



Article

Three worlds of austerity: voter congruence over fiscal trade-offs in Germany, Spain and the UK

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Abstract

Political opposition to fiscal adjustments has varied significantly across countries. Our analysis links this variation to differences in the congruence of voter attitudes towards fiscal trade-offs across political blocs in different countries. These differences in attitudes, in turn, coincide with the implications of the distinct macroeconomic growth strategies that these countries pursue. Based on original survey data, we show that in Germany, supporters of different parties not only share similar views on the appropriate size of fiscal adjustment, but also on how to distribute these cuts across various spending items. In Spain, there is fundamental disagreement on the amount of austerity, but voters largely agree on the composition of fiscal adjustments. In the UK, there is disagreement between voters of diverging political blocs on both accounts. Variation in public attitudes, therefore, gives rise to very diverse political dynamics surrounding fiscal adjustments in different countries.

Keywords: fiscal policy, deficits, spending cuts, voters, growth models

JEL classification: H60, H5, P16

1. Introduction

In the past decades, governments have had diverging experiences when they decided to implement austerity. Germany, Finland or Belgium, for instance, have regularly implemented major austerity packages with relatively small contestation. In comparison, austerity packages have been much less frequent in the UK, Spain or Portugal and, if they occurred, such packages were met with significantly more contestation. This variation in the contestation of

austerity raises the question why some countries can implement austerity without significant political opposition, and others cannot.

The existing literature on the mass politics of fiscal policymaking struggles to explain this variation. One strand of this literature assumes that voters are fiscally prudent, disapprove of fiscal deficits and therefore do not punish governments for fiscal austerity (Peltzman, 1992; Brender and Drazen, 2008; Alesina *et al.*, 2019; Arias and Stasavage, 2019; Bansak *et al.*, 2021). Another strand claims that voters value public services, disapprove of fiscal cutbacks and punish austerity-prone governments (Blyth, 2013; Talving, 2017; Bojar *et al.*, 2021; Hübscher *et al.*, 2021; Jacques and Haffert, 2021). This leads to contradictory conclusions about the political feasibility of fiscal adjustments.

Notwithstanding these differences, both strands point to important aspects of voter evaluations. First, both options, deficit-spending and spending cuts, are costly and voters face a trade-off between accepting cuts in public spending or large(r) deficits (first trade-off). Deficits increase constraints on future generations, while cuts reduce current investment and social insurance. Second, there is a trade-off about the composition of spending cuts. The protection of public spending in one area requires that the cutbacks in others must be larger to achieve an agreed deficit reduction. The key question, therefore, is not whether voters dislike deficits or spending cuts. What matters is how voters weight the countervailing costs of each option and how congruent their individual assessments are. When supporters of different political parties have congruent preferences, it is easier to build a policy coalition that cuts across political blocs and generates the necessary majorities. Conversely, low congruence on preferences increases political contestation and reduces the political feasibility of a change in policy.

To our knowledge, there are no studies that explicitly examine the sensitivity of citizens towards fiscal deficits and how this sensitivity varies across countries in ways that are consistent with a country's fiscal policy trajectory.¹ While taxation also matters for deficits, over the past years, the public and elite discourse about austerity and public deficits primarily centered on the spending side of budgets. For instance, countries in Europe are sometimes labelled as 'frugal' or 'profligate' in discussions of European fiscal policy (Matthijs and McNamara, 2015). Both characterizations are linked to (perceived) spending patterns rather than the way these countries leverage revenues from various types of taxes.² While such classifications are meant to refer to governmental decisions and the resulting fiscal outcomes, they nonetheless imply the existence of a broader societal consensus in one fiscal policy direction or the other. As for the second, compositional, trade-off, the analysis of such trade-offs is only emerging and does not systematically explore differences in compositional attitudes across countries, which stands in contrast to the regular references to these differences in public debates.³ Our paper aims to advance our knowledge on both trade-offs.

- 1 An exception is Brender and Drazen (2008) who show that voters dislike deficits. However, they do not explicitly model the trade-off between deficits and austerity and ignore how attitudes towards this trade-off vary across political groups in different countries. Relatedly, Barnes and Hicks (2021) show that the inclination to cut public spending can vary across time, but they do not trace this variation to differences in fiscal deficits.
- 2 This is why our theoretical argument and the empirical analysis focus on the spending side of fiscal policy-making. We expand on this issue in greater detail in Section 3.1.
- 3 Häusermann *et al.* (2019), for instance, examine trade-offs within welfare state spending in Switzerland, but not trade-offs within the public budget at a whole. Barnes *et al.* (2021) provide a

Our contribution links variation in fiscal outcomes to differences in voter congruence over public spending and deficits across countries. This congruence coincides with the implications of the recent literature on growth models (Baccaro and Pontusson, 2016; Hassel and Palier, 2021; Baccaro *et al.*, forthcoming) for fiscal policy, which plays a central role for a country's growth strategy (Hübscher and Sattler, 2022). According to this perspective, voters in different countries should assign different weights to low deficits and fiscal restraint. In export-led countries, such as Germany, political parties and their voters largely share a consensus over the importance of low deficits. In consumption-led or mixed models, such as the UK and Spain, there is less societal agreement over appropriate fiscal policy pathways, which allows for more room for party politics in this area. Voters of different parties in such countries should therefore disagree more over the question if, and how governments should adjust fiscal policy.

Our analysis, which is based on original data from surveys in three countries—Germany, Spain and the UK—confirms these conjectures and sheds light on what we call the ‘three worlds of austerity’. In Germany, we find a relatively high congruence among voters of different political blocs both on the baseline preferences for spending cuts and on deficit sensitivity. Political blocs also align on the composition of austerity, that is, the spending categories to be cut. In Spain, voter congruence is much lower and suggests a deeper cleavage: there are strong differences in baseline attitudes towards spending cuts across political blocs but supporters of different parties seem to be similarly sensitive towards deficits. We find, however, a large degree of agreement about the composition of austerity (second trade-off). In Britain, congruence is in-existent and there is also little agreement on the baseline preferences for spending cuts, the sensitivity to deficits and the composition of austerity.

Our study is the first that estimates the deficit sensitivity of voters and how this sensitivity varies across fiscal and political contexts. Our findings resonate with studies focusing on fiscal conflicts among interest groups. In line with Barta (2018), we show that fiscal adjustments occur less often in political settings where key political groups have diverging views over fiscal policy. In contrast to this interest-group literature, our voter-centric argument and analysis models more directly the electoral constraints of political parties and governments and shows how party politics unfolds differently across countries over a number of key economic policy issues in contemporary democracies.

2. Austerity politics in three European democracies

Historically, European countries have followed very diverse fiscal policy trajectories. In some countries, austerity was implemented without major political disruptions, while in others, political parties and voters were split over the same set of policies. To illustrate this division, this section provides an overview over the political discourses surrounding austerity and public deficits in Germany, Spain and the UK over the past decades. We chose these three countries because they are representative of the distinct macroeconomic strategies outlined by Baccaro and Pontusson (2016). As we will show, fiscal policy-making in these three countries resonates with the country's growth strategy (see also Hübscher and Sattler, 2022) and is accompanied by very different political dynamics. These first insights lay the ground

more comprehensive analysis, but their study focuses on the UK and does not allow for cross-country comparisons.

