Dis-Embedded Markets and Embedded Politics:

The Erosion of National Democracy in the Euro Periphery

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Abstract:
The euro crisis not only brought back a widening gap in living standards between the Eurozone’s ‘core’ and ‘periphery’ countries, but also revealed a gradual divergence in the strength of national democracy. This paper examines the amplified tension between progressively ‘dis-embedded’ markets governed by a supranational technocracy and nationally ‘embedded’ democratic politics in Europe’s periphery. Using a Polanyian lens, and building on Rodrik’s globalization ‘trilemma,’ the paper explains the systematic weakening of national democratic institutions in Greece, Ireland, Portugal, Spain and Italy after 2010. The paper argues that the Eurozone’s crisis solutions did not allow for any real economic policy choice or democratic input, were implemented through opaque and often-undemocratic throughput processes, and only resulted in deteriorating output. The paper concludes that by further dis-embedding crucial economic policy decisions from their national institutional context, the EU crisis response made euro membership in the periphery less compatible with national democratic principles.

Key Words: crisis, democracy, economic policy, EMU, euro, Polanyi, Southern Europe

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1. Introduction

Western democracies have been struggling in the past decade. If the period from the mid-
1970s to the mid-2000s was marked by Western optimism as the world concurrently
shifted from autocratic to democratic regimes and from planned to market economies
(Fukuyama 1992; Huntington 1993; Diamond 2008), the political and economic volatility
of the past ten years has once again placed the stability of the relationship between
capitalism and democracy into question (Berman 2009). The global financial crisis burst
the bubble of the policies associated with the so-called ‘Great Moderation’ and replaced
years of positive growth and low inflation with fears of rising debt, permanent austerity
and secular stagnation (Streeck 2014; Summers 2016). These ‘new hard times’ have
challenged the strength and legitimacy of the institutions of Western liberal democracies,
particularly in the Eurozone periphery, where the recovery from both global financial
crisis and euro crisis has varied from lackluster to downright depressing (Blyth 2013;
Kahler and Lake 2013; Matthijs 2014).

The economic effects of the euro crisis have been felt across the Eurozone, with the
currency bloc sliding back into recession in 2012 and 2013. But the damage has been
very uneven between North and South. While the EMU member states of the Northern
core including Germany, Austria, Belgium and the Netherlands saw their economies
recover quite rapidly since 2010 with unemployment falling steadily, the countries of the
so-called ‘Southern’ periphery – including Greece, Ireland, Portugal, Spain, and Italy –
shouldered the main brunt of the crisis, with Greece in a special category all of its own.
Decreasing levels of income, record levels of unemployment, especially for the young,
falling wages, staggering levels of sovereign debt, as well as tax hikes and cuts in welfare spending – often directly imposed by the institutions of what used to be called ‘the troika’ (European Commission, IMF, and ECB) – have become the order of the day in the euro periphery. Only Ireland managed to stage a robust recovery after 2013, while the others continued to linger in conditions of economic stagnation and deflation.

From a political point of view, the euro member states in the South that have suffered the most from the crisis have also experienced a substantial worsening in the strength of their democratic institutions. Scholars have so far focused on the weakening of democratic governments in Central and Eastern Europe since the crisis – especially the growing authoritarian tendencies of Viktor Orbán’s Fidesz in Hungary and Jarosław Kaczyński’s PiS in Poland, including the EU’s reluctance to confront their governments (Kelemen 2016). What has received less attention is the weakening of national democracy in the five peripheral euro members that have been hit hardest by the euro crisis. As we will see in the next section, various measures of democratic strength have shown a discernable decline in the euro periphery since 2006. While Greece, Spain, Portugal, Italy, and Ireland have been steadily sliding back on international democracy rankings, this has not been the case for the countries of the euro’s Northern core. There is also evidence that the Northern member states now have more faith in their national institutions than they have in the EU, while overall trust in both national democracy and the European Union have hit all time lows in the South.
The central question this paper seeks to answer is what explains the significant erosion in national democratic strength and the collapse of trust in EU institutions in the euro’s Southern periphery since 2010? And why has national democracy been bolstered in the euro’s Northern core, at the expense of trust in the Brussels-based EU institutions?

The main argument of this paper is that the EU’s crisis response largely reflected the preferences of the Northern ‘creditor’ countries at the expense of the Southern ‘debtor’ member states. The EU put the main burden of adjustment of the crisis on the periphery after a collapse of solidarity between North and South (Jones 2012). The EU’s response involved a process of far-reaching ‘dis-embedding’ of peripheral economies’ markets from their nationally ‘embedded’ social and political traditions. The creditor-debtor dynamic of Northern bailout money in return for Southern fiscal austerity and structural reform would soon become toxic. The EU crisis formula left the periphery countries’ voters with no real national democratic choice in economic policy, was rife with opaque and technocratic decision-making processes, and delivered poor economic results (Scharpf 2014; Schmidt 2015). This was not the case in the core countries, which managed to maintain a significant level of discretion in economic policy, saw the EU decision making processes as largely reflecting their preferences and interests, and their economies fared substantially better as a result.

The paper starts from the Polanyian premise that the political legitimacy of democratic capitalism needs to be earned every day by upholding its historically crafted and culturally embedded compromise between free markets and social protection (Polanyi
If economic logic at the EU level trumps political legitimacy at the national level, member states’ democratic systems become vulnerable to populism and anti-EU sentiment. The tension was captured by Dani Rodrik’s globalization ‘trilemma’ in which countries can choose two out of three options: national sovereignty, democratic politics, and economic integration (Rodrik 2011). However, as I will show, this trilemma does not hold to the same extent for all countries. I theorize that within the Eurozone, the Northern countries – especially Germany – have managed to get all three options at the same time, while the Southern countries – especially Greece – had to give up not one but two of the three options, i.e. democratic politics and national sovereignty.

The paper proceeds in seven sections. Section two will show some of the empirical evidence of the weakening of democratic institutions in the euro periphery. Section three will offer a brief review of the recent academic literature on the impact of the euro crisis on national and EU democracy, while section four will set out the theoretical framework using a Polanyian lens and adapt Rodrik’s trilemma to the peculiar situation of the Eurozone. Sections five, six, and seven respectively analyze the strength of national democracy in the euro periphery from an input, throughput, and output legitimacy point of view. Section eight concludes.

2. The Euro Crisis and Democratic Backsliding in Europe’s Periphery

A steady democratic weakening for the five Eurozone periphery countries between 2006 and 2014, most noticeable in the four countries of the Mediterranean, is documented in
figure 1 below, which plots the evolution of the overall democracy score as compiled by the Economist Intelligence Unit (EIU) in their annually published *Democracy Index*.

<figure 1 about here>

In 2008, all five countries were classified as ‘full democracies’ (i.e. with a score higher than 8 out of 10). By 2011, three of the five countries – Greece, Portugal and Italy – were downgraded to ‘flawed democracies,’ while Spain (with 8.02) squeaked through with the lowest score of all ‘full’ democracies. Ireland’s score dropped from 9 to 8.56. By 2014, Ireland’s score had improved somewhat together with economic recovery; while both Spain and Italy’s scores ticked up slightly but remained much lower than in 2008.

