

# Does Austerity Cause Political Polarization and Fragmentation?\*

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March 5, 2020

## Abstract

Most party systems have seen a considerable rise in polarization and fragmentation during the past decades. We show that fiscal policies contributed to this development. Our macro-level analysis of 163 elections since 1979 finds that austerity increases both electoral abstention and votes for non-mainstream parties, thereby boosting polarization and the effective number of parties. A detailed analysis of selected fiscal adjustments also finds that new, small and radical parties benefit most from austerity policies. Survey experiments with a total of 8,800 respondents in Germany, Portugal, Spain and the United Kingdom show why this is the case. If the mainstream right and left parties both propose a pro-austerity position, more voters turn towards non-mainstream parties than if the mainstream left or both mainstream parties oppose austerity. Therefore, the adoption of similar economic positions by mainstream parties is a major determinant of political destabilization in industrialized democracies.

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\*Previous versions of this paper were presented at the MZES Research Seminar, University of Mannheim, March 2, 2020; 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 Thyssen Foundation, grant no. 10.18.1.008PO. Sattler acknowledges financial support from the Swiss National Science foundation, grant no. 165480.

# 1 Introduction

Party systems in Western countries have become increasingly polarized and fragmented 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. 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 downplayed the relevance of the economy for the transformation of party landscapes. 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). This, then, allowed smaller or new parties gain votes at the expense of established parties.

Our analysis redirects the attention towards the economy, and in particular towards the impact of economic policy on party systems. In contrast to work that examines the effect of economic conditions, such as economic growth or unemployment (Hernández and Kriesi, 2016; Lindvall, 2017), we focus on the policy stances of mainstream parties (Spoon and Klüver, 2019). Specifically, we argue that party system transformation arises from the long-standing tendency of mainstream parties to adopt similar fiscal policy positions and to pursue a policy of fiscal restraint (Hübscher, 2016; Hübscher and Sattler, 2017). This similarity of policy stances has created a pool of voters who are dissatisfied with current fiscal policies, but who lack a credible anti-austerity alternative among the mainstream parties. These voters then either abstain from the elections or decide to support non-mainstream political parties who reject austerity. Electoral abstention

indirectly and defection to non-mainstream parties directly increase the fragmentation of party systems. Polarization should also rise, at least to the extent that the alternative parties are situated 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 163 elections in 16 OECD countries between 1979 and 2016 to examine the broad relationship between austerity and the party landscape. Controlling for key economic and political factors, we find that austerity, polarization and fragmentation correlate substantially: the vote share of non-mainstream parties increases by more than 4% and voter abstentions rise by more than 2% if the government implemented sizeable fiscal austerity packages during the legislative term. This, in turn, increases polarization and the effective number of parties from one election to the next. Finally, a more detailed analysis of selected, large fiscal adjustment episodes shows that previously small and non-existent parties, often those at the edges of the political spectrum, are the primary beneficiaries of austerity policies in almost all countries.

The second part 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 from 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 (Bermeo and Bartels, 2013; Hernández and Kriesi, 2016; Hobolt and Tilley, 2016) or the adverse effects of economic outcomes, including globalization, financial crises or 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; Burgoon et al., 2019). Fiscal policy plays a critical role in mediating the effects of the economy on voters (Rodrik, 1998), but the destabilizing political effect of austerity is still contested (Alesina, Carloni and Lecce, 2011). Our results are consistent with claims that many voters are in fact critical of austerity (e.g., Bremer and Bürgisser 2018; Talving 2017) and that the failure to insure voters against enhanced social risks contributes to the rise of non-mainstream, often

populist parties (Halikiopoulou and Vlandas, 2016; Fetzer, 2019).

More broadly, the increase in polarization and fragmentation that we find poses a challenge for policymaking in democracies. A more polarized and fragmented 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.<sup>1</sup> 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 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 and governments' responses to economic shocks 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 gained pace in the wake of the crisis.<sup>2</sup>

We argue that this link between the economy and political stability critically hinges upon the economic policies of the government. Governments are most obviously responsi-

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<sup>1</sup>Similar patterns can also be found at the subnational level. Increasing fragmentation and the electoral success of challenger parties also led to increasing difficulties to find working majorities in some German states, e.g. Bremen and Thüringen.

<sup>2</sup>In Italy, 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.

ble for their policy responses to economic shocks, such as fiscal austerity. Nonetheless, the effect of fiscal policies, and especially fiscal austerity, on voting remains highly contested. The more optimistic views suggest that austerity has no effect on political outcomes (Alesina, Carloni and Lecce 2011; Giger and Nelson 2011; Arias and Stasavage 2019) or at least could be done in a way that political costs are small (Fernandez-Albertos and Kuo, 2020; Barnes and Hicks, 2018; Wenzelburger, 2011). The more pessimistic views claim that austerity is politically costly for governments (Blyth 2013; Hübscher, Sattler and Wagner Forthcoming; Bremer and Bürgisser 2018; Ardanaz, Hallerberg and Scartascini 2019), especially during crises (Talving, 2017), and leads to public protest (Genovese, Schneider and Wassmann 2016; Magalhaes 2016; Kurer et al. 2019).

