



# Austerity and niche parties: The electoral consequences of fiscal reforms<sup>☆</sup>



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## ABSTRACT

Austerity policies — policies of sharp reductions of a government's budget deficit involving spending cuts and tax increases — are claimed to boost support for radical political parties. We argue, counter to popular claims, that austerity measures actually reduce support for radical and niche parties. Austerity policies force traditional left-right politics to the forefront of political debate with the traditional mainstream parties having a stronger ownership over those issues. We systematically explore the impact of austerity measures on the electoral fortunes of niche parties in 16 developed countries over a 35-year period, while controlling for a number of socio-economic variables. We find that austerity policies that rely on tax increases affect radical parties on the left and the right in different ways than fiscal adjustments based on spending cuts.

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On occasions, and particularly in times of economic crisis, governments have to engage in painful fiscal consolidations. Fiscal adjustment policies have at times drawn sharp responses from citizens who have flocked to the streets in protest. Many have argued that hard economic times and drastic deficit reduction policies influence behavior at the ballot box, often with voters punishing the incumbents cutting the state's budget but also in the form of withdrawing support for mainstream political parties in favor of, e.g., nationalist and radical parties.<sup>2</sup> A strong showing of extremist parties in the 2014 European Parliament elections sent shock waves through several European countries. The French Prime Minister Manuel Valls described the unprecedented electoral performance of the French National Front in the European elections as an “earthquake” (Cowell and Kanter, 2014). The National Front also performed well in the 2012 French presidential elections, obtaining

more votes than ever before with nearly 18 percent of the ballots cast in the first round (Zhirkov, 2014). The electoral victory of Greece's radical left Syriza party in the national elections of January 2015 started what could be a remarkable year for radical parties in which the anti-immigrant and anti-European Union UK Independence Party won 12.6% of the vote in May, the far-right Danish People's Party won 21.1% of the vote in June, and with the anti-austerity Podemos party of Spain making a strong showing in the polls ahead of the election scheduled in December.

Arguments about the relationship between austerity measures and political extremism often appear informed by the success of Syriza in the 2015 Greek parliamentary election. Syriza claimed 149 of 300 parliamentary seats, which led observers to conclude that the incumbent parties paid the price for the financial crisis and the painful fiscal adjustment policies.<sup>3</sup> Voters were seen as deserting the traditional mainstream parties in protest and voting for fresh, anti-system parties promising to break with the existing political and economic order. Syriza's young leader Alexis Tsipras explicitly blamed Greece's “humiliation and misery” on harsh austerity

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<sup>2</sup> See, e.g., Nyman (2014) who finds that government parties suffer electorally for fiscal adjustment policies and that parties with little parliamentary or government experience benefit.

<sup>3</sup> Within three years Syriza went from garnering 16.8 percent of the vote in 2012 to 36.3 percent in the national elections of January 2015. The poor performance of the Greek economy and disillusionment with the incumbent government, which presided over a six-year economic recession resulting in 25 percent unemployment and 35 percent of the population living in poverty is often emphasized as the backdrop to Syriza's success (Barber and Hope, 2015).



measures in his election campaign. On election night, Tsipras interpreted his electoral victory as the end of “the vicious circle of austerity” in Greece (Barber and Hope, 2015).

While the narrative about the relationship between austerity and the success of the radical left in Greece is certainly plausible, it is not clear whether the Greek lesson is generalizable. Greece's experience was rather unique. Greece was, e.g., severely affected by the sovereign debt crisis. The country also has an authoritarian past and the Communist Party of Greece is a long-standing party; hence, Greek voters may be more receptive to radical left ideologies. Even if we accept the premises that the state of the economy and the austerity measures did spur voters to hold the government accountable, we are still left with a puzzle. Why did voters throw their support in such numbers behind the radical left and not behind a more moderate alternative? More generally, how might the calculus of voters change when facing fiscal retrenchment policies?

In this paper, we examine the claim that austerity policies — marked reductions in the budget deficit involving spending cuts and tax increases — affect voters' behavior at the ballot box. While austerity politics have coincided with declining trust in political institutions and mainstream political actors, and increasing support for radical and niche political parties in recent years, it does not necessarily follow that fiscal adjustment policies explain the political outcomes. The link between economic factors (e.g., unemployment), and support for radical parties has, of course, been well documented<sup>4</sup> but the relationship between the adoption of austerity measures and support for radical parties may well be spurious as austerity policies tend to be adopted in times of economic hardship. Austerity policies have sometimes met with significant public protests (Ponticelli and Voth, 2011) but these protests do not necessarily translate into support for radical parties. Some voters may punish ruling parties for implementing austerity policies by voting for mainstream opposition parties. That is why governments forced to implement unpopular fiscal retrenchment policies have sought to cast their actions in the light of stepping up to the plate to deal with economic problems that are not of their own making, sometimes blaming the international economy or international actors (e.g., the International Monetary Fund), while in other cases casting the blame on previous governments.

