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The costs of responsibility for the political establishment of the Eurozone (1999–2015)

Sonia Alonso
Georgetown University Qatar, Qatar

Rubén Ruiz-Rufino
King's College London, UK

Abstract

The objective of this article is to analyse the costs of responsible governance on the national political establishment of the Eurozone in the aftermath of the 2008 global financial crisis. Our analysis tests two main hypotheses. First, we argue that financial crises like the one unleashed by the global financial meltdown of 2008 have an asymmetric impact on the electoral takes of establishment parties depending on whether the countries affected by the financial crisis were financially intervened or not. Our second hypothesis states that externally imposed austerity affects Left and Right national establishment parties differently. By choosing to act responsibly, that is, assuming the conditions of the intervention, the establishment Left pays a much larger electoral price than the one paid by the establishment Right under the same circumstances. To test our argument, we use a panel data set of 12 countries from the Eurozone in the period between 1999 (stage III of the monetary union) and 2015 that contains 54 country-election-year observations. Our findings show strong support for our two hypotheses.

Keywords

electoral competition, establishment parties, Euro crisis, responsibility, responsiveness

Introduction

The objective of this article is to analyse the costs of responsible governance on the national political establishment of the Eurozone in the aftermath of the 2008 global financial crisis. This crisis unfolded in unique historical circumstances: a monetary union without a full political union. Responsibility over crisis management did not rest exclusively or mainly in the hands of national governments but it was shared by counter-majoritarian European institutions, like the European Central Bank (ECB), and by intergovernmental ones, such as the Eurogroup. In this article, we show how the policy impositions coming from these supranational institutions on national governments affected the electoral support of establishment parties.

The sovereign debt crisis of 2010–2012 that resulted from the 2008 global financial meltdown triggered two types of direct economic interventions by European Union (EU) institutions on troubled Eurozone economies. First, formal interventions were embodied by the signature of a Memorandum of Understanding (MoU) between the European Commission, the ECB and the International Monetary Fund (the so-called Troika), on the one hand, and the deficit Eurozone member state, on the other. Greece, Ireland, Portugal and Spain,[1] under increasing pressures from the financial markets, signed an MoU[2] with the Troika that would bail out their bankrupted states.[3] Second, informal interventions took the form of undue pressure from the ECB on deficit Eurozone countries whose sovereign debt was being targeted by the financial markets in the spring of

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Corresponding author:
Sonia Alonso, Georgetown University Qatar, Education City, P.O. Box 23689, Doha, Qatar.
Email: sa1197@georgetown.edu

2011 but which were too big to be bailed out.[4] What were the political consequences of these external interventions on national political systems?

In previous research, scholars have mostly analysed this relationship focusing on the case of Southern Europe, with some remarkable exceptions (Giuliani and Massari, 2017). The existing explanations have centred, on the one hand, on the size and extent of electoral punishment for the incumbent parties, that is, the 'electoral epidemic' (Bellucci, 2014; Bosco and Verney, 2012; Freire et al., 2014) and, on the other, on the difficulties for the formation and stability of governments, that is, the 'government' epidemic (Bosco and Verney, 2016). Our objective is not to explain this 'bonfire of incumbents' taking place during the years of Europe's great recession in Southern Europe (Laffan, 2014). Elsewhere, we have already shown the negative consequences of the primacy of responsibility for the levels of satisfaction with democracy in the Eurozone periphery (Ruiz-Rufino and Alonso, 2017). Our objective here is to analyse the electoral consequences for the political establishment *as a whole* of prioritizing responsibility over responsiveness during the crisis.

We use the definitions of responsiveness and responsibility adopted by the *West European Politics* special issue on responsible and responsive parties (2014):

> Responsiveness is generally identified with the tendency, and indeed the normative claim, that political parties and leaders (. . .) sympathetically respond to the short-term demands of voters, public opinion, interest groups, and the media (. . .). Responsibility is identified here with the necessity for those same parties and leaders to take into account (a) the long-term needs of their people and countries, which have not necessarily been articulated as specific demands and which underlie and go beyond the short-term demands of those same people (. . .); (b) the claims of audiences other than the national electoral audience, including the international markets that ensure their financial alimentation, the international commitments and organisations that are the root of their international credibility, and, in the European context in particular, the heavy transnational conditions of constraint that are the result of a common currency and common market. (Bardi et al., 2014: 237)

We define *establishment* parties as those historical centre-left and centre-right national-level parties that led the process of construction of the EU and the monetary union. We chose the term 'establishment' consciously. The term 'establishment' puts the emphasis on those actors with power to make the most important political decisions, irrespective of what those decisions may look like. The term 'mainstream', on the other hand, focuses on issue positions and policies that in turn define party families across particular cleavages and ideologies. As such, the meaning of 'mainstream' is extremely sensitive to context, changing across time and across societies, whereas the meaning of 'establishment' is not; it refers to those actors that belong to the inner circle of power and, therefore, its meaning is not context-dependent. The establishment parties under analysis in this article are those that had the power, at critical junctures of post-WWII Europe, to shape the construction of the EU until today. Among them, we find parties from different families and, as such, upholding mainstream policies and values to different degrees (from social democratic and even communist parties to conservative and liberal ones).

Our analysis tests two main hypotheses. First, we hypothesize that financial crises like the one unleashed by the global financial meltdown of 2008 have an asymmetric impact on the electoral takes of establishment parties depending on whether the countries affected by the financial crisis have room to manoeuvre a response to the crisis or not: Establishment parties in countries whose governments have their hands *de facto* tied regarding monetary and fiscal policies are expected to suffer more losses than elsewhere. The reason is that the *de facto* lack of room to manoeuvre forces these countries to choose responsibility over responsiveness, irrespective of the type of party in office. All establishment parties in office are equally tied by the need to prioritize responsibility. Although, in the short term, national governments might be exonerated as voters are increasingly aware of their constrained autonomy, in the medium and long term, repeated lack of responsiveness on the part of incumbent establishment parties has negative effects on citizens' beliefs about the capacity of the political establishment to be responsive.

Applied to the Eurozone, this hypothesis needs further qualification. Eurozone economies are, in theory, equally bounded by the rules that govern the monetary union. The adoption of the Euro implied a *de jure* absence of national monetary policy autonomy in the years before the sovereign debt crisis, which was shared by all countries of the Eurozone. *De facto*, however, we argue here that there was enough room for manoeuvre so that Eurozone countries could still balance the requirements of responsibility with the needs to be responsive. When the financial crisis hit Europe, by contrast, the *de jure* room for manoeuvre disappeared in some countries, those whose economies were highly vulnerable to the behaviour of the financial markets and which eventually had to be intervened by EU institutions. When this happened, the citizens of intervened countries observed a *de facto* loss of fiscal sovereignty. Establishment parties, in office and in opposition, committed themselves to implement severe fiscal adjustment policies even if their citizens were against them.[5] At this moment, responsibility trumped responsiveness and establishment parties saw their electoral support fall, and even collapse.

Our second hypothesis looks deeper into the implications of the first. We hypothesize that externally imposed austerity affects Left and Right establishment parties differently. Traditionally, social democratic parties have pursued an agenda based on increasing social protection and reducing inequalities by implementing policies that simultaneously sought to reconcile fiscal discipline with public spending in the form of redistribution (Esping-Andersen, 2017). This type of policies mostly benefited low and middle classes, which also constituted much of the electoral support of social democratic parties. After the adoption of the Euro, these parties still had room to deliver their traditional policies despite the constraints of the Stability and Growth Pact (SGP), for reasons that will be discussed later. However, once the financial crisis transmuted into a sovereign debt crisis, incumbent social democratic parties in deficit Eurozone countries lost the capacity to deliver their traditional policies. The dilemma that all social democratic parties typically face inside the Eurozone, how to balance the requirements of fiscal responsibility and the preferences of traditional Left electorates (Cameron, 2012), transmuted into a lack of alternative policy paths. Pressed by the need to bail out their economies, social democratic parties in office chose to tie their hands under the conditions set by the Troika. By choosing to act responsibly, the establishment Left would pay a formidable price (Bohrer and Tan, 2000), much larger, we argue, than the price paid by the establishment Right under the same circumstances.