Our analysis departs from this previous research by taking a systemic perspective that goes beyond the common focus on government parties. In particular, we take into account political competition among all political parties in the area of fiscal policy and the policy alternatives offered by key opposition parties. This broader perspective is crucial to assess the political consequences of austerity because it is necessary to identify the options that voters have when they are dissatisfied with government policy. These options, then, determine how voters behave: voters behave differently when mainstream parties adopt diverging fiscal policy positions than when they advocate similar policies (Spoon and Klüver, 2019).

## **2.2 Fiscal policy and voter dissatisfaction**

At the beginning of our argument are the fiscal policy positions of the most important mainstream parties located in the political center. To simplify our discussion, we focus on the main center-left party and the main center-right party. In models of democratic politics, these parties play a central role for political competition by offering distinct solutions on a wide range of policies to voters. Voters who are dissatisfied with the policy proposition of one party have the possibility to switch to the other party. This leads to alternating majorities for the left and right party or the respective political blocs.

The application of this political logic to fiscal politics is straightforward. Imagine that a country has been facing a significant deficit in the public budget. We assume that parties have two policy options: implement austerity to reduce the deficit by a meaningful amount; or to not change fiscal policy and accept an increase in public debt. In a strategic setup with purely vote-maximizing politicians and only two parties, both parties should propose the policy that maximizes political support among voters. If a party deviates and proposes austerity even if a majority of voters objects, dissatisfied supporters of this party can switch to the other main center party as long as this other party takes an

anti-austerity stance.

This accountability mechanism is broken if the main center-right and center-left parties both propose a pro-austerity position despite significant opposition against such policies in the electorate. In many countries, the ideological space occupied by mainstream parties has narrowed considerably (Katz and Mair, 1995; Evans and Tilley, 2012). In fact, most of this convergence among mainstream parties already happened until the 1970s (Przeworski, 2019), which means that mainstream parties have adopted very similar positions during most of the post Bretton Woods period. The traditional parties in many countries now back economic models of which fiscal restraint is a fundamental pillar (Baccaro and Howell, 2017; Lynch, 2019; Hopkin, 2020). This 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; Mudge, 2018).

There are multiple reasons why many (albeit not all) voters are opposed to austerity. The internationalization and automation of production had detrimental economic effects on many voters (Jensen, Quinn and Weymouth, 2017; 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, 2019). Governments which intervene more to prevent job loss, therefore, are punished less by the electorate (Margalit, 2011; Halikiopoulou and Vlandas, 2016). In contrast, spending cuts and the associated decline in state support leads to an increase in public discontent in many countries (Hübscher, Sattler and Wagner, Forthcoming). The mismatch between party positions and voter demands leads to a decline in party-voter congruence, especially during times of strong economic constraints (Traber, Giger and Häusermann, 2018).<sup>3</sup>

Although our analysis focuses on voters rather than party positioning, this raises the question why mainstream parties have taken a pro-austerity position even if many voters object against these policies. There are multiple reasons why this may be the case. First of all, international financial markets impose strong constraints on fiscal policy, especially on public deficits and debt (Mosley, 2000; Hallerberg and Wolff, 2008; Hays, 2009; Ezrow, Homola and Tavits, 2014). Second, domestic and international rules, such as debt brakes, the Maastricht criteria, or EU and IMF bail-out conditions, push

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<sup>3</sup>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) and in rigid exchange rate systems, such as the Eurozone (Frieden, 1991).

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).

## 2.3 Implications for voting behavior

How do voters respond if both center-right and center-left parties advocate fiscal restraint? Evidence from Latin America and Eastern Europe shows that the adoption of indistinguishable positions by established parties can have a detrimental, sometimes even dramatic impact on parties and party systems (Lupu, 2014; Bodea, Bagashka and Han, 2018). We expect that the adoption of pro-austerity positions has similar effects for two reasons.

First, dissatisfied voters who previously supported mainstream parties can abstain from turning out at general elections, which indirectly leads to an increase in the relative support for non-mainstream parties. While the decision to abstain from voting can have many reasons, disenchantment with the political establishment and a general dissatisfaction with the policy solutions by rival parties are among the more prominent (Kang, 2004).<sup>4</sup> 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, dissatisfied voters who do not want to abstain face the question which party they support. We expect that they often defect to a non-mainstream party because the parties at the extremes of the political spectrum most clearly advocate an alternative fiscal policy position (Burgoon et al., 2019; Röth, Afonso and Spies, 2018; Lynch, 2019). 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 impose 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

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<sup>4</sup>Other factors affecting turnout are the levels of trust in democracy or political institutions or the type of electoral system (Karp and Banducci, 2008).

