

Voting Behaviour and the Economy: Evidence from Greece

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ABSTRACT⁴

This paper examines the relationship between Greek voters' behaviour and the economy, paying particular attention to the effect on two non-traditional, anti-systemic parties, Syriza and Golden Dawn. We use data based on actual vote shares across 13 Greek peripheries from four general elections over the period 2004–2012. Our results are in accordance with the prediction of the punishment-sanctioning model, namely that incumbents are supported by voters in good times, whereas voters punish them during bad times. In this vein, we document that worsening economic conditions since 2008 have led the Greek electorate to reduce support for traditional parties and move to non-traditional populist parties, like the left-wing Syriza and the ultra-right-wing Golden Dawn. Yet we find an asymmetry between these two non-systemic parties: while electoral support for Syriza is found to be strongly influenced by changes in per-capita GDP growth and unemployment, this is not the case for Golden Dawn. Indeed, our estimates suggest that the increased electoral support for Golden Dawn has been related mainly to the forced fiscal deficit cuts associated with Greece's bailout programme. This suggests that the Greek electorate does not believe that Golden Dawn can effectively address the country's economic problems.

JEL Classification: D72, C23, E60

Keywords: Economic voting; elections; Golden Dawn; Greek crisis; panel data; populist voting; Syriza

1. INTRODUCTION

Few people have been sheltered from the recent financial and economic crisis that hit Europe from 2008 onwards, but few have suffered more than the Greeks. Indeed, Greece was the first Eurozone member to come under intense pressure, forcing in 2010 the ruling party Pasok to sign a bailout agreement with the Troika (the International Monetary Fund, IMF European Central Bank, ECB; and the European Commission). The simultaneous cutoff from financial markets and the implementation of the Troika's tough economic-

adjustment programme resulted in a loss of more than 25 per cent of Greek GDP and a rise in the official unemployment rate to over 27 per cent.

These developments led to a growing discontent of the Greek people and a surge in anti-EU and anti-IMF feelings for requiring endless spending cuts. The new situation was mirrored almost immediately in Greek politics, with voters shifting to peripheral or anti-systemic parties and reducing their support for the traditional parties that had held power since Greece's transition to democracy in 1974. This is in line with Mair (2009), Maravall (2013), Freire *et al* (2014) and Kriesi (2014), who argue that in today's fast-changing and highly globalised world, there is a growing gap between parties of government and parties of representation. On the one hand, the political system consists of governing parties, which, given the functioning of the international financial system and other external constraints, often violate their electoral commitments and/or fail to fully justify unpopular policies. On the other side, other less-coherent political parties are willing to represent specific social groups by playing the anti-systemic card (Stokes 1996; Schedler 1998). Periods of economic crisis can be expected to exacerbate these differences, especially when austerity measures are involved.

With respect to the Greek case, Ellinas (2013) and Kosmidis (2014) note that since 2009 Greek elections revealed unprecedented voting results, leading to the collapse of established or traditional parties and a sharp rise in other non-traditional political parties, such as Golden Dawn and Syriza. Golden Dawn presented itself as an anti-European and anti-immigration party, blaming all politicians for corruption and for their inability to deal with the country's economic problems, and rejecting traditional patterns of representation (Vassilopoulou and Halikiopoulou 2013; 2015). Syriza was also highly critical of the policies of the traditional parties during their periods in office and stressed the need for a renegotiation of the bailout agreement, but it was supportive of Greece maintaining both EU and EMU membership. In this vein, Golden Dawn increased its vote share from about 1 per cent to almost 7 per cent in the European elections of 2009, while Syriza increased its vote-share from 4 per cent to 23 per cent in the 2012 national elections.

An explanation for this electoral pattern can be found in the retrospective economic-voting or the reward-punishment approach (Key 1964; Kramer 1971; Fiorina 1981; Lewis-Beck 1988; Lewis-Beck and Paldam 2000). A plethora of evidence suggests that the economy matters for electoral outcomes, and that during bad times electoral support for the governing party falls (Monroe 1984; Nannestad and Paldam 1994; Lewis-Beck and Stegmaier 2000, 2007; Dassonneville and Lewis-Beck 2014; Bartels 2014; Lewis-Beck and Lobo 2017). Indeed, Bartels (2014) finds that in recent years the losses in incumbent shares can be explained more by economic conditions than by political ideology or other influences. In the case of Greece, Syriza's and Golden Dawn's rise has gone hand in hand with the decline of two systemic parties, the center-left Pasok and the center-right New Democracy, which alternated in power after

1974. Since 2009, Pasok has experienced significant vote-losses while New Democracy's voting share has dropped by about 15 per cent.^{5,6}

To what extent, then, does the Greek case support the hypothesis of a causal relationship between parties' electoral success and the macroeconomy? To what extent does this relationship vary across different type of opposition parties, and in particular between far-right-wing and populist-left-wing parties like *Golden Dawn* and *Syriza*? The objective of this paper is to test for the classic economic-voting hypothesis in Greece and, at the same time, to explain electoral outcomes for *Syriza* and *Golden Dawn*. To this end, we estimate a vote function that allows us simultaneously to examine impacts on the governing party, on all opposition parties and on individual opposition parties, so as to identify possible asymmetries. We use actual vote shares for seven political parties across 13 Greek peripheries in four general elections, which were conducted both in prosperous years (2004–2007) and in bad years (2009–2012).

Systematic empirical testing of economic voting in Greece is limited compared to other countries, especially for elections since 2009, and the existing findings are mixed. At the same time, while much is known about the economy's influence on electoral support for the parties in government, evidence on how economic issues affect different opposition parties, or which type of opposition parties voters turn to when they punish the ruling parties, is limited. Indeed, with no intention to downgrade the importance of the reward-punishment hypothesis for incumbents, the search for evidence in this direction has diverted attention from the role of other peripheral or non-systemic parties that have never been at the forefront of the political system. Only recently has research started to show that the answers to economic voting may not be black and white. Especially in periods of severe economic strain, the outcome of representation is likely to vary between systemic and non-systemic political parties as a result of shifts in the structure of social conflicts.

For example, as Hernández and Kriesi (2016) point out, during periods of severe economic downturn the punishment effect may destabilise the voting pattern, leading to reduced support not only for the parties of government but for all established parties. In the case of Greece, analysing both perspectives, i.e. effects on incumbent vs. opposition parties and consequences for different type of parties on the opposition like *Syriza* and *Golden Dawn*, will allow us to formulate testable hypotheses about possible cross-party asymmetric gains and about which economic variables are responsible for such gains. Indeed, searching for evidence based on the Greek experience along these lines is highly relevant, as the Greek economy proved to be vulnerable to difficult economic conditions, requiring more than one bailout package and being subjected to harsh austerity measures. The Greek case also merits special attention to the extent that it has highlighted the challenges faced by democratic politics during periods of severe economic strain and thus has triggered a debate in Europe about the future of modern democratic representation at times of economic crisis (Bosco and Verney 2012b; Freire *et al* 2014).