Between 2006 and 2014, Greece’s ranking on the EIU’s democracy index plummeted from 22nd to 41st worldwide (behind Lithuania and Poland); Portugal’s from 19th to 33rd (behind Chile and South Africa); and Spain’s fell from 16th to 22nd (behind Uruguay and South Korea). By comparison, the Netherlands, Finland, Germany, Luxembourg and Austria kept their rankings in the world’s top-15 between 2006 and 2014, while over that same period the United Kingdom’s ranking actually improved from 23rd to 16th.

The annual EIU’s *Democracy Index*, on a 0 to 10 scale, is based on a set of survey questions spread over five categories, including (1) electoral process and pluralism, (2) civil liberties, (3) functioning of government, (4) political participation, and (5) political culture. Compared to Freedom House, its index is finer grained and puts slightly more emphasis on how ‘substantive’ democracy is (rather than procedural).
Upon closer inspection of the EIU data, we can see that the weakening of democracy in Europe’s periphery between 2006 and 2014 has been principally driven by a steep deterioration in the ‘functioning of government:’ from 7.5 to 5.36 in Greece, from 8.21 to 6.43 in Portugal, from 7.86 to 7.14 in Spain, from 8.93 to 7.5 in Ireland, while Italy stayed constant at an already low level of 6.43. The other indicator that worsened significantly for all four Mediterranean countries (not Ireland) over that time period was ‘political culture.’ By contrast, the indicator for ‘political participation’ actually improved between 2006 and 2014 for all four Mediterranean countries, while staying constant in Ireland, suggesting that better democratic ‘input’ – including the formation of new political parties, etc. – was overwhelmed by much worse democratic ‘output’ performance (Scharpf 1999).

The EIU’s Democracy Index, like all metrics of democratic performance, has its flaws, as the scores are based almost solely on expert judgment. However, the results are largely confirmed by Eurobarometer, the European Union’s twice-yearly survey that gauges public opinion in the EU on a variety of topics, including how EU citizens perceive the effectiveness and transparency of their political institutions, both at the national and European levels. Figure 2 shows the evolution between 1999 and 2015 of people’s satisfaction with democracy at home for the twelve original Eurozone members (with the exception of Luxembourg), split into Southern periphery and Northern core countries. The most striking figures are for Spain and Greece. While close to 79% of Spaniards were satisfied with democracy at home in 2007, only 26% of them still were by 2013. In
2007, 63% of Greeks were still largely satisfied with the working of their national democracy, compared to just 12% in 2012. Even Ireland’s satisfaction rate fell from 76% in 2007 to 53% in 2012. While those percentages have all recovered somewhat since 2013, they remain well below where they were before 2008, when the global financial crisis hit and would be followed by the euro’s debt crisis.

<figure 2 about here>

The evolution of satisfaction with national democracy in the Southern periphery (figure 2a) is radically different from the Northern core (figure 2b). With the singular exceptions of Germany in 2005 and France in 2006, the North’s satisfaction with democracy at home remains above 50 percent for the whole period. Indeed, with the exception of France, one observes either an increase in overall levels of satisfaction with national democracy in the core since before the crisis (Germany, for example, improved from 44% in 2005 to 69% in 2013) or a steady continuation of already high levels.

All five periphery countries, including Ireland, have levels of satisfaction with their national democracies in 2015 that remain below the levels of 2007, while all four Mediterranean countries of Greece (30%), Portugal (36%), Italy and Spain (37%) fall below the threshold of 40%. The North-South divide is summarized in figure, panel (a): while average satisfaction with democracy was around 58% in both North and South in 2006, six years later, by 2012 they had diverged to 66% in the North and 29% in the
South. While the percentages have narrowed a bit since, the gap in 2015 remains substantial at about 22 percentage points.

<figure 3 about here>

Finally, figure 3b underlines how the countries of the euro periphery have gradually lost their trust in EU institutions and EU democracy. While Southern countries like Greece, Portugal and Spain used to show much higher levels of satisfaction with EU democracy than Northern countries, that trend went into stark reverse after 2010. While two thirds or 66% of “Southerners” were satisfied with EU democracy in 2007, that number had fallen to just 35% in 2013, before recovering to 42% by 2015. Silvia Merler observed that since 2008 more people in the North told Eurobarometer they associate the EU with ‘democracy’ and ‘economic prosperity’ while the equivalent number in the South has been in free-fall (Merler 2015).

Furthermore, while most EU citizens (in both North and South) used to ‘trust’ the EU more than their own national governments, since the financial crisis this is no longer the case. Northern countries’ citizens on average now trust their own governments more than the EU, while trust in both national government and EU has generally fallen dramatically in the South, where trust in the EU is now only slightly higher than trust in their own government. Already by 2015, well before the June 2016 ‘Brexit’ referendum when the United Kingdom decided to turn its back on Brussels, the EU looked as far away from its
lofty goal – ‘an ever closer union of the peoples of Europe’ – as it had ever been. A clear North-South gap in democratic strength and perception had emerged since the euro crisis.

3. The Euro and Democracy: Brief Review of the Literature

Part of the problem in our current lack of understanding of the weakening of established democracies is because much of the existing literature linking economic development and democracy has focused on transitions from authoritarian to democratic rule in developing countries (Lipset 1959; O’Donnell and Schmitter 1986; Przeworski and Limongi 1997; Carothers 2002). The relative strength of democracy in advanced industrial states has been largely taken for granted. Both input (electoral choice) and output legitimacy (rising levels of prosperity and expanding political and social rights) were implicitly assumed in advanced democracies (Scharpf 1991, 1999; Schmidt 2012). The comparative politics field focused instead on topics such as varieties of capitalism, the politics of welfare state retrenchment, and the effects of globalization on different welfare regimes (Hall and Soskice 2001; Pierson 1994, 2001; Garrett 1995, 1998, 2000; Esping-Andersen 1990). As a result, while we have a solid body of scholarly work explaining how poor countries become democratic and capitalist, our grasp of how rich countries maintain that sweet spot where democracy and markets positively reinforce one another remains shallow.

Within the field of EU studies, much of the academic debate has focused on whether or not there was indeed a ‘democratic deficit’ in the European Union. Moravesik (2002) argued that most matters the EU dealt with were matters of relatively low electoral salience – such as central banking, technical standards, and economic diplomacy. A clear
division of labor existed between EU and national levels, where the national level was responsible for more overtly redistributive issues such as taxation, fiscal priorities and social welfare provision. Majone (1998, 2000), argued that most of what the EU was involved with was regulation to correct market failures, and that politicization of the EU level would result in more overt redistributive policies rather than Pareto optimizing ones, and hence would decrease the legitimacy of the EU. Rather than more politics, Majone believe, the EU needed better and more transparent decision making processes. In a direct response to Moravcsik and Majone, Follesdal and Hix (2006) emphasized the lack of real contestation over the EU’s political leadership, as well as over the actual policies. They argued that the fact that many EU policies were of low salience did not justify the lack of policy contestation (Follesdal and Hix 2006: 551).

