# Restrained Change: Party Systems in Times of Economic Crisis

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*Abstract*: The recent global financial crisis has been a serious stress test for representative democracies. Voter support has supposedly become more volatile, fragmented and polarized, leaving elites with an intricate mix of economic and political challenges. However, a closer look at a new dataset of European party systems during three major crises (1929, 1973 and 2008) reveals that the reality is less dramatic than the popular impression suggests. We propose a novel theory of party-system change that explains both the impact of economic crises as well as the robustness of party systems to more serious destabilization. Since voters and elites are risk-averse, economic crises tend to disturb party systems that are generally “restrained” but, at the same time, help consolidate more complex systems. This explains why party systems rarely fall apart, nor do they reach ultimate stability. We provide quantitative evidence and qualitative illustrations of “restrained change” in various party-system dimensions.

*Keywords*: party-system change, volatility, Great Depression, Great Recession, European democracies

*Short title for header*: Party Systems in Times of Economic Crisis

*Note*: Supplementary material for this article is available in an online appendix. Replication files are available in the JOP Data Archive on Dataverse (<http://thedata.harvard.edu/dvn/dv/jop).>

After a period of moderate change in European politics, the onset of the Global Financial Crisis in 2008 appears to have altered the patterns of party competition in one country after the other. Italy and The Netherlands have seen the emergence of “grand coalitions,” new parties have got access to office in Norway, Luxembourg or Belgium, innovative coalitions have been formed in Greece or the United Kingdom, traditional parties have collapsed electorally in Slovakia or Czechia, and formerly bipolar systems such as those of Spain or Croatia have broken up.

At the same time, prophecies of party-system change are notoriously unreliable and, in fact, major shifts have been rather rare even during the crisis. Many countries have seen electoral backlash against governing parties, but few have had their parliaments hamstrung, anti-system forces reaching critical size, or executive power slipping from the hands of the establishment. Normatively speaking, party-system change has rarely reached a level that could be considered “unhealthy” in that it destabilizes a polity by replicating an economic crisis on the political level. In fact, notwithstanding the economic costs of the crisis, subsequent party-system change might even be considered “healthy” for expressing democratic accountability and organizational renewal (e.g. Lane and Ersson 2007; Torcal and Lago 2015). Either way, the risks and opportunities for representative democracy that were washed up by the crisis appear to be significant.

A look at European history supports this view. The “archetype” of global economic crisis, the Great Depression of 1929, fueled the rise of fascism that toppled several inter-war democracies. But far from all countries were affected, and the factors that worked the switches by the time are subject to much historical debate. Global recession returned with the Oil Crisis of 1973. The shock broke up established patterns of competition in several countries and arguably provided a basis for the success of Green parties. Overall, however, its impact appears to be rather smooth.

This article draws on new comparative data from these three episodes of European history (1929, 1973 and 2008) to provide evidence for a novel theory of party-system change – a theory that explains both the impact of economic shocks as well as the relative robustness of party systems. Our analyses suggest that party systems have an inbuilt stabilization mechanism that saves them from overheating in times of crisis. The mechanism operates simultaneously on the mass level and on the elite level. It is based on the assumption that voters and elites are risk-averse. While they react to economic crises by looking for new solutions, they mostly do so in what we call “restrained” party systems where the consequences of change are comprehensible. In systems that are already complex, however, voters and parties shy away from experimentation and rather rely on tested solutions. Economic crises therefore stabilize unstable party systems and destabilize stable ones. They rarely push complex systems over a critical threshold of no return.

Our temporal and geographic focus serves the aim of testing this new theory of “restrained change.” We selected those three crisis episodes that approximate the quasi-experimental ideal of *common exogenous shocks* in Europe (originating from the US in 1929 and 2008 and from OPEC in 1973). Global economic recession can be considered the “treatment” that causes a “response” in domestic politics. The European continent also provides a large set of national party systems that are sufficiently similar to be meaningfully compared while, at the same time, desirable variation in party-system parameters and specific crisis impact is abundant. These conditions give us the controlled environment and analytical leverage needed to test our hypotheses. We employ a new dataset containing the classic parameters of party systems – volatility, fragmentation, polarization and closure – for hundreds of elections in almost 50 European countries.

The article proceeds as follows. The first section discusses the concept of party-system change and the indicators of its various dimensions. The second section develops our model and derives hypotheses, supported by the literature on the relationship of the economy and party systems. The dataset is introduced in section three, and section four presents the findings of our analyses. Section five then looks at the specific ways in which the various economic crises have affected party-system development and discusses differences and similarities. The article concludes with a summary of our contribution and some reflections on the way forward.

# Party-system change: Concepts and measures

Departing from Sartori’s (1976: 44) classical definition of a party system as “the system of interactions resulting from inter-party competition,” and bearing in mind “how parties compete with one another at one level of the polity may well be different from how they compete at another level” (Bardi and Mair 2008: 161), we suggest that party-system change should be identified in all three political arenas – electoral, parliamentary and governmental (Smith 1990). Our focus will be on voters, parliaments and cabinets as the actors and institutions populating these arenas.

On the voter level the most obvious expression of party-system change is volatility of party support. Volatility is calculated using Pedersen’s (1979) classic index of “total electoral volatility” (TEV), which measures “the net change within the electoral party system resulting from individual vote transfers.”[[1]](#footnote-1) In our model, TEV represents the electoral dimension of party-system change.