To test our argument, we use a panel data set of 12 countries from the Eurozone in the period between 1999 (stage III of the monetary union) and 2015. Our data set contains 54 country-election-year observations. Our findings confirm our two hypotheses. First, support to establishment parties fell more rapidly in countries that were financially intervened than in non-intervened ones. Second, support to Left establishment parties decreased sharply when bailouts had to be agreed and managed by Left parties; however, Right parties were unaffected by such events.

The rest of this article is structured as follows. The second section presents our main argument and is divided into four subsections: The first one discusses the tension between responsibility and responsiveness, the second one introduces the differentiation between *de jure* and *de facto* policy constraints, the third subsection develops the relationship between ideology and financial intervention and the last subsection offers some descriptive data illustrating these ideas. This is followed by a third, fourth, fifth and sixth sections where the data, the discussion of the main variables, the empirical tests and the discussion of the main findings are presented. The seventh section discusses some relevant robustness tests. Finally, the eighth, and last, section presents some concluding remarks and introduces paths for future research.

The costs of responsibility for the Eurozone political establishment

The tension between responsibility *and* responsiveness *within representative government*

For some, representative government, while not exactly 'government by the people', was, at the time of its inception in the aftermath of the French Revolution, the most feasible approximation for largely populated polities; for others, it was also an improvement over direct democracy from a normative, and not just a pragmatic, point of view. Representative democracy combined the advantages of an expert elite dedicated to the business of government with the consent from the masses whose interests and preferences were represented by the elected politicians. Representatives were thus acting 'on behalf' of the people (Manin, 1997). There is, here, however, an inherent tension between the delegate and trustee models of representation (Caramani, 2017; Ferrin and Kriesi, 2016). The delegate model understands representation as a mandate from the people to their representatives and the emphasis is, therefore, largely on responsiveness: The preferences of representatives and represented are congruent and citizens vote prospectively for those representatives who are most similar to their own preferences (Caramani, 2017). In the trustee model, on the other hand, the representative acts in defence of the interests of her trustees, the citizens, and she is trusted in her expertise to do what is best for the represented. The emphasis is, therefore, on accountability and voting is retrospective, based on competence and performance (Caramani, 2017).

According to the responsible party model, political parties embodied, in times past, the overcoming of this tension by simultaneously combining the function of representation (ideological congruence and responsiveness) with that of governing (responsibility and competence; Bardi et al., 2014). Since at least the 1980s, however, the tension has resurfaced (assuming it had ever gone away). One of the main causes of this resurgence is that much of public policy is no longer decided by the party in government but by an array of national, supranational and international 'non-majoritarian' institutions, which Mair characterized as 'non-partisan bodies that operate at arm's length from party leaders' (Mair, 2008: 227). The result is that '[p]arty, in this sense, loses much of its representative and purposive identity and, by the same token, citizens forfeit much of their capacity to control policy-makers through conventional electoral channels' (Mair, 2008: 228). The EU is a special case of supranational institution that combines majoritarian and non-majoritarian forms of representation which exacerbate the tension between the representative and the governing functions of political parties.

Elected national governments have a dual role to play in the EU: as founding member states "severally" and as member states "jointly" (van Middelaar and Waters, 2013). As member states "severally", national governments represent – and are accountable to – their respective national publics and their main objective is to be responsive to them, defending national interests at the European table (the European Council); as member states "jointly", they have the responsibility to bring to the European table the acquiescence of their respective national populations or parliaments to the decisions adopted jointly. In other words, EU national governments wear two hats, one on behalf of their respective states and one on behalf of Europe (Laffan, 2014; van Middelaar and Waters, 2013). The conflict emerges because national governments, being accountable to their national constituencies and only to them, are trapped between the pressure to be responsive at home and the need to be responsible to their EU partners and the EU agreements. In normal political circumstances, this trade-off is navigated more or less successfully by national politicians through a combination of blame avoidance (Hellwig, 2015; van Middelaar and Waters, 2013), negotiating skills at the European joint table (Baerg and Hallerberg, 2016) and sheer shirking or free riding on EU agreements and decisions (Copelovitch et al., 2016). There are, however, special political circumstances, like those triggered by the global financial crisis, when national governments have to choose – or are forced to choose – between responsiveness and responsibility. We study here the political consequences of prioritizing responsibility over responsiveness.

De jure and de facto policy constraints inside the Eurozone

An important element in the development of our argument relates to the difference between the *de jure* policy constraints and the *de facto* room for manoeuvre of national governments within the European Monetary Union (EMU) before and after the outbreak of the 2010 sovereign debt crisis. We argue that this key distinction between *de jure* and *de facto* room for manoeuvre is precisely what accounts for the variations in the levels of citizens' support to establishment parties, that is, the parties that took turns in office to make the decisions that shaped the EU's institutional architecture.

It is broadly accepted that, since its creation in 1956, what is known today as the EU has been an elite-driven endeavour. In this sense, the European project has been the result of a post-WWII elite consensus among the centre-left and centre-right establishment parties with little participation from below (Mair, 2013; Usherwood and Startin, 2013). In the literature, this is referred to as the 'permissive consensus' precisely because the European publics were tolerant of European integration, particularly during the early years. Starting in the 1980s, however, many European publics began to show their disagreement with particular aspects of the project (Hooghe and Marks, 2009). With the exception, perhaps, of the Southern European strip, where for reasons related to good governance and democratic consolidation, a majority of the citizenry were convinced Europhiles (Sánchez-Cuenca, 2000), and Euroscepticism has increased with every step towards deeper and wider integration.[6] The launching of the EMU and its fiscal counterpart, the SGP, proceeded ahead regardless of the voices that were unconvinced by the project, propelled by the deliberate consensus at the top, on both the Right and the Left, and the permissive consensus from below. Under the EMU and SGP, the member states of the EU had their fiscal and monetary policy autonomy severely constrained. Membership in the EU came with strings attached to it: Eventually, a trade-off could emerge between macroeconomic stability (i.e. responsibility) and political legitimacy (i.e. responsiveness). As French Prime Minister (PM) Lionel Jospin explicitly acknowledged upon taking office in 1997, 'the French might have to choose between meeting [the Maastricht criteria] and creating employment' (as quoted by Moss, 1998: 247).

As established in the SGP, the coordination of national fiscal policy is the responsibility of the European Commission and the European Council. The European Commission acts as the 'watchdog' in charge of keeping the fiscal policies of national governments in line. In practice, however, such role has been undermined by the behaviour of the Council of Economic and Finance Ministers (EcoFin). According to the exhaustive analysis realized by Baerg and Hallerberg (2016), member states of the EcoFin have been very successful at weakening the very rules they had agreed to in the SGP. Weak enforcement of the SGP has meant, in turn, that the constraints on national governments' autonomy are a political decision rather than a technocratic one (Laffan, 2014); it belongs to what van Middelaar calls the 'intermediate sphere of member states' and their mutual power relationships (van Middelaar and Waters, 2013: 18). This means that enforcement depended not only on a country's macroeconomic situation (the technocratic decision) but also, and most importantly, on political considerations that fell outside the SGP (the political decision). In sum, weak enforcement and soft sanctions 'rendered economic policy-making "national" and therefore susceptible to the usual political calculations' (Panagiotarea and Panagiotarea, 2013: 163). National governments had *de facto* room for manoeuvre to remain responsive to their national constituencies.

