

Restrained Change: Party Systems in Times of Economic Crisis

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Prepared for EPOP 2016

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

Introduction

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

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

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

This paper draws on new comparative data from these three episodes of European history (1929, 1973 and 2008) to provide evidence for a novel theory of party-system change – a theory that explains both the impact of economic crises as well as the robustness of party systems to more serious destabilization. Our analyses suggest that party systems have an inbuilt stabilization mechanism that saves them from overheating in times of crisis. The mechanism operates simultaneously on the mass level and on the elite level. It is based on the assumption that voters and elites are risk-averse. While they react to economic crises by looking for new solutions, they mostly do so in “restrained” party systems where the

consequences of change are easily comprehensible. In party systems that are already relatively complex, however, voters and parties shy away from experimentation and rather rely on tested strategies. Economic crises therefore tend to stabilize unstable systems and to destabilize stable ones. They rarely push complex systems over a critical threshold of no return.

Our geographical focus serves the aim of testing this theory of “restrained change”. For each of the three crises, the European continent provides a set of countries with economies and party systems at roughly similar stages of their development. Moreover, European economies are closely interconnected so that the region approximates the pseudo-experimental ideal of economic crises as common shocks across political borders. At the same time, desirable cross-country variation in party-system parameters and specific crisis impact is abundant. Taken together, these conditions give us the controlled environment and analytical leverage needed to test our hypotheses. For this purpose we employ a new dataset containing the classic parameters of party systems – volatility, fragmentation, polarization and closure – for hundreds of elections in almost 50 European countries.

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

Party-system change: Concepts and measures

Departing from Sartori’s (1976: 44) classical definition of a party system as “the system of interactions resulting from inter-party competition”, and bearing in mind “how parties compete with one another at one level of the polity may well be different from how they compete at another level” (Bardi and Mair 2008: 161), we suggest that any patterns of party-system change should be identified by observing party behaviour in all three major political terrains – electoral, parliamentary and governmental (Smith 1990), and in particular with respective reference to voters, parliaments and cabinets.

Regarding voter preferences, the most obvious expression of party-system change is volatility of party support. Volatility is usually calculated using Pedersen’s (1979) classic

index, which measures “the net change within the electoral party system resulting from individual vote transfers” according to the following formula:

$$TEV = \sum |v_{i,t} - v_{i,t-1}| / 2$$

in which TEV is total electoral volatility, $v_{i,t}$ is the vote share for a party i at a given election t and $v_{i,t-1}$ is the vote share of the same party at the previous election ($t-1$). In our model, TEV scores represent primarily the electoral aspect of party-system change.

In terms of the format of the party system (i.e. the number of parties), which determines the number of possible interactions and the balance of inter-party power (Enyedi and Casal Bértoa 2011), we will employ Laakso and Taagepera’s (1979) standard “effective number of electoral parties” (ENEP). In particular, this index measures how many parties are in a party system in a given election, weighted according to size:

$$ENEP = 1 / \sum v_i^2$$

where v_i is the proportion of votes of the i^{th} party. Due to the weighted count of parties, the ENEP is usually considered an indicator of party-system fragmentation. As a concept, it thus connects the electoral and parliamentary levels.¹

Bearing in mind that “the greater the overall ideological distance between the parties, the more the system is polarized, and vice-versa” (Sartori 1976), ideological polarization is calculated by taking into consideration the percentage of votes obtained by “anti-political-establishment” parties (Karvonen and Quenter 2003: 142). The latter are understood as those fulfilling “all of the following criteria: (1) it perceives itself as a challenger to the parties that make up the political establishment; (2) it asserts that a fundamental divide exists between the political establishment and the people (implying that all establishment parties, be they in government or in opposition, are essentially the same); and (3) it challenges the status quo in terms of major policy issues and political system issues” (Abedi 2004: 12).²

¹ An alternative measure is the Effective Number of Parliamentary Parties (ENPP), which only takes into account parties that have achieved parliamentary representation. We prefer the ENEP to the ENPP because our research question focuses on the effect of economic crises on political behaviour rather than on the effectiveness of electoral systems in excluding minor parties. However, we replicated our analyses using the ENPP and found qualitatively similar results (if naturally somewhat attenuated in quantitative terms).