Regarding the format of the party system (i.e. the number of parties), which determines the number of possible interactions and the balance of inter-party power, we will employ Laakso and Taagepera’s (1979) standard “effective number of electoral parties” (ENEP). In particular, this index measures how many parties are in a party system in a given election, weighted according to size.[[2]](#footnote-2) Due to the weighted count of parties, the ENEP is usually considered an indicator of party-system fragmentation. As a concept, it thus connects the electoral and parliamentary levels.[[3]](#footnote-3)

To complement the “numerical” dimension of party systems (volatility and fragmentation), Sartori (1976) introduced polarization as an ideological dimension. Our measure of polarization is the percentage of votes obtained by “anti-political-establishment” parties (Powell 1982).[[4]](#footnote-4) The latter are understood as those fulfilling “all of the following criteria: (1) it perceives itself as a challenger to the parties that make up the political establishment; (2) it asserts that a fundamental divide exists between the political establishment and the people (implying that all establishment parties, be they in government or in opposition, are essentially the same); and (3) it challenges the status quo in terms of major policy issues and political system issues” (Abedi 2004: 12).

Finally, regarding the regularity and predictability of cabinet formation, which captures an important aspect of elite strategy, we follow Mair when considering that “a party system changes when there is a change in the pattern of alternation, when a new governing alternative emerges, and/or when a new party or alliance gains access to office for the first time” (2006: 66).

Mair considers party systems to be “closed” if (1) alternations of governments are either total or none, (2) governing alternatives are stable over a long period of time, and (3) some parties are permanently excluded from participation in national government. Conversely, “open” party systems are characterized by (1) partial alternations of governments, (2) no stable compositions of governing alternatives, and (3) access to government granted to all relevant parties (Mair 1997: 211-214). An operationalization of party-system closure has been proposed by Casal Bértoa and Enyedi (2016). They quantify Mair’s three criteria as follows:

First, the degree to which governing alternations of political parties are wholesale is captured by the so-called Index of Government Alternation (IGA), which adapts Pedersen’s index of electoral volatility (see above) to the measurement of ministerial volatility (MV). Because wholesale alternation can be reflected by very high or very low MV, IGA is measured as the distance of the MV score to the midpoint of the scale.

The second criterion, assessing whether or not the party or coalition has governed before in this particular combination, is captured by the Index of Familiar alternation (IFA), which measures the percentage of ministries belonging to familiar combinations of parties.

Third, access to government is measured by the Index of Closure (IC), which simply takes into consideration the percentages of ministries belonging to former governing parties.

The three indices are then averaged into the composite index of party-system closure (iPSC). Calculations are repeated for each year. If there have been two or more cabinets in one year, then the averages of their indices are used for that year.

The final measure of closure takes into account that party-system institutionalization, the latent concept behind closure, is determined not only by the events taking place in a particular year but rather describes more fundamental properties that will only unfold in the longer term. This is quantified using the linearly weighted average of the last 25 years (such that the most recent year matters the most and the most distant year matters the least).

To sum up, we have identified four central dimensions of party-system change: volatility, fragmentation, polarization and closure. We now proceed with our theoretical expectations regarding the development of these dimensions during economic crises.

# Economic crises and party-system change: Hypotheses

Economic success has long been seen to shape the process of party-system stabilization in both new and old democracies (e.g. Remmer 1991; Mainwaring 1999; Roberts and Wibbels 1999; Tavits 2005). Vice versa, economic hardship is hypothesized to lead to party-system instability as parties move away from incumbents, are held responsible for the course of the economy, and try to find new political alternatives, either in the traditional opposition or at the fringes of the political spectrum (Pacek 1994; Fidrmuc 2000; Duch 2001; Tucker 2006). In this sense, poor economic performance is expected to undermine “existing party loyalties, or, more relevant in the case of young democracies, prevent […] these loyalties from emerging” (Tavits 2005: 286f.; also see Mainwaring and Zoco 2007). The idea then is that under conditions of profound economic crisis voters tend to shift their support in search for a leader or party capable of putting an end to the unfavorable economic situation. As a result, and mainly due to this unpredictable swing of electoral support, parties will find it very difficult to behave in a stable and predictable manner. Moreover, citizens will favor cabinet access for new governing parties as well as the formation of innovative governing coalitions, hindering the process of systemic institutionalization. As Mainwaring put it almost two decades ago, “economic crisis makes it more difficult for a nascent party system to institutionalize, […although] it does not inevitably bring about the deinstitutionalization of an established party system” (1999: 241).[[5]](#footnote-5)

Overall, we then expect economic crises to perturb party systems in the three dimensions that are directly controlled at the ballot box, and we also expect ramifications to reach the executive level after puncturing the electoral and parliamentary levels:

**H1:** Economic crises increase electoral volatility, party-system fragmentation and polarization.

**H2:** Economic crises decrease party-system closure.

Our model contains two variables that reinforce the direct effects of economic crises on party systems. The first one is a simple specification of the basic economic argument: The more severe the impact of a crisis on a certain economy, the larger should also be its impact on the respective party system. This can be expressed as a moderator effect regarding the expectations formulated in our first two hypotheses:

**H3:** The more severe the crisis, the more pronounced are the effects in H1 and H2.

Our second moderator variable gets to the core of the theory of “restrained” party-system change sketched in the introduction. Based on our hypotheses so far, we would expect more party-system change than is observed. Dozens of European democracies have been hit repeatedly by severe economic crises, but very few of these have had their party systems falling apart.

The mechanism that we believe is responsible for capping the extent of party-system change is based on the assumption of *risk aversion*. Risk-averse actors try to avoid situations in which the expected payoff of their choices is uncertain, but high loss is possible. The basis of this behavior can be psychological bias or conscious decision. In our theory, risk aversion governs the actions behind party-system change in two scenarios:

In complex party systems, risk-averse voters and elites will be unwilling to “experiment” with new ideologies, leaders, parties or coalitions, because in such environments the failure of an “experiment” could have existential consequences. Constitutions could be undermined by anti-system forces or during the fight against them, governments could be hamstrung by excessive parliamentary fragmentation, legislatures could become paralyzed by extreme polarization, long-term political alliances could be put in peril by increasing governmental openness, and parties could collapse as a result of high electoral volatility; at the very least, politicians could forfeit their careers, and voters put their living standard, personal security and political freedom on the line. In short, the expected consequences are highly uncertain. To many, hedging one’s bets with tested solutions will appear more attractive then.

