

Austerity and Populism^{*}

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Abstract

A large literature explains the rise of populist parties with the economic insecurities stemming from globalization and technological change. But despite the long-standing focus of the Comparative and International Political Economy literature on fiscal policy, these studies largely ignore governments and their economic policies. This article brings policy back into the picture by reviewing the research agenda on the political effects of fiscal policy, and fiscal austerity in particular. This research finds that governments, especially those with a large electoral margin, can implement austerity and still survive in office. Support for austerity varies with the composition of the austerity package, the public discourse and the narratives to which voters are exposed. Nonetheless, austerity has important political effects even if governments do not collapse: they increase votes for non-mainstream, often populist parties among economically vulnerable voters because austerity magnifies rather than alleviates the social risks of these voters.

Keywords: fiscal policy, crises, elections, voting, globalization, automation

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1. Introduction

One of the most popular explanations of populism points to economic insecurity as a main cause. Economic insecurity fuels economic and political grievances, which – under the assumption that traditional parties do not offer a credible solution – push deprived voters towards populist parties. Economic insecurity stems from structural economic transformations and shocks, such as financial crises, sharp increases in trade, automation and the rise of the knowledge economy (e.g., Margalit 2019; Berman 2021; Gallego & Kurer 2022). Individuals and regions who are more negatively affected by these transformations have seen an increase in support for populist, radical, nationalist and other non-mainstream parties, which is a key feature of the backlash against globalization (e.g., Jensen et al. 2017; Owen & Johnston 2017; Colantone & Stanig 2018; Walter 2021).

Astonishingly, the government and its policy choices do not play much of a role in this recent literature. Voters, for instance, punish governments for trade shocks and turn to nationalist parties that propose to curtail globalization, but there is no discussion of public policy and what governments do (or do not do). The government is rarely even mentioned and mostly appears as a bystander that does not react to these developments. But these shocks and transformations put governments and their policy choices into the spotlight. Voters react not only to economic outcomes, but also to how governments respond to such shocks. Government decisions and how voters evaluate these choices, therefore, are an important feature of political accountability. We bring the government back into this debate and focus on the role of fiscal policy, and especially fiscal austerity, in this mechanism.

There are clear theoretical reasons why austerity can increase votes for populist parties. The importance of fiscal policy to politically stabilize economically open countries has been highlighted for a very long time (Keynes 1936; Stolper & Samuelson 1941; Polanyi 1944; Cameron 1978; Katzenstein 1985; Rodrik 1998). If governments fail to effectively moderate the effects of economic transformations and shocks on voters, they risk political backlash. Austerity reinforces rather than mitigates the effect of globalization and other sources of economic insecurity and hence fuels populism. The literature on austerity and populism that we review here, therefore, directly connects to the almost century-long debate in political

economy about the relationship between democracy and markets and the risk of political backlash in open economies.

In this paper, we review the main results of an empirical research agenda on the political effects of fiscal austerity that thrived during the past decade. In a nutshell, this research finds that the effect of austerity on support for parties in government is mixed and depends on a variety of factors, such as the composition and timing of austerity, but the effect on support for populist parties is quite clear: populist and other non-mainstream parties win, especially among economically vulnerable voters. These insights raise new questions, e.g. which fiscal policies vulnerable, anti-austerity voters expect from political parties, and how these demands can be reconciled with the growing pressure to reduce public debt.

2. Definitions and Facts

Austerity is defined as a set of policies that aim at reducing the deficit in the public budget, by cutting public spending, increasing taxes, or a combination of both.¹ In industrialized countries, austerity measures predominantly target the expenditure side. On average, spending cuts (tax increases) constituted 64% (36%) of the austerity measures in these countries between 1978 and 2014 (Devries et al. 2011; Alesina et al. 2019). Spending cuts primarily concern government transfers and government consumption (ca. one third each).² Tax increases

¹ We refer to austerity as a fiscal policy choice, not a structural condition due to scarce public resources (e.g., Pierson 2001, chapter 13, which refers to a state of “permanent austerity”). The literature also uses the terms fiscal adjustment (e.g., Alesina et al. 1998) and fiscal consolidation (e.g., Devries et al. 2011), which are less politically charged. They more clearly point to a discretionary policy choice of the government and are less associated with economic hardship than the term austerity. Some of those who initially used these more neutral terms later also converged on the term austerity (Alesina et al. 2019).

² A significant part of the studies that we discuss below highlights the effect of austerity on welfare states. An objection is that social expenditures in industrialized countries have been increasing over the past decades. This is true for average total social expenditures, but not for average social security transfers or average unemployment expenditures. Average education expenditures increased, but the three austerity waves in figure 1 strongly co-vary with declines

primarily affect income taxes and VAT. This is different in other regions, where the revenue side is more important for austerity. In Latin America and the Caribbean, for instance, 72% (28%) of austerity measures fell on tax increases (spending cuts) (David & Leigh 2018; Ardanaz et al. 2020). Here, tax increases mostly fall on VAT and other indirect taxes. Spending cuts most strongly affect public investment and compensation of public employees.

