The Political Economy of Policy Delegation: 
The European Monetary Union, Campaign Strategy, and the Changing Salience of the Economy in Vote Choice*

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Abstract

The economic voting literature emphasizes that complex government structures lead voters to weigh the economy less in their voting calculus. While a number of institutional factors have been considered by the literature, these have largely been institutions that voters can directly punish through electoral mechanisms. These analyses have implicitly assumed that governments have the tools at their disposal to manage the economy. In recent years, this assumption has become increasingly problematic, particularly in the Eurozone. Within the European Union the European Central Bank (ECB) was designed to have both significant independence from the political process as well as strong tools at its disposal with which to manage the economy, reducing the effectiveness of national governments to manage their individual economies. This leads to a number of empirical and theoretical questions about the stability of economic voting in Europe over time as well as the mechanisms through which institutions shape voter beliefs, politician behavior, and levels of economic voting.

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Pre-Introduction

Thank you all for reading this paper. It is my first attempt to lay the theoretical and research design ground work for my ECB case study that I have received funding to work on this summer. As such, I allude to some very preliminary macro-level data that I’m collecting and evaluating at the moment, but focus on my synthesis of two + literatures and describing the causal mechanism that I’m looking to test in my case study. I am really interested in your comments on any and everything that is confusing, unclear, poorly written, seems contradictory, implausible, or untestable. Comments and suggestions regarding theory/mechanisms and my research design are crucial at this point. Really, any thoughts you have would be deeply appreciated!

Thanks so much,

Cassie

Introduction

This paper aims to understand how changes in political and economic institutions affect democratic accountability and the relationships between voters and politicians by considering the ramifications of the 1992 Treaty on European Union (TEU) in light of insights from the economic voting and international economics literatures. A main feature of the TEU (also known as the Maastricht Treaty) is the completion of the single market through the integration and centralization of monetary policy. TEU requires all member states to (eventually) move to a single currency, the Euro, and a single set of monetary policies\textsuperscript{1}. The strong delegation of monetary policy authority from member states to the highly independent European Central Bank (ECB) reduced the abilities of leaders of individual countries to manage their economies. The economic voting literature posits that when the economy is performing poorly the incumbent government loses votes on election day (e.g., Norpoth 1984; Stigler 1973).

\textsuperscript{1}The United Kingdom and Denmark are legal exceptions to this, having obtained opt-outs of this treaty provision. Sweden has remained outside of the Euro by purposely failing to meet the convergence criteria. Many of the more recent EU entrants have failed to meet the convergence criteria, though some, such as Slovenia, have been able to join the Euro over the past few years
Political institutions, however, moderate this relationship between economic performance and electoral outcomes. Where political institutions make it clear who is responsible for policy outcomes (unitary states with unicameral legislatures, single-party majority governments, and weak committee structures) the positive relationship between economic and electoral outcomes is strongest; as the institutional context becomes murkier (federalism, bicameralism, coalition/minority governments, and strong committee systems) this relationship weakens (e.g. Bednar 2007; Duch and Stevenson 2008; Powell and Whitten 1993). While little work has explicitly examined how the institutional context differentially leads voters to use the economy as a metric against which they measure the government, it is generally assumed within the literature that voters have a reasonable idea of how much control the government has over macroeconomic policy and economic outcomes. Existing studies, however, have failed to account for the degree to which elected politicians are able to use the levers of fiscal and monetary policy to manage demand. For members of the Eurozone the abilities of their national governments to manage their economies has to be called into question. If the capacities of national governments to produce the economic outcomes that voters want are substantively diminished under TEU, are voters still voting the economy? If so, what explains the decisions of politicians to give up a potential means of retaining office? If not, what is the mechanism by which voters have been able to determine that responsibility lies elsewhere?