In contrast, in what we call “restrained” party systems the outcome of electoral experiments is more manageable and failure does not appear as disastrous. Restrained systems have firm structures on the electoral, legislative and executive levels that function as mutual safety nets in case of shock. Seriously destabilizing such a system would require exceptional impact, which minimizes the risk of change. Quite the opposite, highly restrained systems may appear sclerotic and in need of reform. The potential benefits of an “experiment” in overcoming economic crisis will then seem promising even to risk-averse voters and elites, even if that means allowing populist parties to implement simple solutions to complex problems. Many will feel that some innovation may be “worth a shot” without having to advance too far into uncertain territory.

The factor that distinguishes the consequences of risk-averse behavior in these two scenarios is labeled “party-system restraint.” Conceptually it captures the structural susceptibility of a party system to change. To understand the general idea, it is helpful to contrast restraint with its opposite. Above we have already distinguished between “restrained” and “complex” systems as opposite poles of a continuum. “Complexity” is a central concept in Laver and Schofield’s (1990) well-known theory of cabinet government in multiparty systems. They argue that the more complex a “bargaining environment” (read: party system) is, the more readily it will be affected by random perturbations and the more difficult it will be to maintain a coalition cabinet. Put simply, a complex system has many “moving parts” that may produce unexpected consequences when subjected to shock. Our view is similar, just that we approach the concept from the other side: the more “restrained” a party system is, the fewer points of contact it offers for random perturbations, the fewer moving parts it has that may interact in unexpected ways, and *the more robust* it will thus be in principle. Precisely due to this robustness in their structure, restrained systems hold less risk and therefore present more opportunities to risk-averse actors. Vice versa, the less restrained a party system, the less robust it is to random perturbations, the more risk it holds and the less willing voters and elites will be to experiment with new solutions during economic crises.

The classic indicators of party-system complexity are volatility, fragmentation and polarization (e.g. Sartori 1976; King et al. 1990). Party-system restraint is described by the opposite characteristics. Substantively, restraint thus represents the closeness of a party system to the Downsian realm of the median voter – a system described by centripetal competition between two invariably large parties (Downs 1957). Increasing volatility, fragmentation or polarization will take a system farther away from this ideal type. Moreover party-system closure is another important dimension, because it describes the degree to which multiparty systems transfer electoral and parliamentary restraint into cabinet. Party-system restraint then is expressed in the combinations of the four system parameters that also appear on the dependent side of our analysis. Importantly, as dependent variables these parameters will measure *change after a crisis* whereas restraint as an independent variable captures a *structural condition before a crisis* (see the following section on measurement). The limitation of change by structure is precisely the feedback loop through which party systems retain their general stability.[[6]](#footnote-6)

On the basis of our theoretical considerations regarding system behavior, we expect that economic crises will primarily affect party systems with relatively safe restraint; they will rather not destabilize systems that are already overwhelmingly complex. Again, this expectation can be expressed as a moderator effect regarding our first two hypotheses:

**H4:** The more restrained a party system, the more pronounced are the effects in H1 and H2.

The mechanisms of “restrained change” operate simultaneously on the mass level and on the elite level, and the consequences on the two levels are supposed to go hand in hand. Voters value political stability as such,[[7]](#footnote-7) and the campaigns preceding national elections additionally help them reconnect their predispositions to the available choices (Gelman and King 1993; Andersen et al. 2005). In this process, one of the strongest predictors of party preference found in pan-European electoral research is the legislative size of a party (Van der Eijk et al. 1996; Weber 2009). Voters value legislative size because it reflects a party’s ability to enact policy. Importantly, this effect is stronger in fragmented multiparty systems (Weber and Franklin 2017) – systems that, in our terminology, tend to be complex. This particular concern, that policy does not only need to be proposed but also enacted, is what makes voters in complex party systems look for tested solutions during economic crisis. In highly restrained systems, in contrast, support for unconventional alternatives is unlikely to compromise government performance, while it may channel discontent and tide democratic legitimacy over a crisis (see Mudde and Rovira Kaltwasser 2012).

Party elites monitor voters’ concerns and so tend to embrace new solutions in restrained systems, where the distribution of power may appear restrictive during a crisis and blame for the poor economy is easily assigned to visible actors (Powell and Whitten 1993; Anderson 2000). In complex systems, in contrast, additional destabilization would more readily overthrow the balance of power. Here, as per Katz and Mair’s (1995; 2009) “cartel party” thesis, established actors may “entrench” themselves and restrict access to the club of parties monopolizing the executive. Moreover, changes of public opinion due to economic crises do not only affect electoral support but also party unity: while mainstream parties see internal divisions flourishing and leadership declining, challengers are united around anti-establishment positions (Parsons and Weber 2011; De Sio et al. 2016). The result is a lower likelihood of unconventional cooperation.

