

Does Austerity Cause Polarization?*

Evelyne Hübscher
Central European University

Thomas Sattler
University of Geneva

Markus Wagner
University of Vienna

November 5, 2020

Abstract

Most party systems have seen a considerable rise in polarization during the past decades. We show that fiscal policies have contributed to this development. Our macro-level analysis of 166 elections since 1980 finds that austerity increases both electoral abstention and votes for non-mainstream parties, thereby boosting the polarization of the party system. A detailed analysis of selected fiscal adjustments also shows that new, small and radical parties benefit most from austerity policies. Finally, survey experiments with a total of 8,800 respondents in Germany, Portugal, Spain and the United Kingdom indicate that the effects of austerity on polarization are particularly pronounced when the mainstream right and left parties both propose austerity policies. Austerity, therefore, is a major determinant of political destabilization in industrialized democracies.

*Previous versions of this paper were presented at the EUI Political Science Research Seminar, December 4, 2019; the Annual Meeting of the International Political Economy Society (IPES), UC San Diego, November 15-16, 2019; the ‘Economic Consequences of the Peace Centenary Conference’, University of Cambridge, September 9-10, 2019; the ECPR General Conference, Wroclaw, September 3-6, 2019; the Annual Meeting of the American Political Science Association (APSA), Washington D.C., August 29 - September 1, 2019; and the Annual Meeting of the European Political Science Association (EPSA), Belfast, June 20-22, 2019. We thank Larry Bartels, Yotam Margalit, Sarah Wilson Sokhey, participants at a seminar presentation at the EUI and the participants at these conferences for comments. We also thank Jascha Grübel, Akos Mate, Pedro Perfeito da Silva and Colin Walder for excellent research assistance. The authors acknowledge financial support from the Swiss Network for International Studies (SNIS). Thomas Sattler also acknowledges financial support from the Swiss National Science Foundation, grant no. 165480.

1 Introduction

Party systems in Western countries have become increasingly polarized during the past decade. This manifests itself in the decline of the mainstream conservative and social democratic parties, traditionally the anchor points of Western party systems (De Vries and Hobolt, 2020). In Germany, for instance, the cumulated vote share of the Christian Democrats and the Social Democrats has declined from 76% in 1998 to 53% in 2017. This development is accompanied by the simultaneous rise of previously small, non-mainstream parties that are typically more radical than their mainstream competitors. In Italy, where many of these developments have been preempted, previously established parties have almost vanished and have been replaced by new anti-establishment parties. Similar developments, though less extreme, can be observed in other countries, where traditionally smaller parties have received an increasing number of votes, such as *Die Linke* in Germany, *Podemos* in Spain, PVV in the Netherlands or the *Rassemblement National* in France.

For a long time, existing explanations of the the transformation of party landscapes downplayed the relevance of the economy. With few exceptions (e.g. Hernández and Kriesi, 2016), the recent literature on party system change has identified non-economic issues, such as cultural values and identity concerns, as the primary cause of these political phenomena (Kriesi, 2010). In these accounts, the cultural dimension of political competition has become increasingly salient and its content transformed; this is due to long-term structural changes, such as a growing intergenerational divide in values (Norris and Inglehart, 2018) or the impact of migration and cultural and political globalization on Western societies (Lucassen and Lubbers, 2012). These transformations of political spaces pose a challenge for established political parties because they have found it increasingly difficult to reconcile the diverging positions of voters (Kriesi et al., 2008; Gidron, 2020). This, then, allowed smaller or new parties gain votes at the expense of established parties.

Our analysis redirects attention towards the economy, and in particular towards the impact of economic policy on party systems. In contrast to research that examines the effect of economic conditions, such as economic growth or unemployment (Hernández and Kriesi, 2016), we focus on the policy stances of mainstream political parties (Spoon and Klüver, 2019; Hopkin, 2020). Party system transformation arises from the long-standing tendency of mainstream parties to pursue policies of fiscal restraint (Hübscher and Sattler, 2017; Hübscher, 2018). This creates a pool of dissatisfied voters who lack a credible anti-austerity alternative among mainstream parties. Some of these voters then abstain from voting at all, while others decide to support non-mainstream political parties who reject austerity. The polarization of party systems thus increases indirectly via electoral abstention and directly via defection to non-mainstream parties at the fringes of the party system.

We examine the implications of this argument in two steps. The first part of the analysis uses observational data from 166 elections in 16 OECD countries between 1980 and 2016 to examine the broad relationship between austerity and the party landscape. Controlling for key economic and political factors, we find that austerity correlates substantially with party system change. The vote share of non-mainstream parties increases by up to 3.5 percentage points and voter abstention by up to 1.8 percentage points if the government implemented sizeable fiscal austerity packages during the legislative term. This, in turn, increases polarization from one election to the next. A more detailed analysis of selected, large fiscal adjustment episodes also shows that previously small and non-existent parties, often those at the edges of the political spectrum, are the primary beneficiaries of austerity.

The second part of the analysis uses survey experiments in Germany, Portugal, Spain and the United Kingdom to uncover the micro-level mechanism that explains these macro-level correlations. The survey experiment also provides a more fine-grained analysis that indicates which parties lose or benefit most after austerity. The results show that voter

responses to austerity critically depend on the alternatives offered by mainstream parties. If both the mainstream left and the mainstream right stand for austerity, voters are more likely to turn towards smaller, non-mainstream parties or abstain from voting than if either the mainstream left or both mainstream parties oppose austerity. Abstention and defection to non-mainstream parties thus occurs when none of the mainstream parties provides a credible anti-austerity alternative.

These findings are in line with recent research that traces dissatisfaction with established parties and the rise of new parties to economic crises (Hernández and Kriesi, 2016; Hobolt and Tilley, 2016) or the often adverse effects of globalization and technological change on voters (e.g., Jensen, Quinn and Weymouth, 2017; Gidron and Hall, 2017; Colantone and Stanig, 2018; Milner, 2018; Gingrich, 2019; Hopkin and Blyth, 2019). Fiscal policy plays a critical role in mediating the effects of the economy on voters (Rodrik, 1998; Hays, 2009) and hence their political behavior. Our results are consistent with claims that many voters are in fact critical of austerity (e.g, Hübscher, Kemmerling and Sattler 2015; Talving 2017; Hübscher, Sattler and Wagner 2020; Alesina et al. 2020) and that the failure to insure voters against enhanced social risks contributes to the rise of non-mainstream parties (Halikiopoulou and Vlandas, 2016; Fetzer, 2019).

More broadly, the increase in polarization that we find poses a challenge for policymaking in democracies. A more polarized political landscape makes it more difficult for parties to build stable government coalitions and agree on sustainable policy solutions, both of which are needed to govern in times of economic insecurity. These struggles to build stable coalitions and the associated broken policy-making processes can be witnessed in many European countries, such as Israel, Sweden, Italy or in particular Spain, which has held four general elections within the last four years. Our findings suggest that solutions to these challenges need to take into account political competition over key economic policies.

2 Fiscal restraint and party system change

2.1 The economic origins of political destabilization

Research on the Global Financial Crisis and the Great Recession suggests that the economy, in addition to cultural and identity issues, significantly contributes to the transformation of party landscapes in many Western countries. It shows that voters turn away from politics and abstain from voting or punish governments after economic crises (Bermeo and Bartels, 2013). The dissatisfaction with economic outcomes also has led to greater party system polarization in many European crisis countries (Hernández and Kriesi, 2016). Smaller parties, many of them new or previously minor anti-establishment parties, benefitted from economic instability, while the decline of the large, established center parties seemingly gained pace in the wake of the crisis.¹

We contend that this link between the economy and political stability critically hinges upon the economic policies that a government implements. Parties in government are most obviously responsible for the policy responses to economic shocks.² Therefore, fiscal policies, such as fiscal austerity, are important to understand political evaluations of govern-

¹In Italy, for instance, the *Movimento Cinque Stelle* which was established in 2009, received 33 % of the votes in the first general election it competed in. The Northern League, a more established anti-elite party, increased its electoral support from 4.1% in 2013 to 17.4% in 2018. During the same time period, the *Partito Democratico* suffered a dramatic loss in electoral support, which brought the party down to 18% from 34% between 2008 and 2018. In Greece, PASOK, the key centre-left party lost roughly 40% of its vote share between 2009 and 2015, with *Syriza*, its competitor to the left, picking up most of these votes.

²Economic outcomes are, at least partially, beyond the control of policymakers (Hellwig and Samuels, 2007; Hellwig, 2008), while the policy response is a direct consequence of political decisions.

ments. In particular, fiscal austerity raises political opposition (e.g., Blyth 2013; Immergut and Abou-Chadi 2014; Hübscher, Kemmerling and Sattler 2015; Abou-Chadi and Immergut 2019; Genovese, Schneider and Wassmann 2016; Kurer et al. 2019; Hübscher, Sattler and Wagner 2020; Ardanaz, Hallerberg and Scartascini 2020), especially during economic crises (Talving, 2017). Even if these policies are designed to limit the short-term costs for governing parties (Fernandez-Albertos and Kuo, 2020; Barnes and Hicks, 2018; Wenzelburger, 2011) and do not lead to outright government breakdown (Giger and Nelson 2011; Arias and Stasavage 2019), they still alienate many voters. This leads to a reshuffling of votes even if governments manage to survive in power.