Since the euro crisis, however, the division of labor between EU and national levels has become a lot more blurred to say the least. Many EU policies – especially the monetary and fiscal policies that govern the euro – are much more overtly redistributive and of much higher political salience than in the 1990s or early 2000s. Building on his earlier work, Scharpf observed the disabling of democratic accountability during the Eurozone debt crisis, as EMU “removed crucial instruments of macro-economic management from the control of democratically accountable governments” (Scharpf 2014: 108). He concluded that the EU policy response to the euro crisis lacked input legitimacy and were a gamble on output legitimacy in the medium term (Scharpf 2014: 140). Schmidt (2015) also saw the euro crisis as first and foremost a political crisis caused by a lack of choice on the input side (following mainly German preferences), excessive levels of cloudy EU
decision making on the throughput side, and negative consequences on the output side because of the harmful effects on growth and social welfare (Schmidt 2015: 90-94).

Schäfer and Streeck (2014) saw the lack of choice in economic policies as mainly driven by a structural overhang of excessive public and private debt, which left policymakers with very few palatable options, thereby turning off voters from the political process, and weakening electoral participation. For Streeck (2014), the euro crisis in a sense constituted a part of a broader “delayed crisis of democratic capitalism” with the rise of the “consolidation state,” which fundamentally reformed the relationship between capitalism and democracy. As Streeck (2015) saw it, technocratic experts rather than voters were now deciding on the “right” market-conforming policies, with only anti-establishment parties serving as the voice of “discontented citizens […] insisting on political protection from international markets” (Streeck 2015: 26). For Peter Mair (2013), democracy in the West had systematically weakened because the mainstream political parties – both of the center-left and the center-right – had let their programs on economic and social policy converge, making them all but indistinguishable. Claus Offe similarly lamented the “poverty of party politics” as well as the gap between policy and politics in the European Union (Offe 2013: 606).

Both within EU studies as well as in comparative politics, there has been an emerging research agenda dealing with the effect of the euro crisis specifically on EU and national democracy. Bellamy and Weale (2015) argue that the euro crisis underlined that the political authority of the EU rested on a questionable normative value of depoliticized
money. They believe only ‘republican intergovernmentalism’ consisting of a two-level democratic contract where member states treat each other as equal and are at the same time representative of and accountable to their own citizens. Schimmelfennig (2015) problematized EU intergovernmental decision-making characterized by divergent preferences regarding the distribution of adjustment costs across the Eurozone, with the final outcome mainly reflecting German preferences.

Even Majone (2015) had a change of heart and believed that the euro crisis revealed that EU integration did not just bring economic benefits but also serious normative costs. The crisis showed the EU no longer as pure ‘regulatory state’ but was now at risk of an all out democratic ‘default’ rather than a mere ‘deficit.’ Weiler (2012) observed that the “political messianism” of ever-closer union or the legitimizing power of the EU’s grand purpose was insufficient to make up for a lack of input and output legitimacy. Neither ‘more’ or ‘less’ Europe were obvious answers for the EU’s problems given that many voters did not actually want more integration while the EU simply did not have the institutional or constitutional resources to retreat (Weiler 2012).

Others have looked more directly at the relationship between economic crisis and the support for national democracy in European countries. Armingeon and Guthmann (2014) compared 26 EU countries in 2007-11 and reanalyzed 78 national surveys, and found that support for national democracy declined dramatically during the crisis, caused by both international organizations and markets interfering with the national democratic process, but also by a deteriorating economic situation as perceived by citizens. Cordero and
Simón (2016) studied the impact of the Eurozone debt crisis on core support for democracy as a regime. They found that perceptions of the state of the economy have an impact on both satisfaction with and support for democracy as a regime, and that citizens’ support for democracy was actually greater in countries that received a bailout. Muro and Vidal (2016) also found a significant increase in Southern Europeans’ dissatisfaction with their national political institutions, with both economic and political factors underlying it.

Finally, Crum (2013) invokes Rodrik’s trilemma as a useful tool to illustrate Europe’s gradual move towards ‘executive federalism,’ which in his opinion was justified for preventing a euro collapse while also recognizing the value of national self-government. Therefore, the EU crisis response came with a democratic price tag (Crum 2013). In the next section, I will build on many of those insights by couching my argument in more explicitly ‘Polanyian’ terms. The main contribution of this article is to show why democracy weakened in the euro periphery in contrast with the euro core countries where it actually strengthened (or at least did not deteriorate). I will argue that while Rodrik’s trilemma is a useful starting point, it has different implications for core and periphery countries respectively.

4. Euro Fetters: Dis-Embedded Markets against Embedded Politics

The starting point of any ‘Polanyian’ analysis of the relationship between capitalism and democracy is that both rising inequality and social protection are a natural consequence of the operation of markets. According to Polanyi (1944), the state-driven expansion of free markets in the 19th century was so radical in its effects on uprooting society – given
the destabilizing effects of large-scale social dislocation – that they would invite an immediate backlash by societal forces (Blyth 2002, Berman 2009). This battle between opposing forces was summed up in his idea of a ‘double movement:’

“The one was the principle economic liberalism, aiming at the establishment of a self-regulating market, relying on the support of the trading classes, and using largely laissez-faire and free trade as its methods; the other was the principle of social protection aiming at the conservation of man and nature as well as productive organization, relying on the varying support of those most immediately affected by the deleterious action of the market... and using protective legislation, restrictive associations, and other instruments of intervention as its methods.” (Polanyi 1944: 33).

For Polanyi, the political turmoil during the Great Depression was the culmination of the double movement, as the advance of free markets and laissez-faire liberalism was being called to a halt by populist movements all over Europe. The “embedded liberal” compromise, which reigned supreme from 1945 to the early 1970s, had incorporated the main lessons from the Great Depression (Ruggie 1982). It allowed countries to combine full employment with economic openness to world markets through a system of fixed exchange rates, capital controls and domestic discretion over monetary and fiscal policy. Nixon’s ending of the dollar’s convertibility into gold in the early 1970s foreshadowed the beginning of a new era of flexible exchange rates, deregulation, and rising international capital flows, or a ‘double movement in reverse’ (Blyth 2002).

However, most industrialized countries – including Switzerland, Japan, Norway, Australia, South Korea, the United States and Britain – kept most policy tools firmly on
their menus. While everybody paid lip service to market discipline and strict economic policy rules during the early 1990s, in practice most advanced economies were prudent to preserve their domestic fiscal and monetary policy levers with a potential variety of tools, including capital controls, exchange rate measures, and downright prohibitions. Not so in continental Europe, where France and Germany, along with other members of the European Community, gradually surrendered their national economic sovereignty to the Commission (on fiscal matters) and the ECB (on monetary and later financial matters) by creating a single currency (Matthijs 2014).