The extent of this change in capacities, however, has been unequal across the eurozone. Countries that had highly politically dependent central banks prior to euro accession would have experienced a much larger curtailment of their capacity to direct national economic policy than those countries that already had more independent central banks because the former were still able to largely direct monetary policy prior to Maastricht unlike the former group. The creation of the EMU was accompanied by a massive public education campaign conducted by the Union, allowing us to assume (perhaps more safely than usual) that voters had at least some knowledge that the EU would be more responsible for their national economy than ever before. Moreover, by 2001 people in the Eurozone had a daily reminder of the European Union’s control over monetary policy

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2Those countries that are official members of the Euro beginning in 1999: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Greece (2001), Slovenia (2007), Cyprus (2008), Malta (2008), and Slovakia (2009).
and the economy with the introduction of Euro notes – every time they opened their wallets they could see the importance of the EU. These changes lead to a series of questions, the answers to which will shed light on the role of institutions in voting behavior. How have voters reacted to these changes in government capacity? Has the role of the economy in national elections changed during the process of economic integration? To what extent have national politicians capitalized on these institutional changes in their electoral campaigns to shift responsibility for bad economic outcomes to the European level?

The paper addresses this series of puzzles arising from the integration of the economic voting and open economy international economics literatures to which the European Union’s process of monetary integration provides an appropriate set of test cases. Below I provide a more detailed review and synthesis of these two literatures and lay out a set of theoretical puzzles that are drawn from this process. I then proceed by describing the key elements of the European Monetary Union and its usefulness as a set of cases with which to test the inferences drawn from my integrated international political economic voting theory. The following section lays out the research design that will be pursued and a final section considers the potential implications of these findings.

**Accounting for Economic Institutions in Economic Voting Theories**

There is significant cross-national evidence that both perceptions and objective measures of poor economic outcomes reduce the prospects for reelection of incumbent governing parties. Norpoth (1984) finds that higher inflation erodes presidential popularity in the US and Jordahl (2006) arrives at a similar conclusion regarding the impact of macroeconomic variables for Swedish voters. Recent evidence from a series of cross-national surveys indicates that, in fact, the phenomenon of economic voting is present in most western democracies (Duch & Stevenson 2008). Economic voting is the idea that people “vote the economy”. That is, economic outcomes, or perceptions of economic outcomes, are strong predictors of vote choice. Specifically, poor economic performance is expected to reduce the likelihood of voting for the incumbent government while good economic performance is expected to either increase or, at worst, have no effect upon vote choice and electoral outcomes. Prospect theory implies that people are more aware of bad consequences than of good ones - taking
the good to be natural and not the result of the actions of others but seek to determine responsibility for bad outcomes (Kahneman and Tverski 1979; Lewis-Beck and Paldam 2000). By this reasoning voters are less likely to reward a politician or party for a good outcome but will try to punish someone for a bad outcome.

Public opinion scholars interested in how individuals arrive at their vote decisions have found that the economy is a significant determinant of individual vote choice. Further, in most countries it is the state of the national economy, not personal financial situations, that most strongly affects vote choice (e.g., Kiewiet and Kinder 1979; Lewis-Beck 1988; Borre 1997). Voters do not hold the government responsible for personal economic misfortunes but do hold them accountable for maintaining a strong national economy. Most scholars find that past economic performance largely determines voter expectations for the future and so focus on indicators of retrospective economic performance in their analyses of survey data (MacKuen et al. 1992). Voters are found to actually be quite well informed about the economy near elections, though their knowledge seems to dwindle after the election (Paldam & Nannestad 2000). This implies that campaigns may serve as a means through which individuals learn about the current economy though there have been no studies to my knowledge exploring this relationship. It also implies that the connections that voters make between politics and economics may not be static but triggered by how politicians frame these connections (more on this in the following section). Because of the focus on the economy in their vote choices and the apparent connection that voters make between policy and the state of the economy the ability of voters to make accurate assessments of responsibility for economic policy is important for the mechanisms of economic voting to function. A separate strand of the economic voting literature has focused on how institutional arrangements may aid or hinder voters’ abilities to attribute responsibility for these outcomes.

This focus on institutional mediation arises from the finding that the economy is a stronger

Nannestad and Paldam (1995) find little evidence of sociotropic voting in Denmark but significant evidence of egotropic voting. However, this could be a result of cultural expectations of government responsibility for providing for the economic well-being of the individual in Denmark given the long-term commitment of the state to providing employment and generous unemployment compensation in that particular country.