In fact, until the global financial crisis hit Europe in 2008, the external constraints imposed by EU membership on national economic policy were never really perceived by citizens at the national level (Ruiz-Rufino and Alonso, 2017). There were several instances prior to the Euro crisis when national governments felt the Euro's 'golden straight-jacket' (Friedman, 2000) when trying to respond to economic crises,[7] but despite the obvious objective constraints on national policy autonomy, citizens did not observe a direct external intervention by unelected institutions on their national economies. This implied that national governments still called the shots in fiscal policy. All that European citizens saw prior to the sovereign debt crisis were the usual strings attached to any country operating in an open global economy (Alcañiz and Hellwig, 2011).

Even in the immediate aftermath of the crisis, therefore, nothing was out of the ordinary: Hit by the global financial crisis, Eurozone countries decided to breach the SGP to, first, accommodate domestic constituencies by applying anti-cyclical policies in the form of expansionary fiscal packages, and, second, rescue their national banks full of toxic debt products. Responsiveness still trumped responsibility (Bermeo and Pontusson, 2012).

In October 2009, however, the Greek balance-of-payment crisis came into the open and everything changed. The story is well known and there is no need to repeat it here.[8] Between the spring of 2010 and the summer of 2012, the most vulnerable economies of the Eurozone (Greece, Ireland, Italy, Portugal and Spain), under pressure from the financial markets over their sovereign debt, and with no monetary sovereignty to rely on, had to be bailed out (against the EMU rules and outside the Treaties) to save the currency union, and the price for their bailout was to transfer a large part of their fiscal sovereignty over to the Troika. Deficit countries, one after another, signed an MoU that established a detailed program of fiscal adjustment in exchange for the money that would save their states from default.

Informal interventions over the two deficit countries with the largest economies, Italy and Spain, were no less binding for their respective national governments than the MoUs. In the spring of 2011, Spanish and Italian bond yields started to reach unsustainable levels. However, in contrast to Greece, Ireland and Portugal, the Spanish and Italian economies were 'too big to be bailed out'. The ECB acted proactively and sent a secret letter to the Spanish and Italian governments[9] asking them to make a credible commitment to a radical program of fiscal adjustment. If they agreed, the ECB would in turn alleviate the pressure on Spain and Italy by a massive purchase of Spanish and Italian bonds in the secondary market. On 23 August 2011, a constitutional reform was approved by the Socialist incumbent party in Spain, with the support of the main opposition conservative party, Popular Party, which fixed a budget deficit limit of 0.4% of GDP (much below the SGP maximum limit) and a budget debt maximum of 60% of GDP for all Spanish public administrations. On 14 September 2011, the Italian Senate approved the law on a balanced budget. Unlike Spain, however, the Italian lower chamber rejected the law on 10 October 2011, triggering an institutional crisis that only ended with the formation of an externally imposed technocratic government, headed by Mario Conti (Bellucci, 2014). Spain would eventually sign an MoU for its banks on 25 June 2012.

The MoU signed by deficit Eurozone countries and the Troika bound future elected governments. Therefore, alternation in office could not produce fundamental policy change. National governments of intervened economies were committed by the agreement to apply hard fiscal adjustment programs. The bailout agreements *de facto* constrained national governments' capacity to be responsive, as has been demonstrated by the recent analysis of Moses (2017). This created two separate groups of countries inside the Eurozone: those that could still balance responsibility and responsiveness (non-intervened countries) and those where responsibility was prioritized and, thus, responsiveness had to be weakened (intervened countries).

Eurozone peripheral countries were forced, through the bailouts and other informal forms of external intervention, to abandon responsiveness for the sake of being accountable to their EU partners. At this point, the comparison of the electoral support received by establishment parties in both intervened and non-intervened Eurozone countries is useful. Between 2008 and 2015, the establishment parties of Greece, Ireland, Italy, Portugal and Spain lost more than 25% points, while in non-intervened countries, such electoral loss was less than 10% points.

Here, we argue that this can only be explained by the unfolding of a fundamental crisis of political representation. The reason for the highly asymmetric impact of the economic recession on establishment parties in intervened and non-intervened countries is that while monetary constraints are equally distributed among all EMU countries, fiscal constraints are mostly felt in intervened countries. Inside a monetary union, the adjustment burden falls largely on the side of deficit countries, which have no choice but to adjust their fiscal imbalances, and very little on the side of surplus countries, which face no pressure from the financial markets (Copelovitch et al., 2016). Citizens of intervened countries are not blind to this, as Eurobarometer data show. They realize that they are doing comparatively worse than their neighbours and partners and they attribute the responsibility for this to the whole political establishment, that is, the centre-right and centre-left parties that historically led the process of construction of the EU and the monetary union, a system of rules that keeps them trapped inside the austerity net. This triggers a process of political learning by which citizens perceive the increasing loss of autonomy of national governments vis-à-vis EMU institutions (Ruiz-Rufino and Alonso, 2017). This is the reason why support for the establishment is unequally distributed between intervened (i.e. deficit/debtor) and non-intervened (i.e. surplus/creditor) countries.

In non-intervened countries of the Eurozone, by contrast, since there is no abandonment of responsiveness in that the populations of surplus countries are overall cushioned against the worst effects of the crisis, we do not expect support for the political establishment to fall as dramatically as in intervened countries. Moreover, in countries where citizens perceive their governments as defending the national interest against global economic forces and unelected European institutions, we expect the status quo to prevail, as the case of Germany embodies (Bernhard and Leblang, 2016; Taggart and Szczerbiak, 2013).

Our first hypothesis, therefore, can be stated as follows: *Countries subject to high degrees of externally imposed conditionality, such as those intervened by the Troika between 2010 and 2015, will see a much larger fall of support for establishment parties than countries not subject to such conditionality*.

Our argument continues a path initiated by Hobolt and Tilley (2016). According to their analysis, voters are not only punishing bad economic performance but also responding to a larger and deeper dissatisfaction with the functioning of their political system. What voters are sanctioning is 'the establishment consensus of austerity and European integration' (Hobolt and Tilley, 2016: 971). Voters abandon the political centre to vote for parties that are highly critical of the EU, those normally on the far right of the political spectrum or that reject fiscal adjustment policies, those on the far left. Building on Hobolt and Tilley (2016), but using aggregate data, we here test one further hypothesis. We argue that the rejection of the political establishment, both national and European, is closely connected with establishment parties' decision to prioritize responsibility over responsiveness. Furthermore, we claim that this shift has become evident particularly since 2010 and has involved establishment parties from both sides of the ideological spectrum.

The asymmetric costs of responsibility: Financial intervention and ideology

The assumption that voters do not differentiate between Left and Right when punishing the political establishment needs to be – and can be – empirically tested using a country-level analysis. There are good reasons to expect that ideology and partisanship matter. As demonstrated by Walter, Left establishment parties are more vulnerable to austerity policies, whereas Right establishment parties are more vulnerable to external devaluation strategies (Walter, 2016). The reason lies, on the one hand, in their respective traditional constituencies and, on the other, in their opposite attitudes towards public spending and fiscal orthodoxy. Since 1945, social democratic parties have been key actors in establishing the post-war welfare states (Judt, 2006). The establishment of programs sponsoring social protections has varied across countries, but in most of the cases, it was based on the policy response social democratic parties offered to their electorate (Esping-Andersen, 2017; Hall and Soskice, 2001). In this sense, the social democratic agenda implied a set of policies aimed at the protection of the most vulnerable social sectors by focusing on reducing social inequalities (Maravall, 2016). This agenda was particularly compromised during the Euro crisis when austerity programs became the policy norm within the Eurozone, and Left parties, particularly in highly exposed economies, faced the decision to contest or accept the adoption of such policies (Blyth, 2013).