With the euro’s adoption, EMU members put in place a forever-fixed exchange rate to usurp their national currencies, controlled by an independent central bank with a single mandate to maintain price stability, but initially without a single financial supervisor, common debt instrument or fiscal transfer mechanisms (Matthijs and Blyth 2015). Unlike previous successful currency unions, they also lacked a hegemon willing to sustain monetary cooperation when things got tough, and did not put in place enough institutional linkages to make the loss of monetary autonomy tolerable for themselves (Cohen 1993).

By doing so, European leaders removed one policy tool, devaluation, from their arsenal of choice, and made the other, Keynesian demand stimulus, a lot harder to use by signing onto a Stability Pact with strict fiscal rules. In effect, this left austerity as the only realistic policy route to follow out of a crisis (Blyth 2013). Going forward, any adjustment strategy during hard times would hurt the weaker groups disproportionately.
more, though Northern core countries would maintain higher levels of discretion than the Southern periphery (Matthijs 2016).

In *The Globalization Paradox*, Dani Rodrik (2011) captured the tension between national democracy and global markets through his “political trilemma of the world economy” (Rodrik 2011: 201). Rodrik argued that countries could choose any two of three options: ‘hyperglobalization,’ democratic politics, and the primacy of the nation state. The Bretton Woods compromise of ‘embedded liberalism’ had constrained globalization. The ‘golden straitjacket’ that reigned during the period of the Washington Consensus in the 1980s and 1990s had restricted democratic politics. Hence, the only way to combine true democratic politics with hyperglobalization was therefore to ‘globalize democracy’ at the cost of national sovereignty (Rodrik 2011: 200).

The Eurozone is an obvious case of deep economic integration, so we can apply Rodrik’s globalization trilemma to the Eurozone, as shown in figure 4. EU members can choose between the euro, national sovereignty, and democratic politics. The UK chose to keep its national sovereignty and democratic politics by opting out of the euro. The current EMU members have to accept the not so golden straitjacket of the ECB’s ‘one size fits none’ monetary policy and the fiscal restrictions of the SGP, which severely constrains their national democratic politics. The dream of EU federalism (a “United States of Europe”) would come at the cost of national sovereignty. Only by giving up the euro would countries be able to maintain both democratic choice and the primacy of the nation state.
But not all Eurozone member states are created equal. Some are much more powerful than others and have not only managed to maintain certain levels of discretion over their domestic policies but have also disproportionately shaped the rules that govern the euro based on their own domestic preferences and in their own national interests. This is a fact that became painfully clear over the course of the crisis.

While the core countries were able to dictate the governing rules given their status as ‘creditor’ countries, they also kept significant room for maneuver in their own economies when it came to making fiscal and labor market choices. In other words, a country like Germany could actually have all three options – i.e. the euro, national sovereignty, and democracy – at the same time. The story was very different for the periphery countries, which had to give up both national sovereignty and their democratic politics in return for financial bailouts they were in no position to refuse. For a country like Greece, and others in the periphery, there would be no choice in economic policy, as fiscal austerity and structural reform were directly imposed on those countries by the institutions that made up the ‘troika’ (Commission, ECB, and IMF), with their national governments unable to design the program or define its content.

The EMU’s crisis policies and much-strengthened ‘technocratic straitjacket’ embedded mainly Northern preferences at the expense of Southern discretion in economic policy. As long as democratic legitimacy remained with Europe’s nation states, and some sort of
EU federalism continued to linger as a distant dream of Brussels-based EU officials, the euro crisis and the policies that were pursued in direct response to it, would come at a serious democratic price in the periphery countries, while not in the core.

The main insight from Polanyi is that the EU’s imposition of openly distributive policies was not mediated through domestic interest groups, labor unions, or political parties, which could have legitimated them. At the EU level, those mechanisms were notably absent. While only Italy had an actual experiment with “unmediated democracy” during Monti’s “government of professors” (Culpepper 2014), the EU crisis response largely took away the vital role national political parties – or trade unions – play as a nationally embedded and therefore legitimizing intermediary mechanism between electorate and executive (Schattschneider 1942).

The fact that both traditional center-right and center-left parties were forced by the troika to implement similar unpopular policies would lead to much higher levels of electoral instability than many of the periphery countries had seen since the 1970s (Hopkin 2015). Just like the structural adjustment programs pushing further market liberalization in Latin America in the 1980s led to a ‘dealignment’ between existing political parties and their traditional voter bases (Roberts 2013), the EU’s crisis policies would trigger mass social protests, and result in the demise of the traditional center. This would enable more radical and anti-establishment outsiders of both far left and far right to thrive (Hopkin 2015).
This weakening of national democracy in the euro periphery would be on display from three distinct perspectives. First, from an *input* point of view, while new parties were founded or old parties emerged from obscurity, which channeled much of the growing popular discontent, it did not matter which parties the people actually voted for. Any government – whether a centrist grand coalition, or a government that included some of the new ‘protest’ parties – that would be formed had no choice but to implement the full list of recommendations of the troika, which had been agreed to during the previous government. The policy substance of any new government would therefore not be one *by the people* as it would not take into account or mediate any of their preferences.

Second, from a *throughput* point of view, the decision making process and eventual implementation of budgetary austerity policies and structural reform measures would not be owned by the people in government, but by technocratic elites either directly placed in national capitals by Brussels (such as briefly in Athens and Rome in 2011-12) or by EU officials themselves at the European Central Bank, which itself had seen its popular legitimacy decrease considerably since the global financial crisis (Jones 2009). In the absence of any real transparency or democratic legitimacy, these governance processes were therefore not *of the people*, but rather sprung from the minds of EU technocrats.

Third, from an *output* point of view, rather than cure, the EU medicine of spending cuts and reform almost killed the patient. By pushing the periphery back into deep recessions, increased debt-to-GDP ratios, wage cuts, and record levels of unemployment, there would be *nothing for the people*. This dreadful output would then negatively feed back
into the input level of democracy, through the rise of protest parties and a collapse of the center, while voter apathy increased. This disrupted long-standing patterns of alternation of power between left and right, and made the euro periphery countries politically less stable and institutionally harder to govern, further diminishing their democratic strength.

5. Not ‘Of’ The People: Weakening Democratic Input and Governability

As Schäfer and Streeck (2014) put it in the preface of their edited volume, Politics in the Age of Austerity: “Democracy depends on choice. Citizens must be able to influence the course of government through elections. If a change in government cannot translate into different policies, democracy is incapacitated” (Schäfer and Streeck 2014: 1). From a democratic input point of view, the five countries of the euro periphery have on the one hand seen all kinds of protest movements, new citizens’ initiatives, as well as the rise of new political parties, but on the other hand very little of this has translated into policy outcomes. From that point of view, democratic input and governability have suffered badly since the crisis, which has manifested itself in various ways.

