

Financial markets and mass political attitudes: evidence from the 2022 Brazilian election

Sarah M. Brooks^a, Raphael Cunha^b and Layna Mosley^c

^aDepartment of Political Science, Ohio State University, Columbus, OH, USA; ^bDepartment of Political Economy, King's College London, London, UK; ^cDepartment of Politics and School of Public and International Affairs, Princeton University, Princeton, NJ, USA

ABSTRACT

How do financial markets affect mass attitudes toward candidates in democratic elections? We theorize that, especially in financially open countries in the Global South, voters respond to financial market assessments of candidates for national election. We expect that they do so *via* two mechanisms: First, voters may be aware that financial market movements can affect material outcomes, such as the prospects for future economic growth and the likelihood of debt distress. Second, voters rely on financial markets for cues regarding candidates' economic policy competence. Using data from an original randomized survey experiment conducted during the 2022 Brazilian presidential election campaign, we find evidence for both the material and the cue-taking mechanisms. Our results identify a previously underappreciated way in which financial markets can affect domestic politics, *viz.*, through their influence on citizens' attitudes toward political candidates.

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Introduction

Countries in the Global South often depend on international capital markets to finance development. Capital account liberalization offers governments access to a broader pool of capital. At the same time, capital mobility exposes countries in the Global South to risks of economic crisis and capital flight. Even in non-crisis periods, financially open countries are exposed to global market forces. A significant part of the pricing of capital is driven by regional and global, rather than country-specific, factors (Brooks et al., 2015; Miranda-Agrippino & Rey, 2020; Mosley, 2003; Wibbels, 2006).

CONTACT Sarah M. Brooks  brooks.317@osu.edu  Department of Political Science, Ohio State University, Columbus, OH, USA

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It is well established that, under many conditions, politicians respond to the constraints generated by market actors (e.g., Campello, 2015; Freeman et al., 2000; Mosley, 2003; Przeworski & Wallerstein, 1988). In response to, or in an attempt to avoid, negative market reactions during election periods, incumbents and candidates often moderate their policy platforms, especially in countries that are highly dependent on international capital or that have high levels of outstanding sovereign debt (Brooks, 2004; Hardie, 2006; Martínez & Santiso, 2003; Rodrik, 1998; Wibbels, 2006).

We theorize that the masses are also sensitive to financial market movements and judgments, offering another channel by which global markets can affect domestic politics during election periods. We hypothesize that information about financial market responses to different candidates during an election campaign can shift voter evaluations of those candidates, especially for individuals that do not identify strongly with a given political party or candidate. This occurs through two related channels. First, election-induced movements in financial markets affect voters' assessments of the material consequences of elections—in terms of both their own situation and the broader macroeconomy. Market reactions to elections and the electoral cycle can affect exchange rates, interest rates, and stock valuations, impacting individuals and the broader economy through their effects on consumption, investment and borrowing, and financial wealth. They can also affect governments' ability to access new credit and to refinance their existing obligations, which have direct consequences for citizens (see, for example, Brooks et al., 2022). Second, voters may look to market reactions and analysis for cues regarding candidates' economic policy competence. Given the difficulties associated with evaluating candidates' and incumbents' ability to manage the economy—especially challenging in emerging and frontier markets—elite cues, including those from globally-connected investors, may play an important role for voters.

We test our expectations in the context of Brazil's 2022 presidential election, where two well-known candidates were running for election, and market actors were watching carefully. We conducted a survey experiment in October 2022, in the weeks between the first and second rounds of voting, which gives us the unique opportunity to use real-market responses to the first round of the election to assess citizens' evaluations of candidates in advance of the second round. We randomly assigned respondents to receive information about financial markets' reactions to the two runoff candidates, Jair Bolsonaro and Luiz Inácio Lula da Silva, as well as to the results of the first round of the election.

We find that information about the overall market reaction to the first round of the election—a positive shift following a stronger-than-expected

showing for Bolsonaro—is associated with more positive voter assessments of Bolsonaro and more negative views of Lula. Similarly, respondents who are informed that professional investors are worried about the future course of economic policy under either candidate are less favorable, all else equal, in their assessments of that candidate. We also explore how these treatment effects vary with the level of financial exposure of individuals to financial markets, economic knowledge, political ideology, party identification, and trust in the judgment of financial market actors. Our results provide evidence that financial markets can shape candidate assessments and vote choices by providing information both about the anticipated material effects of an election victory and about candidates' economic policy competence.

To the extent that this process occurs in financially-open emerging and frontier market economies, our findings suggest an additional, albeit less well-understood, mechanism through which capital markets can affect democratic outcomes. This study offers an initial analysis of how and to what extent citizens, in their attitudes and voting, consider the views of professional investors. It is in the tradition of 'mass IPE' (mass international political economy) (Curtis et al., 2014), but it is applied to financial markets rather than to trade or foreign direct investment.

Theory and existing research

Our theoretical expectations focus on middle-income countries that are engaged in the global financial system: that is, their capital accounts are at least somewhat liberalized; governments and private firms seek to attract investment from foreign (as well as domestic) sources; and the domestic financial sector is sufficiently deep to matter for local economic outcomes. Such countries—often labeled as 'emerging' and 'frontier' market economies—have long been subject to externally-induced volatility, in terms of the trade policies of dominant countries; shifts in global commodity prices; and global capital cycle dynamics (Ballard-Rosa et al., 2021).

The mass political opinion in these countries is therefore influenced by external economic forces. Indeed, a rich body of research in IPE has explored the foundations of mass attitudes toward various aspects of the global economy, including trade, foreign direct investment, sovereign borrowing, and exchange rates. Much of this research assumes that preferences over economic policy reflect material self-interest. Material self-interest could stem from factor endowments, sector of employment, consumer interests, exposure to offshoring, or home ownership and financing, among others (see, for instance, Ahlquist et al., 2020; Aklin et al., 2022; Ansell, 2019; Baker, 2005; Hiscox, 2001; Rogowski, 1987; Walter, 2008). Some analyses treated material self-interest largely at the

individual or household level, while others viewed such concerns as sociotropic (Bisbee & Rosendorff, 2025; Mansfield & Mutz, 2009). More recent scholarship has suggested that material concerns may be mediated by partisanship (Nelson & Steinberg, 2018), media framing (Barnes & Hicks, 2018), elite cues (Bansak et al., 2021) and racial attitudes (Baccini & Weymouth, 2021; Guisinger, 2017), *inter alia*.¹

Following this body of work, as well as broader scholarship on economic voting (see, e.g., Anderson, 2007; Lewis-Beck & Stegmaier, 2000), we assume that voters seek to evaluate how candidates will affect economic outcomes. This involves information about how key actors—especially, globally-connected financial markets—would likely respond to election winners, as this matters for macroeconomic outcomes as well as governments' capacity to provide resources to voters. We assume that citizens care fundamentally about their own pocketbook interests. But these are very often tied to the broader economy. Hence, we assume that voters are driven by sociotropic as well as egotropic economic considerations (see, for instance, Healy & Malhotra, 2013; Nguyen et al., 2023). We also note that in Latin America existing scholarship has highlighted the importance of sociotropic considerations (Campello & Zucco, 2020; Lewis-Beck & Ratto, 2013).

For citizens of emerging and frontier market economies, expectations about the future state of the macroeconomy—and by implication, their household—depend in part on external economic events. Duch and Stevenson (2010) reported that voters in wealthy, open economies attribute some portion of economic performance to the global economy, and the rest to the incumbent government. Focusing on Latin American countries, Alcañiz and Hellwig (2011) found that publics allocate responsibility for economic performance among the government, international markets, and (when there is a recent history of crisis) the International Monetary Fund (IMF). More recently, Campello and Zucco (2020) highlighted the role of exogenous economic shocks and volatility in explaining economic performance, and in citizens' assessments of political leaders, in developing countries.

We therefore expect that the mass public are quite aware of the importance of financial market outcomes—exchange rate movements, sovereign borrowing costs, and the cost of credit for firms—for their personal economic circumstances. For instance, the government's capacity to borrow is related to governments' capacity to engage in fiscal policy. To the extent that publics prefer that governments spend on education, infrastructure, social security and the like (and that they do so without raising taxes), voters should want their governments to retain access to international capital markets (Ballard-Rosa, 2020). Moreover, in countries with a history of economic and financial crises, the public will be especially

sensitive to negative market reactions. As such, we expect that information about financial market assessments of candidates will be associated with shifts in their assessments of candidates. For the electorate, generally, this suggests a first general expectation.

