

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

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Abstract

Referenda in countries such as Greece and the UK have recently sent shockwaves across Europe because they have presented a popular challenge to international cooperation. This paper examines such high-stakes foreign policy referenda in a systematic fashion. It focuses on referenda where a national referendum vote potentially creates large negative externalities for other countries. Such high-stakes referenda are unusual because the consequences of such referendum outcome cannot be controlled by the national government but instead depend on whether the other countries accommodate or penalize the non-cooperative vote. This implies that voters' expectations about the likely reaction abroad will be highly influential for voting behavior, and, that foreign policymakers can influence these expectations by sending costly signals ahead of the vote, thus trying to sway the vote in favor of cooperation. Using original survey data from a recent high-stakes referendum, the 2015 Greek bailout referendum, we show that expectations about the consequences of a non-cooperative vote had a powerful effect on voting behavior. Leveraging the bank closure in Greece, we also show that costly signals sent by the other member states made voters more pessimistic about the consequences of a no-vote and increased the share of cooperative votes.

1. Introduction

After decades of increasing international cooperation, a new challenge has emerged for international institutions: popular referenda that put countries' participation in these institutions into question. The most prominent example is the June 2016 "Brexit" referendum in the United Kingdom, in which British voters decided that their country should leave the European Union.¹ Other examples include Iceland's 2010 and 2011 "*Icesave*" referenda about repudiating foreign debt,² the Swiss 2014 referendum on the "*mass immigration initiative*," which mandated a violation of the bilateral treaties between Switzerland and the EU about the free movement of people,³ or the 2005 referenda in France and the Netherlands that rejected the European Constitution and thus derailed European policymakers' attempt to put European integration on a higher level.⁴

What these foreign policy referenda have in common is that the consequences of the direct democratic vote in favor of non-cooperation are not limited to domestic voters, but negatively affect those in other countries as well. Traditionally, negative externalities abroad in referenda have been small. But as the institutionalization of international politics has deepened, non-cooperative voting outcomes in foreign policy referenda have become more disruptive for other countries. Not only does a non-cooperative referendum outcome imply that the other countries are missing out on cooperation gains. In the extreme cases, a unilateral decision not to comply or to withdraw from international cooperation can put the long-run viability of entire international institutions at risk, a huge potential cost for the other members of such institutions.

Referenda in which a popular vote in favor of non-cooperation in one country creates large costs abroad are characterized by two traits that differ from foreign policy referenda in which negative externalities are small or non-existent. First, although a country can unilaterally decide not to cooperate any more, it cannot unilaterally dictate the terms of the future relationship. This means that the concrete consequences of a non-cooperative referendum vote depend to a large degree on whether the other members of the respective international institution accommodate or penalize this vote. The range of potential referendum outcomes is consequently large. Second, because the other countries will always prefer a cooperative to a non-cooperative referendum outcome, foreign policymakers have incentives

¹ See, for example, Owen and Walter (2016)

² See Leblang, Jupille, and Curtis (2011).

³ See, for example, Milic (2015) and Sciarini et al. (2015)

⁴ See, for example, Hobolt and Brouard (2010) and Taggart (2006)

to signal a tough stance *ex ante* in order to induce voters to cast a cooperative ballot. This creates an information environment where the true resolve of the other countries to punish or accommodate a non-cooperative vote is difficult to assess *ex ante* and will be contested during the campaign. This type of foreign policy referendum therefore takes place in a context characterized by high levels of uncertainty about the consequences of a non-cooperative referendum outcome.

Our paper sets out to explore this popular challenge to international cooperation in a systematic fashion. It examines how voters cast their vote in the context of a foreign policy referendum with potentially large negative externalities abroad, and to what extent foreign policymakers can influence their expectations and voting behavior. We argue that expectations about the consequences of a non-cooperative referendum outcome will strongly influence voters' behavior, precisely because a large range of possible consequences exists, consequences that depend on the reaction of foreign actors to the referendum outcome. Foreign policymakers can influence these expectations by emphasizing their retaliatory capacity through warnings and costly signals ahead of the vote. To the extent that these signals convince domestic voters that other countries would be unwilling to accommodate a non-cooperative referendum outcome, it will feed more risk-averse and cooperative choices, compared to voters who expect that the referendum outcome will be accommodated by the international community.

Empirically, we leverage a high-stakes foreign policy referendum whose potentially destructive consequences are rivaled only by the 2016 Brexit referendum: the Greek 2015 bailout referendum. Although officially a referendum on the terms of a bailout package proposed by the Troika institutions in an effort to overcome the country's enormous financial crisis, most policymakers and observers abroad viewed it as a referendum that jeopardized Greece's continued membership in Europe's currency union. As such, the referendum put the irreversibility of the euro in question and consequently posed a threat to the entire project of European monetary integration – with potentially enormous negative consequences for all other members of the eurozone. The campaign was dominated by two distinct narratives: the government emphasized that a non-cooperative No-vote would enhance Greece's bargaining power in negotiations with its creditors, allowing the government to finally put an end to years of crisis and austerity. Most opposition politicians and policymakers outside of Greece, however, warned that a no-vote would invariably lead to "Grexit," Greece's exit from the common currency, the euro. The campaign period was also characterized by an unusual amount of international interference. Most notably, the European Central Bank (ECB)

declined to further increase emergency funding for Greek banks further, which forced the Greek government to close the banks and to impose capital controls. But despite stark warnings about the potential fallout from a non-cooperative referendum outcome, Greek voters soundly rejected the bailout proposal in the referendum. Taken together, this makes the Greek referendum an insightful case to study public opinion in high-stakes foreign policy referenda.

Using original survey data from a poll we fielded a day before the referendum, we investigate what role expectations and foreign signals played in influencing individual vote choice in the 2015 referendum. Our analysis shows that expectations about the consequences of a non-cooperative referendum outcome had a powerful effect on voting behavior in the referendum: voters expecting that a no-vote would result in “Grexit” were substantially more likely to vote cooperatively than those believing that a no-vote would result in new negotiations. We also show that there is space for foreign actors to influence voters’ expectations and vote choices in their favor. Costly signals about possible retaliatory measures of a non-cooperative vote – such as the ECB’s decision not to accommodate Greece’s heightened need for further capital injections – increases the share of cooperative votes. Overall, our study underscores the unique features of this emerging type of high-stakes foreign policy referendum, especially the importance of expectations about foreign reactions and foreign signals.

2. High-stakes foreign policy referenda: uncertainty, expectations, and foreign intervention

With the emergence of a wide array of global governance structures and institutions of supranational cooperation, the use of direct democratic instruments in international politics has proliferated.⁵ By its very nature, the consequences of a domestic referendum on a foreign policy issue are also felt abroad, affecting not only domestic voters, but the citizens of other countries as well.

Whether these externalities abroad are positive or negative depends on the outcome of the referendum. Whenever such a referendum results in a cooperative vote that leads to an initiation, widening, deepening, or even just continuation of international cooperation, these externalities tend to be positive.⁶ Successful ratification referenda are typical examples of

⁵ For reviews, see for example Hug (2003) or Hobolt (2009).

⁶ This is because countries usually only agree to international cooperation if it improves their national welfare.

such referenda, such as the 1992 Swiss referendum vote to join the Bretton Woods institutions, the 2007 Costa Rican referendum vote to join the Central American Free Trade Area, or the many accession and treaty referenda that have furthered European integration over the past 45 years.

In contrast, whenever the outcome of a foreign policy referendum is non-cooperative, it creates negative externalities abroad. The magnitude of these negative externalities varies widely. When a referendum on joining an international organization fails (such as the 1986 vote in Switzerland not to join the UN), the negative externalities are often small and come mostly in the form of opportunity cost, i.e. the other countries cannot benefit from enhanced cooperation. The costs of a failed ratification referendum are larger for the other countries, however, when this vote prevents them from cooperating more closely. This is the case, for example, whenever unanimity is required for an agreement to come into effect.⁷ The 1992 rejection of the Maastricht Treaty by Danish voters, the 2005 rejections of the European Constitution or, most recently, the Dutch 2016 rejection of the Ukraine–EU Association Agreement are examples for failed ratification referenda in this category. Yet, although these referenda undoubtedly create negative externalities for the other countries in the form of foregone gains from cooperation, they seldom challenge the existing status quo of cooperation at its core.

In contrast, the costs to other countries are very high when a referendum outcome mandates non-compliance with the rules of an international institution or even a unilateral withdrawal of the referendum country from such an institution. For one, such referenda unilaterally challenge the status quo of the existing cooperative agreement with the aim of improving the referendum country's position vis-à-vis its foreign partners. If the cooperative regime breaks down, they also produce negative economic externalities, such as a reduction in trade and other forms of cooperation and coordination (Konstantinidis, 2015), as well as transaction costs, economic distortions and financial risks that can arise as economic agents adjust to the new, disintegrated, environment.⁸ Most importantly, however, such referendum votes can undermine the long-run viability of the international institution as a whole through political contagion. These political contagion effects can manifest themselves in terms of (i) signaling a lack of commitment to the irreversibility of cooperation and resolve to enforce the existing policy framework, (ii) inducing similar non-cooperative behavior by other countries

⁷ Clearly, the potential negative spillovers of failed ratification are a direct function of the institutional rules for the implementation of an international cooperation agreement, whether that is by unanimity, qualified majority, 'enhanced cooperation', 'critical mass', etc.

⁸ Note that, even for less integration-prone member states, a unilateral, referendum-based decision to defect by one member state is worse than a cooperative bargaining solution aimed at disintegration.

seeking to extract higher relative gains of cooperation by threatening to call a referendum on overall membership or specific agreements, and (iii) stoking further anti-integration sentiment by boosting the electoral prospects of populist anti-establishment parties. As such, these effects can effectively jeopardize the viability of the international cooperation agreement in its entirety. Naturally, fears of political contagion tend to be most pronounced in the context of deep, politically interconnected, and highly institutionalized organizations. As a result, the stakes of ‘disintegration’ referendum votes for the other members of an international institution are a lot higher as it can put the survival of the entire institution on the line. The potential fallout from the 2016 Brexit referendum illustrates these large negative externalities in high-stakes foreign policy referenda.

Because the costs of a non-cooperative referendum outcome abroad vary, the stakes the other countries have in the outcome of a foreign policy referendum abroad vary as well. The larger the externalities, the higher the stakes.

Responding to a non-cooperative referendum outcome

A non-cooperative referendum outcome confronts the affected countries abroad with the question of how to respond.⁹ The range of options is large. For example, in the case of a failed ratification referendum, the other countries could modify the agreement to make it more acceptable to the referendum country (as European countries did after Denmark had rejected the Maastricht Treaty in 1992 and was subsequently granted exemptions), or they could dismiss the agreement altogether and negotiate a new agreement (as the EU did after the French and Dutch rejected the European Constitution in the 2005 ratification referenda), or they could go ahead without the referendum country (as the EEA did after Switzerland decided not to join the organization in 1992). In high-stakes foreign policy referenda, the other member states have the option to accommodate the democratically expressed wish of the (other) people and focus on salvaging as many of the cooperation gains from the existing arrangement as possible, at the risk of creating moral hazard and political contagion. Alternatively, they can punish the referendum country for its move to defect in order to discourage similar referenda and disintegration moves amongst other member states, even though such punishment is likely to be costly for everyone involved.¹⁰

⁹ An option we do not consider here is that the other countries can try to pressure the country not to hold a high-stakes foreign policy referendum after it has been announced. An example is the concerted pressure by EU governments on Greek Prime Minister Papandreo, who had announced a national referendum on the second EU bailout and austerity package in 2011, which resulted in his withdrawal of the referendum proposal.

