The handling of the Eurozone crisis has undermined confidence in democracy across Europe

By Democratic Audit

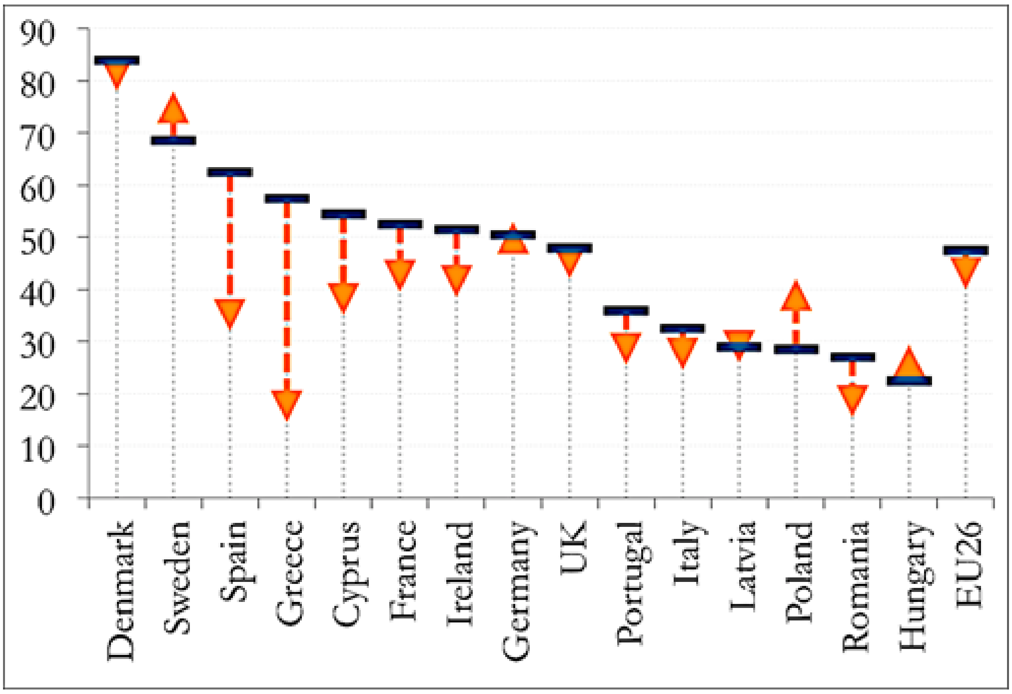
*In a forthcoming paper **Klaus Armingeon** and **Kai Guthmann** study the recent decline in support for national democracy in many European countries. To some degree, they find that support decreased simply as a result of the depth of the recession. More worryingly, though, the external imposition of austerity and structural reform policies by the troika of EU, IMF and ECB, or brought about through financial market pressure, has made things worse for democracy in Europe.*

In Greece, dissatisfaction with democracy has been particularly acute (Credit: apostolosp, CC BY NC ND SA 2.0)

By late 2008, the global financial crisis that during the previous twelve months in the United States had turned into the worst economic downturn since the crisis of the 1930s in Europe. By mid-2010 it had triggered a series of major sovereign debt crises in the Eurozone's periphery, often followed by the implementation of tough austerity measures or programmes for structural reforms of welfare states and labour markets. Up to the present day, the on-going crisis of the common currency is arguably the biggest challenge the European Union ever had to confront.

It is hardly surprising that 'the crisis' has not only left its devastating mark on people's economic and social lives (just imagine the fate of an 18 year old high school dropout looking for a job in contemporary Thessaloniki, Greece), but has almost certainly have had an effect on attitudes towards the national political systems. As figure 1 below shows, between 2007 and 2011 support for national democracies in Europe declined dramatically in the countries worst hit by the crisis – such as Greece and Spain. (We measure support based on survey data as a combination of (i) people's satisfaction with the way democracy works in their country, and (ii) people's trust in their national parliament.)