Hypothesis 1. *Information about positive financial market reactions to a candidate is associated with more positive assessments of the candidate; while informing respondents about negative market reactions is associated with less favorable assessments of the candidate.*

This implies that governments focus on maintaining investor confidence not only because they need access to capital on favorable terms, but also because voter approval is influenced, in part, by financial market assessments. Although considerable research has focused on the implications of ‘market discipline’ for public policy, less is known about the potential for market actors’ influence to be transmitted through their impact on mass public opinion. To the extent that voters are aware of and react to market actors’ signals of a candidate’s competence or impact on the domestic economy, the constraints generated by financial markets on domestic politics may be magnified in ways that existing research has overlooked.

This first hypothesis assumes that all individuals are equally concerned about financial market reactions as a function of markets’ general implications for the state of the economy as well as governments’ capacity to borrow and spend. However, we expect that individuals vary in their attention to and concern for financial markets. These differences reflect individual material interest, strength of identification with a candidate or party, and propensity to view international investors as a type of elite cue. Put differently, we expect that financial markets will have heterogeneous effects across different types of voters.

With respect to individual material considerations, previous studies have suggested that voters who worry about the interest rates on their consumer debt, for instance, are more likely to support the quick resolution of banking sector crises, even as such resolution is fiscally costly (e.g., Curtis et al., 2014). Similarly, Steinberg and Nelson (2019)’s study suggested that economic self-interest is central to explaining mass attitudes toward capital controls in Argentina, as well as presidential vote choice. Additionally, Margalit and Shayo (2021) conducted a field experiment in which individuals in the United Kingdom (UK) were given funds to invest in financial markets. Stock market investment is associated with a shift to the right in political and social attitudes, as asset ownership appears to generate greater trust in markets (and market-friendly political viewpoints). Therefore, we anticipate that individuals who have financial assets or investments will be particularly sensitive to information about financial market movements during presidential election campaigns. We

also expect that market reactions will be more salient to respondents who report higher levels of concern with the state of the economy.

Hypothesis 2. *Individuals with investment holdings, as well as those who are more concerned about economic policy outcomes, are more likely to shift their views in response to information about market reactions.*

That said, we also expect that partisan attachments will affect how voters respond to information about the likely material consequences of candidates' victories. Partisan attachments are a powerful force (Achen & Bartels, 2017), affecting the process by which individuals attribute blame or credit for economic performance (Tilley & Hobolt, 2011). In non-experimental settings, individuals typically seek information that aligns with their prior beliefs and discount information at odds with those beliefs (Taber & Lodge, 2006). Closely related to this is Nelson and Steinberg (2018)'s study of attitudes toward default in Argentina. They drew on multiple surveys related to the government's protracted legal disputes with (mostly foreign) bond investors. They found that opinions over these disputes are predicted more accurately by partisan identity and presidential approval than by individual economic self-interest. That is, those who might be expected, for material reasons, to support the repayment of debt did not do so when their preferred party or presidential candidate opposed repayment. Hence, at least in some contexts, partisan attachment may override concerns with market movements.

In the empirical context of our study—an election with two well-known candidates, and in which a significant proportion of the electorate held strong (and polarized) views—we might then expect that individuals who are strong partisans will be less likely to be moved by information regarding financial market reactions. Put differently, we expect market-related information to have a greater impact among those who are less attached to a candidate or a party and who, therefore, are less certain about their second-round vote choice.

Hypothesis 3. *Individuals with strong attachments to a presidential candidate or a candidate's political party are less likely to shift their views in response to information about market reactions.*

A second pathway through which voters may use financial market assessments of candidates to update their own views concerns economic policy competence. Voters generally seek means of assessing the competence (and, in the case of incumbents, the past performance) of political elites (Ferejohn, 1986; Healy & Malhotra, 2013). Given that they are informationally constrained, voters seek cues from reliable sources—heuristics by which to easily make judgments (Kahneman et al., 1982). Trusted media and elites are one source of such shortcuts. For example, with respect to fiscal policy,

Barnes and Hicks (2018) noted that public opinion toward deficit reduction, although partially explained by material interests, is affected by elite framing and media coverage. Similarly, in their study of mass attitudes toward austerity in several European nations, Bansak et al. (2021) found that preferences around austerity are driven not only by material interests, but also by media framing and governments' strategic creation of policy packages (also see Kayser & Peress, 2026).

External private actors, especially those in the financial sector, may also provide cues about government competence. Not only do voters with investment portfolios (Curtis et al., 2014; Margalit & Shayo, 2021) find market movements to be useful signals of competence, indeed, Nguyen et al. (2023) detailed how sovereign credit ratings are generally associated with shifts in public approval of governments. We expect that, especially for respondents who view international financial markets in a positive light and/or who pay close attention to market movements, market signals are used as a means of assessing candidate competence.

Hypothesis 4. *Individuals who place greater trust in markets, or who pay greater attention to markets, are more likely to shift their political views in response to new information on market sentiment.*

We assess these expectations *via* a survey experiment conducted during the 2022 presidential election in Brazil. If mass attitudes indeed vary in response to financial market movements, there exists another channel—beyond the direct costs to governments of debt financing—by which global capital markets influence domestic politics. Voters' awareness of the potential impact of markets, as well as their willingness to take cues for markets, suggests a more direct connection between investors' behaviors and the domestic policy process. Voters might hold governments accountable not only for debt defaults, financial crises, and currency devaluations (Ballard-Rosa, 2020), but also for more subtle increases in risk premia. Mass attention to financial market movements could facilitate the 'democratic advantage' in sovereign borrowing, by intensifying the domestic audience costs of default (Ballard-Rosa et al., 2021; Beaulieu et al., 2012; Schultz & Weingast, 2003). Mass publics' awareness of professional investors' reactions to politics also might make (some) political candidates and leaders more inclined to emphasize the market-friendliness of their policy positions.

Data and research design

We conducted a survey experiment between the first (October 2) and second (30 October) rounds of the Brazilian presidential election of 2022. The runoff election pitted incumbent president Jair Bolsonaro, from the right-wing Liberal Party (PL), against former president Luiz Inácio Lula

da Silva, from the left-wing Workers' Party (PT). We fielded the survey online between October 17 and 28—after the results of the first round had been announced, but before voters had cast their ballots for the presidential runoff on October 30. Our sample was collected from Cint's survey panel and includes 2,507 adult respondents (age 18 and older) residing in Brazil. We used census-based sampling quotas for age, sex, and region to ensure a nationally diverse sample along these dimensions. In addition, we used income-based quotas to obtain a more even distribution across income strata in our sample than in the population. Given the high income inequality in the Brazilian population, we chose to oversample higher income brackets so that we could effectively explore the role of material mechanisms such as the ownership of financial assets, which are highly concentrated among high income voters.

We chose this setting to field our survey experiment for two main reasons. First, Brazil occupies a central place in research on the political consequences of financial market reactions—from Jensen and Schmith (2005), Hardie (2006), and Santiso (2013) to Campello (2015), Brooks et al. (2022), and Cunha (2024)—making it a theoretically significant and substantively informative case. Presidential election campaigns in Brazil have often caused significant financial market reactions, sometimes prompting candidates to adjust their platforms to account for investors' preferences on macroeconomic issues (Campello, 2015; Martínez & Santiso, 2003). This makes Brazil an informative setting in which to examine whether financial market reactions extend beyond elites to influence mass political attitudes. We expect that the dynamics we study in Brazil would extend to other emerging and frontier market democracies, which are integrated with and exposed to global capital markets. Second, the timing of the 2022 election provided us with a unique opportunity. By fielding the experiment between the two election rounds, we were able to (a) observe the market's immediate reaction to the first-round results and (b) subsequently leverage that market reaction as part of our experimental stimuli at a time when some voters were still updating their beliefs about the candidates before casting their final votes for the second round.

At the same time, some features of this election make it a hard test of our theoretical expectations. For one, the 2022 election unfolded in a deeply polarized environment marked by intense partisan and antipartisan attitudes (Samuels et al., 2024; Samuels & Zucco, 2018). The race pitted two prominent candidates whose economic records were well known to voters and whose supporters were highly mobilized. Indeed, by the time our survey was fielded, most voters had already made up their minds: Bolsonaro and Lula together received more than 91% of the first-round votes. In other words, the vast majority of voters had already locked in

their preferences after the first round, so there were few votes up for grabs in the runoff. In this tight race, only a small subset of voters could plausibly be moved by our informational interventions.