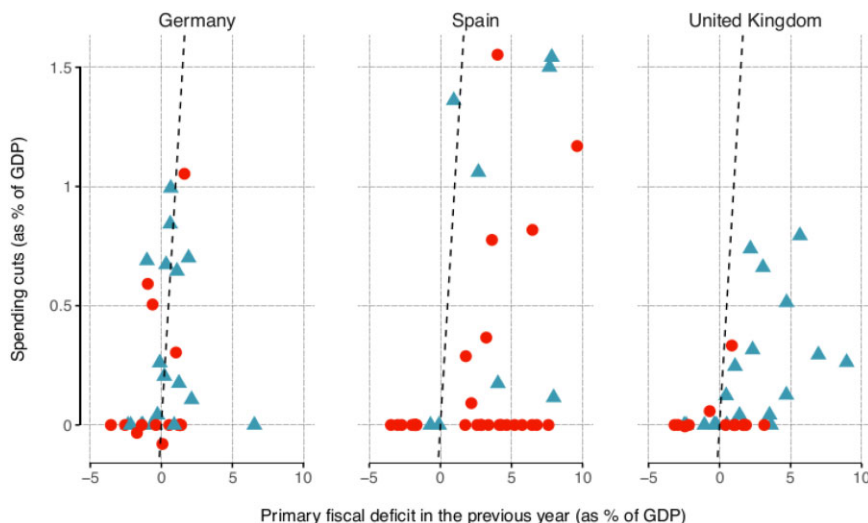


Figure 1. Three worlds of austerity—the macro history: relationship between primary fiscal deficits and spending cuts, 1979–2014. Circles represent conservative cabinets and triangles represent left-leaning cabinets.

for our individual-level analyses of voter preferences in the same countries which we present in the later sections of this paper.

Figure 1 plots the primary fiscal deficit (x -axis) against the amount of fiscal cuts (y -axis) in Germany, Spain and the UK between 1979 and 2014. The dashed line represents the size of austerity that would reduce the deficit to zero. The graph suggests the existence of ‘three worlds of austerity’ across these three countries.⁴ Below, we complement the description of the fiscal context with an analytical summary of the fiscal policy positions of the key political parties in each country.⁵

2.1 Germany

In Germany, the level of fiscal adjustment over the past 35 years closely follows the dashed line. Unlike in Spain and the UK, governmental parties (left, conservative and cross-bloc coalitions) show a similar inclination to tackle deficits with spending cuts.⁶ This means that both left- and right-leaning governments respond quickly and decisively to an increase in fiscal deficits (see also Haffert, 2019). Both parties support a strategy that aims at ensuring a balanced public budget with a primary fiscal balance close to zero.

4 Data on fiscal consolidations are from the IMF (Guajardo *et al.*, 2011) and Alesina *et al.* (2019). Data on the primary fiscal balance are from the Comparative Political Dataset (Armingeon *et al.*, 2019). Figure A2 in the Online Appendix shows the distribution of fiscal consolidation events in Germany, Spain, and the UK over time.

5 For a comprehensive list of party positions on fiscal policy-making included in manifestos see Table A1 in the Online Appendix.

6 The only exception is the conservative government in 1995 when an unusually high deficit did not trigger an immediate fiscal adjustment.

This picture is largely confirmed by the partisan discourse on topics related to austerity. Here, a broad consensus between the main centre-left and centre-right parties (*SPD* and *CDU/CSU*) can be noticed. Both parties repeatedly emphasize the importance of a balanced public household and debt moderation in order to stay on the path of economic growth. These two parties governed in different constellations before the financial crisis and governed together throughout and after the financial crisis.

Even non-centrist parties—to a great extent—shared these views. The *Green Party*, who governed together with the *Social Democrats* between 1998 and 2005, and less surprisingly so the liberal *FDP* (who used to be the traditional coalition partner of the *Christian Democrats*) also repeatedly stressed that the accumulation of debt should be limited and acted upon. The *AfD*, which was initially founded to challenge intra-European fiscal transfers, also supports the low-deficit policies that prevail in Germany. *Die LINKE* was the only party who consistently voiced considerable opposition towards fiscal consolidation and criticized any attempt to downsize social policies. Furthermore, the party also ferociously attacked the dogma to achieve a balanced household ('Schwarze Null') or even a surplus and the institutionalization of debt break that aims at curtailing public deficits.

2.2 Spain

The situation looks very different in Spain. Historically, deficits were much higher than in Germany. Spanish governments implemented fiscal cuts, but only at a much higher deficit-level than German governments. As shown in the middle panel of [Figure 1](#), the majority of the *PSOE* governments refrained from cuts despite a very high level of the primary deficit in most years. Most of the cuts implemented by *PSOE* happened in the 1990s after the EMS crisis and during the run-up to the Euro and then again after the recent Euro-crisis (as [Figure A2 in the Online Appendix](#) shows). Both were periods when international pressure to reduce deficits was particularly high. Conservative governments also implemented cuts at relatively low levels of deficit or during the short period when Spain recorded a budgetary surplus.

The fiscal policy positions of the two parties largely match this pattern. Although *PSOE* was committed to reducing the budgetary deficit and, at a later stage, living up to the 'Stability and Growth Pact', the party repeatedly insisted that the core measures to reduce the public deficit should not be achieved through spending cuts, but through a more efficient use of public money, a reform of the tax system, and a broadening of the tax base. These key macro-economic principles are repeatedly emphasized in *PSOE's* electoral manifestos (between 1982 and 2015).

In contrast, the macroeconomic programme of the conservative *Partido Popular* between the early 1980s until 2015 is anchored in a belief system that emphasizes the importance of budgetary discipline, spending cuts, and the merits of deregulation and privatization. In addition, the party regularly called for a reduction of tax rates in order to spur economic growth and consumption. The two parties' electoral platforms, therefore, show that both were determined to join the Euro and live up to the 'Stability and Growth Pact' in the aftermath of the Euro-crisis. There was, however, no agreement about the means and policy instruments that should lead to this goal, which shows that their programmes are likely to appeal to very different social groups.

2.3 UK

Deficits in the UK—on average—have been higher than in Germany, but lower than in Spain. With the exception of one fiscal adjustment package in 1997, all consolidation packages were passed by Tory governments. Conservative governments, thus, were quite sympathetic to spending cuts, at least at relatively elevated levels of the primary deficit. In contrast, Labour governments were quite hesitant to cut spending at comparable levels of fiscal deficit, even after switching towards a strong pro-market position in the mid-1990s (Bremer and McDaniel, 2020). This picture is supported by the right-hand side panel in Figure 1, which shows that all spending cuts fall to the right of the dashed line, which imply that they fall short on reducing deficits to zero.

This pattern matches the rhetoric and pledges made by Tories and Labour. Up to the mid-1990s, the Labour party consistently campaigned on a platform calling for significant increases in public spending and a reform of the tax code. Under Tony Blair's 'New Labour', the party changed its tone and pronounced the importance of economic stability and sustainable economic growth with the aim of lowering public debt. Although the party became economically more conservative and tried to incentivize entrepreneurship, it still held on to its commitment to investing in public services. For instance, Labour did not engage in spending cuts after the period of fiscal surpluses ended during the second half of their period in government (2002).

In contrast, the economic policy programme by the Tory rests on two key pillars: a firm control over public spending and borrowing and the drive to simplify and lower tax burdens on individuals and businesses. Despite the fact that the party repeatedly emphasized the importance of a tight control of public spending and vowed to cut wasteful public spending, it did not immediately implement spending cuts when experiencing large fiscal deficits (i.e. during the Thatcher years). This relative reluctance in implementing cuts speaks in favour of a consumption/demand-led model of economic growth. When implementing cuts, the Tories got re-elected on several accounts (i.e. in 1983 and 2015), which sets them apart from Labour and suggests that—on average—their electorate is supportive of their programme.

3. The mass politics of austerity

The literature on the mass politics of fiscal policy has difficulties to explain this cross-country variation for two reasons: First, most of these studies, especially the macro analyses, highlight average effects and do not explore partisan effects and the role of party politics in different countries.⁷ Second, the existing studies do not link voter attitudes to the fiscal context in the different countries, notably the level of the fiscal deficit.⁸ As a result, these analyses do not allow us to gauge how deficit-averse voters are and how these attitudes vary, both across and within countries, that is, across partisan camps (e.g. Barnes and Hicks, 2021).