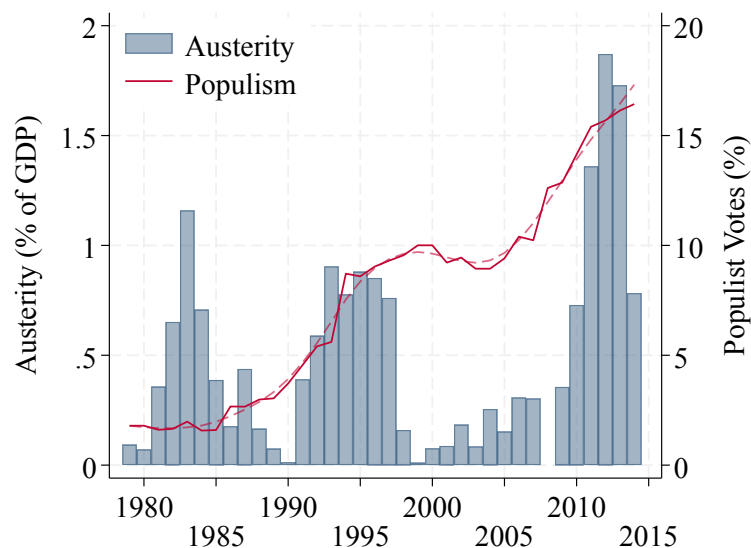


Figure 1: Average annual austerity and populist vote shares (solid line = actual, dashed line = trend) in Western European countries, 1978-2014. Own calculations based on Devries et al. (2011), Alesina et al. (2019), Döring and Manow (2024), and Rooduijn et al. (2024).

Figure 1 shows how austerity in Western European countries is distributed over time.³ The bars in this figure represent the mean of all austerity measures implemented in these countries in a

or stagnations in these three expenditure types. The increase in average total social expenditures is primarily driven by increases in average old age and health expenditures. See Baccini and Sattler (2024), figures 2 in the main text and C1 in the Appendix, and the respective social expenditure series in Armingeon et al. (2019).

³ Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal, Spain, Sweden and United Kingdom. Greece is not included in these datasets. We focus on these countries because we will compare them to populist vote shares, which are available for

particular year. As we can see, austerity tends to be clustered temporally. The major waves of austerity occurred in the 1980s after the second oil shock, in the mid-1990s in the run up to the Eurozone and then again in the late 2000s after the Global Financial and the Eurozone crises. According to the same data, the countries with the largest cumulative size of austerity in this time period is Italy. Other high-austerity countries are Ireland and Spain, but primarily because of the Eurozone crisis. Germany, the Netherlands, Austria implement austerity measures on a regularly basis, but not as extreme ones as the crisis countries. Anglo-Saxon countries tend to do less austerity than the others (see Baccini & Sattler 2024, figure 1).

The most common definition of populism highlights two characteristics of populist parties that are relevant for this review (Mudde 2017). First, populism is defined as a thinly centered ideology which attaches itself to a host ideology that can take the form of nationalism/nativism, authoritarianism, or socialism. Second, a key defining feature of populist parties is that they divide the society into two antagonistic groups, the 'pure people' and a group that betrays the people (i.e. a corrupted economic or political elite) or is framed as an 'outgroup' (i.e. non-native, foreigners). Depending on the host ideology, the outgroup differs. Equally relevant is that populist parties accept no constraints to the popular will, which is assumed to reflect the uniform preferences of the people.⁴ Populism, therefore, rests on a non-pluralist vision of a society in which leaders are directly responsive to the people and implement policies which directly reflect their will (Caramani 2017). Interference with this unmediated responsiveness through courts or international organizations is opposed by populists.

Figure 1 also plots how support for populist parties in Western European countries evolved during the time period for which we have data on austerity measures. The lines show average

the same countries. The temporal distribution of austerity looks very similar if we add Australia, Canada, Japan and the USA, but the average level of austerity is ca. 0.5 percentage points lower because these countries implemented less austerity. See Baccini and Sattler (2024), figure 2. The bars in the figure average across all countries, also those that implement zero austerity in a particular year. The mean austerity level for those country-years when an austerity package was implemented is 1.35% of GDP. The maximum is 5.23% of GDP.

⁴ Alternative accounts propose that populism primarily manifests itself in a specific 'discursive style' or rhetoric (Norris & Inglehart 2019) rather than an ideology. For a recent overview focusing on populism and change in European party systems, see Vachudova (2021).

vote shares of populist parties and a filtered series that isolates the long-term trend, using a Hodrick-Prescott filter. The figure shows that the rise of populist parties took place in two waves, one in the 1990s and one that began at the end of the 2000s. These two waves largely coincide with the second and third austerity wave that we identified above (but not with the first). This pattern is even reinforced if we look not only at populist, but a wider range of non-mainstream parties, which we can also identify in other, non-European industrialized countries (see Hübscher et al. 2023b, figure 1). Non-mainstream parties gained votes during the 1990s, but their vote shares declined throughout the 2000s before they increased again from the late 2000s onwards.

