Economics and Voting in the Third Hellenic Republic:

An Aggregate and Individual-Level Analysis of the Greek Electorate, 1985-2007

By

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For my family,

Mom, Dad, Γιαγιά, Ioanna, and Kaity

Table of Contents

List of Figures

LIST OF TABLES

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Chapter 1

INTRODUCTION

The thirty-three year period of the Third Hellenic Republic (1974-present), established after the fall of a seven-year military regime, is an inviting subject for political scientists and economists alike, as it comprises several distinct phases of democratic and economic transition. In a few short years Greece enacted a new constitution,[1] permanently eliminated the Greek monarchy as a political institution,[2] and proceeded on a path of multi-party democracy by electing Constantine Karamanlis and his newly founded center-right conservative party New Democracy (ND) to power in 1974.[3] By 1981, Greece had fully transitioned from the military regime to a stable two-party system dominated by the newly empowered socialists and pro-west conservatives. Over the next two decades these two parties would compete exclusively between themselves for control of the government with minimal third party interference.

The international financial crisis of 1973 was one of many factors that helped push the military government out of power in 1974. A short period of monetary stability was

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[1] Richard Clogg, *A Concise History of Greece* (Cambridge: Cambridge University Press, 1992), 171.

[2] Neovi M. Karakatsanis, *The Politics of Elite Transformation: The Consolidation of Greek Democracy in Theoretical Perspective* (London: Praeger, 2001), 72.

[3] This period of transition from dictatorship to democracy in the summer of 1974 is referred to as the *metapolitefsi*. See Clogg, *A Concise History of Greece*, 173; Taki Theodoracopulos, *The Greek Upheaval: Kings, Demagogues, and Bayonets* (New Rochelle: Caratzas Bros., 1978), 241-57; Ioannis Tzortzis, "The Metapolitefsi That Never Was: A Re-Evaluation of the 1973 Markezinis Experiment," in *The 1st Hellenic Observatory PhD Symposium on Modern Greece: Current Social Science Research on Greece* (London School of Economics: 2003).

followed by high inflation in the late 1970s. In the 1980s growth was exceptionally volatile as the government attempted a socialist agenda, and the country battled stagflation. In the 1990s Greek economic policy gradually converged with that of the rest of Europe, and by the late 1990s and early 2000s inflation had dropped significantly and remained low as economic growth rates consistently exceeded the European average.[4]

A fundamental way in which economic developments affect political transitions is through elections and voting.[5] In the case of Greece there has been a wealth of academic research on both the development of Greek parties and voting[6] and the Greek economy,[7] but few attempts have been made to link the two through models of economic voting. While a wide-range of questions can be asked in regard to economic voting, the majority of analyses have focused on testing the economic voter hypothesis. "In its most elementary reward-punishment version, that hypothesis may be stated as follows: The citizen votes for the government if the economy is doing all right; otherwise, the vote is against."[8] A correlation between economic conditions and incumbent vote share was first discovered in the United States, and similar models have now been applied to a number of established

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[4] George Pagoulatos, *Greece's New Political Economy: State, Finance, and Growth from Postwar to EMU* (New York: Palgrave Macmillan in association with St. Antony's College Oxford, 2003), 5.

[5] Joshua A. Tucker, *Regional Economic Voting: Russia, Poland, Hungary, Slovakia, and the Czech Republic, 1990-1999* (Cambridge: Cambridge University Press, 2006), 1.

[6] See, for example, Richard Clogg, *Parties and Elections in Greece* (London: C. Hurst & Company, 1987); Takis S. Pappas, *Making Party Democracy in Greece* (New York: St. Martin's Press, 1999); Takis Spyros Pappas, "The Transformation of the Greek Party System since 1951," *West European Politics* 26, no. 2 (2003); Christos Lyrintzis, "The Changing Party System: Stable Democracy, Contested Modernisation," *West European Politics* 28, no. 2 (2005); Ilias Nicolacopoulos, "Elections and Voters, 1974–2004: Old Cleavages and New Issues," *West European Politics* 28, no. 2 (2005); Nikiforos P. Diamandouros, *Cultural Dualism and Political Change in Postauthoritarian Greece* (Madrid: Juan March Institute, 1994).

[7] See, for example, Persefoni V. Tsaliki, *The Greek Economy: Sources of Growth in the Postwar Era* (New York: Praeger, 1991); George A. Jouganatos, *The Development of the Greek Economy, 1950-1991: A Historical, Empirical, and Econometric Analysis* (New York: Greenwood Press, 1992); Nicholas G. Pirounakis, *The Greek Economy: Past, Present and Future* (New York: St. Martin's Press, 1997); Ralph C. Bryant, Nicholas C. Garganas, and George S. Tavlas, eds., *Greece's Economic Performance and Prospects* (Athens: Bank of Greece, 2001).

[8] Michael S. Lewis-Beck and Mary Stegmaier, "Economic Determinants of Electoral Outcomes," *Annual Review of Political Science* 3 (2000): 183.

democracies. The majority of literature up to this point has focused on answering some variation of the question, "Do incumbent parties perform better if the economy is better?"[9]

The attribution of responsibility model underlies most of economic voting research. It begins by assuming that citizens hold the government responsible for the condition of the economy. As a result, they approve or disapprove of the government based on a personal assessment of how well the party in power is managing the economy. This evaluation then translates into vote choice. If citizens are satisfied with government's economic performance, they vote to keep the incumbent in power. If they do not approve of the incumbent's performance, they vote for the challenging party with the expectation of a better government and ultimately an improved economic situation.[10] A simple causal chain can thus be constructed between policy evaluations and vote intention with government approval as an intermediary (figure 1.1).

FIGURE 1.1
Chain of Attribution of Causal Responsibility[11]

This model implies the generally accepted notion that changes in the economy influence incumbent vote share; "it has been a political commonplace [in the United States]…that the performance of the economy affects the electoral fate of the dominant

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[9] Tucker, *Regional Economic Voting: Russia, Poland, Hungary, Slovakia, and the Czech Republic, 1990-1999*, 5.

[10] Clara Riba and Aida Díaz, "Economic Voting in Subnational Government," in *Economic Voting*, ed. Han Dorussen and Michaell Taylor (London: Routledge, 2002), 180.

[11] Derived from Ibid., 181.

incumbent party."[12] This study attempts to determine if the same relationship exists in Greece. Leading up to the Greek parliamentary elections of 2000 the French newspaper *L' Humanité Hebdo* did not hesitate to link Greece's economic performance with the incumbent PASOK's prospects of victory:

> 'Spectacular reversal,' 'extraordinary,' 'stunning.' European experts and observers cannot stop praising the economic results of the Socialist government. Since 1996…inflation dropped from 8.2 percent all the way down to 2.2 percent [and] public deficit went from 7.5 percent of the Gross Domestic Product (GDP) to 1.9 percent…Stock values have increased by 85 percent in 1998 and 102 percent in 1999…Greece is about to become the twelfth EU country to join the Euro club on January 1, 2001…Thanks to such a convincing record, the PASOK socialists hope that they will be reelected.[13]

The Portuguese *Diaro Economico* expressed a similar view, recounting the economic successes of Greece under the leadership of Prime Minister Simitis:

> Greece is going into the polls of Sunday…Simitis, with an image of credibility and competence, remains extremely popular…lead[ing] the most successful Greek government in years…Simitis controlled inflation, the public deficit, and interest rates.[14]

When the election results were announced, PASOK's victory was further attributed to the country's strong economic record. The United Kingdom's *The Independent* reported the morning after the election:

> Voters may have been weary of many old faces in [Simitis's] government, and chafed at the slow pace of welfare and education reform. But these complaints were outweighed by respect for what the technocrat Mr. Simitis has achieved, above all the economy. Resolute centrist polices have so reduced inflation and the budget deficit that Greece, to the unabashed pride of its people, qualifies for membership in the eurozone.[15]

If it is true, as these newspaper articles suggest, that Greek voters tend to reward the incumbent for good economic performance, the next step would be to determine how voters actually acquire the economic information they use to make their vote choice. It

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[12] Edward R. Tufte, *Political Control of the Economy* (Princeton, N.J.: Princeton University Press, 1978), 5.

[13] Damien Roustel, "Quand le Cancre Devient Bon Élève (When the Dunce Becomes a Good Student)," *L'Humanité Hebdo* 8 April 2000 in George Douskas, ed., *Greece in the International Press 2000* (Athens: Ministry of Press and Mass Media, 2001), 136-37.

[14] Carla Castro, "Costas Simitis Enfrenta Un Duelo Renhido (Costas Simitis Facing His Toughest Duel)," *Diario Economico* 7 April 2000 in Douskas, ed., *Greece in the International Press 2000*, 132-33.

[15] "Greece: An Election That Really Makes a Difference," *The Independent* 11 April 2000 in Douskas, ed., *Greece in the International Press 2000*, 169.

would be presumptuous to assume that most voters know the most recent change in per capita GDP or the current inflation rate compared to previous years. Popkin's byproduct theory, the idea that "much of the information voters use when they vote is acquired – for 'free' – as a byproduct of activities they pursue as part of their daily lives," ventures to explain how average citizens know which way the economy is generally going.[16] He suggests that "shoppers learn about inflation of retail prices, home buyers find out the trends in mortgage loan interest rates, and owners of stocks follow the Dow-Jones averages."[17] While voters are able to acquire information on national economic trends via this low cost by-product theory, exactly which economic policies and events matter most to the electorate? Are voters generally concerned with the state of the national economy or their own personal financial situation? If a Greek telecommunications technician, for example, loses his job as a result of privatization (as over 3,000 did in 2000 when the Hellenic Telecommunications Organization (OTE) was privatized),[18] does he blame the incumbent at the polls for his personal misfortune?

More specifically, this study will attempt to determine first if a causal link between policy assessment and vote choice, as implied by the attribution of responsibility model and the international press, exists in contemporary Greece, and if so, which economic metrics do citizens use to form their evaluation of the incumbent party's economic policy. Greece, especially from the early 1990s to the present, provides a unique case study for this analysis. The application of responsibility model often assumes, but does not require, the incumbent and the challenger have distinct economic policies. In most contemporary democracies, if

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[16] Samuel L. Popkin, "Information Shortcuts and the Reasoning Voter," in *Information, Participation, and Choice: An Economic Theory of Democracy in Perspective*, ed. Bernard Grofman (Ann Arbor: University of Michigan Press, 1993), 17.
[17] Ibid.
[18] "Deregulation, Privatization Energize Greece's Telecom Market," *The Washington Post* 22 June 2001.

the incumbent's economic policy has been unsuccessful, the challenger usually offers a unique alternative. Beginning in the early 1990s Greek economic policies of both the socialist PASOK and the center-right ND converged and almost became indistinguishable.[19] As will be described in Chapter 2, both parties pursued, and the majority of Greeks desired, acceptance into European Monetary Union (EMU). With this pursuit came a rigid, externally imposed economic strategy that more or less had to be implemented. In the face of virtually identical alternatives, as occurred in Greece, does the attribution of responsibility model still hold? This study hypothesizes that it does, with voters evaluating the record of the economic policy executor, and if dissatisfied, choosing an alternative to continue implementing the same policy prescription.

Chapter 2 outlines a concise political and economic history of Greece, beginning with the rise of the military government in 1967. It then describes the seven-year transition to a two-party system, the eventual convergence of political ideologies and policy prescriptions, and the implications of this convergence on the study's hypothesis of economic voting in Greece. Chapter 3 develops an aggregate-level model of economic voting behavior for the years 1985-2007 based on Kramer's pioneering 1971 study of U.S. congressional elections. The model will test to see which (if any) economic metrics have an impact on incumbent vote share, and if so, at what level. Aggregate-level models operationalize the condition of the national economy via short-term changes in major economic metrics such as real income, unemployment, and inflation. Chapter 4 develops an individual-level model of voting behavior using 1996 Comparative National Election Project

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[19] Pappas, *Making Party Democracy in Greece*, 202.

(CNEP)[20] survey results and the 1979 work Kiewiet and Kinder. In contrast to the use of aggregate economic data, individual-level analyses compare the economic opinions of survey participants to their vote choice. This model tests if voters are pocketbook oriented or sociotropic, i.e. are citizen's vote choices based more on their personal financial situation or more on their perceptions of the national economy's health. Chapter 5 draws general conclusions on the saliency of economic voting in modern Greece.

[20] CNEP survey data of the 1996 Greek parliamentary election are available at <http://www.cnep.ics.ul.pt/index1.asp>.

Chapter 2

THE GREEK ECONOMY, ELECTIONS, AND A TWO-PARTY SYSTEM

The contemporary political system of Greece can be categorized as a republic form of parliamentary democracy.[1] A President exists and acts as the head of state, but similarly to Italy, he is relatively powerless.[2] The prime minister is the head of the government and the leader of the cabinet, which carries out the functions of the executive. Similarly to Britain, Spain, and Italy, the prime minister serves at the discretion of the parliament. The Greek parliament, known as the Vouli, is the center of all legislation. Besides electing the prime minister, "it must pass all important legislative acts, is the center of debate for government bills, and provides the opposition with the opportunity to criticize government policy."[3] In response to an era of party fragmentation, Greece established a high threshold requirement for seating in parliament; parties were required to receive at least 17 percent of the national vote to be seated in the Vouli. This has since been changed to 3 percent. The current two-party system was born out of the era of military government control (1967-

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[1] Thomas D. Lancaster, "The Politics of Modern Greece," in *Modern Political Systems Europe*, ed. Roy C. Macridis (Englewood Cliffs: Prentice Hall, 1990), 265.

[2] In the first constitution of the Third Republic signed in 1975, the President had substantial personal powers, like in France. A President has the right to dissolve the parliament under certain circumstances, the right to call for a referendum, and the right to nominate a Prime Minister. In 1985, the Greek Parliament, under the control of PASOK, revised the constitution, removing all personal powers from the President and transferring them to the Prime Minister.

[3] Lancaster, "The Politics of Modern Greece," 265.

1974), and took nearly a decade to fully develop. This chapter will begin by outlining the dramatic changes in the postwar Greek economy. It will then describe the rise and fall of the military regime and the two distinct phases of party development (1974-1985 and 1985-present). It will conclude with a discussion of the eventual convergence of political ideologies and policy prescriptions and the implications of this convergence on the study's hypothesis of economic voting in Greece.

THE POSTWAR ECONOMY

The postwar Greece economy, up until the fall of the military government in 1974, was one of the most dynamic and fastest growing economies in the world. In the period 1950-1973, the average annual GDP growth rate in Greece was a robust 6.47 percent, a figure much higher than that of most industrialized OECD counties (table 2.1). Overseeing these 25 years of dramatic growth was a government characterized as "powerful and autocratic, both politically and economically."[4] Even during the democratic pre-Junta era, the predominately right-wing government had effective control over labor unions, and complete control over the Greek banking and financial system. While the policies of this era promoted both economic growth and stability, they were inadequate in satisfactorily advancing Greek economic development.[5] While the 1960s saw the Greek economy transition from an agricultural to an industrial one, the country's degeneration into dictatorship stifled any chance the regime that oversaw these successes had of acquiring deep roots.[6] "The value system that underpinned it – discipline, hard work, national ideals,

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[4] George Alogoskoufis, Francesco Giavazzi, and Guy Laroque, "The Two Faces of Janus: Institutions, Policy Regimes and Macroeconomic Performance in Greece," *Economic Policy* 10, no. 20 (Apr., 1995): 156.

[5] Jouganatos, *The Development of the Greek Economy, 1950-1991: A Historical, Empirical, and Econometric Analysis*, 9.

[6] Tsaliki, *The Greek Economy: Sources of Growth in the Postwar Era*, 8.

religion, anti-communism – was undermined by the dictators" and challenged by the Left following the restoration of democracy in 1974.[7] Despite his right-wing heritage, Karamanlis conformed to the prevailing ideological climate, slowly accepting the public desire for greater redistribution and an expanded role of the state. Socialist PASOK's emergence as a legitimate political contender in the 1977 election only furthered this transition.

TABLE 2.1
Average Annual Real GDP Growth Rates for Select OECD Counties (in percent)

Country	1950-73
Japan	9.33
Greece	**6.47**
W. Germany	6.28
Italy	5.49
France	5.13
Canada	5.09
United States	3.62
United Kingdom	3.00

During the period 1961-73 average annual real GDP growth was 7.1 percent and inflation remained relatively steady below 5 percent. Average annual growth exceeded the OECD average by 2 percent and price levels were the same as the OCED average. In the two decades that followed, the period of high growth and low inflation came quickly to an end (figure 2.1). In a few short years, growth collapsed and remained extremely volatile until the mid-1990s. While GDP growth plummeted, inflation skyrocketed, falling below 15 percent for only a short two years in 1988 and 1989. During the 1974-1993 period, average annual growth was only 2 percent below the OECD average. The inflation rate, however, averaged more than 10 points above the OECD average at 17.7 percent.

[7] Alogoskoufis, Giavazzi, and Laroque, "The Two Faces of Janus: Institutions, Policy Regimes and Macroeconomic Performance in Greece," 158.

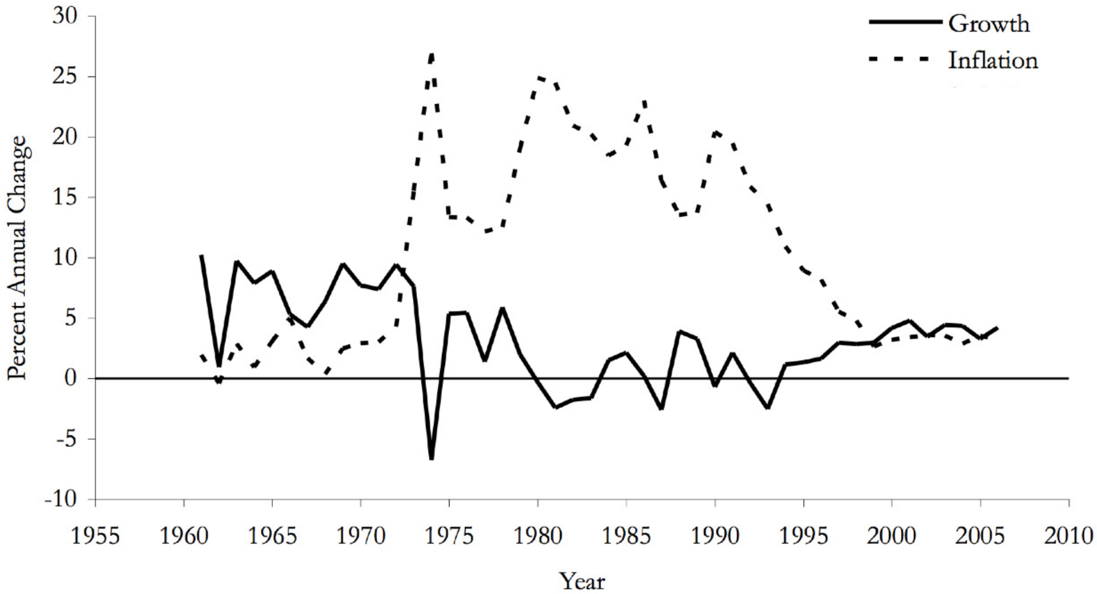

FIGURE 2.1
Growth and Inflation in Greece, 1961-2006

One of the most salient features of the Greek economy since the fall of the military government in 1974 has been the rise, persistence, and eventual sharp decline in inflation.[8] The Greek economy over the past 30 years witnessed three major peaks, in 1979-80, 1985-86, and again in 1990, with inflation rising well above 20 percent all three times (figure 2.1). While the peaks in 1979-80 and 1990 were caused in part by the same rise in oil prices that lifted inflation in most industrialized counties, the peak of 1985-86 was peculiar to Greece. During the entire post-Junta period until the mid-1990s, inflation in Greece has generally exceeded that of most industrialized countries. Recognizing the saliency of price levels in Greece, Garganas and Tavlas segment the post-Junta period into two regimes, each

[8] Nicholas C. Garganas and George S. Tavlas, "Monetary Regimes and Inflation Performance: The Case of Greece," in *Greece's Economic Performance and Prospects*, ed. Ralph C. Bryant, Nicholas C. Garganas, and George S. Tavlas (Athens: Bank of Greece, 2001), 43.

corresponding to a particular inflationary experience.[9] The first regime covers the period 1975-90. For most of this period inflation persisted around 20 percent, and the fiscal and monetary policies of both center-right ND and socialist PASOK were unable to bring stability to price-levels. After the transition period from 1991-1994 that saw inflation levels drop below 5 percent, the second regime runs from 1995 to the present. During this period, the Greek government was able to sustain a low level of inflation and post twelve years of positive income growth.

One of the primary causes of the low growth, high inflation regime of 1984-1990 was the public's continual demand, especially in the 1980s for an expanded role of the state and greater redistribution, but unfortunately no mechanisms were in place to sustain such efforts.[10] The government resorted to discretionary taxation and indebtedness to finance redistribution on a national scale. Unions were awarded much greater powers and successfully pushed for significantly higher wages. Unable to achieve economic goals through fiscal or monetary policies, the government resorted to a series of price control measures. During the second half of the 1970s, Karamanlis did his best to limit the growth of public debt and was able to keep the general government debt to GDP ratio relatively unchanged (figure 2.2). The most important economic achievement for Karamanlis, however, was Greece's entry into the European Community (EC) in 1981.

Andreas Papandreou led the socialists to victory in 1981, and government debt began to grow at an increasing rate. This trend continued until the 1994 when debt began to level off at roughly 110 percent of GDP. Fueling this debt increase was PASOK's strong

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[9] Ibid.

[10] Alogoskoufis, Giavazzi, and Laroque, "The Two Faces of Janus: Institutions, Policy Regimes and Macroeconomic Performance in Greece," 152.