Our perspective is therefore systemic: we ask how austerity policies affect the party system as a whole rather than just government parties. In doing so, our analysis differ from earlier contributions on the political effects of austerity. We take into account the failure of mainstream parties to articulate distinct policy alternatives and also acknowledge the competition among challenger parties in the area of fiscal policy. This broader, systemic perspective is crucial to assess the political consequences of austerity. It is necessary to identify the range of options that voters believe to have when they are dissatisfied with government policy because the options available to voters significantly influence their vote choice: voters would behave differently if mainstream parties credibly presented diverging fiscal policy positions rather than advocating similar policies (Spoon and Klüver, 2019).

2.2 Austerity policy and voter defection from mainstream parties

Our starting point is that many (albeit not all) voters are opposed to austerity and punish parties in government when implementing austerity measures.³ If voters punish govern-

³The reasons why major societal groups are opposed to austerity are manifold. Internationalization and the automation of production have significantly altered labor markets and have had detrimental economic effects on many voters (Jensen, Quinn and Weymouth, 2017;

ments for austerity policies, however, where do such dissatisfied voters go? We expect that mainstream opposition parties benefit less than non-mainstream opposition parties and that abstention increases. To justify these expectations, we present simple scenarios with two mainstream parties, one on the right and one on the left. As we will see, it is the mainstream left that is the key party family in explaining why dissatisfaction with austerity policy leads to voter defection from mainstream parties. In what follows, we elaborate on the respective mechanisms that lead to defection from mainstream parties.

Let us first take a scenario where the mainstream left party is in government and takes a pro-austerity position. Although left parties traditionally advocated fiscal flexibility, they nowadays often back economic models of which fiscal restraint is a fundamental pillar (Baccaro and Howell, 2017; Hopkin, 2020).⁴ There are multiple reasons why mainstream left parties may do so, including financial and institutional constraints, and ideational change among policymakers.⁵ In this scenario, it is unlikely that the mainstream right will take a Colantone and Stanig, 2018; Milner, 2018). These developments nurture the fear of social decline and lead to an increasing demand for redistribution (Burgoon, 2013; Gingrich and Ansell, 2012; Gingrich, 2019). Spending cuts, therefore, increase discontent among many voters (Sattler, Brandt and Freeman, 2010; Hübscher, Sattler and Wagner, 2020). In addition, fiscal policy is the main economic policy instrument that governments still have at their disposal in systems with independent central banks (Bodea and Higashijima, 2017).

⁴This development is well illustrated by the decisions of social democratic parties in Britain, Germany, the Netherlands or Sweden to embrace orthodox economic policies during the past decades (Bremer and McDaniel, 2019).

⁵The reasons for this development are beyond our analysis since we examine the effects and not the origins of these policies. Nonetheless, there is a large literature that addresses these questions. International financial markets, for instance, impose strong constraints on fiscal policy, especially on public deficits and debt (Mosley, 2000; Hallerberg and Wolff, 2008; Sattler, 2013; Ferrara and Sattler, 2018). In addition, domestic and international rules, such

position that is less in favour of austerity than the mainstream left party in government. Hence, voters who disapprove of austerity should not defect to the mainstream right party if their aim is to express dissatisfaction with the economic policy stance of the mainstream left party in government. These voters should defect from mainstream parties altogether.

Next, take a scenario where the mainstream right party is in government. Assuming that this party takes a pro-austerity position, the mainstream left party could benefit from taking up a contrasting stance. However, this happens less often than expected given the dominant policy discourse among social democratic parties and the existing macroeconomic constraints, as described above. Moreover, even if mainstream left parties tactically oppose austerity, their past track record is likely to reduce the credibility of such stances (Horn, 2020).⁶ Many voters who oppose austerity therefore do not see the mainstream left as a valid and credible alternative due to either the party's past actions (Horn, 2020; Karreth, Polk and Allen, 2013) and the resulting dilution of the party's 'brand' (Lupu, 2014; Bodea, Bagashka and Han, 2018). If the mainstream left is not seen as the natural owner of issues related to a strong state and welfare policies, the result is again an increase in abstentions among traditional supporters of the mainstream left or defection to non-mainstream parties. Overall, the mainstream left may not gain substantial amounts of voters who disapprove of government policy even when it is in opposition in periods of austerity.

as debt brakes, the Maastricht criteria, or EU and IMF bail-out conditions, have pushed governments towards fiscal austerity (Copelovitch, Frieden and Walter, 2016). Finally, the monetarist framework became more influential and replaced Keynesian norms from the 1970s onwards (Best, 2004). This prepared the ground for a consistent pro-austerity view that also prevailed during the Eurozone crisis (Blyth, 2013).

⁶Mainstream left parties did not differ from right parties in their inclination to pursue fiscal austerity during the past decades (Hübscher, 2016, 2018; Hübscher and Sattler, 2017)

In sum, a history of similar responses to macro-economic challenges by both left- and right mainstream parties, a credibility crisis of mainstream parties in general (Mair, 2006), and the left more specifically (Karreth, Polk and Allen, 2013) leads to voter defection from mainstream parties after episodes of fiscal austerity. The following hypotheses summarize the implications of this argument.

Hypothesis 1a (macro): Austerity measures reduce mainstream party vote share in the next election.

Hypothesis 1b (micro): Citizens are less likely to vote for mainstream parties that support austerity measures.

2.3 How voter defection fuels polarization

Voter defection from mainstream parties fuels polarization in two ways: indirectly through abstention and directly through votes for non-mainstream parties. First, voters who are dissatisfied with austerity and previously supported mainstream parties can abstain from turning out. While the decision to abstain from voting can have many reasons, disenchantment with the political establishment and general dissatisfaction with the policy solutions by rival parties are among the more prominent. Disproportionate abstention from those who would otherwise support mainstream parties leads non-mainstream parties to increase their relative vote share, though of course less than if voters switched directly to these parties.

Second, these voters may often defect to a non-mainstream party. If the non-mainstream parties are more radical than mainstream alternatives, polarization will increase. Radical parties are attractive to those who oppose austerity as they most clearly advocate an alternative fiscal policy position (Röth, Afonso and Spies, 2018). This applies to both radical-left and radical-right parties. Radical-left parties, such as *Die Linke* in Germany or the SP in

the Netherlands, are most attractive for individuals who are disappointed by the economic policies of the mainstream left. Unlike the mainstream left, the radical left takes an ideological stance against austerity and strongly opposes interference by international economic actors that demand such policies, such as the IMF or the EU.

Similarly, radical-right parties may attract dissatisfied voters for three reasons. First, the radical right often promises ‘welfare chauvinism’ that favors the native population at the expense of immigrants (Afonso and Rennwald, 2018). Second, similar economic policy positions by mainstream parties may weaken the impact of economic policy preferences on vote choice (Kitschelt, 1994). As a result, issues where the radical right has popular and unique positions, such as immigration and the EU, may matter more. Finally, the radical right often stands for anti-system politics, which is potentially attractive for disaffected mainstream voters. Overall, both the radical right and the radical left can therefore gain votes by strategically positioning themselves as an alternative to the mainstream parties (Wagner, 2012; De Vries and Hobolt, 2020).

Several examples from the recent past illustrate these proposed patterns. The rising popularity of UKIP, for instance, has been directly linked to the austerity policies in Britain (Fetzer, 2019). In other countries, non-mainstream parties emerged or expanded their vote share in connection with anti-austerity movements during the Eurozone crisis. An example is *Podemos* in Spain, which used the momentum generated by the *Indignados*, a social movement taking the streets in the aftermath of the crisis. Other, smaller parties actively court these movements: in France, both the radical-right *Rassemblement National* and the radical-left *France Insoumise* have tried to attract supporters of the *Gilets Jaunes* in order to capitalize on their popular appeal. Both parties insist that they have long fought against a political system that mostly benefits the establishment and harms ordinary citizens. Our final hypotheses are thus:

Hypothesis 2a (macro): Austerity measures increase polarization in the next election.

Hypothesis 2b (micro): Citizens are more likely to abstain from voting or to choose non-mainstream parties when all mainstream parties support austerity measures.

We examine these hypotheses in two steps. In the next section, we use aggregate observational data on fiscal consolidations and election outcomes in Western countries since the 1970s. This allows us to examine how fiscal consolidation has contributed to non-mainstream party vote and polarization, and hence party system change. However, one challenge we face in this analysis is the lack of good measures of mainstream *opposition* party positions on austerity policy. In the subsequent section, we therefore use survey experiments to examine individual-level voter reactions to fiscal policy proposals by different political parties in four countries. This allows us to test whether the patterns of party system change that we find in the macro analysis are in fact likely to be caused by voter responses to fiscal austerity as we propose above.

