EDITOR’S NOTE

We are pleased to present this issue of JEPOP which is a special issue on the topic of how the financial crisis in Europe has changed the electoral politics of some of the most deeply affected countries. We are delighted to welcome on board Pedro C. Magalhães as guest co-editor for this issue. Pedro is principal researcher at the Institute of Social Sciences of the University of Lisbon, Portugal, and one of the coordinators of the Portuguese Election Study. Pedro is not only the author of one of the articles in this issue but has been instrumental in recruiting the other authors whose work is included, and who originally delivered early versions of these articles at a conference organised by the Department of Government and the BMW Center for German and European Studies of Georgetown University. All articles in this issue have been through JEPOP’s rigorous reviewing process and we would like to thank our two referees, Professor Jack Vowles and Professor Sara Hobolt (who waive their anonymity).

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Introduction – Financial Crisis, Austerity, and Electoral Politics

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The Great Recession has manifested itself in particularly troubling ways in the European continent. In almost all European economies, stagnation in 2008 was followed by an acute GDP contraction the following year. Only by the end of 2011 had the average GDP per capita in the EU 27 recovered to pre-crisis levels, although growth has remained at best sluggish and employment levels have as yet shown little sign of recovery. Indeed, in comparison with previous recessions in 1974–
1976 and 1979–1982, only inflation seems to have posed less of a problem. While the effects of the economic crisis for the Euro-zone and wider world economy have been unquestionably severe, the political consequences are less immediately obvious. It is the linkage between the recent economic crisis and political outcomes in six of those nations most affected by the Great Recession that this issue seeks to explore. Models of vote choice tend to focus on a few major factors, including evaluations of incumbent performance, positions on economic and non-economic issues, and generic non-policy factors (such as party attachments or loyalties – Hellwig, 2008: 1128). If ever there was a time when we would expect performance considerations to become paramount, one would expect it to be in the aftermath of the financial tsunami that engulfed several democracies over the past decade. But to what extent was that the case? Was it a simple equation of voters punishing incumbents for the financial meltdown? Or was the situation more complex? Has the singular nature of this crisis affected judgments about whom to blame for it? Has the relevance of long-standing divisions about economic policies increased or decreased? Have voter loyalties remain strong despite their misgivings about the government’s performance?

While most European nations felt the pain of the economic crisis, some experienced it more acutely than others. By the end of 2012, Iceland, Ireland, Greece, Portugal, Spain, and Italy in particular had not seen their economies recover to pre-crisis levels. Only Iceland preserved a rate of unemployment below the European average, while Greece and Spain were already above 25%. In all of these six countries the problems spiraled out beyond the traditional concerns of unemployment, inflation and GDP growth to encompass wider and more complex issues of budget deficits and public debt. Terms such as “bond yield spreads,” “credit default swaps” or “CDS,” “junk bonds,” and “rating agencies,” that were previously confined to the world of financiers, became part of the everyday language of journalists, media commentators, and politicians. Ultimately the problems of rising private and public debt levels that they faced brought them to the brink of financial insolvency during what has become known as the Great Recession.

Despite sharing an extreme manifestation of the global economic crisis, the causes of the economic collapse were not always the same in the six countries. In Iceland and Ireland, the crisis was brought about by a breakdown of the banking system, itself the result of deep bank regulation problems, the bursting of real estate bubbles, and the freezing of interbank markets following the Lehman Brothers bankruptcy. In Iceland, an IMF-led rescue package was agreed in November 2008, one month after the three major banks were placed into receivership. In Ireland, the EU/IMF bailout came two years later, in November 2010. In Greece and Portugal, excessive public spending, low competitiveness and productivity, and the absence of a coordinated response at the domestic and European levels all combined to undermine market confidence, leading to rising spreads on government bonds, their own banking crises, and, ultimately, the inability to meet debt obligations without financial bailouts. These ultimately took place in May 2010 in Greece and one year later in Portugal. By mid 2011, the specter of insolvency had also spread to Italy and Spain, with rising debt service costs in these two very large economies ultimately forcing a much...
more decisive action of the part of European institutions, including the provision of
rescue loans to Spanish banks and, ultimately, the conversion of the European Central
Bank into a lender of last resort in sovereign bond markets.¹

The task of investigating the various causes of the debt crises endured by these
countries as well as their short and longer-term economic and social consequences
is still ongoing. As noted above, however, the task of this special issue is to better
understand their political, and more specifically electoral, consequences. Before
moving on to the detail of the articles’ content and key findings, we begin with
some a priori expectations about the political effects of the Great Recession drawn
from the extant literature.