# Data and method

The dataset that we use to test our hypotheses comprises European party systems under democratic conditions. We consider a country to be democratic when (1) it has a score of ≥6 in the Polity IV index, (2) universal (male) suffrage elections have been held at least once, and (3) governments are formed with (and rely on) parliamentary support, rather than on the exclusive will of the head of state. Some countries, like for example France or Finland, comprise different periods according to the Republic in question. Other countries, like Austria or Germany, refer to two different party systems (1st and 2nd Republic or the Weimar and Bonn Republics). Some democracies had to be excluded from the analysis as they collapsed/were established before/after economic crisis.[[8]](#footnote-8)

As described in Appendix F, the data contain information on election results, seat shares in parliament, the partisan composition of cabinets and the number of ministers belonging to each cabinet party. The end result is a new dataset with 48 countries, divided into 67 party systems, comprising more than 700 elections, and around 1700 cases of government formation (Casal Bértoa 2018). Table App1 in Appendix A shows the selection we make from these data for our purpose of modeling the effects of the economic crises of 1929, 1973 and 2008.

Our specific selection includes, for each country, the three elections prior to, and after, the beginning of a crisis. The three-elections threshold was established by Sartori (1976) and Rose and Mackie (1988) to examine the persistence of patterns in European party systems, and it is still frequently used (e.g. Franklin 2004; Scarrow 2006; Nwokora and Pelizzo, 2014; Chiaramonte and Emanuele, forthcoming). The rationale is that since each single election is affected by *ad hoc* and short-lived factors, three elections together will better reflect party-system change and the gradual impact of the economy. At the same time the time span is not too long for unit homogeneity.[[9]](#footnote-9)

Our dependent variables are expressions of the four party-system parameters discussed above: volatility, fragmentation, polarization and closure. Figure App1 in Appendix A shows the distributions of the four measures in the elections selected for our analysis. As can be seen, the distributions are relatively similar, with more cases on the “restrained” side and fewer on the “complex” side. (Note in this context that the orientation of the measure of closure is theoretically and empirically reversed as compared to the other three measures.)

Regarding operationalization, the quantity of interest called for by our research question is the *change* of the party-system parameters during economic crises. Our dependent variable therefore measures the *difference* between post-crisis and pre-crisis values of the respective parameter in each country and crisis. A positive difference means that the parameter increased during the crisis; a negative difference means that the parameter decreased.[[10]](#footnote-10)

The unit of all our analyses is an election in a certain country during a certain crisis. For each of these cases, we calculated the difference between the realization of each parameter in the post-crisis election and its pre-crisis average. The effect of a crisis can then be readily estimated using OLS regression; the relevant quantity is the coefficient of the constant.[[11]](#footnote-11)

While the point estimate is straightforward, significance testing is more intricate because each crisis is represented by many countries and many of the countries are present in several crises (see Table App1). To deal with this “cross-nested” structure of the data, we estimated robust standard errors double-clustered by country and crisis (Cameron et al. 2011).

Turning to the independent variables, crisis severity was measured using post-crisis growth rates. In terms of general economic performance, the three episodes of 1929, 1973 and 2008 are distinguished by geographically unconfined “loss in living standard” (Reinhart and Rogoff 2014) or at least by disappointing output “plucked down” from its maximum ceiling (Friedman 1993). Specifically, for each post-crisis election we calculated the average yearly growth in GDP pc PPP since the year preceding the crisis. GDP data are from *Gapminder* (2016).[[12]](#footnote-12)

Party-system restraint was estimated using factor analysis of its components: volatility, fragmentation, polarization and closure. Our expectation is that these four components, while each to some degree unique, are all expressions of a joint latent construct. More specifically, volatility, fragmentation and polarization should contribute negatively (the higher their values, the lower is party-system restraint) while closure should contribute positively (the more closure, the more restraint). Our factor analysis confirms these expectations (details in Appendix B).

Substantively, the restraint score captures the structural susceptibility of a party system to risk-taking behavior by voters and elites, as theorized above. More restrained systems will generally experience more pronounced reactions to shocks, which then take away some of their restraint. To express this cyclical relationship, party-system restraint was explicitly coded on the basis of *pre*-crisis information, while our four dependent variables reflect *pre-post change*.

Regarding the estimations it is also important to note that party-system restraint is a “stationary” variable – it does not follow some kind of natural trend but rather describes the particular situation of each party system at each point in time.[[13]](#footnote-13) We will now proceed to estimate the degree to which this condition affects the behavior of voters and elites.

# Findings

Table 1 shows the estimation results for our first two hypotheses, concerning the plain effects of economic crisis on party systems. The first three coefficients all point in the expected direction. Volatility, fragmentation and polarization increased on average during economic crises. However, change of volatility and fragmentation is not statistically significant and polarization shows the only sizeable effect. The predicted boost for anti-establishment parties is 3% of the vote, which mostly reflects rising support for the far-right (see Funke et al. 2015). Overall, however, the impact of economic crises on party systems appears to be quite limited. Moreover, regarding closure, the coefficient even indicates a shift toward *more* stability during crises. Closure does not decrease as expected, but instead shows a significant increase.[[14]](#footnote-14) The outcome of cabinet formation during economic crises is thus very robust, even if the process leading to that outcome might often seem complicated. Altogether, these findings are quite puzzling in that they do not confirm the popular impression of economic crises causing major perturbations in party-systems.

**[Table 1 about here]**

The puzzle is readily solved by adding our two independent variables to the regressions. Table 2 shows the resulting coefficients for economic growth and party-system restraint. To ease interpretation, we display the predictions graphically.