First, the fact that both traditional center-left (or social democratic) and center-right (or conservative) parties offered very little choice in economic policies has led to many voters abandoning those parties in favor of anti-establishment and protest parties (Mair 2013). In Greece, PASOK and ND saw their electoral fortunes fall from 43.9 and 33.5 percent of the vote during the elections of October 2009 to 4.7 and 27.8 percent respectively in the elections of January 2015.\textsuperscript{iv} The two centrist parties that had dominated Greek politics since its transition to democracy fell from a combined 77.4
percent of the vote to just 32.5 percent, or from 251 (out of 300) seats in the Greek parliament to 89. During the same period, Syriza – the hard-left anti-EU bailout party led by Alexis Tsipras – went from 4.6 to 36.3 percent or from 13 to 149 seats. In Spain, PSOE and PP experienced a similar fall from grace between the general elections of 2008 and December 2015. Their respective share of the vote fell from 43.9 percent for PSOE and 39.9 percent for PP in 2008 to 22 and 28.7 percent respectively in 2015, or from 169 and 154 seats in the Cortes to 90 and 123. Their joint vote share hence went from 83.8 percent (and 323 out of 350 seats) to barely 50.7 percent (and 213 seats). Here, two brand new parties – left-wing Podemos and centrist Ciudadanos – out of nowhere got 20.7 and 13.9 percent, or 69 and 40 seats respectively.

A similar anti-establishment trend could be observed in Ireland, Italy, and to a lesser extent in Portugal. In Ireland, traditional governing parties Fianna Fáil and Fine Gael received 41.6 and 27.3 percent in 2007 – which added up to a joint vote share of 68.9 percent and 128 out of 166 seats in the Dáil – to just 24.3 and 25.5 percent respectively in 2016, or a total of 49.8 percent and just 96 seats (out of 158). The main beneficiaries in Ireland were anti-austerity Sinn Féin together with many independent politicians. In Italy, the center-right and center-left factions in its chamber of deputies still scored 46.8 and 33.5 percent in 2008 (and a combined 80.3 percent or 590 out of 630 seats), compared to 29.1 and 29.5 percent in 2013 (or a joint share of 58.6 percent or 470 seats). In Italy, the new Movimento Cinque Stelle, founded by comedian, blogger and activist Beppe Grillo, which openly questioned Italy’s euro membership, managed to capture 25.5 percent of the vote and 109 seats in the chamber during the 2013 elections. In Portugal, the collapse
of the center was less outspoken. The center-left in Lisbon chose to form a coalition with the anti-euro hard left and the former communists, to exclude the center-right.\textsuperscript{viii}

Second, given the frustration with the state of the economy and the similarities of economic programs between center-left and center-right, many voters simply decided to stay at home, as seen in the systematic falling of voter turnout in national elections since 2008.\textsuperscript{ix} In Greece, there were five national elections held between 2008 and 2016. Turnout fell from 70.9 percent in 2009 to 56.6 percent in September 2015. In Spain, voter participation decreased from just below 74 percent of the electorate in 2008 to 69.9 percent in June 2016. In Ireland, turnout first increased from 67 percent in 2007 to 70 percent in 2011, but then fell to a low of 65.2 percent in 2016. In Italy, while still over 80 percent of voters showed up during the 2008 elections that returned Berlusconi to power, only 75.2 percent made it to the ballot box in 2013, which saw the rise of Grillo’s Five Star Movement. Finally, in Portugal, electoral turnout went from 60.5 percent in 2009 to just 55.8 percent in 2015. It is safe to assume that, in all five cases, falling turnout reflected voter disillusion with politics and democracy rather than voter satisfaction.

Third, the emergence of new parties or rejuvenation of old protest parties have led to a fragmentation of the political landscape, making it almost impossible to form stable coalition governments. In Greece, the two traditional centrist parties lost so much support over the course of the euro crisis years between 2009 and 2015, that they could no longer even form a government of national unity. Anti-austerity party Syriza came to power in January 2015 by forming a coalition with the small nationalist and right wing party
ANEL. The only thing those two parties had in common was their joint opposition to the terms of the bailout and the policies of the troika. In Spain, no party has been able to form a government since December 2015, as the water remains too deep for a German-style grand coalition, with the most likely outcome a PP-led minority cabinet, even though the party of Rajoy lost a significant amount of votes and seats since taking over in 2011.

After the failed experiment with Monti’s technocratic cabinet between November 2011 and March 2013 (Culpepper 2014), Italy has been governed by a fragile grand coalition designed to keep the Five Star Movement out of power, led by center-left politician Matteo Renzi. Since 2016, Ireland has seen a lukewarm deal between traditional rivals Fine Gael and Fianna Fáil that may keep Fine Gael in power until at least 2018 in a minority cabinet with implicit backing by its opponent. Dublin therefore also has some sort of centrist government that did not represent the significant protest vote, let alone change very much in terms of policies compared to the previous Fine Gael government.

In Portugal, an unstable leftwing coalition of centrist social democrats PS, former communists CDU and hard left BE, saw the light of day in 2015, but is at the constant mercy of the financial markets and EU technocracy.

Fourth, when the protest parties actually did make it into power – like in Greece and in Portugal – they were quickly put back into line with EMU’s technocratic straitjacket – underscoring once again that there was no real choice in economic policies. In Athens, Alexis Tsipras tried to put the troika’s terms of Greece’s third bailout to a referendum in June 2015, which he won with 61.3 percent of the vote. Syriza’s victory and open
rejection of the EU’s terms proved to be short-lived, however, as the new terms of the bailout in July 2015 proved even harsher as the previous terms. Tsipras was forced to make a U-turn, underlining that Greece had lost both its sovereignty as well as any sense of national democratic choice. All his government could do was faithfully implement further spending cuts and pension reforms or face bankruptcy.

In Portugal, the president of the republic, Aníbal Cavaco Silva, even tried to publicly derail the formation of a leftwing government in 2015. The Portuguese president stated on television that, since the country’s transition to democracy in the mid-1970s, Portugal had never had to rely on anti-European political factions. He said it was his “duty, within the scope of [his] constitutional remit, to do everything possible to avoid that the wrong signals are transmitted to the financial institutions, investors and markets, placing in question the country’s external trust and credibility which, with great effort, [Portugal had] been gaining” over the previous years (Cavaco Silva 2015). There is no better example of the logic of ‘dis-embedded’ markets trumping ‘embedded’ domestic politics than a president trying to stop the democratic formation of a new government because he perceives it as against the interests of international creditors and financial investors.


Bulgarian democracy thinker Ivan Krastev once observed that democracy “means not only that people can vote in free and fair elections, but that they can influence public policy as well. What people think matters at least as much as what governments do” (Krastev 2002: 45). But the euro crisis started a gradual erosion of democracy in the
periphery not just from an input point of view, but also from a throughput point of view. Throughput is Vivien Schmidt’s term to try to break open and demystify the black box of government, including its various processes and decision-making procedures, and to explain how public policy is actually made and decided upon (Schmidt 2012, 2015). When pressed to further cut 2013 public expenditure or face sanctions, for example, Belgian budget minister Paul Magnette summed up the tension in the Eurozone between democratically elected governments and a technocratic EU commission, by rhetorically asking – “Who is Olli Rehn?” – referring to the Finnish commissioner for economic and monetary affairs, who recommended further cuts (quoted in Schmidt 2015: 102).