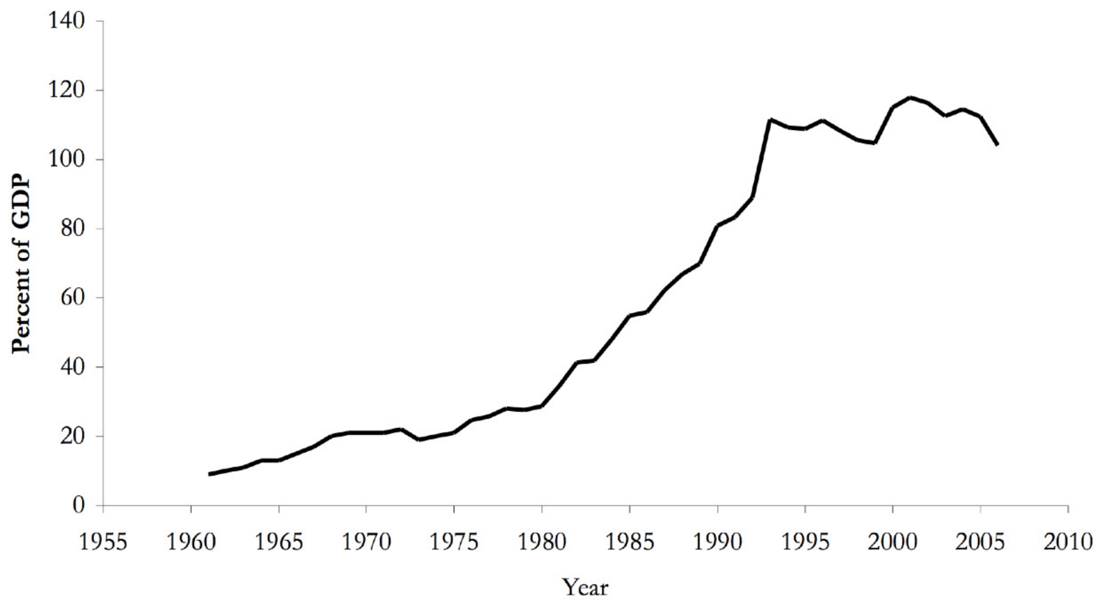

FIGURE 2.2
Government Debt as a Percentage of GDP, 1961-2006

emphasis on nationalization and income redistribution. As public debts rose, so did public deficits (figure 3.3). Papandreou pushed to establish a new national health system, expanded subsidies to ailing enterprises, and significantly increased pensions.[11] Between 1981 and 1993 the budget deficit averaged over 10 percent of GDP while growth averaged only 0.7, severely dampening the necessary revenue growth for such expansive projects. During this period a noticeable political fiscal cycle began to emerge. In the general election years of 1981, 1985, 1989, 1990, and 1993, politicians significantly increased expenditures while revenue growth continued to slow (figure 2.3). This trend did not stop with the 1993 elections. Later increases in the budget deficit were primarily a result of increases in wages

[11] Vassilos G. Manessiotis and Robert D. Reischauer, "Greek Fiscal and Budget Policy and EMU," in *Greece's Economic Performance and Prospects*, ed. Ralph C. Bryant, Nicholas C. Garganas, and George S. Tavlas (Athens: Bank of Greece, 2001), 125.

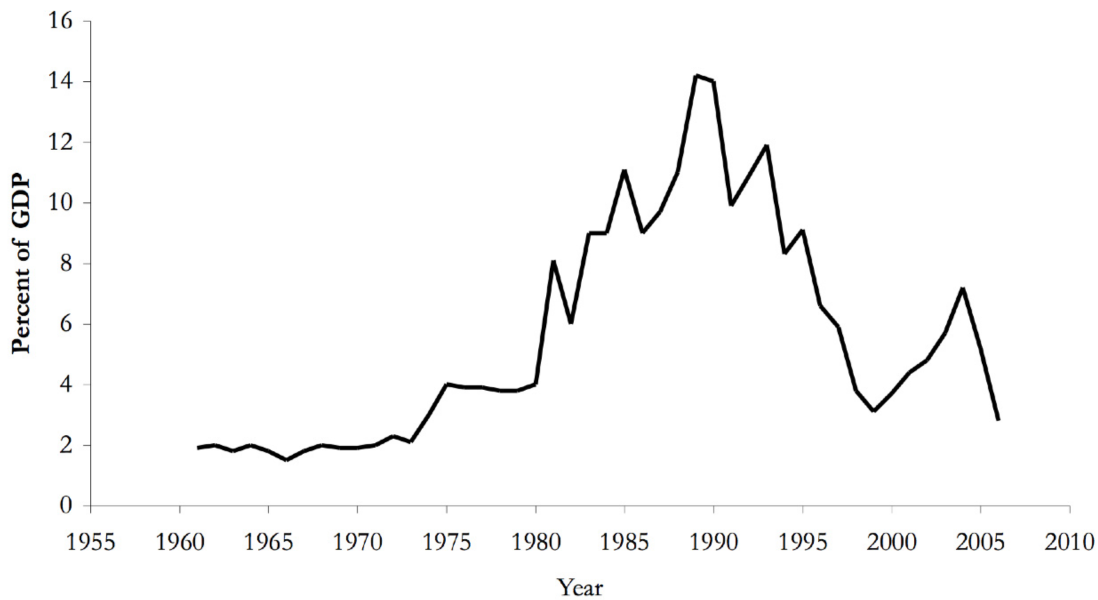

FIGURE 2.3
Government Budget Deficit as a Percentage of GDP, 1961-2006

and pensions for civil servants and expansions in public sector employment. While unemployed labor was absorbed by the public sector, it only served to perpetuate the drain on government resources because new workers could not be fired.[12] Noticeable increases in government spending occurred in the year prior the 1996 election and also in 2004.

Facing a dramatic balance of payments crisis in 1985, PASOK devalued the drachma, imposed a two-year wage freeze, and worked to liberalize the financial system and capital flows. Nevertheless, the deficit remained high and another balance of payments crisis followed in 1989/90. Papandreou lost three consecutive elections by significant margins beginning in 1989 but ND did not take control until April of 1990 because of new electoral rules instituted by PASOK. When Mitsotakis and ND finally took office, the government spent its first two years ineffectively attempting to remedy the economic situation.

[12] Ibid., 126.

Stephanos Manos, a third Minister of National Economy, was appointed in 1993, and under his leadership "bolder steps towards tackling the deficits were taken, and there was a first attempt to restructure the economy, with measures that ensured full liberalization of prices, deregulation, tight control of government enterprises, social security reform, privatization and infrastructure investment."[13] As the 1993 election approached, the budget deficit ballooned yet again, and a PASOK victory seemed imminent. Indeed, PASOK swept back into power capturing 57 percent of parliamentary seats but did not immediately proceeded to abandon or reverse the numerous reforms undertaken during ND's three years in office.

In 1992 Greece signed the Maastricht Treaty and concurrently joined the EMU, a move that greatly enhanced economic coordination within the EU, but also imposed strict rules on the conduct of fiscal policy in each member state. By the time Papandreou came into office in 1993, Greece had nearly completed the first of three phases ultimately leading to the adoption of the euro. Criteria for entry included stabilization of prices, exchange rates, fiscal deficit, public debt, and interest rates. Beginning with the Mitsotakis administration and continuing especially with the PASOK governments in 1994, Greece followed a consistent macroeconomic policy mix which included (i) a tight monetary policy, (ii) a gradual reduction of the large fiscal deficit, and (iii) a "hard drachma" policy.[14] Between 1993 and 1999, the fiscal deficit dropped from 11.9 percent of GDP to 3.1 percent (figure 2.3). The debt-to-GDP ratio after fluctuating around 110 percent between 1993 and 1997, dropped to 104.6 by 1999 (figure 2.2), while inflation fell from over 14 percent to 2.6 percent.

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[13] Alogoskoufis, Giavazzi, and Laroque, "The Two Faces of Janus: Institutions, Policy Regimes and Macroeconomic Performance in Greece," 156.

[14] Manessiotis and Reischauer, "Greek Fiscal and Budget Policy and EMU," 133.

While the 1980s could be considered a decade of "policy experimentation, erratic and inefficient economic management, and discontinued measures," the 1990s was a decade characterized by "stability, consistency and continuity in policy direction, and a gradual buildup of economic policy success."[15] The most definitive drivers of this dramatic transformation were twofold. First, the EU offered Greek economic policymakers clear and tangible policy directions for meeting the eurozone criteria. This externally imposed discipline forced dramatic policy shifts by rendering the cost of noncompliance insufferable.[16] Second, while ND and PASOK were greatly divided over economic policies in the 1980s, by 1994 the same strategy for satisfying EMU requirements was officially shared by both parties, and both parties accepted the imperative of entry in the April 2000 parliamentary election. Undoubtedly assisting this policy convergence was the widespread public support of EMU membership: in July of 1999, 65 percent of Greeks were in favor of the single currency.[17] The potential gains of entry were "so salient and overwhelming" that most Greeks, except the far left Communists, found it difficult to oppose progress towards the euro.[18]

Greece was formally accepted into the EMU in 2001 and euro notes and coins became legal tender on January 1, 2002. During the 2000s Greece's growth rate has averaged an impressive 3.8 percent. In the decade between 1995 and 2005, Greece's growth averaged 4.5 percent, the second highest among all OECD countries. The primary causes of this consistent growth were improvements in product market regulation, financial market liberalization, membership in the EMU, and the stimulus and focal point given by the

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[15] Pagoulatos, *Greece's New Political Economy: State, Finance, and Growth from Postwar to EMU*, 128.

[16] Kevin Featherstone, Georgios Kazamias, and Dimitris Papadimitriou, "The Limits of External Empowerment: EMU, Technocracy and Reform of the Greek Pension System," *Political Studies* 49, no. 3 (Aug. 2001): 462.

[17] "Eurobarometer 51," (European Commission, Jul. 1999), 151.

[18] Pagoulatos, *Greece's New Political Economy: State, Finance, and Growth from Postwar to EMU*, 193.

Olympic games in 2004.[19] The games compelled Greece to heavily invest in much needed infrastructure development, especially in transport and tourism. Despite this high growth, Greece saw its deficit levels steadily rise, peaking at 7.2 percent in 2004.

When ND came into office in March 2004, Kostas Karamanlis (nephew of ND founder Constantine Karamanlis) made budget deficit management one of his top priorities. Following a significant revision in public finance statistics, Greece was placed under the EU's Excessive Deficit procedure (EDP) after general government revenue was found to have been over-reported by greater than 3 percent every year since 1997. Under the EDP, Greece was required to bring her deficit to GDP ratio to under 3 percent by 2006. Primarily due to the fall in capital expenses, most of which were related to the ending of Olympics-related activities, Greece was able to decrease its deficit to 2.8 percent of GDP.[20] The deficit reduction was also achieved by a restraint in growth of the public sector wage bill and substantial increases in the gross earnings of the central government. Nevertheless, the general government debt burden has remained exceptionally high. Despite falling from a peak of 117.9 percent in 2001 to 104.0 percent of GDP in 2006, it remains among the highest in the OCED area and well above the 60% Maastricht reference value. The situation will not improve anytime soon with Greece facing a fiscal time bomb in its highly fragmented and grossly inefficient pension system. After winning a new mandate in the 2007 parliamentary elections, ND has pledged to tackle the difficult challenge of reforming the system. While substantive reform proved elusive in the 1990s, increasing public calls for transformation may prove essential to ND's prospects for success.

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[19] Organisation for Economic Co-operation and Development., *OECD Economic Surveys: Greece [2007]* (Paris: OECD, 2007), 24-27.

[20] Ibid., 42.

THE MILITARY REGIME

The Greek government was thrown into political crisis in the summer of 1965 when the public quarrel of King Constantine II and Prime Minister George Papandreou led to the untimely fall of the Center Union (EK) government.[21] In the midst of this political turmoil and the preparations for new elections, two colonels, George Papadopoulos and Nikolaos Makarezos, and a brigadier, Stylianos Pattakos, engineered a successful military coup on April 21, 1967. Justifying their actions as a necessary precaution to avoid a communist seizure of power, the leaders established a nondescript civilian government to serve as their front.[22] All the scholars of this period, including Danopoulos,[23] Woodhouse,[24] Clogg,[25] Zaharopoulos,[26] and Legg,[27] when addressing the issue have unequivocally denounced such a claim. The colonels took control of the government quite easily, with almost no resistance. Had there been an impending communist takeover, this would certainly have not been the case. Most scholars agree that the colonels used this anti-communist argument merely as a ruse to obscure the true reasons behind their coup.[28] King Constantine ignored the pleas of his prime minister, Panayiotis Kanellopoulos, and chose to recognize rather than resist the conspirators' civilian front. Six days later on April 27, 1967, a decree was issued abolishing

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[21] Jouganatos, *The Development of the Greek Economy, 1950-1991: A Historical, Empirical, and Econometric Analysis*, 56.

[22] Clogg, *A Concise History of Greece*, 163.

[23] Constantine P. Danopoulos, *Warriors and Politicians in Modern Greece* (Chapel Hill: Documentary Publications, 1984).

[24] Chistopher M. Woodhouse, *Karamanlis: The Restorer of Greek Democracy* (Oxford: Oxford University Press, 1982).

[25] Richard Clogg, "The Ideology of the 'Revolution of 21 April 1967'," in *Greece under Military Rule*, ed. Richard Clogg and George N. Yannopoulos (New York: Basic Books, 1972).

[26] George Zaharopoulos, "Politics and the Army in Post-War Greece," in *Greece under Military Rule*, ed. Richard Clogg and George N. Yannopoulos (New York: Basic Books, 1972).

[27] Keith R. Legg, *Politics in Modern Greece* (Stanford: Stanford University Press, 1969).

[28] Jouganatos, *The Development of the Greek Economy, 1950-1991: A Historical, Empirical, and Econometric Analysis*, 57.

all political parties.[29] Past party leaders were imprisoned or put under house arrest, civil servants were quickly replaced with Junta loyalists, and labor unions were dissolved. In 1968 a new constitution meant to institutionalize the army's grip on power was ratified by plebiscite with 92 percent vote in favor in a "wholly fraudulent exercise in public consultation."[30]

The military government did not face any real organized domestic opposition until 1973. Between 1967 and 1973 the opposition was for the most part scattered and unorganized, never capable of achieving widespread collective action against the military government. The opposition was permanently afraid of the national secret police, and the working class could not mount any resistance following their catastrophic defeat in the Civil War two decades earlier.[31] Additionally, until 1973, the dictators were able to maintain the country's exemplary economic growth that had begun in the late 1950s. Between 1967 and 1973, Greece saw its GNP growth rate increase from 4.5 percent to over 10 percent (table 2.2). Under the military regime, the influx of foreign capital increased by 62 percent, comparing the years 1967-71 with 1962-66.[32] While this performance under the military regime appears to be quite dramatic, economic development had begun well before the coup. Between 1960 and 1967, Greece's GNP grew at an annual average rate of 6.7 percent.[33] Starting in 1960 Greece also began to heavily subsidize foreign capital investments. In the decade that followed, Greek subsidiaries of multinationals accounted for 45 percent of the increase in industrial production.[34]

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[29] George Stergiou Kaloudis, *Modern Greek Democracy: The End of a Long Journey?* (Lanham: University Press of America, 2000), 42.
[30] Clogg, *Parties and Elections in Greece*, 55.
[31] Nicos P. Mouzelis, *Modern Greece: Facets of Underdevelopment* (New York: Holmes & Meier, 1978), 129.
[32] Nicos Ar Poulantzas, *The Crisis of the Dictatorships: Portugal, Greece, Spain* (London: Nlb, 1976), 17.
[33] Ibid.
[34] Ibid., 18.

TABLE 2.2
Annual GDP Growth Rate, 1961-1973

Year	Percent
1961	11.1
1962	1.5
1963	10.1
1964	8.3
1965	9.4
1966*	6.1
1967	4.5
1968	5.8
1969	8.8
1970	7.5
1971	7.3
1972	10.5
1973	10.1

* *Junta era begins*

This rapid expansion in demand and economic growth that characterized the Greek economy for most of the 1960s and 1970s peaked in the first half of 1973. During that year "inflationary pressures and balance of payment strains of unprecedented magnitude built up," primarily caused by excess demand created by the over aggressive expansionary policies of the military government.[35] The excess demand resulted in higher price levels and volume of imports. Adding to these economic difficulties, the regime began to face its first serious opposition on the domestic front: students occupied the Law School of the University in Athens in March of 1973, and a naval mutiny was attempted in May of the same year.[36] Papadopoulos claimed the plot was orchestrated by self-exiled King Constantine, promptly deposed him, and called for the creation of a "presidential parliamentary republic." In

[35] Organisation for Economic Co-operation and Development., *OECD Economic Surveys: Greece [1975]* (Paris: OECD, 1975), 38.
[36] Clogg, *Parties and Elections in Greece*, 57.

November of 1973 students occupied the Polytechnic School of Athens, and the military government responded with a violent suppression, killing 23 and injuring over 1000.[37] In early 1974, tension mounted with Turkey over the Cyprus issue, culminating in a July 20 Turkish invasion of the island and a sound defeat of the poorly prepared Greek forces. On July 22 the generals abdicated power, and former Greek political leader Constantine Karamanlis returned two days later from an eleven-year self-imposed exile to guide the transition to democratic rule.[38]

THE INCORPORATIVE MOMENT

Diamandouros divides the post-authoritarian years of Greece into two sub-periods, 1974-1985 and 1985-present. The first period is referred to as "the incorporative moment," a time parties spent adapting and fully developing, and the electorate spent discovering their political ideologies and preferences. In the second period, which is referred to as "the moment of entrenchment," parties were fully established with firm platforms and were completely integrated into the political system of Greece.[39] These two periods correspond with the creation of a two-party system in Greece.[40]

Following the collapse of the military regime, a number of parties emerged hoping to capture seats in the Vouli (table 2.3). Elections were scheduled for November 17. Invited back from exile, Karamanlis formed the center-right New Democracy (ND) party. Other parties included Andreas Papandreou's Panhellenic Socialist Party (PASOK), the Center Union, two different Communist Parties of Greece (KKE), one favoring the

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[37] Kaloudis, *Modern Greek Democracy: The End of a Long Journey?*, 49.
[38] Clogg, *A Concise History of Greece*, 168.
[39] Diamandouros, *Cultural Dualism and Political Change in Postauthoritarian Greece*, 22.
[40] Pappas, "The Transformation of the Greek Party System since 1951," 90.

TABLE 2.3
Major Political Parties in Greece, Election of 1974

Right, Right Center	
EDE	National Democratic Union (nationalist right-wing)
ND	New Democracy
Center	
	Center Union
Left	
PASOK	Panhellenic Socialist Party
KKE (Es.)	Communist Party of Greece (Eurocommunist)
KKE (Ex.)	Communist Party of Greece (pro-Soviet)

Eurocommunist agenda and one following the Moscow line, and the ultra-right, pro junta National Democratic Union (EDE).[41] Karamanlis and ND won handily, capturing 54.4 percent of the popular vote and 73.3 percent of the parliamentary seats (table 2.4). The centrist Center Union received 20.4 percent of the vote, furthering the majority of the center-right. In its first election as a party, PASOK ran poorly, receiving only 13.6 percent of the vote. The communist parties combined to win their usual 10 percent as the United Left.

As promised, a referendum on restoring the throne was held three weeks after the general election. Karamanlis refused to take either side, effectively ending any chance King Constantine had of returning.[42] Greeks voted "no" overwhelmingly in the referendum, with 69.2 percent opposed and only 30.8 in support of the King's return. In the three years leading up to the next general election in 1977, Greece experienced a period of "unprecedented political stability."[43] The government operated smoothly with no threats or disruptions from either the right or the left fringe parties. The majority of the Greek

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[41] Jouganatos, *The Development of the Greek Economy, 1950-1991: A Historical, Empirical, and Econometric Analysis*, 96.
[42] Clogg, *Parties and Elections in Greece*, 63.
[43] Lancaster, "The Politics of Modern Greece," 267.

TABLE 2.4
Election of November 17, 1974

Party	% of vote	Seats	% of Seats
ND	54.4	220	73.0
Center Union	20.4	60	20.0
PASOK	13.6	12	4.0
United Left	9.3	8	2.7
EDE	1.1		
Other	1.1		
Total	100.0	300	100.0

electorate had trusted in Karamanlis to bring stability and order to the nation after seven years of military control.

The election rules of the November 1977 contest were identical to those of 1974, another display of surprising stability. The Greek constitution (pre and post military government) has always left voting rules to the discretion of the parliament. Incumbent parties have often changed the voting laws to enhance their likelihood of winning.[44] This was not the case in 1977. While the electoral rules may have been similar to those of the previous election, the party landscape had significantly changed. The most significant change occurred on the far right; in the summer of 1977 Ethniki Parataxis (EP) replaced EDE, which only had received 1.1 percent of the vote three years earlier, as the party of choice for ultra-conservatives.[45] Karamanlis and ND distanced themselves as much as possible from the upstart EP, adopting more of a center-right stance. Taking the official centrist position, Democratic Center Union emerged, having fused the old Center Union and the New Forces parties. On the left, PASOK continued with a similar socialist message as in 1973 and worked to expand their nationwide organizational structure. They proposed to

[44] Ibid., 269.
[45] Clogg, *Parties and Elections in Greece*, 72.

socialize basic areas of the economy like energy, banks, transportation, shipbuilding, and chemicals while allowing small and medium-size businesses to "co-exist" with the socialized sectors.[46] Papandreou brilliantly exploited the resentment felt by many Greeks towards the West, calling for the withdrawal of Greece from NATO and demanding removal of U.S. bases in Greece.[47] On the far left several communist and ultra-socialist parties grouped together, running as KKE.

The election results in 1977 were quite similar to those of 1974; ND won a plurality of the national vote with a 41.9 percent share and a majority of parliament seats with 171(table 2.5). This decline in vote share compared to 1974 can be primarily attributed to the rise of the extreme right EP. The combined vote of ND and EP was only 6 percent less than the ND share in 1974. The greatest shift occurred in the center and in the center left. Lacking strong leadership, the Democratic Center Union only received 12.0 percent of the vote, down from 20.4 percent in 1974. Center-left PASOK led by charismatic Papandreou was the recipient of most of these votes, with a second place 25.3 percent share. PASOK was the only party to gain vote share between the elections of 1974 and 1977.