As Walter argues, devaluation 'reduces purchasing power, which hurts consumers and firms who heavily rely on imported intermediate goods' (Walter, 2016: 844), whereas austerity 'typically leads to higher unemployment, lower wages, asset price inflation, and recession' (Walter, 2016: 844). Fiscal consolidation implies large public spending cuts, tax increases and far-reaching structural reforms to liberalize labour markets and limit the bargaining power of trade unions. This results in high social costs for those national constituencies that depend on public spending and/or on highly regulated labour markets, the traditional constituencies of the Left (salaried, state sector employees, recipients of welfare, etc.). This leaves social democratic parties unable to react in any meaningful way to protect their constituencies from the social costs of austerity, and also unable to get out of the austerity path. It is thus to be expected that the median voter of the Left might be more willing to reject the incapacity of social democratic parties to stop fiscal adjustment and try an alternative economic policy than the median voter of the Right (Copelovitch et al., 2016; Ferrera, 2014; Galasso, 2014; Hobolt and Tilley, 2016).

Therefore, our second hypothesis goes as follows: *In countries which are subject to high degrees of externally imposed conditionality, such as those intervened by the Troika between 2010 and 2015, establishment parties will be asymmetrically hit by voters' loss of support*. The centre-left (i.e. social democratic parties) will be more harshly punished than the centre-right (i.e. Christian-democrats, liberals and conservatives), because conditionality deprives them of their capacity to avoid internal adjustments, a signature policy of social democracy since the Second World War.

We conclude this section with a brief discussion of the exogeneity of Troika financial interventions in our models. Some might argue that the bailout agreements are endogenous factors as intervened countries were somehow predetermined to be intervened. One could think of the fragility of the banking system (Spain) or ill-designed institutions to control spending (Greece and Portugal) as determinants of financial intervention (Hall, 2014). While we agree that these institutional designs may explain the observance of intervention, we also argue that the signature of an MoU is not a straightforward consequence of having poor macroeconomic institutions. As we showed above, the adoption of an MoU was a political as much as an economic decision. In small economies under risk, the signature of MoUs was adopted; however, when the size of the economy was

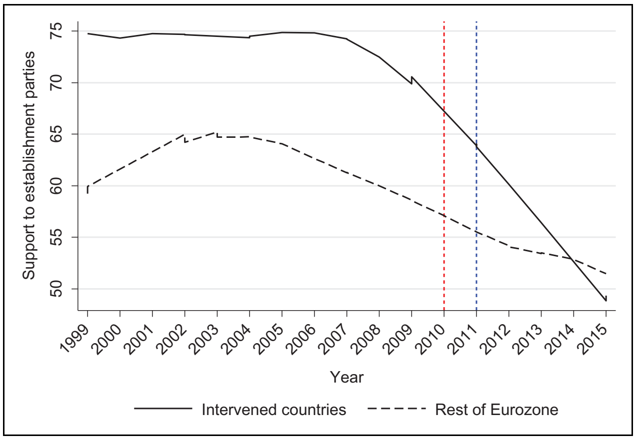

Figure 1. External interventions and electoral support for the political establishment (1999–2015). Method: lowess smooth; intervened countries: GRE, IRL, POR, SPA, and ITA.
Source: Comparative Political Dataset (CPDS). Armingeon et al. (2017).

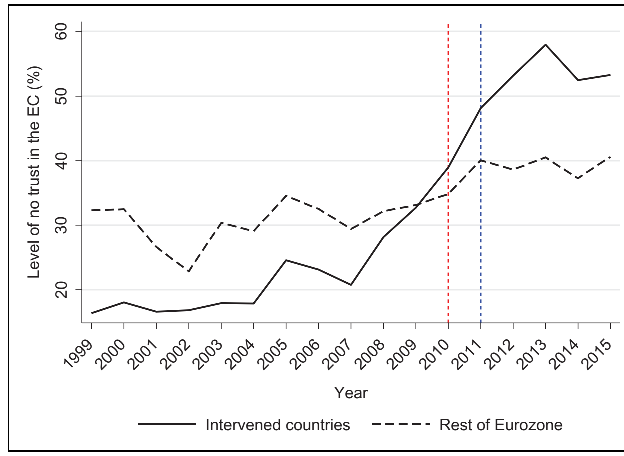

Figure 2. External interventions and lack of trust in the European Commission (1999–2015).
Source: Eurobarometers.

too large to be bailed out, like in Italy and Spain, a proactive role by the ECB proved also a viable response. It is, precisely, this variation in the type of responses given to the sovereign debt crisis that, in our view, justifies treating intervention as exogenous.

Some preliminary evidence

Before we test our two hypotheses, we would like to offer some descriptive statistics of the phenomenon being explained. Figure 1 clearly reveals that although electoral support for establishment parties fell everywhere during the period of the Great Recession, the fall in intervened countries was considerably more dramatic. In those countries where governments prioritized *responsibility*, the vote shares of establishment parties collapsed. Between 2011 and 2015, vote for establishment parties fell by approximately 15% points in intervened countries and just 3% points in non-intervened ones.

The loss of support for establishment parties at the national level went hand in hand with a collapse of support for European institutions. Using Eurobarometer data, Figure 2 shows the evolution of the number of citizens who tend 'not to trust' the European Commission between 1999 and 2015. The difference between intervened and non-intervened countries is, again, dramatic. In non-intervened countries, the levels of mistrust in the European Commission increased from 22% in 2002 to 40% in 2015, whereas in intervened countries, during the same period, the jump was from 10% to about 53%.

Data

To test the hypotheses developed in the previous sections, we have collected electoral and economic data from the 12 countries that participated in stage III of the EMU between 1999 and 2015.[10] The reason for doing this is to have a group of countries with a sufficiently large time span where the Eurozone rules were held constant across countries and where, therefore, our fundamental distinction between *de jure* and *de facto* limits on government autonomy holds for the longest possible period. Including countries outside the EMU (i.e. United Kingdom or Sweden), characterized by different degrees of *de jure* constraints, or recent members of EMU (Slovenia entered in 2007, Slovakia in 2009, Estonia in 2011, Latvia in 2014 and Lithuania in 2015), where citizens have no elements of comparison between before and after the crisis, would only introduce noise to our analysis. The unit of analysis is the election-year and the electoral data refer to parliamentary elections only.[11] The data set contains 54 observations and the number of elections per country ranges from three (France and Ireland) to six (Portugal).[12]

The dependent variable is the level of electoral support received by nationwide establishment parties.[13] In the second part of the analysis, we disaggregate the vote share of establishment parties based on ideology. We operationalize establishment parties as those that (a) have provided the PM in a government[14] or (b) have been the main opposition party or the second largest party in parliament[15] in the period under study. In essence, the parties considered in the analysis are those that have dominated the political life of the country since 1945 and, therefore, have been key actors in the design of the EU.

Figure 3 shows the summary information of the vote shares received by establishment parties. The parties considered in this article represent more than 50% of the total vote on average.[16] At the aggregate level, the mean value of the support for establishment parties is about 65% in the period under analysis.