7 For instance, macro analyses, like Talving (2017), Bojar *et al.* (2021) or Jacques and Haffert (2021), cannot tease out differences in the reaction of left and right voters to austerity.

8 For instance, experimental analyses, like Hübscher *et al.* (2021) or Bansak *et al.* (2021), describe a scenario of an economic crisis or a large fiscal deficit, which is fixed in the experimental setup. In reality, the size of deficits varies substantially across countries and voters can react very differently to the same increase in public debt.

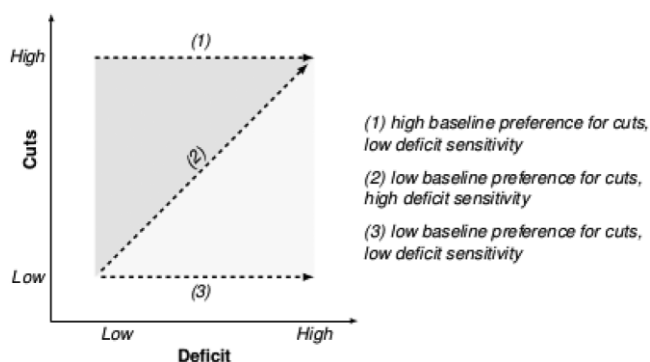


Figure 2. Types of voter response functions.

Our analysis highlights two features of voter evaluations to provide a better understanding of fiscal attitudes across political–economic contexts. First, it directly assesses how voters weigh the countervailing costs of deficit-spending versus spending cuts, and of cuts in different policy areas. Our analysis, therefore, provides a comprehensive analysis of the key trade-offs that characterize fiscal policymaking. Second, it examines how the individual assessments of these trade-offs vary across groups of voters and across countries. This shows how congruent voters are in their evaluations and how this creates a broader societal consensus that is consistent with the macro patterns described in the previous section.

3.1 Fiscal trade-offs

Voters (like governments) face two, interrelated fiscal trade-offs. First, the *deficit-austerity trade-off* captures how voters evaluate the costs of spending cuts against the costs of deficits. Cuts are costly because they reduce public investment and benefits from social insurances (Armingeon *et al.*, 2016; Jacques, 2021) and potentially hamper economic growth (Guajardo *et al.*, 2011). Deficit-spending, however, is also costly because it constrains future generations through higher debt service. As Figure 2 illustrates, voters can weigh these countervailing costs very differently. A voter who heavily weighs the costs of deficits, for instance, favours spending cuts that balance the public budget (Line (2)—this line is equivalent to the dashed line in Figure 1). A voter who perceives deficits as less problematic prefers lower cuts even when the fiscal deficit is high (Line (3)). Finally, a voter who prefers a lean state supports large spending cuts even if there is no deficit (Line (1)).

Second, voters who, in principle, support fiscal adjustments also face a *compositional trade-off*, which captures the size of cuts in different spending categories. According to standard classifications of public budgets, six different spending areas stand out: social protection, public pensions, healthcare, education, general public services, and law enforcement and defense.⁹ Voters, again, can hold very different views about the costs of cuts in different areas of the public budget. Health, pension and education policies cover life-course risks and

9 The items mentioned in the text are the largest spending items in the public budget of industrialized countries and essentially correspond with the categories analysed by the previous fiscal policy literature (e.g. Adolph *et al.*, 2020). They also correspond with the classification of the functions of government (COFOG) developed by the OECD. For more on COFOG, see [Online Appendix B.5](#).

opportunities and generally enjoy broad public support across partisan blocs (Jensen, 2012; Häusermann *et al.*, 2019). The other items are more malleable and benefit some groups of voters more than others. This is the case for social spending or public employment, subsidies and procurement, for example. Finally, defense is a relatively narrow item that is controversial for ideological reasons.

While our analysis centres on spending cuts as choice variable, deficit-reduction could also be achieved through tax increases. We decided to focus on spending cuts for substantive and practical reasons. Substantively, during the period covered in our analysis, the policy discourse has been dominated by the idea that spending cuts are preferable over tax increases (Dellepiane-Avellaneda, 2014; Helgadóttir, 2016; Ban and Patenaude, 2019). At the core of this discourse stands the claim that spending cuts are considered to be less ‘damaging’ to the economy and more conducive to economic recovery than tax increases (Alesina *et al.*, 2019). More broadly, tax rates have been falling rather than increasing over the past decades due to tax competition across countries (Emmenegger and Lierse, 2021; Lierse, 2021). Accordingly, public debates in European countries centred less on the question how much taxes should be increased to reduce the fiscal deficit. Instead, the question mostly was how much spending should be cut and where spending cuts should be applied. This is reflected in the composition of actual deficit-reducing measures in advanced economies over the past 30 years which shows that two-thirds of all austerity measures fell on spending cuts and only one-third on tax increases.¹⁰

From a practical point of view, two issues stand out: First, taxation regimes are more complex and more country-specific than spending patterns. Second, taxation would add another layer of complexity to the theoretical discussion and our survey in particular. The analysis of different types of taxes would have meant that we had to give up the compositional analysis of spending cuts in order to keep the empirical analysis feasible.

3.2 Voter congruence and the contestation of austerity

The contestation of fiscal policy depends on how congruent voters are in their individual assessments of the two fiscal trade-offs. We argue that the congruence of voters across different political blocs varies across countries in line with their respective national macroeconomic strategy. Here, we exploit the ‘growth model’ literature (Baccaro and Pontusson, 2016; Hübscher and Sattler, 2022; Hassel and Palier, 2021; Baccaro *et al.*, 2022) to derive hypotheses on the congruence of voters on the austerity-deficit and the compositional trade-offs.

Germany: classical export-led growth model

In countries with strong export profiles like Germany, fiscal prudence underpins a competitive economy and current account surpluses. Austerity limits the increase in public wages, which would constrain the export sector (Johnston, 2016; Manger and Sattler, 2020). Given the importance of the export sector and the societal consensus that supports the export-led strategy (Ferrara *et al.*, 2021), voter congruence across political blocs should be high. This is not because a majority of voters work in the export sector but because each party has strong constituencies that have an interest in a thriving export sector, which is strengthened by

¹⁰ In Section A.2 of the Online Appendix, we provide an overview of how the spending and tax components of austerity were distributed in the three countries included in our analysis.

powerful historical forces since the 1870s (Baccaro *et al.*, 2022). For instance, the SPD is automatically drawn towards CDU positions because workers are organized in trade unions that also govern wage moderation in the export sector.

We thus expect that in Germany, clusters of voters (based on the political party they support) will overlap in their average preferences for austerity because of a shared sensitivity to fiscal deficits. This creates coalition potential at the governmental level. We also expect a relatively high congruence between voters of different political blocs on the compositional trade-off. Because of the strong export-focus, blocs of voters tend to agree on preserving spending that sustains and perpetuates competitiveness—such as education—which guarantees a skilled workforce, and public health care. Conversely, voters may agree to cut spending on public services (e.g. public debt management, executive organs and legislative processes, or foreign economic aid) which do not contribute to the competitiveness of the economy. Disagreements should be found in areas like consumption expenditures such as pensions, social expenditures, and defense.

Spain: rebalancing to a weakly export-led growth model

Spain differs from other growth models in terms of its structure and the temporal variation. Contrary to Germany and the UK (see below), Spain is one of the few countries to have undergone a modification or re-orientation of its growth model. Between 2000–2008 and 2009–2016, Spain switched from a debt-led private demand boom regime to a weakly export-led model (Hein *et al.*, 2021). This makes Spain less coherent in terms of voter congruence on fiscal policy. Als, and unlike Germany and the UK, Spain is located at the periphery of the international political economy. This makes Spain liable to sudden stops of credit flows when the domestic financial system loses its credibility, as it happened after 2008 when the financial crisis and the collapse of the Spanish construction boom made banks and financial institutions from surplus countries (i.e. Germany or The Netherlands) reluctant to lend money to the South (Baccaro and Bulfone, 2022; Baccaro *et al.*, 2022). As a result, Spanish voters cannot use loans to deal with hardship in a crisis and may be more opposed to austerity as a result. Traditionally high levels of unemployment compound these difficulties (Burroni *et al.*, 2022).

