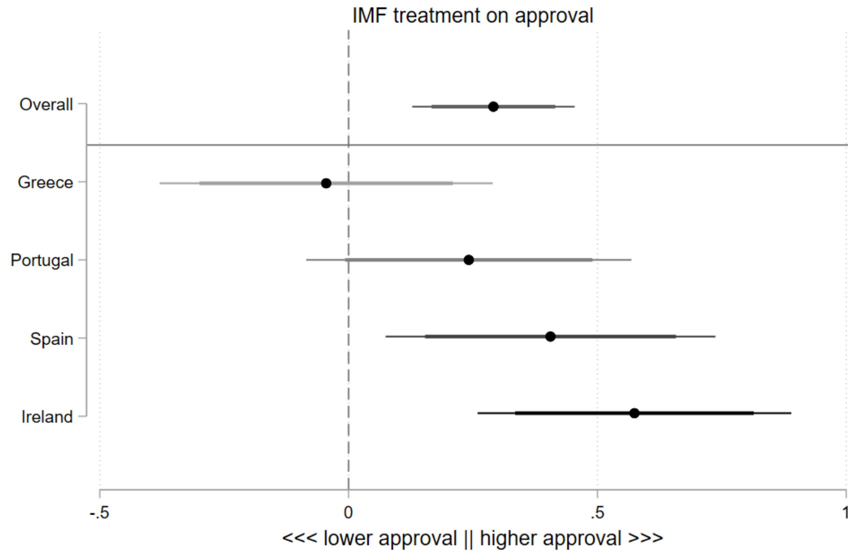

Figure 4: Effect of IMF conditionality on voter approval for austerity package

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 additional follow-up questions that capture the 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?' For the sovereignty mechanism, 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?' We also tested two related mechanisms based on competence and political accountability. For competence, 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 accountability, we asked to what extent respondents 'think that the decision to cut spending matches the views of the [Irish/Spanish/Portuguese/Greek] voters?'

Using these mechanisms as outcome variables shows that the IMF treatment has an effect on perceived effectiveness and perceived sovereignty (see Figure 5). 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 mentioned 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 6 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.

Interestingly, this positive mediating effect is counteracted slightly by the negative

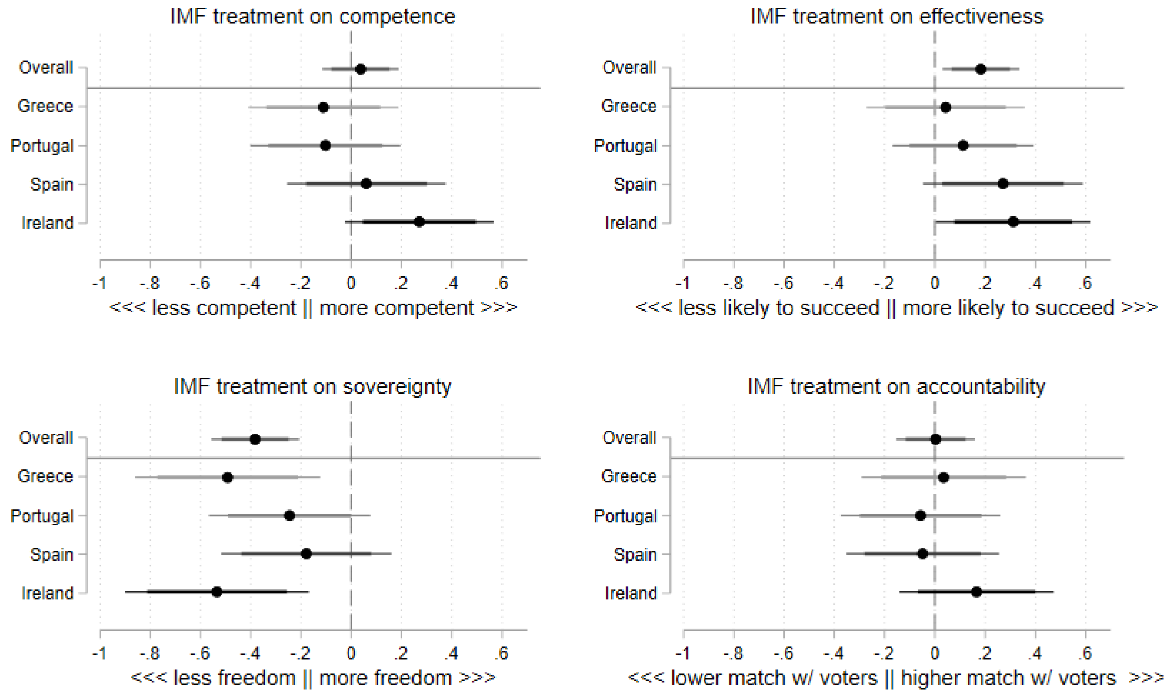

Figure 5: Treatment effects on mediators, by country

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 6 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 6 also shows that these mediating effects are similar across contexts.