¹⁰ Such punishment can take different forms. An example is the EU’s reaction to Switzerland’s referendum vote in 2014 to restrict immigration and subsequent decision not to extend freedom of movement to nationals to a

A non-cooperative referendum vote with negative spillover effects thus presents the afflicted countries with a dilemma between accommodating the referendum country at the risk of encouraging similar referenda and demands in the future (Downs, Rocke, and Barsoom 1996; Walter 2006), and punishing the referendum country for non-compliance at the risk of jeopardizing the gains from cooperation.¹¹ Both the range of response options and the severity of this dilemma increase in the size of the negative externalities of a non-cooperative vote outcome.

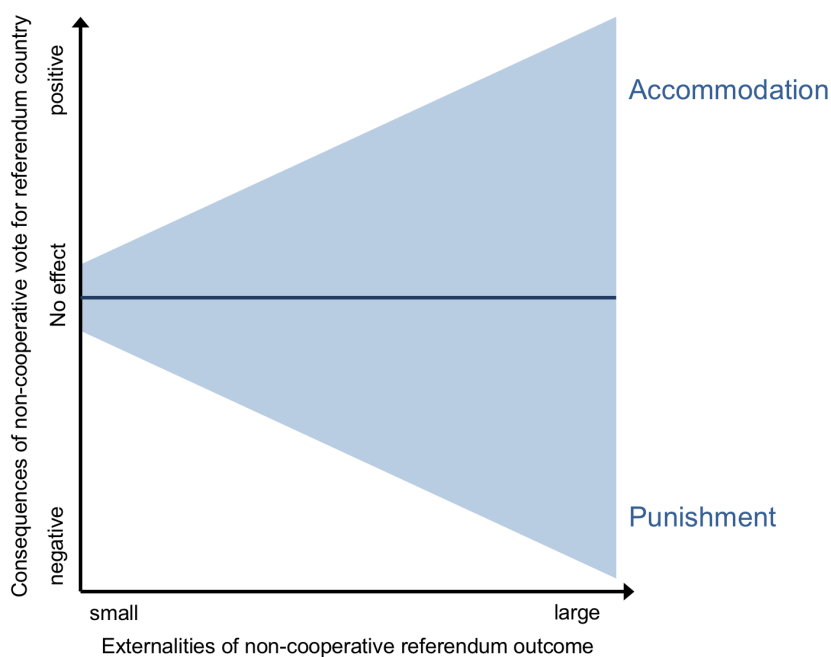


Figure 1: Range of possible consequences of a non-cooperative referendum outcome

Whatever the most likely strategic response on the part of other member states, their response to a non-cooperative popular vote will shape and condition the true underlying stakes of the referendum vote. Figure 1 illustrates this point. From the viewpoint of the referendum country, these stakes are lowest when a non-cooperative vote carries small

new EU member state (Croatia) in violation of its bilateral treaties with the EU. The EU retaliated by barring Switzerland's access to the new Horizon 2020 research program, which eventually succeeded in convincing the Swiss parliament not to implement the referendum and to honor its obligations enshrined in the bilateral treaties.

¹¹ This dilemma can be best illustrated by considering the debates on how the EU should respond to the UK's referendum vote to leave the EU in 2016. The EU's options in response to Brexit range from allowing the UK continued full access to the single market to excluding it altogether from the single or any other EU programs. While granting the UK continued access would maintain existing economic ties and hence preserve many cooperation gains in the other member states, the remaining EU-27 member states are weary that such a strategic response might put the entire European project at risk in the long run. In contrast, the punishment strategy might dampen others' incentives to defect, but would come at a high economic price for both Britain and the remaining member states.

negative externalities, and highest in referenda in which the stakes are high for the other countries.

In the case of treaty ratification failure, for example, the ‘reversion point’ – defined here as the likely outcome of a non-cooperative referendum outcome – is at worst the *status quo ante* of no agreement, an outcome whose consequences tend to be relatively predictable and manageable. But the range of possible outcomes also include outcomes with very little effects, such as another referendum on more or less the same agreement (e.g., the Irish referendum on the Lisbon Treaty, which failed in 2008 and passed in a second referendum in 2009), or more accommodative responses, such as a more favorable agreement to the referendum country subjected to a second popular vote (e.g., the Danish referendum on the Maastricht Treaty, which had failed in 1992 and passed with amendments in 1993).¹² On the other hand, the worst possible ‘reversion point’ of a non-cooperative vote in a high-stakes referendum is that the other countries make no concessions and let the country leave without any alternative arrangement that salvages cooperation gains. But potential reversion points also include a withdrawal on an amicable basis, or even an improved and highly favorable new cooperative agreement.¹³

Potential consequences and the role of expectations

Because the reversion point lies beyond the sole control of the country holding the referendum and instead depends on the reactions of the other countries, the consequences of a non-cooperative referendum vote will always be uncertain *ex ante*. Of course, a lack of full information about outcomes is a feature of any referendum, irrespective of whether the issue at hand is a domestic or international, because future developments can never be perfectly predicted (see, for example, Bowler and Donovan 2000; Christin, Hug, and Sciarini 2002; Hobolt 2009; Kriesi 2005; Lupia 1994; Selb 2008). But in the context of a high-stakes foreign policy referendum, the range of possible outcomes associated with a non-cooperative vote is significantly larger than usual. As no objectively verifiable information (or sometimes even precedent) exists about the consequences of a non-cooperative referendum outcome, and because these consequences depend not only on domestic policymakers but also on the

¹² For a discussion of the role of the reversion point in these referenda, see Hobolt (2009). Whereas referenda can increase the international bargaining power of the referendum country during treaty negotiations (e.g., Hug and König 2002; Schneider and Cederman 1994), this is much less clear for *ex post* re-negotiations.

¹³ The full range of these potential outcomes was clearly evident in the campaigning rhetoric and strategies of both sides of the ‘Brexit’ referendum, where the Remainers’ so-called ‘project fear’ about the potential repercussions of Brexit was juxtaposed by the Leave side’s promise that the UK would prosper and essentially retain all benefits of an EU membership in addition to more sovereignty, more funds, and more prosperity. There were also those who argued that a Leave vote would in fact lead to a renewed and more favorable membership agreement for the UK.

reaction of foreign policymakers, it is very difficult to predict in advance what the outcome of such a vote will be. In addition to the regular uncertainty about policy effects, these referenda are thus associated with a more fundamental type of uncertainty: uncertainty about the policy as such.

This uncertainty is further intensified by the fact that policymakers abroad have incentives to misrepresent their true willingness to accommodate a non-cooperative referendum outcome *ex ante* (Morrow 1986). Because all potential outcomes of a unilateral non-cooperative referendum vote are worse for the other countries than those outcomes associated with a cooperative referendum outcome, they have a strong preference for a cooperative referendum vote and are likely to make threats and promises to induce voters to cast a cooperative ballot. This strategic incentive to misrepresent their true resolve and to manipulate voters' perceptions over the true costs and benefits of different responses to a non-cooperative vote makes it difficult for domestic voters to form consistent beliefs about the potential consequences of a non-cooperative vote *ex ante*.¹⁴

As a result, the campaigns surrounding high-stakes referenda are likely to be characterized by conflicting and often contradictory messages and narratives about the risks and benefits associated with a non-cooperative vote (see for example Hobolt 2009). During the domestic referendum campaign, the proponents of a non-cooperative vote are likely to exploit the private information problem of foreign policymakers. They emphasize the strategic incentives to misrepresent resolve *ex ante* and argue that *ex post*, foreign policymakers will accommodate a non-cooperative referendum outcome, especially because such an outcome can serve as a bargaining chip to extract concessions from the other member states *ex post*.¹⁵ In contrast, proponents of a cooperative vote will emphasize the risks of non-cooperation, including the risk that the other countries will deprive the referendum country from access to any cooperation gains as punishment for its defection. Each side is thus likely to misrepresent the 'reversion point' as either being entirely in the domain of pure gains or that of pure losses. This is why the anti-integration side oftentimes presents the non-cooperative vote as one in which "we have nothing to lose" (pure gains), while the pro-integration side will tend to frame the vote as one where "we have everything to lose" (pure losses).

¹⁴ This difficulty is compounded because other countries are often hard-pressed to present a common front and express a clear and unified position before the vote.

¹⁵ Examples for such concessions include the Danish exceptions from the Maastricht treaty after their 1992 referendum-no (Hobolt 2009) or the post-'Icesave' negotiations on debt repayment modalities between Iceland, the UK, and the Netherlands (Curtis, Jupille, and Leblang 2014).

In such an environment, voters will form very different expectations about the likely outcomes of a non-cooperative and a cooperative vote and will vote accordingly. This in itself is, of course, not unusual for referendum campaigns. Existing research has demonstrated that the information environment (Bowler and Donovan 2000; Hobolt 2005; Lupia 1994; Vreese and Semetko 2004) and the arguments put forth in a referendum campaign (Hobolt 2009; Kriesi 2005; Schuck and de Vreese 2009) influence voting decisions in popular referenda. We therefore expect that *voters' expectations about how foreign actors will react to a non-cooperative referendum vote will be a main driver of voting behavior in a high-stakes foreign policy referendum*. Those expecting retaliatory measures will be more likely to vote for continued cooperation, while those expecting an accommodating response from the other member states will be more likely to vote in favor of non-cooperation.

In line with this expectation, Hobolt (2009) shows that non-cooperative vote intentions decrease when respondents are primed to think about the negative consequences of such a referendum outcome. Likewise, research on independence referenda, which exhibit the same dynamics as high-stakes foreign policy referenda, but develop in a subnational context, underlines the importance of expectations. Analyses of vote intentions in favor of non-cooperation (i.e., secession) in independence referenda in Québec (Blais, Martin, and Nadeau 1995), Catalonia (Muñoz and Tormos 2015), and Scotland (Curtice 2014) show that voters diverged widely in their views on what the consequences of independence would be and that these differences in expectations had a significant effect on vote intentions.

Expectations about the consequences of a non-cooperative referendum outcome should therefore strongly affect vote intentions in addition to and independent of partisanship, material interests, and attitudes, which have been found to be important drivers of voting decisions in foreign policy referenda (e.g., Hobolt 2009; Jupille and Leblang 2007; Milic 2015; Urbatsch 2013). This means that whereas in most instances partisan and issue preferences are aligned with preferences, in high-stakes foreign policy referenda we are more likely to see instances where preferences and expectations diverge, and where expectations trump preferences.

Can foreign policymakers influence the referendum vote?

If expectations about the reactions of the other member state are central in shaping the vote decision in high-stakes foreign policy referenda, can foreign policymakers influence these expectations, and, ultimately, vote intentions in such referendum campaigns?

Foreign policymakers can try to sway voters towards a cooperative vote by coaxing them through normative appeals and promises of future benefits or by threatening them with punishment in the case of a non-cooperative referendum outcome. These ‘stick-and-carrot’ strategies have frequently been employed in recent high-stakes referenda. As an example, recall Barack Obama’s speech during the Brexit referendum campaign, in which he both emphasized the importance of the British voice in the EU, but also warned that Brexit would put the UK at the “back of the queue” for trade talks with the US. Research on the effects of foreign interventions on public opinion and voting abroad is surprisingly scarce, and the few existing studies focus predominantly on democracy promotion and present mixed results. One study finds overt interventions by great powers are effective (Levin 2016), another finds a polarizing effect of foreign interventions on public opinion (Corstange and Marinov 2012) and a third study indicates that such interventions can lead to a backlash (Shulman and Bloom 2012).