Our estimates provide support for the hypothesis of a significant causal relationship between incumbent-party support at the aggregate level and the economy. In this context, we document that worsening economic conditions since 2008 have led the Greek electorate to reduce their support for governing parties and switch to opposition parties in general. Yet we find an asymmetry between the two non-systemic opposition parties, Syriza and Golden Dawn. While electorate support for Syriza is found to be robustly influenced by changes in per-capita GDP growth and unemployment, this is not the case for Golden Dawn. Indeed, our estimates suggest that the increased electoral support for Golden Dawn in recent years has been largely down to the drastic cuts in public expenditures and the rise in taxes associated with Greece's bailout programme. This suggests that the Greek electorate does not believe that Golden Dawn can effectively address the country's economic problems.

The remainder of the paper proceeds as follows. Section 2 briefly discusses the empirical literature on economic voting. Section 3 describes the data and the empirical methodology, while Section 4 presents the estimation results. Concluding comments follow in Section 5.

2. ECONOMIC VOTING

Economic voting has been studied extensively in the literature on electoral politics. According to Simone and Sapio (2013), the relationship between economic performance and incumbent support can be seen in the context of three key models: the punishment-sanctioning model, the competence-selection model, and the partisan model. The punishment-sanctioning model assumes punishment or reward for the incumbent party on the basis of retrospective assessment (Powell and Whitten 1993; Powell 2000). Essentially, following the responsibility hypothesis initially proposed by Key (1964, 1966), voters look back on government performance and vote asymmetrically, punishing incumbents for the poor state of the economy more than the less politically coherent opposition parties, without being influenced by left- or right-wing ideology (Fiorina 1981; Lewis-Beck 1988; Powell and Whitten 1993; Lewis-Beck and Stegmaier 2000).

Within the competence-selection model, under conditions of uncertainty, voters condition their vote on whether incumbents are responsible for the bad economic results. In this way, voters try to identify who is to blame and to elect the most capable politicians (Duch and Stevenson 2008). On the other hand, in the partisan model, political parties switch to certain fiscal, monetary and other policies based on the preferences of their clientele (Hibbs 1978; Swank 1993, 1998; Fox and Phillips 2003). This model emphasises that the electorate has different political preferences, and predicts that left-wing governments will be penalised more than right-wing governments for increases in unemployment, while the opposite will apply to increases in inflation.

A large number of studies have analysed empirically issues pertaining to retrospective or performance voting. Much of this literature uses survey-based

data on individual voting preferences, examining the extent to which support for the governing party increases when voters' perceptions of the economy are positive and falls when perceptions are negative. Other studies use aggregate data on actual voting outcomes, and examine how such outcomes relate to key economic indicators, such as GDP growth, unemployment and inflation. Whether based on perceptions about the state of the economy and micro-level analysis, or objective economic conditions and actual electoral results,^{7,8} much of the existing literature suggests that voters tend to behave as agents: they reward political officials during periods of economic upturn and punish them during downturns.

The overwhelming majority of this literature has followed Kramer's (1971) pioneering work, whose main conclusion about the US presidential election was that the electorate would vote in favour of the President's party only when it judged overall economic performance as sufficiently satisfactory. Kramer's general finding was confirmed by several other studies based on data from different countries and time periods.⁹ For example, Duch and Stevenson (2008) have found evidence in support of such a relationship using data from 163 voting-preference surveys in 18 advanced democracies. Lewis-Beck and Nadeau (2012) examine the importance of economic voting in EU countries using survey-based data for 1988, 1994, 1999 and 2004. Their results indicate that the more positive are perceptions of the economy, the more likely it is that the electorate will vote for the governing party. In a similar vein, based on a large set of voting-choice surveys in 10 Western European countries, Nadeau *et al* (2013) find that the electorate is more likely to vote against the government when it realises that the economy has worsened.

At the same time, Dassonneville and Lewis-Beck (2014), using an aggregate dataset covering results from 359 elections in 31 European countries over the period 1950–2013, find that macroeconomic performance matters, with voters increasing their support for the governing party in good times and reducing it in bad times. Hernández and Kriesi (2016), based on aggregate-level results from 107 general elections in 30 European countries report similar evidence, suggesting a clear erosion of incumbent-party support when the economy worsens. Lewis-Beck (1988) and Pacek and Radcliff (1995) have also found evidence of economic voting in individual Western European countries and a number of developing countries, while Pacek (1994) and Fidrmuc (2000) obtain analogous results when examining electoral outcomes in lower-income Eastern-Europe democracies.

At the same time, there is a growing literature focusing on the role of economic voting in the European periphery. Freire and Lobo (2005), for example, using data for 1989–1999, confirm that economic issues play a significant role in incumbent party support in Southern European countries. Lobo and Lewis-Beck (2012) find that perceptions about the state of the economy are important determinants of voting intentions in Southern Europe, using survey data for 2009, while Lewis-Beck and Nadeau (2012), in comparing Southern and

Northern European countries, find a stronger economic-voting effect in the south of Europe. In examining voting choices in Italy, Portugal, Spain and Greece over the last fifteen years, Lewis-Beck and Lobo (2017) also find that incumbent parties are held heavily responsible for the economy and that perceptions about economic performance make a difference when it comes to the ballot-box. Further, Fair (2009) confirms earlier findings for the US, with his results suggesting that the economic environment has significantly affected US presidential elections over the years.¹⁰

A large number of studies have focused on the consequences of the global economic crisis of 2007–2008, stressing that it has provided an illustration of the economy's impact on voting decisions (Belluci *et al* 2012; Lewis-Beck and Whitten 2013; Freire *et al* 2014; Magalhaes 2014b; Traber *et al* 2017). Indeed, most ruling coalition governments in the Western industrial world lost much of their support following the recent global economic downturn, while opposition parties have benefited. Bouvet and King (2016), for example, find that since 2008 only in eight out of thirty-five OECD national elections did incumbents hold their vote steady and be re-elected. Bosco and Verney (2012a, 2012b) also point out that, because of the austerity measures required to control budget deficits, which have placed all ruling politicians in a difficult position towards their electorate, there has been an overthrow of incumbents throughout Southern Europe, as well as in Ireland.