The interaction of tighter labour markets and a weaker financial sector means that left-wing voters (working class, labour market outsiders) will be less sensitive to deficits and will have lower preferences for spending cuts. Because there is no possible substitution through the financial market or banking, Spanish voters should be marginally more Keynesian. By contrast, right-wing voters will have the opposite preferences if they are asset holders and/or holding secure insider jobs.

On the compositional trade-off, left-wing voters will be more reluctant to cut social spending — especially pensions — which is, along with education and public health care, their only insurance in a patchy labour market. Right-wing voters are expected to have a preference for cuts in social spending and public services. Both groups will be comparably insensitive to deficit levels and remain static in their positions because of the uncertainty in the labour market and the lack of financial instruments—which essentially frames the state budget as ‘insurer of last resort’. Voter groups are not expected to overlap and evolve in parallel worlds where no coalition is possible. Here, the battle of austerity ideas can exist between left- and right-wing parties, but is unlikely to sway voters from one bloc to the other.

UK: domestic demand- and debt-led growth model

The UK, a country with its own currency, central bank, and a fully developed financial sector at the centre of the international political economy, represents a debt and demand-led growth model. Unlike export-oriented economies, such as Germany, fiscal policy is not subsumed by the overarching policy goal of maintaining competitiveness, but geared towards the goal of stabilizing consumption. Fiscal policy thus plays a more active role because there are more ways to stabilize and incentivize consumption than to support and sustain competitiveness. Fiscal policymaking can take the form of Keynesian demand management, the stimulus of domestic consumption by regulatory means, or attractive tax breaks. Another key feature of the UK's growth model is its flexible labour market with relatively low levels of unemployment. The implication is that voters are less Keynesian than in Spain because it is easier to find new jobs, especially for qualified and skilled workers. Deindustrialization processes, however, affect the labour market prospects of the unqualified and they can spur a polarization of fiscal preferences. Contrary to Germany and Spain, we thus expect a growing polarization of austerity preferences in the UK as the fiscal deficit grows.

The choice of policy solutions are grounded in heterogeneous preferences between more affluent and poorer voters which leads to diverging policy preferences across voter blocs on both trade-offs. Depending on their situation, voters will have different fiscal preferences. Left-wing voters—mostly working classes—will be more and more reluctant to cut spending especially as the deficit grows while right-wing voters—mostly asset holders—will be more willing to cut spending to avoid a future increase in taxes as the deficit grows. This pattern is grounded in the trade-off between taxes and mortgages (Schwartz, 2012). As a result, the higher the deficits, the higher the divergence among voters on our two trade-offs in the UK. Because of these diverging preferences, the ideological conflict in the UK and the battle of ideas over the optimal policy to pursue growth increases as the deficit increases.

Regarding compositional preferences, we expect that asset holders will be more willing to cut spending on public insurance categories (pensions, social expenditures and public services) but not on education which is a specific form of an asset. By contrast, left-wing voters will be dependent on social expenditures and public services and are less willing to cut them.

To summarize, we leverage the 'growth model' literature to conceptualize 'three worlds of austerity'. In the first world of austerity, export-led regimes like Germany imply 'overlapping preferences' on fiscal trade-offs between different groups of voters. In demand-led regimes, the second world of austerity, we propose 'diverging preferences': at low levels of deficits preferences will overlap but grow more different as the size of the deficit grows. In the third world of austerity, the world of 'parallel preferences', tight labour markets and a shallow financial sector will split voters into two groups who will never form coalitions at any level of deficit. Our argument suggests that voters' preferences on these trade-offs are shaped by their vested economic interests and that a certain level of congruence between voters' preferences and the policies delivered by parties in office exist. However, the direction of causality cannot be clearly established as it could also be the case that parties' programmatic positions, organized interests, and elites shape people's individual preferences. We address this issue in our conclusion, which also offers suggestions how future research could take our study as a starting point and investigate this question in greater detail.

4. Survey design

4.1 Historical context

To examine how voters in Germany, Spain, and the UK assess fiscal adjustments, we use data from an original survey conducted in these three countries during the summer of 2019. We conducted our own survey because none of the existing surveys explicitly asks about the fiscal trade-offs that we examine. An in-depth analysis of deficit sensitivity and compositional attitudes, therefore, is not possible using historical survey data.

However, and in parallel to the macro picture presented in Section 2, we contextualize our survey using data from the International Social Survey Programme (ISSP) which has been running over a longer period of time.¹¹ From the ISSP, we use a question about voter attitudes towards public spending cuts from the module ‘The Role of Government’, which gets closest to our own analysis. So far, this module has been included five times, in 1985, 1990, 1996, 2006 and 2016, except in Spain, which was not part of the ISSP in 1985 and 1990.¹² This allows us to link our snapshot survey to the discussion of the long-term, historical macro patterns.

Figure 3(a) shows the average support for spending cuts in Germany, Spain and the UK since 1985. The scale ranges from 1 to 5 with 1 indicating that someone is ‘strongly against’ and 5 indicating that someone is ‘strongly in favour of’ spending cuts. Even though average support for cuts varies somewhat over time, with the highest level of support noted in the mid-1990s and declining levels of support since then, fiscal attitudes are remarkably stable, especially when compared with the much larger variation across countries. Average support for spending cuts is highest in Germany, lowest in the UK, and in-between these two countries in Spain. It is also notable that the ‘ordering’ of the countries also remains stable over time, that is, the country-specific lines never cross. This is consistent with the macro pattern we described in Section 2: the variation in historical preferences over spending cuts largely matches the variation in historical fiscal adjustments across countries.

Figure 3(b) disaggregates the ISSP data and shows average support for spending cuts across supporters of different political parties.¹³ In Germany, we see that with the exception of the wave in 1985—supporters of different political parties form tight clusters and their positions are very close. In Spain and the UK, we can see more distinct clusters across supporters of specific parties. In particular, we can observe that the average support for spending cuts is considerably higher for supporters of conservative parties (such as the Tories or the *Partido Popular*) than the average support among left and green voters (i.e. Labour or

- 11 The ISSP was chosen because it is the only survey that asks the same question on attitudes towards spending cuts in all three countries over a longer time period. Country-specific surveys, such as the British Social Attitudes Survey, the CIS in Spain or the ALLBUS in Germany, also include relevant questions, but their questions differ across the three countries. Furthermore, the time period covered differs widely across countries which additionally impair cross-country comparability.
- 12 The exact wording of the question is: ‘Here are some things the government might do for the economy. Please show which actions you are in favor and which you are against: Cuts in government spending.’
- 13 Unfortunately, the 2016 ISSP data do not provide information on party affiliation or vote intention for UK citizens. For smaller parties, such as *Die Linke* (in Germany), *Ciudadanos* (in Spain) or the Green Party (in the UK), the numbers of observations are relatively low, which indicates that the measure of mean support for austerity may not be very precise.