Moreover, the Brazilian public is comparatively attentive to macroeconomic indicators such as exchange rates and inflation, given the country's long history of economic instability and currency crises (Campello & Zucco, 2020; Stokes, 2001). Indeed, market indicators such as exchange rates are among the most visible high-frequency indicators available to voters, functioning as a widely understood 'thermometer' of economic health in public discourse in the country (Machado, 2024). In other words, when it comes to macroeconomic conditions more broadly, Brazilian voters are relatively well informed, a fact that we confirm with our original survey data below. This limits how much we can expect voters to update their beliefs about candidates' economic competence in response to our market-cue treatments. And finally, only a small share of Brazilians have financial assets in any form, limiting the proportion of voters directly exposed to the material consequences of financial market movements. Together, these factors create a strong downward bias against finding effects from our treatments.

Against this backdrop, our research design consists of experimentally manipulating information about international financial investors' views regarding presidential candidates, as well as financial market responses to the first round results, to assess how this information may affect voter attitudes. We design the different survey vignettes in our study such that they represent two distinct but common framings through which voters are exposed to financial market cues during election campaigns: (a) media reporting on financial market movements following political events and (b) media reporting on investors' expressed concerns about candidates' economic policy competence.

We randomly assign the respondents to one of four treatment conditions plus a control group, as described in [Table 1](#). In the first two conditions, a vignette describes international investors' worries about a possible new Bolsonaro (Lula) presidency, focusing on investor concerns about the future course of macroeconomic policy under Bolsonaro (Lula). In both conditions, the information presented comes from real news sources, including actual quotes from financial market participants. We refrain from naming specific news sources in the vignettes to avoid confounding effects from respondents' possible preferences over particular news outlets. This first set of experimental conditions therefore emphasizes potential investors' concerns with the economic policies that would be likely to be implemented were either candidate to win office.

The second set of experimental conditions focuses on the behavioral responses of financial markets to developments in the presidential

Table 1. Experimental manipulations.

| Treatment Condition | Vignette |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Investors worried about Bolsonaro | Some international investors have recently expressed worries about a possible new Bolsonaro presidency. According to a major financial newspaper, Bolsonaro's proposals lack 'a commitment to promoting a stable macroeconomic environment, rooted in low inflation, sustainable fiscal policy and predictability.' Foreign investors also worry about the fact that 'Bolsonaro has circumvented the federal spending ceiling.' |
| 2. Investors worried about Lula | Some international investors have recently expressed worries about a possible new Lula presidency. According to a major financial newspaper, Lula's proposals lack 'a commitment to promoting a stable macroeconomic environment, rooted in low inflation, sustainable fiscal policy and predictability.' Foreign investors also worry about the fact that 'Lula has been open about his desire to abandon the federal spending ceiling altogether.' |
| 3. Markets' reaction to first-round results | <ul style="list-style-type: none"> • On the day after this year's first-round presidential election results were announced, a stronger-than-expected showing for President Jair Bolsonaro led to positive reactions in Brazilian financial markets: The Ibovespa stock index had its largest one-day gain since April 2020. • The real rose 5% against the US dollar. • Interest rates on Brazilian government bonds dropped, indicating an improvement in 'country risk' assessments by investors. |
| 4. Markets' reaction + analysts' interpretation | Same as the previous vignette, but with the following added: According to financial analysts, 'investors are betting Lula's narrow lead may pressure him to pivot toward the center before the second-round vote and prioritize market-friendly policies.' |

campaign. In crafting these manipulations, we took advantage of the fact that Bolsonaro performed better than expected in the first round of the election, which caused financial markets to rally on the day after the results were announced. While major polls indicated a 10–14 percentage-point (p.p.) lead for Lula before the first-round vote took place, the first-round results revealed a much slimmer 5 p.p. margin. On Monday following the Sunday vote, the Brazilian stock market posted its highest one-day return in more than two years, the Brazilian real appreciated 5% against the dollar, and the Brazilian government bond yields dropped. Among financial analysts, the modal interpretation of the reasons for the market's reaction to the first-round results was that Lula's unexpectedly narrow lead would now force him to pivot toward the center before the runoff.

In the third treatment condition, we therefore give respondents factual information about how financial markets reacted to the first-round election outcome. The vignette describes the positive shift in the Brazilian stock, bond, and currency markets that followed the stronger-than-expected showing for Bolsonaro, using real information reported by the national media. In the fourth condition, we provide respondents with the same factual information about the market's reaction, but also add a quote that reflects the emergent consensus among financial analysts at the time about why markets

responded positively to the first round—i.e., that Lula would have to pivot to the center to remain competitive in the second round. The third experimental condition therefore emphasizes the positive implications for financial markets from Bolsonaro's better-than-expected odds, while the fourth condition casts a more positive light on the implications for Lula's future economic policy. The fifth and final condition is a control group, in which respondents were not given any vignettes about international investors' concerns or financial markets' behavior during the presidential campaign.

For respondents in all conditions, we then measure their attitudes toward each presidential candidate using three different items. First, we measure respondents' overall sentiment toward the candidates on a 0–100 feeling thermometer, where higher values mean warmer or more favorable feelings toward the candidate. Second, we measure respondents' evaluations of each candidate's degree of competence when it comes to managing Brazil's economy on a 5-point Likert scale (from 'not at all competent' to 'completely competent'). In the analysis, we normalize these outcome measures to be between 0 and 1 for ease of interpretation and comparability of the results between outcomes. Finally, we ask respondents which candidate they plan to vote for in the second round of the election. Although we conceive of financial market signals primarily as evaluative cues that may shape voters' perceptions of a given candidate's economic competence and credibility, these evaluative effects can also have downstream consequences for vote choice. Perceptions of economic competence are an important, though certainly not the only, input into voting decisions. We therefore also examine whether financial market signals may influence vote choice at the margins.

The survey includes two types of attention checks. First, we implement two screener items that require respondents to select a particular answer (Berinsky et al., 2021). We use these items early in the survey to screen out inattentive respondents before they get to the experimental interventions. All respondents in the sample passed these attention checks. Second, we implement a manipulation check immediately after the experimental manipulations, in which respondents are asked a factual question about the treatment vignette that they read in the previous screen. We use this manipulation check to assess how effective the vignettes are at informing respondents about the views and reactions of financial markets regarding the presidential candidates, as well as to measure attention levels during the experimental component of the survey.

Results

Do financial market reactions and investor preferences matter for how voters evaluate presidential candidates? We begin by assessing the

evidence for our main hypothesis (H1), according to which positive (negative) financial market reactions to a candidate should positively (negatively) shift voters' assessments of that candidate. Figure 1 shows estimates of the average effect of each of the four treatments on voters' feelings toward Bolsonaro and Lula and their perceptions of the two candidates' competence in economic management. The figure shows linear regression estimates from models without and with pretreatment covariates, which we include to help reduce the variance of our estimates. The set of pretreatment covariates includes common predictors of vote choice and political attitudes: left-right political ideology, party identification, income, education, gender, race, region, political and economic knowledge, financial asset ownership, personal debt, employment status, and economic anxiety.

Our main results in Figure 1 show that information about the reactions of financial markets and investors about the two Brazilian presidential candidates has a discernible effect on the opinions of voters of the candidates. The effects are broadly symmetric for Bolsonaro and Lula. First, the 'market reaction' treatment—which provides respondents with information about the market's positive reaction to the stronger-than-expected

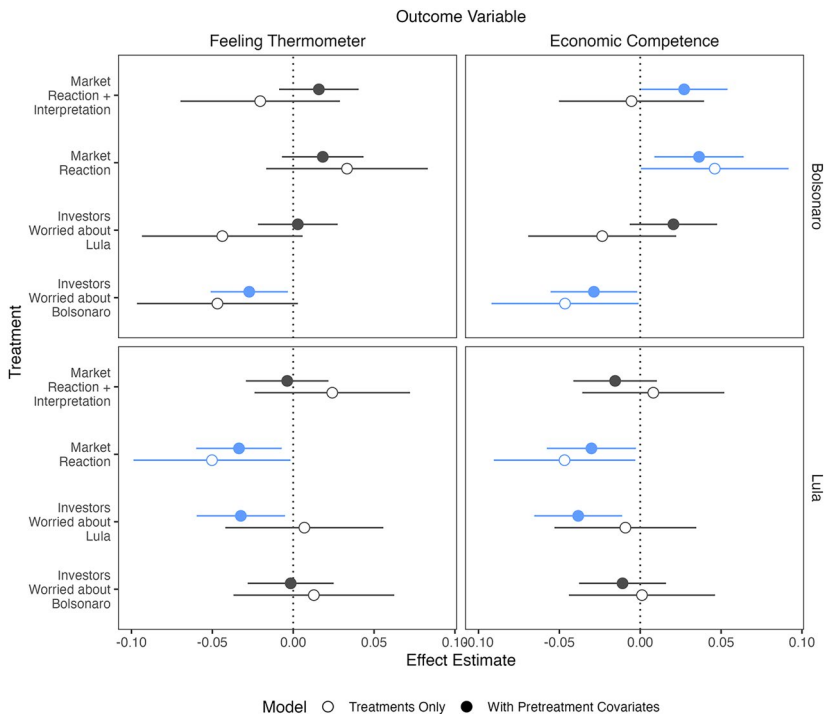


Figure 1. Average treatment effects on voter evaluations of presidential candidates (with 95% confidence intervals).