The literature tends to focus on retrospective, sociotropic voting. That is, the focus is on vote choices arising from past national economic outcomes as opposed to future or personal economic outcomes.
predictor of incumbent electoral prospects in some countries than others. If these individual attribution processes are to aggregate to significant differences in economic voting between different countries that persist over time, then it may be that there is something that systematically leads people in some countries to be more likely to attribute responsibility for economic outcomes to the government than in others. The most common explanation for these cross-national differences is that domestic institutional contexts make attribution easier in some locales and more difficult in others. Institutional configurations that involve multiple actors contributing to the formation of economic policy affect the ability of voters to focus their attributions of economic responsibility effectively (Lowry et al. 1998). As a result, voters simply do not use the economy as much in making their vote choice as the lines of responsibility become increasingly blurred between different political actors.

Accordingly, we would expect economic voting to be stronger in a high clarity of responsibility institutional context; one in which responsibility for policy is obvious and citizens have the ability to remove politicians or parties that fail to represent their interests in a manner that can meaningfully change policies (Powell 2000). Institutions thought to reduce clarity of responsibility include coalition and minority governments and opposition control of committee chairs (Powell & Whitten 1993), bicameralism (Nadeau et al. 2002), and federalism (Lowry et al. 1998). The ability of voters to assign credit and place blame on the political actors responsible for particular outcomes is imperative if accountability is the normative objective that a polity wants to pursue. The existence of multiple actors with overlapping responsibility for a particular policy or outcome thus reduces the ability of voters to observe who actually produced the outcome (Bednar 2007; Powell 2000; Powell and Whitten 1993). When there are multiple agents whose behaviors have an (probabilistic) effect on an outcome, the ability to infer the impact of contributions by any individual agent through the knowledge of the final outcome is difficult for principals. This inability to fully observe the actions of agents and the effects of these acts produces incentives for either shirking in cases where all agents have an explicit mandate to contribute to the production of a good (Güth et al. 2001) or for an agent to take actions outside of their immediate mandate in order to be associated with a likely positive outcome (Bednar 2007a).

The inability of voters to assign responsibility for outcomes, however, is not simply a result of
the actions of their multiple agents but of voters’ limited knowledge about the agents actions. It is
the publicity of actions that allows voters to hold agents accountable (Naurin 2006). People have to
know that their elected representatives have taken some actions and be able to link those actions to
the outcomes that they observe. This likely occurs through campaigns. The factors that reduce or
enhance clarity of responsibility are a combination of both static (e.g., federalism, bicameralism) and
dynamic (e.g., divided government, coalition government, increasing trade dependence) properties
of political life (Nadeau et al. 2002, Duch and Stevenson 2008). The types of agents that have
been most thoroughly examined by the literature are typically ones whose presence and actions
would be publicized repeatedly over time; their actions would also be publicized more heavily in the
lead up to elections (Stevenson & Vavreck 2000). In particular, when there exist multiple actors
who impact outcomes (politicians being among those actors) politicians seeking reelection have
an incentive to try to claim credit for good outcomes and to shift blame to someone else for bad
outcomes, regardless of how much influence they actually had over the outcome (Cain et al. 1987,
Powell and Whitten 1993).

Existing studies, however, rely on the implicitly assumption that political actors always have
tools at their disposal that they can employ to achieve desired economic outcomes. However,
the degree to which politicians, regardless of institutional clarity of responsibility, are capable of
managing the national economy is constant neither across countries nor over time. Both fiscal
(taxing and spending) and monetary (the supply and cost/interest rates of money) policies can be
effective tools for managing the macroeconomy. The Mundell-Fleming model, however, reveals that
these policy instruments are not equally effective in all situations (Fleming 1962; Mundell 1960).
This model identifies an ‘unholy trinity’ of macroeconomic policy objectives of which a country
can only have two at any one time: monetary policy autonomy, fixed exchange rates, and capital
mobility.\footnote{Monetary policy autonomy is the idea that a country can pursue an independent monetary policy to prevent the
economy from overheating, spur growth during economic downturns, and control inflation. Fixed exchange rates allow
the costs of trade to fall because real price uncertainty is diminished. Mobile capital relates to the free movement of
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money in and out of the country.
Technological advances have made control of capital flows increasingly difficult since at least the 1980s, forcing governments to choose between the monetary policy autonomy and fixed exchange rates.