3 The macro pattern

3.1 Empirical design and data

The first part of our empirical analysis examines national elections from sixteen advanced economies between 1980 and 2016.⁷ This macro approach is useful because our goal is

⁷Data on national-level parliamentary elections is from the Comparative Manifesto Project (CMP). The set of countries is limited by the availability of fiscal consolidation data and includes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Portugal, Spain, Sweden, the United Kingdom, and the United States. The number of elections per country (166 in total) varies between 8 (France, United

to examine the impact of fiscal policy on political changes at the level of a party system. The country-level analysis allows us to do this by capturing the empirical relationship between fiscal policy and the patterns of national election outcomes and the associated systemic changes. We are aware that such a macro-level approach necessarily compromises on insights about the underlying mechanisms and the motivations of voter behavior. We therefore complement the macro analysis with an experimental analysis of individual-level behavior below.

In line with our hypotheses, we examine three different outcome variables: the vote for non-mainstream vs. mainstream parties; electoral turnout; and the polarization of the party system. We identify non-mainstream parties based on the party family classification by the CMP project (see also Spoon and Klüver, 2019).⁸ Mainstream parties in our context are those parties that support the current economic order and the related economic policies, notably low deficits and fiscal restraint. We classify social-democratic, christian-democratic, conservative, liberal and agrarian parties as those parties to which this definition applies.⁹ We use the share of eligible voters who do not participate in an election as a measure of electoral abstention (Armingeon et al., 2019). To measure the polarization of voters, we use the dispersion of positions of political parties, weighted by their vote shares. This indicator increases when more voters vote for parties at the fringes of the political spectrum.¹⁰ We use Kingdom) and 14 (Australia).

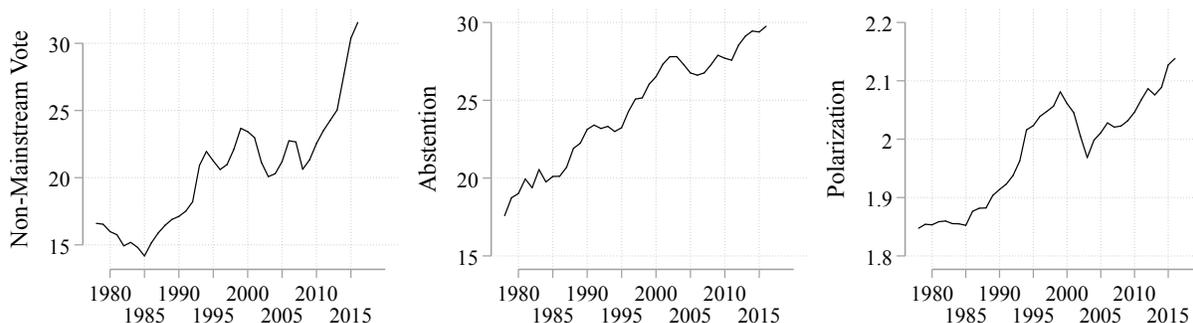
⁸The CMP uses the following classifications: ecological; socialist or other left; social-democratic; liberal; christian-democratic; conservative; nationalist; agrarian; ethnic and regional; special issue; and diverse electoral alliances.

⁹This definition is the same as in Spoon and Klüver (2019), with the exception of ‘socialist and other left’ parties. We classify those as non-mainstream because they position themselves against the economic order and fiscal austerity.

¹⁰Specifically, we calculate this measure as $\sqrt{\sum_{i=1}^n v_i(p_i - \bar{p})^2}$, where \bar{p} is the weighted mean of all the parties’ left-right ideological positions; p_i is the ideological position of party i , v_i is the share of votes that party i receives in an election, and n is the number of parties

data from expert surveys to measure the positions of political parties on the left-right scale.¹¹

Figure 1: Average non-mainstream party vote, abstentions and polarization over time



Note: Average values across the 16 countries per year for each variable.

Figure 1 shows how these outcome variables evolved over time in the countries that we examine. The patterns for all three variables are straightforward. On average, the vote share for non-mainstream parties doubled between the 1980s and today. The non-mainstream party vote share increases sharply from the mid-80s to 2000 and from 2009 onwards. Abstentions also gradually increased from below 20% at the beginning of the period to almost 30% at the end. This pattern is more evenly distributed than for the other outcome variables, with a steady and fairly uniform increase. Finally, average voter polarization increases considerably during our period of analysis. As for non-mainstream party vote, the sharpest increases occur between the mid-80s and early 2000s and again from the mid-2000s onwards.

For our independent variable – fiscal consolidations – we use the events-based measure that participate in the election.

¹¹Specifically, we use the left-right index from parlgov.org, which integrates the results from various expert surveys, including for instance the Chapel Hill expert surveys. The parlgov.org index is time-invariant, which allows us to isolate the effect of voters on polarization.

originally developed by Devries et al. (2011) and updated by Alesina, Favero and Giavazzi (2015).¹² Event-based measures of fiscal consolidation qualitatively identify the timing and magnitude of fiscal consolidation packages using policy documents from governments and international organizations. This is now the standard approach of measuring fiscal consolidations because it directly captures fiscal policy decisions by governments (Armingeon, Guthmann and Weisstanner, 2016; Alesina, Favero and Giavazzi, 2015).¹³ Out of the 166 legislative periods in our dataset, 91 periods include at least one consolidation event. Among these, the degree of fiscal consolidation varies considerably. A median (average) consolidation package aims at reducing the fiscal deficit by 1.9% of GDP (2.44%) with a standard deviation of 2.21% of GDP.¹⁴

We include a range of control variables, including macroeconomic conditions represented by real GDP growth and the unemployment rate, the degree of international openness of a country and net migration. These variables enter our model as means for each legislative period. We also include institutional variables that reflect the permissiveness of the electoral system, including the type of system and district magnitude. These variables mostly

¹²Note that we use government policy rather than mainstream party positions as our key predictor. Hence, our main test concerns actual policy rather than party programmes or political rhetoric. Implicitly, we therefore assume, building on existing research, that both mainstream parties tend to endorse austerity in times of crisis, based on a convergence of economic policy models (Baccaro and Howell, 2017; Hopkin, 2020). Below, we discuss the limitations of existing data measuring policy positions but nevertheless describe empirical results from models using positions rather than policy.

¹³In contrast, previously used measures that were based on the cyclically adjusted primary balance mix government decisions and macro-economic developments not directly related to fiscal policy decisions.

¹⁴The maximum is 11.9% of GDP in Portugal 2011-2015, but all other consolidations are below 8% of GDP. See also Table A1 and Figure 2.

account for cross-country variation, while our focus is on on over-time variation within countries. Nonetheless, they account for changes after electoral systems change (Best, 2012) and possibly affect how easily voters change from one party to another within the different systems.¹⁵ Table A1 shows the summary statistics of all variables.

Since we are interested in the gradual change in electoral behavior over time, we use the changes in the outcome variables from one election to the next as the dependent variables. This also addresses the econometric problem that the outcome variables are not stationary. Our analysis uses the following empirical specification:

$$\Delta y_{i,t} = \beta_0 + \beta_1 \text{Austerity}_{i,t-1} + \beta_2' \mathbf{X}_{i,t-1} + d_t + c_i + \epsilon_{i,t}$$

where i refers to the country and t represents an election; $y_{i,t}$ refers to either votes for non-mainstream parties, electoral abstentions, or polarization; $\text{Austerity}_{i,t-1}$ is the amount of fiscal consolidation in the legislative period prior to the election; $\mathbf{X}_{i,t-1}$ includes the control variables; d_t are period-fixed effects; c_i are country-fixed effects; and $\epsilon_{i,t}$ is an error term. We also use alternative empirical models, notably models in levels rather than differences and with a lagged dependent variable, and with a time trend (Angrist and Pischke, 2009, ch. 5). As we show in the Appendix, the results from these models are the same.

3.2 Results

Table 1 presents our estimation results. For each outcome variable, we present three specifications: one without controls, one with economic and political control variables, and one with country- and period-fixed effects. The results show that the vote share for the non-mainstream parties, electoral abstentions and polarization increase from one election to the next when the government implements a fiscal consolidation packages during the legislative

¹⁵Data for the control variables come from Armingeon et al. (2019) and Bormann and Golder (2013).

term. This effect is statistically significant and robust across different specifications.

The magnitudes of the estimated effects are substantively important. The results mean that a median consolidation package, which aims at reducing the fiscal deficit by 1.89% of GDP, increases votes for non-mainstream parties by 1.3 percentage points on average. A large package that is one standard deviation above the median, which aims at reducing the fiscal deficit by 4.16%, increases non-mainstream party votes by 2.9 percentage points. The effect of austerity on electoral abstention is smaller. A median consolidation package is predicted to increase abstention by 0.6 percentage points, while a large package increases abstention by 1.2 percentage points.

These effects then translate into an important increase in the polarization of the party system. To illustrate the impact graphically, we plot the predicted effect of fiscal consolidations on polarization in Figure 2 across the empirically observable distribution of consolidations. It shows that, for instance, a large consolidation package (one standard deviation above the median consolidation) increases polarization by 0.1 units. This effect increases up to 0.15 for very large packages that reduce the deficit by 7-8% of GDP.¹⁶ Compared to the empirically observable increase in polarization during the past decades, this estimated impact of austerity on polarization is quite substantial. Figure 1, for instance, shows that average polarization across countries has increased by 0.25 units between 1980 and 2015. And as Table A1 shows, the average increase in polarization during an electoral period in our dataset is 0.028. A median austerity package, therefore, raises the average growth in polarization by a factor of four.