In this context, Kayser and Wlezien (2011) conclude that over the last few years the economy has become a major vote-choice predictor. Their results further suggest that fiscal policy has played a key role, as the punishment of incumbent parties has been more pronounced in countries where the budget deficit in the year preceding the election was larger. Dassonneville and Lewis-Beck (2014) report findings in the same direction when examining 359 elections in 31 European countries, with their results showing that the link between the economy and incumbent-vote share has become stronger in the recent economic downturn. In a similar vein, Hernández and Kriesi (2016), in assessing how election results in 30 European countries in pre- and post-crisis years relate to the economy, find a larger punishment effect for incumbents in post-crisis elections. Their results further suggest that during periods of significant economic change, traditional opposition parties may not be among the beneficiaries of the incumbents' losses. Indeed, in countries under IMF programmes, the rise in the support for new political parties is found to have been about twice that in countries with no IMF intervention. In the same context, Karyotis and Rüdiger (2015), stress that the main electoral impact of the recent financial crisis has been an unpopular feeling for traditional governing parties, or an anti-systemic-party effect, with voters punishing whoever was in power at the time austerity measures were approved.¹¹

Despite the extensive evidence in favour of economic voting in many Western European and other OECD countries, there is much less empirical testing of this hypothesis in small democratic states in Europe such as Greece, particularly

since the start of the economic crisis. Indeed, systematic testing of the economic-voting hypothesis in the case of Greece is limited compared to the other European countries and the existing findings are mixed. For example, using survey-based Eurobarometer data during 1985–1999, Freire and Lobo (2005) have found that the largest part of the voting-intention variance in Greece can be explained by ideology rather than the economy. Nezi (2012), based on election outcomes covering the period 1981–2009, finds no connection between the governing-party vote share and changes in unemployment and also no increased support for the government beyond a threshold of 2.5 per cent for GDP growth. On the other hand, using survey-based voting-intention data prior to the 2004 and 2009 elections, she finds that positive evaluations about the state of the economy increase the probability that voters will vote for the governing party, although this effect is less strong in the 2004 elections.

Kosmidis (2014), using quarterly time-series government-popularity data for 2000Q1–2009Q1, finds that governing-party support is negatively related to inflation and unemployment, although responsibility attribution plays a key role, with the Greek electorate being influenced by whether or not they believe that the government is best suited to deal with domestic economic problems. Karyotis and Rüdig (2015) examine data from a post-election survey, conducted in December 2010, of voters' actual choices in the November 2010 regional elections and their vote intentions in a future general election. Their results indicate no economic-voting effect in the November 2010 election. Voting intentions in a future general election appear to be influenced by economic evaluations, although, unlike in other studies, their results show that blame attribution plays no role.

On the other hand, Lewis-Beck and Nadeau (2012) find evidence of a significant economic-voting effect for incumbents in Greece using Eurobarometer data on voting intentions for 1988–2004. Lobo and Lewis-Beck (2012), using survey data for 2009, confirm the presence of an economic-performance effect on voting intentions, although their results show that attribution of responsibility matters, with economic voting being smaller when the EU is seen as responsible for domestic economic matters. Teperoglou and Tsatsanis (2014) find no systematic correlation between government support and unemployment or inflation using data on party-approval ratings from October 2009 to April 2012. Examining individual-level voting intentions one month prior to the May 2012 elections, they also conclude that the economy was not the key issue in such elections and that other non-economic elements were more important for voting choices.

Thus, the issue remains: To what extent is there a causal relationship between voters' choices in Greece and changing economic conditions along the lines suggested by the reward-punishment hypothesis for incumbents? Is the impact across all opposition parties symmetric or asymmetric? To what extent does an unfavourable economic environment cause a swing in the vote at the same rate towards different non-systemic parties like Syriza and Golden Dawn? Which economic variables can be held most responsible for such a swing?

3. METHODOLOGY AND DATA

The hypotheses to be tested are to what extent the classic reward-punishment hypothesis for incumbents applies in the case of Greece; and whether the state of the economy and/or government policy have an asymmetric effect on different types of opposition party. To test these hypotheses, we use data on the vote share of seven political parties across 13 Greek peripheries in four general elections from 2004 to 2012. The political parties included are *New Democracy* (ND), *Pasok* (Panhellenic Socialist Movement), *Syriza* (Coalition of the Radical Left), *Golden Dawn*,¹² *KKE* (Communist Party of Greece),¹³ *LAOS* (Popular Orthodox Rally) and the *Ecologists* (Green Party). Before the economic crisis, Greece had a tradition of single-party government. The two parties that dominated the political scene for the greatest part of the period and alternated in office up to 2009 were the center-right ND and the center-left Pasok. According to Greek constitutional law, non-governing parties are divided into ‘parliamentary’ opposition, practiced by parties that are represented in Parliament, and ‘non-parliamentary’ opposition, practiced by parties that fail to win at least 3 per cent of the vote. Along with the two alternating ruling parties Pasok and ND, the parliamentary opposition that existed continuously throughout the period under consideration consisted of KKE and Syriza. The other opposition parties included meet the criterion of having participated in at least 2 out of the 4 elections and of having achieved a vote share of not less than 1 per cent in at least one election.

The vote function we estimate is of the following form:

$$(vote)_{j,i,t} = x'_{i,t,k} \beta_k + (other)_{jt} * x'_{i,t,k} \gamma_k + (syr)_{jt} * x'_{i,t,k} \delta_k + (gol)_{jt} * x'_{i,t,k} \varepsilon_k + \alpha (vote)_{j,i,t-1} + n_i + \mu_t + u_{j,i,t} \quad (1)$$

where $x'_{i,t,k} = [(gro)_{it} (une)_{it} (fis)_{it}^m]$

The β_k 's, γ_k 's, δ_k 's are vectors of parameters to be estimated and $u_{j,i,t}$ is an error term. j , i and t denote, respectively, political party, periphery, and election year, implying a panel of dimension $N = ji = 91$, $T = 4$. $(vote)_{j,i,t}$ measures party-vote shares in each of the 13 Greek peripheries per election year, whereas $(vote)_{j,i,t-1}$, the lagged vote share, is included to account for ongoing influences and vote-preference persistence. $x'_{i,t,k}$ is a vector of k explanatory variables, reflecting economic performance and government policy. Following much of the economic-voting literature (Fair 1978; Powell and Whitten 1993; Pacek 1994; Dassonneville and Lewis-Beck 2012), we use output growth as a proxy for general economic prospects, while we take into account the proposition that labour-market conditions are likely to play a separate crucial role in voters' choices. Accordingly, $(gro)_{it}$ in $x'_{i,t}$ measures the percentage change in real per-capita GDP in individual peripheries between election years, while $(une)_{it}$ is the corresponding periphery-level unemployment in the year preceding the elections. Alternative proxies for the fiscal-policy stance are also included in $x'_{i,t}$ in order to account for potential influences arising from government policy *per se*. Thus $(fis)_{it}^m$ measures changes between election years in government-consumption expenditures (per cent of GDP), tax revenue (per cent of GDP) and the budget deficit (per cent of GDP),

with m taking values $m = 1, 2, 3$ depending on the fiscal-policy proxy used. The μ_t 's are period-dummies, capturing common effects of external factors across peripheries. n_i are fixed-effects that control for the role of time-invariant, periphery-specific characteristics in vote choices, such as party attachment, structure of production and level of education.