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; Ezrow, Homola and Tavits, 2014; 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.

The following hypotheses summarize the implications of this argument.

*Hypothesis 1 (macro)*: Austerity measures reduce turnout and increase votes for non-mainstream parties, the effective number of parties and political polarization in the next election.

*Hypothesis 2a (micro)*: Citizens are less likely to vote for mainstream parties that propose austerity measures.

*Hypothesis 2b (micro)*: Citizens are more likely to abstain from voting or to choose non-mainstream parties when both mainstream parties, from the centre right and centre left, propose 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, political fragmentation and polarization and hence party system change. In the subsequent section, we 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 is in fact 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.<sup>5</sup> This macro approach is useful because our goal is 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. We are aware, however, 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 a more detailed analysis of individual-level responses to austerity below.

We examine four different outcome variables: the vote for non-mainstream vs. mainstream parties; voter polarization; the fragmentation of the party system; and electoral turnout. We identify non-mainstream parties based on the party family classification by the CMP project (see also Spoon and Klüver, 2019).<sup>6</sup> 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.<sup>7</sup> 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.<sup>8</sup> Since our argument

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<sup>5</sup>Data 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 (163 in total) varies between 8 (Finland, France, United Kingdom) and 14 (Australia).

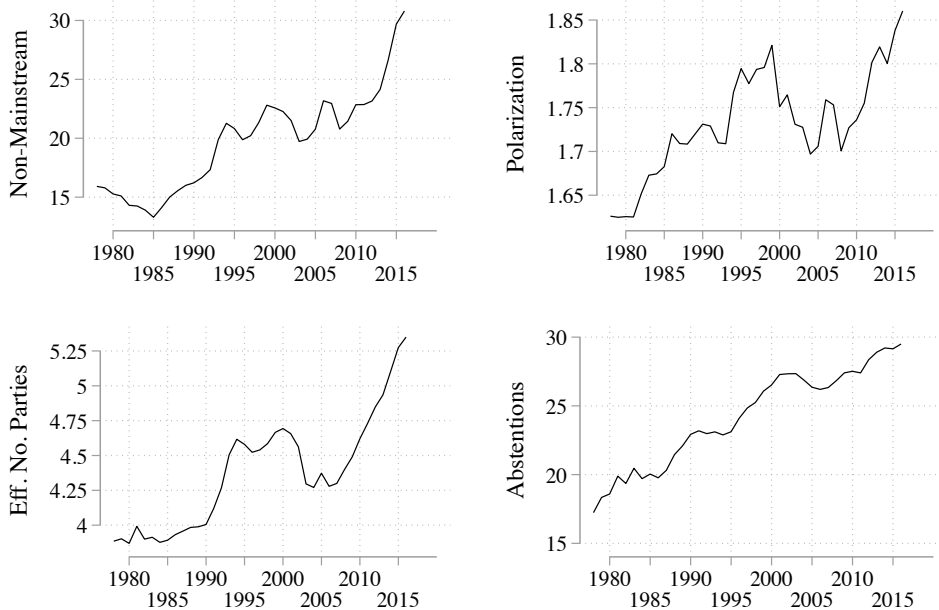
<sup>6</sup>The CMP uses the following classifications: ecological; socialist or other left; social-democratic; liberal; christian-democratic; conservative; nationalist; agrarian; ethnic and regional; special issue; and diverse electoral alliances.

<sup>7</sup>This definition is the same as in Spoon and Klüver (2019), with the exception of socialist and other left parties, which we classify as non-mainstream because they position themselves against the economic order and fiscal austerity.

<sup>8</sup>As in Ezrow (2007), we calculate this measure as  $\sqrt{\sum_{i=1}^n v_i (p_i - \bar{p})^2}$ , where  $\bar{p}$  is the

focuses on the demand side, i.e. the change in polarization due to voter behavior, we rule out supply side effects, i.e. variation in polarization due to changes in party positions, by fixing the position of a party at its median during our period of analysis.<sup>9</sup> To measure the fragmentation of the party system, we compute the ‘effective number of parties’ for each election.<sup>10</sup> Finally, we use the share of eligible voters who do not participate in an election as a measure of electoral abstention.

**Figure 1:** Average non-mainstream party vote, polarization, fragmentation and abstentions 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

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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 that participate in the election.

<sup>9</sup>We use the party positions from the Chapel Hill expert survey (Bakker et al., 2015). The importance of fixing the party positions to isolate demand-side effects on polarization becomes evident when comparing our measure with one that uses time-varying positions from the CMP project. Our measure indicates growing voter polarization over time (see below). In contrast, the time-varying measure shows a decline in polarization, which is due to the changing positions of political parties.