Among the control variables, globalization has the most consistent effect and increases

¹⁶Most consolidation packages are below 8% of GDP. One package in Portugal during 2011-2015 takes the value of 11.9%, which is a unique and extreme case. We nonetheless include it in our plot because it is part of the empirically observable distribution.

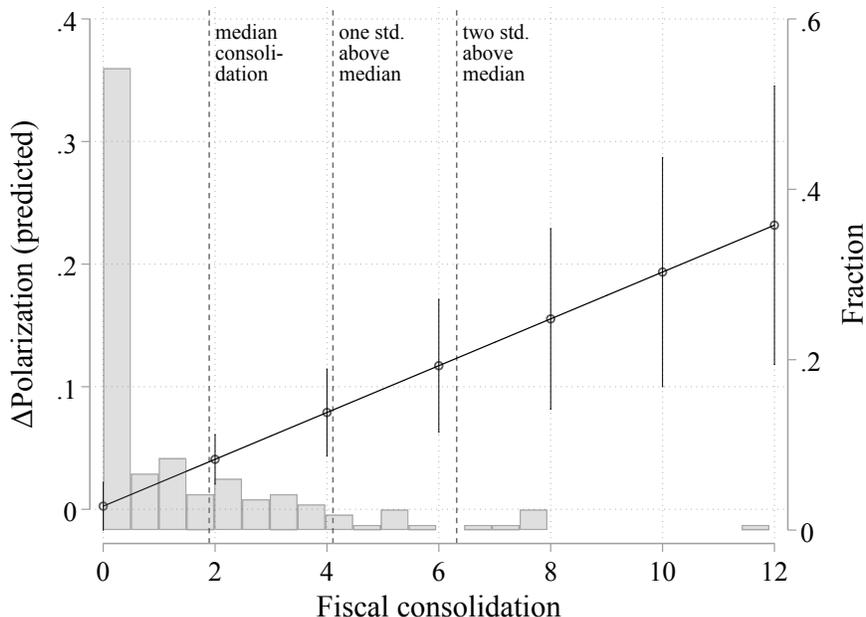
Table 1: Effect of austerity on party systems

	Δ Non-mainstream			Δ Abstentions			Δ Polarization		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Consolidation $_{t-1}$	0.693*** (0.225)	0.735*** (0.261)	0.583*** (0.280)	0.297** (0.116)	0.372** (0.146)	0.280 (0.177)	0.019*** (0.006)	0.018*** (0.007)	0.015** (0.007)
Growth $_{t-1}$		0.283 (0.266)	0.662* (0.375)		0.326* (0.195)	0.270 (0.261)		0.003 (0.006)	0.012 (0.008)
Unemployment $_{t-1}$		-0.036 (0.176)	0.192 (0.316)		-0.082 (0.105)	-0.230 (0.190)		0.003 (0.004)	0.004 (0.007)
Globalization $_{t-1}$		0.124** (0.058)	0.242 (0.215)		0.031 (0.046)	0.094 (0.196)		0.001 (0.001)	0.013** (0.005)
Migration $_{t-1}$		0.000 (0.003)	0.004 (0.004)		-0.004** (0.002)	-0.005 (0.003)		0.000 (0.000)	0.000 (0.000)
Proportional $_t$		-1.588 (4.515)	-5.540 (6.344)		-2.057 (1.853)	-5.908 (5.047)		0.032 (0.073)	-0.033 (0.187)
Mixed $_t$		-0.063 (1.447)	2.646 (4.441)		0.503 (1.228)	-0.666 (3.921)		0.013 (0.044)	0.165 (0.116)
DisMagnitude $_t$		0.613 (2.243)	2.687 (2.574)		0.687 (0.763)	0.833 (1.577)		-0.019 (0.033)	0.059 (0.055)
Constant	0.343 (0.510)	-9.588* (4.869)	-22.802 (17.840)	0.666* (0.357)	-1.189 (3.733)	-2.002 (16.748)	0.003 (0.012)	-0.108 (0.116)	-1.147*** (0.410)
Country FE	No	No	Yes	No	No	Yes	No	No	Yes
Period FE	No	No	Yes	No	No	Yes	No	No	Yes
R^2	0.04	0.07	0.20	0.02	0.09	0.16	0.07	0.10	0.24
F	9.508	2.019	2.730	6.569	2.750	1.405	9.532	2.084	1.657
p	0.002	0.047	0.000	0.011	0.007	0.101	0.002	0.040	0.029
N	166	166	166	166	166	166	166	166	166

Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

non-mainstream party vote and polarization, although this effect is not robust across specifications. The variables representing macroeconomic circumstances do not have an effect on the outcomes. This suggests that the impact of austerity does not simply capture the impact of the bad economic conditions that are often (albeit not always) associated with fiscal austerity packages.

Figure 2: Predicted change in polarization over empirically observable degrees of austerity



Note: Prediction based on model (7) in table Table 1; solid line shows predicted change in polarization (left y -axis) with 90% confidence intervals; bars show the distribution of fiscal consolidations (right y -axis).

A series of supplementary analyses examines the robustness of these findings. First, we examine the sensitivity of our results to alternative model specifications and estimate models in levels with a lagged dependent variable in Table A2.¹⁷ The results are very similar to the ones presented in the main text. Figure A4 shows that the results do not depend on the

¹⁷We do not include country-fixed effects in the lagged-dependent variable models because of Nickell bias.

inclusion of a particular country.

Second, we disaggregate the non-mainstream party variable and examine different non-mainstream parties separately in Figure A1 and Table A3. The results suggest that most of the effect of austerity in non-mainstream parties works through left parties and the groups of ‘other’ parties without a specific family label. This perhaps underlines that mainstream left party positions are key to understanding overall mainstream party decline due to austerity, as those choosing the radical left after austerity might otherwise have endorsed more centrist alternatives.

Third, we analyze the characteristics of fiscal austerity packages in greater detail in Tables A4 and A5. First, we follow Alesina, Favero and Giavazzi (2015) and interact consolidations with a variable that captures if a consolidation package is more spending- or tax-based. We do not find evidence that spending- or tax-based consolidations affect elections differently.¹⁸ Second, we also disaggregate consolidation by the timing during the legislative term. Consolidations in the year before the election year seem to have the strongest impact, but consolidations at the beginning of the term still considerably impact the election.

Fourth, Table A6 and Figure A2 examine how the effect of austerity on the outcome variables differs across sub-periods of five years. It should be noted that the number of observations and austerity instances in each period is fairly small. The results for non-mainstream vote and polarization suggest that there is an upward trend in the effect of austerity, with a temporary decline in the late 1990s / early 2000s. The impact of austerity is particularly strong after 2010, but it was already substantial throughout the 1990s. As Figure A3 shows, these were also the two periods in which most austerity episodes occurred.

¹⁸Most serious consolidations entail both spending cuts and tax increases. On average, ca. 1/3 of the measures are spending cuts and 2/3s are tax increases.

Hence, our findings are consistent with analyses showing that party system change resulted from the Great Recession (Hernández and Kriesi, 2016), but the general pattern existed already before.

Finally, our key variable, consolidation events, reflects government policy rather than party positions. We opted for this policy variable because it captures what parties actually do rather than what they say. Moreover, much of the actual policy convergence already happened prior to our period of analysis (Przeworski, 2019), limiting the usefulness of positional information. We also examined the effect of government partisanship on voter response, but there is no significant interaction between mainstream left government participation in government and consolidation events; this finding is consistent with strong prior positional convergence. To address the role of policy positions and convergence more directly, we turn towards a more qualitative assessment of key cases and an experimental analyses below. The experiments and the analytical narratives provide strong evidence that it is the similarity of mainstream party positions (ultimately reflected in government policy) that leads to voter abstention and defection.

4 Who wins? Who loses? Evidence from large fiscal adjustments

In order to further substantiate our macro-level results and to link the analyses above to our survey experiment, we look into selected electoral cycles during which governments implemented substantial fiscal consolidations. We thus examine fiscal consolidations aiming at deficit reductions of 5% of the GDP or more, which yields a list of ten large adjustment episodes, with five belonging to the pre-crisis and five to the post-crisis period. Consolidations of this size do not go unnoticed by the electorate and hence allow us to assess voters respond to austerity. Looking at electoral cycles from both periods, i.e. before and after the

Table 2: Legislative periods with cumulative austerity > 5% of GDP (Pre-Crisis and Post 2008 Crisis)

	Austerity	Δ Gov Support	Δ NMP	Δ Abstention	Δ Polarization
<i>Pre-2008 Crisis</i>					
Finland (1991-1995)	7.9%	-1.2%	1.9	-0.2%	0.07
Sweden (1994-1998)	6.5%	-8.9%	5.6	5.4%	0.2
Belgium (1981-1985)*	5.9%	-4.7%	-5.5	0.9%	-0.02
Ireland (1982-1987)	5.9%	-15%	4.3	-0.4%	0.17
Italy (1992-1994)	5.8%	-46.6%	10.8	1.2%	0.51
<i>Post-2008 Crisis</i>					
Portugal (2011-2015)	11.9%	-11.7%	8.2	2.2%	0.23
Ireland (2011-2016)	10.1%	-23.5%	13.5	4.4%	0.4
Ireland (2007-2011)	8.4%	-29.6%	8.7	-2.9%	0.17
Spain (2011-2015/2016)	7.8%	-13.2%	14.5	-4.3%/3.4%	0.59
Belgium (2010-2014)*	5.7%	-1.5%	29.5	-0.2%	-0.10

Note: Austerity = cumulated consolidation during electoral term; Δ Gov Support = change in vote share of parties in government; Δ NMP = change in non-mainstream party vote share; Δ Abstention = change in turnout. Data on fiscal consolidation events by Alesina et al. (2015), other by www.parlgov.org and the Comparative Manifesto Project. * Note that in Belgium, voting is compulsory, which means that turnout is traditionally high and there is very little change in turnout over time.