3. Fiscal Policy in Open Economies

Before we review the empirical findings on austerity and political behavior, we situate these more recent studies in the longer comparative and international political economy literature. The literature on the so-called post-war ‘embedded liberalism’ (Ruggie 1982) shows why fiscal policy is politically consequential in economically open democracies. It attributes two related, yet conceptually separate roles to fiscal policy: 1) as an instrument for macroeconomic stabilization, and 2) for the alleviation of social risk in market economies.

The first idea goes back to Keynes (1936) who noted already in the 1920s the detrimental effects of the constraints that the Gold Standard imposed on economic policy in Britain.⁵ While Keynes points to, but does not fully flesh out the political implications of these policy constraints, Polanyi’s (1944) ‘double movement’ argument does so more explicitly: the push towards free markets increases demand for policies that protect society and address social dislocations. These studies precede the ‘impossible trinity’ argument, according to which governments can only meet two of the following three goals: capital openness, fixed exchange rates and monetary autonomy (Fleming 1962; Mundell 1963). In the early post-war period, governments constrained capital flows to retain policy autonomy, as a reaction to the interwar experiences to be able to respond to economic shocks and dislocations. Fiscal policy always

⁵ In his writings between 1919 to 1931, which are collected in his *Essays in Persuasion*, Keynes hints at the political tensions linked to high unemployment. He more openly advocates an active fiscal policy in the *General Theory*.

played an important role for macroeconomic stabilization, but with growing financial liberalization, it has become an even more important policy lever, especially when the exchange rate is fixed (Frieden 1991) – as it is the case in many European countries today.

The second function of fiscal policy has its roots in the Stolper-Samuelson theorem. Stolper and Samuelson (1941) show that the scarce production factor loses from international trade, but this loss is smaller than the gains of the rest of society. To secure the political support of the losers, some of these gains have to be redistributed to them. As Stolper and Samuelson note at the very end of their article, “it is always possible to bribe the suffering factor by subsidy or other redistributive devices so as to leave all factors better off as a result of trade” (p. 73). This redistribution can take different forms, but welfare states were generally seen as key institutions that fulfill this function (Cameron 1978; Katzenstein 1985; Walter 2010). As a result, more open countries tend to have larger governments than more closed ones to secure political support for openness (Rodrik 1998). From a more comparativist perspective, increasing inequality, labor market dualization and technological change also increase demand for redistribution. Based on these insights, Garrett (1998) suggested that social-democratic parties win in economically open countries because they offer the policies that many voters demand.

As we now know, this expectation was wrong. Support for social-democratic parties, and traditional parties more broadly, has declined sharply in the past couple of decades. One explanation is the diffusion of austerity policies, which run counter to the propositions of embedded liberalism. When economic volatility increases as the economy becomes more open, austerity increases rather than alleviates economic insecurity of exposed groups. And when economic benefits become more unequally distributed among factors of production, austerity further reinforces, rather than reduces this inequality. This also means that austerity is not necessarily unequivocally rejected by all voters. It primarily leads to dissatisfaction among economically vulnerable voters.

In a nutshell, the political economy literature identifies different sources for these fiscal decisions. The first points to structural constraints, e.g. the concern that globalization creates a ‘golden straitjacket’ (Johnston & Barta 2023) constraining the room of political parties to pursue distinct economic policies (Sattler 2013; Schneider & Thomson 2024) and of governments to respond to voters (e.g., Mosley 2000; Rudra 2002). Demographic change

further magnifies pressure on public finances and welfare states (Pierson 2001).⁶ The second strand noted a strong ideational push towards pro-market policies (McNamara 1998; Best 2004; Baccaro et al. 2022), including the diffusion of austerity as a central economic idea (Blyth 2015; Dellepiane-Avellaneda 2015). These ideas and policies were often transmitted via international institutions, e.g. the IMF (Chwieroth 2010) or the Eurozone (Copelovitch et al. 2016). As a result, and as the comparative politics literature noted separately, governments put less emphasis on responsiveness and more on responsibility (Mair 2009). The latter, in fiscal policy, coincides with fiscal prudence. For reviews of this large literature, see Berger (2000) or Kayser (2007).

There are multiple theoretical reasons why especially populist parties can attract voters who oppose austerity. A particularly compelling argument works through the openness channel. The way these parties emphasize responsiveness and sovereignty easily extends to fiscal policymaking by linking austerity to the constraints from international integration, e.g. the rules of the EU and the European Monetary Union, which they oppose. More generally, austerity can be described as a feature of an economic system that benefits elites and for which ordinary people pay the price. To the extent that populist parties do not oppose austerity per se, they link austerity to the fiscal costs of immigration and propose to shift the burden to non-natives and other minorities. Finally, if governments cut down compensation for social risk, an alternative solution is protection against foreign competition. Populist parties usually are the only parties that offer to restrict free trade and to leave free trade agreements.