showing for Bolsonaro in the first round—affects voter attitudes toward both Bolsonaro and Lula. Respondents who received information about the market's positive reaction to Bolsonaro's stronger-than-expected first-round results showed more negative feelings toward Lula and lower evaluations of his economic competence when compared to respondents in the control group. Also in line with our expectations, respondents who received information about the market's positive reaction to the first round had higher evaluations of Bolsonaro's economic competence, including when that information was accompanied by additional expert interpretation (in the 'market reaction+interpretation' treatment). Overall, the 'market reaction' treatment has a strong effect on evaluations of both candidates. In substantive terms, voters' evaluations of Lula in the 'market reaction' condition were 3–5 p.p. lower than those in the control group (equivalent to 10–15% of one standard deviation in the feeling thermometer and economic competence measures). Similarly, the market reaction treatment improved perceptions of Bolsonaro's competence by 4–5 p.p. (10–12% of one SD).

In contrast, we find little evidence for the 'market reaction+analyst interpretation' treatment, aside from the effect on Bolsonaro's economic competence. Our interpretation for this muted effect draws on the bundled nature of the treatment. While this particular vignette reproduces the type of information that voters may typically find in a more natural setting when reading or watching the news, it also combined different types of information about the candidates—a positive market reaction to Bolsonaro's better-than-expected result coupled with a positive expectation that Lula would have to move further to the center—that may have had opposite effects on voters and therefore may have canceled each other out.

Second, we find that when prompted with news that investors are worried about each candidate's future macroeconomic policy, voters express worse evaluations of those candidates. As [Figure 1](#) shows, investor concerns about Bolsonaro's future economic policy negatively affect feelings toward Bolsonaro and evaluations of his economic competence. Similarly, investor worries about Lula's future macroeconomic policy negatively affect voter feelings toward Lula and assessments of his economic competence in some of the models. In all, these results confirm our theoretical expectations that positive investor reactions tend to boost voter assessments of presidential candidates, whereas negative investor reactions hurt their evaluations and economic credentials.

Third, and importantly, we find that the effects of financial market cues go beyond attitudes toward the candidates and can also potentially affect vote choice. These effects are less widespread than the effects on candidate evaluations, but consequential nonetheless. As shown in [Figure 2](#), we find

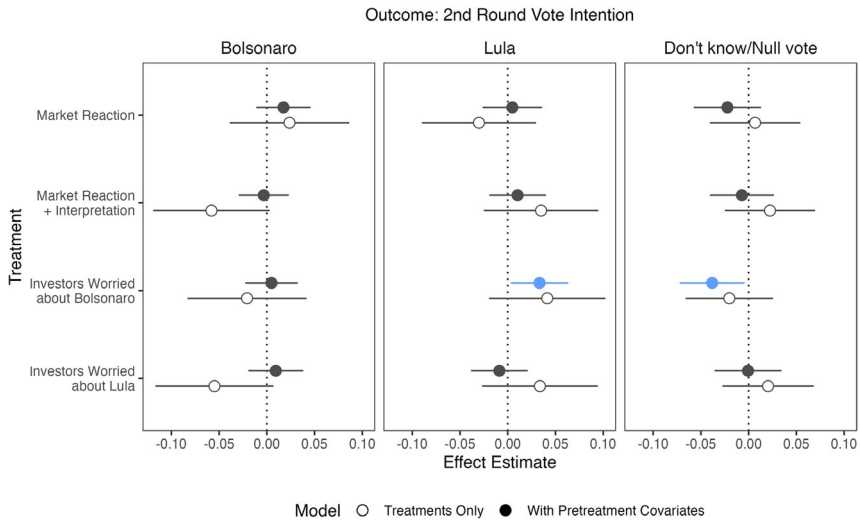


Figure 2. Average treatment effects on vote choice (with 95% confidence intervals).

a significant effect on second-round vote intentions for the vignette that emphasizes investors' worries about Bolsonaro's future economic policies. This 'investors worried about Bolsonaro' condition increases the probability of voting for Lula in the second round by 3 p.p. on average. Crucially, this effect stems from undecided or uncommitted voters shifting their vote intentions toward Lula—as captured by the symmetrically negative effect on 'don't know/null votes'—rather than Bolsonaro supporters defecting from their candidate.

These concentrated effects on vote choice are not entirely surprising in this electoral context. As we note above, the election itself was intensely polarized between two well-known candidates whose economic track records were familiar to most voters, and whose supporters were highly mobilized. Our survey was fielded after the first round of the election, when nearly all voters had likely already locked in their preferences. Practically speaking, few voters could still be plausibly moved by informational cues at that point in the election. And yet, our estimates show that financial market cues can still affect vote intentions even under such unlikely circumstances, particularly when it comes to undecided voters. In addition, our main results show average treatment effects across all types of voters, which may obscure substantial heterogeneity between different subgroups of voters. Indeed, as we explore in the next section, the effects appear to be more concentrated among respondents with weaker partisan attachments or with greater material and informational exposure to financial markets, suggesting that financial market cues could be particularly consequential for some pivotal groups of voters.

A potential concern about our effect estimates would arise if there were any systematic patterns in how respondents engaged with the informational treatments embedded in our survey. In survey experiments like this one, it is not uncommon for a subset of respondents to pay little attention to the vignettes or to not engage seriously with the task at hand. Our effect estimates could be biased if the way in which respondents engaged with the provided market cues was systematically related to their assigned treatment or their prior views about the candidates. Therefore, to examine how respondents interact with the information provided in the vignettes, we use an attention check. Each respondent is presented with two correct statements and one obviously incorrect statement about the vignette they just read. We code as ‘noncompliers’ those who select the only incorrect answer.

Figure 3 shows a systematic pattern in how respondents engaged with the information treatments. Overall, voters fail the attention check at a higher rate when presented with vignettes that cast their favorite candidate in a negative light. For example, respondents who report having voted for Bolsonaro in the first round are more likely to fail the attention check when receiving the ‘investors worried about Bolsonaro’ treatment. Similarly, Lula voters are disproportionately likely to fail the check when presented with negative investor sentiment toward Lula in the ‘investors worried about Lula’ and ‘market reaction’ conditions. These systematic differences in how Bolsonaro and Lula voters engage with the treatments

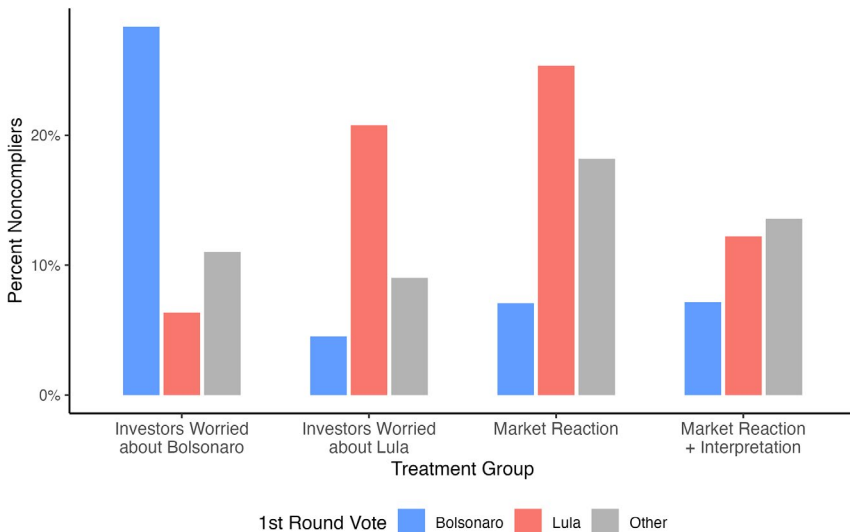


Figure 3. Treatment noncompliance by first round vote.

are highly indicative of a motivated response to the market cues driven at least in part by partisan or ideological attachments.