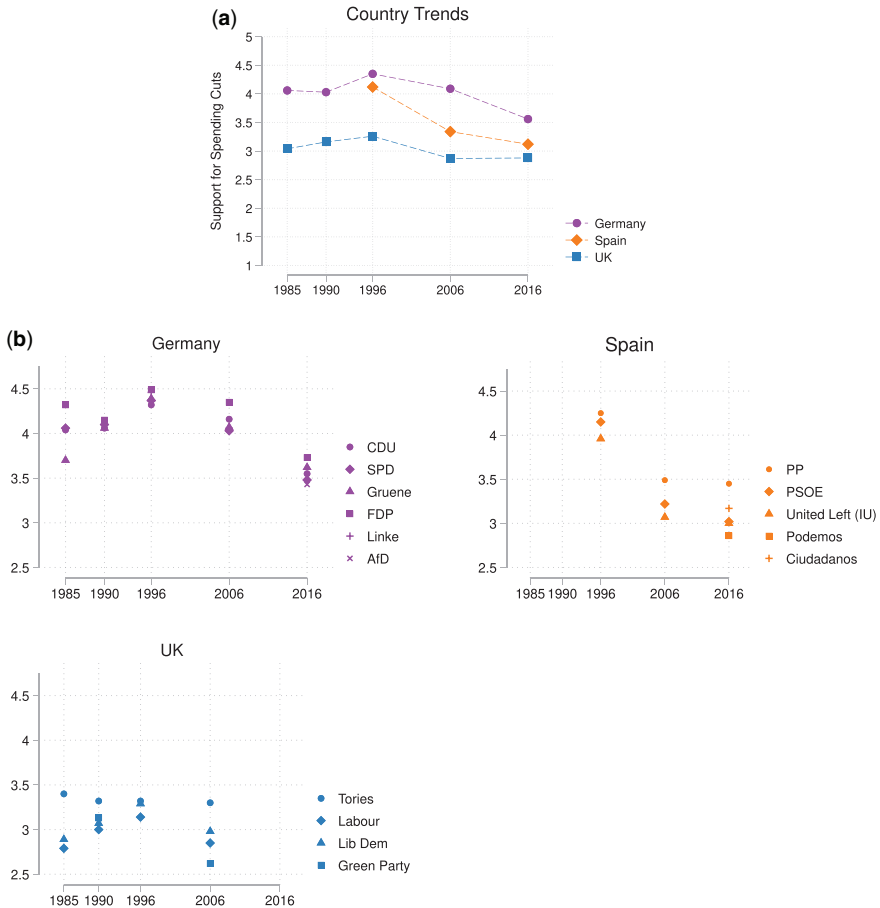


Figure 3. Aggregate support for spending cuts in Germany, Spain and the UK, 1985–2016; 1 = strongly against, 5 = strongly in favour of spending cuts. (a) Country means. (b) By party affiliation.

PSOE). These findings are consistent with our discussions in Sections 2 and 3, and, as we will see below, with the results from our own survey.

4.2 Survey setup

Our online survey was fielded in August 2019 and administered by Respondi. Our survey had two parts: a survey instrument examining how sensitive respondents are to deficit spending (the deficit-austerity trade-off) and a part that allowed respondents to indicate their consolidation preferences for six policy dimensions (the compositional trade-off). In each of the three countries, respondents were selected from standing panels using interlocked quotas based on age and gender. We collected the responses of about 1200 individuals per country.¹⁴

¹⁴ Our samples are restricted to voting-age nationals under the age of 70 years.

In the first part of the survey, respondents are exposed to different levels of deficit in the public budget (1% [3%, 5%, 7%] of GDP). To make the survey as realistic as possible, we tailored the scenarios to the specific fiscal context of each country (using official country-specific data). Relying on a simplified model of debt dynamics, we calculated how much each level of deficit would increase public debt and public debt service given GDP growth, interest rates, and initial public debt levels.¹⁵ As a result, respondents were aware of the consequences of not cutting the deficit. This models the first trade-off. The wording of the scenario was as follows:

The deficit in the public budget is 1% [3%, 5%, 7%] of GDP. This means that without any spending cuts, public debt increases by 20.3 billion Pounds [61/101.6/142.3] every year. As a consequence, the amount of the public budget that is reserved for debt service will increase by 0.42 billion Pounds [1.28/2.1/3] per year for the next 10 years.

After reading the introductory note, respondents could indicate to what extent they would cut public spending using a standard slider tool. Cuts up to 10% of the budget were possible. Each respondent answered *all four* deficit scenarios. These were presented in random order. This yields a total of roughly 4800 responses per country (4×1200). The information about the size of the cuts that respondents are willing to implement given a certain level of deficit serves as our outcome variable. A screenshot of this survey task is provided in [Figure A3 in the Online Appendix](#).

In the second part, respondents were asked to indicate their consolidation preferences for six key dimensions of the public budget assuming that the government decided to cut fiscal expenditures by 3%.¹⁶ In defining the policy dimensions, we largely followed the classification of the functions of government (COFOG) suggested by Eurostat. Specifically, we retained six dimensions, pensions, social protection, health, education, defense (includes spending on public safety) and public services.¹⁷ The baseline value of each category is determined by the five-year average (2012–2016) of country-specific data. We designed an interactive slider in which the order of appearance of the six categories in the survey was randomized; in this we follow [Bonica \(2015\)](#) who assessed budget preferences among a small population of US students. [Table 1](#) shows how the six budget lines are distributed across the overall budget. A screenshot of this survey task is provided in [Figure A5 in the Online Appendix](#).

In addition to the survey experiment (deficit-austerity trade-off) and the interactive consolidation slider, the survey also included a battery of questions related to respondents' socio-economic background, their political preferences and questions testing their level of economic literacy. More details on the survey can be found in the [Online Appendix](#).

15 The details can be found in [Online Appendix B.1](#).

16 For some categories, a floor effect exists. For instance, even though some voters would rather cut defense spending as much as possible than spending on health care, cutting beyond investment expenditures in the defense sector (i.e. maintenance and wage costs) undermines the existence of a given field of state activity.

17 While the meaning of these categories is generally intuitive, we also implemented an 'info' button for each category in our survey so that respondents could easily check what these categories referred to. For more details, see [Section B.2 in the Online Appendix](#).

Table 1 Budget categories (in % of total budget)

Category	Germany	Spain	UK
Social protection (w/o pension)	23.0	18.5	17.3
Pensions	21.0	22.1	20.8
Education	11.7	12.3	13.1
Health	16.3	14.3	18.3
Public service	22.2	25.9	21.4
Defense (incl. public safety)	5.8	6.9	9.1

Source: Own calculations based on COFOG data. Numbers show five-year average (2012–2016) of each spending category.

5. Deficit-austerity trade-off

In this section, we proceed in two steps. First, we use a simple linear model to estimate the deficit-austerity trade-off at the aggregate level for each country.¹⁸ In a second step, we depart from this aggregate view and present predicted levels of austerity based on individual preferences clustered by party affiliation. Results presented in this section are based on unweighted data. In the [Online Appendix](#), we present the results if survey weights are applied (see [Online Appendix Sections C and D](#)), they are not substantially different.

[Figure 4](#) shows the predicted median level of preferred spending cuts given different levels of deficit (our ‘treatment’ variable). In line with [Figure 2](#), the 45-degree line in [Figure 4](#) marks the border between respondents with a low (high) baseline preference towards cuts and high (low) sensitivity towards deficits. Overall, the results imply that in all three countries respondents are supportive of cuts and sensitive to deficits at low levels of public deficit. However, as the level of deficit increases, the taste for cuts increases at a lower rate and remains below the 45-degree line. For all countries, the threshold where the median respondent grows more sceptical towards cuts is around a deficit level of 2% (or projected spending cuts of slightly beyond two percentage points). These results are in line with existing research which suggests that voters oppose austerity, in particular when austerity measures surpass a certain level.

The results also show that respondents in all three countries react to fiscal deficits and support greater spending cuts when the deficit increases. German respondents—on average—seem to be more sensitive to deficits than Spanish or British respondents which is in line with our expectations. However, these differences seem small. While the slope of the predicted median response in Germany is slightly steeper than in the other two countries, the overall predicted cuts are still relatively similar across the three countries. This is particularly true at lower levels of deficit where the error bands for all countries overlap and their baseline preference for austerity (the intercept) hovers around 2%.