TABLE 2.5
Election of November 20, 1977

Party	% of vote	Seats	% of Seats
ND	41.9	171	57.0
PASOK	25.3	93	31.0
Democratic Center Union	12.0	16	5.3
KKE (pro-Soviet)	9.3	11	3.7
EP (extreme right)	6.8	5	1.7
Other	4.7	4	1.3
Total	100.0	300	100.0

[46] Ibid., 75.
[47] Richard Clogg, *Greece, 1981-1989: The Populist Decade* (New York, N.Y.: St. Martins, 1993), ix.

In response to PASOK's strong showing in the 1977 election, ND realized that they too needed to modernize and better organize their party.[48] Yet, Karamanlis and party leadership continued to be preoccupied with Greek foreign policy and the country's entry into the EEC. Compared to this objective, all other issues seemed secondary to Karamanlis.[49] Contributing to ND's decline over this period was its failure to "formulate and articulate a coherent ideology and to create a well-structured mass organization" to compete with PASOK throughout rural Greece.[50] In May 1979 Greece finally signed the long-expected EEC Accession Treaty, and in the following year Karamanlis stepped aside as Prime Minister, becoming the second president of the Third Republic. While the press was mainly preoccupied with Karamanlis's move to the presidency and his possible *delphinous* (dauphins) as they were called, PASOK continued to expand its national grassroots efforts and vigorously "questioned everything and promised everything."[51] As the election of 1981 neared, it became increasingly clear that George Rallis, Karamanlis's replacement, would be unable to rally an increasingly demoralized center-right in resistance to the ever-growing PASOK opposition.[52]

PASOK emerged the clear victor in the October 18, 1981, election. With 48.1 percent of the popular vote PASOK almost doubled its 1977 vote share and took an absolute majority in the Vouli (57.4 percent of the seats) (table 2.6). On the left, the Communists fell short of their goal of 17 percent, but still were able to capture 10.9 percent

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48 Kaloudis, *Modern Greek Democracy: The End of a Long Journey?*, 61.

49 Dimitrios K. Katsoudas, "New Democracy: In or out of the Social Democracy?," in *Greece on the Road to Democracy: From the Junta to Pasok, 1974-1986*, ed. Speros Vryonis (New Rochelle: Aristide D. Caratzas, 1991), 4.

50 Christos Lyrintzis, "Political Parties in Post-Junta Greece: A Case of Bureaucratic Clientelism?," in *The New Mediterranean Democracies: Regime Transition in Spain, Greece, and Portugal*, ed. Geoffrey Pridham (London: Frank Cass, 1984), 106.

51 Katsoudas, "New Democracy: In or out of the Social Democracy?," 4.

52 Clogg, *Parties and Elections in Greece*, 84.

TABLE 2.6
Election of October 18, 1981

Party	% of vote	Seats	% of Seats
PASOK	48.1	172	57.4
ND	35.9	115	38.3
KKE	10.9	13	4.3
Other	5.1	0	0.0
Total	100.0	300	100.0

or 13 seats. The center and the right were the biggest losers. The center collapsed completely with almost the entire 12.0 percent share won by the Democratic Center Union in 1977 going to PASOK. ND's popular vote share dropped to 35.9 percent or 115 seats. Seven years after the fall of the military regime, "Greece's traditional fragmented party system had given way to party bipolarization."[53]

THE MOMENT OF ENTRENCHMENT

The key word often used by PASOK in their 1981 campaign to describe their general platform was *Allagi*, meaning change, specifically a gradual movement towards modernization through legislation. In their first years in office, the PASOK government liberalized divorce laws, promoted greater equality for women, eliminated the institution of dowry, provided the elderly with pensions, established a national health system, and expanded access to higher education.[54] While in the foreign policy arena PASOK's election platform called for cancellation of Greek membership in the EEC, withdrawal from NATO, and removal of U.S. military installations and bases, when elected, Papandreou quickly

[53] Lancaster, "The Politics of Modern Greece," 269.
[54] Jouganatos, *The Development of the Greek Economy, 1950-1991: A Historical, Empirical, and Econometric Analysis*, 130-31.

softened his stance. A new agreement was signed keeping U.S. bases in Greece operational through 1988. Greece also signed a new NATO agreement and even agreed to buy 70 new military aircraft from the U.S. In the realm of foreign policy it is fair to conclude that the socialists were not that much different than their right-wing predecessors.[55] While PASOK's foreign policy decisions were often inconsistent and contradicted its socialist tenets, Greece's defense interests, especially in light of the ever-present Turkish threat, left no option than to enhance ties with the West.[56]

Despite these wide-ranging reforms, Papandreou was unable to successfully stimulate the economy. During PASOK's first four years in office, unemployment hovered around 10 percent, the inflation rate was 17-18 percent, foreign and domestic investments fell, and the national debt continued to rise.[57] By 1985 PASOK's aggressive socialist agenda had taken its toll on the economy. The OCED concluded that an economic rebound could only begin to occur if "there was a better recognition by the general public that the national collectivity cannot continue to live beyond its means and accordingly, greater willingness to accept the needed sacrifices."[58]

In the general election of June 1985 PASOK, while capturing a majority with 46 percent of the popular vote and 154 seats in parliament, lost significant ground to ND (table 2.7). ND, now under the leadership of Constantine Mitsotakis, won 41 percent of the popular vote, an almost 6 percent increase from 1981. KKE captured 10 percent of the vote. PASOK suffered declines in almost every prefecture of Greece, with most of its losses

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[55] Michalis Spourdalakis, *The Rise of the Greek Socialist Party* (London: Routledge, 1988), 234-35.
[56] Adamantia Pollis, "Socialist Transformation in Greece," *Telos* 61 (1984): 110.
[57] Kaloudis, *Modern Greek Democracy: The End of a Long Journey?*, 66.
[58] Organisation for Economic Co-operation and Development., *OECD Economic Surveys: Greece [1985]* (Paris: OECD, 1986), 67.

TABLE 2.7

Electoral Outcomes (percentage of vote and parliamentary seats), 1985-2007

	1985		1989 (June)		1989 (Nov.)		1990		1993		1996		2000		2004		2007	
PASOK	45.8	(161)	39.1	(125)	40.7	(128)	38.6	(123)	46.9	(170)	41.5	(162)	43.8	(158)	40.5	117	38.1	102
New Democracy (ND)	40.9	(126)	44.3	(145)	46.2	(148)	46.9	(150)	39.3	(111)	38.1	(108)	42.7	(125)	45.4	165	41.8	152
Greek Communist Part (KKE)	9.9	(12)	13.1	(28)	10.9	(21)	10.3	(19)	4.5	(9)	5.6	(11)	5.5	(11)	5.9	12	8.2	22
KKE Interior (SYN since 1992)	1.8	(1)							2.9		5.1	(10)	3.2	(6)	3.3	6	5.0	14
Other	1.6	(1)	3.5	(2)	2.2	(3)	4.2	(8)	6.4	(10)	9.7	(9)	4.8		4.9		6.9	10

being absorbed by ND.[59] There was also a clearer correlation between income level and electoral behavior in the 1985 election: "Business people, mangers, well-to-do professionals, and the legal and medical associations opted for ND."[60] This trend of high-income voters opting for ND became even more apparent in the later years of this period of entrenchment.

Jouganatos attributes the strong showing of ND primarily to the deteriorating state of the Greek economy. ND's economic platform harped on the failures of the socialist regime and consisted of supply-side measures aimed at tax reforms and protection of private ownership to promote private investment and business confidence. ND leaders focused on the growing budget deficit and the unnecessary spending by PASOK.[61] This economically geared platform gained traction with a significant portion of the electorate, resulting in a strong ND showing on election day.

Despite ND's relatively successful 1985 campaign, PASOK still won a controlling majority in parliament. Between 1985 and 1989, PASOK continued to pursue its program on *Allagi* unhindered by leftist or rightist opposition. The Greek economy, however, did not perform any better in Papandreou's second term than it had in his first. Growth continued to slow in Greece and inflation peaked at 23.0 percent in 1987. In response to the economic problems, Papandreou introduced severe austerity measures; the drachma was devalued by 15 percent, wages were frozen, and stricter exchange controls were established.[62] Despite his anti-West campaign rhetoric, the Prime Minister had to ask the international community for credits. Papandreou's popularity declined even further as domestic problems mounted. The

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[59] Nickolas M. Limberes, "The Greek Election of June 1985: A Socialist Entrenchment," *West European Politics* 9, no. 1 (1986): 145.

[60] John S. Koliopoulos and Thanos M. Veremis, *Greece: The Modern Sequel, from 1831 to the Present* (New York: New York University Press, 2002), 107.

[61] Jouganatos, *The Development of the Greek Economy, 1950-1991: A Historical, Empirical, and Econometric Analysis*, 132.

[62] Kaloudis, *Modern Greek Democracy: The End of a Long Journey?*, 69.

religious establishment strongly opposed PASOK's move to challenge the status of the Greek Orthodox Church and its right to land holdings. Papandreou antagonized middle and upper class Greeks with his decision to nationalize private schools. Despite his nationalist rhetoric, Papandreou agreed to meet the President of Turkey, Turgut Özal in 1988, an act seen as capitulation.[63] The PASOK leader at age 69 also made the decision to divorce his American wife of 37 years in order to marry Dimitra Liani, a 34-year-old Olympic Airways stewardess. Papandreou did not hesitate to appear with Liani in public, provoking a media firestorm and harsh exchanges with his family.

The final blow to the PASOK government came with the unraveling of the Koskotas Affair, "a financial scandal with strong political overtones and on a monumental scale without precedent in the county's history."[64] George Koskotas, a Greek-American banker and media mogul who had suspiciously amassed a significant fortune, while under 24-hour surveillance pending charges of embezzlement, illegal currency transaction, and forgery, escaped to the United States. A few days later $132 million were found missing and unaccounted for at the Bank of Crete. Rumors swirled that PASOK functionaries had been bribed in order to block the investigation of banking improprieties. A driver from the Bank of Crete alleged that millions of drachmas were stuffed into diaper boxes and delivered to close associates of Papandreou.[65] Further accusations of irregularities and frauds associated with PASOK party members stemmed from the party's significant purchase of military arms and equipment in their first term. As the scandals continued to build, Papandreou dismissed several ministers, others resigned, and many were reshuffled to different posts. Realizing their share of the popular vote would most likely fall in the upcoming election, PASOK

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[63] Lancaster, "The Politics of Modern Greece," 274-75.
[64] Clogg, *A Concise History of Greece*, 198.
[65] Simons Marlise, "Ghost Trials Is Greek Daytime Drama," *The New York Times*, 13 Aug 1991.

changed the electoral laws to introduce a more purely proportional electoral system, one making it difficult to form a government with simply a plurality.

PASOK's fears of an election day loss came true in June of 1989: ND secured 44.3 percent of popular vote, compared to PASOK's 39.2. A KKE led coalition won 13.2 percent (table 2.7). Despite winning a plurality of the popular vote, ND only captured 144 seats of the parliament with the new election laws in place, seven seats short of an overall majority. Mitsotakis was unable to form a government and was forced to attempt forging a coalition. The far left communists, wanting to disassociate themselves from the scandals surrounding Papandreou, attempted to form a coalition with ND. An interim government was eventually formed, designed simply to last until the next elections in November 1989. Its primary purpose was to prosecute the officials accused of financial scandals during PASOK's administration.[66]

On November 5, Greeks went to the polls for a second time in 1989 to elect a new parliament. ND once again received a plurality but not a majority with 46.2 percent of the vote. PASOK received 40.7 percent, and the KKE led coalition won 11.0 percent (table 2.7). Unable to form a single party government, ND, PASOK, and KKE entered a National Unity coalition led by the non-partisan, highly respected banker Xenophon Zolotas. The coalition government was unable to turn around the ailing economy and on February 12, 1990, Mitsotakis withdrew the ND ministers from the government. PASOK followed suit and new elections were eventually scheduled for April 1990.[67]

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[66] Jouganatos, *The Development of the Greek Economy, 1950-1991: A Historical, Empirical, and Econometric Analysis*, 170.

[67] Koliopoulos and Veremis, *Greece: The Modern Sequel, from 1831 to the Present*, 109.

PASOK called for "revising everything" while ND based its campaign strategy on the slogans of "new faces" and "new ideas."[68] With 46.9 percent of the vote and 150 seats ND once again would be unable to form a government alone (table 2.7). PASOK and KKE attempted to cooperate more closely, but lost ground compared to the November 1989 election. PASOK won 38.6 percent and KKE won 10.2 percent of the vote. Mitsotakis and ND eventually did form a government when Konstantinos Stefanopoulos, leader of the small center-right Democratic Renewal party, declared that he would support the ND-led government with his party's one elected member of parliament.[69] With 151 of 300 seats in parliament, ND took control of the government for the first time since 1981.

With only a one-vote majority in the parliament, Mitsotakis found it difficult to muster much public support. Similarly to PASOK's downfall in 1989, the economy and scandal plagued the Mitsotakis administration. ND began by implementing a stern austerity program in an attempt to reduce the $13.8 billion budget deficit. The unemployment rate continued to rise, especially among young Greeks, and high-ranking ND officials publicly quarreled with Mitsotakis over his privatization efforts. While he promised to turn the economy around, Mitsotakis still wrestled with the effects of a GDP growth rate that was only about 1 percent, frozen national wages, and a gasoline tax that had been raised by 50 percent. The fact that the inflation rate was the lowest in 20 years, 14.4 percent, did not seem to be enough.[70] In addition to his economic woes, Mitsotakis had to contend with deteriorating relations in the Balkans and the so-called Greek Watergate – accusations that a

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[68] Giorgos O. Anastasiades, *Synchrone Politike Historia Tes Helladas: 1974-1992* (Thessaloniki: Malliares-Paideia, 1993), 138.

[69] Kaloudis, *Modern Greek Democracy: The End of a Long Journey?*, 73.

[70] "At the Heart of It," *The Economist*, 9 October 1993, 60.

ND aid had bugged opponents telephone calls.[71] *The Economist* put the situation in late 1993 best: "A lot of Greeks, it is plain, are fed up with three years of austerity."[72] Mitsotakis offered his resignation on September 9, 1993 and called for early elections.

Before his resignation, Mitsotakis and his ND government revised the election laws to more closely resemble the reinforced proportional representation system in place between 1974 and 1989. Two major changes were made. First, whichever party received a plurality of votes, even by 0.5 percent, would obtain a majority in the parliament and would be able to form a single-party government. Second, a party had to win a minimum of 3 percent of the popular vote to be seated in parliament.[73]

PASOK decisively won the parliamentary elections of October 10, 1993, with a 46.9 percent plurality and a decisive 170 seat majority in parliament (table 2.7). PASOK's vote share in 1993 was higher than the 45.8 percent that it had received in 1985 when it was reelected for a second term. ND was soundly defeated, only winning 39.3 percent of the popular vote, a far cry from the 46.9 it had won only three years earlier. Political Spring, led by ND outcast Antonis Samaras, won 4.87 percent of the vote, and KKE won 4.54 percent. After the crushing defeat, Mitsotakis resigned as the party leader and was replaced by Miltiades Evert.

The economy once again defined the success of the government. Papandreou was highly criticized for resisting the privatization of the Hellenic Telecommunications Organization (OTE) and of two large oil refiners.[74] The new Prime Minister also pledged that there should be cooperation, not confrontation, with the European Community and the

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71 "More from the Balkans," *The Economist*, 11 September 1993, 74.

72 "At the Heart of It," 60.

73 Kevin Featherstone, "The Greek Election of 1993: Backwards or Forwards?," *West European Politics* 17, no. 2 (1994): 205.

74 "Old Men Forget," *The Economist*, 16 October 1993, 58.

United States. The Greek economy, however, was not moving in the right direction. As *The Economist* reported in November of 1993,

> Greece's crumbling economy will add to the friction with the EC. Warnings have already been sounded in Brussels that new measures are needed to stop Greece's budget deficit getting out of control. Unless something is done quickly, this year's government borrowing requirement will reach 14.4 percent of GDP, almost twice the official forecast of 7.9 percent.[75]

An ailing Papandreou was hospitalized in November of 1995, and it was not until January of 1996 that PASOK deputies chose Kostas Simitis as his successor. Under the direction of the new Prime Minster the economy began to show signs of recovery. By February of 1996, inflation was down to 8.1 percent from 10.8 percent in 1994, the deficit fell to 8.9 percent of GDP from 9.7, and growth was projected to reach 2.8 percent compared to 1.5 percent in 1994. Simitis also took drastic measures to improve tax collecting among the self-employed who had historically declared nonsensically low earnings. Yet Greece still had the highest inflation rate in the Union, the lowest productivity, the largest national-debt ratio, the highest general-government budget deficit as a percentage of GDP, and the worst trade imbalance. Only unemployment at 9.6 percent was roughly at the EU average.[76]

Despite the country's languishing economy, Greeks for the most part still approved of Simitis's performance. Greek businessmen were mostly behind him, and young voters were in favor of his pro-European views.[77] Simitis called snap elections in September of 1996. While the election secured a stable majority for PASOK and strengthened Simitis's mandate, PASOK's 41.2 percent vote share was the lowest of any victorious party since 1977 (table 2.7). ND came in second with 38.1 percent of the vote. Third parties did

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[75] "So Far, Not Good," *The Economist*, 6 November 1993, 68.
[76] "A Gleam of Hope in Greece," *The Economist*, 24 February 1996, 53.
[77] "Rocky Start," *The Economist*, 22 June 1996, 50.

exceptionally well, garnering a total of 20.5 percent of the vote. As compared to 1993 PASOK lost 5.4 percent and ND 1.2 percent of the national vote. The elections were marked by a narrowing of ideological differences, in favor of deregulation and economic discipline. Under Simitis, PASOK's version of socialism barely resembled the policies pursued by Papandreou in the 1970s and 1980s.[78]

During Simitis's second term, the economy improved dramatically with European Monetary Union (EMU) entry becoming a major policy goal. Output growth between 1996 and 2000 increased at well over 3.0 percent annually, outstripping the euro area average by a considerable margin.[79] In early 2000, inflation fell below 3.0 percent, its lowest level in 30 years. Under Simitis, per capita income increased from 62 percent to 70 percent of the European Union's average. By the time of the 2000 election, it was clear Simitis had nearly achieved his primary goal of steering the Greek drachma into the euro zone; "[Greece's] application look[ed] set for approval at the next EU summit, opening the way for the euro to replace the drachma on January 1st."[80]

Simitis's opponent in the April elections of 2000 was Kostas Karamanlis, the nephew of the ND's founder, Constantine Karamanlis. While it was difficult to criticize PASOK on the economic front, Karamanlis was quick to point out the rising crime rates, the falling standards in state hospitals, and the decline of public higher education. College graduates were having an increasingly difficult time finding jobs and parents were worried that the county's "old-fashion" state universities (private ones are banned under the Greek

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78 Kevin Featherstone and George Kazamias, "In the Absence of Charisma: The Greek Elections of September 1996," *West European Politics* 20, no. 2 (1997): 161.

79 Organisation for Economic Co-operation and Development., *OECD Economic Surveys: Greece [2000-2001]* (Paris: OECD, 2001), 19.

80 "No Shoo-In," *The Economist*, 1 April 2000, 50.

Constitution) did not adequately prepare their children for jobs in the Internet age.[81] The elections of April 9, 2000, saw PASOK's reelection to an unprecedented third term with a 43.8 percent plurality (table 2.7). ND came in a very close second with 42.7 percent of the votes. The third party share was 13.5 percent, a significant decline from the 21.5 percent won in 1996. Greeks seemed to become somewhat tired of PASOK, as seen in the much tighter margin of victory as compared to 1996, yet were reluctant to elect Karamanlis, the leader of ND who had never held even a junior cabinet position.[82]

Following Greece's successful entry into the EMU, Simitis pledged to continue to pursue and even to expand his ambitious *eksychronismos* (modernization) initiative. Yet little progress was made during Simitis's second term; the ailing social security system was not reformed and the public health and education systems remained inefficient and wasteful. Despite Simitis's best efforts, ordinary Greeks continued to pay outrageous sums each year for private medical care and private after-hours schools called *phrontisteria*. Additionally, "the Simitis government also failed to undertake a radical overhaul of an inefficient, bloated and corrupt state bureaucracy, which still pervade[d] much of daily and working life and continue[d] to discourage foreign investment."[83] Despite these shortfalls, Greece's GDP grew well above 4 percent in 2003, outperforming not only the European Union average, but also the OECD average by a substantial margin.[84] Yet unemployment, particularly among young people and women remained high, and long-term unemployment still accounted for 55 percent of the total.[85]

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81 Ibid.

82 "Costas Simitis, Greece's Cautious Helmsman," *The Economist*, 15 April 2000, 54.

83 George Kassimeris, "The 2004 Greek Election: Pasok's Monopoly Ends," *West European Politics* 27, no. 5 (2004): 945.

84 Organisation for Economic Co-operation and Development., *OECD Economic Surveys: Greece [2005]* (Paris: OECD, 2005), 12.

85 Ibid., 18.

In the face of mounting pressure, on January 7, 2004, Simitis called for early elections and resigned as leader of PASOK. George Papandreou, son of PASOK founder Andreas Papandreou, was chosen to succeed Simitis and challenge Karamanlis. Simitis chose to remain Prime Minister until the March 7 parliamentary elections. During the campaign Papandreou tried to distance himself as much as possible from the Simitis government, suggesting a radical transformation and re-founding of his party.[86] Karamanlis focused his campaign on issues preoccupying the electorate: jobs, taxes, overnight price increases caused by introduction of the euro, pensions, corruption, and privatization. While offering numerous policy prescriptions, he also lambasted PASOK for fostering "poverty, a withering agriculture, a decline in tourism, deindustrialization, and dead ends for small and medium size companies."[87]

In the elections of March 7, 2004, ND won for the fist time since 1990, capturing a 45.4 plurality and 165 seats in parliament (table 2.7). PASOK ran more poorly than expected, winning only 40.5 percent of the vote. KKE won 5.9 percent, and minor parties won the remaining 8.2 percent. After the election, the general consensus was that voters simply punished PASOK "for the mistakes of the past four years," as the most popular pro-socialist newspaper *Ta Nea* characterized it.[88] Karamanlis successfully broadened the reach of his party, making it much easier for disaffected voters of the center to consider voting for ND.