4. The Political Effects of Austerity

4.1 Overall Effects

Initially, the academic debate about the political effects of austerity focused on the broader question if these policies affect electoral outcomes at all. From a pocketbook perspective,

⁶ This literature looked at parties and governments and not at voters. Early studies that incorporate voters were pessimistic about government accountability for economic outcomes in open economies (Sattler et al. 2008, 2010). Voters also hold governments less accountable for macroeconomic outcomes in more open economies (Hellwig & Samuels 2007).

voters who are hit by austerity should punish the government. Yet, the first studies in this area (Alesina et al. 1998; Armingeon & Giger 2008; Giger & Nelson 2011; Alesina et al. 2011) conclude that austerity (either measured as large changes in the cyclically adjusted primary balance or in the form of social welfare cuts) does not reduce vote shares of government parties that implement these policies. The findings by Arias and Stasavage (2019) reinforce this result. In a study of changes in public expenditure and government change in 32 countries over more than 100 years, they find no indication that austerity leads to a higher likelihood of regular or irregular government turnover.

These results run counter to the common (yet, until then, untested) assumption in welfare state research that retrenchment is electorally risky (Pierson 2001). There are several explanations for these findings. First, austerity may not be a salient issue in many elections or for many voters (Armingeon & Giger 2008). The low salience of austerity can be explained with the myopia of voters (Healy & Malhotra 2013). Another explanation points to the positive effects of austerity on economic growth according to the ‘expansionary fiscal contraction’ thesis (Giavazzi & Pagano 1990; Alesina et al. 2019). Voters are also described as fiscal conservatives (Peltzman 1992) who punish governments for fiscal deficits (Brender & Drazen 2008). This is particularly true for voters with a long time horizon (Jacobs 2016; Keefer et al. 2022; Ardanaz et al. 2023). Alternatively, voters may not have a strong view on fiscal policy and follow the signals from political parties (Bansak et al. 2021), the narratives that they are most exposed to (Barnes & Hicks 2018) or long-term socialization processes and culture, which vary across countries with different political-economic systems (Hübscher & Sattler 2022; Ferrara et al. 2022; Hübscher et al. 2023a).⁷

Governments also are aware of the risks that unpopular reforms have on their reelection prospects and time austerity in a strategic manner. The likelihood that the government passes an austerity package is highest at the beginning of the electoral cycle and declines significantly throughout (Hübscher 2016, 2018). This pattern is particularly strong for governments with a

⁷ A related, popular argument centers on the so-called ‘household analogy’, which suggests that citizens, when thinking about the public budget, use similar reasonings in relation to debt and deficits as they apply to their household budget. Yet, Barnes and Hicks (2022) find no support that drawing an analogy between a private household budget and the public household make people more supportive of austerity.

low electoral margin and hence a higher risk to lose the next election (Hübscher & Sattler 2017; Strobl et al. 2021). Such governments frontload austerity contrary to governments who enjoy a larger electoral advantage over the opposition parties. These findings are consistent with the large literature on blame avoidance, which examines how governments communicate and implement unpopular reforms to minimize electoral punishment (Weaver 1986; Wenzelburger 2014).

A last, methodological explanation concerns the measurement of austerity. Early studies (Alesina et al. 1998) operationalized austerity as large increases (more than 1.5 percentage points) in the cyclically adjusted primary balance (CAPB). This measure requires that the cyclical adjustment sufficiently isolates the policy choices from the effect of the macroeconomic environment on the fiscal balance because policy and economic conditions affect votes in opposing ways.⁸ The event-based measure of austerity (or narrative approach), pioneered by Devries et al. (2011), addresses this drawback and operationalizes austerity episodes by identifying and coding spending cuts and tax increases in government announcements or policy documents. According to our own tests, the correlation between the CAPB-based and the events-based austerity measure is ca. 0.35. Event-based datasets nowadays exist for different regions, including industrialized countries (Devries et al. 2011; Alesina et al. 2019), Central and Eastern European countries (Ciżkowicz et al. 2023) and Latin America and the Caribbean (David & Leigh 2018).

Given that government turnover and elections happen only infrequently, more recent studies zoomed in on annual or higher-frequency measures of government support. These studies find that austerity measures lead to a significant drop in vote intentions and government popularity (Talving 2017; Jacques & Haffert 2021; Bojar et al. 2022; Ciobanu 2024).⁹ According to these

⁸ An economic upswing improves the fiscal balance and generally also increases satisfaction with governments. An improvement of the fiscal balance due to fiscal cuts, according to the standard hypothesis, decreases support for the government.