As discussed earlier, these country-specific aggregate results do not tell us much about how congruent or different preferences for austerity are across groups of voters, and whether politically viable and meaningful blocs in favour (or against) austerity can emerge. This is why we relax the constraints and assess the group-specific sensitivity towards

18 More details on model-building and the detailed regression tables can be found in [Online Appendix B.2](#).

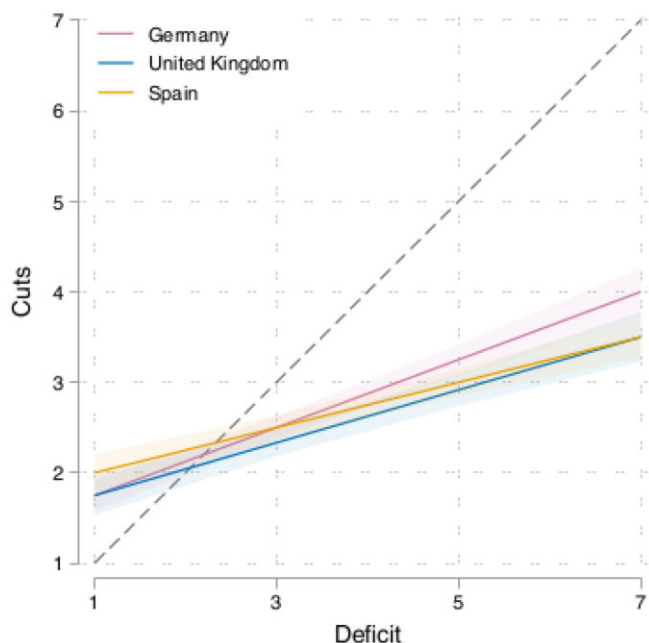


Figure 4. Predicted, median effect of deficits on preferred spending cuts in three countries. Results are based on specifications (1b), (2b) and (3b) in [Online Appendix Table A2](#).

austerity using multilevel models. This setting allows us to estimate the baseline opposition to cuts (i.e. the intercept) and the sensitivity to the deficit (the coefficient) for different sub-groups (in our case subgroups are determined by the type of party a respondent supports). Furthermore, clustering respondents by parties is in line with our substantive focus which is two-fold: (1) to examine how voters differ by their partisan preferences with respect to the deficit-austerity trade-off and (2) to assess the potential for congruence between political blocs that exist within each country.¹⁹ This will reveal why austerity is more feasible in some countries but not in others.²⁰

[Figure 5](#) shows how the deficit coefficient and the intercept vary across different parties and form different worlds of austerity in Germany, Spain and the UK.²¹ Specifically, the figure displays the baseline preference for spending cuts (intercept on the y-axis) and the deficit sensitivity (slope coefficient on the x-axis) with their standard errors. Respondents are clustered on the basis of their party affiliation. Based on our theoretical discussion, we expect to find two clusters along the x-axis representing a group of average sensitivity to deficits: a first cluster made up of deficit-averse voters who cluster towards the right-hand side of the

19 To cluster respondents based on their party preference, we use their response to the following question: 'Generally speaking, with which party do you affiliate?'. The list of parties from which respondents could choose from included all major parties active in the respective country.

20 More details on model-building can be found in [Online Appendix B.4](#).

21 The full results, including party-specific coefficients and intercepts, are shown in [Table A3](#) in the [Online Appendix](#).

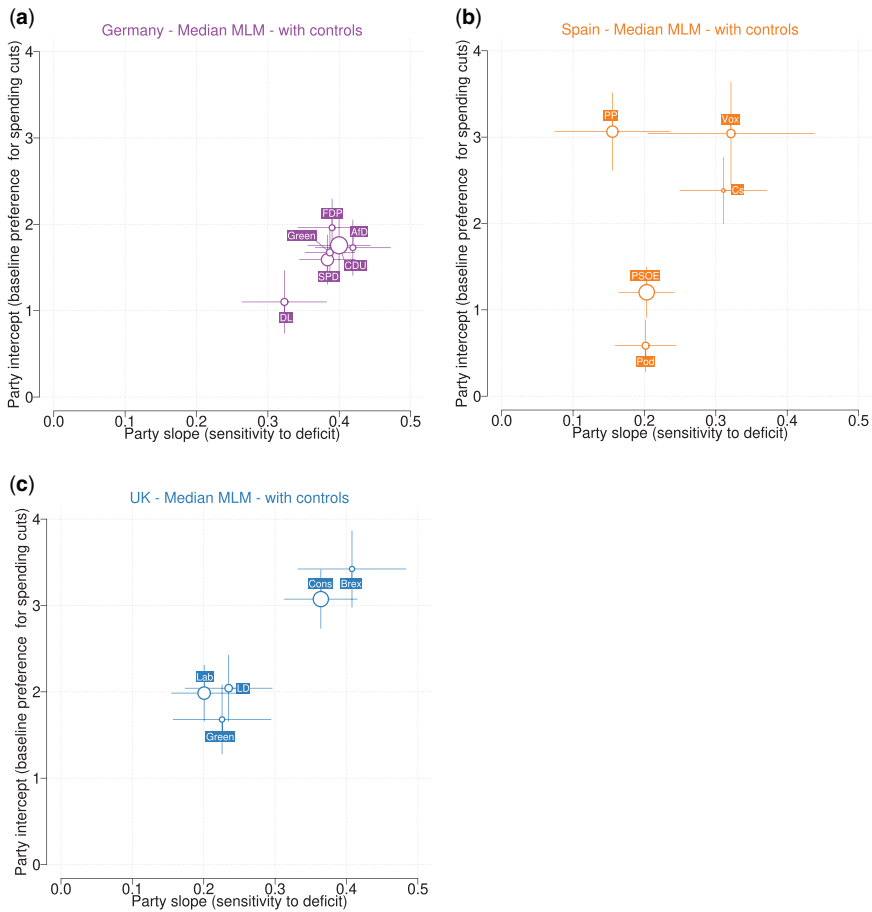


Figure 5. Three worlds of austerity—the austerity/deficit trade-off: this figure represents the baseline and contextual preferences for austerity for voters clustered by stated party affiliation. The y-axis displays the point estimates of the median preference for spending cuts and the x-axis shows the point estimates of voters’ sensitivity to deficit increase. For each of these two estimates, we add a standard deviation as a measure of uncertainty using the model with controls in [Online Appendix Table A2](#). The size of the marker is proportional to the party’s result at the last general elections. (a) Shared worlds. (b) Parallel worlds. (c) Diverging worlds.

x-axis, while voters who do not perceive higher deficits as problematic should cluster at lower values on the x-axis (low sensitivity). Similarly, voters with a lower (higher) baseline preference towards public spending should have a lower (higher) value on the y-axis.

Unlike in the previous figure where the pattern across the three countries looked very similar, we now see substantial differences in the way individual level preferences for spending cuts cluster across the three countries. By and large, the figures reveal three distinctive worlds of austerity: while German voters from both sides of the traditional ideological divide (left and right) mostly agree on austerity and thus live in a ‘shared world of austerity’,

Spanish voters disagree on their preference for spending cuts and live in two ‘parallel worlds’. British voters disagree on both their preference for spending cuts and their sensitivity to deficits and thus live in ‘diverging worlds of austerity’.

Germany’s overlapping world of austerity suggests that supporters of different political parties, by and large, form a single cluster (with *Die Linke* slightly standing apart, though standard errors overlap somewhat with the *SPD*). That is, parties’ intercepts are very close and at pretty low values with their standard errors overlapping. As a result, voters from different parties seem to have a medium baseline preference for spending cuts. Likewise, these groups cluster very closely on the x -axis, meaning that they are almost equally sensitive to increasing deficits. This is evidence of a consensus about a preferred level of austerity among supporters of key parties across the political spectrum. The implications of this agreement between voters on austerity politics are clear: coalitions can form easily because voters from different blocs live in a ‘shared world of austerity’.