Karamanlis's first term as prime minister began with a successful organization of the Olympic Games in August 2004. Despite expectations of a post-Olympic slump, the Greek economy continued to grow and outpace most OECD countries. Karamanlis successfully

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86 Kassimeris, "The 2004 Greek Election: Pasok's Monopoly Ends," 945.
87 Ibid.: 947.
88 Ibid.: 951.

reduced the budget deficit from 7.8 percent of the GDP in 2004 to 2.8 percent by the end of 2006, a six-year low. Consumer price inflation in January of 2007 was 3.25 percent, having remained below the EU average for many years.[89] In late summer of 2007 Karamanlis announced an election on September 16, 2007. He argued that ND needed a fresh mandate to tackle the difficult problem of pension reform and pass a constitutional amendment allowing for the establishment of private, non-profit universities. The decision came in the wake of devastating forest fires and a highly criticized sub-par response by the government.[90]

In the September 2007 elections, ND was reelected with 41.8 percent plurality (table 2.7). PASOK closed the gap, wining 38.1 percent of the popular vote. Minor parties performed well, winning 20.1 percent of the vote, primarily garnering the support of those protesting the botched handling of the forest fires.[91] KKE and the slightly gentler Radical Left Coalition were the greatest beneficiaries of this protest vote, doubling their seat total. It will be interesting to see if in his second term Karamanlis will be able to muster both the political and public support necessary to overhaul the pension system and pass a constitutional amendment on higher education.

A TWO-PARTY SYSTEM: POLICY CONVERGENCE AND THE ECONOMIC VOTER

Sartori categorizes a two-party system as one that emerges “whenever the existence of third parties does not prevent the two major parties from governing alone, i.e., whenever

[89] Organisation for Economic Co-operation and Development., *OECD Economic Surveys: Greece [2007]*, 11-12.

[90] "Out of the Ashes," *The Economist*, 25 August 2007, 48.

[91] "Right Returned," *The Economist*, 22 September 2007, 64.

coalitions are unnecessary."[92] His "lenient conditions" for a two-party system are as follows: "(i) two parties are in a position to compete for the absolute majority of seats; (ii) one of the two parties actually succeeds in winning a sufficient parliamentary majority; (iii) this party is willing to govern alone; and (iv) alternation or rotation in power remains a credible expectation."[93] Pappas analyzed Greek elections between 1981 and 2000 and found that Sartori's four conditions were met during this time period. Updated results, which include the 2004 and 2007 election, confirm these findings. Table 2.8 shows that since PASOK's first victory in 1981, PASOK and ND have consistently controlled the vast majorities of votes cast. On average between 1981 and 2007, the two major parties in Greece have received 84.5 percent of the popular vote. Two-party dominance is even more apparent when the total parliamentary seat share is considered; PASOK and ND have on average won 91.2 percent of the seats in the Vouli between 1981 and 2007 (table 2.9). Following each election, the winner has consistently been able to obtain a single party absolute majority, fulfilling Sartori's first two requirements.[94]

In regards to the third requirement, Greece has experienced a single-party majority government for all but 10 months (June 1989 to April 1990) in the 26-year period between 1981 and 2007. This is sufficient to meet Sartori's third requirement. Lastly, in regards to alternation of party in power, ND has governed Greece for only seven years, while PASOK has ruled throughout the rest of the period. While equal rotation between the two parties may not have occurred exactly, in a two-party system it suffices that there is "sufficient credibility to the expectation that the party in opposition has a chance to oust the governing

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[92] Giovanni Sartori, *Parties and Party Systems: A Framework for Analysis* (Cambridge: Cambridge University Press, 1976), 186.
[93] Ibid., 188.
[94] Pappas, "The Transformation of the Greek Party System since 1951," 109.

TABLE 2.8

Electoral Returns for PASOK and ND (in percentage of national vote), 1981-2007

	1981	1985	1989 (June)	1989 (Nov.)	1990	193	1996	2000	2004	2007	Average
PASOK	48.1	45.8	39.1	40.7	38.6	46.9	41.5	43.8	40.5	38.1	42.3
ND	35.9	40.9	44.3	46.2	46.9	39.3	38.1	42.7	45.4	41.8	42.2
Total	84.0	86.7	83.4	86.9	85.5	86.2	79.6	86.5	85.9	79.9	84.5

TABLE 2.9

Cumulative Number and Percentage of Seats for PASOK and ND, 1981-2007

	1981	1985	1989 (June)	1989 (Nov.)	1990	193	1996	2000	2004	2007	Average
No. of Seats	287	287	270	276	273	281	270	283	282	254	276.3
% of Total	95.7	95.7	90.0	92.0	91.0	93.7	90.0	94.3	94.0	84.7	92.1

party."[95] The average margin of victory during this period is only 5.12 percent, low enough to fulfill Sartori's final requirement.

While two parties dominate the Greek political system, PASOK and ND do not fit perfectly into the left-right spectrum. The socialist PASOK is clearly to the left of ND, but by how much? The average left-right placement on the standard (10-point) scale of PASOK by Greek survey respondents in 1996 was 4.87 (table 2.10). ND was much closer to the scale's endpoint with an average score of 8.66. PASOK's median level score can primarily be attributed to the omnipresence of the communist KKE since 1974. While Greeks recognize that PASOK is more liberal than ND, they still use KKE as the representative of the far Left. Minor party identifiers, a majority of which are KKE identifiers, claim the far left as their own, rating ND and PASOK, but especially PASOK, higher than the national average.

TABLE 2.10
Partisans' Left / Right Placement of PASOK and ND

	Left / Right Placement of*	
Party	PASOK	New Democracy
PASOK	4.75	8.77
ND	4.42	8.48
Minor parties	5.65	8.66
National Average	4.87	8.42
N	966	939

** 10 point scale with 1=left and 10=right*

[95] Sartori, *Parties and Party Systems: A Framework for Analysis*, 186.

Between PASOK and ND identifiers, ratings of the two parties on left-right scale are almost identical. As expected, ND identifiers rate PASOK as slightly more liberal on average than PASOK identifiers rate their own party (4.42 vs. 4.75), and PASOK identifiers rate ND as slightly more conservative on average than ND identifiers rate their own party (8.48 vs. 8.77). Greek partisans in general tend to view PASOK as a moderate party and associate ND with a more conservative agenda, with moderate meaning more to the right than the communists.

In terms of policy positions on economic issues, PASOK and ND identifiers generally do not draw the same ideological distinctions usually associated with the left-right divide in Western democracies. For a series of questions, respondents were asked to express their preference between two alternative statements. A score of 1 signified complete agreement with he first statement and rejection of the second. A score of 10 signified complete agreement with the second statement. When asked to choose between "improve government services and social assistance" and "reduce taxes," the responses of PASOK and ND identifiers were surprisingly similar. PASOK identifiers scored an average of 4.3, and ND identifiers scored an average of 4.8 (table 2.11). The choice of social assistance versus a reduction of taxes is a more polarizing issue for PASOK than it is for ND. PASOK identifiers deviate 1.2 to the left of the indifference score of 5.5.

A second question probed Greek respondents' positions on wealth redistribution. Respondents were asked to choose between "more wealth redistribution" and "more incentives for individual initiative." PASOK identifiers, with an average score of 4.8, had the most difficulty choosing a side. The idea of more incentives for individual initiative over wealth distribution, however, resonated with ND identifiers. Those who sided with the

TABLE 2.11
Partisans' Opinions on Policy Issues

Party	Average score to question of: Improve Government Services & Social Assistance (1) vs. Reduce Taxes (10)	More Wealth Distribution (1) vs. More Incentives for Individual Initiative (10)	Maitain Existing Public Enterprise (1) vs. Privatize Public Enterprise (10)
PASOK	4.3	4.8	4.8
ND	4.8	6.7	7.3
Minor parties	4.4	4.5	5.1
National Average	4.7	5.3	5.6
N	944	929	907

right-leaning party scored an average of 6.7, a 1.2-point deviation from indifference. On average Greeks were generally indifferent, scoring 5.3.

The greatest degree of partisanship is seen with responses to the question of government privatization. Respondents in the 1996 survey were asked to choose between "maintain existing public enterprise" and "privatize public enterprise." One of the primary goals of ND during the 1990s was to privatize many government-run industries, especially the Greek telecommunications giant OTE, a policy move first resisted by the governing PASOK but eventually accepted.[96] ND identifiers were the most polarized by this question, scoring a 7.3, the greatest deviation from indifference among all three questions. PASOK identifiers were not as enthusiastic about the alternative; their average score of 4.8 is relatively close to indifference.

Pappas finds that Greeks since the 1990s are generally supportive of similar policy prescriptions, and the two major parties have more or less converged ideologically, leaving voters with only a perceived Right-Left polarization and party identification to guide their vote choice. "[PASOK and ND] have grown increasingly indistinguishable in terms of the

96 "Old Men Forget," 58.

social groups they represent, the ideological tenants they support, and the policy platforms they propose … 'Left' and 'Right' have pretty well ceased to have real relevance in economic policy."[97] Nicolacopoulos has a similar finding, concluding that there has been a "drastic reduction of ideological differences between the two major parties."[98] While some polarization can be seen in the policy positions of responders in the 1996 survey, voters seem generally indifferent to conflicting economic policy measures. Economic reforms throughout the modern history of Greece have almost always been "inadequate and incomplete," even with a strong majority government in control for all but ten months in the past 33 years.[99] The incumbent government has consistently judged its policy prescriptions on their political implications rather than their economic merits. A salient example of this is the consistent increase in government spending in the year leading up to elections. Deficits noticeably spike in 1981, 1985, 1989, 1990, 1993, 1996, and 2004 (figure 2.3).

If Pappas's conclusion on the Greek party system is accepted as an accurate description of reality, how then do Greek voters make their decision on election day? If both party platforms are more or less the same and ideologically Greek voters' stances on most issues do not differ drastically, why are election outcomes usually close and the party in power (somewhat) reliably changes every few years? This study's hypothesis is that once party identification is controlled for, economic voting, the idea that in good economic times incumbents are rewarded and in bad economic times incumbents suffer, drives change in the Greek electoral system.

While the policy prescriptions may be similar between the two major parties, the execution of policy may differ dramatically. If a party is successfully implementing a specific

[97] Pappas, *Making Party Democracy in Greece*, 205.
[98] Nicolacopoulos, "Elections and Voters, 1974–2004: Old Cleavages and New Issues," 260.
[99] Pappas, *Making Party Democracy in Greece*, 202.

policy and the economy is booming, voters have no reason to favor an alternative executor. If the economy has turned for the worse, an alternative executor may be exactly what the country needs. A good example of this is the reelection of Simitis and PASOK in 2000 for a third term. During his second term, Simitis's primary goal was to prepare Greece's application for entrance into the eurozone. This was an endeavor that ND also strongly supported and actively pursued. Leading up the 2000 election the economy was booming and Greece's application to the eurozone had been all but approved. Simitis and the PASOK government had successfully executed an economic plan supported by the vast majority of Greeks and both major political parties. In the April elections, Simitis won a plurality of the popular vote and majority of seats in the parliament.

ND's failed reelection in 1993 is an example of how an incumbent suffers in poor economic times, even if the challenger's economic policy proposition is similar. When ND came into power in 1990, the biggest issue facing the new government was the $13.8 billion budget deficit, a key checkpoint for eurozone admittance. Mitsotakis attempted to bring the deficit under control via a stern austerity program. With wages frozen, unemployment rising, and the GDP growth rate stuck at 1 percent, Greeks were not convinced of Mitsotakis's ability to remedy the economic problems of Greece. ND was soundly defeated in October of 1993, coming in distant second to PASOK by a 7.6 percent margin. PASOK came into office and pursued an almost identical economic plan, and continued preparing Greece for admittance into the eurozone.

Chapters 3 and 4 will empirically test the Greek economic voter hypothesis. Chapter 3 will introduce an aggregate-level model of voter behavior, testing the impact of various macroeconomic measures on incumbent success. Chapter 4 will develop an individual-level model of voter behavior, using survey data to determine if Greek voters are more pocketbook oriented or sociotropic.

Chapter 3

An Aggregate-Level Analysis of the Greek Electorate

By 1985 Greece had fully transitioned into the two-party system that still defines its political landscape today. Over the next 27 years both PASOK and ND would work first to bring stability to the nation's economy in an effort to join the EMU, and once accepted, to sustain above average economic growth. During this period, the Greek government, similarly to most democratic governments, exerted substantial control over the national economy and the distribution of wealth. While exogenous shocks, especially in the 1980s and early 1990s, had a significant impact on national economic conditions, "the government's control over spending, taxes, transfers, money stock, and the like enable[d] it to direct the short-run course of the economy to a significant degree."[1] The attribution of responsibility model discussed in Chapter 1 suggests voters recognize this government control and either approve or disapprove of the incumbent government based on its ability to facilitate short-term economic prosperity. As the economic policy platforms of the two major Greek parties began to converge in the early 1990s, this study hypothesizes that voters tended to support incumbents who were executing this policy well, i.e. overseeing a period of short-term economic success, and that voters tended to support challengers as alternative

[1] Tufte, *Political Control of the Economy*, 3.

executors when incumbents were unsuccessful in implementing the policy, i.e overseeing a period of short-term economic decline. In order to test this hypothesis, this study's first approach is by way of a parliamentary vote function. This chapter will develop a model that directly looks at macroeconomic effects on election outcomes in Greece, particularly the incumbent party share of the two-party popular vote. As certain short-term macroeconomic measures improve (or worsen), this study hypothesizes the vote share of the incumbent will increase (or decrease).

Now considered "one of the most influential empirical studies in the history of political science," "Short-Term Fluctuations in U.S. Voting Behavior, 1986-1964" was published March 1971 by Gerald Kramer in *The American Political Science Review* and was the first analysis to introduce a vote function attempting to link macroeconomic measures and incumbent vote share.[2] This chapter will begin by reviewing previous aggregate level research and then will examine specifically Kramer's 1971 study, detailing his assumptions, methodology, and results. Then it will describe the application of a similar model to the seven national Greek elections between 1985 and 2007,[3] ultimately determining if changes in real per capital income, unemployment, and inflation have any affect on the vote share of the incumbent party in the Hellenic Parliament.

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[2] D. Roderick Kiewiet and Michael Udell, "Twenty-Five Years after Kramer: An Assessment of Economic Retrospective Voting Based Upon Improved Estimates of Income and Unemployment," *Economics and Politics* 10, no. 3 (1998): 219.

[3] Recognizing that defeat was imminent, PASOK changed the electoral laws prior to the June 1989 election to introduce a more purely proportional electoral system, one making it difficult to form a government with only a simple plurality. Although ND won a 44.3 percent plurality in the June election, Mitsotakis was unable to form a government, and an interim government was established until new elections were held in November of 1989. Although ND won another sub 50 percent plurality in the November election, it was once again unable to form a government, and a coalition was attempted. The unstable coalition led by Xenophon Zolotas collapsed in February of 1990 and new elections were scheduled for that April. The economic voter hypothesis can be applied to the neither the November 1989 nor the April 1990 election since citizens were not choosing between an incumbent and a challenger. Voters had no party to blame for the economic problems during this ten-month period.

THE LITERATURE: PAST AGGREGATE-LEVEL RESEARCH

Before developing an aggregate-level model of economic voting in Greece, this section will review the development of such models beginning with Kramer's publication in 1971. Although the majority of research has focused on U.S. elections, economic voting models have been readily applied to many Western democracies. No aggregate-level economic voting research on Greece, however, has been undertaken until now.

Kramer's 1971 examination of election results for the U.S. House of Representatives from 1896 to 1964 was the first of numerous studies by a variety of authors that attempted to link short-term economic performance and incumbent success. In formulating his hypothesis, Kramer began by rejecting the traditional democratic view of the rational voter – one who gathers information on party platforms, candidates' issue positions and past voting, and then votes for the candidate who will most benefit him.[4] In Kramer's opinion, "a voter – even a rational, self-interested voter – may not find it practical or efficient to proceed in this manner."[5] Voters, for example, may not feel qualified to make a confident assessment of the relative merits of positions on subtle technical issues, may recognize that platforms are not binding commitments, or may realize that data such as voting records are not easily acquired and difficult to analyze. Instead, Kramer hypothesized that when congressional voters judged the domestic economic performance to be "satisfactory," they voted for the party of the president; otherwise, they voted for the opposition.[6]

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[4] Kristen R. Monroe, "Econometric Analyses of Electoral Behavior: A Critical Review," *Political Behavior* 1, no. 2 (Summer, 1979): 144.

[5] Gerald H. Kramer, "Short-Term Fluctuations in U.S. Voting Behavior, 1896-1964," *The American Political Science Review* 65, no. 1 (1971): 134.

[6] Ibid.: 131.

Kramer uses general economic indicators as metrics for satisfaction, specifically real per capita income, unemployment, and inflation. If these indicators improve over the course of an incumbent's time in office, Kramer hypothesized that voters will reward the incumbent at the ballot box. The key assumption in making this claim is that voters will actually be cognizant of changes in key economic indicators and then apply that information to their vote choice at the polls. This assumption can be satisfied using Popkin's by-product theory, the idea that "the information that people acquire to negotiate their daily lives is later applied to their political judgments and choices."[7] Popkin found that although not every voter can necessarily recall the current unemployment rate or inflation rate, voters are quite sensitive to economic shocks. They recognize when gas prices are high or when there is a significant increase in inflation and often blame the incumbent; in the early 1980's, for example, Jimmy Carter received the lowest approval ratings of any President since World War II.[8]

Using the Republican share of the vote as the dependent variable, Kramer tested real per capita income, unemployment, and inflation as independent variables. He found income to be the strongest predictor of incumbent success and in a subsequent reprint concluded inflation was as well, but not unemployment. A more detailed explanation of Kramer's methodology and findings can be found in the next section of this chapter.

In the years following Kramer's publication, many economists criticized his work, drawing conflicting conclusions. Stigler challenged Kramer on two fronts. First, through a tweaked retrospective voting model, which included more years and changed the dependent variable from share of the vote to *changes* in the share of the vote, Stigler (1) reaffirmed the electoral unimportance of ordinary fluctuations in unemployment and (2) argued that

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[7] Samuel L. Popkin, *The Reasoning Voter: Communication and Persuasion in Presidential Campaigns*, 2nd ed. (Chicago: University of Chicago Press, 1994), 22.

[8] Ibid., 23.

fluctuations in real income had no electoral effect.[9] Second, categorized by Fiornia as "adding insult to injury," Stigler dismissed the entire behavioral model underlying Kramer's analysis, the idea that as long as the economy is doing well incumbents will stay in office, while they will most likely lose their seat when conditions take a downturn.[10] Stigler believed both major parties to be more or less the same when it came to economic policy; "nor do the parties differ in their intellectual or political resources to deal with macroeconomic policy."[11] He also argued that fluctuations in economic conditions are very often well beyond the control of the government, and pinning blame on the incumbent may be unfounded.[12] While both parties may ardently pursue high levels of employment, high and steady rates of real income growth, and low levels of inflation, voters may still punish an incumbent government if it does not achieve this, even if the challenger only offers the same goals. Additionally, there is no reason why a voter should not blame an incumbent even if the economic situation truly is outside the control of the party in power.

Arcelus and Meltzer continued with their critique of Kramer, finding that "there is very little evidence that an incumbent president can affect the composition of the Congress by measures that have short-term effects on unemployment or real income."[13] They do, however, find some effect of inflation on incumbent vote share. While their analysis is very similar to that of Kramer, they delve into the issue of voter turnout, finding that as economic conditions get better, turnout increases.[14] In response to Arcelus and Meltzer, Goodman

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[9] George J. Stigler, "General Economic Conditions and National Elections," *The American Economic Review* 63, no. 2 (May, 1973): 160.

[10] Morris P. Fiorina, "Economic Retrospective Voting in American National Elections: A Micro-Analysis," *American Journal of Political Science* 22, no. 2 (May, 1978): 428.

[11] Stigler, "General Economic Conditions and National Elections," 166.

[12] Ibid.

[13] Francisco Arcelus and Allan H. Meltzer, "The Effect of Aggregate Economic Variables on Congressional Elections," *The American Political Science Review* 69, no. 4 (Dec., 1975): 1238.

[14] Ibid.: 1236.

and Kramer carried out further analysis and concluded that all three variables, real per capita income, unemployment, and inflation influence congressional election outcomes.[15] Their findings reaffirmed Kramer's original conclusion that the electorate rewards or punishes the party in power according to relatively short-term economic performance.

Lepper also pursed a similar model to Kramer, but excluded real per capita income from her analysis, choosing to focus on the effects of unemployment and inflation. She found that changes in unemployment as well as changes in prices tend to hurt the incumbent congressman.[16] Any change in inflation, positive or negative, costs the incumbent votes. By omitting real per capita income from her analysis, she allowed her unemployment variable to pick up the effects usually attributed to income by other researchers including Kramer and Stigler.[17]

Bloom and Price worked their model under the assumption of the negative voting hypothesis, one expanded on by Campbell et al. in *The American Voter*. Campbell et al. note, "changes in the party balance are induced primarily by negative rather than positive attitudes toward the party controlling the executive branch of federal government … A party already in power is rewarded much less for good times than it is punished for bad times."[18] In analyzing U.S. House election returns from 1896 to 1970, Bloom and Price used income and inflation as independent variables and deviation of the vote from expected levels (contrasting with Kramer's simple share of the vote) as the dependent variable. They found that economic conditions play a small role in the determination of voting behavior only in times

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[15] Saul Goodman and Gerald H. Kramer, "Comment on Arcelus and Meltzer, the Effect of Aggregate Economic Conditions on Congressional Elections," *The American Political Science Review* 69, no. 4 (Dec., 1975): 1264.

[16] Susan Lepper, "Voting Behavior and Aggregate Policy Targets," *Public Choice*, no. 18 (Summer 1974): 77.

[17] Fiorina, "Economic Retrospective Voting in American National Elections: A Micro-Analysis," 428.