When fixed exchange rates are chosen, the national central bank is forced to purchase and sell currency in order to protect the exchange rate. As such, monetary policy cannot be used to manage domestic growth, unemployment or inflation. This results in fiscal policy becoming relatively more effective in managing demand. Since government decisions to increase spending (which directly leads to increased economic growth) increases interest rates (since the central bank cannot expand the domestic money supply), causing investors to increase their demand for the national currency. The movement of capital into the economy puts upward pressure on the exchange rate. The central bank, in order to protect the fixed exchange rate, has to purchase foreign currency with national currency in order to maintain the exchange rate. This results in lower national interest rates, which provide an additional boost to the government’s expansionary spending policy (Clark 2003). Thus, the central bank’s actions support the government’s fiscal policies. Changes in the money supply, however, have to be focused on maintaining the exchange rate’s parity. Any manipulation of the money supply or interest rates in an attempt to affect the domestic real economy would lead to a movement in the exchange rate away from its fixed value.

When exchange rates are allowed to float, monetary policy becomes increasingly effective for managing the economy while fiscal policy becomes less effective. In this case, an increase in government spending again increases the national interest rate. This leads to an inflow of capital, appreciating the exchange rate. The central bank, however, has no need to stem this appreciation of the exchange rate. As the exchange rate appreciates, imports become relatively cheaper (as one unit of the national currency can now buy more units of foreign currencies than it could before) while exports decrease, offsetting the economic gains of the spending increase. Further, the central bank, should it so choose, can counter the increase in government spending by contracting the money supply. The use of monetary policy, on the other hand, becomes more effective in the management of the real economy. A decision to increase the money supply/reduce interest rates by the national central bank reduces the incentive to save, increasing spending and growing the economy. The reduction in interest rates leads to an outflow of capital, lowering the exchange rate.
This will increase exports (foreigners will demand more goods from the country because they are relatively cheaper than they had been before the depreciation) while imports will fall. This further increases domestic economic growth and, likely, employment.

In either of these cases, the government is still able to manage (or manipulate) the macroeconomy because it is assumed that it has control of both of these policy levers. If this assumption is valid, then the economic voting literature’s assumptions about government capacity to affect economic outcomes is valid. Government control over central banks, however, is far from universal. Central bank independence (CBI) is the degree to which a central bank can set monetary policy without government approval. As CBI increases, the applicability of the assumption of government control over monetary policy becomes harder to justify.

Central banks with high degrees of independence in a context of capital mobility and floating exchange rates have the opportunity to pursue their goals of price stability (i.e., low inflation) instead of allowing inflation to rise in order to attain short-term gains in economic growth. Over the long run, low inflation can encourage increased investment, increasing long-run growth. In the short-run, however, an independent central bank pursuing a strongly anti-inflationary policy prevents the government from engaging in political business cycles, which may reduce the likelihood of a governing party’s reelection. In this context, the normative assumption that governments ought to be held responsible for economic outcomes obtained during their tenure becomes increasingly suspect. If governments are being held responsible for economic outcomes that they did not produce,

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6  CBI has been variously defined. It can relate to goal independence, operational independence, and political independence. Goal independence is when the central bank is allowed to set its own policy prerogatives, for example, determining the target interest rate. Operational independence of a central bank occurs when the bank can decide how best to pursue its objectives, e.g., whether to engage in open market operations or change reserve requirements. Political or legal independence refers to the codification in the bank’s charter that allows the bank to act independently of government instructions. It is also oftentimes tied to long tenures of central bank governors, providing them with a longer time horizon than politicians. In this paper, however, the definition chosen is of relatively little importance given that the European Central Bank is highly independent on all three of these dimensions. To apply this to a broader set of cases however, would require more careful choice over types of independence.

7  Political business cycles result from politicians attempting to stimulate short-run growth prior to an election in order to bolster their chances of reelection. Increasing the money supply increases spending in the short-run without increasing inflation until the medium-term, after the election.
why do they choose such institutional configurations? Why don’t they simply reassert control over their central banks? In the following section, I describe a political rationale for the delegation of effective monetary policy to a highly independent central bank like the European Central Bank (ECB).