<sup>10</sup>Specifically, we use the measure by Laakso and Taagepera (1979), which defines the effective number of parties as  $1/\sum_{i=1}^n v_i^2$ .

we examine. The patterns for all four variables are straightforward. On average, the vote share for non-mainstream parties doubled between the 1980s and today. These parties received about 15% of the votes at the beginning of our analysis and almost 30% in 2016. The non-mainstream party vote share increases sharply from the mid-80s to 2000 and from 2009 onwards. It fluctuated between 20% and 23% in the first decades of the 2000s. Average voter polarization and the effective number of parties also both increase 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 2008 onwards with a more pronounced decrease between 2000 and 2006. Finally, abstention 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.

For our independent variable – fiscal consolidations – we use the events-based measure by (Devries et al., 2011) as updated by (Alesina, Favero and Giavazzi, 2015). 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 (Hübscher, 2016; Armingeon, Guthmann and Weisstanner, 2016; Alesina, Favero and Giavazzi, 2015).<sup>11</sup> Out of the 163 legislative periods in our dataset, 88 periods include at least one consolidation event. Due to the fairly large number of legislative periods that do not include consolidation events, the variable is strongly skewed to the left (see Figure A1). We therefore use the logged values of fiscal consolidation in our analyses.<sup>12</sup>

We include a range of control variables, including the unemployment rate and the degree of international openness of a country. These are time-varying variables that potentially help to account for the variation of our political outcome variables within

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<sup>11</sup>In 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.

<sup>12</sup>Note 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; Lynch, 2019; 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.

countries over time. These variables enter our model as means for each legislative period. Finally, we include institutional variables that reflect the permissiveness of the electoral system, including the type of system and district magnitude (Ordeshook and Shvetsova, 1994). These variables mostly account for cross-country variation, while our focus is 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. Data for these variables come from Bormann and Golder (2013) and Armingeon et al. (2019). Table A1 shows the summary statistics of our data.

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. Our analysis starts with the following baseline specification:

$$\begin{aligned} \Delta \text{Outcome}_{i,t} = & \beta_0 + \beta_1 \text{Austerity}_{i,t-1} + \beta_2 \text{Outcome}_{i,t-1} \\ & + \beta_3 \text{EconControls}_{i,t-1} + \beta_4 \text{PolControls}_{i,t} + \epsilon_{i,t} \end{aligned}$$

where  $i$  refers to the country and  $t$  represents an election;  $\text{Outcome}_{i,t}$  refers to either votes for non-mainstream parties, the effective number of parties, or electoral turnout;  $\text{Austerity}_{i,t-1}$  is the total amount of fiscal consolidations in the legislative period prior to the election;  $\text{EconControls}_{i,t-1}$  and  $\text{PolControls}_{i,t}$  refer to the control variables; and  $\epsilon_{i,t}$  is an error term. We adjust for the lagged outcome through the inclusion of a lagged dependent variable. This accounts for the possibility that changes in outcomes are smaller when the level (e.g. of fragmentation) is already high.

## 3.2 Results

Table 1 presents our estimation results. For each outcome variable, we present two specifications: one without controls, and one with economic and political controls. The results show that the vote share for the non-mainstream parties ( $\Delta \text{NMS}$ ) increases from one election to the next when the government implements a fiscal consolidation packages during the legislative term. This effect is statistically significant and robust across different specifications. We also find that voter polarization ( $\Delta \text{Polar}$ ) and the effective number of parties ( $\Delta \text{ENEP}$ ) in an election increase after austerity. This effect is consistent across specifications, albeit less pronounced than for non-mainstream party vote. This suggests that non-mainstream party vote translates into polarization and fragmentation in many, but not all instances. And finally, abstentions ( $\Delta \text{Abstention}$ ) increase in an election after the government implemented an austerity package.