[18] Angus Campbell et al., *The American Voter* (New York: J. Wiley & Sons, 1966), 554-55.

of prosperity, while economic downturns actually reduce the vote for the party of the incumbent President.[19] Bloom and Price's model works under the assumption that upward and downward economic trends should not be treated symmetrically.[20]

A few years later Tufte discounted this notion of an asymmetric effect. He found that degrees of prosperity actually make a significant difference in the electoral support won by the incumbent party. Refuting Campbell, Bloom, and Price, Tufte found the electorate rewarding very good economic times considerably more than moderately good times. By his estimates, an on-year increase of 4 percent in real disposable income yields nearly 3 percent more of the vote for incumbents in contrast to a more routine gain of 2 percent. Such a difference exceeds the winning margin in four of the eight presidential elections between 1948 and 1976.[21]

Outside of the U.S. early research on economic retrospective voting focused more on popularity functions. Popularity functions use Presidential or governmental popularity metrics (rather than vote share) as the dependent variable. Similar economic variables, such as income, unemployment, and inflation, are still used as independent variables. The first popularity function paper ever published was a British case study.[22] Goodhart and Bhansali used Gallup and NOP[23] poll data of government popularity as the dependent variable and various economic metrics as the independent variables. They found that in British post-war period elections "the two key economic variables were the level of unemployment … and

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19 Howard S. Bloom and H. Douglas Price, "Voter Response to Short-Run Economic Conditions: The Asymmetric Effect of Prosperity and Recession," *The American Political Science Review* 69, no. 4 (Dec., 1975): 1251.

20 Fiorina, "Economic Retrospective Voting in American National Elections: A Micro-Analysis," 429.

21 Tufte, *Political Control of the Economy*, 125-27.

22 Lewis-Beck and Stegmaier, "Economic Determinants of Electoral Outcomes," 205.

23 NOP is a U.K. based market research organization. Since Goodhart and Bhansali's 1970 publication, German market research conglomerate GfK Aktiengesellschaft bought the company, and it now operates as a subsidiary under the GfK NOP name.

the rate of price inflation."[24] Their groundbreaking work led to a series of studies either supporting or challenging their findings. Frey and Schneider[25] in 1978 and Pissarides[26] in 1980 both found that government popularity, as measured by the Gallup Poll, was influenced systematically by key economic indicators, in particular by inflation and aggregate unemployment. In the opposing camp, Mosley[27] in 1978 and Chrystal and Alt[28] in 1981 argued no such influence existed.[29]

Another comparison to the U.S. can be made with France. Most early research on French retrospective voting, as in Britain, used Presidential popularity as the dependent variable and the familiar income, unemployment, and inflation as independent variables. Lafay's first study of French elections from 1961 to 1973 found unemployment and income significant and inflation insignificant in predicting Prime Ministerial popularity.[30] Lafay updated his time series in 1977 and 1981, using real wage as the income variable and a longer lag for unemployment. In both studies, Lafay found all three variables, income, inflation, and unemployment, to be highly significant ($p < 0.01$).[31]

Lewis-Beck continued the analysis, eliminating the income variable completely and looking at both Prime Ministerial and Presidential approval. He found inflation to be highly significant ($p < 0.01$) and unemployment to be significant ($p < 0.05$), with a greater influence

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[24] C. A. E. Goodhart and R. J. Bhansali, "Political Economy," *Political Studies* 18, no. 1 (1970): 84.

[25] B. S. Frey and F. Schneider, "A Politico-Economic Model of the United Kingdom," *Economic Journal* 88 (1978).

[26] Christopher A. Pissarides, "British Government Popularity and Economic Performance," *The Economic Journal* 90, no. 359 (Sep., 1980).

[27] Paul Mosley, "Images of the 'Floating Voter: Or, the 'Political Business Cycle' Revisited," *Public Opinion Quarterly* 42 (1978).

[28] K. Alec Chrystal and James E. Alt, "Some Problems in Formulating and Testing a Politico-Economic Model of the United Kingdom," *The Economic Journal* 91, no. 363 (Sep., 1981).

[29] Lewis-Beck and Stegmaier, "Economic Determinants of Electoral Outcomes," 205.

[30] Jean-Dominque Lafay, "Comportements Politiques et Conjoncture Économique," (Université de Poitiers, 1973).

[31] Jean-Dominque Lafay, "The Impact of Economic Variables on Political Behavior in France," in *Contemporary Political Economy*, ed. D. Hibbs and H. Fassbender (New York: Elseoier North-Holland, 1981).

of economic variables on the Prime Minister's popularity than on the President's popularity.[32] Guard[33] in 1980 and Lafay et al.[34] in 1981 again excluded income from their analysis and had similar results. Lastly, Lecaillon in a series of five studies from 1981 and 1982, found each variable highly significant in at least two of his analyses.[35] Every study conducted during this period, although not necessarily agreeing on the specifics, found an economic impact on Prime Ministerial and Presidential approval. What still remains to be determined is which economic indicator – income, unemployment, or inflation – is most important.[36]

In addition to popularity functions, a fair amount of research on France has focused on vote share functions, more similar to the analyses of U.S. voting behavior discussed earlier. Rosa and Amson did the first major research in this area in 1976. Analyzing French National Assembly contests from 1920 to 1973, they found that fluctuations in inflation, unemployment, and income all had a significant effect on the vote share of the leftist parties.[37] Twenty years later, in response to inaccurate polling predictions leading up to the 1997 legislative election, Jérôme et al. developed an alternative, more accurate model for predicting French elections.[38] In addition to metrics for political success, ideology, and political instability, they used an economic measure, specifically unemployment, in developing their model. Jérôme et al. found that a 1 percent increase in the rate of

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[32] Michael S. Lewis-Beck, "Economic Conditions and Executive Popularity: The French Experience," 24 (1980): 306.

[33] R. Giraud, "L'analyse Spectrale: Théorie et Application À L'étude Des Interactions Politico-Économiques" (Université de Paris 11, 1980).

[34] Jean-Dominque Lafay, J. P. Berdot, and R. Giraud, "Popularity Functions and Models for France: Tables of Preliminary Results," (Université de Poitiers, 1981).

[35] Jean-Dominque Lafay, "Political Change and Stability of the Popularity Function: The French General Election of 1981," in *Economic Conditions and Electoral Outcomes: The United States and Western Europe*, ed. Heinz Eulau and Michael S. Lewis-Beck (New York: Agathon Press, Inc., 1985), 83.

[36] Lewis-Beck and Stegmaier, "Economic Determinants of Electoral Outcomes," 201.

[37] Ibid.: 201-03.

[38] Bruno Jérôme, Véronique Jérôme, and Michael S. Lewis-Beck, "Polls Fail in France: Forecasts of the 1997 Legislative Election," *International Journal of Forecasting* 15 (1999): 163.

unemployment in the year preceding the election costs the incumbent coalition about 5 percent of the first round vote, all else equal.[39]

Retrospective voting in the Scandinavian counties has also been studied. Maden conducted the first major work in 1980, analyzing time series data for the Scandinavian countries from 1920 to 1975. Maden's model was very similar to Kramer's; his independent variables included percent change in real GDP per capita, unemployment level, and inflation. In addition to the more conventional variables, he used a measure of increases in tax revenues to control for the "typically increasing taxation [during this period] when estimating the effect of the other variable, and … that changes in tax revenue itself may be source of electoral response."[40] Madsen defined his dependent variable based on the nature of the country's multiparty system. In Norway and Sweden, he used support for the incumbent party as the dependent variable. In Denmark, where coalition governments were rather frequent, he assumed the party supplying the Prime Minister "gets both the blame and benefits" of economic conditions and consequently used the support for this party as the dependent variable.[41]

In Norway he found no effect of any of the variables on incumbent vote share. In Denmark the results were similar, with the exception that inflation was significant. In Sweden, on the other hand, all variables were significant – the incumbent party benefited when economic times were good and suffered when the economy was deteriorating. Maden offered two explanations for the absence of economic effects on incumbent vote share in Norway and Demark. First, both of these countries have small economies and are thus

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[39] Ibid.: 169.

[40] Henrik J. Madsen, "Electoral Outcomes and Macro-Economic Policies: The Scandinavian Case," in *Models of Political Economy*, ed. Paul Whiteley (London: Sage Publications, 1980), 18-19.

[41] Ibid., 18.

more affected by fluctuations in the international economy rather than the domestic. Second, he speculated that the impact differences in class vote may be so strong as to eliminate other effects.[42]

THE KRAMER MODEL

This study of the Greek electorate is based primarily on Kramer's 1971 economic retrospective model. Before detailing the specifics of this analysis, an understanding of Kramer's assumptions, methodology, and results is needed. Kramer's model is based on voters' evaluation of the incumbent party. If the party in office is doing a "satisfactory" job, the voter votes to retain the incumbent's party in office for another term to continue its policies. If the incumbent party's performance is not "satisfactory," the voter votes for the opponent, giving the challenger an opportunity to govern.[43] Based on these basic assumptions of voter behavior, Kramer develops a simple model for elections contested by two political parties, A and B, in years 1, 2, 3 … *T*. His underlying equation is as follows:

$$\gamma_t = V + \delta_t \left[\alpha + \beta \Delta_T \right] + \varepsilon \qquad \text{(Eq. 3.1)}$$

where:

$\gamma_t =$ party A's share of the two-party vote

$\delta_t =$ +1 if A is the incumbent and -1 if B is the incumbent

$\Delta_T =$ the difference between the actual performance of the incumbent party during its just-ending term in office, as measured by some index such as per capita income, and the performance "expected" of it by the electorate.

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[42] Ibid., 36.
[43] Kramer, "Short-Term Fluctuations in U.S. Voting Behavior, 1896-1964," 134.

! =   random disturbance

In equation (3.1) the quantity V is the long run average share of the vote won by party A. In the absence of all other effects, e.g. incumbency or economic fluctuations, this is a measure of the underlying partisanship of the electorate. β is a measure of the effect of the discrepancy variable Δ_T. Based on the Kramer's assumptions of voter behavior, β should be positive; as the difference between actual performance and "expected" performance increases, voters should be more satisfied with the incumbent's performance, resulting in an increase in γ.

Kramer concedes that it is difficult, if not impossible, to observe voters' expectations directly, and supplements his model with one additional assumption. He proposes that it is reasonable to conclude that voters in year t form expectations for year t based on their experience in year t – 1. If the economy did not do very well in year t – 1, the average member of the electorate will not assume that the economy will improve dramatically in year t. To capture this change in expectation from year t – 1 to t, Kramer uses this simple fraction in place of Δ_T:

$$\Delta_T = \frac{(R_1 - R_0)}{R_0} \qquad \text{(Eq. 3.2)}$$

where R can be any economic indicator. In his analysis Kramer uses real per capita income, unemployment, and inflation as his general economic indicators. If these indicators improve over the course of an incumbent's time in office, Kramer hypothesizes that voters will reward the incumbent at the ballot box. As discussed in the previous section, the key assumption to making this claim is that voters will actually be cognizant of changes in key economic indicators and then apply that information to their vote choice at the polls.

Substituting several economic variables for Δ_T, as in equation (3.2), into equation (3.1), Kramer's basic economic retrospective model is expressed as follows:

$$\gamma = \beta_0 + \delta_t \left[\beta_1 + \beta_2 \frac{(R_1 - R_0)}{R_0} + \beta_3 \frac{(P_1 - P_0)}{P_0} + \beta_4 (U_1 - U_0) \right] + \varepsilon \qquad \text{(Eq. 3.3)}$$

where:

γ = the "Republican" share of the vote. This quantity equals the Republican share of the total vote when the GOP is the incumbent party, meaning a Republican holds the white house. This "Republican" share equals the Republican plus minor-party share when the Democrats are incumbent.

δ = the incumbency index, = +1 if the incumbent President is Republican and -1 otherwise

R = real per capita personal income for the year of the election (R_1) and for the preceding year (R_0)

P = rate of inflation for the year of the election (P_1) and for the preceding year (P_0)

U = unemployment rate for the year of the election (U_1) and for the preceding year (U_0)

Using equation (3.3) as his primary model, Kramer's general conclusion was that economic fluctuations are "important influences on congressional elections, with economic upturn helping congressional candidates of the incumbent party, and economic decline benefiting the opposition."[44] While his equations also include inflation and unemployment measures the percentage change in real per capita personal income in the year of the election has the greatest impact on electoral outcome. When real income is held constant Kramer found that both changes in unemployment and the inflation rate have no significant independent effects.[45]

Kiewiet and Udell updated Kramer's model of retrospective voting in 1998 with improved estimates of both income and unemployment. They found that the effect of changes in real per capita income on congressional elections does not depend very much on which particular income series is used. When the unemployment series used by Kramer was updated with one produced by Romer in 1986 and Darbby in 1976, the observed effect of unemployment on the electoral success of incumbents roughly doubled.[46] They found that "the single economic variable that most powerfully affects congressional election outcomes is change in unemployment, and not, as most studies following Kramer have assumed, change in real per capita income."[47] Nevertheless, Kiewiet and Udell's finding supports Kramer's basic conclusion that American voters have reliably rewarded congressional candidates of the incumbent party for gains in real income, job growth, and price stability.[48]

APPLICATION OF THE KRAMER MODEL TO GREECE

In order to model economic retrospective voting in Greece, this chapter focuses on the seven Greek national parliamentary elections from 1985 to 2007. As discussed in Chapter 2, the Greek military regime ended in 1974 and elections were held in November of

[44] Ibid.: 140-42.
[45] Ibid.: 141.
[46] Kiewiet and Udell, "Twenty-Five Years after Kramer: An Assessment of Economic Retrospective Voting Based Upon Improved Estimates of Income and Unemployment," 243.
[47] Ibid.
[48] Ibid.: 243-44.

that year. It took Greece roughly a decade and three national elections (1974, 1977, and 1981) before a stable two-party system was established. The aim of this chapter's analysis is solely to test the effects of economic retrospective voting on Greek parliamentary elections. In the sets of regressions that are estimated there is no attempt to supplement the explanatory economic measures with fit-enhancing dummies, prime minister popularity scores, or any other extraneous variable. Similarly to the view of Kiewiet and Udell, "every election provides a test of the proposition that support for candidates of the incumbent party depends upon the performance of the economy."[49] Certainly the choice made by voters reflects a host of non-economic issues, and the nature and weight of each of these issues changes from one election to the next. While this chapter focuses strictly on the three most common economic performance metrics, income, unemployment, and inflation, Chapter 4 will analyze vote choice based on survey responses.

The variables used for the economic retrospective voting analysis of Greece are very similar to those used by Kramer and are as follows:

$\gamma =$ the PASOK share of the two leading parties' vote

In times when the GOP controlled the white house, Kramer defined the dependent variable γ as the percent share won by Republicans. In times when Democrats were incumbent, γ was defined as the percent share won by the GOP and all minor parties – votes for the minor parties were considered anti-incumbent votes. Consequently in Kramer's calculation of γ, Republicans received an automatic penalty when they held the White House, and an automatic boost when the Democrats did.[50] Later studies of economic retrospective voting in the United States following Kramer have defined γ as

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[49] Ibid.: 222.
[50] Ibid.: 231.

the percentage of the major two-party vote.[51] This calculation of γ for the United States works well because of the strong two-party system. Those who are unsatisfied with the current incumbent's performance can opt to vote for the one viable alternative, still meeting Kramer's assumption that voters want to give "the opposition party a chance to govern" in bad times.[52] A vote for a minor party would not necessarily be an anti-incumbent vote since only the opposition party has a legitimate chance of winning.

In Greece, minor parties play a much more significant role than they do in the US, but there are still only two major parties, PASOK and ND. As discussed in Chapter 2, modern Greek democracy has been defined as a two-party system since 1985. Between 1985 and 2007 the minor parties in Greece never received more the 21 percent of the vote and in five of seven elections received less than 15 percent (table 3.1). In the Greek retrospective vote analysis, γ is defined as the PASOK share of the two-party vote. The model assumes that any voter who is unsatisfied with the incumbent and wants to see change will recognize that there is only one alternative with a viable chance of actually winning the election. For the purposes of this study, the percent share won by minor parties was ignored.

δ = incumbency index

Similarly to Kramer, δ was used as one of the dependent variables and also as the incumbency index, with δ = +1 if the incumbent government was PASOK and δ = -1 if the incumbent government was ND.

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51 See, for example, John R. Hibbing and John R. Alford, "The Electoral Impact of Economic Conditions: Who Is Held Responsible?," *American Journal of Political Science* 25, no. 3 (Aug. 1981); Alberto Alesina and Howard Rosenthal, "Partisan Cycles in Congressional Elections and the Macroeconomy," *The American Political Science Review* 83, no. 2 (Jun. 1989); Alberto Alesina, John Londregan, and Howard Rosenthal, "A Model of the Political Economy of the United States," *The American Political Science Review* 87, no. 1 (Mar. 1993)

52 Kramer, "Short-Term Fluctuations in U.S. Voting Behavior, 1896-1964," 134.

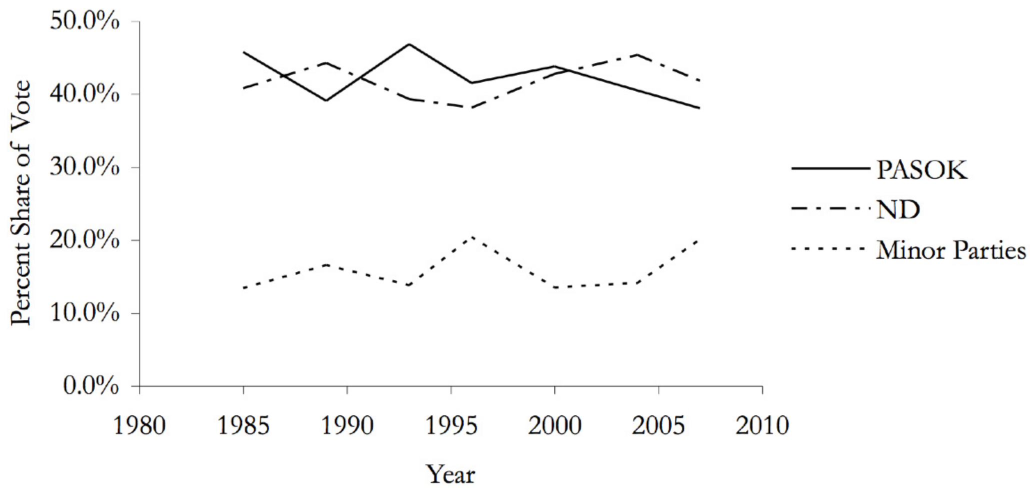

FIGURE 3.1
Party Share of Popular Vote, 1985-2007

R = real per capita personal income for the year of the election (R_1) and for the preceding year (R_0)

P = rate of inflation for the year of the election (P_1) and for the preceding year (P_0)

U = unemployment rate for the year of the election (U_1) and for the preceding year (U_0)

Since U.S. elections are held every other November, Kramer easily used the economic statistics for the year of the election, t, and the preceding year, t-1, to estimate Δ_T, the difference between the actual performance of the incumbent party during its just-ending term in office, and the performance "expected" of it by the electorate. Greek elections, however, do not follow such a rigid timeframe and can be called at any time. Since not all of the economic statistics used in this study were reported on a monthly or quarterly basis dating back to 1985, June 30 was used as a cutoff date. For any election held before June 30 in year t, economic indicators form years t-1 and t-2 were used. For any election held after June 30 in year t, economic indicators from years t and t-1 were used. The sources of these economic indicators can be found in Appendix A.

Four separate models using varying combinations of the above dependent variables were created to test the hypothesis that Greek voters reward the incumbent party in times of economic prosperity. The first and simplest model uses fluctuations in real income to explain fluctuations in the division of the vote. The equation is as follows:

$$\gamma = \beta_0 + \delta_t \left[\beta_1 + \beta_2 \frac{(R_1 - R_0)}{R_0} \right] + \varepsilon \qquad \text{(Eq. 3.4)}$$

Similar models can be used to test for the independent effects of incumbency coupled with either unemployment or inflation. They are as follows:

$$\gamma = \beta_0 + \delta_t \left[\beta_1 + \beta_2 (U_1 - U_0) \right] + \varepsilon \qquad \text{(Eq. 3.5)}$$

$$\gamma = \beta_0 + \delta_t \left[\beta_1 + \beta_2 \frac{(P_1 - P_0)}{P_0} \right] + \varepsilon \qquad \text{(Eq. 3.6)}$$

More elaborate versions of the model, combining three rather than only two of the variables, were also tested. The first equation (3.7) combines incumbency, real per capita income, and unemployment, but excludes inflation. Equation (3.8) combines incumbency, real per capita income, and inflation, but excludes unemployment. Equation (3.9) combines incumbency, unemployment, and inflation, but excludes real per capita income.

$$\gamma = \beta_0 + \delta_t \left[\beta_1 + \beta_2 \frac{(R_1 - R_0)}{R_0} + \beta_3 (U_1 - U_0) \right] + \varepsilon \qquad \text{(Eq. 3.7)}$$

$$\gamma = \beta_0 + \delta_t \left[\beta_1 + \beta_2 (U_1 - U_0) + \beta_3 \frac{(P_1 - P_0)}{P_0} \right] + \varepsilon \qquad \text{(Eq. 3.8)}$$

$$\gamma = \beta_0 + \delta_t \left[\beta_1 + \beta_2 \frac{(R_1 - R_0)}{R_0} + \beta_3 \frac{(P_1 - P_0)}{P_0} \right] + \varepsilon \qquad \text{(Eq. 3.9)}$$

Finally Kramer's model was tested to measure the independent effects of unemployment and inflation on incumbent vote share in addition to real per capita income. Equation (3.3) is as follows:

$$\gamma = \beta_0 + \delta_t \left[\beta_1 + \beta_2 \frac{(R_1 - R_0)}{R_0} + \beta_3 \frac{(P_1 - P_0)}{P_0} + \beta_4 (U_1 - U_0) \right] + \varepsilon \qquad \text{(Eq. 3.3)}$$

In equations (3.3) through (3.9), real per capita income and inflation are expressed in relative terms, since both increased significantly from 1985 to 2007. The electorate expects a somewhat constant increase, and so these data must be expressed in relative terms in the regression models. Unemployment in Greece, similarly to the US, has not shown any particular upward or downward trend over time. For this reason, changes in unemployment are expressed in absolute terms.