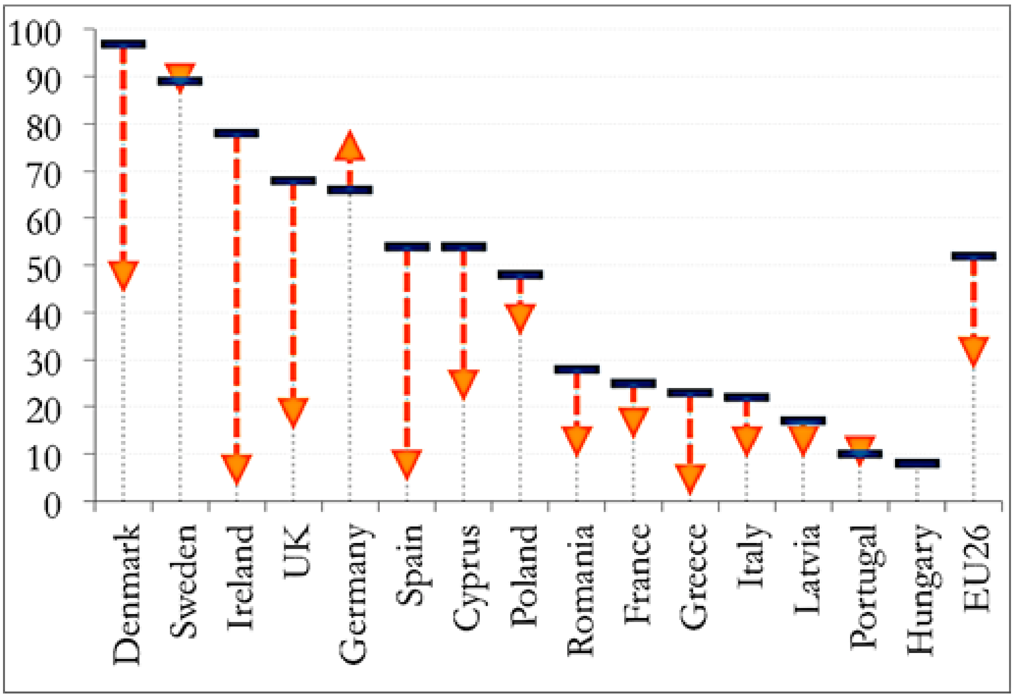
Figure 1: Changes in support for national democracy (in % of population that tends to support) in selectec EU countries 2007 – 2011



On average across all 26 EU member states we studied, the proportion of the population that tends to support their national democracy declined from 48 per cent in late 2007 to 40 per cent in late 2011.

A standard explanation of this phenomenon, which is very much related to the literature on economic voting, blames the severity of the recession as the main culprit. According to this narrative, support for national democratic systems should be closely related to citizens' assessments of the living conditions in their respective countries, which are to a substantial degree reflected in macroeconomic outcomes. And indeed, As figure 2 illustrates, people were well aware of their deteriorating economies during the crisis.

Figure 2: Changes in 'positive' evaluations of the situation of the national economy (in % of the population) in selected EU countries 2007 – 2011



But a puzzle remains: if the recession explains so much so well, then why does support barely budge in countries like Denmark or the UK? Why does it increase in Poland and Hungary but decreases in Portugal, and why has it been stable in Latvia?

The implementation of unpopular austerity and structural reform policies in response to the crisis may appeal as a partial explanation but is not sufficient on its own. Both Latvia and the UK have been implementing drastic consolidation programs since 2010 – apparently with no effect on people's attitudes towards their national political systems.

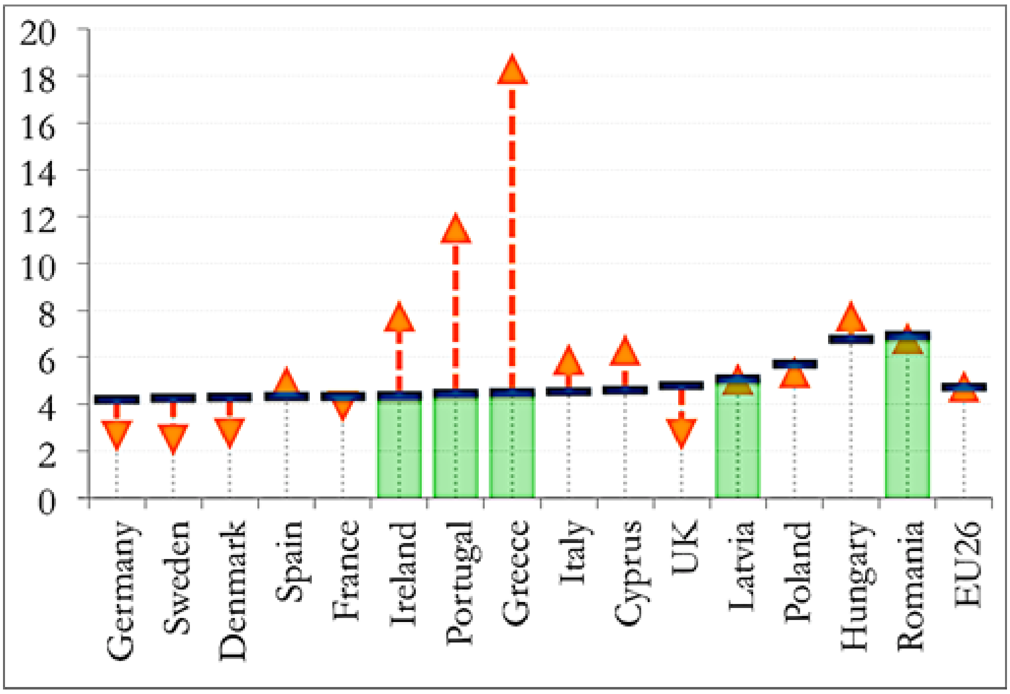
We thus argue that it is not unpopular austerity *per se* that matters for support for democracy. What counts is that these policies have only rarely been the outcome of domestic democratic procedures of will-formation and decision-making (in fact, they *have been* in the UK and some considerable extent also Latvia, which explains part of the conundrum), but were imposed on national political systems by external actors and developments.