**[Table 2 about here]**

Figure 1 shows the values of the four party-system parameters as predicted by economic growth, with party-system restraint held at its mean. As can be seen, the expectations of our H3 are fully supported. The lower economic growth after a crisis, and in particular for negative growth, the more pronounced is the increase of volatility, fragmentation and polarization, and we also find the expected decrease of closure for very poor growth rates.[[15]](#footnote-15) Overall, the estimated impact for severe crises is quite sizeable. For strong growth, in contrast, we find the opposite effects, i.e. decreasing volatility, fragmentation and polarization and increasing closure. These economies emerged strengthened from a crisis and were apparently able to translate this success into additional consolidation of their party systems. The cut-off point at which perturbation of party systems turns into consolidation is indicated by the intersections of the graphs in Figure 1 with the x-axis. The higher the growth rate required for consolidation (1.7% for volatility, 1.4% for fragmentation, 3.2% for polarization), the more cases are perturbed and the higher is the *overall* impact of a crisis. For closure, we find the lowest growth rate required for consolidation (-3.8%). This shows how elites succeed in insulating the executive level from the surrounding turbulences, an effort that only fails if the economic impact of a crisis is very severe.

**[Figure 1 about here]**

Turning to our fourth (and final) hypothesis, Figure 2 shows the values of the four party-system parameters as predicted by party-system restraint, with economic growth held at its mean. Again, the resulting pattern fully supports our expectations. The increase of volatility, fragmentation and polarization is concentrated among elections with high prior party-system restraint. The more restrained a party system in general, the more willing voters appear to be to risk some disturbance in response to a crisis. In contrast, complex systems (those with low restraint) tend to consolidate at the same time. When economic crisis and political complexity coincide, voters apparently prefer to err on the side of caution. The cut-off point here is around the mean of restraint for volatility and fragmentation,[[16]](#footnote-16) while polarization is a more pervasive phenomenon that is predicted for all but the least restrained systems. A mirror image of this behavior is observed for party-system closure: In systems with at least some complexity, political elites react to crises apparently by restricting access to executive power to the set of established forces; as a consequence, closure increases. Only in highly restrained systems are elites willing to experiment with new cabinet solutions, and so closure declines. In both scenarios, risk-averse strategies of voters and elites therefore go hand in hand. While complex systems are granted a breather, restrained systems receive a wake-up call.

**[Figure 2 about here]**

### The special role of party-system closure

Closure does not only differ from the other three party-system parameters in that it is determined on the elite level, but also in that cabinet formation takes place *after* an election. Elites therefore have the opportunity to *react* to any electoral changes. Therefore, while volatility, fragmentation and polarization are determined directly at the ballot box, closure is indirectly affected by voter support because the electoral parameters restrict the range of possible cabinet solutions. We will call this the “structural” component of closure. But elites still have ample room for maneuver in cabinet formation that is independent of election outcomes – reason why we need the separate concept of closure in the first place. If elites use their room for maneuver to manipulate closure in reaction to electoral changes, we will call this the “strategic” component.[[17]](#footnote-17)

For the structural component, we expect negative correlations of closure with the other party-system parameters. The more volatile, fragmented and polarized party support in general, the more options there will be to form untested cabinet coalitions, which in turn lowers closure. For the strategic component, in contrast, our expectation is the opposite. If an election brings about higher volatility, fragmentation or polarization, elites should react to these changes – given the structural component – by protecting established cabinet solutions, which increases closure.

An analytical challenge is that the strategic component cannot be observed in its pure form. Whenever party systems change, any strategic reaction will be mixed with structural restrictions. We address this challenge by estimating two models, the difference of which will help isolate strategic effects. The first model replicates the estimation of change in closure from Table 2, just that we add three more predictors, namely the changes in the other party-system parameters that had just occurred in a post-crisis election as compared to the pre-crisis average. The second model predicts the *level* of closure in *pre*-crisis elections from the levels of the other three parameters. While both these models may reflect structural and strategic components, their emphasis differs. The first model focuses on short-term changes after a crisis and will thus be more affected by strategy than the second model, which focuses on long-term structural correlations before a crisis. For the sake of simplicity, we will label the first model “strategic” and the second “structural.”

Table 3 shows the results. In the strategic model, polarization has a significant positive coefficient, while the coefficients of volatility and fragmentation are both negative but small and statistically insignificant. In the structural model, the coefficients of volatility and fragmentation are both statistically significant and much larger than in the strategic model. Moreover, polarization now also has a significant negative coefficient, meaning that its effect is exactly reversed as compared to the strategic model.

**[Table 3 about here]**

The role of electoral change for elite strategy can now be assessed by comparing the two models. The structural model indicates that, absent elite strategy, we would expect declining closure in reaction to increasing volatility, fragmentation or polarization. However, to begin with polarization, this is turned into an *increase* of closure due to strategic behavior. Interestingly, a feature such as polarization that is commonly seen as an indicator of political *in*stability (e.g. Lane and Ersson 2007) can increase government stability because it restricts the set of viable coalition alternatives (also see Warwick 1994: 46; Grotz and Weber 2012). Similar conclusions can be drawn with regard to volatility and fragmentation. While these two variables show null effects in the strategic model, these need to be evaluated against the baseline expectation of strong negative effects in the structural model. While the structural component is negative, the strategic component works in the opposite direction. In the aggregate the two effects cancel each other out.

Overall, we can conclude that elite strategy appears to react directly to economic crises as well as indirectly to electoral change resulting from such crises. These reactions are qualitatively similar: As we have seen above (Figure 2), the effect of party-system restraint indicates that closure increases in environments with generally high *levels* of volatility, fragmentation and polarization; in the same way, elites react by increasing closure when these three parameters *change* in the direction of less restraint. We therefore have evidence from two independent tests that not only voter behavior but also elite strategy affects party systems after economic crises.

# Historical variation

So far we have examined the general relationship of economic crisis and party-system change in Europe using data from three episodes: the Great Depression, the Oil Crisis, and the current Global Financial Crisis. However, it is possible that not all crises had the same impact on party-system change, and the parameters of party systems may have been affected in a differential ways. We conclude our analysis by exploring such historical variation and relating it to our hypotheses.