One obvious starting assumption would be that those parties seen as having pre-
sided over the economic tumult would be punished for it, particularly within the
countries that were most acutely and protractedly affected by the crisis. Such an
expectation is based on the relatively simple electoral and political equation that
“good times keep parties in office, bad times cast them out” (Lewis-Beck &
Stegmaier, 2000: 183). This premise stems from the wider “economic voting”
literature which argues that in essence voters judge incumbents retrospectively on
the basis of observed performance. If this is the case then it is hard to imagine
how election outcomes in these countries could have resulted in anything other
than very large punishments for incumbents. In addition to presiding over the
severe economic shock delivered by the global financial crisis, the governing
parties in these countries faced further humiliation in terms of declaring state insol-
vency and receiving international financial rescue packages (Iceland, Greece,
Ireland, and Portugal) or the very clear threat of these outcomes (Italy and Spain).

On the face of it the facts would seem to support the simple retrospective voting
hypothesis. In Iceland, the conservative Independence Party, which had been in
power for almost two decades, experienced in 2009 its worst electoral performance
in legislative elections since World War II. In Ireland, Fianna Fáil, the historically
dominant party in Irish politics, was left in third place in the 2011 elections. In
Portugal and Spain, the 2011 elections resulted in major losses for the incumbent
Socialist parties and their replacement by center-right governments. In Greece, the
post-bailout elections of 2012 led to massive losses for what was once the main
center-left party, the Socialist PASOK. In Italy, elections were not even necessary
to oust the incumbent. By November 2011, the economic crisis has become so
severe and the credibility of the Italian government so tarnished that, as the majority
center-right coalition disaggregated, Prime Minister Berlusconi was led to resign. All
this seems to vindicate a general reading of the consequences of the Great Recession
in Europe: “in periods of economic crisis, as in more normal times, voters have a
strong tendency to support any policies that seem to work, and to punish leaders
regardless of their ideology when economic growth is slow” (Bartels, 2012: 50).
That the punishments of incumbents were so often extreme is, from this point of
view, mainly a function of the equally extreme nature of the crises, which affected
these economies and governments led by either center-right (Ireland, Iceland, Italy)
or center-left (Portugal, Greece, Spain) incumbent parties.
Taking a deeper look at these electoral outcomes, however, as the articles in this issue do, we find that a number of important differences emerge. Voter decisions are rarely based entirely on economic outcomes and the perceived competence of parties in terms of crisis management. We know from well established sources in the extensive electoral behavior literature that parties’ and voters’ positions on economic and social welfare policies, such as the role of the state in redistributing wealth through taxation and the appropriate level and goals of public spending, are important considerations in the vote calculus. It is true that one of the features of this crisis was that, unlike in previous world recessions, it was met with a remarkably uniform succession of policy responses across countries: first stimulus, then austerity (Pontusson & Raess, 2012). However, the austerity policies unveiled in the six countries under analysis here went beyond traditional “belt tightening” measures adopted by governments and it would be surprising if they failed to intensify divisions among parties and voters. Furthermore, the timing of their introduction in terms of their proximity to or from a national election and the extent of partisan support behind them varied considerably. As such we would expect them to exert a significant moderating effect on the “blame the incumbent” equation set out by the economic voting models.

Further muddying the economic voting waters is the recognition that not all nations and indeed elections are created equal in terms of the extent of “clarity of responsibility” that voters face in assigning incumbents credit or blame for economic and other outcomes. This makes passing judgment about incumbent competence and complicity problematic. Although much of the literature on this subject has focused on the institutional sources of clarity (Powell & Whitten, 1993), the level of economic integration that nations now experience is increasingly seen as an important factor in determining the extent to which citizens can actually be expected to hold governments to account (Kayser, 2007). In the context of the Great Recession and the sovereign debt crisis, which have arguably highlighted the deep integration of the international economy more than ever before, this theme gains a particular relevance. Throughout the last few years, voters have been bombarded with media and partisan messages about international financial contagion and the effects of the behavior of rating agencies, domestic and foreign banks, and European institutions on the domestic economy. Recent research has determined that assignments of responsibility in such a context may matter for vote choices (Hellwig & Coffey, 2011; Lobo & Lewis-Beck, 2012). It has even been argued that, in electoral contexts where the capacity of governments to pursue alternative economic policies is perceived as constrained by exogenous conditions, voters may end up turning to “non-economic” issues such as minority rights, law and order, abortion, the environment, and immigration in order to decide how to cast their vote (Hellwig, 2008). To what extent has the “systemic” (“European” or even “global”) nature of the crisis affected voters’ sense that blame in fact can be assigned for the disasters endured in the domestic economies of these six countries? Did incumbents succeed in convincing voters that the causes and most drastic consequences of the crisis were beyond their control? Did the economic crisis ironically increase the role of “non-economic” issues?
The articles included in this special issue utilize a range of national and comparative data sources and methods to unpack and interrogate these questions and explanatory models. Taking the cases of Iceland, Ireland, and Portugal, here we see countries where the apex of the economic and financial crisis was most quickly followed by the loss of parliamentary support for governments and an immediate judgment by voters. In Iceland, Prime Minister Haarde resigned in January 2009 and elections were called for May of that year, just a few months after the collapse of the banking sector. In Ireland, the election took place in February 2011, three months after the bailout. In Portugal, the election was in June 2011, just a month after the government requested financial rescue from the Troika formed by the European Commission, the International Monetary Fund and the European Central Bank.