² An alternative measure is the variance of ideological positions, but such fine-grained information is not available for party systems before 1945. Moreover, voter support for anti-establishment parties might in fact be a more revealing measure for our aim of modeling reactions to economic crisis.

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

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

First, the degree to which governing alternations of political parties are wholesale is captured by the so-called Index of Government Alternation (IGA), which adapts Pedersen’s index of electoral volatility (see above) to the measurement of ministerial volatility (MV). Because wholesale alternation can be reflected by very high or very low MV, IGA is measured as the distance of the MV score to the midpoint of the scale (Casal Bértoa and Mair 2012).

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

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

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

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

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

Economic crises and party-system change: Hypotheses

The level of economic development has long been seen to shape the process of party-system stabilization in both new and old democracies (Remmer 1991; Mainwaring 1999; Roberts and Wibbels 1999; Madrid 2005; Tavits 2005). Economic hardship is hypothesized to lead to party-system instability as parties move away from incumbents, are held responsible for the course of the economy, and try to find new political alternatives, either in the traditional opposition or at the fringes of the political spectrum (Pacek 1994; Fidrmuc 2000; Duch 2001; Tucker 2006). In this sense, negative economic performance is expected to undermine “existing party loyalties, or, more relevant in the case of young democracies, prevent [...] these loyalties from emerging” (Tavits 2005: 286f.; also see Mainwaring and Zoco 2007). The idea then is that under conditions of profound economic crisis voters tend to shift their support more frequently in search for a leader or political party capable of putting an end to the unfavourable economic situation. As a result, and mainly due to this unpredictable swing of electoral support, parties will find it very difficult to behave in a stable and predictable manner. Moreover, citizens will favour cabinet access for new governing parties as well as the formation of innovative governing coalitions, hindering the process of systemic institutionalization. As Mainwaring put it almost two decades ago, “economic crisis makes it more difficult for a nascent party system to institutionalize, [...] although] it does not inevitably bring about the deinstitutionalization of an established party system” (1999: 241).³

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

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

H2: Economic crises decrease party-system closure.

Our model contains two variables that reinforce the direct effects of economic crises on party systems. The first one is a simple specification of the basic economic argument: The

³ Although this conclusion should be taken with caution due to methodological problems – recognized by the author and later by Birnir (2007: 100) and Spirova (2007: 159).

more severe the impact of a crisis on a certain economy, there larger should also be its impact on the respective party system. This can be expressed as a moderator effect regarding the expectations formulated in our first two hypotheses:

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

Our second moderator variable gets to the core of the theory of “restrained party-system change” sketched in the introduction. Based on our hypotheses so far, we should arguably expect more party-system change than is actually observed. Dozens of European democracies have been hit multiple times by severe economic crises, but very few of these cases have had their party systems falling apart. The mechanism that we believe is responsible for capping the extent of party-system change is based on the assumption of risk aversion. Risk-averse voters and elites will be unwilling to “experiment” with new ideologies, leaders, parties or coalitions in complex party systems, because in such environments the failure of an “experiment” could have rather existential consequences. Constitutions could be undermined by anti-system forces or during the fight against them, governments could be hamstrung by excessive parliamentary fragmentation, and parties could collapse as a result of high electoral volatility; at the very least, politicians could forfeit their careers, and voters put their living standard, personal security and political freedom on the line. To many, hedging one’s bets with tested solutions will appear more attractive then.⁴

In more “restrained” party systems, however, even complete failure of an electoral experiment would not appear as disastrous. Restrained systems have firm structures on the electoral, legislative and executive levels that function as mutual safety nets in case of sudden external pressure. Seriously destabilizing such a system would require exceptional impact, which minimizes the risk of change. Quite the opposite, highly restrained systems may appear sclerotic and in need of reform. The potential benefits of an “experiment” in overcoming economic crisis will then seem promising even to risk-averse voters and elites. In other words, many will feel that some innovation may be “worth a shot”.