**Blame Shifting and the Economic Vote**

Why would a government give up control over a policy instrument that could be used to increase their chances of reelection to an entity that they cannot control? And why would they design that entity to pursue policies that are likely to diverge from what are generally believed to be the government’s short-term electoral interests? Existing explanations from both economics and political science provide some insights, but fail to explain how politicians/parties/governments are able to overcome their (expectations of) short-run electoral vulnerabilities in order to create a set of institutions that are designed to pursue the long-run national interests. I believe that, by considering electoral and campaign strategies of politicians, we can better understand how politicians are able to pursue both short-run and long-run interests. In particular, I argue that when politicians in fact have less control over economic outcomes they will attempt to shift blame to the independent central bank during economic downturns. On the other hand, when the economy is performing well incumbent politicians will attempt to take credit for the outcome.

During an electoral campaign, parties emphasize the economy to differing extents (Budge et al. 2001; Klingemann et al. 2008). Parties in government tend to always talk about the economy while opposition parties tend to talk about the economy more when during periods of poor performance. Grafström and Salmond argue that during good economic times the government (regardless of institutional clarity) has an incentive to emphasize the economy in a campaign, linking economic outcomes to its policies. In low clarity of responsibility countries, the opposition is also able to make credible claims about its contributions to the good outcome, diluting the advantage of the governing parties’ statements. In high clarity contexts, however, the opposition is unable to make such claims with any real credibility and so the government is able to take all of the credit for the outcome.

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8Working paper to be presented at Midwest.
good outcome. When the economy is doing poorly, on the other hand, the government in a high clarity of responsibility country has difficulty making a clear and convincing argument exonerating itself from the economic outcome while the opposition has an incentive to discuss the state of the economy more than it does during periods of strong performance. In low clarity contexts, however, the government and opposition are both able to make reasonable, though likely complex, arguments that attempt to shift blame to the other for bad outcomes.

A similar argument can be made about blame shifting in the context of effective but apolitical monetary policy. Elections occurring in the midst of economic downturns are still likely to focus on the economy. However, in this case the government can make a somewhat clear and very credible argument that it is not to blame for the outcome, but the policies of the independent central bank. When the government truly does not have effective control over policies of economic management, this argument will be harder to rebut by the political opposition. The opposition will have a (relatively) more difficult task of trying to blame the government for the poor economic performance in this case because the government will be able to make its own convincing case. Furthermore, the central bank is not in the business of campaigning to protect its public image, so it is unlikely to make an appeal aimed at voters to exonerate its actions.

However, during periods of strong economic performance the government will still try to claim credit for the good outcomes. Like the clarity of responsibility arguments made above, the opposition has little incentive to focus on the economy when it is performing well, preferring to shift the focus of the campaign to issues on which it has a comparative advantage. The central bank is neither harmed nor threatened by this credit claiming and so is unlikely to attempt to take credit as it has little to gain from such actions. Since we know that voters have more information about political issues in the weeks immediately prior to an election and that knowledge decays quite rapidly (Anderson et al. 2003) it is reasonable to assume that, for most voters, the connection made between the bad economy and the central bank in a previous election would not be readily available to them in the current election. In this way, the decision to delegate economic policy to a non-elected actor could be a win-win move. If politicians are risk-averse⁹/are more concerned

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⁹An actor that is risk-averse over electoral outcomes would prefer lower marginally lower average electoral returns that were more certain over outcomes that were slightly higher on average but which could be expected to take on a
about preventing losses than obtaining gains, the delegation of monetary policy could be ideal. Incumbent politicians are able to maintain their advantage during good economic times but are able to moderate some of the negative effects on their vote share during downturns, thus reducing variance.