‘Great Recession’, will show that the mechanisms uncovered are not unique to the extreme economic crisis that started in 2008.

Table 2 lists the countries, the respective legislative period and the cumulative size of the consolidation packages implemented during the electoral cycle. More importantly, the table lists changes in non-mainstream party vote, abstention and polarization.¹⁹ Scrutinizing the electoral outcomes after these austerity cycles in terms of vote shares for political parties and voter turnout reveal a clear picture supporting and extending the results of the macro-level analysis. More specifically, legislative periods characterized by substantive austerity measures result in shifts in the electorate away from mainstream political parties towards non-mainstream parties located at the fringes of the ideological landscape. The short coun-

¹⁹Tables A6 and A7 in the Appendix provide a detailed overview of losses and gains of all parties for the same cases.

try narratives in the next paragraphs are divided into a pre- and post-crisis period, starting with a significant consolidation episode from Finland in the 1990s.

In the early 1990s, Finland went through an economic downturn which resulted in the implementation of a series of budget cuts amounting to almost eight percentage points of the overall GDP. The Finnish Centre party (KESK) that led the austerity government between 1991 and 1995 lost roughly 5% of its vote share, mainly to the benefit of the Social Democratic Party (SSDP) and the Left Alliance (VAS). These parties both significantly increased their vote share and then formed a government together with the National Coalition party (KOK). At the time, both the SSDP and the non-mainstream Left Alliance positioned themselves considerably to the left of the moderate Finnish Centre party.

Similarly to Finland, Sweden and Ireland also went through economically difficult times in the 1980s and early 1990s, with both countries implementing substantive austerity measures. In Sweden, the Social Democrats (SAP), who governed the country through most of the 1990s/early 2000s, experienced significant electoral losses after consolidating the public budget during the legislative cycle between 1994 and 1998, with measures amounting to more than 6% of the GDP. In the 1998 general elections the party lost close to 9% and had to form a minority government. The lost votes were picked up primarily by parties at the ‘fringes’ of the political spectrum with the conservative Christian Democrats (Kd) gaining more than 7% and the non-mainstream leftist/communist Vänsterpartiet (Vp) gaining almost 6%.

In Ireland, a coalition government between the centrist Fine Gael and Labour implemented a series of cuts between 1982 and 1987. These cuts contributed to the huge electoral defeat of Fine Gael in 1987, which lost 12% of its electorate. The majority of these votes went to the Progressive Democrats, a relatively new party formed by politicians dissatisfied with the politics of both large centrist parties (Fine Gael and Fianna Fáil), who gained more

than 11%. The Irish Worker's Party, situated at the left fringe of the ideological spectrum, also increased its vote share.

The above pattern persists when looking at the most prominent and substantial consolidation packages implemented in the wake of the 2008 economic crisis. In Portugal, the centre-right Social Democratic Party implemented several substantial austerity packages between 2011 and 2015. In 2015, the leftist *Bloco de Esquerda* almost doubled its vote share from 5.4% to 10.6%, and then supported a minority government led by the Socialist party. In Ireland, which experienced two legislative periods dominated by substantive austerity efforts, voters switched to parties without government responsibility (in the 2011 general election) and supported candidates without any party affiliation in the 2016 election (the cumulated vote share of independent candidates was 11.1%). In the same election, non-mainstream parties at the left fringe of the party landscape, i.e. Sinn Fein, Socialist Party, and the Green Party, also managed to substantially increase their electoral support. In Spain, the *Partido Popular* managed to stay in power after implementing consolidation packages amounting to roughly 8% of GDP between 2011 and 2015, but had to accept massive electoral losses (from 41.9% to 28.7%), with most votes going to *Podemos*, who for the first time campaigned as a party in a general election.

Of course, not all mainstream parties lose after implementing austerity packages. For instance, the Finnish Social Democrats gained votes in 1995, as did the Portuguese Socialists in 2015. Such gains are particularly frequent for mainstream parties in opposition (see table A6/A7 in the appendix). However, in most cases, the increase in vote share for mainstream opposition parties is lower than the decline in the combined vote share for governing parties.²⁰ Hence, these gains are consistent with an overall decline of the mainstream party

²⁰This is the case for 7 out of the 10 cases presented in the table (including the two cases in which the electoral support for both, mainstream parties in government and in the opposition, declined).

vote share.

While the patterns in the narratives match the aggregate results concerning non-mainstream parties, the patterns for abstention are less clear. In five cases, abstention declines after austerity packages, but only in two cases is this decline substantial (Ireland 2011 and Spain 2015). However, the turnout results for Belgium should be discounted because it is one of the few countries with compulsory voting. This leads to consistently high levels in turnout which remain unaffected by policy-decisions of the parties in office. Hence, it seems austerity may also mobilize voters in certain contexts. It is important to note, however, that mainstream parties do not seem to benefit from such an increased voter mobilization.

The changes in voter flows created a particularly fertile ground for the emergence of new political movements that first acted outside the electoral arena. These movements then became electorally important in the subsequent election. Prominent examples for this mechanism are Spain, where *Podemos* emerged as a response to austerity in the aftermath of the financial crisis and entered the electoral arena only in the 2014 European elections. A similar case is Italy, where the Five Star Movement celebrated huge electoral gains in 2013 and 2018. In both countries, a significant drop in turnout preceded the emergence of the new players in the political sphere: in Spain, turnout dropped from 73.8% to 68.9% between 2008 and 2011; in Italy, turnout dropped from 81.7% to 75.5% between 2006 and 2008.²¹

5 The micro behavior

5.1 Survey and experiment design

In the last part of our analysis, we aim to provide solid micro-level evidence of the mechanisms creating the macro-level patterns that we describe in the previous sections. In a survey

²¹Turnout in both countries dropped further in the last general elections to 66.2% in Spain (Nov. 2019) and 72.9%, in Italy (March 2018), respectively.

experiment fielded in four countries, we examine voter reactions to different fiscal austerity proposals from the main centre-left and centre-right parties. This means that we can test which parties voters support if both mainstream parties advocate austerity.

This experimental approach is useful because it allows us to vary the positions of the main political parties towards austerity. In an observational study, it is difficult to assess how the main parties' positions on austerity matter for vote choice as many party- and country-specific factors co-vary together with the policy option pursued. Indeed, a key counterfactual, namely that either both mainstream parties or even just the mainstream left oppose austerity, is arguably rarely observed. Moreover, an experiment allows us to present specific and clear policy stances by mainstream parties. In an experiment, we can be sure that it is responses to the policy dimension we manipulate that drive behaviour. Moreover, as argued above it is difficult to gather data on opposition party responses to government austerity programs.

We conducted original survey experiments in four countries: Britain, Germany, Portugal and Spain.²² The four countries were chosen for multiple reasons. First, a survey in multiple countries allows us to uncover commonalities in responses across different contexts, which enhances our confidence into the generalizability of the results. Second, voters in the different countries were exposed to differing degrees of austerity in the recent past. Portugal and Spain experienced a debt crisis and received international bail-out packages; the UK was hit by a short-term financial crisis and long-term austerity, but was not bailed out internationally; and Germany has proved comparatively resilient since 2008. Third, the four countries also have different party systems that create variation in the types of contestation around

²²We also ran the experiment in Italy just after its election in 2018. However, the experiment was difficult to adapt to that country given that the government was in transition and two non-mainstream parties dominated the party system. While we used *Forza Italia* and the *Partito Democratico* in our experiment, these were clearly not the most relevant parties in the context anymore.

austerity. In Spain and Germany, party-based opposition to austerity is strongest on the radical left (*Podemos* and *Die Linke*). In Portugal, the radical left is opposed to austerity, but so is, in a more moderate way, the Socialist Party. In the UK, Labour used to take a market-friendly approach in the last decades, but moved towards a strong anti-austerity stance during the Corbyn years.

Table 3: Main political parties per country

	Center Left	Center Right
Germany	Social Democrats (SPD)	Christian Democrats (CDU/CSU)
Portugal	Partido Socialista (PS)	Partida Social Democratica (PSD)
Spain	Partido Socialista (PSOE)	Partido Popular (PP)
UK	Labour Party	Conservative Party

We conducted an experiment embedded in population-based surveys. The surveys were implemented by *respondi*, making use of different country-specific online access panels. Respondents were selected from these access panels; quotas based on age and gender were implemented. The sample is restricted to voting-age nationals. In each country, we surveyed around 2,200 individuals.²³ In the experiment, we presented respondents with hypothetical scenarios concerning policy proposals by the two main parties in each country. Table 3 lists the main center left and center right parties in the countries covered by our survey experiment.²⁴ In the experiment we also varied which party was described as the government party and which as the main opposition party. We do this to be able to examine whether the credibility of the announcement among voters differs for government and opposition parties.