⁹ Contrary to most higher-frequency studies, Kalbhenn and Stracca (2020) find only a limited effect of austerity, but this study still follows the ‘old’ approach to measure austerity with the cyclically-adjusted primary balance. Talving (2017) uses a similar approach and, unlike the later studies, which use the event-based approach, only finds a conditional effect of austerity on government popularity.

estimates, government support declines by 0.6 to 0.8 percentage points after the implementation of an austerity package of the size of 1% of the GDP. As austerity often lasts longer than one year, the magnitude of the effect increases in subsequent years, but is wearing out afterwards. This motivates the strategic timing of austerity discussed above. Austerity also affects other forms of political participation. It has been linked to the eruption of large scale protests (Bremer et al. 2020; Ponticelli & Voth 2020), which in some cases led to the formation of political parties at a later stage. Protests and electoral punishment can be related as protests mobilize the public and serve as signals about who should be blamed about the unpopular policies.

The most recent wave in austerity studies then turned towards survey methods and experiments, mostly in advanced economies and often those affected by the European debt crisis, to directly assess individual level attitudes and preferences linked to austerity. One motivation of this move was the danger of ‘strategic selection bias’ in the macro analyses, i.e. the possibility that electoral risks are underestimated due to strategic behavior of governments as described above (Hübscher et al. 2021). Many of these studies find that a large share of voters is opposed to austerity compared to the alternative that the government maintains spending at the current level (Fernandez-Albertos & Kuo 2020; Hübscher et al. 2021; Bremer & Bürgisser 2023). An important exception are Bansak et al. (2021) who find that the majority of voters, when confronted with the choice to either increase or decrease public spending during a fiscal crisis, opt for the latter.¹⁰ This is the case especially when a cross-party consensus emerges that there is no alternative to austerity (Joosten 2025; see also Barnes & Hicks 2018 and the related studies on economic narratives discussed above).

We conclude from these findings that austerity indeed entails significant electoral risk, but it does not inevitably lead to government breakdown because governments have significant leeway to convince a sizeable share of voters and to minimize blame. One important strategy, apart from timing, is the composition of the austerity package (Bansak et al. 2021; Ardanaz et

¹⁰ In their conjoint analysis, however, where Bansak et al. (2021) propose cuts and tax increases in specific policy areas, the reaction of respondents is negative to most spending cuts and tax increases, including pension cuts, cuts to education spending, and income tax increases. Respondents only support cuts in defense spending and react very little to cuts in public sector jobs or increases in corporate taxation.

al. 2024) and compensatory measures (Ardanaz et al. 2025; Häusermann et al. 2019). The most prominent distinction here is between packages that primarily cut spending or increase taxes. In line with the expansionary fiscal contractions thesis, Alesina et al. (2024) find that tax increases have a significant and negative impact on votes for government parties in 16 OECD countries, but spending cuts do not.¹¹ Ardanaz et al. (2020) find the same for Latin American countries where governments rely more heavily on tax-based adjustments. Ardanaz et al. (2024) replicate this result in a conjoint analysis in four Latin American countries, but then show that there is significant variation across specific tax and spending categories: disagreement with tax increases is primarily driven by a strong opposition against increases in the personal income tax, but voters support increases in corporate taxation; the agreement with spending cuts is primarily driven by a strong support for cuts in public employment spending, but voters disagree with cuts in social transfers.

Different factors potentially moderate the effect of austerity on elections, e.g. the electoral system or fiscal institutions. Due to the limited variation of contextual characteristics and the presence of many confounders in observational settings, the effect of contextual factors is difficult to identify empirically, and evidence often is not very robust. An example is the popular argument that voters react particularly strongly to austerity from the left (Bremer 2023). Alesina et al (2025) find that (only) left governments are punished after implementing spending cuts. Horn (2021) also shows that left parties experience significantly higher electoral losses than their conservative counterparts. In our own research, however, we tested the partisan thesis in multiple ways and did not find robust evidence for it. Voters do not react more strongly to austerity by left governments in industrialized countries when the whole period from the 1980s onwards is considered (Hübscher et al. 2023, figure A8; Baccini and Sattler 2024, table 4). Also, we did not find an effect of government party treatments on the evaluation of austerity in multiple survey experiments (Hübscher et al. 2021, 2024). And we did not find robust evidence that left governments do less austerity than right governments (Hübscher 2016; Hübscher & Sattler 2017). If anything, left-wing governments implement austerity equally often, but the size of the adjustment is somewhat smaller (Hübscher 2016).

¹¹ Unlike the early papers by Alesina and co-authors, this paper also uses an event-based measure of austerity, which explains why the effect of austerity in this paper is larger than in the early papers.