While our hypotheses have so far been applied to the level of the election, they can also be formulated on the level of the crisis. Regarding the economy (H3), we should expect crises that were generally more severe to have a larger impact on party systems than less severe crises. According to our growth indicator, 2008 was the most severe crisis (average post-crisis growth of -0.44%), followed by 1929 (0.67%) and 1973 (3.14%).[[18]](#footnote-18)

Table 4 breaks down the general effects shown in Table 1 by crisis. A first look suggests that out of the three crises analyzed, the last (and current) one has indeed exerted the largest impact on European party systems. All four parameters have increased in recent years (even if not significantly so for fragmentation). The popular impression of widespread party-system change during the Global Financial Crisis is therefore justified at least to some degree. This is followed by the impact of the Great Depression, where significantly increased polarization reflects challenges to the establishment from communists on the left and fascists on the right. While the Great Depression affected the general population with previously unseen fierceness, however, its overall electoral impact was limited. Volatility and fragmentation even decreased slightly.[[19]](#footnote-19) The Oil Crisis, finally, did not have a comparable impact on growth, which is why its impact on party systems is equally contained. None of the four parameters shows significant change. Importantly, this does not mean that party systems remained perfectly stable during this time – some of them may have been disturbed while others were consolidated. What is special about the Oil Crisis is that its impact was not sufficiently severe to affect the overall balance of these two processes.[[20]](#footnote-20)

**[Table 4 about here]**

The Global Financial Crisis does not only stand out in terms of its impact on party systems, but also with regard to the number of European countries that were democratic at the time. In particular, most of the postcommunist countries have experienced their first global recession under democratic rule in 2008 (see Table App1). We therefore also calculated the impact of the 2008 crisis separately for postcommunist party systems. The crisis was less severe than in the West (average post-crisis growth of 0.92% as compared to -1.61%), which is why we expect its impact on party systems to be less pronounced in the East. Moreover, in this context our H4 is particularly relevant. Postcommunist party systems feature high volatility, new parties regularly entering parliament or even cabinet, and generally weak institutionalization (Casal Bértoa 2013; Powell and Tucker 2014; Grotz and Weber 2016). All this is reflected in a low average value of party-system restraint in our data (-0.91). Also on this basis we expect a stronger effect of the crisis on Western party systems with their higher average level of restraint (0.29).

The results in Table 4 support our expectations. While most Western European party systems continue to be more stable than their Eastern counterparts, they have become significantly more volatile, fragmented and polarized during the crisis. The most evident example is perhaps Greece, a country whose traditionally centripetal party system was taken over by rapidly growing forces on the fringes. A detailed analysis of how the Greek case illustrates the destabilization of a restrained system can be found in Appendix H.

Table 4 shows no such effects for Eastern Europe (fragmentation even decreased slightly). In this group of countries, it is party-system closure that increased at the same time. Thus, while in Western Europe party systems were affected on the electoral level, in Eastern Europe change has taken place mostly at the executive level.[[21]](#footnote-21) As our model expects for party systems with low restraint, postcommunist systems consolidated during the crisis. The logic is simple: While the economic crisis may have caused a political crisis in the West, many postcommunist countries have already been in political crisis according to these standards when the economic crisis hit them (Hernández and Kriesi 2016). Postcommunist elites countered the threat of being overwhelmed by monopolizing executive power. This feedback loop of our model explains why especially in new democracies the economic crisis has not, to put in bluntly, turned out to be the straw that breaks the camel’s back. A prominent case is Poland, where a highly fragmented and volatile party system gained evident structure after the crisis. In Appendix H we describe how Poland illustrates the increasing stabilization of a complex system, in explicit contrast to the Greek case.

Overall, the financial crisis has made Eastern and Western European party systems more similar. Increasing volatility, fragmentation and polarization in the West has moved these systems closer to the more complex reality of the East. Vice versa, increasing closure in the East has moved these systems closer to the more restrained standard of the West. So far, however, postcommunist party systems remain more open. With few exceptions (e.g. Hungary), they continue to be characterized by partial alternations, innovative formulae and open access. In Western European systems the structure of party competition remains more predictable, notwithstanding cases of change at the government level (e.g. Norway, Luxembourg, Belgium). In other words, the cake of executive power continues to be divided by the same parties, with rather similar ideological leanings. New (sometimes anti-establishment) parties have entered the electoral and parliamentary arenas (Mudde 2014), but cabinet doors remain closed to most of them.

# Conclusions

Although “the flavor of the day” in the 1980s and 1990s (Mair 1997), the importance of party-system change in the literature decreased at the turn of the century. The economic shock of 2008 points to the need of bringing the systemic perspective back in as we witnessed unanticipated changes in otherwise consolidated (e.g. Norway, Luxembourg, the Netherlands, the UK and Italy) and not so consolidated (e.g. Bulgaria, Czechia, Lithuania) European democracies.

This article addresses the task in three different ways. First, it adopts a multidimensional notion of party-system change that considers change at the level of voters (electoral arena), parties (legislative arena) and elites (governmental arena). In this context, it looks at various indicators across a rather long period of time (six elections), rather than making inferences from mere snapshots. Second, the article uses a new dataset to examine the relationship between economic crisis and party system development/change in Europe during three different periods (1929, 1973 and 2008). Third, making a distinction between consolidated and non-consolidated democracies, the article develops and tests a novel theory of party-system change that explains both the impact of economic crises as well as the robustness of party systems to more serious destabilization.