**Table 1:** Effect of austerity on elections

|  | $\Delta\text{NMS}$  |                       | $\Delta\text{Polar}$ |                     | $\Delta\text{ENEP}$  |                      | $\Delta\text{Abstention}$ |                     |
|--|---------------------|-----------------------|----------------------|---------------------|----------------------|----------------------|---------------------------|---------------------|
|  | (1)                 | (2)                   | (3)                  | (4)                 | (5)                  | (6)                  | (7)                       | (8)                 |
| $\text{Log}(\text{Consolidation}_{t-1})$ | 2.306***<br>(0.686) | 2.133***<br>(0.822)   | 0.070*<br>(0.039)    | 0.078**<br>(0.039)  | 0.041**<br>(0.019)   | 0.035*<br>(0.019)    | 0.999***<br>(0.371)       | 1.181**<br>(0.492)  |
| $\text{Outcome}_{t-1}$                   | -0.069<br>(0.050)   | -0.124**<br>(0.055)   | -0.129***<br>(0.043) | -0.122**<br>(0.047) | -0.100***<br>(0.032) | -0.145***<br>(0.036) | -0.041**<br>(0.020)       | -0.044**<br>(0.021) |
| $\text{Unemployment}_{t-1}$              |                     | 0.041<br>(0.176)      |                      | -0.005<br>(0.006)   |                      | 0.000<br>(0.005)     |                           | -0.053<br>(0.098)   |
| $\text{Globalization}_{t-1}$             |                     | 0.172***<br>(0.047)   |                      | 0.000<br>(0.002)    |                      | 0.003**<br>(0.002)   |                           | -0.016<br>(0.042)   |
| $\text{Proportional}_t$                  |                     | -4.760<br>(3.654)     |                      | 0.066<br>(0.098)    |                      | -0.018<br>(0.095)    |                           | -0.967<br>(1.747)   |
| $\text{Mixed}_t$                         |                     | 0.353<br>(1.250)      |                      | 0.026<br>(0.068)    |                      | 0.016<br>(0.042)     |                           | 0.381<br>(1.246)    |
| $\text{DisMagnitude}_t$                  |                     | 2.824*<br>(1.665)     |                      | -0.019<br>(0.041)   |                      | 0.026<br>(0.045)     |                           | 0.194<br>(0.705)    |
| Constant                                 | 1.386<br>(0.845)    | -11.969***<br>(3.888) | 0.225***<br>(0.077)  | 0.190<br>(0.186)    | 0.139***<br>(0.041)  | -0.082<br>(0.128)    | 1.444***<br>(0.477)       | 3.344<br>(3.133)    |
| $F$                                      | 6.688               | 4.149                 | 6.585                | 2.668               | 6.731                | 2.808                | 4.870                     | 1.989               |
| $p$                                      | 0.002               | 0.000                 | 0.002                | 0.013               | 0.002                | 0.009                | 0.009                     | 0.060               |
| $N$                                      | 163                 | 163                   | 153                  | 153                 | 163                  | 163                  | 163                       | 163                 |

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

**Table 2:** Predicted effect of fiscal consolidations on voting behavior

| Outcome variable          | Austerity size       |                      |                      |
|---------------------------|----------------------|----------------------|----------------------|
|                           | median               | large                | very large           |
| Non-mainstream party vote | 2.24<br>[0.83; 3.66] | 3.48<br>[1.28; 5.68] | 4.26<br>[1.57; 6.95] |
| Polarization              | 0.08<br>[0.01; 0.15] | 0.13<br>[0.02; 0.23] | 0.16<br>[0.03; 0.28] |
| Effective number parties  | 0.16<br>[0.01; 0.30] | 0.25<br>[0.02; 0.48] | 0.31<br>[0.02; 0.59] |
| Abstention                | 1.24<br>[0.39; 2.09] | 1.93<br>[0.61; 3.24] | 2.36<br>[0.75; 3.97] |

*Note:* Estimated impact of a change from zero consolidation to a median (1.89% of GDP), large (4.16% of GDP) and very large (6.42% of GDP) austerity package (see Figure A1 for the distribution of austerity packages); 90% confidence intervals in brackets below point estimates.

Since we log-transformed the fiscal consolidation variable, the magnitude of the estimated effects is difficult to interpret. To provide a more intuitive understanding of these effects, we computed the impact of an increase in fiscal consolidation from zero (a government that does not consolidate) to a median consolidation package, which aims at reducing the fiscal deficit by 1.89% of GDP; to a large package that is one standard deviation above the median (deficit reduction aim of 4.16%); and to a very large package that is two standard deviations above the median package (deficit reduction aim of 6.42%) (see Figure A1). Since the effective number of parties variable is also log-transformed, we consider a political system with an average number of parties (4.31).

The results are presented in Table 2. A median austerity package increases the vote share of non-mainstream parties by about 2.25 percentage points. This impact increases to 3.5 and 4.25 percentage points for large and very large packages, respectively. This effect is sizeable considering that the average increase over the whole time period is about 15 percentage points (see Figure 1). The results are similar for polarization and the effective number of parties. Austerity can account for more than half of the increase in polarization and more than one quarter of the increase in fragmentation seen in Figure 1. The effect for abstention is smaller: fiscal austerity reduces turnout by more than 1 percentage point for median and more than 2 percentage points for very large packages. This is, however, fairly close to the mean increase in abstentions of 1.05 percentage points that we observe in our dataset.

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 without the lagged outcome variable in Table A2 (Angrist and Pischke, 2009, ch. 5). This also allows us to include country-fixed effects. The results are very similar to the ones presented in the main text.

Second, we disaggregate the non-mainstream party variable and examine different non-mainstream parties separately in Figure A2 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. One interpretation is that voters, as we suggest, turn towards smaller, non-mainstream parties. To which party they go, however, depends on the political systems and what it offers them as alternatives.