We thus account for potential bias from such motivated responses by estimating the treatment effect on compliers. While Figure 1 reports intent-to-treat (ITT) effects based solely on the randomized assignment to treatment, Figure 4 shows different estimates for the local average treatment effects on compliers. We first obtain OLS estimates for the subsample of compliers—that is, only those respondents who passed the treatment attention check. These estimates are consistent with the ITT effects reported in Figure 1. However, restricting the sample to compliers only could potentially bias our estimates. We therefore account for systematic noncompliance by instrumenting treatment uptake—coded 1 if the respondent passed the attention check and 0 otherwise—with the randomized treatment assignment.

Figure 4 shows instrumental variables estimates of the treatment effects using two-stage least squares with and without the inclusion of pretreatment covariates. Overall, the IV estimates are consistent in direction and

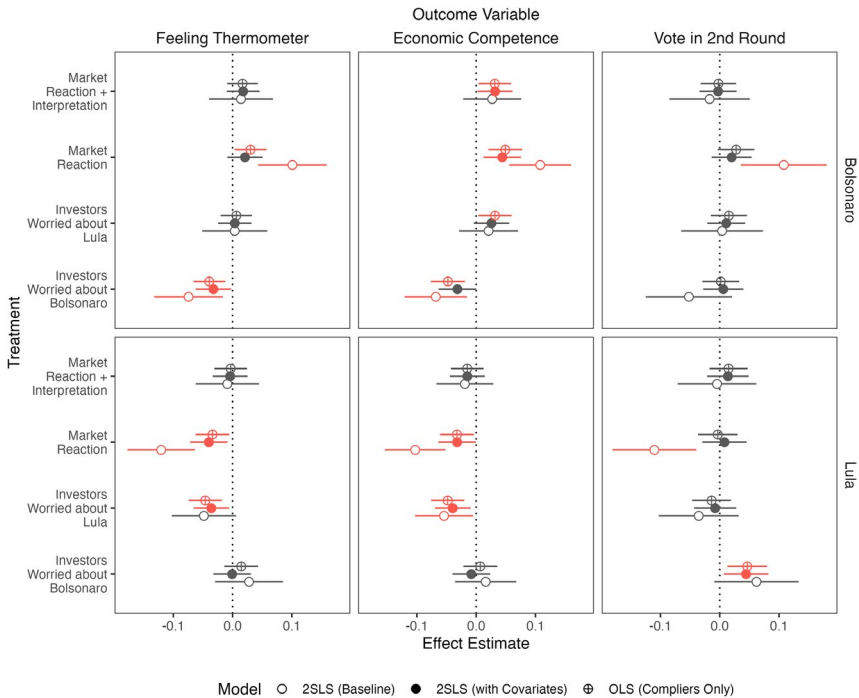


Figure 4. Local average treatment effects on compliers (with 95% confidence intervals).

size with our original ITT estimates. Crucially, when correcting for motivated responses to the market cues, we find clearer evidence that some of the treatments affect vote choice. The ‘market reaction’ treatment is particularly effective at shifting candidate evaluations and vote choice among compliers: It improves Bolsonaro’s feeling thermometer and competence evaluations and increases his vote intentions; likewise, it lowers Lula’s competence evaluations and feeling thermometer and reduces his vote intentions. In addition, consistent with the ITT estimates, the ‘investors worried about Bolsonaro’ treatment reduces Bolsonaro’s competence evaluations and increases the likelihood of voting for Lula.

In all, these results lend strong support for the claim that financial investors’ views about presidential candidates and financial market reactions to election developments affect voter attitudes. Specifically, our experimental results show that: (1) Negative (positive) market cues about individual candidates hurt (boost) voters’ feelings toward those candidates and their assessments of those candidates’ economic competence; (2) voters tend to downplay negative investor messages about their favorite candidate, likely reflecting (partisan) motivated reasoning; and (3) financial market cues affect not only competence assessments of candidates but also vote choice, especially among undecided voters and those with weaker candidate attachments.

Exploring mechanisms

In this section, we explore some of the potential mechanisms behind our findings. Informed by hypotheses 2–4, we examine material mechanisms, whereby election-induced market movements may directly affect voters’ economic and financial interests; and cue-taking mechanisms, whereby financial investors’ views about presidential candidates function as elite cues or signals about candidate quality when it comes to economic policy competence. We do this primarily by looking at how the effects of our randomized treatments vary along different dimensions that capture these mechanisms.

Our choice of mechanisms and their operationalization build on the existing theoretical and empirical literature on mass politics and IPE. The analyses that follow are thus informed by these previously proposed mechanisms, as reflected in H2–H4. Yet, the set of pretreatment variables we employ to capture these mechanisms were not experimentally randomized in our survey. Given their observational nature, we therefore take these analyses as more exploratory: They provide suggestive evidence of the theorized processes, even if they cannot definitively adjudicate between the different mechanisms.

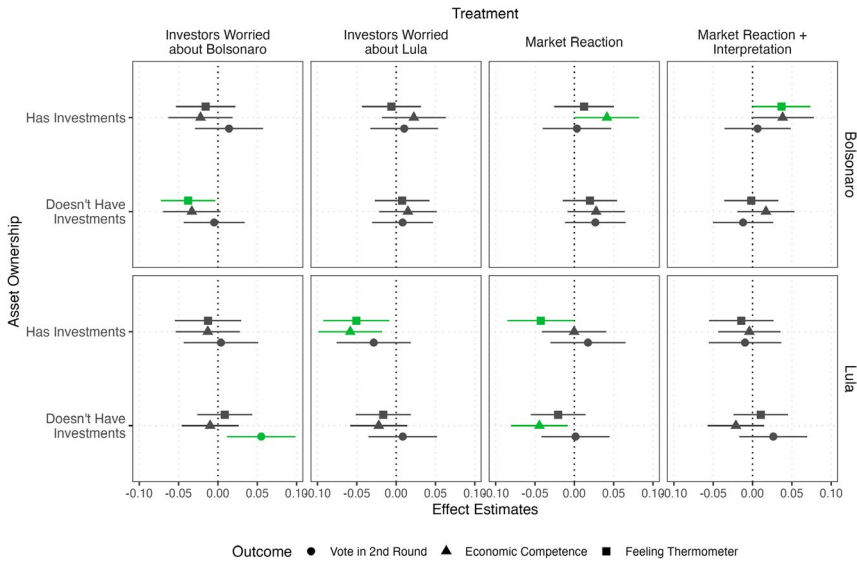


Figure 5. Marginal effect of information treatments by financial asset ownership (with 95% confidence intervals).

We begin by examining material-based mechanisms. Are individuals with greater material exposure to financial market movements more sensitive to markets' reactions to presidential election campaigns? Hypothesis 2 states that individuals with investment holdings and those who are more worried about future changes in economic policy outcomes are more likely to shift their political attitudes in response to information about market reactions.

Figure 5 shows the marginal effects of the different treatments by financial asset ownership. In general, individuals with investment holdings seem particularly sensitive to some of the information cues about markets. Notably, investment holders in Brazil are particularly sensitive to negative market information about Lula. Respondents who learn that investors are worried about Lula's possible election show pronouncedly worse evaluations of the former president, both in the form of colder feelings toward him and lower evaluations of his economic competence. Similarly, information about the market's reaction to the first round results leads respondents to score Lula markedly lower on the feeling thermometer. Along the same lines, asset holders show warmer feelings toward Bolsonaro and improved evaluations of his economic competence in response to information about financial market movements during the election campaign. Perhaps surprisingly, we also find that individuals that report not having financial investments of any sort sometimes are also significantly moved by financial market cues. For example, information

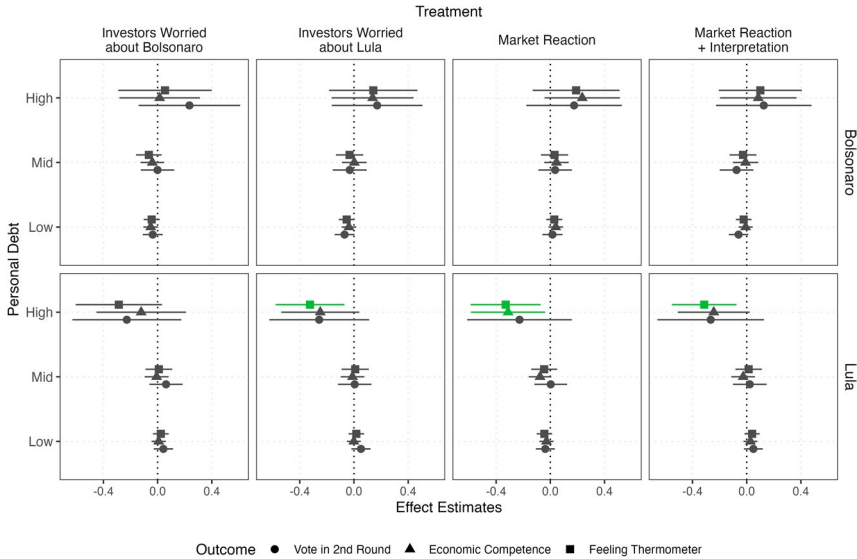


Figure 6. Marginal effect of information treatments by level of personal debt.

about investors' worries regarding Bolsonaro's economic policies seem to make non-asset holders more likely to declare a vote for Lula in the second round. Nonetheless, respondents with no reported financial assets are overall less sensitive to information about financial markets, as predicted by H2.