We will refer to the factor that captures the structural susceptibility of a party system to change as “party-system restraint”. As a concept, it is the opposite of what Laver and Schofield (1990) called the “complexity” of a party system – their well-known argument

⁴ Risk aversion can be seen as a psychological bias (Kahneman and Tversky 1979) or as a general dislike of individuals for risky situations. For our purposes, we do not need to distinguish between the two.

being that complex “bargaining environments” will be more readily and more profoundly affected by random perturbations. The classic indicators of party-system complexity are volatility, fragmentation and polarization (e.g. Sartori 1976; King et al. 1990). Our view is similar, just that we approach the concept from the other side: The more “restrained” a party system is, the more robust it will be to random perturbations, and the less risk aversion it will spur. Our concept of restraint then effectively represents the closeness of a party system to the Downsian ideal type of centripetal competition between two invariably large parties (Downs 1957). Increasing volatility, fragmentation or polarization will take a system farther away from this ideal type. Moreover, in multiparty systems, a fourth important aspect of restraint is party-system closure, because it describes the degree to which electoral and parliamentary restraint is transferred into cabinet. Overall, then, the less restrained a party system is in these four dimensions, the less robust it is to random perturbations and the less willing voters and elites should be to experiment with new solutions during economic crises.

The mechanisms of “restrained change” are supposed to operate simultaneously on the mass level and on the elite level. Voters value political stability as such,⁵ and the campaigns preceding national elections additionally help them reconnect their predispositions to the available choices (Gelman and King 1993; Andersen et al. 2005). In this process, one of the strongest predictors of party preference found in pan-European electoral research is the legislative size of a party (Van der Eijk et al. 1996; Weber 2009). Voters value legislative size because it reflects a party’s ability to enact its policies. Importantly, this effect is stronger in fragmented multiparty systems (Franklin and Weber 2010) – systems that, in our terminology, tend to be complex. This particular concern, that policy does not only need to be proposed but also implemented, is what makes voters in complex party systems look for tested solutions during economic crisis. In highly restrained systems, in contrast, support for unconventional alternatives is unlikely to compromise government performance, while it may well help channel discontent and tide democratic legitimacy over a crisis (see Mudde and Rovira Kaltwasser 2012).

Party elites understand their voters’ concerns, and so are more likely to embrace new solutions in restrained systems, where the distribution of power may appear overly restrictive during a crisis and blame for poor economic performance is easily assigned to visible actors (Powell and Whitten 1993; Anderson 2000). In complex systems, however, additional

⁵ In the well-known materialism/postmaterialism index (Inglehart 1971), “maintaining order in the nation” is by far the most desired goal of the four-item battery (first preference for 41.7% of respondents, second preference for another 22.7%; World Values Survey, Wave 6).

destabilization would more readily overthrow the balance of power. In the spirit of Katz and Mair's (1995; 2009) "cartel party" thesis, established actors will then tend to "entrench" themselves and restrict access to the club of parties monopolizing the executive. This is further facilitated because sudden changes of public opinion due to economic crises do not only affect electoral support but also party unity: while mainstream parties see internal divisions flourishing and leadership declining, challengers are united around their anti-establishment positions (Parsons and Weber 2011; De Sio et al. 2016). The overall result is a lower likelihood of unconventional cooperation.

As indicated above, party-system restraint is expressed in the combinations of the four system parameters that also appear on the dependent side of our analysis: volatility, fragmentation, polarization and closure. Importantly, as dependent variables these parameters will measure *change after a crisis* whereas restraint as an independent variable captures *structural conditions before a crisis*. The limitation of change by structure is precisely the feedback loop through which party systems retain their general stability.⁶ Economic crises will primarily affect party systems with relatively safe restraint; they will rather not destabilize systems that are already overwhelmingly complex. Again, this expectation can be expressed as a moderator effect regarding our first two hypotheses:

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

Data and method

The dataset that we use to test our hypotheses comprises European party systems under democratic conditions. We consider a country to be democratic when (1) it displays at least a score of 6 in the Polity IV index, (2) universal (male) suffrage elections have been held at least once, and (3) governments are formed with (and rely on) parliamentary support, rather

⁶ For the general systems theory underlying our argument, see Luhmann (1995: 68f.): "We have in mind systems that operate self-referentially, thus systems that must always play a part of their own in the alteration of their own states. Otherwise we would have to do with nothing but simple alteration of the system through external influences. External influences appear to self-referential systems only as determination for self-determination and thus as information, which changes the internal context of self-determination without eliminating the structural principle that the system must come to terms on its own with everything that ensues from that self-determination."

than on the exclusive will of the head of state. Some countries like for example France or Finland comprise different periods according to the Republic in question. Other countries, like Austria or Germany, refer to two different party systems (1st and 2nd Republic or the Weimar and the Bonn Republics). Some democracies had to be excluded from the analysis as they collapsed/were established before/after economic crisis took place.⁷

The data contain information on election results, seat shares in parliament, the partisan composition of cabinets and the number of ministers belonging to each cabinet party. The end result is a new dataset with 48 countries, divided into 67 party systems, comprising 698 elections, and more than 1600 cases of government formation (Casal Bértoa 2016). Table 1 shows the selection we make from these data for our purpose of modelling the effects of the economic crises of 1929, 1973 and 2008.

