The Effect of Austerity Packages on Government Popularity during the Great Recession

Abel Bojar, Björn Bremer, Hanspeter Kriesi and Chendi Wang

European University Institute, Florence

Abstract

We study the popularity of incumbents in the context of austerity packages. Focusing on policy packages rather than macroeconomic aggregates has the merit that it brings the idea of electoral accountability closer to the actual policy levers under governments' direct control. We assemble a pooled time-series data-set for monthly vote intention ratings for senior ruling parties and policy events from 15 European countries for the years before and after the Great Recession. Treating the policy packages as intervention variables to the underlying popularity series our results provide a number of important contributions to the debates about economic voting and fiscal adjustment. First, we show that both austerity and bank bailout packages hurt incumbent parties at the polls. Though the average punishment effect is limited at first, it becomes substantively important in the long-run. Moreover, when we allow the magnitude of the punishment effect to vary according to the economic and political context we demonstrate that under certain conditions, the long-term electoral punishment can be quite dramatic: in instances of rising unemployment, high protest intensity on the streets, or if the packages are introduced under pressure of external creditors, incumbents' long-term electoral loss can exceed 5 and approach 10 percentage points.

October 2018