Third, we analyze the characteristics of fiscal austerity packages in greater detail in Table A4. The specification in the first column includes a fiscal consolidation variable that reflects the average consolidation per year instead of total amount of consolidation during a legislative period. The second column disaggregates 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. The third column examines the effect of spending cuts only. The specification in the fourth column follows Alesina, Favero and Giavazzi (2015) and interacts consolidations with a dummy 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.<sup>13</sup>

Fourth, Table A5 examines how the effect of austerity on the outcome variables differs across sub-periods of 5 years. To facilitate the interpretation, Figure A3 plots the impact of austerity on the different outcome variables for the different sub-periods. It should be noted that the number of observations and austerity instances in each period is fairly small. The results for non-mainstream party 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 2005, but it was already substantial from the 1990s onwards. 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. The results for the other two outcome variables are more mixed. The impact on the effective number of parties follows the same pattern as the one for non-mainstream parties, but is much less pronounced. The impact on abstentions is strongest at the beginning and the end of the

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<sup>13</sup>Most 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.

period of analysis.

Finally, we note that our key variable, consolidation events, reflects government policy and does not directly measure the positions of mainstream parties and how they adopted similar positions. We opted for the policy variable because it captures what parties actually do rather than what they say and because much of the actual policy convergence already happened until our period of analysis (Przeworski, 2019). 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. To address these limitations, we turn towards a more qualitative assessment of key cases and an experimental analyses below. The experiments and the analytical narratives can provide stronger evidence that it is the similarity of mainstream party positions, rather than government policy on its own, 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 below, we look into selected electoral cycles during which governments implemented substantial fiscal consolidations. The focus on such substantive consolidation events is motivated by the fact that consolidations of this size do not go unnoticed by the electorate and hence allow us to trace the electoral response by voters to austerity. We examine fiscal consolidation aiming at deficit reductions of 5% of GDP or more, which yields a list of ten large fiscal adjustment episodes, with five belonging to the pre-crisis and five to the post-crisis period. Assessing electoral cycles from both periods, i.e. before and after the ‘Great Recession’, will show that the mechanisms uncovered are not unique to the extreme economic crisis that started in 2008.

Table 3 lists the countries, the respective legislative period and the cumulative size of the consolidation packages implemented during the electoral cycle. Tables A6 and A7 in the Appendix provide a detailed overview of losses and gains of all parties for the same cases. 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 country narratives in the next paragraphs are divided into a pre- and post-crisis period, starting with a significant consolidation episode from



**Table 3:** Legislative periods with cumulative austerity > 5% of GDP (Pre-Crisis and Post 2008 Crisis)

|                         | Austerity | $\Delta$ NMP | $\Delta$ Polar | $\Delta$ ENEP | $\Delta$ Abstention |
|-------------------------|-----------|--------------|----------------|---------------|---------------------|
| <i>Pre-2008 Crisis</i>  |           |              |                |               |                     |
| Finland (1991-1995)     | 7.9%      | 1.9          | 0.07           | -0.1          | -0.2%               |
| Sweden (1994-1998)      | 6.5%      | 5.6          | 0.20           | 0.9           | 5.4%                |
| Belgium (1981-1985)     | 5.9%      | -5.5         | -0.02          | -1.0          | 0.9%                |
| Ireland (1982-1987)     | 5.9%      | 4.3          | 0.17           | 0.8           | -0.4%               |
| Italy (1992-1994)       | 5.8%      | 10.8         | 0.51           | 0.4           | 1.2%                |
| <i>Post-2008 Crisis</i> |           |              |                |               |                     |
| Portugal (2011-2015)    | 11.9%     | 8.2          | -0.94          | -0.2          | 2.2%                |
| Ireland (2011-2016)     | 10.1%     | 13.5         | 0.40           | 1.8           | 4.4%                |
| Ireland (2007-2011)     | 8.4%      | 8.7          | 0.17           | 1.0           | -2.9%               |
| Spain (2011-2015/2016)  | 7.8%      | 14.5         | 0.59           | 2.5           | -4.3%/3.4%          |
| Belgium (2010-2014)     | 5.7%      | 29.5         | -0.15          | 3.1           | -0.2%               |

*Note:* Austerity = cumulated consolidation during electoral term;  $\Delta$ NMP = change in non-mainstream party vote share;  $\Delta$ ENEP = change in effective number of parties;  $\Delta$  Abstention = change in turnout. Data on fiscal consolidation events by Alesina et al. (2015), other by [www.parl.gov.org](http://www.parl.gov.org) and the Comparative Manifesto Project.

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.

Looking at the most prominent and substantial consolidation measures implemented in the wake of the 2008 economic crisis, a similar pattern emerges. 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 Féin, 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.

So far, the focus of the narratives was on the losses and gains of mainstream and new challenger parties, respectively. However, the cases described here also illustrate that austerity politics leads voters to show their discontent by abstaining from participating in general elections. This pattern can be observed in a number of countries. The drop in turnout ranges from more than 5% (in Finland between 1991 and 1997) to 6.3% (in Portugal between 2005 and 2011).<sup>14</sup> The drop in overall turnout is particularly substantial in those cases where the flow of voters from traditional parties to contenders at the fringes of the political spectrum is smaller.