We argue, counter to the common wisdom, that austerity measures reduce support for non-mainstream, or niche parties.<sup>5</sup> As scholars have yet to reach a consensus regarding a definition of niche parties it is important to be clear about which parties we consider niche parties. Here they include radical left and radical right parties as well as Green parties and special issue parties — the niche party label here is largely synonymous with non-mainstream parties.<sup>6</sup> We argue that austerity policies force traditional left–right politics to the forefront of the political debate. At a fundamental

level austerity politics involve deciding whether to cut back government spending or to raise taxes. Different views about the role of the state in the economy have long shaped political competition and, consequently, the traditional mainstream parties have ownership over economic issues. In contrast, while radical and populist parties, whether on the left or the right, may seek to lay claim to economic issues, their support has often relied on emphasizing other niche issues, such as the environment on the left and nationalism on the right. Furthermore, many niche parties are not seen as viable alternatives as government parties and frequently lack executive experience.<sup>7</sup> This further reduces their appeal in situations in which the ability to influence government policies is perhaps of greater importance than in normal economic times. Finally, we argue that austerity policies may affect the electoral performance of niche parties on the left and the right differently, depending on whether fiscal adjustment policies are based upon spending cuts or tax increases. We examine the impact of austerity policies on the success of niche parties in 16 developed countries over a 35-year period.

This study makes three contributions to comparative politics scholarship. First, we propose a theory about the relationship between austerity policies — spending cuts and tax increases — and voting for niche parties, including radical left and right parties. The literature on economic voting typically focuses on *economic outcomes* rather than *policies*. If we are interested in testing whether voters hold incumbents responsible for their policy choices, austerity policies are an ideal place to start given their visibility. Systematic analyses of the implications of different types of fiscal adjustment policies are, however, scarce. A majority of earlier studies focus on individual countries or only a handful of countries.<sup>8</sup> Ponticelli and Voth (2011) find that fiscal spending cuts increase social unrest (e.g., demonstrations). Alesina et al. (1998) explore the effect of deficit reduction policies for the re-election prospects of incumbent governments.

Second, we engage the debate on economic determinants of electoral outcomes by examining whether and how voters punish national political elites for harsh economic measures.<sup>9</sup> Specifically, our article sheds light on the debate concerning the ability of voters to be informed and responsive to economic policies, such as fiscal policies.<sup>10</sup> As Peltzman (1992) reminds us, “budget information is as ‘public’ as GDP or unemployment. It is also nontrivial.” Consequently, it seems natural to expect that policies involving tax increases or spending cuts will have a non-negligible impact on voting behavior.

Third, this study sheds light on how support for niche parties depends not only on economic and social circumstances but also on political context. There is an extensive literature on radical right parties (Golder, 2003; Mudde, 2007, 2013; Kitschelt, 2007; Norris, 2005; Werts et al., 2012; Bustikova, 2014) and an emerging scholarship exploring support for radical left parties in Europe (March, 2011; Visser et al., 2014) and Latin America (Weyland et al., 2010; Seligson, 2007). This study, however, explores the determinants of electoral support of both radical left and radical right as well as niche parties. The extreme right is claimed to be “the most successful party family in postwar Western Europe” (Mudde, 2013, 1) experiencing revival since the 1980s (Merkl and Weinberg, 2003, 4). Although the radical left had been discredited following the

<sup>4</sup> See, for instance, Golder (2003).

<sup>5</sup> It bears noting that there is not yet significant academic literature on the subject and the ‘common wisdom’ referred to primarily appears in journalistic accounts and public commentary. See, e.g., in the mainstream media ([www.nytimes.com/2015/01/26/world/europe/greek-election-syriza.html](http://www.nytimes.com/2015/01/26/world/europe/greek-election-syriza.html), [www.reuters.com/article/2015/03/08/us-spain-podemos-iglesias-idUSKBN0M40H020150308](http://www.reuters.com/article/2015/03/08/us-spain-podemos-iglesias-idUSKBN0M40H020150308)), in consulting ([www.stratfor.com/weekly/europe-unemployment-and-instability](http://www.stratfor.com/weekly/europe-unemployment-and-instability)), and in opinion pieces ([www.cnn.com/2012/02/13/opinion/greece-politics-opinion](http://www.cnn.com/2012/02/13/opinion/greece-politics-opinion)). While our focus is on niche parties, appendix B shows that our conclusions remain intact when we restrict our attention to radical parties.

<sup>6</sup> We make no claims that our categorization of parties into the niche party family is better or more appropriate than those that already exist in the literature but simply note that the parties we consider niche parties are also considered niche parties according to several other — but not necessarily all — definitions of niche parties. This justifies our use of the niche party label. Crucially, though, our categorization of parties is motivated by theoretical concerns.

<sup>7</sup> There are some exceptions, such as the German Greens who have been members of government coalitions.

<sup>8</sup> See Hood et al. (2014).

<sup>9</sup> For economic voting, see, for instance, Lewis-Beck and Stegmaier (2000); Lewis-Beck and Paldam (2000); Anderson (2007).

<sup>10</sup> See, e.g., Lupia and McCubbins (1998).



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