What is clear, however, is that the strategic setting makes influencing domestic public opinion through foreign interventions a difficult task: not only can such statements be counterproductive, but foreign policymakers face private information problems and time-inconsistency problems that make it difficult for them to credibly communicate their actual resolve to punish a non-cooperative vote (Fearon 1995; Powell 1999). Voters may well realize, however, that punishment for a non-cooperative vote also imposes costs on those countries that punish, increasing the likelihood that they will accommodate a non-cooperating vote *ex post* in spite of threats to sanction the country *ex ante*. Both threats and promises may hence be dismissed as cheap talk, rendering them ineffective (Morrow 1994).

Much research in international relations has shown that one way to overcome such information problems is to send costly signals that reveal the actor’s true resolve, in this case the *ex post* willingness to punish the referendum country for a non-cooperative vote (Fearon 1995; Gartzke, Li, and Boehmer 2001; Schultz 1998). By engaging in activities that create costs not only for the referendum country, but also for the other member states, foreign policymakers can more credibly convey that they would not be willing to accommodate the referendum country’s non-cooperative vote. For example, ceasing to cooperate in certain policy areas during the campaign phase with visible and costly consequences for both domestic and foreign actors is likely to strengthen voters’ expectations that a disintegrative vote will have negative consequences. Such costly signals make the threats by the other countries that they would be unwilling to grant any concessions to the referendum country becomes more credible and can also change the status quo in a manner that is less favorable to

the referendum country (Slantchev 2005). This raises the expected costs of a non-cooperative vote and hence decreases the likelihood that voters will cast such a vote in the first place.¹⁶ We therefore expect that *costly signals from foreign policymakers should make voters more pessimistic in their expectations about the consequences of a non-cooperative vote*. Moreover, foreign policymakers should be able to influence the voting decisions of citizens in the referendum country by increasing expectations of negative consequences, because individuals tend to weight the possibility of negative scenarios more heavily than positive payoff probabilities (Baumeister et al. 2001). *Costly signals should hence increase the likelihood that voters cast a cooperative vote in the referendum*.

To summarize, high-stakes foreign policy referenda create incentives for foreign policymakers to intervene into domestic referendum campaigns. Costly interventions increase the credibility of their signal about their resolve, but the uncertainty about the likely response of other countries to a non-cooperative referendum outcome cannot be fully resolved ex ante. As a result, expectations about the likely reactions and the associated consequences of such an outcome become an important determinant of voting behavior in such referenda.

3. The 2015 Greek bailout referendum

To study the role of expectations and the impact of foreign intervention in high-stakes foreign policy referenda, we focus the July 2015 bailout referendum in Greece. Although officially a referendum on the specific terms of a new bailout package for Greece, all members of the Eurozone had a high stake in it. It was widely believed that a rejection of the bailout package would result in “Grexit” – Greece’s exit from the Eurozone – and that this would put the viability of the entire European monetary integration project at risk. The potential costs of a non-cooperative referendum outcome in the Greek referendum for the other member states were consequently very large. As a consequence, foreign intervention in the referendum campaign was unusually high. These features make the Greek bailout referendum an insightful case for studying the role of expectations and the effects of foreign intervention in high-stakes foreign policy referenda.

A short primer on the Greek bailout referendum

¹⁶ The extent to which the incumbent’s interests are aligned with those of foreign policymakers will affect the credibility of the latter’s signals and statements. The more aligned in favor of the cooperative option, the weaker the effect of foreign interventions on voting behavior over and beyond that of the incumbent- In contrast, when the incumbent and foreign policymakers are on opposing sides of the argument (as a result of failure to reach an agreement at the supranational level), international intervention is likely to have a stronger effect.

Greece has experienced one of the deepest and most prolonged economic crises in recent decades (Gourinchas, Philippon, and Vayanos 2016). After the crisis started in 2010, Greece received two bailout programs on the condition of drastic austerity measures and structural reforms. Against the backdrop of half a decade of crisis with no end in sight, the populist left party SYRIZA was elected into office in early 2015 with a mandate to keep the country in the euro-zone, while at the same time ending austerity. The new government immediately set out to renegotiate the conditions attached to the existing bailout package, but with no success. In the meantime, the country faced increasing liquidity problems and it became increasingly clear that Greece would need an extension of the existing bailout arrangement beyond its 30 June 2015 expiration date.

As that date drew nearer, events escalated quickly. On June 24, the European Commission made a take-it-or-leave-it proposal to Greece. The Greek Prime Minister Alexis Tsipras rejected the ultimatum and broke off negotiations with the creditors, accusing them of blackmail and characterizing the proposal as an attempt to humiliate Greece. Two days later, Tsipras surprised everyone by calling a referendum on the proposal, to be held only one week later, and shocked European policymakers by recommending that voters should reject the proposal. Tsipras argued that a rejection would enhance Greece's bargaining power in renewed negotiations with its international creditors, allowing the government to finally put an end to years of crisis and austerity.

The next day, the finance ministers of the Eurozone met and refused to extend the ongoing bailout program, scheduled to end three days later. As a consequence, the ECB announced that it would not increase the emergency funds it had been supplying to keep the Greek banking system afloat. Faced with a bank-run in the making, the Greek authorities imposed a bank holiday and capital controls on 28 June, which were to last at least until the day after the referendum.¹⁷ The next major international event occurred two days later, when an IMF loan expired and Greece became the first developed country ever to default on its debt to the IMF. Despite these unprecedented events, the Prime Minister went public for a second time to reiterate his support for the no-camp.

An intense campaign week followed. Two dominant narratives emerged in the public discussion, in which all major political parties took very clear stances. The three moderate pro-EU parties Nea Demokratia, PASOK and To Potami as well as European policymakers warned that a vote against the bailout proposal would inevitably result in Greece's exit from the Eurozone and advocated strongly for a yes-vote. In contrast, the no-camp, led by prime

¹⁷ The bank closure eventually lasted three weeks and capital controls still remain in place at the time of writing.

minister Tsipras and supported by the government parties SYRIZA and ANEL, as well as the radical right-wing Golden Dawn, argued that a rejection of the agreement would give Greece a better bargaining position that would eventually result in less austerity and debt forgiveness. This second narrative emphasized that Greece's membership in the Eurozone was not at risk, because Europeans would not want to damage the EMU project by pushing Greece out of the euro. Faced with competing claims about the consequences of a no-vote for the future of Greece and the euro-zone, Greek voters were thus exposed to very different narratives about the potential consequences of a non-cooperative referendum outcome.

The Greek referendum campaign also saw a large involvement of international politicians and an unusual escalation of events involving foreign actors. Foreign policymakers such as European Commission President Jean-Claude Juncker, IMF Chief Christine Lagarde and the German finance minister Wolfgang Schäuble strongly advocated a yes-vote and threatened that a no-vote would result in a loss of euro membership.¹⁸ And by declining to extend a hand to Greece as the second bailout package expired and forcing it to close its banks and to impose capital controls, international institutions such as the Eurogroup, the ECB, and the IMF became central actors during the campaign.

Despite these efforts to sway Greek voters to vote cooperatively, the July 5 referendum ended with a 61-39 landslide victory in favor of the No camp. Greeks had rejected the creditors' bailout proposal and had cast a non-cooperative vote.

4. Research Design and Data

To understand why Greek voters decided to vote no in the 2015 bailout referendum and what role expectations and foreign interventions played in this context, we use original survey data from a poll we conducted on Saturday, 4 July 2015, one day before the referendum. Our nationwide, computer-assisted telephone survey covered 989 respondents identified through a multistage sampling process.¹⁹ As our survey was fielded just some hours before the polling stations opened, it allows us to gain a very accurate depiction of the motives of the Greek people and of their vote. Although few surveys predicted the strong rejection of the creditor proposal in the referendum correctly, our survey mirrors the actual

¹⁸ See for example <https://www.theguardian.com/business/2015/jun/29/greek-crisis-referendum-eurozone-vote-germany-france-italy>

¹⁹ In the first stage (cluster sampling), electoral districts were chosen, in the second stage (stratified sampling) strata within each cluster were identified based on socioeconomic characteristics and finally, in the third stage (SRS), a simple random sample was drawn within each stratum. Because the interviews were done on fixed telephone lines, we get some underrepresentation of the youngest respondents and an overrepresentation of female respondents. We therefore use population weights in our analyses to match the basic demographics of the Greek population. The data was collected by the University of Macedonia (UoM) Research Institute of Applied Social and Economic Studies in Thessaloniki (Greece).

referendum outcome quite closely, increasing our confidence in the validity of the results. Among those planning to vote, 58.0% of respondents in our sample said they would reject the bailout package, which is very close to the 61.3% rejection rate in the actual referendum.

Our analysis proceeds in two steps. We first analyze the role of expectations in explaining vote choice in the Greek referendum using both regression analysis and matching methods. We then explore the ability of foreign policymakers to shape voters' expectations about the consequences of a non-cooperative vote through costly signals. For this purpose, we concentrate on the effect of the ECB's decision not to increase emergency liquidity assistance to Greek banks, which forced the Tsipras government to close the banks, arguably the biggest event in the campaign period. We also show evidence from a survey experiment that threats from international actors can sway voters' preferences about international commitments, particularly when they come from those with high stakes in them. Overall, we show that expectations about the response of international actors were the most important predictor of individual vote intentions in the Greek 2015 bailout referendum, and that foreign interventions influenced both expectations and vote intentions.

Operationalization

Our main variables of interest in the first part of the analysis are individuals' expectations about the consequences of a non-cooperative referendum outcome and vote intentions.²⁰ Voters' expectations about the consequences of a non-cooperative vote are measured with respondents' answers to the question "*What do you think will be the consequences of a No-vote?*" Respondents could choose between three options: (i) "*Greece will exit the Eurozone*" reflecting the narrative of the yes-camp, i.e. the moderate political parties and European policymakers, that a non-cooperative referendum outcome would be very costly, (ii) "*The government will continue negotiations*," which captures the no-camp's, including the government's, narrative that the consequences of a no-vote would be positive and (iii) "*Don't know/don't answer*." The right-hand panel in figure 1 shows that most voters (86%) had clear expectations, and that a clear majority believed that a non-cooperative referendum outcome would result in continued negotiations, whereas only about one quarter of respondents believed that a no-vote would lead to "Grexit." To measure vote intention, we use respondents' answers to the following question: "*As you're probably aware, PM Alexis Tsipras announced a referendum regarding the ratification of the agreement that Greece's creditors offer, that will take place on next Sunday, July 5th. What are you going to*

²⁰ Table A1 in the appendix shows the descriptive statistics of all variables.

vote in the referendum?” The left-hand panel in figure 1 displays respondents’ answers. It shows that a large majority of voters had made up their mind about their referendum vote at this point in time, with a majority (52.8% of our weighted sample) stating that they would probably or certainly vote no. For the purposes of our analysis, we create a dummy variable that takes the value of 1 if voters stated that they intended to vote against the creditor proposal in the referendum (the non-cooperative vote) or were leaning towards doing so, and 0 otherwise.