This combination of small changes in voter flows with a relatively large drop in turnout

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<sup>14</sup>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.

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.<sup>15</sup>

## 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 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 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.<sup>16</sup> The four countries were chosen for multiple reasons. First, a survey

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<sup>15</sup>Turnout 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.

<sup>16</sup>We 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.

**Table 4:** Main political parties per country

|          | <b>Center Left</b>        | <b>Center Right</b>              |
|----------|---------------------------|----------------------------------|
| 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               |

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 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 recently moved towards a strong anti-austerity stance.

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.<sup>17</sup> In the experiment, we presented respondents with hypothetical scenarios concerning policy proposals by the two main parties in each country. Table 4 lists the main center left and center right parties in the countries covered by our survey experiment.<sup>18</sup> 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 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 respondents saw after an introductory screen in table 5.<sup>19</sup> The vignettes included

<sup>17</sup>The appendix provides more details about the country specific panels and other aspects of the data collection process.

<sup>18</sup>In 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*).

<sup>19</sup>The experiment was introduced as follows: ‘We will now show you three different,

**Table 5:** Experimental setup

|                        | <b>Government</b>                                     | <b>Main Opposition Party</b>    |
|------------------------|---|---------------------------------|
|                        | Labour Party  | Conservative Party              |
| <b>Policy proposal</b> | Keep government spending stable without tax increases | Cut spending and increase taxes |

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 arguably 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.

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 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).<sup>20</sup> All important 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

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*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.’*

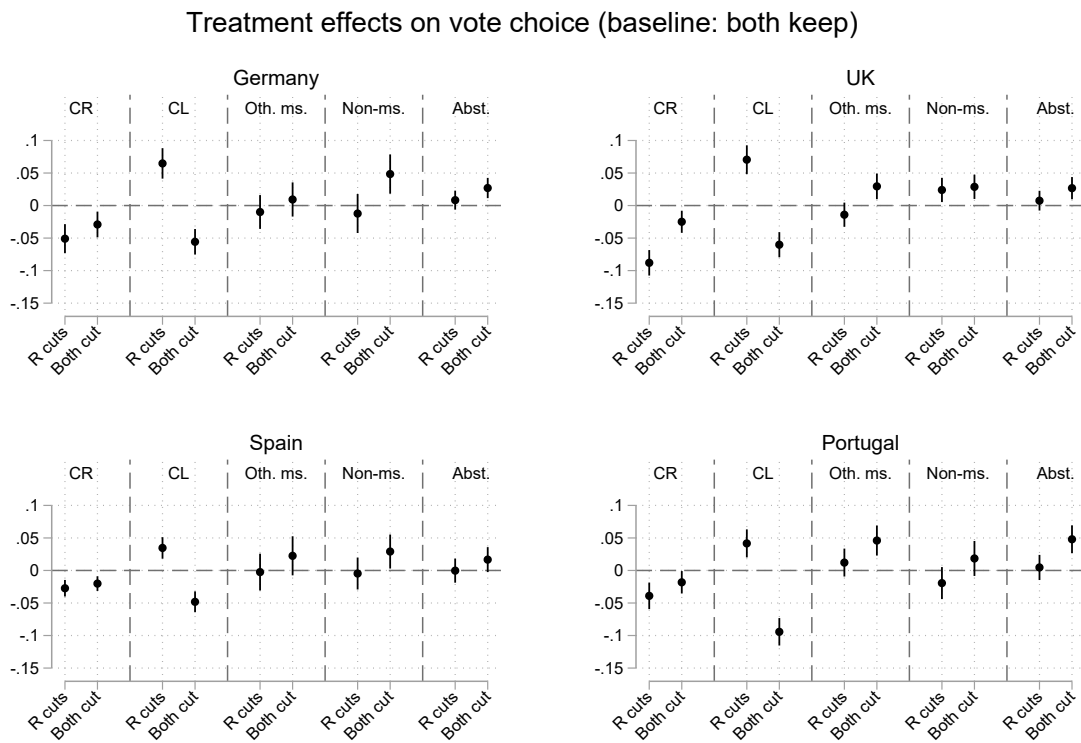
<sup>20</sup>Given that we have three assessments per respondent, the following analyses cluster standard errors by respondent.

choice.

## 5.2 Results

Figure 2 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.<sup>21</sup> 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.

**Figure 2:** Fiscal consolidation and voter flows



*Note:* Multinomial logistic regression with vote choice as DV and treatment as IV. 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.

When only the centre-right cuts while the centre-left promises to maintain current

<sup>21</sup>As noted above, this is interacted with which of the two parties was described as the government party. This generally has no effect on responses. We average over both possibilities.