To illustrate the details of the experiment for the UK, we present a possible vignette that

²³The appendix provides more details about the country specific panels and other aspects of the data collection process.

²⁴In Spain, PSOE and PP are historically the main governing parties, and no other party has held the office of prime minister. We therefore decided against including newer competitors (*Ciudadanos* and *Podemos*).

respondents saw after an introductory screen in table 4.²⁵ The vignettes included the following information: party in government, main opposition party, policy proposal of each party. The treatment (policy proposal in the second row) could take one of the following two values: ‘*cut spending and increase taxes*’ or ‘*keep government spending stable without tax increases*’. This yields in four different combinations of policy proposals: (1) both parties want to cut spending, (2) the center-left party keeps spending as is, while the center-right party cuts spending, (3) the center-right keeps spending as is, while the center-left cuts spending, and (4) both parties keep spending as is. Our key comparison is between the ‘both cut’ scenario, which arguably represents the status quo across most Western democracies, with the two counterfactual scenarios (2) and (4), where either the mainstream left or both mainstream parties keep spending as is. Below, we disregard option (3), since it is unrealistic that the center-right keeps spending as is while the left cuts. However, we kept this option in the design of the experiment for sake of completeness.

Table 4: Experimental setup

	Government	Main Opposition Party
	Labour Party	Conservative Party
Policy proposal	Keep government spending stable without tax increases	Cut spending and increase taxes

Each respondent was presented with three – randomly selected – vignettes out of the eight possible vignettes (four possible proposal vignettes \times two possible government-opposition assignments as outlined above). After each vignette our respondents were exposed to they

²⁵The experiment was introduced as follows: ‘*We will now show you three different, possible scenarios how the main political parties in Britain respond to the high fiscal deficit and growing public debt. In each scenario, there will be one policy proposal by the government party and one by the main opposition party. The government and the opposition parties can propose similar policies or different policies, depending on political circumstances. The scenarios also vary in terms of which party is in government. Sometimes, the Conservative Party is in government, and the Labour Party is the main opposition party. And sometimes, the Labour Party is in government, and the Conservative Party is the main opposition party. Please indicate which party you would support in each scenario.*’

had to indicate which party they would vote for given the policy scenarios presented. Specifically, we asked: *‘For which party would you vote in the next election?’*. This became our outcome variable (DV).²⁶ All political parties were included as response options, not just the two main parties. We also allowed respondents to state *‘Would not vote’* and *‘Don’t know’*. Respondents’ reactions to these vignettes give us an idea of which policy proposal is more attractive to them in different combinations and, more importantly how the combination of party and policy proposal influences their vote choice.

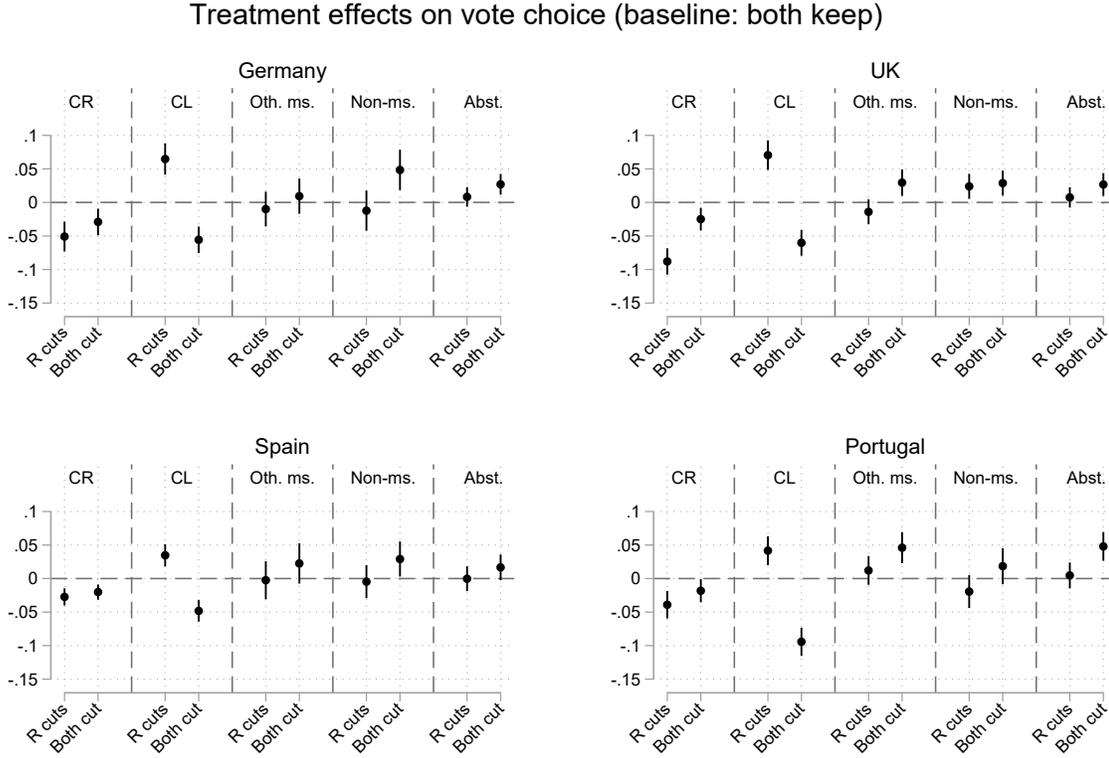
5.2 Results

Figure 3 presents the results of the experiment and is based on a multinomial logistic regression using vote choice as dependent variable and the policy treatment as independent variables. The baseline category is the scenario in which both parties propose to keep spending as it is. Here, we code non-mainstream parties as in the macro analysis, namely as radical-right, radical-left and Green competitors. We always control for simple demographics (age, education, gender and income) as well as for party choice in the prior election as well as economic ideology.

As noted above, we also varied which of the two parties was described as the government party. In our analyses, this is interacted with the austerity treatment, and the results below average over the government and opposition conditions. We do so because we did not find any statistically significantly different reactions to policy proposals depending on whether the party was described as governing or not. While this is consistent with our claim above that voter responses to austerity proposals do not depend on who is in government, we do not see this as strong evidence, as it could just be that our government-opposition treatment was somewhat abstract in the context of a hypothetical scenario. We now turn to the key results.

²⁶Given that we have three assessments per respondent, the following analyses cluster standard errors by respondent.

Figure 3: Fiscal consolidation and voter flows



Note: Multinomial logistic regression with vote choice as DV and treatment as IV. CR=Centre-Right, CL= Centre left, ms=mainstream. Three of four policy treatments shown, baseline category: both parties propose to keep spending. Policy treatments interacted with whether the left or right wing party was said to be in government. Effects shown averaging over these two conditions. For full results with all parties, see Figure A5 to Figure A8

The results support H1b, which stated that mainstream parties that support austerity receive less support. When only the centre-right cuts while the centre-left promises to maintain current levels of spending, the centre-left does particularly well (and the centre-right particularly badly). However, the overall support for mainstream parties is similar when both parties propose maintaining current levels or when only the left does. This is easily visible when looking at the effects of the categories capturing ‘other mainstream parties’, ‘other non-mainstream parties’ and ‘abstention’ (Figure 3).

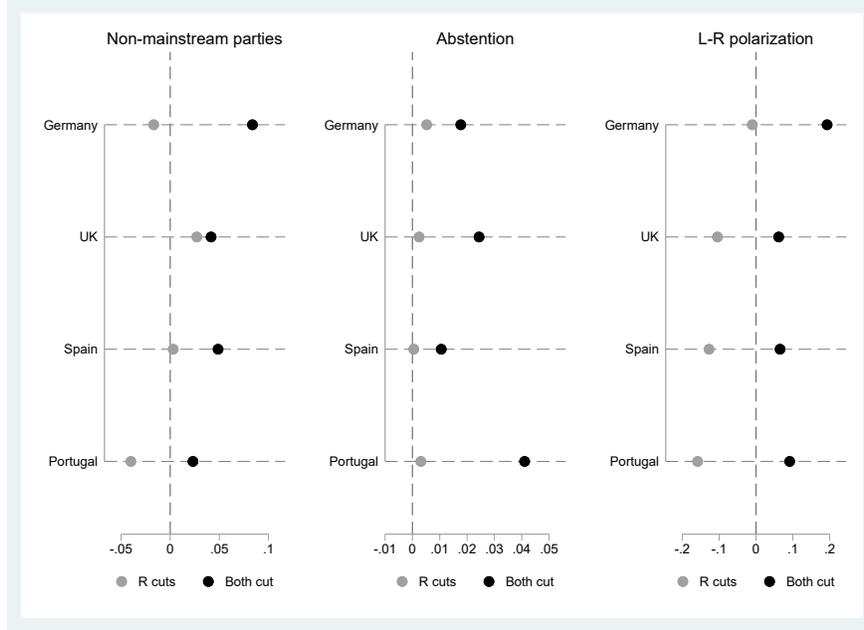
The results also support H2b: what leads voters to abandon the left without rewarding the right is a context in which both parties support cuts. This will increase fragmentation. Thus, Figure 3 shows that the vote for other parties increases in the ‘both cut’ scenario in all party systems, be they mainstream or non-mainstream parties. Abstention increases as well, albeit to a lesser extent. The effects of both parties promising austerity on voting for other parties and on abstention are comparable across countries.