In all the models tested, incumbency is both an independent variable and a multiplier of each of the three economic metrics, *R*, *P*, and *U*. When PASOK is the incumbent and real per capita income increases, the $\delta_t \frac{(R_1 - R_0)}{R_0}$ term is positive. The same term is also positive when ND is in power and the real per capita income declines. In both of these cases one would expect the percent share won by PASOK to increase.

This hypothesis leads to expectation that any increase in real per capita income would help the incumbent, thus the coefficient of the term involving R should be positive.

Any increases in inflation and unemployment would presumably hurt the incumbent, thus the coefficient of the terms involving P and U should be negative. In the analyses of the U.S. and Greece, "it is not clear what the sign of the coefficient of the incumbency variable should be, since it is affected in opposite directions by institutional advantages and income expectations (and may also be affected by expectations concerning prices and unemployment)."[53]

The results of the multivariate regression are presented in tabular form in table 3.1. Each column of the table corresponds to an alternative form of the model, while in each row are the coefficients of the economic variables listed at the left end of the row, provided the model in question contains that variable. The figures in parentheses are the standard errors of the variable coefficients that appear above them. The last two rows contain the value of the squared multiple correlation coefficient and the sample size.

TABLE 3.1
Regression of Macroeconomic Variables on Share of Two-Party Vote Received by PASOK, 1985-2007

	Equation						
Variable	**(3.3)****	**(3.4)***	(3.5)	(3.6)	(3.7)	**(3.8)****	(3.9)
Intercept	0.529	0.497	0.486	0.485	0.493	0.513	0.469
	(0.011)	(0.010)	(0.022)	(0.020)	(0.013)	(0.008)	(0.027)
Incumbency	**0.057****	0.019	0.015	0.002	0.019	**0.045****	-0.004
	(0.011)	(0.010)	(0.018)	(0.024)	(0.010)	(0.011)	(0.026)
Income	**1.655****	**0.869****	-	-	**0.861***	**1.386*****	-
	(0.238)	(0.259)	-	-	(0.282)	(0.238)	-
Unemployment	0.017	-	-0.012	-	-0.010	-	-0.026
	(0.009)	-	(0.027)	-	(0.016)	-	(0.030)
Inflation	**-0.536***	-	-	0.196	-	**-0.359***	0.303
	(0.139)	-	-	(0.248)	-	(0.125)	(0.285)
R^2	0.976	0.774	0.175	0.253	0.800	0.939	0.401
N	7	7	7	7	7	7	7

Note: Significant at $*\ p < 0.05$, $**\ p < 0.01$, $***\ p < 0.001$ ***(two-tailed t-test)***

53 Ibid.: 138.

If the null hypothesis that all coefficients are zero is tested, meaning that there is no impact of any of the variables on the PASOK share of the vote, Kramer's model (equation (3.3)) and equation (3.8) are significant at $p < 0.05$. Equation (3.4) is significant at $p < 0.1$ and equations (3.5), (3.6), (3.7) and (3.9) are not significant. All the equations that are significant contain the real per capita income variable. Three of the four equations that are not significant all lack the income variable. In the one equation in which it is included, the real per capita income variable is significant at $p < 0.1$. The strongest predictors of PASOK vote share contain both the income and inflation variables.

With respect to individual variables, the estimated coefficient of the real per capita income variable is, as hypothesized, positive in every equation. It is significant at $p < 0.01$ in equation (3.8), significant at $p < 0.05$ in equations (3.3) and (3.4), and significant at $p < 0.1$ in equation (3.7). As the real per capita income rises, voters are more likely to reward the incumbent on election day. While unemployment coefficients have the correct sign (negative) in three of the four models in which U is included, they are never significant and relatively small. The inflation coefficients have the correct sign (negative) in the two significant equations in which they included ((3.3) and (3.8)). They are significant at $p < 0.1$ only in the equations in which they are coupled with per capita real income ((3.3) and (3.8)). As inflation increases, voters tend to punish the incumbent at the ballot box.

The coefficient of the incumbency variable, δ, is consistently small and insignificant, except in equations (3.3) and (3.8) where it is statistically significant at $p < 0.05$, but still relatively small. This runs contrary to Kramer's finding for the U.S.; none of Kramer's models have a significant incumbent index coefficient. He argues that in light of the substantial income effects in every equation, "the most reasonable interpretation is that the institutional advantages of incumbency are approximately offset by high income expectations on the part of the electorate."[54] For the time period of the analysis of elections in Greece, the incumbent lost 42 percent of the time, three of the seven elections. In this small dataset (versus Kramer's dataset), incumbency seems to provide a slight advantage.

Further insight into the overall performance of the models can be obtained by examination of their predictive ability. In figure 3.2 the predicted PASOK vote share based on the three significant models, equations (3.3), (3.4), and (3.8), and also actual PASOK vote share[55] for the seven elections between 1985 and 2007 are plotted. The actual PASOK share of the national parliamentary election is generally within just a few percentage points of the predicted vote based in all three equations. Kramer's model (equation (3.3)), which includes all three variables and Equation (3.8), which includes only real per capita income and inflation, are the best predictors. Although unemployment is not significant, its coefficient is so small that its inclusion in the Kramer model does not reduce predictive accuracy. Equation (3.4), which includes only real per capita income, is less accurate, incorrectly predicting the PASOK vote share in the 1989 election, but still forecasts an election day defeat.

At first inspection, the coefficient of real per capita income seems excessively big: a 10 percent increase in annual per capita income predicts roughly 13 percent increase in the two-party vote share of the incumbent. One driver of this high number, however, is the fact that the third party share of the vote was not included in the dependent variable. Third parties in Greece during this period received on average 16 percent of the vote. Taking this into account, a 10 percent increase in the real per capita income would result in a 10 percent increase in the total incumbent vote share. The results were analogous when the same

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[54] Ibid.: 139.

[55] $\frac{PASOK}{PASOK + ND}$

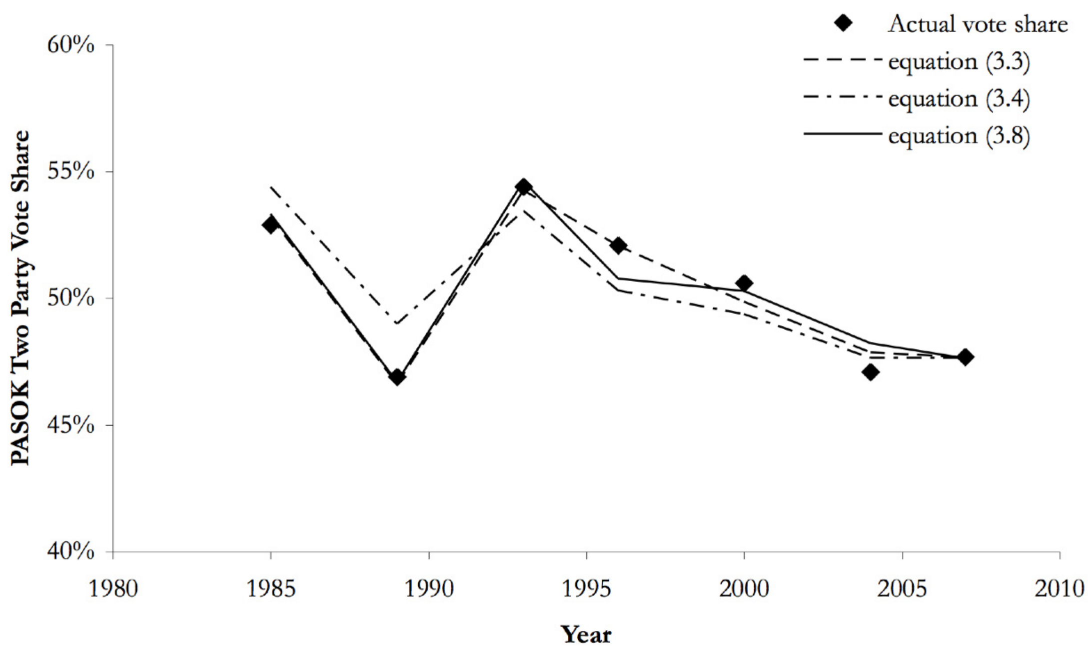

FIGURE 3.2
Actual and Predicted PASOK Vote Share, 1985-2007

models were run using total vote share rather than two-party vote share as the dependent variable. Again incumbency, income, and inflation were significant and unemployment was not. Real per capita income was again significant at $p < 0.05$ and the primary driver of incumbent success. The coefficient of real per capita income using total vote share as the dependent variable was 0.9, very close to the predicted value using two-party share as the dependent variable. To test if any particular election years were skewing upwards the real per capita income coefficient, the models were run excluding one year at a time. The income coefficient remained high and above 0.13 in all tests, except when the 2004 election was excluded causing the coefficient to drop to 0.124.

Figure 3.3 plots the incumbent's two-party vote share over time and the annual change in real per capita income versus time. This income variable is different than the one used in this chapter's OLS analysis; it is not the expected change, but rather the actual change in real per capita GDP. The trend line of real per capita income follows the election results relatively closely. In 1989 and 1993, real income growth declined and the incumbent lost, garnering a minority of the two-party vote. Although the fluctuations in real per capita income growth were not as dramatic after 1994, a similar trend can be observed. In the year leading up to the 1996, 2000, and 2007 elections, real income growth increased, and the incumbent won a majority of the two-party vote. The economy was on a slight decline in 2004-2005 and the incumbent lost. Since 1985, the incumbent has always won in years when real per capita GDP has increased and always lost in years when it has declined.

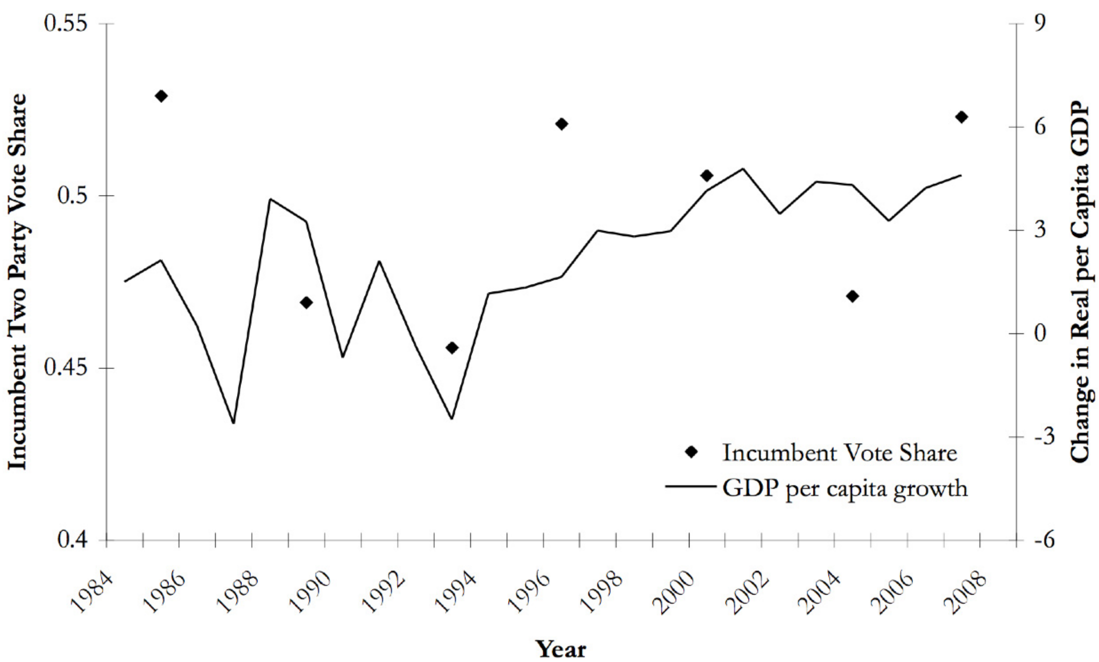

FIGURE 3.3
Incumbent Vote Share and Real Per Capita Income, 1985-2007

The very high coefficient of real per capita income may in large part be attributed to the correlation between economic volatility and vote share volatility during the period of this analysis. Between 1985 and 1994, the Greek economy was highly volatile, falling and then rising dramatically three times in only a short nine-year period (figure 3.3). Between 1995 and 2007, annual real GDP growth stabilized, with only one year-over-year change greater than 1 percent. The standard deviation of real income growth for the first period is 2.25 compared to 1.09 for the second period. The three elections that took place during the first period were also marked by dominant party victories. The average two-party margin of victory in the three elections held between 1985 and 1994 was 6.9 percent, compared to 3.9 percent in the four elections between 1995 and 2007. The dramatic losses of incumbents in 1989 and 1993 came at times when real per capita income fell sharply. The closer elections of the late 1990s and 2000s occurred in a period when real GDP growth was relatively stable. Greeks tended to punish the incumbent most in times when the growth dropped significantly. With such a strong correlation between margin of victory and change in real per capita income, the roughly one to one relationship between percent change in real per capita income and percent increase in incumbent vote share is much more plausible.

CONCLUSION

Among major economic measures, changes in real per capita income and inflation have the greatest impact on parliamentary electoral outcomes in Greece. They consistently remain significant regardless of how they are mathematically combined. Kramer's model (equation (3.3)) and equation (3.8) are the best predictors of the percent share won by the incumbent party in elections for the Hellenic Parliament. They are both significant at $p < 0.05$ and have R^2's of 0.976 and 0.939, respectively. Equation (3.4) is also a relatively good predictor of PASOK vote share. It is significant at $p < 0.1$ and has an R^2 of 0.800. In all three models, a 10 percent increase in real per capita income in the year of the election results in a 13 percent average increase in the predicted percent of the two-party vote won by the incumbent, all else equal. Including the minor parties' average vote fraction of approximately 16, a 10 percent increase in the real per capita income results in a predicted 10 percent increase in the total incumbent vote share. A 10 percent increase in inflation reduces the incumbent party share by 4 percent of the two-party vote, or 3.3 percent of the total vote share. Unemployment has no significant impact on electoral outcomes in Greece.

Kramer found similarly strong effects associated with changes in real per capita income in the US, but his income coefficient was smaller; a 10 percent decrease in real per capita personal income reduces the incumbent's congressional vote share only by 4 or 5 percent.[56] In Kiewiet and Udell's updates, unemployment has a much greater impact on incumbent success in the U.S. than in Greece. While in Greece there is no significant impact of unemployment, Kiewiet and Udell found that in the U.S. a 10 percent increase in unemployment will reduce the incumbent vote share by 5 to 6.5 percent of the congressional vote.[57] Kiewiet and Udell also found inflation having a significant impact on incumbent vote share; a 10 percent increase in inflation results in a 2 to 3 percent drop in incumbent support, similar to the 3.3 percent drop in the Greece.[58]

The central finding is that real per capita income and inflation have a significant effect on incumbent vote share in Greece, especially the former. Despite the fact that the economic policy of ND and PASOK converged during this period, Greeks still voted the

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[56] Kramer, "Short-Term Fluctuations in U.S. Voting Behavior, 1896-1964," 141.
[57] Kiewiet and Udell, "Twenty-Five Years after Kramer: An Assessment of Economic Retrospective Voting Based Upon Improved Estimates of Income and Unemployment," 235-37.
[58] Ibid.

incumbent out of office when his execution of the policy prescription was not leading to economic growth and kept him in office when it was. Chapter 4 presents an analysis of the 1996 Parliamentary election of Greece, searching for an individual-level counterpart to these aggregate-level findings.

Chapter 4

An Individual-Level Analysis of the Greek Electorate

The results of the aggregate-level model of economic voting developed in Chapter 3 suggest that the incumbent party tends to enjoy electoral success during periods of economic improvement and, correspondingly, suffers electoral losses during periods of economic decline. Using survey data, as opposed to aggregate measures of economic performance and electoral success, this chapter will attempt to determine if an individual-level counterpart to this finding exists. More precisely, do individuals who tend to positively (negatively) characterize the state of the economy also tend to support the incumbent (challenger)? Voters' judgments of the economy usually take one of the two forms. Citizens are either considered pocketbook voters, individuals who base their vote choice on their personal economic situation, or sociotropic voters, individuals who base their vote choice on their perceptions of the state of the national economy. Based on the findings in Chapter 3, this study hypothesizes that Greek voters are more sociotropic, voting for the incumbent when they perceive the economy is doing well and voting for the challenger when they perceive economic decline.

This chapter will begin by reviewing previous individual-level research and the debate over the validity of the pocketbook versus the sociotropic theory of voting behavior.

Using the 1996 CNEP survey of the Greek electorate general bivariate relationships are drawn among respondents' party identification, perceptions of their personal financial situation and the condition of the national economy, and vote choice, ultimately making the case for the formulation of a more comprehensive individual-level model. A model similar to that developed by Kiewiet and Kinder in 1971 will then be applied to the 1996 Greek Parliamentary election to determine if Greeks are pocketbook or sociotropic voters.[1] The results of this model not only confirm the sociotropic nature of the Greek electorate, but also lead to the discovery of partisan bias among Hellenic voters.

THE LITERATURE: PAST INDIVIDUAL-LEVEL RESEARCH

As discussed in Chapter 3, the effect of short-term economic fluctuations on vote choice was first investigated by Kramer in 1971 and was subsequently confirmed by other scholars analyzing economic data and voting records of other countries. Their basic finding was that in times of economic prosperity, voters rewarded the incumbent, and in bad economic times, the incumbent suffered at the polls. In the years that followed Kramer's seminal publication, most researchers accepted his general findings and turned to either specifying the conditions when the relationship still held or used survey data to search for the individual-level counterpart of the aggregate relationship.[2]

In most retrospective voting models the basic question posed is that, regardless of responsibility, does the incumbent party succeed in good times and suffer in bad times?[3] Underlying these models is the assumption that voters base their decisions on their actual

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[1] Donald R. Kinder and D. Roderick Kiewiet, "Economic Discontent and Political Behavior: The Role of Personal Grievances and Collective Economic Judgments in Congressional Voting," *American Journal of Political Science* 23, no. 3 (Aug., 1979).

[2] Hibbing and Alford, "The Electoral Impact of Economic Conditions: Who Is Held Responsible?," 423.

[3] Fiorina, "Economic Retrospective Voting in American National Elections: A Micro-Analysis," 430.

economic situation or their assessment of the actual economic situation rather than the specific actions of the incumbent which may have led to them.[4] When researchers began to analyze survey data to supplement the findings linking short-term economic fluctuations and incumbent vote share, they had to use questions that probed voters for an assessment of their personal economic situation, rather than the specific policies of the incumbent that may have been their cause.

Fiorina published the first formal analysis of the relationship between personal economic situation and vote choice in 1978. He completed a time series analysis of U.S. congressional elections from 1956 to 1974 using data from National Election Studies. Each survey conducted during his time series contained some variation of the question, "During the last few years, has your financial situation been getting better, getting worse, or has it stayed the same?"[5] This question only gauges the respondent's assessment of his current personal economic situation and makes no reference to who or what may have caused it. Fiorina developed a model using vote intention as the dependent variable and party identification and responses from the above question as independent variables. He found that there is practically no relationship between personal economic situation and vote choice, with only three of the thirty coefficients for personal financial condition being statistically significant and in the correct direction.[6]

Despite this general finding, some significant relationships have been found between personal economic situation and vote intention in times of recession. Weatherford analyzed survey results from the 1958 elections and found that location on the social-economic ladder

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[4] Ibid.
[5] Ibid.
[6] Hibbing and Alford, "The Electoral Impact of Economic Conditions: Who Is Held Responsible?," 425.

determines whether or not personal economic misfortune will affect vote choice. He concluded that during sharp economic downturns working class voters tend to vote against the incumbent.[7] His findings are limited to the working class population. Similarly, Miller and Glass found that during the 1974 recession voters who considered themselves worse off financially and did not approve of the administration's economic policy were more likely to vote for a Democratic congressman, disfavoring the party of sitting President Nixon.[8]

Kinder and Kiewiet continued the work of Fiorina with an individual level analysis of elections from 1956 to 1976. Using dependent and independent variables similar to those of Fiorina and employing ordinary least square and probit estimations, their conclusions regarding personal economic situation were the same. They concluded:

> Under ordinary circumstances, voters evidently do not make connections between their own personal economic experiences – however vivid, immediate, and otherwise significant – and their political attitudes and preferences.[9]

In addition to this analysis, they also tested a variable that measures respondent's evaluation of changes in the general business conditions of the U.S. Unlike with personal economic grievances, Kinder and Kiewiet found collective economic judgment significantly impacting vote choice. While voters may not blame an incumbent for personal economic problems, they are sophisticated enough to hold incumbents responsible for a failed national economy. Kinder and Kiewiet's models are used later in this chapter to analyze the 1996 election for the Greek parliament.

Kinder and Kiewiet's work began a series of studies attempting to determine if voters are pocketbook oriented or sociotropic. One school of thought assumes that people

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[7] M. Stephen Weatherford, "Economic Conditions and Electoral Outcomes: Class Differences in the Political Response to Recession," *American Journal of Political Science* 22, no. 4 (Nov., 1978): 933.

[8] Hibbing and Alford, "The Electoral Impact of Economic Conditions: Who Is Held Responsible?," 425.

[9] Kinder and Kiewiet, "Economic Discontent and Political Behavior: The Role of Personal Grievances and Collective Economic Judgments in Congressional Voting," 522.

vote based on the status of their pocketbook. These "pocketbook voters" vary their support of incumbent candidates based on their personal financial predicaments.[10] As Campbell et al. write in *The American Voter*, "Typically there is a perception of the economic state of the immediate family … and, of course, once the nature of the times is assessed, the leap to party culpability is simple and direct."[11] The widespread appeal of this view can be attributed to the intuitive nature of its predictions: "personal economic experiences … are compelling in ways that vicarious experiences are not."[12] Making this theory even more attractive is the fact that pocketbook voters do not necessarily have to be experienced political players. They are not required to bear the high costs often associated with becoming politically informed. All that is required of voters in this model is for them to know who the incumbent is and where the polling station is on election day.[13] Fiornia's 1978 study was the first to examine the pocketbook voting theory.