The main independent variable of our analysis refers to whether a country is financially intervened or not. We call

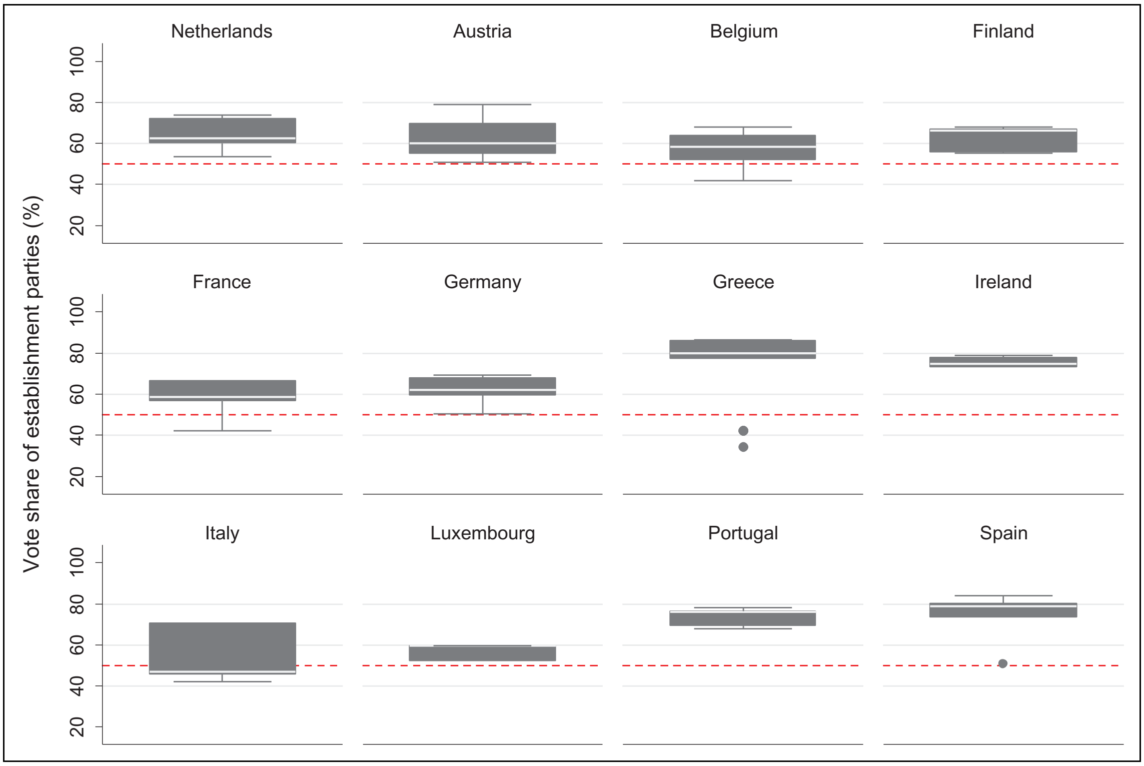

Figure 3. Distribution of vote for establishment parties (1999–2015).
Source: Comparative Political Dataset (CPDS). Armingeon et al. (2017).

this variable financial intervention and it is a binary variable that takes the value 1 if a country is (a) under the formal conditionality of an MoU or (b) under informal pressure from European Institutions.[17] In our analysis, financially intervened countries are Greece (since 2010), Ireland (since 2010), Italy (since 2011), Portugal (since 2011) and Spain (2011). Since the unit of analysis is the election-year, this means that eight elections (15% of the total sample) were held in a context where citizens observed the *de facto* consequences of financial intervention on national fiscal policy.

Finally, we also use two control variables. The first is the government deficit/surplus (as percentage of GDP), measured as the 3-year moving average to account for lag effects. The second control variable is the annual change of GDP per capita. All the variables come from the AMECO data set produced by Eurostat.[18] Table 1 shows the summary statistics used in the empirical analysis.

Identifying 'financial intervention'

Our argument about the asymmetric effects of financial intervention on support for establishment parties requires some further clarifications about what it really means to be under financial intervention and how this relates to other macroeconomic indicators. To properly identify our empirical estimation model, this question must be answered.

To do so, we run a series of visual and multivariate tests. To perform these tests, we use the variables financial intervention and GDP per capita, as previously defined, but we also include yearly values of (a) government deficit (% GDP), (b) debt (% GDP) and (c) unemployment measured as a share of the total active population.[19] Figure 4 shows the graphical representation of *t*-tests comparing the means of these economic indicators in countries that were and were not intervened during the periods before and after the first intervention.The graph reveals larger statistical significances in countries that were intervened than in countries that were not. This first analysis indicates a colinear relationship between being financially intervened and some of these macroeconomic indicators. In fact, the correlation between being intervened and unemployment is 0.72 and it is 0.56 when intervention is correlated with yearly levels of debt.[20] These strong correlations may generate a misspecification in the estimation of the coefficients if the full list of covariates used here were used simultaneously.

As a further test to identify the relevant independent variables and to also properly identify financial intervention, we conduct a principal component factor analysis. Looking at the unrotated factors loading, the analysis reveals the existence of two factors.[21] Financial intervention, unemployment and debt can be identified in the same factor, while the levels of GDP per capita would be the main component of a second factor.

Table 1. Summary statistics.

Variables	(1) N	(2) Mean	(3) Standard deviation	(4) Minimum	(5) Maximum
Electoral support	54	63.58	11.78	34.38	85.90
Electoral support (Left)	54	27.05	9.413	6.290	46.40
Electoral support (Right)	54	36.52	9.295	21.39	68.90
Financial intervention	54	0.148	0.359	0	1
Deficit (3-year MA)	54	−2.781	4.022	−17.70	5.333
GDP per capita (% change)	54	0.650	1.753	−5.700	3.900
Number of countries	12	12	12	12	12

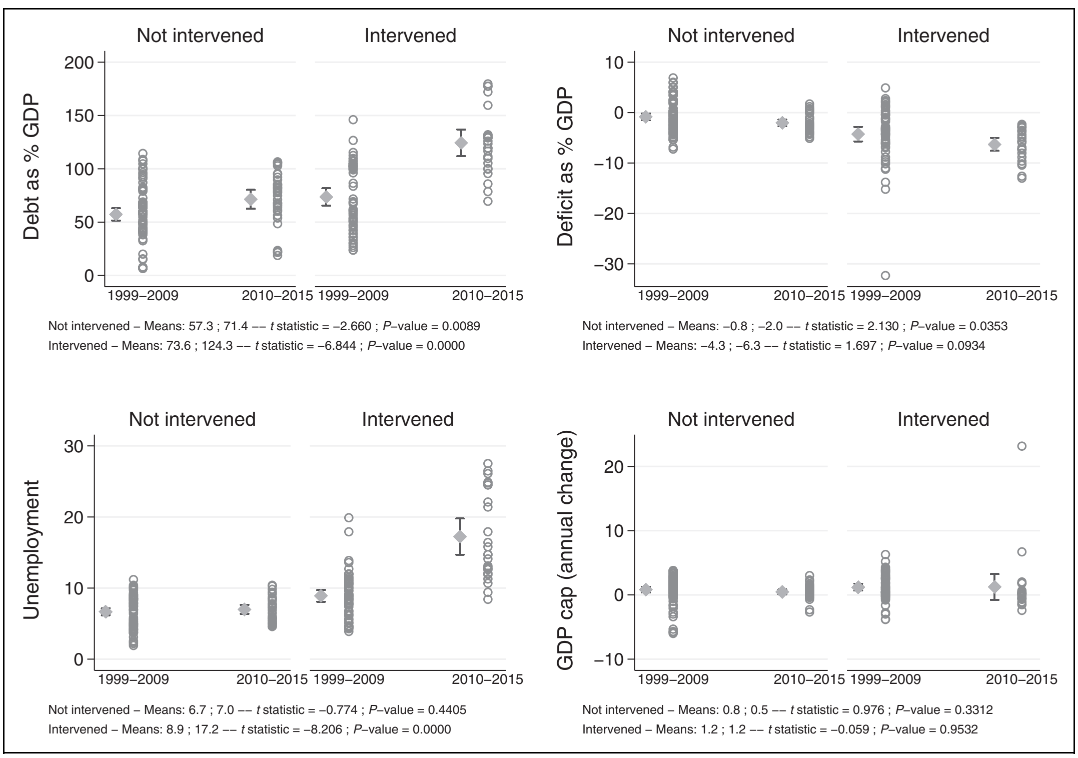

Figure 4. Economic consequences of being intervened.