The overall finding is that while economic crises tend to disturb party systems, relative stability continues to be the norm. In other words, and in spite of repeated economic and financial disasters, the “inertia towards stability” that Bartolini and Mair (1990) diagnosed more than twenty-five years ago still prevails. Our analysis adds a micro-foundation to this observation. Since voters and elites are risk-averse, economic crises as prime occasions for party-system change tend to disturb restrained systems and to consolidate complex ones. This explains why party systems rarely fall apart, nor do they reach ultimate stability. “Restrained change” is in the nature of democratic representation. To use a slight variation of Schattschneider’s (1942) famous words, “modern democracy is unthinkable safe in terms of party *systems*.”

Of course this conclusion needs to be taken with a pinch of salt. While our analysis covers a considerable time period around each crisis, the long-term consequences of 2008 are not yet known. With the financial crisis followed by a (largely independent) migration crisis, the next decade or two will serve as a “hard case” for the theory of restrained change. Extrapolating from earlier crises, we would expect any “noise” to fade over time. To the degree that a party system underwent meaningful “restrained change,” however, new dynamics might alter its path. Broadly speaking, party politics might become more pluralistic in West European democracies while postcommunist systems might in fact receive further impetus for consolidation.

Besides longer time periods, the list of opportunities for future research is long: Other regions of the world, other occasions for change, other criteria for crisis, survey analysis of mass behavior, process tracing of elite strategy, etc. We can only claim to have scratched the surface of an empirical model of party-system development. However, our theory of restrained change is quite general and could be of use for a diverse set of analytical undertakings.

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Table 1 – Effects of economic crisis on party-system parameters

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Dependent variable | Δ Volatility | Δ Fragmentation | Δ Polarization | Δ Closure |
|  |  |  |  |  |
| Constant (crisis effect) | 0.76 | 0.05 | 2.86\* | 1.44+ |
|  | (0.85) | (0.09) | (1.13) | (0.81) |
| N | 179 | 184 | 184 | 170 |
|  |  |  |  |  |
| OLS coefficients with robust standard errors in parentheses, cross-clustered by country and crisis.  \*\* p<.01; \* p<.05; + p<.1 | | | | |

Table 2 – Effects of economic growth and party-system restraint

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Dependent variable | Δ Volatility | Δ Fragmentation | Δ Polarization | Δ Closure |
|  |  |  |  |  |
| Economic growth (post) | -0.80\*\* | -0.07\*\* | -1.19\*\* | 0.34\*\* |
|  | (0.15) | (0.02) | (0.33) | (0.10) |
| Party-system restraint (pre) | 3.61\*\* | 0.59\*\* | 1.54 | -3.94\*\* |
|  | (0.84) | (0.11) | (1.35) | (0.57) |
| Constant | 1.33+ | 0.10 | 3.90\*\* | 1.27\* |
|  | (0.75) | (0.15) | (0.51) | (0.56) |
| R-squared | 0.15 | 0.15 | 0.14 | 0.26 |
| N | 179 | 179 | 179 | 170 |
|  |  |  |  |  |
| OLS coefficients with robust standard errors in parentheses, cross-clustered by country and crisis.  \*\* p<.01; \* p<.05; + p<.1 | | | | |

Table 3 – Effects of volatility, fragmentation and polarization on closure

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Strategic model | Δ Closure | |  | Structural model | Closure | |
|  | b | β |  |  | b | β |
| Δ Volatility | -0.06 | -0.09 |  | Volatility | -0.41\*\* | -0.45 |
|  | (0.06) |  |  |  | (0.08) |  |
| Δ Fragmentation | -0.08 | -0.02 |  | Fragmentation | -0.76\*\* | -0.15 |
|  | (0.49) |  |  |  | (0.23) |  |
| Δ Polarization | 0.12\*\* | 0.18 |  | Polarization | -0.06+ | -0.08 |
|  | (0.02) |  |  |  | (0.04) |  |
| Economic growth (post) | 0.43\* | 0.20 |  |  |  |  |
|  | (0.18) |  |  |  |  |  |
| Party-system restraint (pre) | -3.83\*\* | -0.48 |  |  |  |  |
|  | (0.69) |  |  |  |  |  |
| Constant | 0.90\* |  |  | Constant | 99.58\*\* |  |
|  | (0.46) |  |  |  | (2.00) |  |
| R-squared | 0.28 |  |  | R-squared | 0.31 |  |
| N | 170 |  |  | N | 228 |  |
|  |  |  |  |  |  |  |
| OLS coefficients with robust standard errors in parentheses, cross-clustered by country and crisis.  \*\* p<.01; \* p<.05; + p<.1 | | | | | | |

Table 4 – Effects of economic crisis on party-system parameters, separately by crisis

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Dependent variable | Δ Volatility | Δ Fragmentation | Δ Polarization | Δ Closure |
|  |  |  |  |  |
| Only 1929 (N=37) | -1.00 | -0.22 | 3.16+ | 3.13\* |
|  | (1.24) | (0.23) | (1.66) | (1.39) |
|  |  |  |  |  |
| Only 1973 (N=52) | -0.21 | 0.00 | 0.46 | -0.33 |
|  | (0.65) | (0.11) | (0.57) | (0.46) |
|  |  |  |  |  |
| Only 2008 (N=95) | 2.04+ | 0.18 | 4.05\*\* | 1.80\* |
|  | (1.17) | (0.15) | (1.16) | (0.71) |
|  |  |  |  |  |
| - Postcommunist (N=44) | -0.57 | -0.39+ | 0.31 | 5.51\*\* |
|  | (2.06) | (0.21) | (1.79) | (1.21) |
|  |  |  |  |  |
| - Others (N=51) | 4.05\*\* | 0.68\*\* | 7.28\*\* | -0.87 |
|  | (1.30) | (0.18) | (1.36) | (0.60) |
|  |  |  |  |  |
| OLS coefficients with robust standard errors in parentheses.  \*\* p<.01; \* p<.05; + p<.1 | | | | |