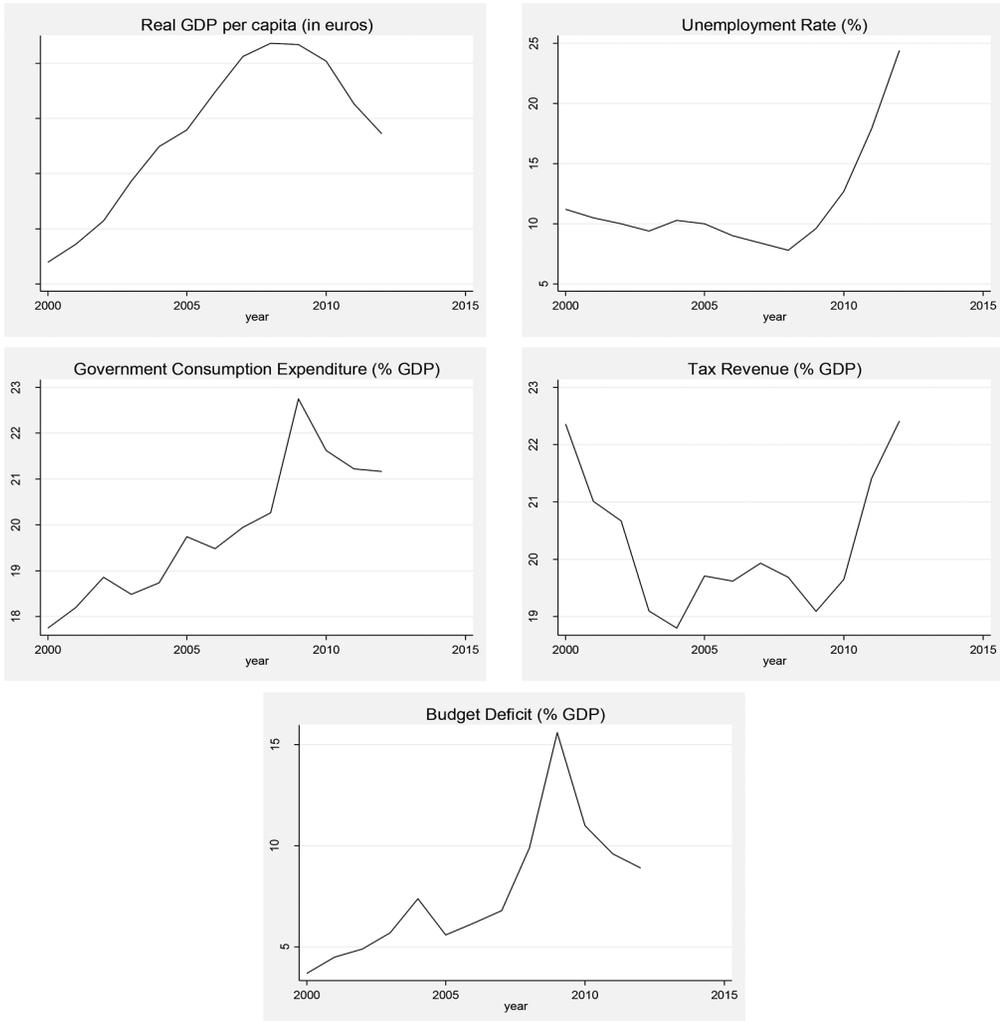
While the impact of changes in the $x_{it,k}$'s on the governing party are captured by the β_k 's, corresponding impacts on opposition parties are identified by using dummies. Thus $(other)_{jt}$ equals 1 if a political party other than Syriza or Golden Dawn was not part of a government coalition in the pre-election period, and zero otherwise. Similarly, $(syr)_{jt}$ and $(gol)_{jt}$ take the value of 1 for Syriza and Golden Dawn respectively, and the value of zero otherwise. The effects of changes in the $x_{it,k}$'s on the vote shares of Syriza and Golden Dawn are therefore reflected, respectively, in the coefficient sums $\beta_k + \delta_k$ and $\beta_k + \varepsilon_k$. Likewise, the effects on the other opposition parties are reflected in the coefficient sum $\beta_k + \gamma_k$, while the effects on all opposition parties taken together are reflected in the coefficient sum $\beta_k + \gamma_k + \delta_k + \varepsilon_k$. Accordingly, statistical significance of the interaction terms $(other)*x'$, $(syr)*x'$, $(gol)*x'$ would indicate an asymmetric impact across political parties of changes in the explanatory variables.

For example, if during periods of rising economic activity, incumbents acquire all of the benefit by gaining a greater portion of the vote, while opposition parties incur all of the cost, $(gro)_{it}$ would enter (1) with a significantly positive coefficient for the governing party, i.e. $\beta_{gro} > 0$, and a significant negative coefficient for all non-governing parties, i.e. $\beta_{gro} + \gamma_{gro} + \delta_{gro} + \varepsilon_{gro} < 0$. Similarly, if a rise in unemployment affects voters' support negatively for incumbents and positively for all opposition parties, we would expect $\beta_{une} < 0$, $\beta_{une} + \gamma_{une} + \delta_{une} + \varepsilon_{une} > 0$. Turning to fiscal policy, politicians, when in office, are likely to have strong incentives to prefer policies that maximise their re-election prospects and promote their partisan agenda.

In Greece, most categories of government-consumption expenditure, including unemployment benefits and other social-welfare measures, are linked to redistributive policies and thus are likely to be particularly effective as a vote-generating mechanism for the party in power. Therefore, when fiscal policy is expansionary, governing parties are expected to get all the benefit, while the opposite is likely to hold when conditions change to the mostly negative. Accordingly, our expectation is that the incumbent party will benefit from a more relaxed fiscal policy by increasing its relative political power, whereas opposition parties will increase their political influence when the implementation of such a policy drops sharply. In the case of Greece, the cut-off point is the period from 2008 onwards, which coincides with cuts in public spending and a rise in taxes (see Figure 1). We can thus expect to find that $\beta_{fis} > 0$, $\beta_{fis} + \gamma_{fis} + \delta_{fis} + \varepsilon_{fis} < 0$, for government-spending and/or the fiscal deficit, and $\beta_{fis} < 0$, $\beta_{fis} + \gamma_{fis} + \delta_{fis} + \varepsilon_{fis} > 0$, for the tax revenue. At the same time, rejecting the hypothesis $H_o : \delta_{gro} = \varepsilon_{gro}$, $H_o : \delta_{une} = \varepsilon_{une}$ or $H_o : \delta_{fis} = \varepsilon_{fis}$ in favour of the alternative, $H_o : \delta_{gro} \neq \varepsilon_{gro}$, $H_o : \delta_{une} \neq \varepsilon_{une}$ or $H_o : \delta_{fis} \neq \varepsilon_{fis}$, would provide

evidence of an asymmetric effect of changing economic conditions or the fiscal-policy stance on the electoral support for *Syriza* and *Golden Dawn*.