A second means by which voters may be materially exposed to market movements is personal indebtedness. Voters who worry about how elections might affect the interest rates charged on their debt should be more responsive to information about financial market reactions. To that effect, Figure 6 shows marginal effects by level of personal indebtedness, using an additive index based on reported levels of credit card debt, mortgage debt, bank debt, and auto loans. The treatments have a particularly large, negative effect on voter assessments of Lula both in terms of overall feelings toward him and in terms of economic competence. While the treatments appear to have a particularly large, positive effect on Bolsonaro among voters with high levels of debt, none of the Bolsonaro estimates are statistically significant at the 5% level, due in large part to the small share of voters who report having a lot of debt.

We also assess possible effect heterogeneity related to voters' level of anxiety about future economic policy outcomes. We ask respondents how worried they are about: a future devaluation of the exchange rate, a future increase in the rate of inflation, and a future downgrade in the country's sovereign credit rating. Figure 7 shows marginal effects for those who report being 'very worried' about these three outcomes vs. all other

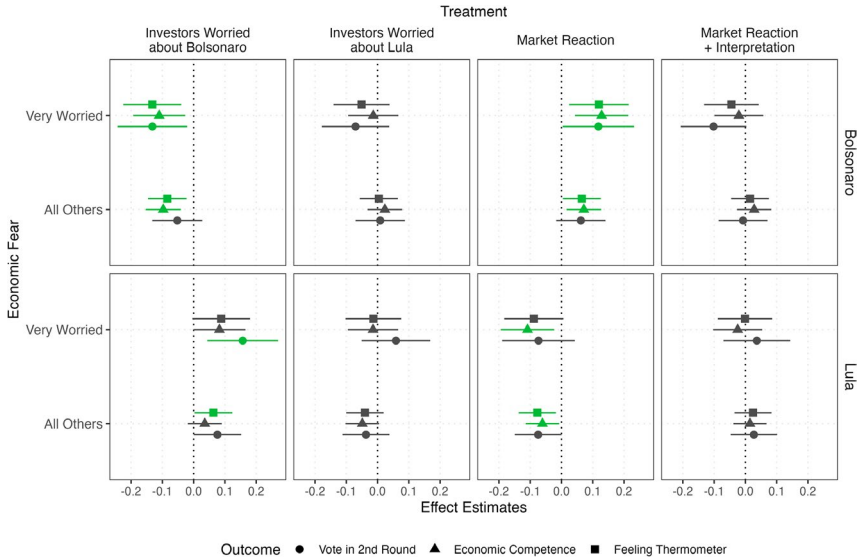


Figure 7. Marginal effect of information treatments by level of economic worry.

respondents. Information about investors' worries regarding Bolsonaro's future economic policies consistently reduces his support among very worried voters, including worse competence evaluations and a reduced likelihood of voting for him in the second round.

Overall, there is evidence that material self-interest may play an important role in explaining who is influenced by election-induced market movements. Still, financial market reactions to presidential campaigns also may affect voters by providing cues about candidates' economic policy competence—i.e., their potential capacity to address material issues. Just as voters often take cues from political elites on complex policy issues, they may also listen to financial elites when evaluating the economic competence of candidates. Professional investors may be seen as savvy and well-informed, and as a result voters may incorporate information gleaned from investors' public statements about presidential candidates as well as from their market behavior into their assessments of candidates.

If that is the case, voters with weaker partisan and ideological attachments should be more receptive to cues from financial markets, as their candidate evaluations will be less dominated by party identity (Achen & Bartels, 2017; Healy & Malhotra, 2013). In other words, our information treatments should have a larger effect on respondents with weaker ideological or partisan attachments, as stated by Hypothesis 3. We thus look at potential effect heterogeneity by both left-right ideology and party identification. Figure 8 shows marginal effects by political ideology measured on a 7-point left-right scale. The effects are markedly larger among

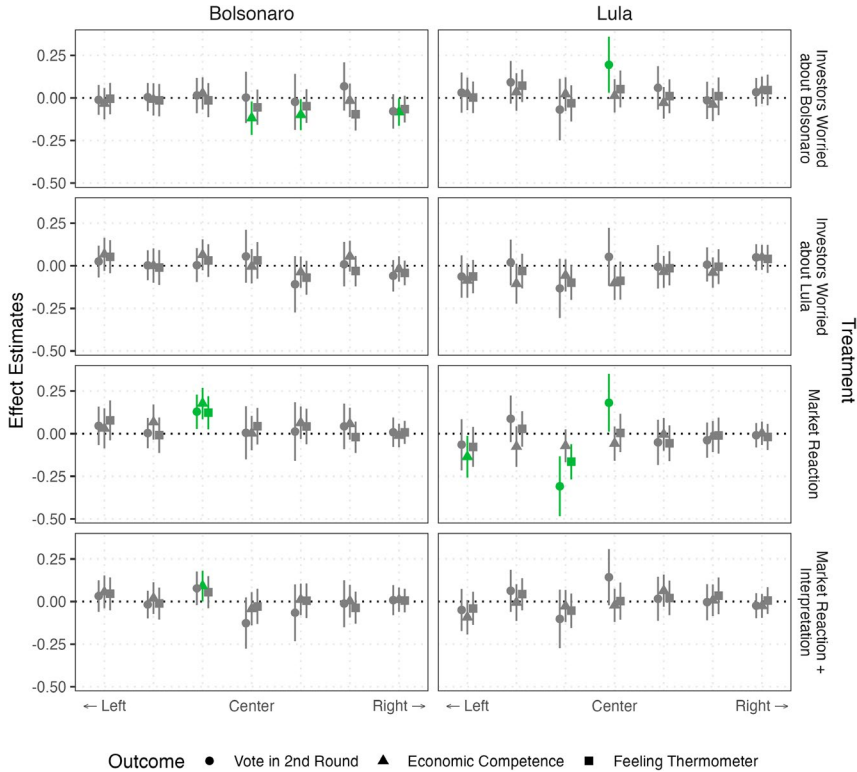


Figure 8. Marginal effect of information treatments by political ideology.

voters who place themselves closer to the center of the ideology scale compared to those who solidly identify as left- or right-wing.

Information about investors' worries regarding Bolsonaro's economic policies worsens voters' evaluations of his economic competence, especially among center and center-right voters. Similarly, information about investors' worries regarding Lula's economic policies adversely affects his economic competence among center and center-left voters. Further, information about the market's reaction to the first-round results has a particularly pronounced effect on Bolsonaro among center-left voters and on Lula among center and center-left voters. Consistent with these effects, the treatments also tend to have larger effects for strong supporters of either party. Figure 9 shows marginal effects by level of attachment to Bolsonaro's Liberal Party (PL), Lula's Workers' Party (PT), and the remaining parties that fielded presidential candidacies in the 2022 election.

By a similar logic, the hypothesis that financial market reactions function as elite cues about candidate quality should be more relevant among individuals who trust investors' judgments. For those voters, the effect of our market-cue treatments should be larger, as stated in Hypothesis 4.