Anecdotal evidence of this can be seen in the 2000 Japanese general election as well as the current financial crisis. After the 1998 Bank of Japan reform, the newly independent Japanese central bank failed to continue the loose money policy that it had been pursuing while under the direction of the Ministry of International Trade and Industry (MITI). This caused the nascent economic recovery to stall. In the subsequent 2000 election, the ruling Liberal Democratic Party (LDP) made the argument that the newly independent Bank of Japan (which they had made independent (Dwyer 2004)) was responsible for the poor economic performance and that there was nothing that they could do about it (CITE). Likewise, during the current financial crisis politicians in various countries have attempted to pass blame to their central banks for the deteriorating economic situation. Ben Bernanke’s (Federal Reserve Chairman) Senate reconfirmation hearing in December 2009 was filled with accusations of mismanagement and oversight failures (Isidore 2009). All of this occurred during the same period that Bernanke was named Time Magazine’s Person of the Year. Whether attempts to shift blame to the Fed’s Chairman were/will be effective in shifting blame for the current economic woes is an open empirical question. While these examples give minimal support for the causal mechanism linking macroeconomic control and economic voting posited in this paper, it is by no means a test of it. Below, I describe a set of empirical regularities that ought to follow from the causal mechanism advanced in this section and explain how the European Monetary Union provides us with an ideal set of cases with which to test various implications of this theory.

wider range of values. It may be that degree of risk aversion, however, is a function of the political institution that shape the degree to which access to the benefits of office are dependenNt on vote share. E.g., systems like that of the UK may be less risk averse because of the need to get 50% of the seats for benefits to accrue while systems such as Belgium’s where there is no expectation of obtaining half of the seats in parliament and being in government is still a good possibility for small parties.
Hypotheses and the applicability of the European Union

This simple argument of blame shifting has numerous macro- and micro-level empirical implications. On a macro-level, it implies that economic voting should be less evident in elections where the government has less effective control over macroeconomic outcomes. Early analyses find suggestive evidence of these effects in a sample of 19 advanced industrial country elections over a period of 25 years, though more thorough analysis is still needed (Grafström working paper). While these analyses point to some relationship between political control over effective macroeconomic policies and economic voting, they do not provide us with any evidence of how these effects are produced.

In this paper I consider three implications that arise from the large-N analyses discussed above and the micro-level mechanism posited here.

**Hypothesis 1** (Macro) Given the national political institutional context, the reduction of effective macroeconomic policymaking capabilities from the government ought to reduce the magnitude of the economic vote.

- Further, this change ought to be pronounced in those countries that have experienced the largest change in the capacity of the national government to affect economic outcomes (countries that have moved from strong political control over central banks (e.g., Belgium) to EMU accession). This is because governments in countries that had control over their monetary institutions and/or had fixed ex-change rates were the governments that had the most control over economic outcomes and so gave up the most power to an independent body.

**Hypothesis 2** (Micro) Voters perceptions of both the state of the economy and its importance on the national agenda should become worse predictors of vote choice in national elections, ceteris paribus.

**Hypothesis 3** (Micro/Macro) Since politicians truly have less control over economic outcomes than they had prior to joining the EMU, incumbents are expected to change their discourse about the economy (particularly during election periods), emphasizing the role of the body to whom policy was delegated when poor economic outcomes obtain. They would not, however, be expected to make such overtures during periods of good national economic performance.
• The opposition, on the other hand, would not be expected to alter their strategy significantly after the removal of policymaking capabilities from the government. If any effects are seen, they should try to shift credit for economic outcomes to the entity truly responsible for economic management during good economic times, in this case the ECB\textsuperscript{10}.

In the 1980s and 1990s, most European countries chose to forgo monetary policy autonomy, fixing their currencies to the German Deutchmark under European Monetary System (EMS) and exchange rate mechanism (ERM). This resulted in the ‘importation’ of German monetary policy, resulting in generally lower inflation than they were able to obtain previously (Chang 2009). However, the Bundesbank set its policy based on conditions in Germany, not the conditions of the EMS states as a whole. As such, when shocks had different effects in different countries, the monetary policy implemented may not have been appropriate for all countries in the EMS. The shock of German unification is a stark example. The Bundesbank, fighting inflationary pressures from the expansionary fiscal policies of the German government, increased interest rates. This effectively increased the costs of spending in all EMS countries, dampening economic growth. A number of EMS members were experiencing recessions in 1992 and 1993, meaning an expansionary monetary policy that reduced interest rates would be an appropriate policy for them. The Bundesbank, however, refused to lower interest rates forcing the UK and Italy to leave the ERM, floating their currencies in order to obtain monetary policy autonomy. The strong commitments of Italy and the UK to exchange rate stability were not credible enough to hold off currency speculation (Wyplosz 2006).