Another important theme in the literature is the relationship between external constraints, mostly under IMF programs and in the Eurozone, austerity and various aspects of democratic politics, e.g. popular support for government, satisfaction with democracy or Euroscepticism. A key feature of IMF programs are fiscal conditionalities that induce austerity measures (Vreeland 2003; Kentikelenis et al. 2016). They often increase political instability (Dreher & Gassebner 2012), even though governments use the IMF as scapegoat for these unpopular policies (Smith & Vreeland 2004). Interestingly, micro-level studies also show that voters often oppose austerity less if the IMF is involved because they expect that the crisis is resolved more effectively with the IMF (Hübscher et al. 2024; Pinto et al. 2025). Aspide (2024), however, does not find that fiscal rules on the international level affect support for austerity more than a national debt brake. Integration into a rigid supranational structure, like the Eurozone, shifts the balance from responsiveness to responsibility (Konstantinidis et al. 2019) and sharpens the trade-off that governments and voters face, with twofold effects. It induces voters to accept austerity because the costs of leaving the Eurozone are high (Walter et al. 2018), but it also undermines support for the Eurozone itself (Baccaro et al. 2021).

Finally, voter characteristics affect their individual reaction to austerity. This research usually relies on surveys to assess how political ideology or the socio-economic background of voters moderate their attitudes towards austerity. Two findings are consistent across these survey analyses. First, the ideological predisposition of survey respondents has a large effect on their attitude towards austerity. Across the board, more left-leaning people are more opposed to austerity measures, especially spending cuts and less opposed to tax increases than right-leaning people. Second, survey studies find no or little effect of socio-economic characteristics, such as education or income, on attitudes towards austerity (Hübscher et al. 2021; Bansak et al. 2021; Bremer & Bürgisser 2023). As we will see in the next section, however, studies that use behavioral and not attitudinal data find a stronger effect of socio-economic characteristics and the material impact of austerity on the political behavior of voters.

4.2 Populism

The most recent wave of austerity research then shifted the focus away from general support for austerity. This research theorizes and examines support for different types of non-traditional parties, including populist, radical, anti-establishment and other forms of non-mainstream parties. Although these different concepts refer to different party characteristics, they overlap

and are difficult to separate empirically, especially in studies that focus on only one or a few countries. We, therefore, review these studies together in this section. These studies examine both left and right populist parties, and we discuss this distinction more below. The theoretical link between austerity and left populist parties is more straightforward than for right populist parties, as we point out in the Conclusion.

The hypothesis that austerity is detrimental to democratic stability was put forward, for instance, by Blyth (2015), and is directly linked to Polanyi's double movement argument and the subsequent political economy literature that we discussed in section 3. Empirical analyses of this conjecture, however, are more recent. Contrary to the overall effect of austerity, which varies across contexts, the impact of austerity on non-mainstream and populist party support is consistent across countries.¹² The underlying logic is again grounded in a pocketbook version of economic voting, but it differs from the standard reward / punishment argument. Deprived voters do not simply turn to opposition parties, but choose parties that offer a very specific, populist, program.

The first paper that establishes a direct empirical link between austerity and support of a populist party is the meticulous analysis by Fetzer (2019). Using fine-grained data from local and national elections between 2010 and 2015, Fetzer shows that districts that were particularly affected by the welfare cuts that the British governments implemented from 2010 onwards saw a significantly increase in support for the UK Independence Party (UKIP) than districts that were less affected by these cuts. The electoral support of UKIP, in turn, translated into a higher share of 'Leave' votes in the Brexit referendum over British EU membership in 2016. Fetzer's focus on the UK allows for a careful examination of the causal effect of austerity by linking estimates of the local impact of austerity to higher-frequency district- as well as individual-level voting data. The single-country study, however, raises the question to what extent this result holds in different contexts.

The first paper that covers a broader range of countries is the analysis by Hübscher et al. (2023b). This study examines the effect of austerity on non-mainstream and radical party vote shares and the resulting degree of political polarization on the macro and the micro level. The analysis of 16 advanced democracies between 1978 and 2014 shows that the amount of

¹² An exception is Grittersová et al. (2016) who do not find such an effect.

austerity during an electoral period is positively associated with an increase in political polarization and to smaller extent abstentions in the election at the end of this period. Since this type of macro analysis poses limitations to causal inference, the cross-country analysis is supplemented with a survey experiment fielded in Germany, Portugal, Spain, and the UK. The results confirm the macro pattern. In a scenario, where both the government and the main opposition party advocate austerity, the support for left and right non-mainstream, often populist, parties increases. The micro results also highlight the importance of the supply side: where voters go depends not only on the austerity position of the government party, but also the position of the main, mainstream opposition party.

Baccini and Sattler (2024) expand this analysis in two ways: they zoom in on local electoral outcomes and highlight the importance of economic vulnerability of voters for their vote choice. The district-level analysis of 12 Western European countries from 1986 to 2016 shows that austerity strongly increases the support for populist parties primarily in regions with a high share of economically vulnerable voters. The analysis of survey data since 2002 confirms that vulnerable voters are the ones who turn towards populist parties after austerity. In line with the globalization backlash literature, vulnerable voters are those with low education, workers in the manufacturing sector and workers in routine jobs. Almost simultaneously, but independently, Gabriel et al. (2023) also focus on the regional level using election results (from regional, national, and European elections) in 124 European regions across eight countries. Unlike Baccini and Sattler (2024) who examine how regional vulnerability moderates the effect of austerity decisions, they directly measure the local impact of austerity similar to Fetzner (2019). They find that a 1% reduction in regional public spending results in an increase in extreme parties' vote share of around 3 percentage points. This magnitude is comparable to the findings of other studies.