Figure 1: Economic factors and fiscal contraction in Greece, 2000–2012



Data on party-vote shares are obtained from the European Election Database. Data on periphery-level unemployment are obtained from Eurostat. Series for changes in periphery-level (per-capita) GDP are constructed using data from the Hellenic Statistical Authority (*ELSTAT*) and Eurostat. Series for government consumption expenditures, tax revenue are obtained from the World Bank (*World Development Indicators*), while the fiscal deficit data are from Eurostat.

Table 1 summarises the statistical properties of the dataset and Table 2 reports correlation coefficients between the explanatory variables.¹⁴ Tables 3(a) and 3(b) present periphery-level election results for each of the seven political parties considered, along with the corresponding periphery-level macroeconomic indicators, i.e. per-capita GDP change and level of unemployment. The data are averaged for 2004–2007 and 2009–2012. The years 2004–2007 represent a ‘pre-crisis’ period, associated with high GDP growth in all peripheries and an unemployment rate close to the European average, along with high rates of support for ND and Pasok, the two major traditional systemic parties that have alternated in power since the country’s return to democracy.

The years 2009–2012 represent a ‘post-crisis’ period, associated with a drop in per-capita GDP across almost all peripheries and a rise in unemployment, as well as with an increase in the vote share of the non-traditional, non-systemic parties, Syriza and Golden Dawn. To what extent, then, does this pattern implies a causal relationship between the economy and party-choice along the lines suggested by the classic reward-punishment hypothesis, after controlling for other periphery-specific and time-specific factors? And to what extent do changing economic conditions affect all types of opposition party? We proceed to address these issues by estimating (1).

Table 1: Descriptive statistics

<i>Variable</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Min</i>	<i>Max</i>
<i>(vote)</i>	15.793	16.522	0.030	58.770
<i>(gro)</i>	5.773	18.541	-19.665	40.314
<i>(une)</i>	13.783	6.651	5.400	29.700
<i>(fis)</i> ¹	4.153	8.062	-6.985	14.024
<i>(fis)</i> ²	2.042	12.483	-15.909	17.395
<i>(fis)</i> ³	0.930	6.014	-6.700	8.800

Notes: *(vote)* stands for vote share (per cent); *(gro)* for real GDP per capita (percentage change); *(une)* for unemployment rate; *(fis)*¹ for government consumption expenditure (per cent GDP), percentage change; *(fis)*² for tax revenue (per cent GDP), percentage change; and *(fis)*³ for fiscal deficit (per cent GDP), change.

Table 2: Cross-correlation matrix of explanatory variables

	<i>(vote)</i>	<i>(gro)</i>	<i>(une)</i>	<i>(fis)</i> ¹	<i>(fis)</i> ²	<i>(fis)</i> ³
<i>(vote)</i>	1					
<i>(gro)</i>	0.217	1				
<i>(une)</i>	-0.202	-0.703	1			
<i>(fis)</i> ¹	0.175	0.531	-0.824	1		
<i>(fis)</i> ²	-0.181	-0.806	0.678	-0.716	1	
<i>(fis)</i> ³	0.150	0.491	-0.731	0.957	-0.810	1

Notes: *(vote)* stands for vote share (per cent); *(gro)* for real GDP per capita (percentage change); *(une)* for unemployment rate; *(fis)*¹ for government consumption expenditure (per cent GDP), percentage change; *(fis)*² for tax revenue (per cent GDP), percentage change; and *(fis)*³ for fiscal deficit (per cent GDP), change.

Table 3a: Mean values by Greek periphery (NUTS-2) for economic variables and vote shares: Time period 2004–2007

Periphery	Real GDP per capita, per. change	Unemployment rate	New Democracy	Pasok	Syriza	Golden Dawn	KKE	LAOS	Ecologists
<i>Anatoliki Makedonia, Thraki</i>	21.756	11.450	47.720	41.585	2.400	0.060	3.800	2.330	0.630
<i>Attiki</i>	28.473	8.550	39.170	36.335	6.575	0.140	9.720	4.110	1.630
<i>Dytiki Ellada</i>	28.160	11.100	42.305	45.695	3.005	0.040	5.445	1.540	0.720
<i>Dytiki Makedonia</i>	29.223	14.200	49.230	39.400	2.450	0.080	4.870	1.850	0.760
<i>Ionía Nisia</i>	25.149	9.700	41.720	39.440	3.685	0.070	11.095	1.540	0.990
<i>Ipeiros</i>	19.345	10.750	46.405	39.875	3.515	0.040	6.205	1.470	0.640
<i>Kentriki Makedonia</i>	24.436	10.500	46.505	36.500	3.310	0.080	6.345	4.200	1.050
<i>Kriti</i>	24.452	5.700	37.560	51.540	3.670	0.030	4.100	1.110	0.860
<i>Notio Aigaió</i>	19.518	9.100	44.495	44.240	3.260	0.070	3.865	2.010	0.500
<i>Peloponnisos</i>	23.465	7.850	50.255	37.595	3.190	0.070	4.405	2.510	0.810
<i>Stereá Ellada</i>	15.817	10.900	45.545	40.875	3.120	0.080	5.560	2.580	0.810
<i>Thessalia</i>	23.589	8.750	46.160	38.335	2.895	0.090	8.115	2.335	0.750
<i>Voreio Aigaió</i>	31.876	8.850	41.120	39.265	3.890	0.060	11.535	1.675	0.890

Notes: Columns 4–10 indicate vote share (per cent) by political party. Fiscal policy indicators are not presented since they do not vary across peripheries.