In terms of polarization, we can see that the vote for non-mainstream parties increases across the board, even if not significantly in Portugal. In other words, voters’ reactions to the experiment lead to more polarized party systems. More detail is provided in the Appendix, which shows full results by country. There, we can see that in Germany the left competitor party (*Die Linke*) benefits most if both main parties propose to cut spending (see Figure 6 in the Appendix). The same pattern exists in Portugal (figure 9, appendix), where the leftist ‘Bloco de Esquerda’ benefits most from a scenario in which both main parties propose to cut. In Spain *Ciudadanos* and *Podemos*, two relatively new competitors benefit from voters defecting the main parties (see figure 8 in the appendix). Overall, voters also move to comparatively centrist parties such as the Lib Dems in the UK or *Ciudadanos* in Spain. While there is movement to the extremes, voters also defect to mainstream alternatives.

Hence, as expected the situation where both parties cut is particularly conducive to engendering changes in voter decision-making, at least in terms of other party vote, non-mainstream vote and abstention. This scenario essentially emulates the situation most parties faced in the aftermath of the Eurozone crisis or during any other prolonged economic and fiscal crisis. The finding is also in line with the results from the macro-level analysis.

Finally, and to link the micro-analysis back to the macro-level findings, we present aggregate-level results from each proposal type in Figure 4. For this, we treat each vi-

Figure 4: Aggregate Effects of treatment conditions



Note: Non-mainstream vote share is the difference in the proportion of respondents voting for non-mainstream parties as defined in the previous sections. Abstention measured as the proportion of non-voters in each treatment condition. Left-right polarization measured as the weighted standard deviation of left-right positions (as provided by the ParlGov database).

gnette type as a hypothetical election and present the aggregate results for the four outcome variables of our macro analysis: the change in vote share of non-mainstream parties, abstention, and left-right polarization based on ParlGov-provided expert scores for parties. For non-mainstream party vote, we can see a clear and strong increase in all countries, especially when both parties pledge to implement an austerity package. The effects on turnout are smaller, which coincides with the macro results. Most importantly, polarization increases compared to the other two experimental scenarios across all four countries, with the most pronounced effects in Germany. The reduced level of polarization when only the right proposes to cut can be explained by the resulting increased support for the mainstream left, which lowers polarization compared to when neither party proposes to cut spending.

Overall, the aggregated effects from the experimental analysis are consistent with the findings from our macro analyses in the previous sections. They confirm that economic

policy-making, and in particular fiscal consolidation, have a significant impact on the party landscape in representative democracies.

6 Conclusion

In this paper, we use macro- and micro-level analyses to study the political effects of austerity. We focus on the consequences of austerity policies by mainstream political parties for voter behavior and party system change. We find that votes for non-mainstream parties and electoral abstention if mainstream parties implement austerity. As a result, political polarization increases. Voters who are dissatisfied with fiscal policies and who do not find a credible anti-austerity alternative among the mainstream parties turn towards smaller existing or new parties. Since parties at the edges of the political spectrum advocate most strongly against austerity, they often win particularly strongly, which increases political polarization.

These results have important consequences for our understanding of the long-term effects of fiscal policy. Most existing work has examined how economic conditions, such as financial crises or trade shocks, which are partially beyond the control of governments, affect parties. We highlight instead how the policy choices made by the key political parties affect the stability of the party system. The failure of mainstream parties to offer distinct fiscal policy propositions to voters can have important long-term consequences for political stability. Greater polarization inhibits the ability to build viable and stable coalition governments and leads to more difficulties in putting together a coherent government policy agenda. Ironically, these political developments then also undermine the effectiveness of fiscal institutions that aim at limiting public spending and keeping fiscal deficits low (Wehner, 2010).

Naturally, the question arises how long-lasting the effects of austerity on party systems will be. The answer, at this stage, can only be speculative. However, qualitatively assessing

the mechanisms driving party system change reveals that a drop in turnout usually precedes the establishment of a new party, which will then stand in future elections. Such processes can evolve over several electoral cycles, which implies that the changes in party landscapes are likely here to stay. More broadly, once non-mainstream parties enter into parliament, e.g. after an austerity episode, this consolidates their political standing over time (Bischof and Wagner, 2019). Austerity policies, therefore, can have profound longer-term effects that analyses of the short-term effects on government popularity cannot uncover (Hübscher, Kemmerling and Sattler, 2015; Hübscher, Sattler and Wagner, 2020). Even if austerity does not lead to immediate government breakdown, the policies still contribute to the reshuffling of votes within the party system.

References

- About-Chadi, Tarik and Ellen M. Immergut. 2019. “Recalibrating Social Protection: Electoral Competition and the New Partisan Politics of the Welfare State.” *European Journal of Political Research* 58(2):697–719.
- Afonso, Alexandre and Line Rennwald. 2018. Social Class and the Changing Welfare State Agenda of Radical Right Parties in Europe. In *Welfare Democracies and Party Politics: Explaining Electoral Dynamics in Times of Changing Welfare Capitalism*, ed. Philip Manow, Bruno Palier and Hanna Schwander. Oxford University Press Oxford pp. 171–194.
- Alesina, Alberto, Carlo Favero and Francesco Giavazzi. 2015. “The Output Effect of Fiscal Consolidation Plans.” *Journal of International Economics* 56:S19–S42.
- Alesina, Alberto, Davide Furceri, Jonathan Ostry, Chris Papageorgiou and Dennis P. Quinn. 2020. “Structural Reforms and Elections: Evidence from a World-Wide New Dataset.” NBER Working Paper No. 26720.
- Angrist, Joshua D. and Jörn-Steffen Pischke. 2009. *Mostly Harmless Econometrics: An Empiricist’s Companion*. Princeton University Press.
- Ardanaz, Martín, Mark Hallerberg and Carlos Scartascini. 2020. “Fiscal Consolidations and Electoral Outcomes in Emerging Economies: Does the Policy Mix Matter?” *European Journal of Political Economy* 64:1–28.
- Arias, Eric and David Stasavage. 2019. “How Large Are the Political Costs of Fiscal Austerity.” *Journal of Politics* 81(4):1517–1522.
- Armingeon, Klaus, Kai Guthmann and David Weisstanner. 2016. “Choosing the Path of Austerity: A Neo-Functionalist Explanation of Welfare-policy Choices in Periods of Fiscal Consolidation.” *West European Politics* 39(4):628–647.

- Armingeon, Klaus, Virginia Wenger, Fiona Wiedemeier, Christian Isler, Laura Knöpfeland, David Weisstanner and Sarah Engler. 2019. "Comparative Political Data Set 1960-2017." Electronic Database, available at <http://www.cpsds-data.org>.
- Baccaro, Lucio and Chris Howell. 2017. *Trajectories of Neoliberal Transformation: European Industrial Relations since the 1970s*. Cambridge University Press.
- Barnes, Lucy and Timothy Hicks. 2018. "Making Austerity Popular: The Media and Mass Attitudes Towards Fiscal Policy." *American Journal of Political Science* 62(2):340–354.
- Bermeo, Nancy and Larry M. Bartels, eds. 2013. *Mass Politics in Tough Times: Opinions, Votes, and Protest in the Great Recession*. Oxford University Press.
- Best, Jacqueline. 2004. "Hollowing Out Keynesian Norms: How the Search for a Technical Fix Undermined the Bretton Woods Regime." *Review of International Studies* 30(3):383–404.
- Best, Robin E. 2012. "The Long and the Short of it: Electoral Institutions and the Dynamics of Party System Size, 1950-2005." *European Journal of Political Research* 51(2):141–165.
- Bischof, Daniel and Markus Wagner. 2019. "Do Voters Polarize When Radical Parties Enter Parliament?" *American Journal of Political Science* 63(4):888–904.
- Blyth, Mark. 2013. *Austerity – The History of A Dangerous Idea*. Oxford University Press.
- Bodea, Cristina and Masaaki Higashijima. 2017. "Central Bank Independence and Fiscal Policy: Can the Central Bank Restrain Deficit Spending?" *British Journal of Political Science* 47(1):47–70.
- Bodea, Cristina, Tanya Bagashka and Sung Min Han. 2018. "Are Parties Punished for Breaking Electoral Promises? Market-Oriented Reforms and the Left in Post-Communist Countries." Paper presented at the Annual Meeting of the European Political Science Association, Vienna, June 25-27.