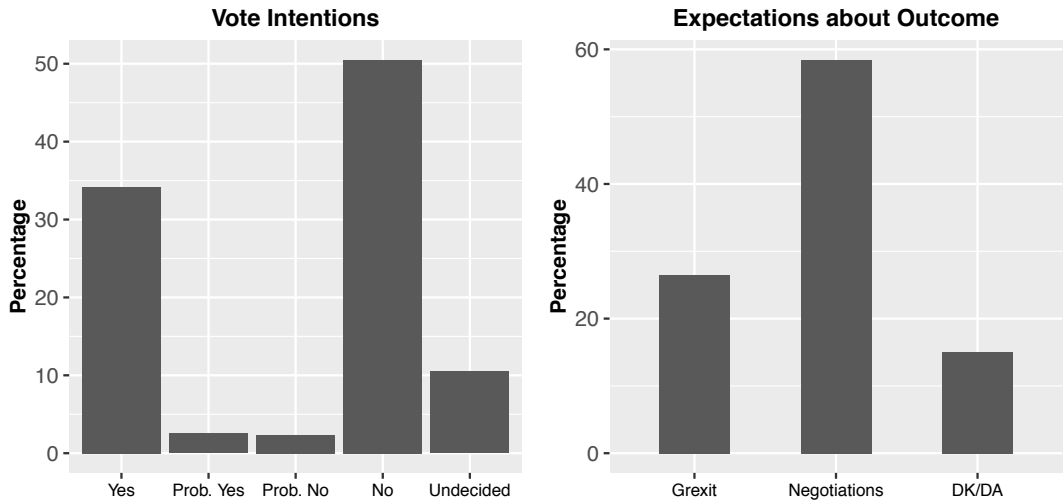


Figure 1: Descriptive Statistics

Note: Based on UoM survey from 4 July 2015. Data are weighted with respect to gender and age.

Our argument suggests that expectations about the likely consequences of a non-cooperative vote should be a key driver of voting behavior. But existing research implies that three alternative determinants of vote choice in referenda – partisanship, issue preferences and material interests – should be particularly influential in the context of the 2015 Greek referendum. This case therefore provides a good testing ground for our argument that expectations are likely to play a particularly important role in high-stakes foreign policy referenda. If we find that expectations have a strong and independent effect on vote choice beyond the typical determinants of voting behavior in referenda, this would provide evidence that expectations are unusually important in the context of a this type of referenda.

Partisanship. Much research has shown that voter’s partisan identification is a strong determinant of the vote in popular referenda (e.g., Garry, Marsh, and Sinnott 2005; Hobolt 2007; Lupia 1994; Urbatsch 2013), because party positions have a heuristic value for voters that allow them to overcome cognitive and information limitations around the referendum question (Lau and Redlawsk 2001; Sniderman, Brody, and Tetlock 1993). A party can also

frame the issues at stake and hence influence the analysis of the benefits and costs of those voters who find themselves closely aligned with it (Hobolt 2006; Kriesi 2005; Zaller 1992). Moreover, foreign policy referenda often turn into a contest about the incumbent parties' popularity (e.g., Dür and Konstantinidis 2013; Schneider and Weitsman 1996). Three features of the Greek referendum suggest that partisan cues and heuristics should be particularly influential in explaining vote choice: First, the campaign was very polarized and dominated by the major political parties, which fully supported either the no- or yes-camp. Second, with only slightly more than a week, the government left voters very little time to deliberate about the consequences of a yes- and a no-vote. Third, this problem was exacerbated by the fact that the referendum question was unusually complicated, asking voters to vote on two technical documents that comprised the last proposal the creditors had made.²¹ To control for partisan and incumbency effects, we use the vote recall from the January 2015 general election in Greece and create dummy variables for the main political parties in Greece: the governing parties *SYRIZA* and *ANEL*, the conservative opposition party *Nea Demokratia* (reference category), the centre-left *Pasok*, the centrist *the River (To Potami)*, and the radical right *Golden Dawn*. We also include a dummy variable for those who abstained in the January elections and the *other* options.

Issue preferences. Given that referenda ask specific questions, it is not surprising that issue preferences and attitudes have also been identified as important drivers of referendum vote intentions. For example, attitudes towards European integration have been found to be a main driver of voting behavior in EU referenda, even when this means going against the preferred party's position (Hobolt 2009; Siune and Svensson 1993; Siune, Svensson, and Tonsgaard 1994; Svensson 2002). Because the key issue at stake in the Greek referendum was Greece's membership in the Eurozone, this suggests that respondents' stance towards the euro should have a strong influence on their vote choice, with those wanting to keep the euro more inclined to vote in favor of the bailout package. We asked respondents what they personally thought was best for Greece's future: staying in the euro or adopting a national currency and created three dummy variables based on their answers. The data shows that more than three quarters of respondents (76%) wanted to keep the euro, whereas only 13% said they preferred to leave the euro. Only about one tenth of respondents were undecided about this issue or did not answer.

²¹ The precise question read: "Should the plan of agreement be accepted, which was submitted by the European Commission, the European Central Bank, and the International Monetary Fund in the Eurogroup of 25.06.2015 and comprises of two parts, which constitute their unified proposal? The first document is entitled 'Reforms for the completion of the current program and beyond' and the second 'Preliminary debt sustainability analysis'."

Material interests. Past research has also shown that material interests affect referendum choices in foreign policy referenda. Voters who stand to benefit the most from integration are most likely to oppose non-cooperation (Christin, Hug, and Sciarini 2002; Leblang, Jupille, and Curtis 2011; Tomz 2004). For Greece, this suggests that more educated people should be more inclined to vote yes, because they tend to disproportionately benefit from international integration. In contrast, those voters who have been hurt most by austerity should be most inclined to vote against the bailout package. Because the young,²² the unemployed, private sector employees and the self-employed have borne the brunt of Greece's adjustment program, they should be much more inclined to vote against the bailout proposal than public officials and pensioners, who have seen lower decreases in their incomes (Matsaganis and Leventi 2014). We control for *Education* using an ordinal variable with the following categories 1) no education or primary studies; 2) secondary; 3) post-secondary and 4) tertiary education. *Age* is operationalized in six categories — 18-24, 25-34, 35-44, 45-54, 55-64, and over 65 years old—, and we include it as a continuous variable in all models. To reflect the varying vulnerability to austerity across occupational categories, we generated dummy variables for the following types of occupations: public sector employee, private sector employee, unemployed, farmers, entrepreneur, pensioners and others. We also control for gender and whether the voter lives in a *rural* or *urban* area.

5. Vote choice in the 2015 Greek referendum: The role of expectations

What determined individual voting decisions in the Greek 2015 bailout referendum, and how did expectations about the consequences of a rejection of the creditor proposal shape vote intentions? Descriptively, expectations about the consequences of a non-cooperative referendum outcome were strongly associated with vote intentions. In our dataset, only one in ten of those expecting that a no-vote would result in Grexit chose to vote “no” in the referendum. In contrast, more than three-quarters of those who expected new negotiations planned to reject the bailout proposal.

Regression analysis

The importance of expectations in shaping vote intention is confirmed when we move to a multivariate logit analysis using “No” vote intention as dependent variable.. Figure 2 shows the change in the probability of voting no as a result of moving to the different variable

²² Although older Greeks have suffered from pension cuts and rising health care costs, they have been less severely affected than younger Greeks, whose poverty rates have increased significantly more strongly than those of pensioners, both in absolute terms and in comparison to pre-crisis levels (Matsaganis and Leventi 2014).

values from the respective baseline categories.²³ The multivariate analysis shows that expectations continue to have very strong and statistically significant marginal effects on individuals' voting decisions, even after controlling for the range of alternative explanations that existing research on EU-related referenda has emphasized.²⁴ All else equal, a switch in expectations from *Grexit* to *New Negotiations* increases the probability of voting *No* by more than 40%.

This is not to say that partisanship did not matter. As expected, we do find strong partisan effects: voters of Nea Demokratia (the baseline category), PASOK and To Potami were all significantly less likely to vote no than voters of the governing parties Syriza and ANEL as well as the right-wing Golden Dawn, all of which had campaigned in favor of a no vote, suggesting that voters tended to vote in line with their preferred party's recommendation. Substantively, and taking the partisan effects globally, these effects are somewhat larger than in other studies (Hobolt 2007; Hug and Sciarini 2000), suggesting that parties played a particularly important role in the referendum campaign – as expected in this specific context characterized by a polarized campaign, short decision time and the complicated referendum question. Issue preferences also mattered: a preference to reintroduce a national currency strongly increased the odds of voting no, whereas a preference to keep the euro reduced these odds (although to a lesser extent). In contrast, material interests and demographics do not seem to matter much once partisan and *Euro* preferences are taken into account. The only exception is age, where older voters are, as expected, more likely to vote cooperatively than younger voters, who have been hit hard by austerity. Despite these controls, the marginal effects of the expectation variables remain large, indicating an independent effect from the rest of explanations. In fact, the magnitude of expectation effects is comparable to the partisan effects.

²³ The full logit regression analysis can be found in table A.2 (online appendix).

²⁴ The results remain robust when we also impute an indicator of nationalism and add it as a control variable in the model and when we additionally controlling for respondents' evaluation of EU membership. More details are provided in the Online Appendix.

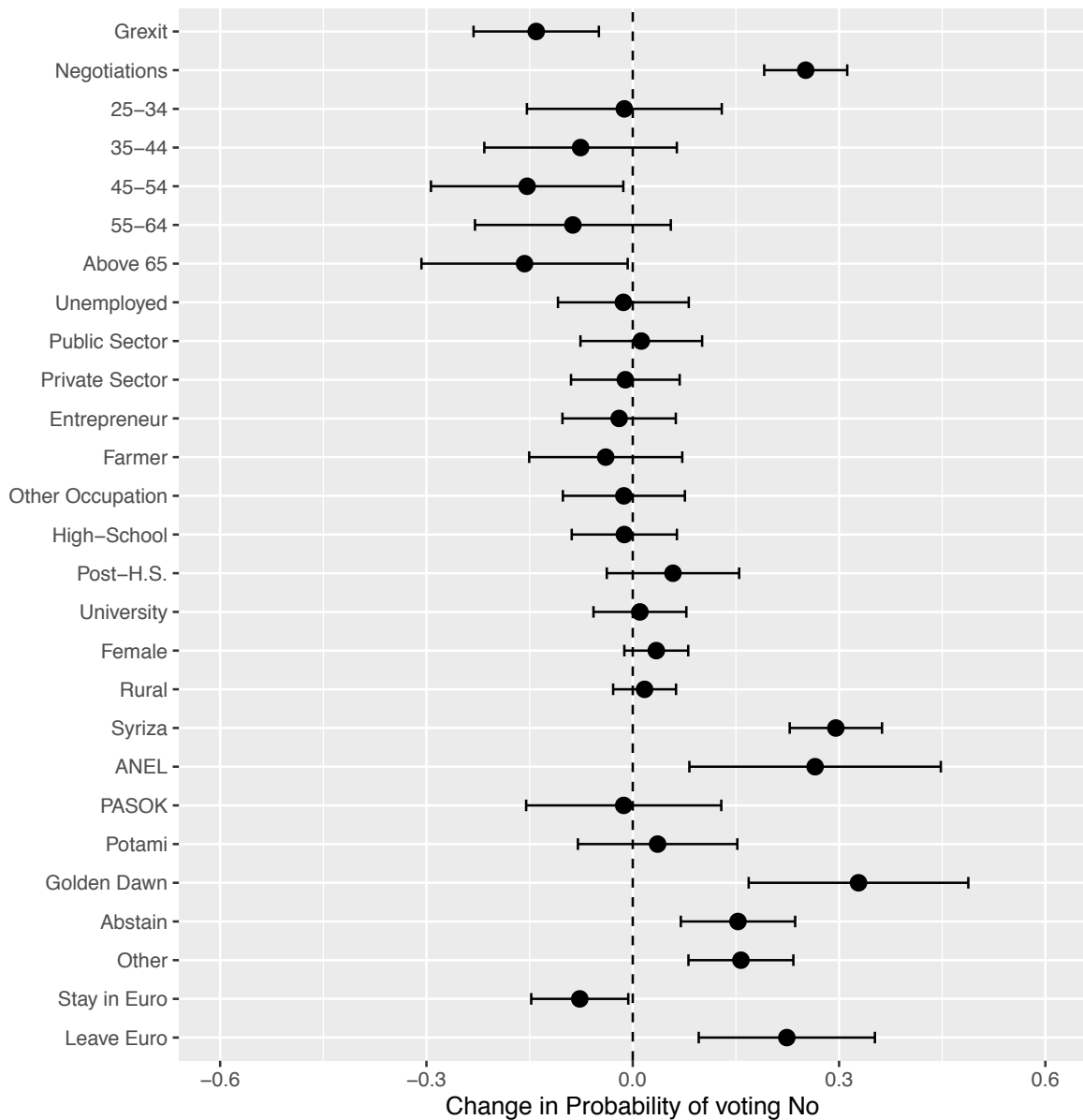


Figure 2: Determinants of the NO-Vote in the July 2015 Greek referendum.