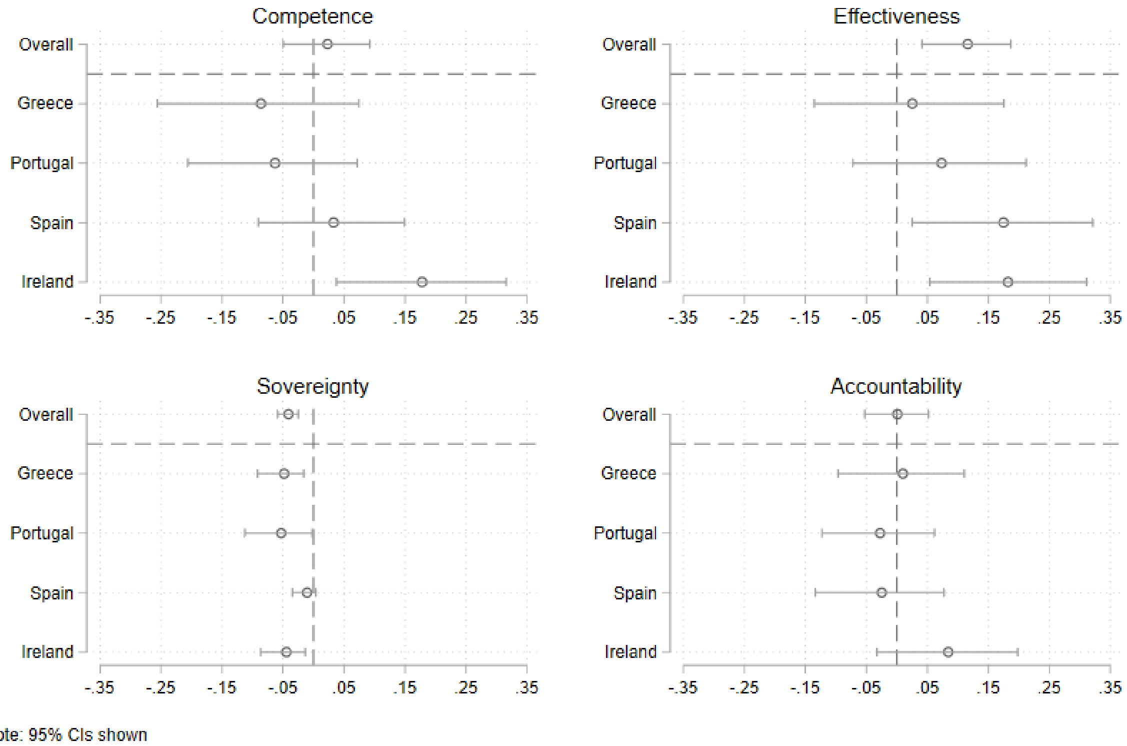

Figure 6: ACME for each mechanism, by country

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. Turning 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 affects public attitudes towards fiscal adjustment is via perceived effectiveness. When voters learn that the policy package is part of an IMF program, they believe that this package will be more likely to resolve 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.

Although the cross-country differences are not the central part of our analysis, they are still useful to get a sense of the scope conditions of our findings. As we describe in section 3.2, the nature of the IMF intervention and the macro-economic recovery from the European debt crisis differed considerably in our four countries. Our results reflect these differences in prior experiences. The assessment of the IMF is most positive in the two countries that saw fewer conditions and swifter recovery, Ireland and Spain. It is more critical in the two countries that saw more conditions and a more difficult economic recovery, Portugal and especially Greece. This does not necessarily mean that the programs were inadequate or that this co-variation on the macro level implies a causal relationship between past experiences and popular evaluations of the IMF. But we find it plausible that voters relate IMF programs in their countries to their memory of the crisis, and that they rely on those experiences when they evaluate new programs.

This also means that our respondents did not enter our experiment as entirely neutral subjects. Their differing experiences means that their 'pre-treatment' varies, from rather positive in some countries to quite negative in others. Our multi-country approach, therefore, is useful to delimit the boundaries of the overall impact of the IMF on public assessment of fiscal adjustments. Our results show that the overall impact, if there is one, is positive and not negative as suggested by some previous studies. An alternative strategy would have been to select countries, in which voters have had no experience with the IMF, but this would have raised questions of external validity. Considering that the IMF often intervenes in countries that already had IMF programs at an earlier stage, we find it important to explore the variation in public reactions that is related to different prior experiences of voters with the IMF.