There are three key illustrations of where EU policy choices during the euro crisis has caused a substantial weakening in throughput processes for national governments in the periphery. First, the opaque nature of the troika’s decision-making process in dealing with the bailouts for the ‘program countries’ Greece, Ireland and Portugal, and the conditions imposed on those countries, left practically no room for negotiation. There was no involvement of political parties or national interest groups, including labor unions, even though the latter had seen their legitimacy decline since 2008 (Culpepper and Regan 2014). The troika’s conditions for receiving financial aid were set out in painstaking detail, and all included measures and reforms that uprooted long established compromises that had been embedded in the social fabric of each respective country. In the words of Fritz Scharpf: “Regardless of the comparative quality of its economic expertise, the Commission lacks legitimate authority to impose highly intrusive policy
choices on member states – choices that are fundamentally controversial and have massively unequal distributive impacts” (Scharpf 2014: 139).

As Martín Sandbu has noted in the case of Greece, this “tyranny of technocracy” did nothing more than “infantilize the Greek body politic, which was already weak” to begin with (Sandbu 2015: 130). While regressive tax increases on consumption and cuts in public services generally tended to hurt the poorest, the reform measures in the labor market and sheltered services sectors were invariably in the same pro-market and liberalizing direction. While the bailout conditions may well have made sense from a long-term economic or financial point of view, they did not take respect the long established domestic intermediation processes on which democracies build legitimacy.

Second, the advent of the euro crisis forced the European Central Bank well beyond its traditional comfort zone of guaranteeing price stability. The ECB would become much more overtly ‘politicized’ as it would get directly involved in decisions that were highly redistributive and political in nature. As a member of the troika, the ECB ventured away from monetary policy into fiscal and domestic economic policy matters. The gradual politicization of the ECB under president Jean-Claude Trichet was clear when it was revealed that he had sent letters to the heads of government of the two largest periphery member states in the summer of 2011. The letters sent to both Italian PM Silvio Berlusconi and Spanish PM José Luis Zapatero by Trichet and their countries’ respective central bank governors, Mario Draghi and Miguel Fernández Ordoñez, showed the ECB going far beyond its narrow legal mandate.
In the letter to Berlusconi, Trichet and Draghi demanded the “full liberalization of local public services and of professional services” as well as “large scale privatizations.” They also asked Berlusconi to reform the collective wage bargaining system, make it easier to hire and fire employees, cut pensions, increase the retirement age, and if necessary, reduce the wages of public employees. In their letter to Zapatero, Trichet and Fernández Ordoñez, urged the Spanish prime minister to give businesses more power in wage bargaining by replacing industry-level with firm-level agreements, and abolish inflation-adjustment clauses. They also demanded direct action on the fiscal budget, suggesting a new spending rule, as well as a whole list of product market reforms, including increased competition in the energy and services sectors. Though the letters were confidential, everybody directly involved at the time understood it as a strict ECB condition for intervening in the Italian and Spanish sovereign bond markets (Sandbu 2015: 131).

The ECB would also use the direct threat of withholding Emergency Liquidity Assistance (ELA) from periphery member states’ banking systems if they would not accept some of its unilateral demands. In a letter to the Irish Minister of Finance, Brian Lenihan, in November 2010, Trichet laid down the conditions for further ELA, asking for a written commitment from the Irish government that it would bail out its own banks and not allow for any haircuts on private investors. Trichet told Lenihan to officially ask the euro group for a bailout, immediately start the process of fiscal consolidation, restructure the Irish financial sector by using existing cash reserves to bail out failing institutions, and fully guarantee repayment of all ELA funds made available. The threat of closing the
ELA tap was also used in the case of Greece in late June 2015, when the government of Alexis Tsipras refused to accept the troika’s conditions for a third bailout. After deciding to call a referendum on the conditions of the bailout instead, the ECB cut off the Greek banking system from emergency liquidity, triggering the introduction of capital controls.

Third, and most damaging from a democratic throughput point of view, in the depths of the euro crisis in November 2011, two embattled but democratically elected leaders – George Papandreou in Greece and Silvio Berlusconi in Italy – were forced to resign and were replaced by former EU technocrats. Lucas Papademos, a former vice-president of the ECB, took over the reins of Papandreou in Athens after the latter toyed with the idea of calling a referendum on the troika’s conditions for Greece’s second bailout. Out of fear of renewed panic in Europe’s financial markets, the EU put pressure on Papandreou to resign, and pushed the Greek political establishment into a government of national unity led by Papademos, which included ministers from the mainstream centrist parties. Papademos stayed in power until new elections were announced for May 2012. In Italy, former European Commissioner Mario Monti became the new prime minister with the support of both center-right and center-left parties, after Berlusconi had lost the trust of both German chancellor Angela Merkel and French president Nicolas Sarkozy. His government of technocrats was an experiment in “unmediated democracy” that would last just 15 months, from December 2011 until March 2013 (Culpepper 2014).

7. Nothing ‘For’ The People: Economic Malaise and Failing Output Legitimacy
If the sliding in both input and throughput legitimacy was obvious from the two previous sections, the fact that the EU crisis solutions were making output worse in the periphery rather than better, completed the negative cycle. Bad output fed back into more demands for change during the next elections, and fueled the rise of populist and anti-system parties, even though it would quickly be revealed to the voters that it would not matter much who they voted for. As there was no real alternative in economic policy, this only led to further erosion in democratic support for the ‘Southern’ countries’ political institutions. Table 1 shows how the Eurozone process of convergence in living standards was reversed by the crisis. Greece fell from 71 percent of Germany’s standard of living in 2007 to barely 50 percent by 2014, Portugal from 55 to 48 percent, Italy from 92 to 75 percent, and Spain from 78 to 67 percent. Even Ireland fell from 134 to 121 percent over that period.

<table 1 about here>

By 2015, of all five Eurozone periphery countries, only Ireland had recovered to 2007 levels of GDP, with its economy having grown just 1.5 percent over 8 years after a long and deep recession.\textsuperscript{xv} Over the same period (2007-15), Greece’s economy had shrunk by 24 percent, Italy’s by 8.5 percent, Portugal’s by 5.9 percent, and Spain’s by 2.7 percent. By 2015, all Northern core countries in the Eurozone were well past their previous record and on a steady path to further growth, with rising incomes and falling levels of unemployment. In the periphery, medium equalized net income was down significantly in Ireland, Spain, and especially Greece – where it fell from 12,599 euro in PPP terms in
2010 to 8,610 by 2014, while it remained stagnant in Italy and Portugal. The level of unemployment in all five southern countries reached all time highs between 2013 and 2014, before falling, but remaining far above their 2007 levels. Finally, government debt, the one indicator the EU crisis’ policies were supposed to bring under control, was dramatically higher in all five countries in 2015 compared to 2010, when the euro crisis started. The cure was a lot worse than the disease, contributing further to those countries’ gradual erosion of democratic strength.

8. Conclusion: The Euro’s Democratic Discontents

The advent of the European debt crisis in 2010 not only brought back a widening gap in standards of living between ‘Northern’ core and ‘Southern’ periphery, but also revealed a stark division in the strength of national democracy. This paper has investigated the amplified tension between ‘dis-embedded’ markets governed by an unelected EU technocracy on the one hand and nationally ‘embedded’ democratic politics in Europe’s periphery on the other.