This attempt to create exchange rate stability in Europe proved problematic because it was based on a monetary policymaker that was legally bound to consider only the economic conditions in one country (Germany), which was inappropriate for other countries. The Treaty of European Union aimed to solve this problem through the creation of the European Monetary Union (EMU). EMU creates a unified monetary policy among the European Union member states that would be responsive to the overall economic situation in the entire EU, instead of solely the economic situation

\textsuperscript{10}I think this is unlikely though. Since they only have the attention of voters for so long, they should not want to waste that attention time by making a point that is unlikely to turn someone against the government, and more important, toward them.
in Germany\textsuperscript{11}. Since 1999, monetary policy has been implemented by the highly independent European Central Bank (ECB). The ECB is mandated to pursue a policy of “price stability” and to “support the general economic policies of the Community” as a secondary consideration to price stability (\textit{Treaty on European Union} 1992, Art. 2). It is up to the ECB to define precisely what these term mean as well as how to achieve them. The ECB has hence defined price stability as Eurozone inflation between 0 and 2\% (Chang 2009, Wyplosz 2006). Monetary policy for the entire Eurozone would be set by the Governing Council, composed of the governors of each national central bank in the Eurozone as well as the members of the Executive Board, which is made up of the ECB President and Vice President along with four appointed members of the financial and banking sectors. Each member of the Governing Council is given one vote on the Eurozone’s monetary policy, though members of the Executive Board are thought to have influence that exceeds their minority of votes due to the Board’s agenda setting power (Chang 2009). The members of the Council are supposed to consider overall economic conditions in the Eurozone, not simply those in their home country. The national central banks then implement the decisions made by the Governing Council.

In order to enter into the European Monetary Union countries were required to fulfill the Maastricht Convergence Criteria. These criteria can be split into institutional and economic components. The economic components involve the reduction of deficits to less than 3\% of GDP and debts to less than 60\% while the institutional components were with regard to granting national central banks legal independence\textsuperscript{12}. While only one country fulfilled all of the economic components prior to the 1999 accession (or any subsequent accessions), the institutional components were universally implemented. The tightening of fiscal policy that was required by the economic components was difficult for all governments (though differentially so), as it required painful changes in their taxing and spending policies. The institutional changes were, however, much larger for some members than others.

\textsuperscript{11}Though Germany’s status as the largest economy in the EU and the principal designer of EMU has led to its continued preeminence in monetary policy implementation.

\textsuperscript{12}Specifically, national central bank governors must have a tenure of 5 years and must be explicitly forbidden from taking government instruction or financing government debt in the primary market.
For some countries, the implementation of the institutional components require minimal change in existing policy and institutions (e.g., Austria, Germany and the Netherlands) while for others these institutional adjustments marked a significant change from the status quo (e.g., Belgium, Italy and Spain). Countries that had a historic commitment to CBI and low inflation policies experienced a much smaller change in policy than those countries that had traditionally had political control over monetary policy and fiscal dominance. This institutional change, affecting all member states simultaneously but to differing degrees, provides an ideal testing ground for the theory of blame shifting. In particular, the lackluster growth and employment experienced across the Eurozone in the years following the completion of EMU is a period in which we might expect to see increased blame shifting to the European level by domestic politicians. Chang (2009, pg. 92) notes that “EMU has exacted uneven costs and benefits across the Eurozone, and it is unclear who should be held responsible, although publicly the ECB has been handed much of the blame.” Is this a change from prior political behavior? The following (final substantive) section briefly discusses a means of testing this.

**Research Design**\(^\text{13}\)

Given the various levels of analysis in this study, a multi-method approach is required to test the implications of the integration of international political economics and economic voting theories. To test the first macro-level implication, I have begun collecting data on the electoral returns of government parties in Eurozone states in the post-Maastricht era and combining them with existing measures of central bank independence, economic growth, unemployment, and inflation along with the relevant institutional characteristics. With five years between the signing of Maastricht and the full implementation of the EMU, the institutions in place after 1999 are less likely to be associated with the actions of the incumbent governments, allowing me to consider changes in voting behavior not to be reactions against government policies that led to the changes in economic institutions. I am not sure precisely what year should serve as the cutoff for “national” economic management and the beginning of European economic management, considering that the process toward the single

\(^{13}\)Suggestions for improvements of the research design and its implementation are desperately needed.
currency lasted several years. During this time governments brought their macroeconomic policies into closer alignment and thus had less control. The Maastricht Treaty went into effect beginning in 1994; exchange rates were fully fixed and monetary policy was determined by the ESCB/EB beginning in 1999; and Euro notes went into circulation in 2001.