- Bormann, Nils-Christian and Matt Golder. 2013. "Democratic Electoral Systems Around the World, 1946-2011." *Electoral Studies* 32(2):360–369.
- Bremer, Björn and Sean McDaniel. 2019. "The Ideational Foundations of Social Democratic Austerity in the Context of the Great Recession." *Socio-Economic Review* (online).
- Burgoon, Brian. 2013. "Inequality and Anti-Globalization Backlash by Political Parties." *European Union Politics* 14(3):408–435.
- Colantone, Italo and Piero Stanig. 2018. "The Trade Origins of Economic Nationalism: Import Competition and Voting Behavior in Western Europe." *American Journal of Political Science* 62(4):936–953.
- Copelovitch, Mark, Jeffry Frieden and Stefanie Walter. 2016. "The Political Economy of the Euro Crisis." *Comparative Political Studies* 49(7):811–840.
- De Vries, Catherine and Sara Hobolt. 2020. *Political Entrepreneurs: The Rise of Challenger Parties in Europe*. Princeton University Press.
- Devries, Pete, Jaime Guajardo, Daniel Leigh and Andrea Pescatori. 2011. "A New Action-Based Dataset of Fiscal Consolidation." IMF Working Paper 11/128.
- Fernandez-Albertos, Jose and Alexander Kuo. 2020. "Selling Austerity: Preferences for Fiscal Adjustment during the Eurozone Crisis." *Comparative Politics* 52(2):197–227.
- Ferrara, Federico Maria and Thomas Sattler. 2018. "The Political Economy of Financial Markets." *Oxford Research Encyclopedia in Politics*, doi: 10.1093/acrefore/9780190228637.013.628.
- Fetzer, Thiemo. 2019. "Did Austerity Cause Brexit?" *American Economic Review* 109(11):3849–3886.

- Genovese, Federica, Gerald Schneider and Pia Wassmann. 2016. "The Eurotower Strikes Back: Crises, Adjustments, and Europe's Austerity Protests." *Comparative Political Studies* 49(7):939–967.
- Gidron, Noam. 2020. "Many Ways to be Right: Cross-Pressured Voters in Western Europe." *British Journal of Political Science* (online).
- Gidron, Noam and Peter A Hall. 2017. "The Politics of Social Status: Economic and Cultural Roots of the Populist Right." *British Journal of Sociology* 68:S57–S84.
- Giger, Nathalie and Moira Nelson. 2011. "The Electoral Consequences of Welfare State Retrenchment: Blame Avoidance or Credit Claiming in the Era of Permanent Austerity." *European Journal of Political Research* 50(1):1–23.
- Gingrich, Jane. 2019. "Did State Responses to Automation Matter for Voters?" *Research and Politics* 6(1):1–9.
- Gingrich, Jane and Ben Ansell. 2012. "Preferences in Context: Micro Preferences, Macro Contexts, and the Demand for Social Policy." *Comparative Political Studies* 45(12):1624–1654.
- Halikiopoulou, Daphne and Tim Vlandas. 2016. "Risks, Costs and Labour Markets: Explaining Cross-National Patterns of Far Right Party Success in European Parliament Elections." *Journal of Common Market Studies* 5(3):636–655.
- Hallerberg, Mark and Guntram Wolff. 2008. "Fiscal institutions, fiscal policy and sovereign risk premia in EMU." *Public Choice* 136(3):379–396.
- Hays, Jude C. 2009. *Globalization and the New Politics of Embedded Liberalism*. Oxford University Press.
- Hellwig, Timothy. 2008. "Globalization, Policy Constraints, and Vote Choice." *Journal of Politics* 70(4):1128–1141.

- Hellwig, Timothy and David Samuels. 2007. "Voting in Open Economies – the Electoral Consequences of Globalization." *Comparative Political Studies* 40(3):283–306.
- Hernández, Enrique and Hanspeter Kriesi. 2016. "The Electoral Consequences of the Financial and Economic Crisis in Europe." *European Journal of Political Research* 55:203–224.
- Hobolt, Sara B. and James Tilley. 2016. "Fleeing the Centre: The Rise of Challenger Parties in the Aftermath of the Euro Crisis." *West European Politics* 39(5):971–991.
- Hopkin, Jonathan. 2020. *Anti-System Politics: The Crisis of Market Capitalism in Rich Democracies*. Oxford University Press.
- Hopkin, Jonathan and Mark Blyth. 2019. "The Global Economics of European Populism: Growth Regimes and Party System Change in Europe." *Government and Opposition* 5(2):193–225.
- Horn, Alexander. 2020. "The Asymmetric *Long-term* Electoral Consequences of Unpopular Reforms: Why Retrenchment Really Is A Losing Game for Left Parties." *Journal of European Public Policy* (online).
- Hübscher, Evelyne. 2016. "The Political Economy of Fiscal Consolidation Revisited." *Journal of Public Policy* 36(4):573–601.
- Hübscher, Evelyne. 2018. *The Clientilistic Turn in Welfare State Policy-Making: Party Politics in Times of Austerity*. ECPR Press / Rowman & Littlefield International.
- Hübscher, Evelyne, Achim Kemmerling and Thomas Sattler. 2015. "Austerity for the Win? The Effect of Fiscal Consolidation on Political Support for the Government." Paper presented at the Meeting of the European Political Science Association, Vienna, June.
- Hübscher, Evelyne and Thomas Sattler. 2017. "Fiscal Consolidation under Electoral Risk." *European Journal of Political Research* 56(1):151–168.

- Hübscher, Evelyne, Thomas Sattler and Markus Wagner. 2020. "Voter Responses to Fiscal Austerity." *British Journal of Political Science*. DOI: <https://doi.org/10.1017/S0007123420000320>.
- Immergut, Ellen M. and Tarik Abou-Chadi. 2014. "How Electoral Vulnerability Affects Pension Politics: Introducing a Concept, Measure and Empirical Application." *European Journal of Political Research* 53(2):269–287.
- Jensen, J. Bradford, Dennis P. Quinn and Stephen Weymouth. 2017. "Winners and Losers in International Trade: The Effects on US Presidential Voting." *International Organization* 71(3):423–457.
- Karreth, Johannes, Jonathan T Polk and Christopher S Allen. 2013. "Catchall or catch and release? The electoral consequences of social democratic parties' march to the middle in Western Europe." *Comparative Political Studies* 46(7):791–822.
- Kitschelt, Herbert P. 1994. *The Transformation of European Social Democracy*. Cambridge University Press.
- Kriesi, Hanspeter. 2010. "Restructuration of Partisan Politics and the Emergence of a New Cleavage Based on Values." *West European Politics* 33(3):673–685.
- Kriesi, Hanspeter, Edgar Grande, Romain Lachat, Martin Dolezal, Simon Bornschieer and Timotheos Frey. 2008. *West European Politics in the Age of Globalization*. Cambridge University Press.
- Kurer, Thomas, Silja Häusermann, Bruno Wüest and Matthias Enggist. 2019. "Economic Grievances and Political Protest." *European Journal of Political Research* 58(3):866–892.
- Lucassen, Geertje and Marcel Lubbers. 2012. "Who Fears What? Explaining Far-Right-Wing Preferences in Europe by Distinguishing Perceived Cultural and Economic Threats." *Comparative Political Studies* 45(5):547–574.

- Lupu, Noam. 2014. "Brand Dilution and the Breakdown of Political Parties in Latin America." *World Politics* 66(4):561–602.
- Mair, Peter. 2006. "Ruling the Void? The Hollowing of Western Democracies." *New Left Review* 42:25–51.
- Milner, Helen V. 2018. "Globalization and its Political Consequences: The Effects on Party Politics in the West." Paper presented at the Annual Meeting of the American Political Science Association, Boston, August 30 - September 2.
- Mosley, Layna. 2000. "Room to Move: International Financial Markets and National Welfare States." *International Organization* 54(4):737–773.
- Norris, Pippa and Ronald Inglehart. 2018. *Cultural Backlash: Trump, Brexit and the Rise of Authoritarian Populism*. Cambridge University Press.
- Przeworski, Adam. 2019. *Crises of Democracy*. Cambridge University Press.
- Rodrik, Dani. 1998. "Why Do More Open Economies Have Bigger Governments?" *Journal of Political Economy* 106(5):997–1032.
- Röth, Leonce, Alexandre Afonso and Dennis C. Spies. 2018. "The Impact of Populist Radical Right Parties on Socio-Economic Policies." *European Political Science Review* 10(3):325–350.
- Sattler, Thomas. 2013. "Do Markets Punish Left Governments?" *Journal of Politics* 75(2):343–356.
- Sattler, Thomas, Patrick T. Brandt and John R. Freeman. 2010. "Democratic Accountability in Open Economies." *Quarterly Journal of Political Science* 5(1):71–97.
- Spoon, Jae-Jae and Heike Klüver. 2019. "Party convergence and vote switching: Explaining mainstream party decline across Europe." *European Journal of Political Research* 58(4):1021–1042.

- Talving, Liisa. 2017. "The Electoral Consequences of Austerity: Economic Policy Voting in Europe in Times of Crisis." *West European Politics* 40(3):560–583.
- Wagner, Markus. 2012. "When Do Parties Emphasize Extreme Positions? How Strategic Incentives for Policy Differentiation Influence Issue Importance." *European Journal of Political Research* 51(1):64–88.
- Wehner, Joachim. 2010. "Institutional Constraints on Profligate Politicians: The Conditional Effect of Partisan Fragmentation on Budget Deficits." *Comparative Political Studies* 43(2):208–229.
- Wenzelburger, Georg. 2011. "Political Strategies and Fiscal Retrenchment: Evidence from Four Countries." *West European Politics* 34(6):1151–1184.