Table 3b: Mean values by Greek periphery (NUTS-2) for economic variables and vote shares: Time period 2009–2012

Periphery	Real GDP per capita, % change	Unemployment rate	New Democracy	Pasok	Syriza	Golden Dawn	KKE	LAOS	Ecologists
Anatoliki Makedonia, Thraki	-6.518	16.950	30.240	32.950	8.065	2.800	4.590	4.220	1.865
Attiki	-5.279	17.450	20.565	24.585	13.920	4.170	9.835	5.285	3.655
Dytiki Ellada	-6.803	17.650	26.625	34.100	10.635	3.705	6.910	2.745	2.280
Dytiki Makedonia	-8.187	21.050	33.650	29.055	8.315	3.145	6.775	3.195	1.905
Ionia Nisia	-9.466	12.100	26.250	28.200	11.215	3.575	12.510	2.850	2.485
Ipeiros	-6.612	16.850	31.175	30.580	11.015	2.485	7.640	2.600	1.875
Kentriki Makedonia	-7.919	18.150	29.540	26.695	8.805	3.760	7.635	5.155	2.400
Kriti	-9.230	15.650	18.140	38.660	9.865	1.605	5.385	2.305	3.380
Notio Aigaiο	-10.390	13.850	25.505	32.740	8.540	3.240	5.295	3.205	3.115
Peloponnisos	-6.849	13.550	34.610	28.540	8.450	4.930	5.510	3.845	2.055
Sterea Ellada	-8.520	19.200	26.600	29.895	10.395	4.035	6.970	4.295	2.245
Thessalia	-7.658	15.900	29.975	28.010	9.155	3.135	9.540	4.045	2.215
Voreio Aigaiο	-7.194	14.200	25.670	29.005	8.905	2.405	14.285	3.195	2.845

Notes: Columns 4–10 indicate vote share (per cent) by political party. Fiscal policy indicators are not presented since they do not vary across peripheries.

Given the presence of a lagged-dependent variable among the regressors in (1), and given the dimension of the panel (large N , small T), we estimate the model by applying the system-GMM technique (Arellano and Bover 1995; Blundell and Bond 1998). System-GMM is also more appropriate here than the simple first-difference GMM-estimator, given that the period of study is relatively short and the problem of weak instruments may cause large finite-sample biases and poor precision of the first-difference GMM-estimator.¹⁵ The statistical adequacy of the model is established when the generated residuals do not exhibit second-order autocorrelation, a property checked by the m_2 statistic, and when the over-identifying restrictions are not rejected, a property checked by the Hansen test.

4. ESTIMATION RESULTS

Estimation results are presented in Table 4. In all three columns, the over-identifying restrictions are not rejected, suggesting that the model is well specified. There is also no evidence of second-order autocorrelation in the residuals. At the same time, electoral outcomes show a positive dependence on past voting, with current support for political parties deriving partially from past support.

As far as economic variables are concerned, starting with changes in per-capita output, (*gro*) enters with a significantly positive sign in all three columns of Table 4, implying that a switch to a more favourable macroeconomic environment benefits the governing party. On the other hand, the coefficient on (*une*) is negative throughout Table 4 at 5 per cent, suggesting that voters penalise incumbents for failing to reduce unemployment during their administrations. This is also reflected in the interaction terms (*other*une*), (*syr*une*) and (*gol*une*). These terms have highly significant positive coefficients in all the columns of Table 4, suggesting a strong favourable impact of higher unemployment on voters' support for opposition parties. Indeed, we can emphatically reject the hypothesis that the coefficient sum $\beta_{une} + \gamma_{une} + \delta_{une} + \varepsilon_{une}$ equals zero, i.e. that higher unemployment has no significant positive effect on all of the parties of the opposition taken together.

The output-growth impact on opposition parties is also strong. The corresponding coefficient sum $\beta_{gro} + \gamma_{gro} + \delta_{gro} + \varepsilon_{gro}$ has a negative sign and is significant at a p-value of less than 5 per cent, which provides support for the hypothesis that, during periods of falling economic activity, voters turn to non-governing parties in general, hoping that they will deliver better growth outcomes.

Turning to fiscal policy, all three interaction terms (*other*fis*), (*syr*fis*), (*gol*fis*) in column (1) of Table 4 have negative signs at 1 per cent or 5 per cent, leading to a large coefficient sum $\beta_{fis} + \gamma_{fis} + \delta_{fis} + \varepsilon_{fis}$ and supporting the hypothesis that reduced public spending generates a switch in votes towards non-governing parties. Similarly, in column (2), we cannot reject the significance of $\beta_{fis} + \gamma_{fis} + \delta_{fis} + \varepsilon_{fis}$, which implies an overall positive effect of increased taxation on the vote share of all opposition parties.

Table 4: Electoral outcomes, economic conditions and fiscal policy in Greece: System-GMM estimation results.

Regressor	Fiscal-policy proxy $(fis)_t^m$		
	$(fis)^1 - Gov. Exp.$	$(fis)^2 - Tax Rev.$	$(fis)^3 - Fis. Def.$
$(vote)_{j,i,t-1}$	0.786*** (30.17)	0.837*** (34.62)	0.826*** (35.44)
$(gro)_{i,t}$	0.181** (2.10)	0.296*** (3.32)	0.243*** (2.80)
$(une)_{i,t}$	-0.451** (-2.16)	-0.523** (-2.41)	-0.455** (-2.15)
$(fis)_t^m$	0.539*** (2.86)	-0.162 (-0.91)	0.544** (2.10)
$(other)_{jt}^*(gro)_{i,t}$	-0.202*** (-11.08)	-0.322*** (-14.05)	-0.259*** (-12.63)
$(other)_{jt}^*(une)_{i,t}$	0.555*** (7.29)	0.656*** (6.18)	0.571*** (6.46)
$(other)_{jt}^*(fis)_t^m$	-0.173** (-2.50)	-0.172*** (-3.51)	-0.020 (-0.26)
$(syr)_{jt}^*(gro)_{i,t}$	-0.368*** (-12.60)	-0.485*** (-17.86)	-0.459*** (-15.19)
$(syr)_{jt}^*(une)_{i,t}$	0.881*** (10.15)	0.830*** (8.14)	0.830*** (9.23)
$(syr)_{jt}^*(fis)_t^m$	-0.666*** (-12.40)	0.192*** (5.37)	-0.713*** (-11.58)
$(gol)_{jt}^*(gro)_{i,t}$	-0.053 (-0.46)	-0.197* (-1.66)	-0.161 (-1.39)
$(gol)_{jt}^*(une)_{i,t}$	0.494*** (4.77)	0.632*** (5.59)	0.470*** (3.80)
$(gol)_{jt}^*(fis)_t^m$	-1.829*** (-3.45)	0.454** (2.28)	-1.854*** (-2.82)
Periphery Dummies	Yes	Yes	Yes
Time Dummies	Yes	Yes	Yes
m_1 [p-value]	-3.95 [0.00]	-5.24 [0.00]	-4.45 [0.00]
m_2 [p-value]	0.66 [0.50]	-0.68 [0.49]	-0.11 [0.91]
Hansen [p-value]	68.85 [0.22]	64.91 [0.34]	65.09 [0.33]
No. of obs.	299	299	299
No. of Instruments ^(a)	89	89	89
<i>Hypotheses Testing^(b) [p-value]</i>			
$H_0 : \beta_{gro} + \gamma_{gro} + \delta_{gro} + \varepsilon_{gro} = 0$	31.69 [0.00]	89.36 [0.00]	54.54 [0.00]
$H_0 : \beta_{une} + \gamma_{une} + \delta_{une} + \varepsilon_{une} = 0$	30.71 [0.00]	25.64 [0.00]	29.52 [0.00]
$H_0 : \beta_{fis} + \gamma_{fis} + \delta_{fis} + \varepsilon_{fis} = 0$	32.21 [0.00]	11.93 [0.00]	21.87 [0.00]
$H_0 : \delta_{gro} = \varepsilon_{gro}$	7.53 [0.00]	5.68 [0.01]	6.87 [0.00]
$H_0 : \delta_{une} = \varepsilon_{une}$	22.60 [0.00]	10.39 [0.00]	11.32 [0.00]
$H_0 : \delta_{fis} = \varepsilon_{fis}$	5.00 [0.02]	1.84 [0.17]	3.15 [0.07]