Note: Dots indicate estimates of change in the estimated probability of voting *No* as we move from the reference category to each category denoted in the vertical axis. Reference categories are as follows: DK/DA (expectations and Euro questions); 18-24 age group; pensioner; primary education; Nea Demokratia (vote choice); and male. Logit regression analysis, 95% confidence intervals.

Matching analysis

Of course, expectations are likely to be shaped by partisan narratives, so that the effect of expectations might just be an artifact of partisan effects. To examine this more closely, we investigate the role of expectations using data pre-processing techniques, which are less model-dependent, more efficient (since comparison is made among similar units), and allow us to evaluate more transparently the degree of similarity in pre-treatment covariates between

control and treated units (Sekhon 2009).²⁵ The “treatment” in our analysis is the expectation that a *No*-outcome in the referendum “means Grexit,” whereas the other two options—“*Negotiations will continue*” and “DK/DA”—are grouped together as the control category.²⁶ The intuition behind this analysis is that we try to assess the effect of different expectations on individuals’ vote intentions among otherwise almost identical individuals.

We employ two methods of data pre-processing, namely genetic matching and entropy balancing.²⁷ The first is a nearest-neighbor matching method with balance optimization, based on a generalized distance metric that assigns weights to each covariate included in the matching. This method has been shown to outperform other matching estimators in recovering simulation and experimental benchmarks (Diamond and Sekhon 2013).²⁸ The second is a generalization of a propensity score weighting approach that directly incorporates covariate balance into the weight function that is applied to the sample units (Hainmueller 2012). Figure 3 shows that although there are clear imbalances in the raw data, all differences evaporate after genetic matching, including the two most obvious attitudinal confounders—partisan preferences and attitudes towards the euro. Balance is even better with entropy balancing, which creates practically identical treatment and control distributions for all covariates (shown in the Online Appendix).

²⁵ Matching only assures balance on observable characteristics. The identifying assumption is that unobserved characteristics of control and treatment observations are similar. We cannot test this assumption, but with matching we can at least be more transparent than with parametric regression techniques about whether there is balance in observed pre-treatment characteristics.

²⁶ We choose the *Grexit* option as the treatment status because it leaves the modal category in the control group, thus increasing the pool of control units to be selected for the matching. In the Appendix, we replicate the analysis using the “*Negotiations will continue*” option as the treatment status, placing the “*Grexit*” option together with the DKs in the control group. Balance is now worsened, although the treatment effect estimates are substantively identical. We opt for a binary rather than a trichotomous treatment because balance tests for the DK category would be seriously underpowered.

²⁷ Although the two methods differ in how they arrive into balance, we treat them both here as variants of matching techniques.

²⁸ Weights are determined by a loss function, which is defined as maximizing the minimum balance statistic, determined by the *t*-test and the *KS*-test for each covariate.

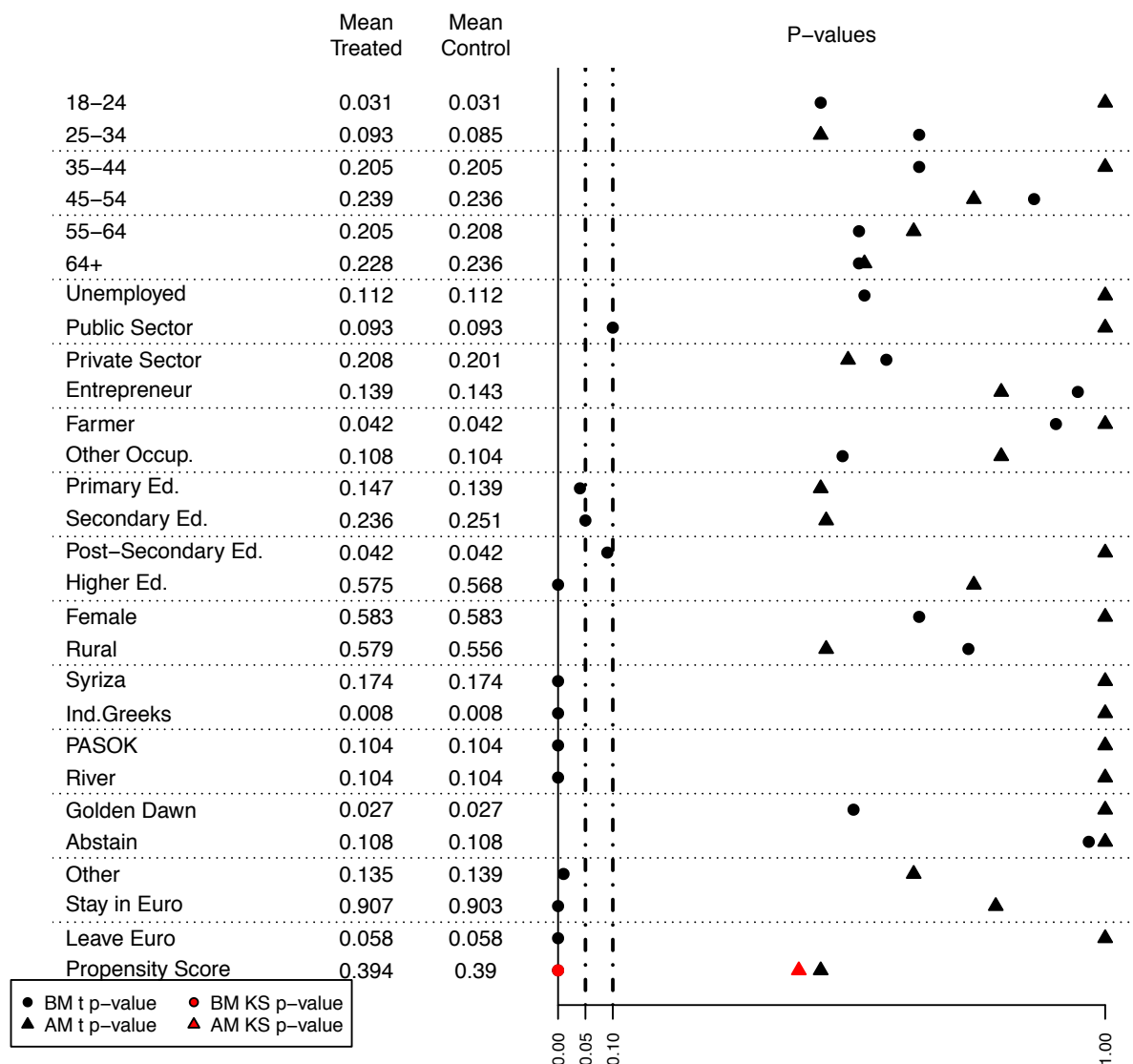


Figure 3: Balance statistics using “Grexit” as treatment

Note: The black dots present the p -values from the difference-of-means test between treated and control group from the unmatched dataset (BM). The black triangles represent the p -values from the matched dataset (AM). The red dot denotes the p -value of a Kolmogorov-Smirnov-test of distributions between treated and control groups in the unmatched dataset. The red triangle indicates the p -value from the matched dataset. All variables are binary apart from the propensity score, which is treated as a continuous variable.

Figure 4 displays the findings of our matching analyses. Both approaches produce very similar estimates, which reassures us of the robustness of the results. We use the Average Treatment Effect on the Treated as our estimand of interest. On average, individuals who expected *Grexit* in response to a no-outcome of the referendum were 32 (entropy balancing) and 30 (genetic matching) percentage points less likely to vote against the proposed bailout package than individuals who are identical with respect to partisan predispositions, attitudes

about the Euro and key demographics, but who believed that a no-vote would result in new negotiations. Our matching analyses thus confirm that expectations about the consequences of a non-cooperative referendum outcome significantly shaped the vote in the 2015 Greek referendum. As a way of assessing the robustness of the effects in the presence of an unobserved confounder, we implemented a Rosenbaum test, which estimates the magnitude of hidden bias that would need to be present to explain the associations actually observed (Keele 2010). The findings of this sensitivity analysis reveal that to attribute the effects found here to expectations to an unobserved covariate, that covariate would need to produce 8.6 times as high an increase in the odds of *Grexit* expectations. Relative to social science standards (Keele 2010), this is a very high value, thus increasing our confidence in the causal interpretation of the effects.

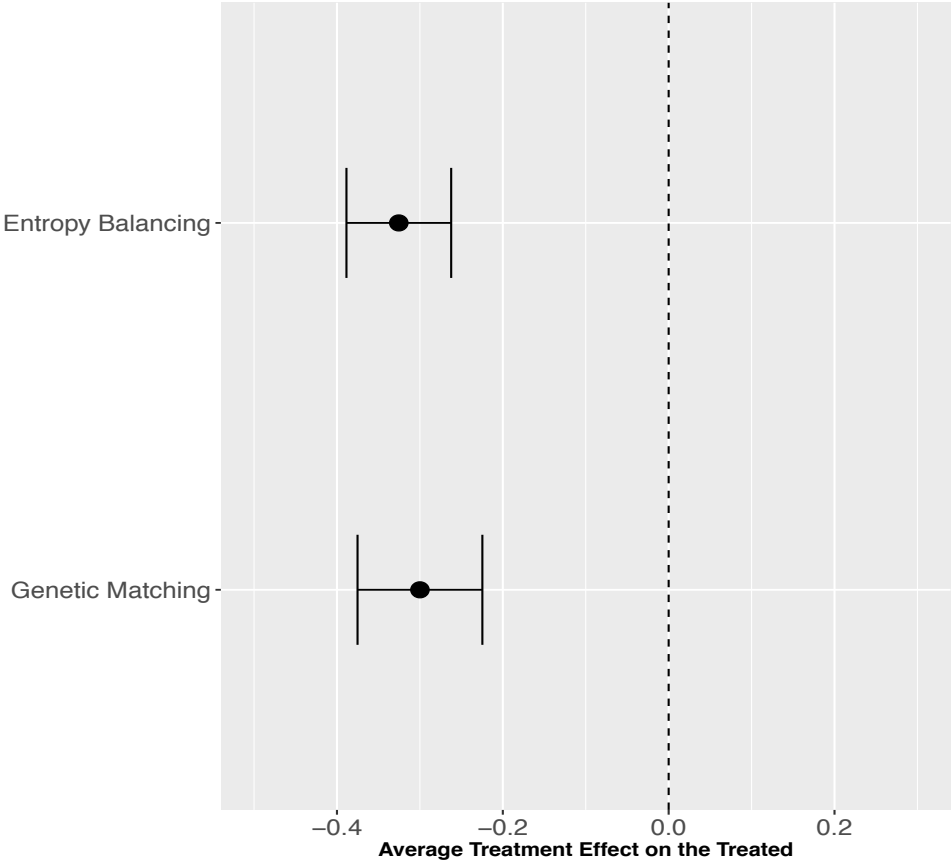


Figure 4: Average Treatment Effect of “Grexit” expectations on the likelihood of voting No in the Greek Referendum

Note: Black dots denote the Average Treatment Effect on the Treated, with Abadie Imbens standard errors accompanying them. Using these standard errors, the horizontal closed segments indicate the 95% confidence intervals in the case of genetic matching and linearized confidence intervals in the entropy balancing case.