Despite sharing most of the pain of the Great Recession and its immediate political fallout, closer inspection indicates that basic continuities were maintained in the patterns of electoral politics in these three countries. This is most clearly seen in Michael Marsh’s and Slava Mikhailov’s article on the 2011 Irish election in this issue, tellingly titled “A conservative revolution.” The authors’ relentless pursuit of signs of change in individuals’ electoral behavior yields very slim pickings. They are left to conclude that: “the 2011 election looks much like that of 2002 and 2007… FF lost because it and its leaders were seen to have done a very poor job, and FG, and Labour were a better bet for the future, the converse of 2002 and 2007”. Election outcomes aside, there were also few signs of any significant change in the role played by partisan cleavages and policy preferences, particularly around issues of taxation and spending (conceivably more salient in a context of anticipated austerity policies). As the authors put it: “there is little to suggest any of those issues we typically see as providing the substance of left/right debate, at least as measured here, had much impact on voting choice and no sign that they had more effect in 2011”.

The accounts of Iceland and Portugal argue a similar case to that put forward for Ireland. In his article on the 2011 Portuguese elections, Pedro Magalhães stresses how, in spite of a somewhat increased polarization of party discourses on economic and welfare policy issues, such issues were, if anything, even less important than in the two previous elections. Instead, and even more so than in 2002 and 2005, elections were “mostly about government performance”. Similarly, in Iceland, the 2009 election was largely a “normal” one: as Indridi Indridason notes, and like in previous elections, evaluation of “government performance generally has the expected effect in all three elections [2003, 2007, and 2009] and has become slightly more important over time”.

To be sure, there were also some notable differences between these countries. In Iceland and Ireland, blame for the crisis seems to have been placed by most voters squarely on the domestic actors (government and its parties) or institutions that were supposed to have been better controlled and regulated by those governments (banks and financial authorities). In contrast, in Portugal, the assignment of blame for the crisis to incumbent Socialists coexisted with responsibilities also being assigned to agents such as the European Union and rating agencies or even impersonal forces such “the international economic situation,” something that seems to have
served to partially exonerate the government. There are even signs that, in Portugal, as Hellwig (2008) suggested in his study of France, this context of perceived constraints in the management of the economy was accompanied by a revived importance of non-economic issues. However, what these elections had in common is more important than what separates them; dramatic as the defeat of the incumbents may have been, the elections were, after all, mostly about sanctioning the incumbent and rewarding the main alternatives. This can be seen not only in terms of the prevalence of valence politics or “performance voting” that many have detected in the politics of Western democracies, but also in terms of the concrete aftermath of each election. In Iceland, as Indridason notes, “what is surprising is that the crisis has not affected the political landscape in a more significant way”: “the four major parties remain the main political actors”. As we now know, the Independence Party even recovered its role as the largest party in the April 2013 elections and found its way back into the government. In Ireland, “the crisis did not result in a redefinition of the electoral landscape” and although “FF’s dominance is unlikely to be repeated,” current polling at the time of this writing already shows that Fianna Fáil has recovered significant ground. In Portugal, the fundamental properties of the party system, in terms of fragmentation and its five main party players, remained mostly untouched. The center-left party ousted from government, the Socialists, remained the main opposition party, and has regained, since late 2012, a leading position in the voting intention polls.

Discussing the case of Iceland, Indridason precisely notes that “the early election meant that there was very limited time for the dissatisfaction with the political parties to congeal in the form of new political forces capable of challenging the existing parties”. This was precisely the opposite of what happened in two other cases analyzed in this special issue, Greece and Italy. There, the onset of the economic and financial crisis was not followed by elections. Instead, sooner (Italy) or later (Greece), what followed was the formation of “national unity” governments, explicitly or tacitly supported by the largest parties in parliament, which then pursued the austerity policies imposed following financial collapse (Greece) or its vivid threat (Italy).