Notes: Numbers in parentheses denote z-scores, m_1 and m_2 are residual first and second order serial correlation tests, while Hansen stands for the over-identifying restrictions test. Single, double, and triple asterisks denote statistical significance at the ten per cent, five per cent, and one per cent levels, respectively. All models allow for robust standard errors.

^(a) All variables are treated as predetermined in each model. ^(b) χ^2 -statistic.

On the other hand, the interaction terms (*other*fis*), (*syr*fis*), (*gol*fis*) enter negatively in column (3), suggesting that fiscal-deficit cuts would shift the vote towards non-governing parties, and we can reject the hypothesis that $\beta_{fis} + \gamma_{fis} + \delta_{fis} + \varepsilon_{fis} = 0$. Such fiscal-policy effects are also mirrored in the coefficient on (*fis*) in columns (2) and (3). In column (2) this coefficient, while not statistically significant at conventional levels, has a negative sign indicating that tax increases do not benefit the incumbent party. In column (3), (*fis*) enters with a significantly positive coefficient, implying increased support for the government when net public spending and thus the fiscal deficit increases.

Turning to the different types of opposition parties, we see that, while the interaction terms (*syr*gro*) and (*syr*une*) do not differ in terms of sign or significance from (*other*gro*) and (*other*une*) respectively, suggesting that voters feel they should turn to parties on the opposition in general, when incumbents fail to fulfil their expectations regarding output-growth or unemployment, the estimated coefficients for *Syriza* are about fifty per cent larger. This justifies the significant increase in *Syriza*'s influence on Greek politics relative to other more traditional opposition parties since 2009, following the sharp decline in per-capita incomes and the rise in unemployment. On the other hand, there is evidence of an asymmetry between *Syriza* and Golden Dawn: the coefficient estimates suggest that per-capita GDP-growth and unemployment do not affect these two parties to the same extent. Indeed, while (*syr*gro*) is highly significant throughout Table 3, implying strong support of the electorate for non-systemic left-wing parties like *Syriza* during periods of economic strain, (*gro*gro*) is insignificant in columns (1) and (3) and only marginally significant in column (2), indicating that a falling GDP has no strong impact on Golden Dawn's electoral support. This leads to rejection of the hypothesis $H_o : \delta_{gro} = \varepsilon_{gro}$. The effect of higher unemployment is also smaller for *Golden Dawn* than for *Syriza*, and we can emphatically reject the hypothesis $H_o : \delta_{une} = \varepsilon_{une}$ in all three columns of Table 4. Essentially, our results suggest that unlike in the case of *Syriza*, the recent economic downturn in Greece has not been the driving force behind the electoral take-off of Golden Dawn.

This asymmetric impact of changes in per-capita GDP and unemployment on *Syriza* and Golden Dawn can be attributed to different voter-motivation and is consistent with the arguments presented in other studies. As, for example, Mudde (2007), Art (2011) and Lamprianou and Ellinas (2017) note, institutional rather than economic grievances often induce voters to support far-right-wing parties and this is likely to have been the case for Golden Dawn.¹⁶ Halikiopoulou and Vasilopoulou (2018) also argues that the appearance of Golden Dawn in Greece was not the result of the economic downturn *per se*, but the result of its political dimension. The inability of the state to mitigate the consequences of the economic crisis triggered a crisis of democratic representation. Essentially, Golden Dawn was presented as the party that struggles against corruption and illegal immigration, which can be powerful vote-winning elements in bad economic times. This is in line with the case of the *True Finns* in Finland,

another non-traditional ultra-right-wing party. According to Söderlund and Kestilä-Kekkonen (2014), while the results of the 2011 Finnish parliamentary elections suggested an impact of the economy on the vote for *True Finns*, the electoral success of this party was not caused by economic influences alone. A more general sense of political dissatisfaction seems to have triggered the Finnish electorate to vote for this extreme political party.

Turning to the fiscal policy effects on support for Syriza and Golden Dawn, as the partisan approach emphasises, populist left-wing parties usually favour greater state intervention, income redistribution and an expansionary fiscal-policy stance. Thus, when expansionary policies need to be stopped, it is to be expected that these parties will get most of the benefit. This is reflected in the coefficient of the interaction term (*syr*fis*) in columns (1)–(3) of Table 4. Changes in government expenditures, taxes and the fiscal deficit strongly influence *Syriza's* vote share, with (*syr*fis*) having a significantly negative sign in columns (1) and (3) and a significantly positive sign in column (2). Yet, fiscal-policy changes have an asymmetric effect on Syriza and Golden Dawn: in all three columns of Table 4 the corresponding fiscal-policy coefficients are quite larger for Golden Dawn. Indeed, $H_0 : \delta_{gro} = \varepsilon_{gro}$ can be rejected for government spending and the budget deficit, while it is marginally only not rejected for tax revenue. This result is in line with Mair (2009), who advocates that in recent years some parties have won the battle of attracting voters irrespective of their ideology, by targeting specific social groups that have been hit severely by the austerity measures adopted by governing parties. Essentially, Golden Dawn's recent political success seems to have been driven mostly by the dissatisfaction of the Greek people with the drastic cuts in government spending and the reduction of the fiscal deficit since 2009, rather than the prospects for the macroeconomy.

Overall, our results provide support for the hypothesis that there is a growing divide between parties of government and parties of representation. Since 2009 traditional governing parties in Greece have been adversely affected by the unfavourable economic measures forced by the Troika while, in line with the reward-punishment argument, all opposition parties have benefited. At the same time, two non-traditional parties, Syriza and Golden Dawn, by playing the populist card, have managed to exert a stronger influence on the electorate than the other opposition parties. Our estimates suggest that Syriza exerted this influence through the large drop in economic activity and Golden Dawn through the drastic cuts in net public spending.