This congruence on the deficit-austerity trade-off between voters of different political blocs can be linked to Germany’s growth model (Hübscher and Sattler, 2022). Germany’s macroeconomic strategy is very coherently export-oriented, meaning that compared with demand-led or mixed growth models, parties of the left and the right by and large support a fiscal strategy that promotes austerity to sustain competitiveness in the international market. By contrast, in demand-led growth regimes (as in Spain and the UK, see below), fiscal policy needs to be more flexible because the main source of growth is domestic consumption. This opens the door for divergent preferences across political blocs because each has different views on how fiscal policy should be used to stimulate internal demand.

Spain is a case of ‘parallel worlds of austerity’. We see several clusters, which implies that there is little agreement between supporters of different parties regarding their preferences for austerity. On the y -axis, the party intercepts for the supporters of *PSOE* and *Podemos* are significantly below those of supporters of the *Partido Popular* and other right-leaning parties. There is thus substantial disagreement on baseline preferences for spending cuts: Spanish respondents who affiliate themselves with leftist parties exhibit a significantly lower level of support for austerity than supporters of conservative parties. When it comes to their sensitivity towards increases in the deficit (displayed on the x -axis), the two groups almost agree (the standard deviations of *PSOE*, *Partido Popular* and *Podemos* overlap). Now, if two lines have different intercepts but similar coefficients, they will remain parallel: in Spain, voters thus live in two ‘parallel worlds of austerity’. The implication is that coalitions across partisan blocs are impossible to form at any level of deficits, making the job of governments very difficult.

In the UK, we see ‘diverging worlds of austerity’. There are two distinct clusters implying little agreement between supporters of different parties. One cluster encompasses the Greens, the Liberal Democrats and Labour and the other includes the Conservatives and the supporters of the Brexit party. However, contrary to Spain, these two clusters do not only display different values on the y -axis (baseline preference towards spending cuts), they have also diverging values on the x -axis (deficit sensitivity). In other words, British voter groups live in ‘divergent worlds of austerity’ because both, their intercepts and coefficients, differ: their preferences not only start at different baseline levels (the intercepts) but they grow more different as deficits increase (higher slopes for right-wing voters than left-wing voters). The implication is that coalitions in Britain are less and less likely to form as deficits increase (and they were not very likely to form at low levels of deficit either). This suggests that there

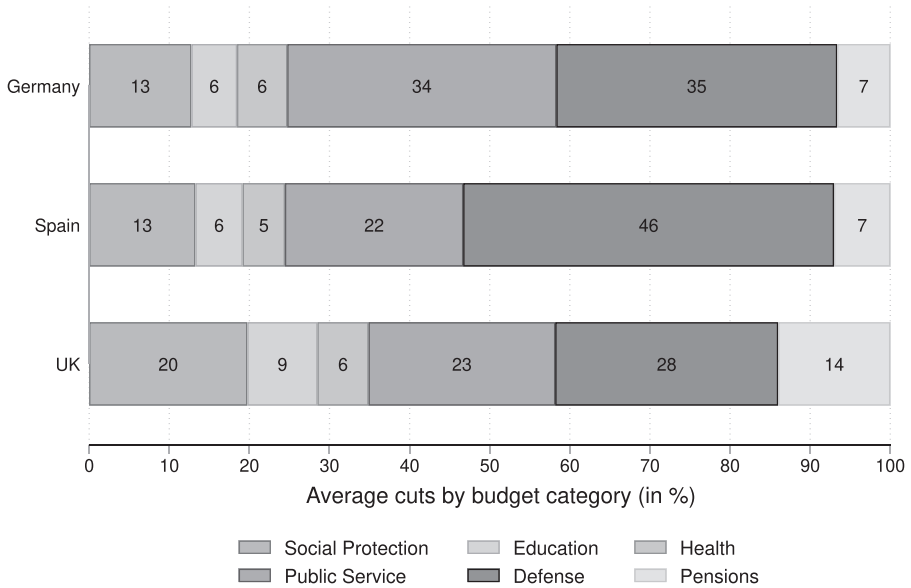


Figure 6. Composition of cuts across countries (averages).

seems to be no agreement on whether consumption and hence growth should be incentivized through deficit spending or spending cuts.

6. Compositional trade-off

Our analysis of the compositional trade-off uses data on how respondents distribute spending cuts across the six different spending categories (social protection, education, health, public services, defense (including public safety), and pensions) described in Section 4. This yields a compositional variable with the total amount of cuts always summing up to 100%.²²

Figure 6 provides general information about our compositional variable. It shows the average amount of cuts that respondents apply to each spending dimension for all three countries. Three observations stand out. First, in all countries, cuts to education and healthcare are among the smallest. This is in line with the strong public support across party lines these policies enjoy. Second, respondents in all three countries apply most of the cuts to spending on public safety and defense. Third, UK respondents are much more ready to cut spending on social protection and pension than respondents from Germany and Spain. This may be a function of the qualitatively different welfare state, specifically the fact that welfare state policies in the UK are more targeted and less encompassing than in either Spain or Germany. These observations have implications for the room to manoeuvre that parties in government have when designing austerity packages.

In what follows, we unpack these aggregate, descriptive results and assess how individual-level political and socio-economic characteristics influence the distribution of cuts

22 We give more details on the compositional analysis in the [Online Appendix \(Section B.6\)](#).

across different spending categories. To facilitate the presentation of our key results, we plot them as predictions (see Figure 7). Full regression tables are included in the Online Appendix (see Section D).

We now briefly look at the distributional conflicts in the three countries: In Germany, we again see evidence of a 'shared world' of austerity. While cuts in the public sector are the most preferred or the second most preferred option, cuts applied to education, health or public pensions are the least preferred options for all parties. When focusing specifically on the preferences of the supporters of the mainstream left and right party in the system (*SPD* and *CDU/CSU*), they appear relatively homogeneous in how they propose to apply cuts (bottom panel). Both groups apply around 30% of the cuts to the public sector. The radar graph also shows a relatively large overlap between supporters of the *CDU/CSU* and supporters of the *SPD* on cuts to health, education, and, to a lesser extent, pensions. Interestingly, the political constraints that the German left faces is fairly lax because the preferred cuts of left voters overlap with those of the right on around 75% of the budget (see Table 1). Concerning the compositional trade-off in Germany, there is substantial coalition potential and little contestation.

For Spain, the key question again is: whether there is sufficient agreement to implement cuts on a number of policy areas. According to the radar plot and focusing on the key parties in the system, the answer is a partial 'yes': supporters of *PSOE* and the *Partido Popular* are largely in agreement on items such as public services, pensions and social protection, which represent almost 90% of the budget (see Table 1). This points to an interesting situation in Spain concerning the coalition potential and the contestation of austerity: while partisan voters do not agree on the austerity trade-off, there is more agreement for the compositional trade-off. Thus, the austerity trade-off and the question of whether spending should be adjusted poses the greater challenge for Spanish politics than the question on where cuts should be applied. In fact, there is a fairly large overlap between *Podemos*, *PSOE* and *Ciudadanos* not to apply cuts to education, social protection and health (the support of cuts for all these items hovers around 5% for all relevant group of respondents).

Unlike in the other two countries, in the UK, there is a more profound disagreement across supporters of different parties on the support for cuts in social protection and public services. Interestingly, voters of all parties largely spare health care and education, which seem to represent a 'no-go zone' in British austerity politics. This is consistent with the decisions by the Cameron government, which ring-fenced these categories during its austerity policies. This means that contestation of austerity concentrates on the public sector, social protection and defense, which represent around 68% of public spending together. The possibilities to establish cross-partisan voters coalitions that agree on the distribution of spending cuts across spending items, therefore, are small.