Both mean-comparison tests and factor analysis confirm a strong relationship between being financially intervened and several macroeconomic indicators such as the level of debt or unemployment.[22] This is sufficient to justify leaving these two particular macroeconomic indicators out of the analysis while using the variable financial intervention along with the levels of GDP per capita and the levels of deficit as further control variables.

The effect of financial interventions on support for establishment parties

To test our hypotheses, we estimate the following model

$$\text{Support}_{c,t} = \beta_0 + \delta\text{Intervention}_{c,t} + \gamma_{c,t} + \rho_{c,t-1} + \theta_c + \mu_{c,t}$$

where Support refers to the vote share of nationwide establishment parties as defined above. The parameter of interest is δ, which should capture the size of the impact financial intervention has on the dependent variable. The parameter γ is a vector containing the macroeconomic indicators used as control variables and the parameter ρ is an autoregressive vector containing the lag value of the dependent variable. This variable is included to account for the temporal linear dependence. Finally, all the models include country-fixed effects which are captured by the parameter θ.[23] In the model, subscripts c and t refer to country and election, respectively. To estimate the models, we use OLS with panel-corrected standard errors as suggested by Beck and Katz (1995, 1996). The estimation accounts for the unbalanced nature of the panels and assumes panel-level heteroscedastic errors.

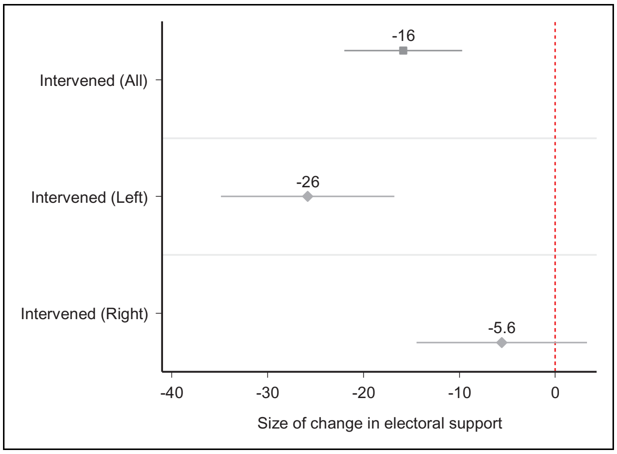

Figure 5. Financial intervention and support for establishment parties.
Note: estimations from models 2 and 6 are in Table 1A.

Table 1A in the Appendix shows all the details of the different estimated models used to test hypothesis 1. Model 1 only considers the macroeconomic variables. It shows a positive statistical effect of deficit on the dependent variable. As economic voting theory predicts, good economic performance increases electoral support for establishment parties. Here, it means that countries with budget surplus were also countries where establishment parties received higher levels of support. The effect of deficit, however, vanishes once the model accounts for being financially intervened. When this is the case, only the variable intervention is statistically significant under various model specifications. Figure 5 summarizes these findings.

Models 2 to 5 in Table 1A in the Appendix estimate the effect of intervention under various specifications. Model 2 is estimated without adding any macroeconomic control, after which macroeconomic controls are introduced sequentially. Model 3 considers GDP per capita, model 4 considers only deficit and model 5 includes both GDP and deficit. The coefficients range from -15.87 (model 2) to -14.92 (model 5) and the statistical significance is always less than 0.01. These values confirm our first hypothesis. Models 2 to 5 also reveal that, in fact, citizens living in countries where responsibility trumps responsiveness (i.e. intervened countries) punish establishment parties more severely.

Finally, model 6 in Table 1A in the Appendix shows the impact of intervention on support for establishment parties depending on the ideology of the party that was in government when the MoU was signed or the informal pressures took place.[24] Intervention is only significant when a Left government oversaw the management of the crisis; its effect disappears if the government was a conservative one . This finding indicates that most of the support was lost on the Left rather than the Right, as our second hypothesis claims. We further explore this question in the next section.

Financial interventions and support for the Left

Table 1B in the Appendix tests our second hypothesis regarding the asymmetrical effect of party ideology on the loss of support for establishment parties. The model is like the one used in the previous section; however, the dependent variable now refers to the vote share of establishment parties from the Left and from the Right. Models 1 and 3 in Table 1B in the Appendix estimate the effect of intervention on support for Left and Right establishment parties, respectively. Intervention is statistically different from 0 in the case of support for Left parties and has no impact on support for Right political platforms. Models 2 and 4 estimate similar models but intervention now also indicates the ideology of the government when intervention first took place. Again, only support for Left parties suffers a negative and statistically significant effect of intervention, while support for Right parties is unaffected. Model 2 also shows that Left parties are severely punished when intervention takes place under a Left government. More concretely, support for the Left decreased by 24% points when a Left government managed the financial intervention, while support for the Right decreased by only 6% points in the case of a Right government.

The discussion of these findings confirms our second hypothesis. Left parties were more sensitive to the policies put forward by financial bailout packages than Right parties. Under a context of policy restriction, implementing an agenda based on internal devaluations with high costs imposed to, most notably, the lower and middle social classes had different electoral consequences for the Left compared to the Right.

Figure 6 provides further illustration of this idea. It plots the predicted values of support to Left and Right establishment parties considering that intervention was implemented under a Left and a Right government, respectively. The predictions are plotted for various levels of deficit. The two predictions are statistically significant and show how the Left collapsed when intervention was managed under a Left government. Paradoxically, as deficit improved, support for the Left decreased. Instead of rewarding the government for good economic performance, Left establishment parties were punished as this reduction of the deficit was the direct consequence of adopting drastic internal devaluation policies. In a scenario of economic intervention with high levels of unemployment as the one pictured in Figure 4, the adoption by the Left of austerity measures as dictated by the Troika came at a cost. The picture is completely different in the case of support for the Right. Intervention managed by the Right implied increasing electoral support as the levels of deficit were

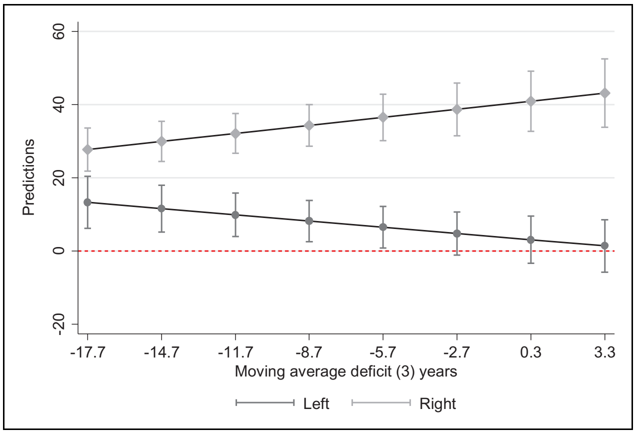

Figure 6. Consequences of being responsible (i.e. reducing the deficit) under financial intervention.
Note: Estimations from models 2 and 4 in Table 1B.

corrected. In summary, in the context of the fiscal policies imposed by financial interventions within the Eurozone, the price of responsibility was much higher for Left than for Right establishment parties.