5. CONCLUDING COMMENTS

Motivated by the recent developments in Greece, and in particular by the decline in support for the two systemic political parties, New Democracy and Pasok, and the rapid rise of two non-systemic parties Syriza and Golden Dawn, we have examined how economic variables affect Greek voters' choices, testing whether the predictions of the reward-punishment model apply in the case of Greece. Indeed, if electoral outcomes are to be in line with this model, one

would expect that during deteriorating economic conditions or tight fiscal policy, people will strongly turn to non-systemic parties like Syriza or Golden Dawn, despite their different political ideologies, hoping for a return to the previous status.

Our estimates provide support for this classic economic-voting hypothesis: governing parties in Greece seem to be punished and opposition parties gain in bad times. However, by shifting our attention to the whole party system, we have found evidence suggesting that deteriorating economic conditions and a tight fiscal policy have a larger effect on the vote share of non-traditional opposition parties like Syriza and Golden Dawn than on other opposition parties. This explains why the main beneficiaries of the recent Greek economic crisis have been Syriza and Golden Dawn. Indeed, our results suggest that the effect of the recent economic downturn in Greece was more a case of a shift between traditional and non-traditional parties than a shift away from the governing party.

At the same time, we have found an asymmetry between these two non-systemic parties. Golden Dawn's vote share is found to exhibit smaller sensitivity than that of Syriza to changes in both per-capita GDP and unemployment, which is in line with the arguments found in other studies that economic problems *per se* do not necessarily lead to a rise of far-right-wing parties. Golden Dawn appears to have increased its vote mainly by taking advantage of the dissatisfaction of the Greek public with the drastic cuts in social- and healthcare-spending or other forms of state support associated with the forced fiscal-deficit reduction, while it succeeded in establishing strong links with disappointed young groups facing adverse conditions in the labour market. Its anti-corruption and anti-immigration rhetoric was also a vote-winning element, attracting low-income pensioners and low-paid private-sector employees as well as private-sector employers in areas badly hit by the austerity measures (Ellinas 2013; Vasilopoulou and Halikiopoulou 2015).

Syriza, on the other hand, was seen by voters as a party capable of fighting the clientele-type policies characterising ND and Pasok during their time in government while, unlike Golden Dawn and KKE, offered hopes for the economy's recovery with Greece maintaining its EMU and EU membership (Tsakatika and Eleftheriou 2013). Indeed, the issue of Europe was one of the reasons why the traditional Communist party of Greece, KKE, with a strong position against any kind of austerity policies, did not manage to increase its vote to the same extent as Syriza.¹⁷

Accepted for publication: 29 June 2018

ENDNOTES

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4. We gratefully acknowledge valuable comments on earlier versions of the paper from Professor Michael S. Lewis-Beck.
5. The traditional Communist Party of Greece, KKE, failed to capitalise enough on the growing discontent of the Greek people with the Troika's austerity measures and experienced only a small increase in its vote share. Its anti-European rhetoric also led many highly-educated leftist Greeks to support Syriza.
6. Many claim that the austerity measures forced by the Troika changed the Greek political landscape, creating a volatile political situation compared to previous periods. Indeed, a number of studies stress that the surge in political support for Golden Dawn was partly the byproduct of a complete party-system restructuring in Greece resulting from the weakness of political institutions and the reluctance of politicians to change their policies (Magalhaes 2014b; Afonso *et al* 2014; Teperoglou and Tsatsanis 2014; Freire *et al* 2014).
7. Macro-level studies of economic voting are often criticised for suffering from an 'ecological fallacy'. That is, the finding that aggregate economic indicators affect actual election outcomes does not necessarily imply the presence of economic voting at the individual level, i.e. that individual voters act as agents, supporting the government in good times and punish it in bad times, which is the key element of the economic-voting hypothesis. On the other hand, studies using survey-based voting-intention data can be criticised for suffering from another fallacy, what Dassonneville and Lewis-Beck (2014) call the 'micro-logical fallacy'. Specifically, evidence of an economic-voting effect at the micro level may not necessarily lead to an equally strong economic voting result at the macro level given the interdependencies or other influences, such as blame attribution, which are more difficult to be accounted for at the aggregate level. However, both fallacies seem to be disproved by recent cross-country research. Most survey-based micro-level studies find that the economy matters for individual voting preferences (Duch and Stevenson 2008; Lewis-Beck and Nadeau 2012; Nadeau *et al* 2013), while at the same time recent aggregate-level studies based on large cross-country datasets report results suggesting that economic performance significantly affects actual election outcomes (Dassonneville and Lewis-Beck 2014; Hernández and Kriesi 2016).
8. Single-country economic voting at the aggregate level has received less attention, given a lack of relevant time-series data.
9. See e.g. Monroe 1984; Nannestad and Paldam 1994; Lewis-Beck and Stegmaier 2000, 2007; Sanders 2000.
10. Other recent studies focusing on Italy, Spain and Portugal also confirm a significant connection between voting intentions and the economy (Fraile and Lewis-Beck 2010; Lobo and Lewis-Beck 2011; Bellucci 2012; Magalhaes 2014a). Only in the case of Germany is the evidence not clear-cut (Anderson and Hetch 2012).

11. Other studies find that attribution of responsibility plays a crucial role. Lobo and Lewis-Beck (2012), for example, find that especially in Southern Europe, the belief that foreign actors, like the EU, are responsible for a country's economic hardships weakens the economic-voting effect.

12. In the 2004 elections Golden Dawn participated as part of the Nationalist Front party.

13. KKE is not examined separately but as part of the other opposition parties. Unlike Syriza and Golden Dawn, KKE's vote share has shown no significant change during the period under consideration.

14. As expected, the three fiscal policy measures considered show strong correlation and we use them interchangeably.

15. Other estimation techniques can also be used to remove the bias in panel-data models arising from the presence of a lagged dependent variable, including the bootstrap-corrected fixed-effects estimator (De Vos *et al* 2015). This technique cannot be used here because of gaps in parties' shares (not all 7 parties considered here have participated in all elections).

16. Dinas and Rori (2013), for example, point out, even though a crisis typically provides an opportunity for non-systemic right-wing parties to establish their position, Golden Dawn's exit from the political margin was the case even before the outbreak of the crisis, given its anti-corruption rhetoric.

17. As far as the period after 2012 is concerned, according to exit-poll data, the main winning element for Syriza in the January 2015 elections was the desire for a change in government and the punishment of incumbents rather than identifying with the party (Rori 2016). On the other hand, the main factor that won the September 2015 elections after the referendum was citizens' desire to find a better deal within the Eurozone, less burdensome for the masses. The result was a return to 'reality', as nearly two thirds of MPs voted for the third rescue agreement in July 2015. Thus, Syriza's loss of anti-systemic status after July 2015 played a small role for voters compared to the possibility that Greece would be outside EMU or the EU. Along with the pledge to fight corruption, this gave Syriza a clear lead in the September 2015 elections.

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