To test the second hypothesis, I plan to use Eurobarometer and European Social Survey data to look for both changes in the predictive power of economic perceptions on individual vote choice as a function of government economic capacity and in voter attribution of responsibility for the economy on the national government. This would involve the estimation of two different vote choice models for each country - one for each period. Differences in the coefficient on economic perceptions could be (tentatively) attributed to the change in institutions.

The final, and what could prove most interesting, means of testing this argument involves conducting content analysis on the specific rhetoric of a single party that was in government across time (at some point prior to accession and after accession, with the former having occurred during an economic downturn) in at least 2 countries to see if there are changes in how the economy is discussed in public political discourse\(^\text{14}\). The countries chosen would ideally be ones that were admitted to the Eurozone at the same time (thus ensuring that differences are not a function of different length of experience with the ECB), have similar labor market structures, experienced similar levels of relative growth and unemployment both before and after the move to EMU\(^\text{15}\), but are quite different on their degree of CBI prior to accession. I would like to choose a party in each country that is of the same general ideological family and that has been a member of the government during a period of poor economic performance both before and after the implementation of European monetary policy. At this point, I have no idea what countries (perhaps Belgium and the Netherlands?) or specific parties are appropriate nor how close to this ideal I’ll be able to come. I plan to conduct a content analysis of the largest newspaper in each country during the periods chosen, looking for joint references to the economy and the national central bank/ECB/EU by members of the indicated party. I plan to use the department’s provalis software, which searches

\(^{14}\text{This is the aspect that I think is potentially the coolest part of the paper, but the one that I am the most unsure of how to conduct at this point.}\)

\(^{15}\text{Inflation levels have significantly converged since EMU, though they are not precisely the same across all countries.}\)
through Lexis-Nexis for specified parameters to find the sample of statements. I will then read through this sample, noting how economic problems were discussed, in particular looking for any references to the central bank's role in the poor performance\textsuperscript{16}.

**Conclusion**

The economic voting literature, which has largely tested its theories using Western European cases, has largely ignored the economic institutional shifts occurring at the European and global levels. Further, it has failed to describe and produce evidence of the micro-level foundations through which institutions shape voting behavior. This study seeks to redress these problems by critically examining how changes at the international level affect the relationships between voters and their elected representatives. Delegation of monetary policy to the European Central Bank and the resultant floating exchange rate regime was a large shock that changed the relationship between national politicians, their electorates, and economic outcomes. The EMU has enfeebled national politicians ability to engage in national macroeconomic policymaking. Since politicians have few means of countering national economic shocks they have an incentive to blame the EU for poor economic performance while trying to take credit for good performance. Whether politicians are in fact doing this and whether it results in a reduction in negative economic voting are open empirical questions. The effects of this political behavior on citizen perceptions of increased European integration is beyond the scope of this paper, but my findings may have implications for related questions pertaining to both the EU's democratic deficit and euroskepticism. If politicians are creating a narrative in which the interests of their voters and those of the ECB (and implicitly Europe) are at odds, this could further fuel euroskeptacism. After all, citizens views on the EU are shaped not only by the nature of European institutions and their true relationships to voters but by the national political discourse about the those European institutions led by national politicians (Hobolt, Spoon & Tilley 2009). Understanding how changes at the European level affect politician incentives and,

\textsuperscript{16}I'm not at all sure that this is the best way to go about the search for my mechanism. I think that content analysis is a good method, but I'm not sure if I should be looking at more than one party per country, more than 2 countries, how I should pick my countries, etc.. Thoughts on this would be ESPECIALLY helpful.
thereby, voter behavior may help scholars and policymakers better understand how to combat these problems.
References


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