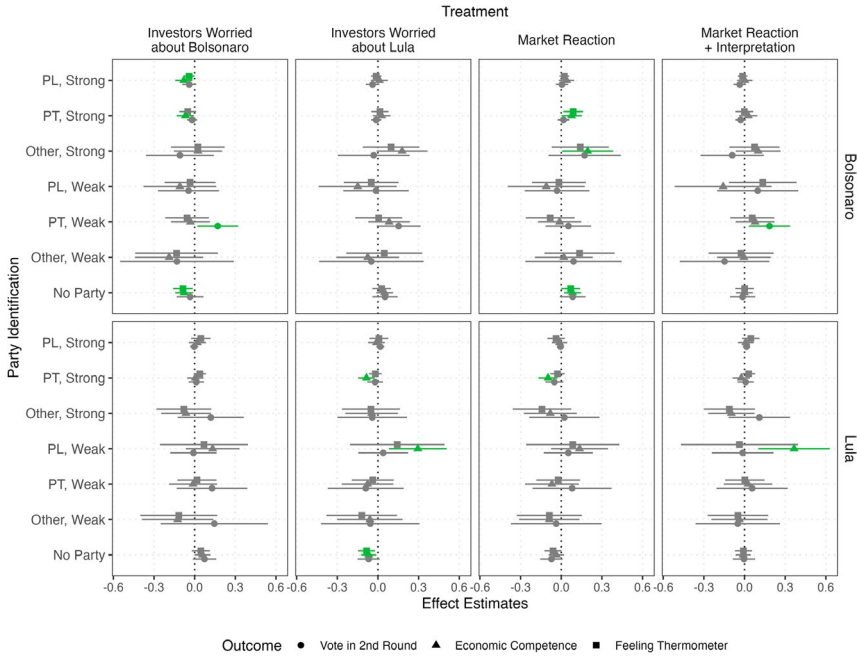


Figure 9. Marginal effect of information treatments by strength of party identification.

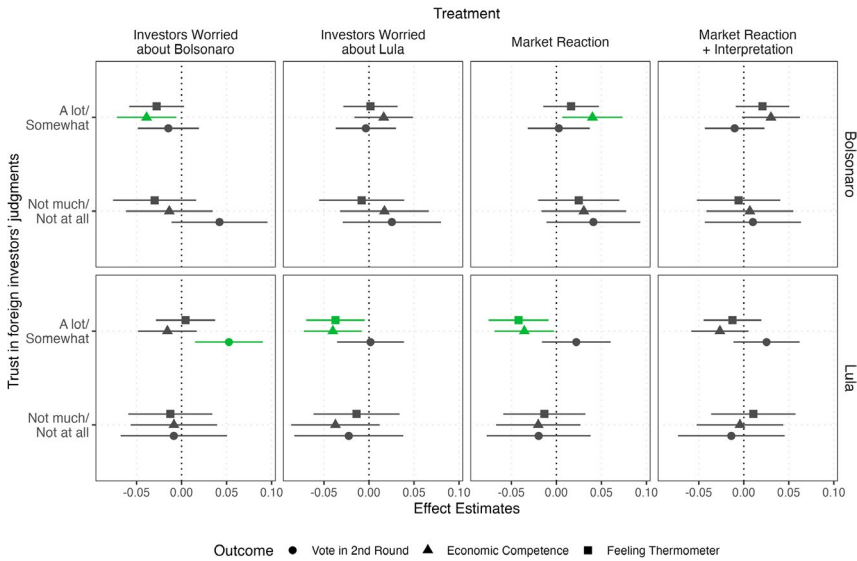


Figure 10. Marginal effect of information treatments by level of trust in foreign investors.

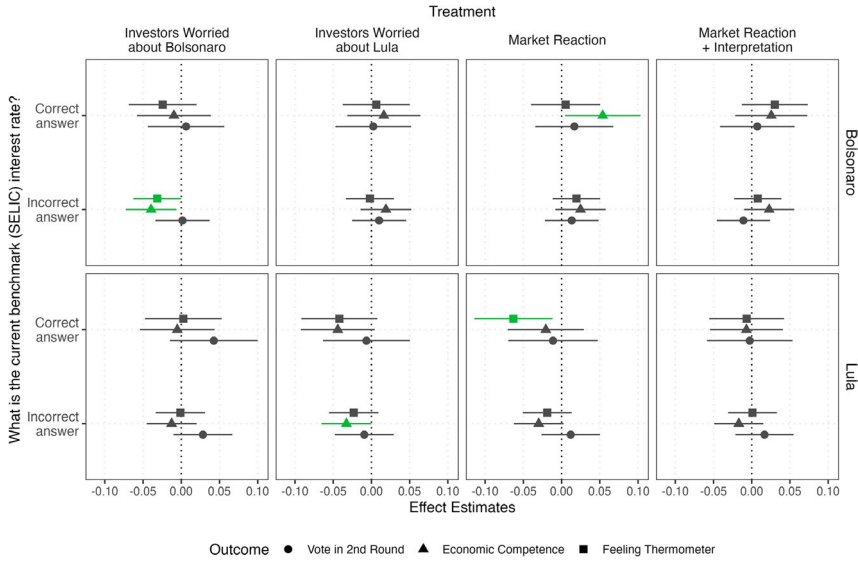


Figure 11. Marginal effect of information treatments by level of knowledge about benchmark interest rates.

Figure 10 shows marginal effects for respondents who trust (some or a lot) investors' judgments, compared to respondents who report little to no trust in investors. The evidence seems highly concentrated among trusting voters. Investors' worries regarding Bolsonaro's future economic policy are particularly damaging to perceptions of his economic competence, as well as overall feelings toward him, among those who trust investors.

Finally, the competence-cueing channel should be more pronounced for voters who are more attentive to what happens in financial markets. We gauge respondents' level of knowledge about financial markets by asking them about the current level of the benchmark interest rate set by Brazil's Central Bank (the SELIC rate) and the exchange rate of the Brazilian real against the United States (US) dollar. Figure 11 shows the marginal effects of our treatments by knowledge of interest rates. There is some evidence that financial market cues are more salient for well-informed voters, although the results are mixed and weaker than for other mechanisms.

Discussion

Our results show that financial investors' judgments about presidential candidates—and how those judgments are framed—shape voters' assessments of candidates, with potentially important implications for vote choice. Our exploration of potential mechanisms further suggests that

these effects are broadly consistent with both a material mechanism, centered on voters' economic exposure to financial market movements, and a cue-taking channel, centered on voters' receptiveness to messages from financial elites regarding candidates' economic policy competence.

Our estimates are comparable in magnitude to other estimates reported in the literature on elite cues and mass politics. Guisinger and Saunders (2017), for example, offered a useful benchmark, as they examined the effects of multiple types of elite messages on US public opinion across issues like trade, exchange rate policy, climate change, and foreign policy. In particular, they showed that in 'primarily partisan' issues, where baseline public opinion is strongly polarized along partisan lines, elite cues are much less effective in shifting beliefs than in 'primarily informational' issues, where baseline opinion is not strongly polarized. On issues that the authors considered to be primarily partisan, they found that elite messages can shift public opinion by 1–15 p.p.—depending on whether the elite cue itself is framed as a generic or a partisan message—with a median effect of 3.5 p.p. across issues and types of frames (see Guisinger and Saunders, 2017, p. 436). By comparison, our 'market reaction' treatment shifted voters' assessments of candidates' economic competence by 3–5 p.p.—and even more when correcting for noncompliance—on an issue that is inherently and deeply partisan (presidential candidate evaluation) and within a highly polarized setting (the 2022 Brazilian election).

It is also helpful to compare the observed effects to known predictors of electoral behavior. Partisanship, political ideology, evaluations of the country's economic situation, and approval of the incumbent's handling of the economy are strong predictors of both competence and vote intentions. For instance, Bolsonaro's competence ratings are 8.2 p.p. higher among supporters of his Liberal Party relative to nonpartisans, while Lula's competence ratings are 26 p.p. higher among supporters of the Workers' Party. Similarly, a one-standard-deviation move toward the right in the left-right ideology scale improves Bolsonaro's competence ratings by 3.8 p.p. and reduces Lula's by 7.5 p.p. Generally, our vignette-based treatment effects are smaller than strong predictors like partisanship, but comparable in size to common predictors like political ideology and views about the economy.