Taking a Polanyian perspective, and reframing Rodrik’s globalization ‘trilemma’ to show that not all countries in the Eurozone are made equal from an economic policy point of view, the paper has examined the gradual weakening of national democratic governments in Greece, Ireland, Portugal, Spain and Italy from the lens of input, throughput, and output legitimacy. The paper showed that the Eurozone’s crisis solutions did not allow for any real economic policy choice or democratic ‘input,’ were implemented through
opaque and often undemocratic ‘throughput’ processes, and only resulted in deteriorating ‘output.’

I conclude that by further dis-embedding crucial economic policy decisions from their national institutional context, the EU crisis response made euro membership in the periphery even less compatible with national democratic choice and further deepened the EU’s existing ‘democratic deficit.’ The resulting democratic malaise calls into question the long-term viability of the euro in its current form.
Bibliography


Cavaco Silva, Aníbal (2015), “Message from the President of the Republic to the Country concerning the appointment of the Prime Minister,” Presidency of the Portuguese Republic, Palace of Belém, 22 October.


Tables and Figures

Figure 1: Democracy Index (2006-2014)

![Graph showing the Democracy Index from 2006 to 2014 for Greece, Portugal, Spain, Italy, and Ireland.](image)


Figure 2: Satisfaction with National Democracy (1999-2015)

(a) ‘South’:
% Satisfied with Democracy at Home

![Graph showing the percentage of people satisfied with democracy at home in Southern European countries from 1999 to 2015.](image)

Source: Eurobarometer & author’s calculations

(b) ‘North’:
% Satisfied with Democracy at Home

![Graph showing the percentage of people satisfied with democracy at home in Northern European countries from 1999 to 2015.](image)
Figure 3: Satisfaction with Democracy at Home and in the EU: North vs. South

(a) Satisfied with Democracy at Home (%)
(b) Satisfied with Democracy in the EU (%)

Source: Eurobarometer & author’s calculations

Figure 4: Rodrik’s Trilemma Applied to the Eurozone: Core vs. Periphery

Source: Author’s adaptation from Rodrik (2011)
Table 1: Ever Closer Union?
Diverging Living Standards (Real Per Capita GDP as a % of Germany)

<table>
<thead>
<tr>
<th></th>
<th>1994</th>
<th>2007</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>57%</td>
<td>71%</td>
<td>50%</td>
</tr>
<tr>
<td>Ireland</td>
<td>78%</td>
<td>134%</td>
<td>121%</td>
</tr>
<tr>
<td>Spain</td>
<td>67%</td>
<td>78%</td>
<td>67%</td>
</tr>
<tr>
<td>Portugal</td>
<td>52%</td>
<td>55%</td>
<td>48%</td>
</tr>
<tr>
<td>Italy</td>
<td>94%</td>
<td>92%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Source: European Union, Ameco Database (2016) and author’s calculations
ENDNOTES

i Freedom House’s *Freedom in the World* reports only have three categories: ‘free,’ ‘partly free,’ and ‘not free.’ They score countries from 1 (most free) to 7 (least free) on both political rights and civil liberties. They then have an overall annual numerical score between 0 and 100. All countries of the euro periphery maintain their rating of ‘free’ over the period between 2006 and 2014, with scores of 1 for both civil liberties and political rights, with the exception of Greece that gets a score of 2 for both civil liberties and political rights (up from 1.5 in 2006, when the political rights score was still at 1). All reports are available online at: [https://freedomhouse.org/report/freedom-world/freedom-world-2016](https://freedomhouse.org/report/freedom-world/freedom-world-2016)

ii See appendix, figures A1 and A2 for the details.

iii The data comes from the STATA version of the archived Eurobarometer Public Opinion Polls, which is available at [http://zacat.gesis.org/webview/](http://zacat.gesis.org/webview/). The percentages reported in these files exclude the “don’t know” category, since these have only recently been added in 2010. The percentages are computed out of all the respondents excluding those who answered, “don’t know,” to make them compatible over time. The annual scores are an average of spring and fall waves.

iv See appendix, table A1.

v See appendix, table A2.

vi See appendix, table A3.

vii See appendix, table A4.

viii See appendix, table A5.

ix See appendix, tables A1-A5.

x In a ruling on Outright Monetary Transations (OMTs) in January 2015, the European Court of Justice (ECJ) questioned the legality of the ECB’s membership of the troika. Pedro Cruz Villalón, one of the ECJ’s advocates-general, suggested that the ECB “must refrain from any direct involvement in the financial assistance programme that applies to the state concerned.” ([https://next.ft.com/content/7cbb632e-9bd7-11e4-b6cc-00144feabdc0](https://next.ft.com/content/7cbb632e-9bd7-11e4-b6cc-00144feabdc0))


xii Ibid. (Trichet letter to Berlusconi)

xiii Ibid. (Trichet letter to Zapatero)


xv See appendix Figure A3 for change in real GDP in the periphery countries.

xvi See appendix Figure A4 for median equalized net income in PPP terms.

xvii See appendix Figure A5 for unemployment figures in the periphery.
Figure A1: EIU Democracy Index: Functioning of Government


Figure A2: EIU Democracy Index: Political Participation

### Table A1: Greece National Elections since 2008 (Total Seats: 300)

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnout (October)</th>
<th>Turnout (May)</th>
<th>Turnout (June)</th>
<th>Turnout (January)</th>
<th>Turnout (September)</th>
</tr>
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<tbody>
<tr>
<td>2009</td>
<td>70.9%</td>
<td>65.1%</td>
<td>62.5%</td>
<td>63.6%</td>
<td>56.6%</td>
</tr>
<tr>
<td>2012</td>
<td>62.5%</td>
<td>63.6%</td>
<td>27.8%</td>
<td>28.1%</td>
<td>34.4%</td>
</tr>
<tr>
<td>2015</td>
<td>56.6%</td>
<td>56.6%</td>
<td>63.6%</td>
<td>63.6%</td>
<td>69.9%</td>
</tr>
</tbody>
</table>

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<th></th>
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<tbody>
<tr>
<td>PASOK (%)</td>
<td>43.9</td>
<td>13.2</td>
<td>12.3</td>
<td>4.7</td>
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<tr>
<td>(seats)</td>
<td>160</td>
<td>41</td>
<td>33</td>
<td>13</td>
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<tr>
<td>ND (%)</td>
<td>33.5</td>
<td>18.9</td>
<td>29.7</td>
<td>27.8</td>
</tr>
<tr>
<td>(seats)</td>
<td>91</td>
<td>108</td>
<td>129</td>
<td>76</td>
</tr>
<tr>
<td>Center (%)</td>
<td>77.4</td>
<td>32.1</td>
<td>42.0</td>
<td>32.5</td>
</tr>
<tr>
<td>(seats)</td>
<td>251</td>
<td>149</td>
<td>162</td>
<td>89</td>
</tr>
<tr>
<td>SYRIZA (%)</td>
<td>4.6</td>
<td>16.8</td>
<td>26.9</td>
<td>36.3</td>
</tr>
<tr>
<td>(seats)</td>
<td>13</td>
<td>52</td>
<td>71</td>
<td>149</td>
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### Table A2: Spain General Elections since 2008 (Total Seats: 350)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<tr>
<td>2008</td>
<td>73.9%</td>
<td>68.9%</td>
<td>73.2%</td>
<td>69.9%</td>
</tr>
<tr>
<td>2011</td>
<td>73.2%</td>
<td>67.1%</td>
<td>73.2%</td>
<td>69.9%</td>
</tr>
<tr>
<td>2015</td>
<td>73.2%</td>
<td>67.1%</td>
<td>73.2%</td>
<td>69.9%</td>
</tr>
<tr>
<td>2016</td>
<td>73.2%</td>
<td>67.1%</td>
<td>73.2%</td>
<td>69.9%</td>
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</tbody>
</table>