In addition to social security, austerity affects votes through the provision of public services. Cremaschi et al. (2024) assess the impact of municipal reforms in Italy, which were implemented as a response to the 2008 financial crisis and which led to a significant reduction in local public services, not only social services, but also public transportation, school construction, and others. They show that this reform significantly increased votes share of far-right parties (Lega and Fratelli d'Italia), especially in regions where public service decline was particularly severe. Wiedemann (2024) focuses again on the UK context and points to the importance of private debt accumulation in reaction to austerity-induced reforms. Far-reaching

social policy changes in the form of the Universal Credit scheme, which merged six different benefits and tax credits into a single, considerably lower benefit payment, led to higher levels of individual indebtedness which ultimately lowered the support of the incumbent and pushed some voters to the extreme of the political spectrum.

These findings are not limited to modern politics, but they also apply to important historical episodes. Galofré-Vilà et al. (2021) leverage historical data of German elections between 1930 and 1933 to study the rise of the NSDAP in this period. They show that austerity measures in the form of spending cuts, changes in transfers, and tax increases implemented by the Chancellor from the Center Party between 1930 and 1932 significantly contributed to growing support of the Nazi party. One of the key mechanisms that they identify is the impact of austerity on health and higher mortality rates. In districts that were more affected by austerity, the likelihood to vote for the NSDAP was significantly higher.

Austerity, however, does not uniformly benefit the populist right. As indicated above, countries offering a viable alternative on the left also saw increase in the support of left populist parties, e.g. in the aftermath of the sovereign debt crisis (Gomez & Ramiro 2019; Hübscher et al. 2023b). Hopkins (2020) offers an extensive analysis how austerity episodes in Europe during and after Eurozone crisis have led to the strengthening of anti-system parties. The limited political competition of center parties on economic issues and the subsequent erosion of support for these parties offered new opportunities for anti-system parties on both the political left and right, such as Podemos and Syriza in Spain and Greece or AfD and Golden Dawn in Germany and Greece, to attract new voters. As in the previous section, we note that the effect of political and institutional context is difficult to assess empirically in this type of studies since the number of contextual characteristics is limited and co-varies with important confounders.

The studies discussed here are essentially grounded in the argument that austerity increases the economic and social deprivation of voters, especially vulnerable ones, to motivate their political choices. Some of the studies above examine these social effects explicitly, but most of them simply assume that austerity reduces the economic and social well-being of these voters. There is a related literature that confirms this. Economically, austerity, including cutbacks triggered by IMF conditionalities, have been associated with higher levels of inequality and poverty (Heimberger 2020; Kentikelenis & Stubbs 2023) and a decline in public health

outcomes (Kentikelenis et al. 2014; Kentikelenis & Stubbs 2023). Beyond its material implications, austerity also negatively affects the fabric of societies, i.e. the level of altruism and pro-social behavior (Sambanis et al. 2022).

Besides absolute grievances, the recent literature suggests that austerity could affect votes through its impact on relative status of voters in a society and their status anxiety, but this mechanism is still underexplored. Several studies show that economic and social transformations affect citizens' perception of their relative social status and that fears of status decline are empirically related to populist votes (Gidron & Hall 2017; Mutz 2018; Jardina 2019; Kurer 2020; Kurer & Van Staalkduin 2022). Some of this literature points to socio-economic and other policies that are important for social status (Gidron & Hall 2017; Kurer 2020), but with very few exceptions (Jardina 2019, chapter 7), they remain very vague about the exact nature of these policies.¹³ Austerity could play a role here because it likely affects the status of some groups relative to others.

Finally, the political effect of austerity, and our discussion of embedded liberalism in section 3, raise the question if the reverse approach, the compensation or protection of vulnerable voters with the help of social and other types of public spending, can moderate the growing support for populist parties. Hays (2009), for instance, makes the point that continental European states face a smaller risk of backlash because their welfare states are better prepared to deal with the consequences of globalization. Those affected by globalization or automation also support welfare state expansion (Walter 2010) or policies that slow down technological change (Gallego et al. 2022).