Although survey experiments are powerful tools for establishing that an informational mechanism can work under controlled conditions, they do not directly demonstrate that the mechanism operates in the world as voters encounter market information. Experimental treatments may be more vivid than the diffuse economic information that most voters encounter in daily life, which would mean that the experiment could overestimate real-world effects. At the same time, the context-specific framing of the experiment could underestimate the effects if it cannot

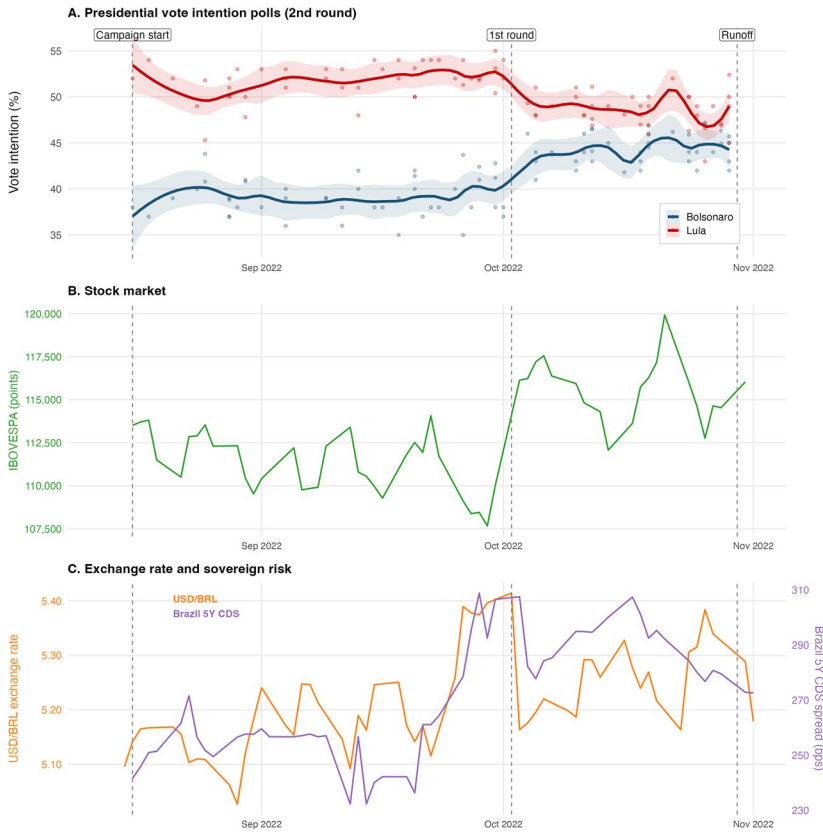


Figure 12. Presidential election polling and financial markets. Panel A shows 2nd-round vote intentions from major pollsters throughout the 2022 election, with loess smoothers and 95% confidence intervals; panel B shows Brazil's main stock market index (IBOVESPA); panel C shows the real/dollar exchange rate and the five-year credit default swap (CDS) spread for Brazilian government debt. Data sources: polls from Wikipedia; stock market and exchange rate data from Yahoo Finance; CDS data from Investing.com.

replicate how market information accumulates over weeks of media coverage.

The observational data in Figure 12 helps answer a different but complementary question: Does the variation in real-world market conditions correlate with changes in voter attitudes or behavior over time? The figure shows that Bolsonaro's polling numbers moved in line with market reactions during the campaign period, which eases concern about the artificiality of the experimental context. These real-world patterns are consistent with our argument, although they cannot rule out confounders, viz. that the same first-round results that caused market reactions also provided voters with direct information about electoral momentum, candidate viability, and strategic voting.

Despite the specific features that make the 2022 Brazilian presidential election a useful testing ground for our argument, we believe that the mechanisms we identify apply more broadly. For one, polarization and the presence of populist candidates in electoral races have been trending upwards around the world, in developed and developing countries alike (Norris, 2020). In that sense, our case is not an outlier, but part of a broader trend. Furthermore, we expect these mechanisms to be broadly relevant to elections in financially open countries where frequent exposure to external economic shocks complicates voters' ability to disentangle policymakers' competence in economic management from exogenous good or bad luck (Alcañiz & Hellwig, 2011; Campello & Zucco, 2020; Duch & Stevenson, 2010).

Our findings should therefore generalize to a larger set of electoral democracies, especially emerging but also advanced market economies, where financial integration exposes national economies to global financial markets and where elections increasingly pit candidates with sharply contrasting economic visions against each other. Indeed, a large body of literature on market reactions to elections in the developing and developed world (e.g. Bernhard & Leblang, 2006; Brooks et al., 2022; Campello, 2015; Cunha, 2024; Johnston, 2024; Leblang & Bernhard, 2000; Santiso, 2013) reinforces these scope conditions, suggesting that Brazil exemplifies more than deviates from general patterns of interaction between markets and mass politics. Taken together, these considerations imply that while our estimates are necessarily context-specific, the underlying mechanisms linking financial market reactions to mass political attitudes are likely to travel to a wide range of democracies characterized by financial integration and contested economic policy agendas.

Conclusion

The financial globalization scholarship has extensively documented how financial markets respond to national elections and price domestic politics. How financial investors react to elections and electoral cycles can affect governments' access to credit, as well as the broader real economy. Importantly, this scholarship has emphasized how the privileged position of mobile capital in the modern economy confers on investors a source of structural power (Przeworski & Wallerstein, 1988; Strange, 1994). In response to or in anticipation of such market reactions, incumbents and election candidates may shift their policy platforms toward more investor-friendly policies, particularly in countries that depend heavily on international capital to finance investment and consumption.

In this study, we identify an additional mechanism through which markets may affect political outcomes and political actors' incentives to

pursue market-friendly policies. We show that financial market responses to election campaigns can have significant effects on how voters evaluate candidates for executive office. In particular, we find that financial market outcomes during election campaigns can affect mass publics' evaluations of and preferences over candidates both through a material channel—whereby market reactions affect voters' economic and financial interests—and through a cue-based channel—whereby financial investors' expressed views on different candidates serve as cues to voters about those candidates' ability to manage the economy.

In the end, Lula won the election; this is consistent with our expectations, which focus on the mechanism rather than the outcome. Brazil 2022 represents a hard test of our hypotheses about markets' informational effect on voter perceptions precisely because polarization was high, most voters had locked in preferences after the first round, and Lula's lead, while narrower than expected, was still real. The treatments moved assessments by 3–5 p.p. on average, which is substantively meaningful but not large enough to reverse an election in which Lula won by roughly 1.8 million votes (about 1.8 p.p.). Moreover, the experiment reveals asymmetric effects: The market reaction treatment improved Bolsonaro's perceived competence and reduced Lula's, but the 'investors' worry about Bolsonaro' treatment had the opposite effect, increasing the probability of voting for Lula among undecided voters.

The implications of this research go beyond simply fleshing out a portrait of international market forces in domestic politics; rather, we identify a less well-understood channel through which financial markets affect domestic politics, especially in the context of financially integrated economies. Our findings, therefore contribute to a growing literature on the relationship between public opinion and the political economy of finance. While existing scholarship has focused on explaining public preferences over different policy dimensions related to the external financial sector (Aklin et al., 2022; Bechtel et al., 2014; Curtis et al., 2014; Nelson & Steinberg, 2018; Steinberg & Nelson, 2019; Walter, 2008), we show that developments in international financial markets can also affect domestic political outcomes. Moreover, while the existing literature has emphasized the role of material self-interest and individual dispositions like nationalism, our results also highlight the importance of investors as sources of cues regarding political actors' competence.

As such, our results also help expand scholars' understanding of the role of elite cues in shaping mass public opinion. Much work on elite cues and mass attitudes has focused on party elites, policymakers, and the media as the main elite actors who are capable of driving public preferences over different issues (Baum & Potter, 2008; Berinsky, 2009; Guisinger & Saunders, 2017; Saunders, 2015), but we still know little about other types of elites that may hold sway over public opinion. However,

economic and financial elites—in particular, professional and institutional investors—are often referenced in public debates as authoritative sources of opinion on economic policy. Our results show that these market actors can change voters' perceptions of economic competence vis-à-vis election candidates, thereby opening new avenues for future research on the influence of cue-taking from economic elites on domestic policy and politics.

Note

1. For reviews of this work, see Curtis et al., (2014); Margalit (2019).

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Notes on contributors

Sarah M. Brooks is a Professor of Political Science at Ohio State University. She conducts research in comparative and international political economy, including the politics of critical minerals, the political economy of sovereign risk, and politics in Sub-Saharan Africa and Latin America.

Raphael Cunha is an Assistant Professor of Political Science in the Department of Political Economy at King's College London. His research focuses on international and comparative political economy, particularly the politics of international money and finance and state-market relations in emerging market economies. Contact him via email at raphael.cunha@kcl.ac.uk

Layna Mosley is Professor of Politics and International Affairs at Princeton University. Her current research focuses on the domestic and international politics of sovereign finance and global financial governance, with a focus on emerging and frontier market economies. Contact her via email at layna.mosley@princeton.edu

Data availability statement

The replication data and code for this article are available at: <https://doi.org/10.17605/OSF.IO/FPT52>

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