5 Conclusion

This paper examines how voters judge the credibility – sovereignty trade-off that characterizes the delegation of economic policymaking to technocratic, external actors, like the IMF. We find that the impact of external interventions on voter approval with fiscal adjustment is more positive than often assumed. Our results differ from previous research (e.g., Dreher and Gassebner, 2012; Alonso and Ruiz-Rufino, 2020; Bojar et al., 2021) 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 dissatisfied with 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.

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.

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. Relatedly, an important question concerns the downstream electoral effects of policy approval. We found that IMF involvement or international integration more generally reduces perceived national sovereignty, which in turn reduces economic voting

(Hellwig and Samuels, 2007; 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.

Our results have important implications for the legitimacy of the IMF and its operations. Economic critique about the adequacy of the IMF packages usually 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, thus, should adapt its policy conditions even more strongly to the needs of the countries where it intervenes. As our results show, there is a fair amount of baseline support for IMF programs in the sense that they tend to increase public support for economic adjustment. As they also show, however, prior experiences, and especially negative memories of IMF programs, raises doubts and undermines public support for its operations in its member states.

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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.

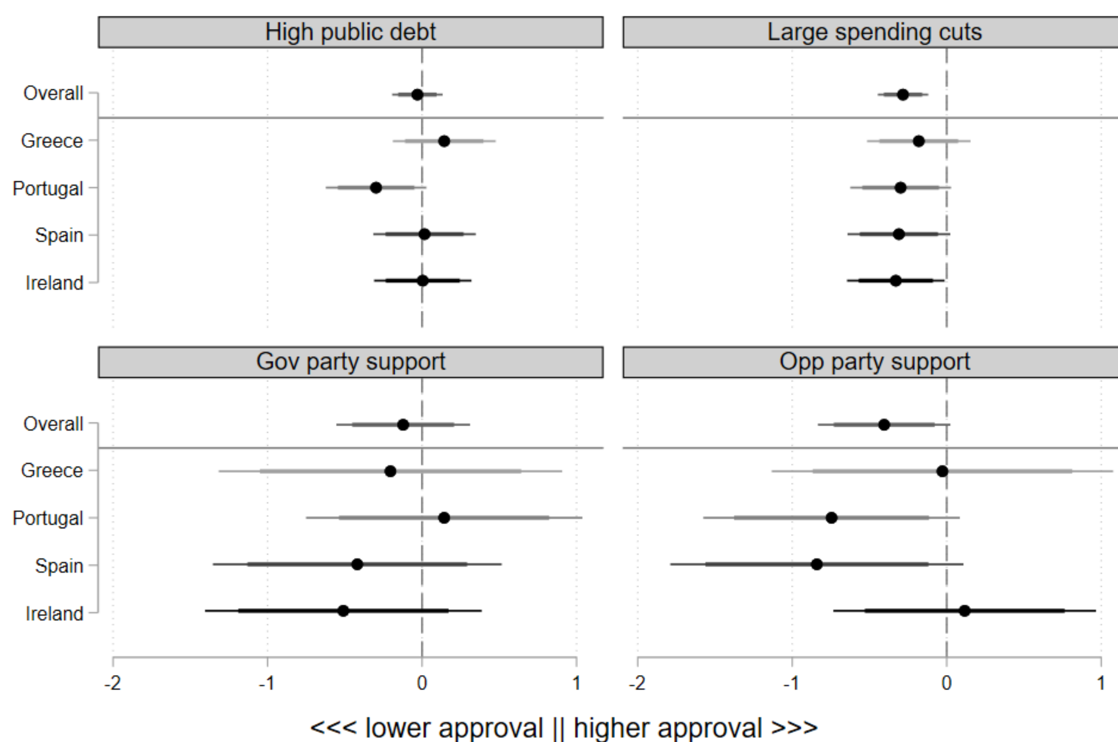

Figure A.1: Effect of other treatments on policy approval

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.