Figure 1 – Effects of economic growth (predicted values with 95% CIs)





Figure 2 – Effects of party-system restraint (predicted values with 95% CIs)





1. TEV=½ Σ|vi,t - vi,t-1|, where vi,t is the vote share of party i at election t preceded by election t-1. [↑](#footnote-ref-1)
2. ENEP=1/Σvi², where vi is the vote share of party i. [↑](#footnote-ref-2)
3. An alternative measure is the Effective Number of Parliamentary Parties (ENPP). We prefer ENEP to ENPP because our research question focuses on the effect of economic crises on political behavior rather than on the effects of electoral systems. However, we replicated our analyses using ENPP and found qualitatively similar results (if naturally somewhat attenuated). [↑](#footnote-ref-3)
4. A list of all parties coded as anti-establishment is available in Appendix G. Moreover, Appendix E replicates our main analysis using a finer, ideology-based measure of polarization. [↑](#footnote-ref-4)
5. Although this conclusion should be taken with caution due to methodological problems – recognized by the author and later by Birnir (2007: 100) and Spirova (2007: 159). [↑](#footnote-ref-5)
6. For the general systems theory underlying our argument, see Luhmann (1995: 68f.): “We have in mind systems that operate self-referentially, thus systems that must always play a part of their own in the alteration of their own states. Otherwise we would have to do with nothing but simple alteration of the system through external influences. External influences appear to self-referential systems only as determination for self-determination and thus as information, which changes the internal context of self-determination without eliminating the structural principle that the system must come to terms on its own with everything that ensues from that self-determination.” [↑](#footnote-ref-6)
7. In the well-known materialism/postmaterialism index (Inglehart 1971), “maintaining order in the nation” is by far the most desired goal of the four-item battery (first preference for 41.7% of respondents, second preference for another 22.7%; World Values Survey, Wave 6). [↑](#footnote-ref-7)
8. These are inter-war Poland, Portugal and Spain and post-war Greece. Excluding these cases does not cause bias given that democratic failure was due to military coups (the former three) or civil war (the latter) rather than due to economic crisis (see Berg-Schlosser and Mitchell 2002). [↑](#footnote-ref-8)
9. Time since crisis has no relevant effect in our multivariate models (see Table App6). In case of parliamentary dissolution, we included all elections held during the time span of three ordinary legislative cycles. Crisis-year elections (1929, 1973 or 2008) were coded as pre-crisis. The former two crises began late in their respective years, and the latter really unfolded the following year (except in Italy and San Marino, and these two 2008 elections were coded as post-crisis). [↑](#footnote-ref-9)
10. Conveniently, this also normalizes the skewed distributions shown in Figure App1. [↑](#footnote-ref-10)
11. We begin immediately in a regression framework, even if here without covariates, because we will soon add independent variables to test our other hypotheses. [↑](#footnote-ref-11)
12. Economic growth arguably is the most comprehensive indicator of crisis severity, and also the only one available for the historical and geographic scope of our study. See Table App8 for a partial replication using the unemployment rate, an indicator that may matter more “directly.” [↑](#footnote-ref-12)
13. The correlation of restraint with *year of election* is a mere 0.13 (among the countries present in all three crises). The correlation with *age of democracy* (logged) is 0.29. Our estimations are robust to the addition of age of democracy as a control, and age may have an additional effect as it mitigates risk aversion (see Table App5 in Appendix D). [↑](#footnote-ref-13)
14. Note that closure might have a “natural” tendency to increase over time as different governing coalitions are formed, thus eliminating opportunities for novel combinations that would depress closure. At the same time, however, closure will tend to decrease whenever new parties gain parliamentary representation. Its net behavior over time is an empirical matter. Using a time series model with the election as unit of analysis, a post-crisis dummy and the running election number as predictors and fixed effects at the country-crisis level, we did not find an effect of time on closure independently of crisis events. Tellingly, then, if closure increases over time, this appears to be due to repeated crises rather than due to some “natural” trend. [↑](#footnote-ref-14)
15. Note that the economy could theoretically be endogenous if party-system parameters affect government performance, which in turn affects economic growth. However, when the data are restricted to the first election after the crisis, the effects of the economy can still be found. This supports our interpretation of the correlation because up to the first post-crisis election, party-system parameters are still determined by the last pre-crisis election. [↑](#footnote-ref-15)
16. Remember that the measure of restraint is a factor score, so its mean is zero. [↑](#footnote-ref-16)
17. The choice of the word pair structural/strategic is inspired by Duverger’s (1954) terminology to describe the behavioral effects of electoral systems (mechanical/psychological). [↑](#footnote-ref-17)
18. Implicit here is the expectation that – given that the general standard of living has increased since 1929 – reactions to crisis will be more about relative loss than about absolute deprivation. We verified this by adding crisis dummies to our multivariate models (see Appendix C). [↑](#footnote-ref-18)
19. Even a country such as Germany that would soon succumb to dictatorship developed more restraint after the crisis, even if at a low level. But other countries with similarly challenging party systems have remained democratic, suggesting that overwhelming party-system complexity is only a necessary (but not sufficient) condition for democratic failure (Casal Bértoa 2017). [↑](#footnote-ref-19)
20. Separate analysis of 1973 (Appendix C) shows limited evidence for such countervailing effects. Overall, however, the most tangible impact of this episode may have materialized only in the longer term as it helped Green parties gain representation (Müller-Rommel and Poguntke 2002). [↑](#footnote-ref-20)
21. This is also supported by separate multivariate analysis of the two regions (Table App4). The effects of party-system restraint among Western countries are strongest for the electorally-focused dimensions while among postcommunist countries they are strongest for closure. [↑](#footnote-ref-21)