The other school of thought categorizes voters as "sociotropic."[14] In this model, voters are no longer focused on personal economic conditions, but rather are more concerned with the overall health of the national economy. Instead of the individual pocketbook, sociotropic voters are concerned with the national pocketbook. Incumbents who in the opinion of the sociotropic voter have positively progressed the country's economic status are supported and those who have overseen economic decline are

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[10] Gregory B. Markus, "The Impact of Personal and National Economic Conditions on the Presidential Vote: A Pooled Cross-Sectional Analysis," *American Journal of Political Science* 32, no. 1 (Feb., 1988): 138.

[11] Campbell et al., *The American Voter*, 139.

[12] Donald R. Kinder and D. Roderick Kiewiet, "Sociotropic Politics: The American Case," *British Journal of Political Science* 11, no. 2 (Apr., 1981): 130.

[13] Ibid.

[14] This term was used originally in Paul E. Meehl, "The Selfish Voter Paradox and the Thrown-Away Vote Argument," *The American Political Science Review* 71, no. 1 (Mar., 1977).

opposed.[15] When developing this theory, Kinder and Kiewiet did not presume that voters were highly sophisticated analysts of the incumbent's fiscal policies. While critics of the sociotropic theory may claim it places too high of an informational burden on voters for it to be successful, voters really "must only develop rough evaluations of national economic conditions … and then credit or blame the incumbent accordingly."[16] This is the kind of information that Popkin believes is learned through experiences in daily life: "shoppers learn about inflation of retail prices; home buyers find out the trends in mortgage-loan interest rates; owners of stocks follow the Dow-Jones averages."[17] This simple information is more than enough to motivate a sociotropic voter to either support or oppose an incumbent candidate.

Markus expanded on the work of Kinder and Kiewiet with a pooled individual-level survey data analysis of the eight presidential elections from 1956 to 1984. Markus's pooling strategy accounted for voters' variations in individual attitudes both within and across elections.[18] Additionally it allowed for the testing of variables, such as incumbency and national economic condition, which are usually treated as constants in cross-sectional studies. Markus's analysis provided some support for the pocketbook theory. Personal economic grievances were found to have a moderate influence on vote decision and no influence on election outcome. Using real per capita disposable income as a metric for national economic health, Markus's analysis was consistent with the sociotropic theory; he found that a 1 percent change in real per capita income results in a 2.3 percentage point increase in the incumbent's two-party vote share, about double the amount found for

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[15] Kinder and Kiewiet, "Sociotropic Politics: The American Case," 132.
[16] Ibid.
[17] Popkin, *The Reasoning Voter: Communication and Persuasion in Presidential Campaigns*, 24.
[18] Markus, "The Impact of Personal and National Economic Conditions on the Presidential Vote: A Pooled Cross-Sectional Analysis," 151.

Greece in Chapter 3.[19] Unlike Kinder and Kiewiet, Markus only analyzed an aggregate measure of the national economic condition and did not investigate perceived collective economic judgments.

Continuing with the design of a pooled analysis, Romero and Stambough used individual-level data to determine if the pocketbook or the sociotropic theory best characterizes voter behavior in U.S. House of Representative elections from 1980 to 1990. In their model Romero and Stambough use the same variables as Kinder and Kiewiet – partisanship, personal financial assessment, unemployment, and national economic assessment – but also include variables for incumbency and partisan trend. Contrary to previous conclusions, they found that "both pocketbook assessments and sociotropic assessments have a significant influence on voter propensity to reward or punish House congressional candidates of the president's party."[20] The sociotropic effect is still considerably more significant; however, under the right conditions (worsened personal financial situation coupled with unemployment) pocketbook evaluations become just as significant in determining support or opposition for the incumbent.[21]

Outside of the U.S. Lewis-Beck completed the first major analysis of comparative economic voting in Europe, analyzing the 1983 Euro-barometer survey results for Britain, France, Germany, and Italy. Lewis-Beck attempted to create a more comprehensive model than Kinder and Kiewiet, one that includes not only measures for personal versus collective, but also for retrospective versus prospective, simple versus mediated, and cognitive versus affective impacts on vote choice. In regard to pocketbook versus sociotropic voting,

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[19] Ibid.

[20] David W. Romero and Stephen J. Stambough, "Personal Economic Well-Being and the Individual Vote for Congress: A Pooled Analysis, 1980-1990," *Political Research Quarterly* 49, no. 3 (Sep., 1996): 610.

[21] Ibid.: 613.

Lewis-Beck found, similarly to Kinder and Kiewiet, that no matter how they are measured, personal economic circumstances in Britain, France, Germany, and Italy have no effect on vote choice.[22] Interestingly, Lewis-Beck did not find a strong, direct relationship between collective economic judgments of the economy and vote choice. Only when these simple sociotropic metrics are considered in relation to the role of government policy do they show an effect.[23] The strong sociotropic voting trends associated with Americans were not seen in the four European countries included in this analysis. Lewis-Beck found that government reputation is correlated with economic condition; the worse a government's reputation (e.g. Italy compared to Britain), the less likely economic voting will occur, all else equal. He neglected to test, however, if his government reputation variable varied within the same country. Additionally he found that economic evaluations often approach and sometimes even surpass the impact of traditional vote determinants. In Britain, for example, economic determinants surpass the strength of ideological identification and roughly equal it in Germany.[24]

Lancaster and Lewis-Beck also used individual level Euro-barometer survey results for their analysis of economic voting in Spain in 1984. In their model of the ideal economic voter, citizens take into account a number of variables when deciding to vote for or against an incumbent; voters analyze personal economic wellbeing, evaluate the nation's general economic health, measure to what extent the government is responsible for the current economic situation, assess the potential implications of the incumbent's future economic policy, and express a "gut" feeling on the national economy. Using these opinions as

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[22] Michael S. Lewis-Beck, "Comparative Economic Voting: Britain, France, Germany, Italy," *American Journal of Political Science* 30, no. 2 (May, 1986): 135.

[23] Ibid.: 342.

[24] Ibid.: 343.

independent variables and vote choice as the dependent variable, Lancaster and Lewis-Beck found that voters are more or less sociotropic, not pocketbook oriented. Opinions on the health of the national economy, not personal economic wellbeing, significantly impact respondents' vote for or against the incumbent.[25] At the same time, though, they also found that if Spanish voters assign blame for their failed personal economic situation to the government, they are less likely to vote for the incumbent. In their opinion, "the electoral trigger for personal economic grievance in Spain may be the attribution of responsibility to the political authorities."[26]

Nannestad and Paldam applied Markus's pooled analysis model to Denmark, analyzing elections from 1986 to 1992. Unsure of the best metric for sociotropic voting, they tried six variables in all, five objective measures and one perceived. Quite interestingly, they found that "Danes are much more oriented to the pocketbook than they are sociotropic."[27] This finding is not only fascinating because it directly contradicts the results of Kinder and Kiewiet, but also because this evidence of sociotropic voters was found, in of all places, the "full-blown welfare state [of Denmark, a country] built on strong and pervading social norms of collectivism and solidarity."[28] Nannestad and Paldam defend their finding by arguing that in a welfare state the government should be held responsible for the welfare of the individual, and thus the incumbent administration becomes somewhat responsible for citizen's personal financial situation. In their opinion, it is entirely rational for a citizen of a welfare state to blame the government not for all changes in personal

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[25] Thomas D. Lancaster and Michael S. Lewis-Beck, "The Spanish Voter: Tradition, Economics, Ideology," *The Journal of Politics* 48, no. 3 (Aug., 1986): 665.

[26] Ibid.

[27] Peter Nannestad and Martin Paldam, "From the Pocketbook of the Welfare Man: A Pooled Cross-Section Study of Economic Voting in Denmark, 1986-92," *British Journal of Political Science* 27, no. 1 (Jan., 1997): 135.

[28] Ibid.: 136.

economic situation, but rather for "fail[ing] to shield" him from possible negative economic consequences.[29]

AN INDIVIDUAL-LEVEL MODEL OF PARILIAMENTARY VOTE CHOICE IN GREECE

As seen in past literature, individual-level models have generally focused on discerning if voters are pocketbook oriented or sociotopic. In this section, two models of individual-level voting behavior in Greece will be developed. The first will focus exclusively on testing the pocketbook theory by analyzing survey respondents' opinions on personal economic situation and unemployment status. The second model will expand on the first, and will include a sociotropic variable that gauges the electoral impact of respondents' opinion of the national economy. Before developing the models, the availability of election surveys in Greece will be reviewed and general bivariate relationships from the 1996 CNEP survey of the Greek electorate will be presented.

SURVEYS OF THE GREEK ELECTORATE

Since the fall of the Military government in 1974 and the beginning of a new democratic government, Greek election surveys including questions on economic issues have been quite sparse. In order to develop an individual-level model of economic voting, four variables are needed: vote choice, party identification, personal economic grievances, and collective judgment of the economy. Few political surveys of Greece include the appropriate questions that can be used to create all four of these variables. Two types of

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[29] Ibid.

surveys have generally been used in studying the Greek population: multi-nation (often Euro-centered surveys) and Greek national election studies.

Since 1973 the European Commission has been conducting Euro-Barometer surveys of all member states twice a year. Researchers like Lewis-Beck have often used these surveys to test relationships among a large number of countries.[30] The drawbacks of Euro-Barometer surveys are that the battery of questions is inconsistent from year to year and each semi-annual study has a distinct topical focus. Only in a sporadic set of years do Euro-Barometer surveys ask questions pertaining to the four variables listed above. A second set of studies is the European Election Studies (EECs). These survey-based studies were conducted immediately following the June elections to the European Parliament in 1989, 1994, and 1999.[31] Although relatively the same questions were asked each time, the years do not match up with national elections in Greece, and no questions were asked pertaining to economic perceptions and vote choice. The last set of studies is part of CNEP, which currently includes 24 national election surveys and has been conducted in 19 counties since 1991. CNEP has conducted surveys in Greece for the elections in 1996 and 2004. The 1996 survey is by far the most comprehensive and the most applicable to this study. Detailed questions were asked regarding party identification, income, unemployment, personal and national economic situation, policy opinions, and vote choice. The 1996 CNEP survey of the Greek electorate was the primary dataset used to develop the models in this study. The 2004 survey unfortunately focused almost exclusively on media and was not useful for this research.

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[30]See, for example, Michael S. Lewis-Beck, *Economics and Elections: The Major Western Democracies* (Ann Arbor: University of Michigan Press, 1988); Lewis-Beck, "Comparative Economic Voting: Britain, France, Germany, Italy."

[31] Wouter van der Brug, Cees van der Eijk, and Mark N. Franklin, *The Economy and the Vote: Economic Conditions and Elections in Fifteen Countries* (New York: Cambridge University Press, 2007), 201.

On the national level, the Study of Political Patterns and Political Behaviour is the only election survey that has been conducted somewhat systematically in Greece. Variations of the same survey were conducted preceding the six elections from 1985 to 1996. Unfortunately this survey never included questions pertaining to pocketbook versus sociotropic voting and was thus not used in the course of this study.

GREEK VOTERS AND THE ECONOMY

The economic voter hypothesis hinges on voters' ability to not only recognize improvements or declines in the national economy, but also to attach enough weight to these observations such that they influence vote choice. Voters must prioritize economic issues above other national issues, ultimately using their opinions on these issues as cues for either voting for the incumbent or supporting the challenger. In the case of Greece, voters do indeed tend to see the economy as one the nation's most pressing issues. In the 1996 CNEP survey of the Greek electorate, respondents were asked to choose the most important problem facing the country. The overwhelming majority chose either "economic crisis" or "unemployment," with a 64.7 and 22.4 percent share respectively (table 4.1). No other response even received a three percent share. Despite the fact that the Greek economy was significantly improved compared to the late 1980s, Greeks still saw the economy as a top priority for the government. As discussed in Chapter 2, inflation was reduced by half at the end of 1995 compared to 1990's rate, output growth had accelerated to 2 percent (compared to the 0.75 percent during 1990-1994), and the general government deficit had declined from 16 percent of GDP to 9.25 percent.[32] In regards to the national

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[32] Organisation for Economic Co-operation and Development., *OECD Economic Surveys: Greece [1995-1996]* (Paris: OECD, 1996), 1.

TABLE 4.1
Most Important Problem Facing Greece, 1996

Greece's Most Important Problem	Percent Share
Infra-structure projects	0.3
Economic crisis	64.7
Environment	0.5
Unemployment	22.4
Agr. products prices	0.8
Agricultural problems	1.7
Education	2.9
Drugs	0.2
Medical care	0.5
National issues	1.5
External policy	0.8
City problems	0.2
Traffic / Parking	0.2
Political disillusionment	1.6
Lack of state	0.8
Immigrants' flow	0.2
Moral decadence	0.3
Other	0.4
N	966

employment situation, over one-fifth of respondents chose unemployment as the most important problem facing Greece. This selection, as opposed to economic crisis, appears more reasonable based on the unemployment figures. The unemployment rate remained steady at roughly 7.5 percent from 1986 to 1990, and then from 1991 to 1996 it increased dramatically to 10.4 percent.[33] Many of the respondents who selected "economic crisis" may have used the steady decline in the employment market as a cue when evaluating the status of the general economy.

[33] Organisation for Economic Co-operation and Development., *OECD Economic Surveys: Greece [1996-1997]* (Paris: OECD, 1997), 23.

As discussed earlier, when developing an individual-level model of economic voting, variables for party identification, personal economic grievances, and collective judgment of the economy are included as independent variables and vote choice as the dependent variable. In regards to partisanship, throughout the modern Greek democratic era, only two major parties have existed in Greece, left-leaning PASOK and right-leaning ND. In the nine elections between 1985 and 2007, the minor party vote share peaked at 21 percent in 1996 and averaged 15.6 percent over this twenty-seven year period. The series of questions used in the CNEP study to determine party identification is quite similar to the one used by the National Election Study in the U.S. Respondents were first asked if they normally identify with a particular party. If they did, they were asked which one. If they did not, they were asked if there was any party to which they felt closest. Those who were coded as identifiers of one particular party either answered "yes" to the first question and then chose a party or answered "no" to the first question and then chose a party when asked if they felt closest to any party. Respondents coded as having no party identification answered "no" to both the first and second question.

In the 1996 CNEP survey 36.3 percent of respondents identified with PASOK, 26.1 percent with ND, and 16.1 with one of the minor parties (table 4.2). The remaining 21.6 did not identify with any political party. Party identification is a significantly reliable predictor of vote choice. When asked what their intended vote choice was, only about 10 percent of respondents who identified with a particular party chose to vote for an alternative party. The survey results show that Greeks are highly partisan; nearly 80 percent of the population identifies with a particular party and generally tends to vote for that party at the ballot box.

TABLE 4.2
Party Identification and Voting, 1996

Party	% Identifiers	% of party identifiers who intend to vote for party they identify with
PASOK	36.3	88.6
ND	26.1	93.7
Minor parties	16.1	91.5
No party	21.6	-
Total	100.0	-
N	821	714

A preliminary test of pocketbook voting in Greece is a cross-tabulation of the personal economic grievance variables and a recoded, dichotomous vote choice variable. In 1996 PASOK was running as the incumbent, and votes for any other party were coded as opposition votes. Personal economic grievances can take two forms, personal financial situation and unemployment. Survey respondents could rate their personal financial situation as “very bad,” “bad,” “average,” “good,” or “very good.” The categories “good” and “very good” are presented as one because of the scarcity of entries in the “very good” category (only 8 of the 817 respondents categorized their personal economic situation as “very good”). There is a noticeable correlation between personal economic situation and vote choice in Greece, especially among respondents dissatisfied with their situation. Among those who consider their personal economic situation “very bad” or “bad,” the opposition is generally favored with over 70 percent of the vote (table 4.3). Those who rate their personal economic situation “average,” “good,” or “very good” generally favor the opposition as well, however the margin is much smaller. There is a general trend of support for alternatives to the incumbent PASOK as personal economic situation deteriorates.

TABLE 4.3
Personal Economic Situation and Vote Choice, 1996 (in percent)

Respondents' Personal Economic Situation	Vote Choice	
	PASOK	Opposition
Very Bad	30.0	70.0
Bad	28.0	72.0
Average	44.0	56.1
Good / Very Good	44.7	55.3
National Average	39.2	60.8
N	255	562

Turning to employment status, the 1996 CNEP survey asked respondents if someone in their home had been unemployed in the past year. In regards to vote choice, unemployment in the household has a small, but noticeable impact; the percent of respondents choosing to vote for PASOK increases by about 6 percent if the respondent has had an unemployed member in their household in the past year (table 4.4). This is about half of the percentage in incumbent support swing seen between respondents who perceive their personal situation as "bad" compared to those who perceive it as "good." The aggregate-level model of voter behavior in Chapter 3 complements the general finding of the minimal effect of unemployment. In all equations tested, changes in the unemployment rate were found to have no significant effect on the two-party vote share of the incumbent for years 1985-2007.

A preliminary test of sociotropic voting in Greece is a cross-tabulation of the collective economic judgment variables and the same recoded, dichotomous vote choice variable. Survey respondents were asked to rate the national economic situation as "very bad," "bad," "average," "good," or "very good." Similarly to the personal economic status question, only 4 of 815 respondents rated the national economy "very good," and these

TABLE 4.4
Unemployment and Vote Choice, 1996 (in percent)

Unemployed living in home	Vote Choice	
	PASOK	ND
Yes	44.2	55.8
No	38.1	61.9
National Average	39.2	60.8
N	307	475

responses were grouped with those who selected "good." About 75 percent of respondents who felt the condition of the national economy was "very bad" or "bad" did not favor the incumbent PASOK, rather opting to vote for an opposition party (table 4.5). As respondents' perception of the economy increases, the percent share of voters who chose PASOK steadily increases, with nearly 80 percent of respondents who rated the condition of the economy as "good" or "very good" opting to vote for the incumbent. This is compared to only 21.9 percent of respondents who categorize the economy as "very bad" and chose to vote for PASOK. This dramatic difference of 57.7 percent strongly hints that the electorate's collective economic judgments of the economy have a good deal to do with vote choice.

The simple bivariate relationships described in this section have suggested that the development of a more comprehensive individual-level model of economic voting in Greece is warranted. The next two sections of this chapter develop first a pocketbook model that excludes the national economic condition variable and second, a more comprehensive model that includes both the pocketbook and sociotropic variables. Considering the strong partisan trends described earlier in this section, both models include partisanship controls in addition to personal economic situation, unemployment, and national economic condition variables.

TABLE 4.5
Perceptions of the National Economy and Vote Choice, 1996 (in percent)

Respondents' Preception of the National Economic Situation	Vote Choice	
	PASOK	Opposition
Very Bad	21.9	78.1
Bad	27.3	72.7
Average	56.9	43.1
Good / Very Good	79.6	20.4
National Average	39.0	61.0
N	318	497

PERSONAL ECONOMIC GREIVENCES

The focus of this chapter's first regression analysis is to determine the role of personal economic grievances on the parliamentary voting in Greece. This analysis will focus on the September 22, 1996, Greek parliamentary election, which saw the incumbent PASOK party win a 41.5 percent plurality. ND came in a close second with 38.1 percent of the vote. The 3.4 percent margin was a sharp decline from the 7.6 percent margin of victory PASOK sustained only three years earlier in the October elections of 1993.

Similarly to Kinder and Kiewiet, this study's first model tests for the effect of personal economic grievances on vote choice. Two separate hypotheses regarding Greek voting behavior are tested. The first is that voters who are dissatisfied with their current economic condition are more likely to blame the incumbent party and thus vote against it, all else equal. Second, voters who have recently experienced unemployment trouble within their families should likewise vote against the incumbent, all else equal.

These personal economic grievances are represented in this analysis by two kinds of questions that appear in the 1996 CNEP survey of the Greek electorate. The first question asks respondents to evaluate their present economic situation, making no reference to the past. Respondents are asked, "How would you describe your present economic situation, very good, good, average, bad, or very bad?" This wording differs somewhat from the classical personal grievance question used in most models of American congressional voting. Rather than asking simply for an evaluation of respondents' present economic situation, American pollsters probe for changes in financial circumstances. Depending on the year, Kinder and Kiewiet used responses to either, "Would you say that you (and your family) are better off or worse off financially than you were a year ago?" or "Are you making as much money now as you were a year ago, or more, or less?"[34]

The second question used to determine personal financial situation involves employment. Greek respondents of the 1996 CNEP survey were asked to answer yes or no to the question, "Is there anyone in your home who has been unemployed in the past year?" This contrasts with the unemployment question used by Kinder and Kiewiet. In their study they wanted to determine if the head of the respondent's family was unemployed anytime during the preceding two years. Although this was never directly asked in any of the surveys used in their time series, they were able to use responses from a series of questions to generate a measure for their desired variable.[35]

The final variable in the equation is related to partisan identification. When attempting to determine the effects of personal economic grievances on vote choice, the effects of partisan leanings must be controlled. Removing the confounding effects of this variable is essential for the model's accuracy, but at the same time, as Kinder and Kiewiet

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[34] Kinder and Kiewiet, "Economic Discontent and Political Behavior: The Role of Personal Grievances and Collective Economic Judgments in Congressional Voting," 500.

[35] Ibid.: 501.

warned, one must not "over-control party identification."[36] While identification with a particular party ("nominal partisanship") is a stable characteristic for most voters, strength and intensity of partisanship, however, is much more volatile.[37] Representing partisanship with a variable that also captures strength of identification "would clearly bias [the] analysis against the possibility of finding that personal economic grievances affect congressional voting."[38] Similarly to Kinder and Kiewiet, partisanship was operationalized in its nominal form. Partisan leanings are just as strong if not stronger in Greece than in the United States. There is no real class of "Independents"; most survey respondents choose to closely identify with one of the major Greek political parties.

In more formal terms, the regression model of Greek parliamentary voting is:

$$\gamma = \beta_0 + \beta_1 PASOK + \beta_2 ND + \beta_3 PerEco + \beta_4 Unemp + \varepsilon \qquad \text{(Eq. 4.1)}$$

where:

γ = Parliamentary vote choice

Respondents were asked, "If general elections were held tomorrow for the Congress of Deputies, which party would you vote for." If the respondent answered with support for the incumbent (PASOK), γ took the value of 1. If any other party was answered, γ took the value 0.