Overall, these findings support our argument that expectations about the consequences of a non-cooperative referendum outcome vary widely among voters and strongly influence individual vote intentions in high-stakes foreign-policy referenda.

6. Can foreign policymakers influence expectations and the vote?

The 2015 Greek referendum campaign also provides a good environment to examine foreign policymakers' possibilities to influence voters' expectations and, ultimately, vote intentions in their favor, because the campaign was characterized by an unusually large involvement of foreign policymakers. They not only issued stark warnings that a No-vote would spell the end of Greece's membership in the Eurozone, but also decided on actual measures designed to increase pressure on Greece and to signal European policymakers' resolve. Most notably, the Eurozone's finance ministers declined to extend the existing bailout agreement, which was scheduled to expire on June 30, in the midst of the referendum campaign. Based on this decision, the ECB decided that it would not further increase emergency liquidity assistance (ELA) to Greek banks, who were faced with increasing capital flight. Faced with a bank-run in the making, this decision forced the Greek government to close the country's banks and to impose capital controls. This drastic measure massively damaged the Greek economy. But it was also costly for the other members of the Eurozone, because this damage vastly increased the amount needed for an eventual third bailout package (about the need of which there was never any doubt on either side, irrespective of the referendum outcome): Just one month before the referendum, the sum needed for a third bailout program had been estimated to range between €30 billion and €50 billion.²⁹ But the actual third bailout package agreed shortly after the referendum in July 2015, had a volume of 86bn €, in addition to a short-term bridging loan of 7.16bn.³⁰ The ECB decision thus had costly consequences for everyone involved, and can therefore be interpreted as a costly signal from foreign policymakers to Greek voters about the EU's resolve not to accommodate a non-cooperative referendum outcome .

Faced with no option but to close the banks and to implement capital controls, PM Tsipras squarely laid the blame on the Eurogroup, whose aim was, in his words "to blackmail

²⁹ <http://www.economist.com/blogs/economist-explains/2015/06/economist-explains-5>

³⁰ http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/index_en.htm

the will of the Greek people.”³¹ As a result it was widely understood among the Greek public that the bank closure was related to foreign decisions. Our argument suggests that such a costly signal of foreign resolve to punish the country for a non-cooperative referendum outcome should shift voters’ expectations in favor of a more pessimistic evaluation of the consequences of a no-vote. Given the importance of expectations in shaping voting decisions, this should then decrease the likelihood of a no-vote.

To examine whether this expectation is borne out by the Greek case and to what extent foreign policymakers can sway public opinion in high-stakes foreign policy referenda, we examine two types of evidence. The first analysis centers on the effectiveness of threats in swaying people’s preferences about domestic decisions with international implications and builds on evidence from a survey experiment we conducted two days before the referendum was called. In a second step, we investigate to what extent a costly signal such as the bank closure influences expectations about the consequences of a No-vote and vote intentions.

Foreign threats

To examine the effectiveness of foreign threats, we use evidence from a survey experiment conducted on a sample of 2,003 respondents on June 24th 2015, two days before Tsipras’ decision to call the referendum.³² Focusing on one of the most hotly debated issues between Greece and her creditors, we asked respondents whether they thought that Greece should repay the country’s debt or not. Answers ranged from "1" (we should stop paying the creditors) and "5" (we must continue paying the creditors). To test whether foreign actors can influence people’s foreign policy preferences, in this case the fulfillment of international commitments, we randomly assigned respondent to a control group, who was only asked this question, and three treatment groups, in which the question was preceded by a warning by either a domestic actor (finance minister Yanis Varoufakis) or a foreign policymaker (either ECB President Mario Draghi or the German finance minister Wolfgang Schäuble). The warning was that not repaying the debt could make the situation worse for Greece.³³

³¹ <http://money.cnn.com/2015/06/28/news/economy/what-greek-prime-minister-tsipras-said/>

³² Data were again collected by the University of Macedonia’s Research Institute of Applied Social and Economic Studies with a nationwide, computer-assisted telephone survey using a multistage sampling process ($n=2003$).

³³ The question read (treatment text in bold): “**Varoufakis (Treatment 1) / Schäuble (Treatment 2) / Draghi (Treatment 3) recently confirmed that the economic situation could get worse for Greece if it stops paying to its creditors. Thinking of all this, would you say that the country should continue to repay its lenders or stop doing it? Please answer using a scale where "1" means that we should stop repaying creditors and "5" means we must continue repaying to creditors.**”

If foreign threats are effective in influencing domestic preferences, their warnings should increase the willingness to repay the debt relative to the control group. We also expect a stronger effect for the Schäuble-treatment than the Draghi-treatment because during that period Schäuble was a more forceful actor in the negotiations with Greece than Draghi. Figure 5 shows the results of the survey experiment. It shows that warnings by all three policymakers increased the debt repayment willingness, but the effect was strongest and statistically significant only when the German finance minister Schäuble issued the warning.³⁴ Albeit indicative, these results offer supportive evidence for our expectation that warnings and threats issued by foreign policymakers about the consequences of non-cooperative behavior can influence domestic public opinion.

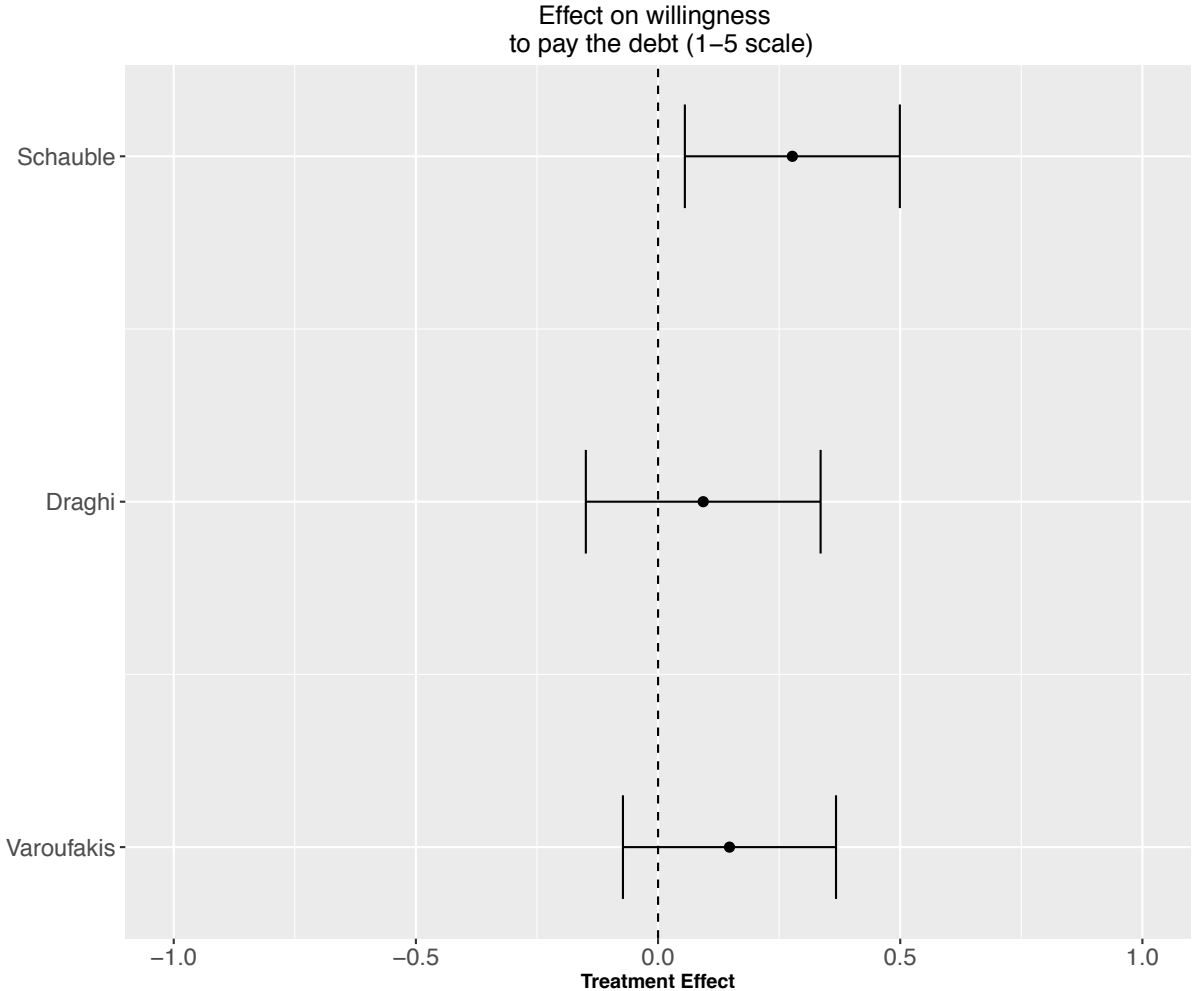


Figure 5: Effect of threat treatments on debt repayment preferences.

³⁴ In robustness checks, we do not find a significant differential effect of the threat by partisanship.

Costly signals by foreign policymakers

To examine how costly signals sent by foreign policymakers affect expectations and vote intentions, we return to the 2015 Greek referendum campaign.

In a first step, we examine how the ECBs decision not to raise ELA and the subsequent decision of the Greek government to close the banks and to impose capital controls influenced referendum vote intentions. Figure 6 uses data from all polls published during the referendum campaign in Greece to show how the proportion of respondents intending to vote “yes” in the referendum evolved throughout the campaign.³⁵ We classify each poll according to the date of fieldwork and distinguish between polls conducted prior and posterior to the bank shutdown, which was announced on June 28 and became effective on June 29.³⁶ For each group of polls, we plot a local polynomial regression that indicates the evolution of public opinion during each phase. Figure 6 shows that as expected, the announcement of a bank closure and capital controls had a significant effect on vote intentions. In line with the expectation that a costly foreign signal should increase support for a cooperative referendum outcome, we see it bumped up the support for the Yes-option in the referendum significantly. After the announcement, vote intentions in favour of the bailout package increased by approximately 10 percentage points, thus bringing the predicted outcome to a much narrower margin.

³⁵ We plot the percentage of yes voters over all voters that declared an intention to vote yes or no.

³⁶ For those cases where the date of fieldwork was not available, we take the date the poll was published. When a poll was conducted over two days, we consider the fieldwork was conducted between both days. A list of polls used can be found in the online appendix.