Robustness tests

We conduct several tests to check the robustness of our results. First, we test our main hypothesis altering the sample by omitting countries that according to our data are either outliers or may be unusual compared to the rest of the sample. Table 2 replicates models in Table 1A in the Appendix excluding Greece, Ireland and Italy from the analysis. First, models 1 and 2 replicate the analysis excluding Greece.[25] The logic is to exclude a country where the fall of the establishment parties – particularly the Panhellenic Socialist Movement (PASOK) – has been so dramatic that it could be driving the results. Our analysis confirms that this is not the case. In both models, intervention is negative and statistically significant. The coefficient, in line with our previous analysis, is particularly strong when intervention was adopted by a Left government.

A similar logic is used to exclude Italy from the analysis. The background is, however, different from the case of Greece. As Figure 4 shows, support for establishment parties in Italy has always been relatively low compared to the rest of the countries under study. Also, Italy received significant informal pressure from the EU and even experienced a technocratic government headed by Mario Monti, a former EU top officer, but was never bailed out. The analysis shown in models 5 and 6 reveals, again, the direction, strength and statistical significance of intervention after excluding Italy from the analysis.

Finally, models 3 and 4 exclude Ireland from the sample as it is identified as an outlier in our data. Our claims continue to hold when this country is also excluded.

Our second set of robustness tests uses a different independent variable. Instead of just looking at formal or informal intervention, we use the periods when countries were under the constraints of an MoU. Our new independent variable, MoU, captures the event of receiving the most extreme form of financial intervention. Table 3 replicates the main models from Tables 1A and 1B in the Appendix. The results also remain consistent with the previous findings.

Concluding remarks

This article has shown that when alternation in government does not produce change in economic policy, citizens lose trust in the political establishment and turn to political parties outside the establishment, or even openly against it. Citizens expect that punishing national governments for bad economic performance leads to alternative policy

Table 2. Robustness test.

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	no GRE	no GRE	no IRL	no IRL	no ITA	no ITA
Intervention	−7.916* (4.161)		−12.95*** (4.248)		−12.90*** (4.847)	
Intervention (Left)		−16.74*** (6.161)		−22.79*** (5.076)		−22.98*** (4.632)
Intervention (Right)		−4.379 (4.423)		−6.161 (4.726)		2.669 (3.653)
Observations	49	49	51	51	50	50
R^2	0.577	0.602	0.656	0.694	0.628	0.731
Number of countries	11	11	11	11	11	11
Country FE	Yes	Yes	Yes	Yes	Yes	Yes

Note: Panel-corrected standard errors in parentheses.
*p < 0.1; **p < 0.05; ***p < 0.01.

Table 3. Robustness test.

	(1)	(2)	(3)
Variables	All	Left	Right
MoU	−10.58* (6.407)	−14.78*** (4.788)	0.571 (4.019)
Observations	54	54	54
R^2	0.565	0.668	0.705
Number of countries	12	12	12
Country FE	Yes	Yes	Yes

Note: MoU: Memorandum of Understanding. Panel-corrected standard errors in parentheses.
*p < 0.1; **p < 0.05; ***p < 0.01.

paths. At the same time, citizens also understand that national governments are not completely free to do as their citizens wish them to, particularly in the context of the EMU. For this reason, citizens exonerate national governments for bad, or unresponsive, economic performance in the short term, as research on economic voting has demonstrated. However, when policy constraints are so overwhelming that repeated alternations in office do not produce any change, as is the case in externally intervened countries, exoneration is replaced by abandonment of the whole political establishment; that is, establishment parties from both the Left and the Right, together with the larger supranational institutions that constrain countries' sovereignty to the point where national politicians cannot be responsive to their national electorates. This article has also shown that when the objective of external interventions is the imposition of drastic internal devaluation policies, Left establishment parties in charge of implementing them suffer a much larger loss of support than Right establishment parties.

Our findings are far from definitive. We need larger time spans to be able to test them further and to analyse their implications. First, our findings show that we need to differentiate between the short and the long term. Financial interventions that last one legislature seem to be less damaging to the political establishment than interventions that last several electoral cycles. Second, our findings also show that we need to explore further the difference between Left and Right establishment parties. Reducing the levels of deficit under conditions of external intervention is good for the Right and very bad for the Left. If Right establishment parties are not abandoned for forcing austerity upon unwilling populations, why are they then being abandoned? If the imposition of harsh austerity against the will of the majority hurts the Left so badly, how is it going to affect in the medium- and long-term incumbent Left anti-establishment parties such as *Syriza* in Greece? These questions need to be addressed once larger time spans make more data available to the research community.

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ORCID iD

Rubén Ruiz-Rufino http://orcid.org/0000-0001-5329-7424

Supplemental material

Supplementary material for this article is available online.

Notes

1. This article looks only at the 12 countries that adopted the Euro from stage III of the European Monetary Union or soon after. These countries are Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. Greece entered in 2001. Cyprus also signed a Memorandum of Understanding (MoU) with the Troika, but it does not belong to our group of countries.
2. Greece eventually signed three MoUs in the period 2010–2015.
3. The bailout in Spain only targeted the banking system.
4. Here, we are mainly referring to Spain and Italy but such informal pressures were also used on Ireland (see http://www.irishtimes.com/business/trichet-letters).
5. An increasing number of voices, among them the IMF itself, are saying that, in the case of Greece, abandoning fiscal adjustment and restructuring public debt are not just a question of popular preferences but of rational economic behaviour.
6. For example, a total of 21 European Union (EU)-related referenda have taken place since 2000 and 6 of them resulted in a 'no' vote (28%). If we only look at countries of long membership, where voters have more experience of what EU belonging entails, the 'no' vote has been registered in 4 out of 11 referenda, or 27.5% of occasions (Usherwood and Startin, 2013: 9).
7. One such case occurred on 16 September 1992, during the so-called Black Wednesday, when the United Kingdom had to abandon the European exchange rate mechanism. It occurred in Germany during the first half of the 2000s when it was deemed the 'sick man of Europe', traversing an economic

recession that led the country to breach the Maastricht Treaty. It also happened to the Mitterrand government of 1983 when it was forced to a pro-austerity policy switch (Armingeon et al., 2016; Moss, 1998).

8. See Copelovitch et al., 2016 for an excellent chronology and analysis.
9. *Corriere della Sera*, European Central Bank (ECB)/national central bank letters to the governments of Spain and Italy, 5 August 2011.
10. The countries considered were already members of the Eurozone in the period 1999–2001: France, Belgium, the Netherlands, Germany, Italy, Luxembourg, Ireland, Spain, Portugal, Finland and Austria. Greece in 2001.
11. Table 1C in the Appendix shows a full list of the elections covered in the analysis.
12. The sample misses the parliamentary elections in Greece in May 2012. In those elections, the vote share of the establishment parties was 32.1%, which is about 10% less than the results obtained by these parties in the elections that took place in June of that year. We have decided to keep the elections from June and not May as this is the election on whose results the government was decided.
13. We use the data collected by Armingeon et al. (2017) to operationalize this variable.
14. Table 1D in the Appendix shows the list of the parties considered in this analysis. We exclude *Syriza* from our list as *Syriza* is, precisely, the consequence of the collapse of establishment parties.
15. This distinction is relevant as there are observations where both parties are in government, forming a so-called 'Grand coalition'.
16. The average vote share for most of the countries under study range from 61% (Germany) to 77% (Spain). There are only four countries where such vote share is below 60%: Belgium (58%), France (57%), Italy (54%) and Luxembourg (56%).
17. An example of informal pressure is the so-called 'Trichet letters' that former ECB boss Jean-Claude Trichet sent to Ireland, Italy or Spain urging these countries to conduct structural reforms (see, e.g. http://www.ecb.europa.eu/press/html/irish-letters.en.html for the Irish case or https://www.ft.com/content/3576e9c2-eaad-11e0-aeca-00144feab49a?mhq5j=e1 for the Italian case).
18. See http://ec.europa.eu/economy_finance/ameco/user/serie/SelectSerie.cfm.
19. The data come from the AMECO data set published by Eurostat.
20. See Table 1E in the Appendix.
21. The eigenvalue of factor 1 is 2.71 and the second one is 1.02 (see Table 1F in the Appendix).
22. This is further confirmed by replicating model 5 from Table 1A in the Appendix adding both unemployment and debt as further independent variables. The VIF values of these two variables after estimating this new regression are 14.13 and 10.52, which are strong indications of serious imperfect collinearity.
23. The findings remain the same if further year effects are included. These findings can be seen in the Appendix.
24. Financial interventions occurred under Left governments in Spain and Greece, while it happened under Right governments in Italy, Ireland and Portugal.
25. Tables S1 and S2 in the Online Supplementary material show the full results of these estimations.