On the one hand, the *Troika* of the European Union, International Monetary Fund and European Central Bank effectively dictated the details of the reforms (and indeed still does), as any financial assistance is explicitly made strictly conditional on their implementation. On the other hand, these same policies are also enforced implicitly through international financial markets as prohibitively high interest rates on government debt compel national policymakers to implement ambitious reform and austerity measures that enable them to retain or regain the trust of and access to private capital.

In other words, since the onset of the sovereign debt crisis, external actors define the room for manoeuvre of national politics in the Eurozone's periphery. Citizens have had little say over the matter. Whether the previous government were voted out of office, parliamentary parties cooperated or antagonised each other, social partners cooperated or waged general strikes, or citizens demonstrated or stayed at home, was of little importance for the policies agreed upon in the memorandums of understanding between the *Troika* and national governments. In the end, the people simply had to accept the deals. Democratic discourse was ineffective.

Figure 3 illustrates the degree to which external actors were interfering with national democratic procedures in European countries based on two related proxy variables: interest rates on government debt and the presence of a formal EU/IMF financial assistance program (green bars indicate an active program in late 2011).

Figure 3: Changes in interest rates on government debt 2007 – 2011 and active financial assistance programs in late 2011



This temporary hollowing out of national democratic procedures should have had profound consequences for people's attitudes towards their national democracies. Citizens should have realized that their democratic institutions were no longer able to effectively formulate their own economic and social policies, and this ought to have led them to withdraw their support from a clearly under-performing political system. This was by and large the theme of the '*Indignado*' movements in Southern European countries, which were based on the idea that external actors have eroded national democracy. It was also the topic of Stéphane Hessel's booklet '*Indignez-vous'*, from which the *Indignados* took their name.

But whether we can indeed generalize from the small group of the activists in the squares in Barcelona, Madrid and Athens to the general public eventually is an empirical question – and this is where we see the main contribution of our research.

In our paper, we examine the relative impact of multiple determinants of democratic support in a rigorous statistical analysis of 26 EU countries between 2007 and 2011, based on 78 national Eurobarometer surveys covering 73,000 respondents. (Note that the figures in this post are based only on aggregate data for 15 countries and two time points and therefore provide only a very cursory picture of the dynamics we describe.)

Our findings are robust: first, the deteriorating economic situation unsurprisingly turned out as a crucial determinant of declining democratic support during the crisis. Second, however, neither the recession alone, nor the austerity and reform policies *per se* can fully explain the considerable loss of support in some countries. Rather, the mere act of imposing these policies from outside played an additional, independent part in the process.

This puts European policymakers in a dilemma: on the one hand, we find strong evidence that the way the Euro crisis has thus far been handled politically (characterized by policies that largely neglect national arenas of democratic decision-making), has made things worse for democracy in Europe. On the other hand, one can only hope that these very policies soon will at least begin to work as intended and quickly produce an economic environment that is conducive to *increasing* democratic support.

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Note: Information for this post is drawn from: Armingeon, K. and Guthmann, K. (2014) Democracy in crisis? The declining support for national democracy in European countries, 2007-2011, European Journal of Political Research, Early View published online. It represents the views of the authors and not those of Democratic Audit or the LSE. Please read our comments policy before posting. The shortened URL for this post is: http://bit.ly/PF87RI

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