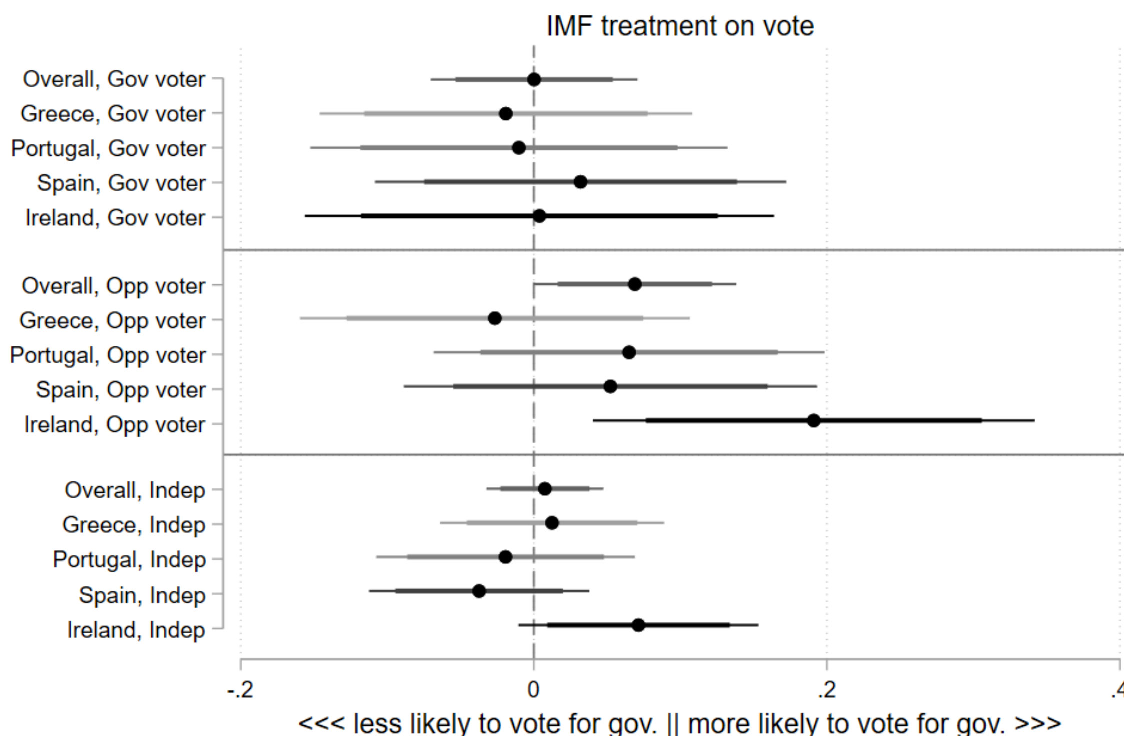

Figure B.2: Effect of IMF conditionality on vote choice

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).

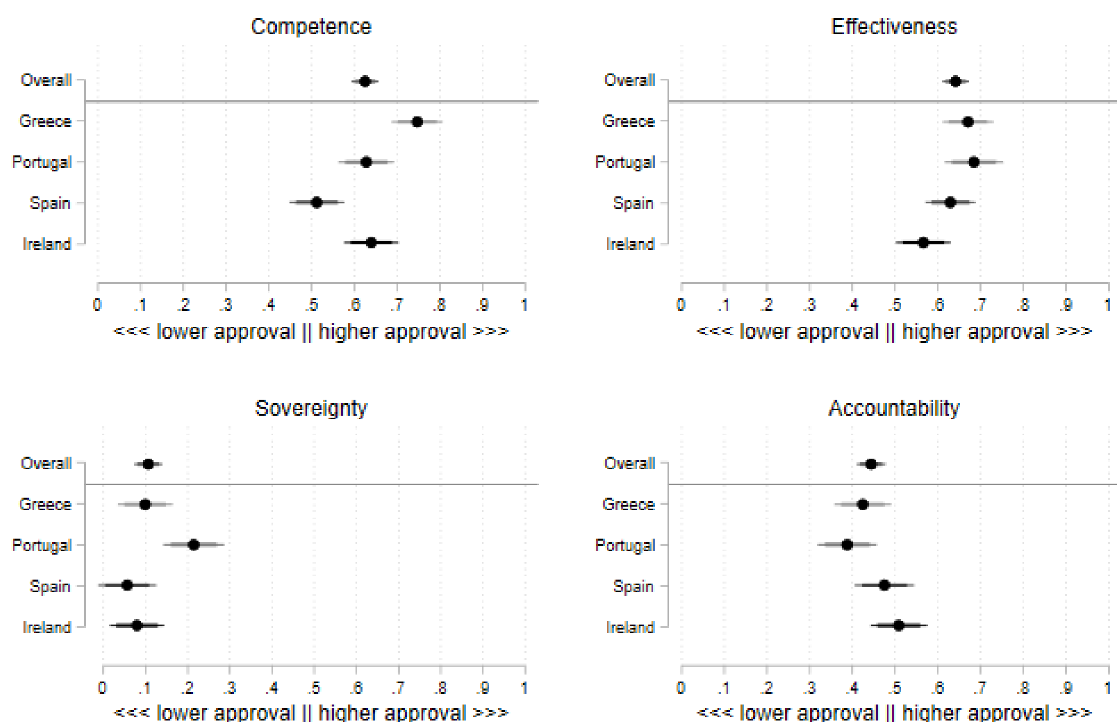

Figure C.3: Effect of mediators on policy approval

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)