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Author biographies

Sonia Alonso is associate professor of government at Georgetown University School of Foreign Service in Qatar. Her most recent research focuses on empirical theory of democracy in Western Europe. Her last book is '*Challenging the State: Devolution and the Battle for Partisan Credibility'* (OUP, 2012) and her latest articles have been published by the *European Journal of Political Research* or *West European Politics*.

Rubén Ruiz-Rufino is lecturer in comparative politics at King's College London. His areas of research interest include the relationship between political representation and political stability and how globalization affects political representation in industrialized democracies. His latest research has been published by the *European Journal of Political Research or Democratization*.

Appendix

Table 1A. The effect of intervention on political competition.

VARIABLES	(1) All	(2) All	(3) All	(4) All	(5) All	(6) All
Intervention		−15.87***	−14.94***	−15.71***	−14.92***	
		(3.136)	(4.129)	(3.165)	(4.132)	
Intervention (Left)						−25.83***
						(4.608)
Intervention (Right)						−5.587
						(4.532)
Deficit	1.082***		0.153		0.130	0.187
	(0.379)		(0.382)		(0.397)	(0.332)
GDP capita	0.685			0.682	0.672	0.788*
	(0.684)			(0.562)	(0.565)	(0.464)
Support (Lag)	0.507***	0.448***	0.452***	0.426***	0.429***	0.312***
	(0.178)	(0.134)	(0.134)	(0.132)	(0.133)	(0.120)
Constant	35.84***	35.51***	35.86***	36.46***	36.75***	43.42***
	(10.34)	(8.275)	(8.300)	(8.084)	(8.124)	(6.991)
Observations	54	54	54	54	54	54
R-squared	0.541	0.626	0.626	0.634	0.634	0.699
Number of countries	12	12	12	12	12	12
Country FE	YES	YES	YES	YES	YES	YES

Panel Corrected Standard Errors in parentheses
*$p < 0.1$; **$p < 0 .05$; ***$p < 0.01$.

Table 1B. The cost of responsibility vs responsiveness.

VARIABLES	(1) Left	(2) Left	(3) Right	(4) Right
Intervention	−14.95***		−0.680	
	(3.502)		(3.015)	
Intervention (Left)		−24.51***		−3.471
		(3.279)		(3.651)
Intervention (Right)		−6.482*		2.048
		(3.454)		(3.926)
Deficit	−0.631**	−0.568***	0.711***	0.733***
	(0.309)	(0.213)	(0.241)	(0.243)
GDP capita	0.497	0.545*	0.382	0.407
	(0.427)	(0.318)	(0.345)	(0.334)
Left support (Lag)	0.297*	0.222*		
	(0.159)	(0.115)		
Right support (Lag)			0.0723	0.0191
			(0.147)	(0.154)
Constant	16.83***	18.95***	33.80***	35.47***
	(4.160)	(2.918)	(5.136)	(5.345)
Observations	54	54	54	54
R-squared	0.730	0.817	0.705	0.713
Number of countries	12	12	12	12
Country FE	YES	YES	YES	YES

Panel Corrected Standard Errors in parentheses
*$p < 0.1$; **$p < 0.05$; ***$p < 0.01$.

Table 1C. List of countries and elections.

Country	Elections
Austria	1999, 2002, 2006, 2008, 2013
Belgium	1999,2003, 2007, 2010, 2014
Finland	1999,2003, 2007, 2011, 2015
France	2002, 2007, 2012
Germany	2002, 2005,2009, 2013
Greece	2004, 2007, 2009, 2012*, 2015
Ireland	2002, 2007, 2011
Italy	2001, 2006, 2008 2013
Luxembourg	1999, 2004, 2009, 2013
Netherlands	2002, 2003, 2006, 2010, 2012
Portugal	1999, 2002, 2005, 2009, 2011, 2015
Spain	2000, 2004, 2008, 2011, 2015

*For the reasons explained in Fn. 12, we only use the elections from June 2012.

Table 1D. List of establishment parties.

	Establishment Political Parties			
Country	Party 1	Party 2	Party 3	Party 4
Austria	Socialist Party (SPÖ)	Peoplés Party (ÖVP)		
Belgium	Social Progressive Alternative (SP.a-SPIRIT) (until 2001: Flemish Socialist Francophone Socialist Party (PS)Party (SP), in 2003 and 2007: electoral coalition with SPIRIT)	Francophone Socialist Party (PS)	Christian Democrat & Flemish (CD & V)	Open Flemish Liberals & Democrats (Open VLD) (until 2007: Flemish Liberals & Democrats (VLD); former: Flemish Party of Liberty and Progress (PVV)); Reform Movement (MR) (former Francophone Liberal Reform Party (PRL); in 1995: Alliance with FDF; in 1999: Fédération PRL-FDF-MCC) (Francophone)
Finland	Social Democrats (SDP)	Centre Party (KESK)	National Coalition (KOK)	
France	Socialist Party (PS)	Gaullists, Rally for the Republic (RPR) (in 2002: Union for a Presidential Majority (UMP); in 2007: Union for a Popular Movement (UMP))		
Germany	Social Democrats (SPD)	Christian Democratic Union (CDU)	Christian Social Union (CSU)	
Greece	Pan-Hellenic Socialist Movement (PASOK)	New Democracy (ND)		
Ireland	Fianna Fail	Fine Gael	Labour	
Italy	Democratic Party (PD) (Olive Tree and the Radical Party in 2006; The Olive Tree (Democrats of the Left (DS) and the Margherita (DI))	Democrats of the Left (DS) (reformist wing of the disbanded PCI (1991))	Forza Italia	The People of Freedom (PDL), (Forza Italia and National Alliance)
Luxembourg	Socialist Workers' Party (LSAP)	Christian Social Party (PCS/CSV)		
Netherlands	Labour Party (PvdA)	Christian Democratic Appeal (CDA)	People's Party for Freedom and Democracy(VVD)	
Portugal	Socialist Party (PS)	Social Democrats, Popular Democrats (PPD/PSD)		
Spain	Socialist Party (PSOE)	Popular Party (PP)		

Table 1E. Correlation matrix between macro-economic indicators and intervention.

	intervention	GDP cap	Debt	Deficit	Unemployment
Intervention	1				
GDP cap	0.0642	1			
Debt	0.5567	−0.0876	1		
Deficit	−0.4462	0.0267	−0.5621	1	
Unemployment	0.7257	−0.0045	0.5986	−0.5298	1

Table 1F. Principal Component Analysis: Factor loadings (unrotated).

Variable	Factor1	Factor2	Uniqueness
Intervention	0.8338	0.1552	0.2807
GDP cap	−0.025	0.9882	0.0229
Debt	0.8252	−0.1266	0.303
Deficit	−0.7576	0.059	0.4225
Unemployment	0.8746	0.0508	0.2325