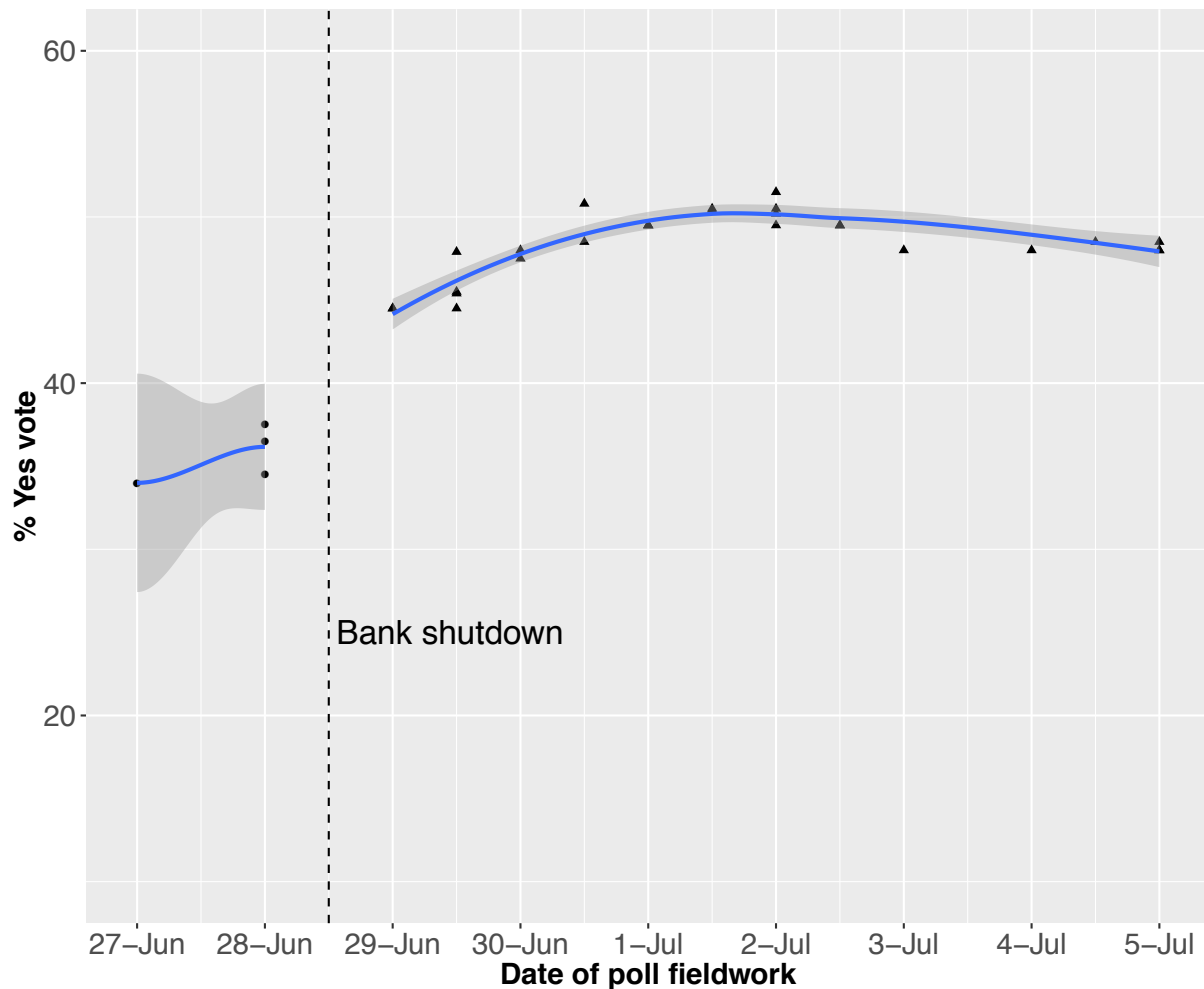


Figure 6: Effect of the bank shutdown on intention to vote in favor of bailout proposal. 95% Confidence Interval.

To examine this finding in more detail, we return to our referendum survey. We asked voters if they had changed their vote intention as a result of the bank shutdown. About one fifth (21%) of all voters answered affirmatively. The majority of those, who changed their vote intention because of the bank closure, switched to a yes-vote (12.3%). Some voters (4.9%) became undecided, and some voters (3.8%) hardened their position in response to the ECB decision and switched towards a no-vote. Although this latter group illustrates that costly signals sent by foreign policymakers can also backfire, pushing voters towards a non-cooperative vote, altogether these results correspond closely with the 10 percentage point increase in yes-vote intentions that we saw in the analysis of all polls shown in figure 6.

Our argument suggests that foreign signals matter because they affect voters' expectations about the likely consequences of a non-cooperative referendum outcome. We use our survey data to examine this prediction empirically, testing whether this effect of the bank

holiday is a predictor of expectations about the consequences of a no-vote in the referendum, i.e. whether it would result in Grexit or new negotiations. Because our dependent variable, *expectations*, is trichotomous,³⁷ we employ a multinomial regression model, where those that “did not know” or “did not answer” serve as reference category. This allows us to investigate whether shifts to and from this category can be attributed to the bank closure after controlling for all the covariates included in the previous analyses.³⁸

Figure 7 shows the determinants of respondents’ expectations about the consequences of a no-vote. In line with our findings on the determinants of the vote intention, our results show that partisan attachments and attitudes about the euro influence expectations about the consequences of a ‘No’ vote. As before, we find that the strong partisan narratives during the referendum campaign resonated with voters: compared to Nea Demokratia (the baseline category), PASOK and To Potami voters, voters of the government parties ANEL and especially Syriza, as well as Golden Dawn voters were significantly more likely to believe that a no-vote would result in new negotiations and significantly less likely to think that such a vote would force the country to leave the Eurozone. With regard to euro-preferences, our results show that those wishing to stay in the Eurozone (and, though not at a statistically significant level, those wishing to reintroduce a national currency) were much more convinced that a no-vote would result in Grexit than those without an opinion on the euro. In terms of sociodemographics, citizens with a university education were significantly more likely to expect adverse consequences from a non-cooperative vote. Public sector workers and entrepreneurs were less likely to expect Grexit, but all other sociodemographic variables, including age and unemployment, had no statistically significant effects on voters’ expectations.

The most relevant result, however, is that after controlling for all these influences on voters’ expectations, the bank closure also qualified people’s expectations. Those who changed their vote intention because of the bank shutdown were significantly less likely to believe that a no-vote would result in new negotiations.³⁹ Substantively, the bank shutdown reduced the predicted probability of expecting new negotiations by almost 20 percentage

³⁷ We use the same operationalization as above.

³⁸ The full multinomial analyses can be found in table A.3 (online appendix). To mirror the previous analyses, we also conducted matching analyses. We obtain substantively identical estimates of the effect of the bank closure on expectation, when using genetic matching to condition on the same list of covariates shown in Figure 5. The analyses are shown in the online appendix (Figures A.4 and A.5). Both approaches produce near-to-perfect balance and similar ATT estimates: for the genetic matching approach the ATT of the bank holiday on *Grexit* expectations is -0.090 (Abadie-Imbens standard error 0.045), for entropy the ATT is estimated at 0.085 with standard error 0.039.

³⁹ Both for the analysis on vote intention and expectations, we have also explored interactive effects between the bank shutdown and partisan variables, but did not find any meaningful result.

points. At the same time, the bank closure increased the expectations that a no-vote would push the country to exit the Eurozone by almost 10%. The decision of European policymakers to be tough on Greece’s liquidity during the referendum campaign thus made some voters more pessimistic about the consequences of a no-vote in the referendum.

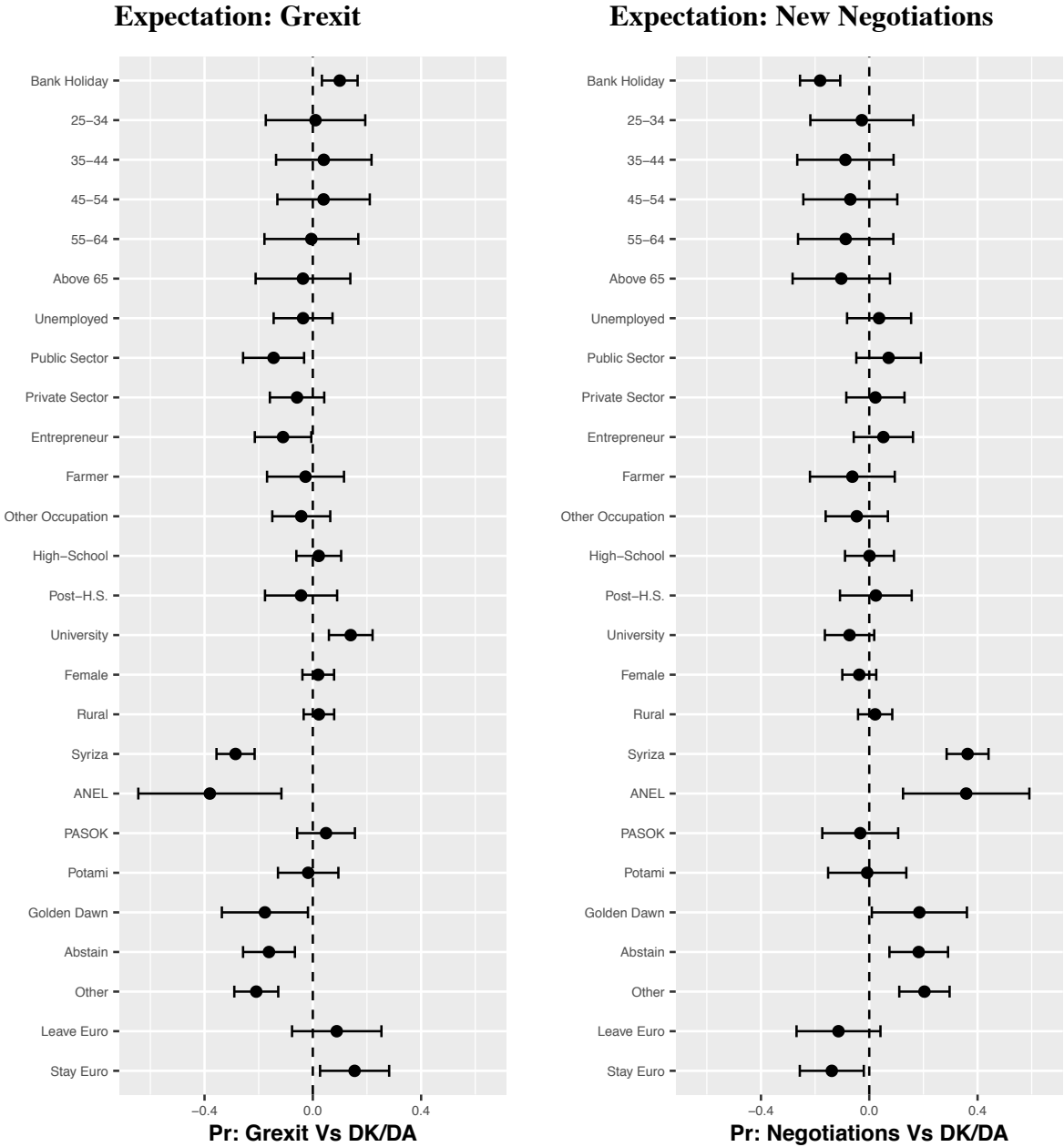


Figure 7: Determinants of Expectations about the Consequences of a No-vote.

Note: Dots indicate estimates of change in the estimated probability of expecting Grexit (left panel) or new negotiations (right panel), compared to the “don’t know/no answer” category based on multinomial logit regression analysis, with 95% confidence intervals. Reference categories of the predictors are the same as in figure 3.

Overall, these results show that the European policymakers' decision to take a hard line on Greece did indeed convince some voters that they would not accommodate a non-cooperative referendum outcome. Our analysis suggests that international actors can indeed affect expectations in referendum campaigns through costly signals, even though this influence is limited. But does this translate into meaningful changes in individual voting behavior? In short, can foreign policymakers sway a referendum vote?