The consequences, as described in the articles on Greece and Italy in this special issue, were ultimately much more dramatic than in the other cases discussed in this special issue. In the 2012 elections in Greece, what Emmanouil Tsatsanis and Eftichia Teperoglou depict is, in their telling words, no less than “the implosion” of the two-party system. It is a collapse visible both on the surface and behind it. On the surface, it includes the spectacular drop in the share of the vote for the two major parties before the crisis. PASOK, the ruling party following the previous 2009 election, took the hardest hit, but ND, which had supported the “national unity” government since November 2011, was deeply affected too. Together with the spectacular rise of SYRIZA, this brought one of the highest levels of electoral volatility ever recorded in a European democracy. Behind the surface, Tsatsanis and Teperoglou show us even more telling signs: a decline in party identification, particularly among the younger voters, rendering them “available” to be mobilized by new parties; a
decline in indicators of system support, including satisfaction with democracy and trust in parliament; and the remarkably sharp partisan divides that seem to have been created between voters as the austerity program progressed. These divides were created not only around positions on the economic policies pursued under the Troika, but also around positions vis-à-vis the European Union, immigration control, church-state relations, and even generic attitudes towards political action and the political system. For a country that, by the beginning of the twenty-first century, could be aptly described as experiencing a “trend toward moderation and away from the polarizing logic of the past” (Gunther & Montero, 2001: 150), this was a momentous transformation. Tsatsanis and Teperoglou suggest that the roots of such “moderation” were also, after all, behind its demise. The social bases of the two main Greek parties had been patiently built through large-scale clientelism and patronage appointments to the public sector following each alternation in power, leading to the constant swelling of public administration. However, “the explosion of the fiscal time bomb” and the ensuing austerity policies, by short-circuiting this fundamentally collusive system, “clipped the opportunities for patronage appointments ... undermining to a large extent the ‘clientelist’ social contract that legitimized and reproduced two-party rule in Greece”.

In Italy, as Paolo Bellucci’s article shows, the story was also one of important electoral change. True, as in Iceland, Ireland, or Portugal, Italian citizens’ opinions regarding the performance of government and the economy did matter quite significantly for the vote. However, the way this played out in terms of partisan support was rather different. Monti’s period of “technocratic” government, initially supported by a Grand Coalition from which the previous “partisan incumbent” (Berlusconi’s PdL) ultimately managed to distance itself strategically, seems to have disturbed normal patterns of accountability and alternation. In spite of the weakened credibility of Berlusconi as prime minister, his PdL, rather than being punished by those who grieved Italy’s economic situation and policies, was largely able to evade direct accountability in the 2013 elections. Instead, it was the main alternative, the center-left PD, that was awkwardly left behind to be associated with – and punished by – the economic situation faced by voters just before the election and the austerity policies implemented by Monti. Most strikingly, as Belluci notes, the syndrome of distrust in political parties and generalized political disaffection that characterized Italy, and whose electoral consequences had been suppressed since 1994 by the constant alternation in power of the center-right and the center-left, was reawakened and made particularly consequential in these circumstances. It was Beppe Grillo’s Five Star Movement that emerged as the main beneficiary of voters’ mistrust vis-à-vis established political parties, in an election where both the PdL and PD arrived for different reasons, largely delegitimized as alternatives.

Our last case, Spain, is perhaps the most ambivalent of the lot. On the one hand, basic electoral behavior patterns seem quite similar to those that occurred in Iceland, Ireland, and Portugal. As Mariano Torcal’s article shows, evaluations of the economy, and especially of the performance of the incumbent party in managing
the economy, had a powerful and predictable effect: the worse they were, the more deserted and punished the incumbent PSOE. However, a deeper look shows that “performance voting” was significantly moderated by voters’ prior ideological predispositions. For voters located on the right, evaluations of the government’s performance in managing the economy were of little relevance. Instead, it was among voters located in the center and on the left that the punishment of PSOE was most related to performance evaluations. Ideology and performance thus interacted in important ways. While PSOE’s last two years of incumbency were spent implementing austerity policies that alienated centrist and leftist voters, and were in any case insufficient to address the crisis, PP remained perceived by a large segment of voters to be too far to the right. Thus, in Spain, a country where ideological divisions among voters are profound, the disappointment of voters in the left and center was channeled by switching in unprecedented numbers to, respectively, the Izquierda Unida and UPyD, rather than engrossing the ranks of the PP. Economic crisis, rather than simply causing the replacement of the incumbent with the main alternative on the other side of the political spectrum, also brought about an increased level of party system fragmentation which, at the time of this writing, and on the basis of published polls, risks becoming the “new normal” of this once solid “two-and-a-half” party system.

Surely, at a high level of abstraction, the elections of the Great Recession may indeed have something in common with each other and with many past elections: “good times keep parties in office, bad times cast them out.” However, the main lesson that emerges from the study of these six elections is that economic conditions interact with political events, campaign strategies, and economic policies in very consequential ways. In some cases, this produced elections where basic patterns of electoral behavior were preserved and party systems retained most of their fundamental features. In others, this turned elections into profoundly transformative events, that changed the face of electoral and party politics as we knew them in these countries. This is the story that the six articles in this special issue tell in a detailed and fascinating way.

Acknowledgements

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Note

1. For analyses of these developments, see, for example, De Grauwe (2011) and Armingeon and Baccaro (2012).
References