Existing analyses examine general spending or more specific, targeted policy interventions. Among the former, Hays et al. (2005) find that a higher level of government spending increases political support for trade, and Vlandas and Halikiopoulou (2022) find that welfare state

¹³ Gidron and Hall (2017) refer to policies “altering socio-economic conditions” (p. S62), but do not work out what policies they have in mind. Kurer (2020) points to “remedies against status anxiety” (p. 1806), which can be interpreted as policies, but which mostly seem to have rhetorical and symbolic character. Kurer and van Staalkduin (2022) mention that “these voters envision more radical change than that which is on the policy agendas of mainstream parties” (p. 1342), but they do not work out how these alternative policies could look like.

policies reduce the likelihood that economically vulnerable voters support the far right. In contrast, Gingrich (2019) and Milner (2021) find that compensatory measures for voters negatively affected by trade or automation had a limited effect on their tendency to vote for populist or radical parties. The results from policy-specific studies are more consistent. These analyses, for instance, examine the impact of the Trade Adjustment Assistance (TAA) program in the U.S. (Margalit 2011; Ritchie & You 2021) or the Professional Security Contract (CSP) program in France (Bürgisser et al. 2025), which are designed to support workers who lost their jobs due to trade or other sources of structural change. They find that these targeted interventions reduced anti-incumbent votes in the 2000 – 2004 U.S., votes for Trump in the 2016 U.S. and for the Front / Rassemblement National in the 2012 – 2022 French presidential elections. Bürgisser et al. (2025) also highlight the interplay between material and non-material factors, i.e. the combination of ease of hardship and social recognition that come with the French program, that were important to CSP recipients.

5. Conclusion

This paper takes stock of the recent literature that examines how fiscal policy, especially fiscal austerity, affects elections and votes for populist parties. These studies contribute to the literature on populism by bringing economic policy back into the picture, which the populism literature so far largely neglects. Economic explanations of populism predominantly focus on structural changes and economic shocks, which partially are the result of decisions of past governments, e.g. the decision to sign trade agreements or to support China's entry into the WTO. But as the term 'shock' implies, they are largely outside the control of the current government. In a nutshell, the austerity literature confirms the widespread assumption that fiscal austerity poses electoral risks, but not all voters oppose austerity, and government can navigate this risk in multiple ways. There is clear evidence, however, that the grievances that austerity generates especially among vulnerable voters increases support for populist parties.

Although the empirical relationship between austerity and populist votes is quite clear, important parts of the mechanism require additional attention. It is intuitive that anti-austerity voters turn towards left-wing populist parties, which have traditionally taken a clear position against fiscal cutbacks. But many voters turn towards right-wing populist parties after austerity. We discussed supply side factors, e.g. the presence or absence of a strong left populist party in

the political system, and the anti-austerity credibility of other opposition parties as explanations. Some right-wing populist parties also tend to oppose austerity, such as the Rassemblement National in France, but many explicitly embrace orthodox economic policies and even have a history of advocating low public budget deficits, such as AfD in Germany. This raises the question what anti-austerity voters expect from right-wing populist parties?

One avenue forward is to link fiscal politics more explicitly to non-material concerns and 2nd-dimension politics. The recent literature increasingly bridges cultural and economic explanations of political backlash (Gidron & Hall 2017; Kurer 2020; Baccini & Weymouth 2021; Ciccolini 2025), but again with little reference to specific government policies. The welfare chauvinism of right-wing populist parties provides the most developed explanation along these lines and suggests that voters choose right-wing populist parties in the expectation that they shift the burden of austerity on immigrants (Afonso & Rennwald 2018; Röth et al. 2018). But the interaction possibly goes further if voters evaluate fiscal policy through a group lens (Jardina 2019, chapter 7), link it to cultural concerns (Cremaschi et al. 2024) or see a trade-off between austerity and immigration (Aspide & DiGiuseppe 2025). Group members, for instance, can infer from fiscal priorities how important their group is for elites, and identities and cultural distance between voters and elites can structure perceptions if public resources are distributed fairly across societal groups.

The literature on austerity and populism mostly highlights what governments should not do to further alienate vulnerable voters. It does not provide solutions in the sense that it does not show pathways for governments how to diminish political discontent and enhance political trust. The fiscal expansions in the U.S. during the Biden administration or in Germany after the most recent election, but also the EU structural funds, aim at managing the ongoing economic and social transformations and hence try to address the political challenges that we describe. But so far, they seem to have limited effects on the rise of populist parties. More research is needed to find out which fiscal and other policies help to distribute the gains from globalization and technological change more widely across society and have the greatest effect to restore trust in politics and liberal democratic institutions. Compensation can be one pillar, but it is not a long-term solution. Ultimately, voters do not want social security, but solid jobs that also bring social esteem.

Finally, we note that governments often do not have the liberty to avoid austerity and that deficit reduction is not per se irrelevant. Obviously, governments face a budget constraint, and fiscal constraints cannot simply be ignored, especially in crises. The literature that we review points to the risks that fiscal austerity entails, which does not mean that it should never been done. In fact, as we discuss in our review, many voters support fiscal adjustment plans. Yet, the political risks of austerity are an important feature of the political-economic trade-offs that politicians face and hence important for long-term fiscal and political sustainability. If these risks are simply dismissed, the economic costs of the political repercussions are also sizeable (Funke et al. 2023; Gavin & Manger 2023), and the challenges to European integration or global trade likely are more fundamental than a fiscal policy that also considers the political and not only the economic realities.

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