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 2).

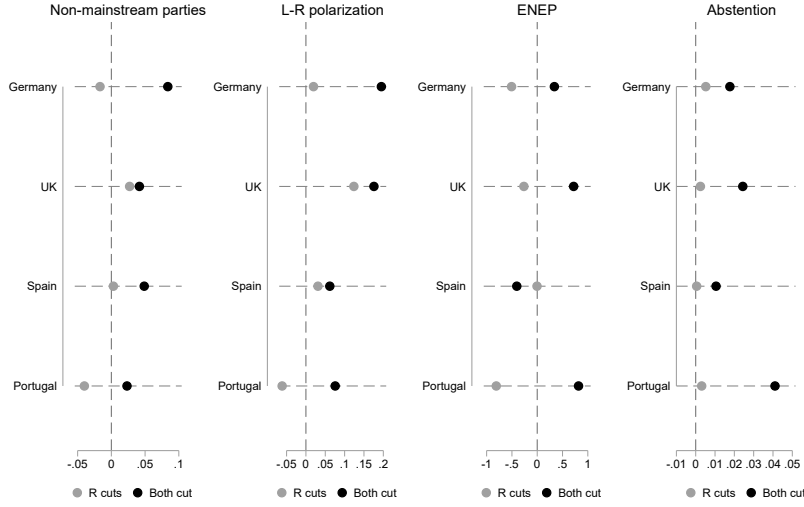
What leads voters to abandon the left without rewarding the right is a context in which both parties support cuts. This will increase fragmentation. Thus, Figure 2 shows that the vote for other parties increases in the ‘both cut’ scenario in all party systems, be they mainstream or non-mainstream parties. 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. For this, we treat each vignette 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, left-right polarization based on Chapel Hill expert scores for parties, the effective number of parties,

**Figure 3: Aggregate Effects**



*Note:* Non-mainstream vote share is the difference in the proportion of respondents voting for non-mainstream parties as defined in the previous sections. Left-right polarization measured as the weighted standard deviation of left-right positions (as measured in the Chapel Hill expert survey). ENEP is the fragmentation of the vote, summarized as the effective number of electoral parties. Abstention measured as the proportion of non-voters in each treatment condition.

and turnout. 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. Polarization increases compared to the other two experimental scenarios across all four countries, with the most pronounced effects in Germany. The effective number of parties also increases in both the UK, Portugal and Germany, though in the latter case the rise is weaker, albeit still clear. Spain is the only country with a negative effect, in part because the party system is already more fragmented there: defections away from PP/PSOE actually decrease fragmentation because the vote focuses on Ciudadanos and (in particular) Podemos. Note that these effects are large and even exceed those in the macro analysis. This can be explained by the fact that in real-world elections, fiscal policy is one among multiple issues that influences voter decisions while the experiment isolates the effect of fiscal policy alone. Finally, the effects on turnout are smaller, which coincides with the macro results. 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, has a significant impact on the party landscape in representative democracies.



## 6 Conclusion

In this paper, we used macro- and micro-level analyses to study the systemic effects of austerity policies. We focused on the consequences of mainstream party convergence on a pro-austerity position because we expect that the positioning of these parties is crucial for voter behavior and party system change. In both analyses, we find that votes for non-mainstream party and political polarization and fragmentation increases if mainstream parties implement austerity. Voters who are dissatisfied with fiscal policies and who do not find an anti-austerity alternative among the main 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. If this is the case, then austerity not only increases fragmentation, but also political polarization in the system.

These results have important consequences for our understanding of the long-term effects of fiscal policy and economic shocks more generally. Most existing work has examined how economic conditions, such as trade shocks, which are partially beyond the control of governments, affect parties and party systems. 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 political polarization and fragmentation inhibits the ability to build viable and stable coalition governments. It also leads to more difficulties in putting together a coherent government policy agenda. The resulting political instability and failure to actively shape policy, in turn, further spurs political dissatisfaction among voters.

Naturally, the question arises how long-lasting the effects of austerity on party system development and change 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.

A collusion on policy solutions related to economic challenges by mainstream parties, therefore, can have profound political effects that the prevailing studies on the short-term effects of austerity on governments cannot uncover (Hübscher, Sattler and Wagner, Forthcoming; Bremer and Bürgisser, 2018). Even if austerity does not lead to immediate government breakdown in many instances, the policies still contribute to the reshuffling of votes within the party system. In this way, fiscal austerity can have profound and lasting effects on party systems by strengthening smaller parties, often those at the fringes of the

party system. Whenever austerity promotes the rise of new parties and their entrance into parliament, their political effects are likely to persist even after these policies ended (Bischof and Wagner, 2019). Prolonged periods of fiscal restraint, therefore, can fundamentally alter the structure of the party system, but these effects become only visible after multiple legislative periods.

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