$PASOK$ = Identify with the PASOK party

$PASOK$ is the dummy variable for PASOK party identification. Respondents were asked, "Normally do you identify yourself with a particular political party?" If they responded in the affirmative, they were asked to specify which one. Anyone who answered

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36 Ibid.

37 Philip E. Converse, *The Dynamics of Party Support: Cohort-Analyzing Party Identification* (Beverly Hills, Calif.: Sage Publications, 1976).

38 Kinder and Kiewiet, "Economic Discontent and Political Behavior: The Role of Personal Grievances and Collective Economic Judgments in Congressional Voting," 501.

PASOK was coded as a 1. If any other parties were selected, they were coded as 0. If respondents answered no to the initial question, they were subsequently asked, "Even though you do not identify with one, is there any party which you feel closest?" Again anyone who answered PASOK to this follow up question was coded as a 1. Other answers were coded as 0.

ND = Identify with the New Democracy party

ND is the complimentary dummy variable to $PASOK$. ND party identifiers are coded as 1 and identifiers of all other parties are coded as 0.

$PerEco$ = Personal economic situation

$PerEco$ was coded as 5 if the respondent described his present economic situation as "very good," 4 if he described it as "good," 3 is he described it as "average," 2 is he described it as "bad," and 1 if he described it as "very bad."

$Unemp$ = Personal unemployment grievance

$Unemp$ was coded as 1 if someone in the home of the respondent had been unemployed in the past year and 0 if someone had not.

This chapter's hypothesis would lead one to expect that identification with PASOK would help the incumbent party, thus the coefficient of $PASOK$ is expected to be positive and strong. The opposite is true for β_2, the coefficient of ND; one would expect ND identifiers to vote against the incumbent. This chapter hypothesizes that the better the personal economic situation, the more likely the respondent will vote for the incumbent, thus one would expect β_3, the coefficient of $PerEco$, and β_4, the coefficient of $Unemp$, to be positive.

Applying the regression model to the 1996 national Greek parliamentary election yields results displayed in tabular form in table 4.6.[39] The figures in parentheses are the standard errors of the variable coefficients, which appear above them. The last two rows contain the value of the squared multiple correlation coefficient and the sample size.

Equation (4.1) provides a reasonably powerful model for parliamentary voting in Greece. The combination of partisan identification and personal economic grievances accounts for well over half of the variance in vote choice, with an R^2 of 0.66. With respect to the individual variables, the estimated coefficients of party identification dummy variables (β_1 and β_2) are, as expected, positive and highly significant. Both coefficients are significant at $p < 0.01$; PASOK identifiers show strong commitment to their party, and ND identifiers show clear opposition to the incumbent. This finding is of no surprise.

The surprising result is that one of the two personal grievance variables is significant. The coefficient of personal economic situation is significant at $p < 0.05$, while the coefficient of the unemployment variable is insignificant. At first glance, this fits somewhat well with the pocketbook voting theory; not only party identification, but also perceptions of personal financial status impacted voter choice in the 1996 Greek parliamentary election. The employment situation in one's household seems to have no impact on vote choice. Although the personal economic situation may be significant, its effect is quite modest. The

[39] The dependent variables (vote choice) of the two models developed in this chapter take the form of either 1 or 0. This study recognizes that there are often methodological problems associated with using OLS regression analysis in models where the dependent variable is dichotomous (see Tucker, *Regional Economic Voting: Russia, Poland, Hungary, Slovakia, and the Czech Republic, 1990-1999*, 90.). However, the results of OLS and alternatives like discriminate analysis and logistic regression are often similar. "When the probability of falling to either of the two groups represented by the values of the dependent variable lies within the range of 0.25 to 0.75 … a linear function yields reliable information concerning the relative importance of predictor variables" (see Paul D. Cleary and Ronald Angel, "The Analysis of Relationships Involving Dichotomous Dependent Variables," *Journal of Health and Social Behavior* 25, no. 3 (1984): 343.). In the case of the 1996 CNEP survey of the Greek electorate, 38.1 percent of respondents intended to vote for PASOK and 61.9 percent intended to vote for another party. For the purposes of this analysis an OLS regression is sufficient, despite the dichotomous nature of the models' dependent variable.

TABLE 4.6

The Effects of Partisanship and Personal Economic Grievances on Greek Parliamentary Voting, 1996

	Variable	Equation (4.1)
	Intercept	0.047
		(0.038)
Partisanship	PASOK	**0.744****
		(0.026)
	ND	**-0.120****
		(0.028)
Personal Grievences	Personal Economic Situation	**0.027***
		(0.012)
	Unemployment	0.029
		(0.026)
	R^2	0.664
	N	697

*Note: Significant at * $p < 0.05$, ** $p < 0.01$ (two-tailed t-test)*

coefficient of ***PerEco*** is 0.027, compared to the 0.744 and -0.120 for ***PASOK*** and ***ND***, respectively.

Running the same model for U.S. congressional elections from 1956 to 1976, Kinder and Kiewiet only found personal economic grievances significant in two of the eleven elections analyzed. Additionally, in both of those years (1956 and 1976), they concluded that while the "variables surpassed conventional levels of statistical significance, the impact in substantive terms … remained small."[40] This study's time series is limited to only one election, making it difficult to draw definitive conclusions on the effects of personal economic grievances on Greek vote choice. From a limited analysis of just the 1996 election, this study finds party identification and personal economic situation affect vote choice, with employment status having no significant impact.

COLLECTIVE ECONOMIC JUDGEMENTS

In the second analysis an attempt is made to determine the role of collective economic judgments on parliamentary voting in Greece. This question is tackled for two reasons: first simply to determine if Greek voters' perceptions of the national economy impact their vote choice and second to use a more comprehensive model to reassess the impact of both party identification and personal economic grievance on vote choice. By adding an additional variable to the equation (4.1), the model will provide a more comprehensive evaluation of the economic thinking of voters in the ballot box. This study's hypothesis is that the more positive one's assessment of the national economy, the more likely they are to vote for the incumbent. This fits well with the finding in Chapter 3 that as real per capita income rises and inflation falls, the vote share of the incumbent rises.

Collective economic judgment is represented in this analysis by the question, "How would you describe the present economic situation in Greece, very good, good, average, bad, or very bad?" Kinder and Kiewiet used a question that focuses on business conditions rather than the general economic situation. Their question again specifically asks about change over time, something that was not included in the CNEP study. Their question

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[40] Kinder and Kiewiet, "Economic Discontent and Political Behavior: The Role of Personal Grievances and Collective Economic Judgments in Congressional Voting," 503.

reads, "Would you say that at the present time business conditions are better or worse than they were a year ago?"[41] For the purpose of assessing collective economic judgments, the CNEP survey question certainly captures the general outlook on Greece's economy as a whole and maybe does so even better than a question that focuses on changes in business conditions over time.

Adding this variable to equation (4.1), the new model becomes:

$$\gamma = \beta_0 + \beta_1 PASOK + \beta_2 ND + \beta_3 PerEco + \beta_4 Unemp + \beta_5 NatEco + \varepsilon \quad \text{(Eq. 4.2)}$$

where:

$NatEco$ = collective economic judgment

$NatEco$ was coded as 5 if the respondent described the present economic situation in Greece as "very good," 4 if he described it as "good," 3 is he described it as "average," 2 is he described it as "bad," and 1 if he described it as "very bad." All the other variables remained the same from equation (4.1).

The hypotheses from the previous model remain the same. β_1, the coefficient of $PASOK$, is expected to be positive, and β_2, the coefficient of ND, to be negative. It is hypothesized again that the better his personal economic situation, the more likely the respondent is going to vote for the incumbent; it is thus expected that β_3, the coefficient of $PerEco$, and β_4, the coefficient of $Unemp$, are positive. In regards to β_5, the coefficient of $NatEco$, this chapter's hypothesis predicts it to be positive – those with a more optimistic outlook on the national economy are more likely to vote for the incumbent.

Applying this second regression model to the 1996 national Greek parliamentary election yields results displayed in tabular form in table 4.7.

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[41] Ibid.: 505.

TABLE 4.7
The Effects of Partisanship, Personal Economic Grievances, and Collective Economic Judgments on Greek Parliamentary Voting, 1996

	Variable	Equation (4.1)	Equation (4.2)
	Intercept	0.047 (0.038)	0.010 (0.041)
Partisanship	PASOK	**0.744**** (0.026)	**0.726**** (0.027)
Partisanship	ND	**-0.120**** (0.028)	**-0.113**** (0.028)
Personal Grievences	Personal Economic Situation	**0.027*** (0.012)	0.015 (0.013)
Personal Grievences	Unemployment	0.029 (0.026)	0.030 (0.025)
Collective Judgments	National Economic Situation	- -	**0.034**** (0.014)
	R^2	0.664	0.666
	N	697	696

*Note: Significant at * p < 0.05, ** p < 0.01 (two-tailed t-test)*

Equation (4.2) provides a reasonably powerful model for parliamentary voting in Greece. The combination of partisan identifications, personal economic grievances, and collective judgments accounts for well over half of the variance in vote choice, with an R^2 of 0.67. With respect to the individual variables, the estimated coefficients of party identification dummy variables (β_1 and β_2) are, as expected, positive and highly significant. Both coefficients are significant at $p < 0.01$; PASOK identifiers again show strong commitment to their party, and ND identifiers show clear opposition to the incumbent. The coefficients of both of these variables are very similar in magnitude to those in equation (4.1).

Personal economic grievances, including both personal economic situation and unemployment, are now not significant, while collective judgments of the economy are significant. The coefficient of $NatEco$ is significant at $p < 0.01$. This contrasts somewhat with the findings using equation (4.1). With the addition of the collective judgments variable, personal economic situation loses its significance at the expense of collective judgments. Based on this finding it can be hypothesized that Greeks' assessment of their personal financial situation is uncorrelated with their evaluation of the national economy. This is not exactly the case, with the mean Pearson $r = 0.39$ for personal economic situation and mean Personal $r = 0.17$ for unemployment.

These findings are more similar to those of Kinder and Kiewiet in the U.S. In their analysis of U.S. congressional elections in from 1962, 1966, 1968, 1972, and 1976, they found that personal economic grievances were only significant in one of the elections and in four of the five elections collective judgments on the economy were significant. Kinder and Kiewiet concluded that "the perception of general business decline [is] consistently related to anti-incumbent congressional voting," while personal grievances have almost no effect.[42] The same conclusions can be drawn on voting patterns in Greece. Personal grievances lose significance in the second model, leaving party identification and collective economic judgments as the primary determinants of vote choice.

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[42] Ibid.: 506.

PARTISAN BIAS AND THE GREEK ELECTORATE

In both of the models developed in this chapter, party identification has been the primary driver of vote choice, with the coefficients of *PASOK* and *ND* considerably larger in magnitude than that of any of the other. While perceptions of the national economy were found to be highly significant ($p < 0.01$), *NatEco*'s coefficient was 0.03 compared to *PASOK*'s 0.73. If the party identification variables are excluded from the model, the economic voter hypothesis expects the coefficient of collective economic judgments to increase. With partisanship excluded, the new equation becomes:

$$\gamma = \beta_0 + \beta_1 PerEco + \beta_2 Unemp + \beta_3 NatEco + \varepsilon \qquad \text{(Eq. 4.3)}$$

Applying this third regression model to the 1996 national Greek parliamentary election yields results displayed in tabular form in table 4.8. In the absence of the partisanship variables, as expected, the coefficient of *NatEco* increased dramatically from 0.034 to 0.184 and remained significant at $p < 0.01$, while R^2 decreased from 0.67 to 0.121. This sizeable increase in the collective judgments coefficient points to a possible correlation between party identification and perception of the national economy. Considering that the national economic situation should, for the most part, be considered an "objective" condition, such a correlation would suggest partisan bias within the Greek electorate. Respondents who identified with PASOK on average rated the national economic situation as 2.7 (5 being "very good" and 1 being "very bad"), while those who identified with ND or a minor party rated the economy 1.9 and 2.1, respectively (table 4.9). Compared to the preceding three years, almost every general economic indicator, excluding unemployment, had improved in Greece. Output performance had overtaken the EU

TABLE 4.8
The Effects of Partisanship, Personal Economic Grievances, and Collective Economic Judgments on Greek Parliamentary Voting, 1996

	Variable	Equation (4.1)	Equation (4.2)	Equation (4.3)
	Intercept	0.047	0.010	-0.046
		(0.038)	(0.041)	(0.058)
Partisanship	PASOK	**0.744****	**0.726****	-
		(0.026)	(0.027)	-
	ND	**-0.120****	**-0.113****	-
		(0.028)	(0.028)	-
Personal Grievences	Personal Economic Situation	**0.027***	0.015	0.001
		(0.012)	(0.013)	(0.019)
	Unemployment	0.029	0.030	**0.081***
		(0.026)	(0.025)	(0.038)
Collective Judgments	National Economic Situation	-	**0.034****	**0.184****
		-	(0.014)	(0.019)
	R^2	0.664	0.666	0.121
	N	697	696	799

*Note: Significant at * $p < 0.05$, ** $p < 0.01$ (two-tailed t-test)*

average and the national inflation rate had been reduced by half 1993.[43] In objective terms the economy had improved. Nevertheless, ND identifiers generally characterized the economy as "bad."

[43] Organisation for Economic Co-operation and Development., *OECD Economic Surveys: Greece [1996-1997]*, 19.

TABLE 4.9
Partisans' Perceptions of the National Economic Situation

Party	Respondents' Preception of the National Economic Situation					Average Score*
	Very Bad (1)	Bad (2)	Average (3)	Good (4)	Very Good (5)	
PASOK	12.5	23.7	51.0	11.5	1.4	2.7
ND	37.9	38.8	21.5	1.9	0.0	1.9
Minor Party	26.7	38.9	30.5	3.8	0.0	2.1
National Average	25.8	34.0	34.4	5.4	0.4	2.2
N					818	

This partisan bias in perceptions of objective conditions has also been found in the United States. Bartels analyzed the responses of Democratic and Republican partisans at the end of Reagan's second term. When asked if inflation had gotten better, stayed the same, or gotten worse between 1980 and 1988, "more than 50 percent of 'strong' Democrats claimed that inflation had gotten somewhat worse or much worse over the preceding 8 years, despite the fact that the actual inflation rate had declined by more than two-thirds."[44] Among "strong" Republicans, 47 percent believed inflation had gotten much better and only 13 percent thought it had gotten worse or much worse. Although the general economic condition of Greece is not as objective a metric as inflation, similar trends to the ones found by Bartels in the U.S. exist in Greece. In times of economic improvement, identifiers of the incumbent party perceive the economy doing better than identifiers of the challenging party.

CONCLUSION

Using an individual-level model of voting behavior based on the work of Kinder Kiewiet, this chapter demonstrates that the Greek electorate is more sociotropic than pocketbook oriented. That is, personal economic situation, including employment status,

[44] Larry M. Bartels, "Beyond the Running Tally: Partisan Bias in Political Perceptions," *Political Behavior* 24, no. 2 (Jun., 2002): 134.

has little impact on vote choice, while perceptions of the national economy significantly affect whether or not Greeks support the incumbent candidate. This chapter finds that as perceptions of the national economy improve, Greeks are more likely to support the incumbent, all else equal. These results complement the findings from the aggregate model quite well. In the model from Chapter 3, party identification, aggregate income, and inflation are found to be significant while unemployment is not. On an individual level, voters are perceptive of the national economy, presumably incorporating changes in national income and inflation in their assessment of the nation's financial situation. Additionally, this chapter finds that Greek voters strongly identify with their party, and their partisan bias influences their perceptions of relatively objective measures of national economic performance.

The central finding of this chapter is that Greek voters are sociotropic, favoring the incumbent during strong economic periods. While this individual-level analysis is quite descriptive of the Greek electorate in 1996, further research still needs to be pursued, investigating if these same trends exist across time.

Chapter 5

CONCLUSION

This study set out to determine if economic voting exists in the Third Hellenic Republic. During the period of analysis (1985-2007) the economic policies of Greece's two major political parties converged as the country strived to meet the Maastricht requirements for acceptance into the EMU. This study hypothesized that despite an economic policy set of practically identical alternatives, Greeks would nevertheless exhibit economic voting behavior, supporting the challenger in bad economic times and rewarding the incumbent in times of economic prosperity.

The economic voter hypothesis was first tested on the aggregate-level. A strong correlation of incumbent vote share with the performance of the economy was demonstrated using a model similar to that developed by Kramer in 1971. The incumbent won four times in the seven parliamentary elections included in this analysis. Real per capita income increased in the years leading up to all four incumbent victories. In the years preceding all three of the incumbent loses real per capita income declined. Election outcomes not only correlated with the direction of the growth rate, but additionally, the margins of victory were strongly correlated with the magnitude of the change in income growth. In the elections conducted during the highly volatile economic period from 1985 to 1993, incumbents either won or lost by significant margins (greater than 3 percent of the two-party vote share). As the economy stabilized in the mid 1990s and changes in annual per capita GDP rarely exceeded 1 percent, the margins of victory became smaller (less than 2.5 percent of the two-party share). The model developed in Chapter 3 of this study finds a one-to-one relationship between real per capita GDP and incumbent vote share; e.g. a 10 percent increase in per capita income in the year leading up to the election would result in a 10 percent rise in incumbent vote share. The findings are not limited to real income. The model in Chapter 3 also predicts that a 10 percent increase in inflation would reduce the incumbent vote share by 3.3 percent. In contrast, unemployment was found to have no significant impact on electoral outcomes in Greece

While these findings alone adequately validate the hypothesis that economic voting transpires in contemporary Greece, this study also attempted to confirm these findings on an individual level using the 1996 CNEP survey of the Greek electorate. While the findings from Chapter 3 show that changes in income and inflation are directly associated with changes in the incumbent vote share, they offer no specific explanation as to why voters turn against the incumbent in bad times. Chapter 4 sets out to determine if Greek voters are pocketbook oriented, voting for the challenger in response to a decline in their personal economic situation, or sociotropic, recognizing a declining national economic situation and blaming the incumbent. The individual-level model of economic voting developed in Chapter 4 finds that voters in Greece are significantly more sociotropic; those who tend to characterize the current economic situation as "bad" or "very bad" are much more likely to vote for the challenger, while those who tend to characterize the current economic situation as "good" or "very good" are much more likely to vote for the incumbent. Chapter 4's model also confirms the aggregate level finding that unemployment has no significant impact on vote choice in Greece.

While this study's individual-level analysis only included one election year, a rather convincing argument can be made for economic voting in Greece when the findings from Chapter 4 are combined with the aggregate-level findings of Chapter 3. Not only do real income and inflation correlate with incumbent vote share, but individuals' characterizations of national economic conditions are also correlated with vote choice. Future economic voting research could attempt to determine if the sociotropic nature of the 1996 Greek electorate discovered in this study exists across time.

The economy has always been and looks to remain one of the most salient political issues in Greece. During the highly volatile economic period of the 1980s and early 1990s each party pledged to bring stability to the economy and to enact a policy prescription to promote and maintain positive growth. As the 1990s progressed the country was focused on qualifying for the EMU. Greece was forced to "proceed toward the harmonization of its fiscal policies within the broader EU context of economic integration, thus obliging the two leading political parties to follow similar policies."[1] These policies were undoubtedly a long-term success; Greece was accepted into the third stage of the EMU in 2001 and has outpaced average EU growth for most of the new millennium. Yet Greek voters still tend to punish (reward) incumbents for even minor economic shortcomings (successes). While the economic policies advocated by PASOK and ND have remained quite similar, Greek voters do not hesitate to replace the executor of these policies if the incumbent is not guiding the economy through a period of positive growth and declining inflation.

This study's findings suggest that any changes in income growth and inflation, regardless of the policy executor, will influence the incumbent party's chances of reelection.

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[1] Stylianos Papathanassopoulos, "Election Campaigning in the Television Age: The Case of Contemporary Greece," *Political Communication* 17, no. 1 (2000): 51.

While the economic voter hypothesis has been applied numerous times with countless tweaks to both the U.S. and most Western European countries, it has never been specifically tested for Greece. This study has shown that Greeks citizens are economic voters to a much greater extent than American and Western European citizens, punishing incumbents significantly more for similar shifts in income and inflation. This trend, however, may not be necessarily indicative of Greek voting patterns in the future. Now that Greece has successfully entered into the EMU and the Olympiad has come and gone, it will be interesting to see if the economic policies of PASOK and ND begin to diverge. The Greek government is no longer bound to implement reforms initiated by the Monetary Union. Furthermore, with the Olympic Games now just a recent memory, the country is no longer united behind the economic polices associated with the execution of one large-scale event. As future governments begin to tackle the difficult issues of pension and healthcare reform, the economic implications of their policies will undoubtedly affect vote choice. The extent of this effect remains to be determined.

Finally, it is worth emphasizing once again the significance of finding consistent economic voting patterns on both the aggregate and individual level between 1985 and 2007 in the Hellenic Republic. The fact that there is such strong empirical support for the economic voting hypothesis underscores the point that even when presented with nearly identical economic policy platforms citizens behave in a remarkably consistent way – "throwing the rascals out" in periods of economic decline. This study demonstrates that not only is it possible to look for and find links between economic changes and voting outside of the United States and Western Europe, but also in doing so, valuable contributions can be made to the study of the general relationship between economics and elections.

APPENDIX A

SOURCES OF ECONOMIC INDICATORS

TABLE A.1
Sources of Economic Indicators

Variable	Years	Source
Chapter 2		
Real GDP growth	(1961-2006)	1
Inflation	(1961-2006)	1
Gov. debt as percent of GDP	(1961-2006)	2, 3
Gov. budget deficit as percent of GDP	(1961-2006)	2, 3
Chapter 3		
Real per capita income	(1984-2007)	1
Inflation	(1984-2007)	1
Unemployment	(1984-2007)	1

(1) The World Bank Group. World Development Indicators. Online at <http://devdata.worldbank.org/dataonline/>.
(2) Organisation for Economic Co-operation and Development. Various *OECD Economic Surveys: Greece.*
(3) Alogoskoufis, George, Francesco Giavazzi, and Guy Laroque. "The Two Faces of Janus: Institutions, Policy Regimes and Macroeconomic Performance in Greece."

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