<table>
<thead>
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<th></th>
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<tr>
<td>PSOE (%)</td>
<td>43.9</td>
<td>28.8</td>
<td>22.7</td>
<td>85.</td>
</tr>
<tr>
<td>(seats)</td>
<td>169</td>
<td>110</td>
<td>90</td>
<td>85</td>
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<td>PP (%)</td>
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<td>44.6</td>
<td>28.7</td>
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<tr>
<td>(seats)</td>
<td>154</td>
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<td>123</td>
<td>137</td>
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<tr>
<td>Center (%)</td>
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<td>(seats)</td>
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<td>213</td>
<td>222</td>
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<tr>
<td>Podemos/UP (%)</td>
<td>-</td>
<td>-</td>
<td>20.7</td>
<td>21.1</td>
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<tr>
<td>(seats)</td>
<td>-</td>
<td>-</td>
<td>69</td>
<td>71</td>
</tr>
<tr>
<td>Ciudadanos (%)</td>
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<td>13.1</td>
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<tr>
<td>(seats)</td>
<td>-</td>
<td>-</td>
<td>40</td>
<td>32</td>
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### Table A3: Irish General Elections since 2007
(Dáil: 166 seats/158 in ’16)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2011</th>
<th>2016</th>
</tr>
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<tbody>
<tr>
<td><strong>Turnout</strong></td>
<td>67%</td>
<td>70%</td>
<td>65.2%</td>
</tr>
<tr>
<td>Fianna Fáil (%)</td>
<td>41.6</td>
<td>17.4</td>
<td>24.3</td>
</tr>
<tr>
<td>(seats)</td>
<td>77</td>
<td>20</td>
<td>44</td>
</tr>
<tr>
<td>Fine Gael (%)</td>
<td>27.3</td>
<td>36.1</td>
<td>25.5</td>
</tr>
<tr>
<td>(seats)</td>
<td>51</td>
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<td>49.8</td>
</tr>
<tr>
<td>(seats)</td>
<td>128</td>
<td>96</td>
<td>94</td>
</tr>
<tr>
<td>Labour Party (%)</td>
<td>10.1</td>
<td>19.4</td>
<td>6.6</td>
</tr>
<tr>
<td>(seats)</td>
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<td>Sinn Féin (%)</td>
<td>6.9</td>
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<td>13.8</td>
</tr>
<tr>
<td>(seats)</td>
<td>5</td>
<td>14</td>
<td>23</td>
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### Table A4: Italy General Elections since 2008
(Chamber of Deputies (C): 630 seats; Senate (S): 315 seats)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2013</th>
</tr>
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<tbody>
<tr>
<td><strong>Turnout</strong></td>
<td>80.5%</td>
<td>75.2%</td>
</tr>
<tr>
<td>Democratic Party (Center-Left) (%)</td>
<td>33.5</td>
<td>29.5</td>
</tr>
<tr>
<td>(seats)</td>
<td>(C: 246, S: 134)</td>
<td>(C: 345, S: 123)</td>
</tr>
<tr>
<td>People of Freedom (Center-Right) (%)</td>
<td>46.8</td>
<td>29.1</td>
</tr>
<tr>
<td>(seats)</td>
<td>(C: 344, S: 174)</td>
<td>(C: 125, S: 117)</td>
</tr>
<tr>
<td>Center (%)</td>
<td>80.3</td>
<td>58.6</td>
</tr>
<tr>
<td>(seats)</td>
<td>(C: 590, S: 308)</td>
<td>(C: 470, S: 240)</td>
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<tr>
<td>Five Star Movement (%)</td>
<td>-</td>
<td>25.5</td>
</tr>
<tr>
<td>(seats)</td>
<td>-</td>
<td>(C: 109, S: 54)</td>
</tr>
</tbody>
</table>

Source: [http://www.electionresources.org/it/](http://www.electionresources.org/it/)
Table A5: Portugal General Elections since 2008 (Total Seats: 230)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2011</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Turnout</strong></td>
<td>60.5%</td>
<td>58.9%</td>
<td>55.8%</td>
</tr>
<tr>
<td>PS center-left (%)</td>
<td>36.6</td>
<td>28.0</td>
<td>32.3</td>
</tr>
<tr>
<td>(seats)</td>
<td>96</td>
<td>74</td>
<td>86</td>
</tr>
<tr>
<td>PPD/PSD center-right (%)</td>
<td>29.1</td>
<td>38.7</td>
<td>38.6</td>
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<tr>
<td>(seats)</td>
<td>78</td>
<td>108</td>
<td>107</td>
</tr>
<tr>
<td>CDS-PP center-right (%)</td>
<td>10.5</td>
<td>11.7</td>
<td>-</td>
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<tr>
<td>(seats)</td>
<td>21</td>
<td>24</td>
<td>-</td>
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<tr>
<td><strong>Center (%)</strong></td>
<td><strong>76.2</strong></td>
<td><strong>78.4</strong></td>
<td><strong>70.9</strong></td>
</tr>
<tr>
<td>(seats)</td>
<td><strong>195</strong></td>
<td><strong>206</strong></td>
<td><strong>193</strong></td>
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<tr>
<td>BE (hard left) (%)</td>
<td>9.8</td>
<td>5.2</td>
<td>10.2</td>
</tr>
<tr>
<td>(seats)</td>
<td>16</td>
<td>8</td>
<td>19</td>
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<tr>
<td>CDU (communist) (%)</td>
<td>7.9</td>
<td>7.9</td>
<td>8.3</td>
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<tr>
<td>(seats)</td>
<td>15</td>
<td>16</td>
<td>17</td>
</tr>
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Figure A3: Change in Real GDP (2007 = 100)

Source: European Commission (2016), Ameco Database, and author’s calculations.

Figure A4: Median Equalized Net Income (PPP)

Source: European Commission (2016), Ameco Database, and author’s calculations.
Figure A5: Unemployment Rate

![Unemployment Rate Graph]

Source: European Commission (2016), Ameco Database, and author’s calculations.

Figure A6: Evolution of General Government Debt (2007-15)

![General Government Debt Graph]

Source: European Commission (2016), Ameco Database, and author’s calculations.