To answer this final question, we turn to a more systematic analysis of how the ECB decision influenced vote intentions through a change in expectations. Following the setup suggested by Imai et al. (2010), we estimate the mediation effect of the bank closure on referendum vote, via change in expectations. In our analysis, the treatment is a binary indicator that captures respondents who said their vote intention was qualified as a result of the bank closure. The mediator is also a binary indicator that switches on for those who expect that a *No* vote would lead to *Grexit*. The outcome is another binary indicator denoting the intention to vote *No* in the referendum. Combining the three variables, we estimate how much of the bank closure effect on referendum vote is due to a change in expectations. In particular, we estimate the following equations:

$$GrexitBelief = \beta_0 + \beta_1 BankHoliday + u_{1i} \quad (1)$$

and

$$NoVote = \beta'_0 + \beta_2 BankHoliday + \gamma GrexitBelief + u_{2i} \quad (2)$$

The average total effect (ATE) of bank holiday on *No* vote consists of the sum of two effects: the average direct effect (ADE, given by β_2) of the bank holiday and its average causal mediation effect (ACME), mediated through *Grexit-expectations*. Our goal is to estimate to what extent those who changed their vote due to the bank closure did so because of a change in expectations about the consequences of a *No* vote. We are hence primarily interested in the ACME, which is given by $\beta_1\gamma$. Table 1 shows the result of the mediation analysis. We find that the average causal mediation effect is -0.06, which means that an increase in *Grexit* expectations from their levels observed under no bank closure to the levels observed after bank closure resulted in approximately 6 percentage point decline in the *No* vote. Approximately 15 per cent of the total effect of the bank closure question on referendum vote is mediated through a change in expectations. This is a substantial amount for this type of intermediation analyses, given that the expectation is that the bank closure would have a direct effect on the vote.

	Quantities of Interest
Average causal mediation effect (ACME)	-0.065 [-0.099 -0.032]
Average direct effect (ADE)	-0.366 [-0.425 -0.305]
Average Total Effect (ATE)	-0.431 [-0.500 -0.363]
Proportion Mediated	0.149 [0.076 0.217]

Note: Simulation-based quasi-Bayesian 95% confidence intervals are shown in the brackets (1,000 simulations); $n=989$.

Table 1: Mediation analysis: Decomposing the effect of the bank holiday on the referendum vote.

The causal interpretation of these results is of course challenging, as it is based on rather stringent assumptions about how unobserved confounders operate. Employing the Imai et al. (2010) setup, we conceptualize the identification problem by using one encompassing assumption, namely the sequential ignorability assumption. If we assess the sensitivity analyses of our estimates to violations of this assumption, we find that the ACME remains robust to even significant violations of the sequential ignorability assumption (these analyses are shown in the Online Appendix).⁴⁰

Overall, our findings show that the decisions abroad that led to the bank shutdown and capital controls influenced expectations about the consequences of a no-vote and increased the chances of a yes-vote. However, considering the huge cost that the ECB's decision generated, both for Greece and the other European states, the payoff of changing the minds of approximately 12.3 % of voters towards a cooperative vote seems meager, especially since it was not enough to change the referendum outcome. Nonetheless, our results suggest that foreign actors might have the possibility of influencing the final referendum outcome when a race is close, so that small changes at the margin matter.

7. Conclusion

In recent years, popular referenda have posed an increasing challenge to European integration. Despite all the differences between the 2014 Swiss mass immigration referendum,

⁴⁰ In particular ACME becomes zero only when correlation between the two error terms is -0.5 or lower. In other words, the unobserved confounder would need to explain up to 40% of the variance both in the outcome (Referendum Vote) and the mediator (GrexitBelief) in order the mediation effect to vanish (see Online Appendix).

the 2015 Greek bailout referendum, and the 2016 Brexit referendum, what unites these referenda is that a non-cooperative referendum outcome had the potential to negatively affect other countries beyond the referendum country. At the same time, by accommodating or punishing a non-cooperative referendum outcome in such high-stakes foreign policy referenda, the other countries have influence about the consequences of such a referendum for voters in the referendum country. The involvement of foreign actors in a domestic referendum makes such high-stakes foreign policy referenda unique and creates a strategic setting that is more complicated than in traditional referenda in which the stakes for other countries are lower.

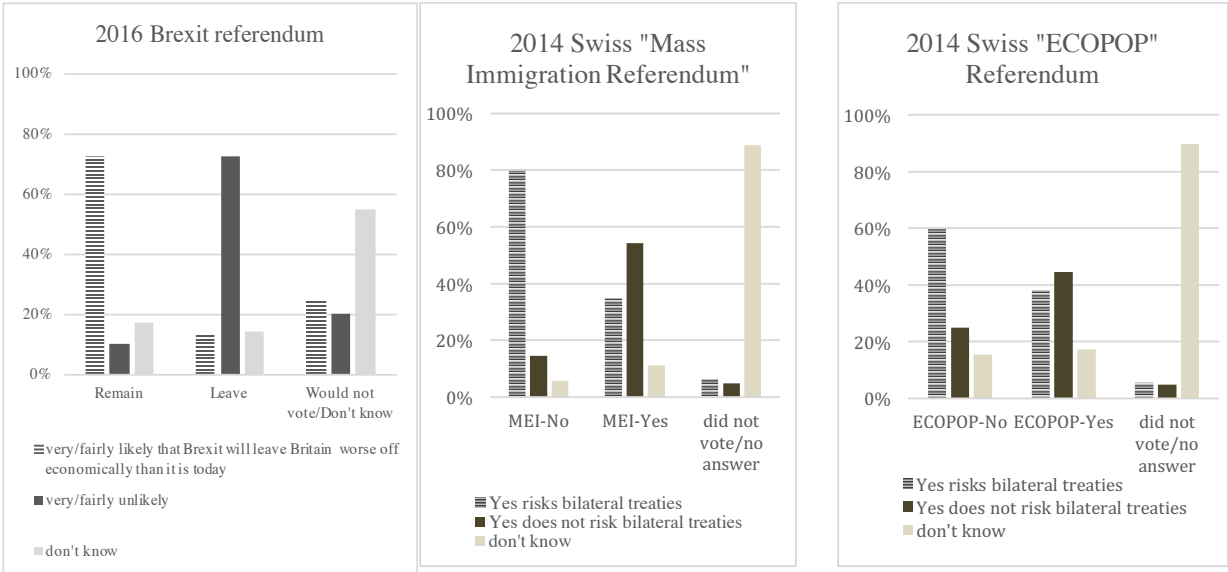
Our paper has explored one implication of this strategic setting: The role of individual expectations about the foreign reaction to a disintegrative vote in shaping vote intentions, and the ability of foreign policymakers to influence these expectations. Leveraging survey data from the 2015 Greek bailout referendum, we showed that expectations about the consequences of a no-vote had an unusually large impact on vote choice in the Greek referenda. Our analysis also suggested that foreign policymakers were able to influence these expectations among some voters by sending a costly signal about their determination not to accommodate a non-cooperative referendum outcome. The main contribution of this article has therefore been to unpack the popular dynamics and strategic interactions in high-stakes foreign policy referenda referenda.

Most research on the mass politics of international cooperation to date has focused on domestic audience costs (e.g., Chaudoin 2014; Tomz 2007), on the effect of international organizations on individual attitudes (e.g., Grieco et al. 2011), and on whether foreign leaders can influence voters in developing countries in the context of democracy promotion (Corstange and Marinov 2012; Levin 2016; Shulman and Bloom 2012). But in an increasingly interconnected world in which voters in one country can influence the welfare of voters in other countries, foreign interventions aimed at public opinion abroad are likely to become more frequent and more consequential. Developing a better understanding of the strategic incentives and the effectiveness of such interventions between developed democracies is therefore important.

Our empirical findings from the 2015 Greek bailout referendum raise the question to what extent they are generalizable to other high-stakes foreign policy referenda. Although a systematic analysis is beyond the scope of this paper, some descriptive evidence from other referenda gives us some insights about the external validity of our findings. Figure 7 shows the distribution of expectations about the consequences of a non-cooperative referendum

outcome in two other high-stakes referenda: the 2016 Brexit referendum about whether Britain should leave the EU and the 2014 Swiss “Against Mass Immigration” and “ECOPOP” referenda, both of which aimed at limiting immigration and mandated a violation of the free movement of people bilateral treaty between Switzerland and the EU.

The evidence from these other referenda suggests that expectations about the consequences of a non-cooperative vote also diverge in other high-stakes referenda. However, the effect seems to depend on the context. Whereas expectations about the riskiness of a Brexit diverge widely between the Leave and Remain camp, for example, this divergence was much less pronounced in the case of the ECOPOP referendum. This latter referendum, which proposed very harsh limitations and would have resulted in a clear breach of the bilateral treaty between Switzerland and the EU, was rejected by 74% of voters, whereas the outcome was much narrower in the other two referenda. Moreover, the pro-ECOPOP camp comprised many voters who believed that a termination of the bilateral treaties with the EU would be a good thing.



YouGov pre-referendum poll, 7 June 2016⁴¹

VoxIt: Abstimmung Nr. 114, post-referendum poll

VoxIt: Abstimmung Nr. 117, post-referendum poll

Figure 8: Expectations about the consequences of a non-cooperative referendum outcome in three high-stakes foreign policy referenda.

These results point to a number of open questions that future research should investigate: how are signals and statements by foreign policymakers received in different contexts? How costly do such signals have to be in order to sway voters in favor of supporting

⁴¹ For more information, see Owen and Walter (2016).

continued cooperation? And, moving up one level of analysis, how do foreign policymakers react ex post after voters in one country cast a non-cooperative vote?

In more general terms, this paper contributes to a better understanding of the mass politics of international cooperation. Although the role of mass publics has been acknowledged with regard to the creation of international agreements, voters' ability to shape or terminate international cooperation once an agreement has been signed has traditionally been limited. International institutions tend to leave little room for ex-post opt-out clauses, because they are designed to limit and punish "defection" by individual countries and to ensure continued cooperation (Keohane 1984; Koremenos, Lipson, and Snidal 2001; Simmons 2010). This has led to a circumscribed role of domestic publics in influencing their country's international behavior within existing international institutions. Only recently have voters begun to challenge *existing* international institutions at the ballot box. The potential of domestic voters to terminate international agreements unilaterally poses new challenges and questions for international cooperation. Our paper therefore underlines the challenges democracies face in highly integrated countries where the international and the domestic level interact to shape the form and level of international cooperation. Reflecting the increasing dilemmas domestic voters face between the gains from international cooperation, democracy, and national sovereignty (Rodrik 2011), popular movements aimed at non-cooperation are likely to keep these countries occupied for some time to come.

Appendix

Table A1: Descriptive Statistics (unweighted)

Variable Name	N	Mean	Std. Dev.	Min	Max
Referendumno	989	0.502	0.500	0	1
Expectation: No=Grexit	989	0.265	0.442	0	1
Expectation: No=Negotiation	989	0.584	0.493	0	1
Education	984	2.814	1.211	1	4
Age	989	4.146	1.411	1	6
Female	989	0.594	0.491	0	1
Rural	989	0.589	0.492	0	1
Unemployed	989	0.122	0.328	0	1
Public Sector Employee	989	0.118	0.323	0	1
Private Sector Employee	989	0.196	0.397	0	1
Pensioner	989	0.259	0.438	0	1
Entrepreneur	989	0.140	0.347	0	1
Bank holiday changed vote intention	989	0.229	0.420	0	1
Syriza	989	0.363	0.481	0	1
ANEL	989	0.031	0.174	0	1
Nea Demokratia	989	0.178	0.383	0	1
PASOK	989	0.051	0.219	0	1
River	989	0.052	0.221	0	1
Golden Dawn	989	0.032	0.177	0	1
Abstention	989	0.108	0.311	0	1
Preference: Stay in Euro	989	0.772	0.419	0	1
Preference: Leave Euro	989	0.113	0.317	0	1

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