To conclude, we highlight a finding that is common to all three 'worlds of austerity': The most contested category across ideologically opposed blocs in all countries is 'defense' (see upper part of Figure 7).²³ Whereas left-leaning voters are inclined to assign between 35% (*SPD* in Germany) and 63% (*Podemos* in Spain), more conservative or right-wing voters only assign between 10% (*VOX* in Spain) and 33% (*FDP* in Germany) of the cuts to this category. Defense is a peculiar category because international commitments, geopolitical pressures, and floor effects limit the potential to significantly consolidate budgets through

23 This is in line with the findings from Bonica's budget experiment (2015).

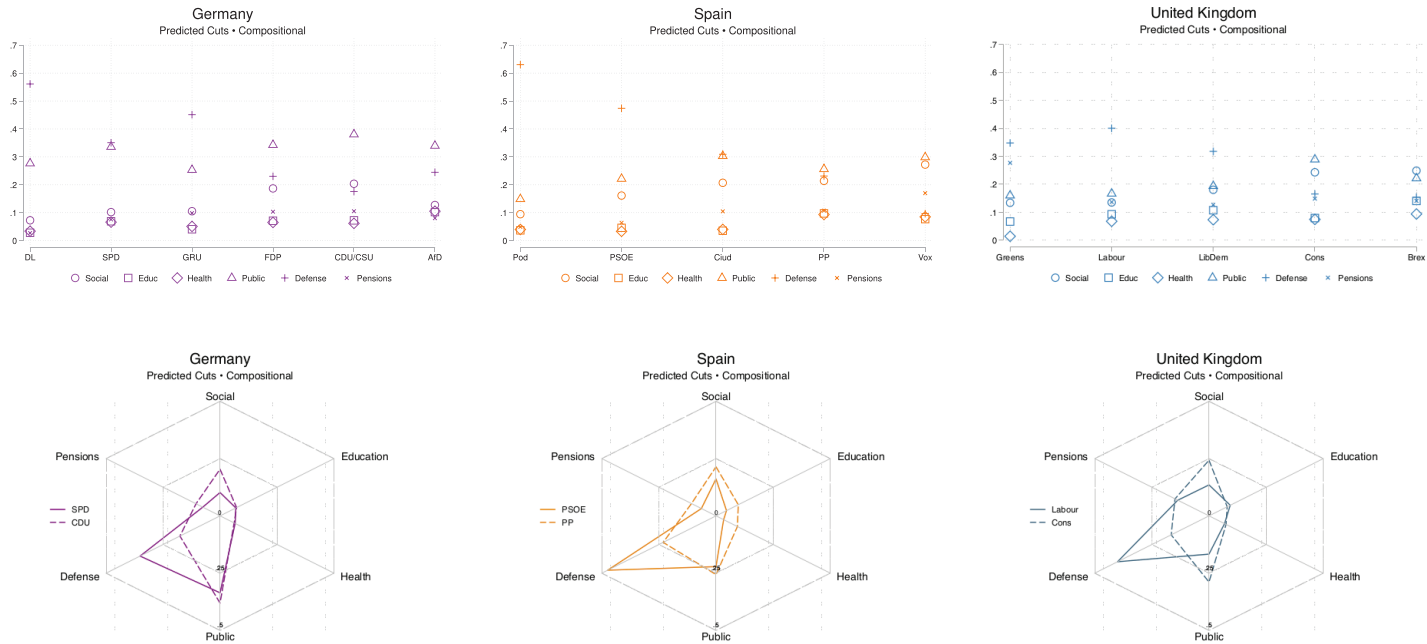


Figure 7. Three worlds of austerity—the compositional trade-off: predictions from fractional multinomial logit models with controls. (a) Shared worlds. (b) Parallel worlds. (c) Diverging worlds.

Table 2 Three worlds of austerity: a summary

	Austerity-deficit trade-off	Compositional trade-off
DE	Shared worlds	Shared worlds
ES	Parallel worlds	Shared worlds
UK	Diverging worlds	Little overlap

cuts in defense spending. [Table 1](#) shows that spending on defense and public safety is by far the smallest category. If we strictly focus on defense spending, the share of this spending category varies between 0.91% of the GDP (in Spain) and 2.1% of the GDP in the UK. However, the possibilities to cut defense spending are even more constrained in the UK than in either Germany or Spain because of its greater military role and its strategic nuclear weaponry.²⁴ Given the low share this item contributes to overall spending as well as international commitments, it would be impossible to realize an improvement of the budgetary deficit through this category only. This means that the preferences of left-leaning voters in particular are unlikely to be met. This situation presents a challenge for the left in government because these parties are forced to cut spending on policy dimensions where their voters have little appetite for cuts. This can further exacerbate the adverse implications austerity has had for the electoral success of left parties.

[Table 2](#) summarizes our findings and shows how the three countries fare concerning the congruence of voters on the two trade-offs. While German voters live in a shared world of austerity in which voters from different political blocs align in both, the austerity and the compositional, trade-offs, in Spain there is congruence only in the compositional trade-off. Contestation will mostly happen in the first step: voters will oppose government decisions to implement austerity, while contestation over the composition of an adjustment package is smaller. In Britain, there is little congruence between political blocs on the two trade-offs, meaning that opposition parties will go against government policy at each stage of austerity.

7. Conclusion

Our paper explores why political conflict over austerity varies so much across countries. We argue that these differences can be traced to variations in voter attitudes towards fiscal policy which are rooted in a country's growth model. This leads us to conceptualize and show empirically three worlds of austerity. In the export-led model (Germany), voters—despite exhibiting different party loyalties—display a high congruence in the two trade-offs and thus live in a 'shared world' of austerity. In the rebalancing model with weak export characteristics (Spain), supporters of leftist and conservative parties tend to disagree on the austerity-deficit trade-off but not on the compositional trade-off. Spaniards thus live in 'parallel worlds' of austerity. Lastly, in the demand and debt-led growth model (UK), supporters of parties with different ideological values disagree on both trade-offs, which makes for 'diverging worlds of austerity'.

24 Source of figures on defense spending, accessed at https://www.nato.int/cps/en/natohq/news_182242.htm on September, 2021.

By putting the spotlight on the politics of macroeconomic policies, our results also provide new insights about the political and societal consensus that underpins different macroeconomic strategies and variation in fiscal policies. While we identify people's preferences related to fiscal policies along different trade-offs, our analysis does not allow us to examine *what* led to the formation of these preferences. We show, however, that voter attitudes, independent of their origins, have an influence on how contested fiscal policy is. It is important, however, to acknowledge that causality can go both ways. For instance, the public discourse over economic policy can differ significantly which has an influence on public attitudes (Barnes and Hicks, 2018; Hopkin and Rosamond, 2018; Ferrara *et al.*, 2021). Clearly, the analysis of the causalities behind our results is an important issue that future research should address. The difficulties we have to establish the direction of causality points at the need for research on the long causal chain that goes from polity to politics to policies, ideally encompassing longer time horizons. Identifying and analysing crucial events along this causal chain may help us to get a better understanding about the direction of causality between these elements, or whether the direction of causality even changes at critical junctures. Such an endeavour, however, goes beyond our contribution.

Our contribution also shows that, in addition to institutions (Immergut, 1992; Bodea and Higashijima, 2017; Truchlewski, 2020), economic conditions (Talving, 2017; Bojar *et al.*, 2021), or government strategies (Hübscher and Sattler, 2017; Alexiadou, 2013), mass politics also matter for the political feasibility of fiscal adjustments. These paths of adjustments are constrained by the growth models in which they operate (Baccaro *et al.*, 2022). Our findings have important implications for the understanding of fiscal policymaking in democratic politics. As much as there is no one-size fits all theory that explains complex macro-economic and societal phenomena, there is no one-size-fits-all solution to fiscal problems, whether in economic, nor in political terms. If and how countries implement austerity depends on the type of feasible voter coalitions that will make the actions of the government sustainable or not. Technocratic advisors, like IMF staff, should consider these political constraints rather than discarding politics as nuisance parameters. Ultimately, this helps to enhance the durability of reforms and limit the deepening of political cleavages caused by these policies.

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Supplementary material

Supplementary material is available at *SOCECO Journal* online.

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