[Table 1 about here]

Our specific selection includes, for each country, the three elections prior to, and after, the beginning of a crisis, under the assumption that each single election will be affected by *ad hoc* and short-lived factors. Three elections together will better reflect party-system change and the gradual impact of the economy.⁸

Our dependent variables are the four party-system parameters discussed above: volatility, fragmentation, polarization and closure. Figure 1 shows the distributions of the four measures in the elections selected for our analysis. As can be seen, the distributions are relatively similar, with more cases on the “restrained” side and fewer on the “complex” side. (Note in this context that the orientation of the measure of closure is theoretically and empirically reversed as compared to the other three measures.)

⁷ These are inter-war Poland, Portugal and Spain and post-war Greece.

⁸ In case of parliamentary dissolution, we included additional elections if they occurred during the time span of three ordinary legislative cycles. Elections held in crisis years (1929, 1973 or 2008) were coded as pre-crisis. The former two crises began rather late in their respective years, and the latter did not have major ramifications until the following year. Exceptions are Italy and San Marino, whose economies were already affected in 2008. These two elections were coded as post-crisis. Moreover, the British election of 1945 was excluded, despite technically being the third election after 1929, due to the suspension of elections during WWII.

[Figure 1 about here]

We will not use the party-system parameters in their raw form for our analysis. Rather, the quantity of interest called for by our research question is the *change* of the parameters during economic crises. In contrast, we are not concerned with the question why the general *levels* of these parameters may differ between countries. Our dependent variable therefore measures the *difference* between post-crisis and pre-crisis values of the respective parameter in each country and crisis. A positive difference means that the parameter increased during the crisis; a negative difference means that the parameter decreased.⁹

The unit of all our analyses is an election in a certain country during a certain crisis. For each of these cases, we calculated the difference between the realization of each parameter in the post-crisis election and its pre-crisis average. The effect of a crisis can then be readily estimated using OLS regression; the relevant quantity is the coefficient of the constant.¹⁰ While this estimate is straightforward, significance testing is more intricate because each crisis is represented by many countries and many of the countries are present in several crises (see Table 1). To deal with this “cross-nested” structure of the data, we estimated robust standard errors double-clustered by country and crisis (Cameron et al. 2011).

Turning to the independent variables, crisis severity was measured using post-crisis growth rates. For each post-crisis election, we calculated the average yearly growth in GDP pc PPP since the year preceding the crisis. GDP data are from *Gapminder* (2016).¹¹

Party-system restraint was estimated using a factor score of its four components: volatility, fragmentation, polarization and closure. The factor loadings are -0.62 for volatility, -0.54 for fragmentation, -0.47 for polarization and 0.56 for closure. Eigenvalues clearly support a one-factor solution with 1.21 for the first factor and 0.04 for the second (the remaining two are negative). This confirms our expectation that the four components, while each to some degree unique, are all contributing to a joint construct. The actual variable then measures the pre-crisis average of the factor score for each country in each crisis.

⁹ Conveniently, this also transforms the skewed distributions shown in Figure 1 into normal-shaped distributions.

¹⁰ We begin immediately in a regression framework because we will soon add independent variables to test our other hypotheses. The basic effect of a crisis could apparently also be estimated by comparing pre-post means.

¹¹ Additional economic indicators such as inflation or unemployment would be desirable but are not available for the comparative and historical scope of our analysis.

Findings

Table 2 shows the estimation results for our first two hypotheses, concerning the plain effects of economic crisis on party systems. As can be seen, the first three coefficients all point in the expected direction. Volatility, fragmentation and polarization increased on average during economic crises. However, the effects of volatility and fragmentation are not statistically significant, and the effect of polarization is the only one that can be called substantively sizeable. During a crisis, the predicted boost for anti-establishment parties is almost 3% of the vote, which earlier research shows to be mostly due to rising support for the far-right (Funke et al. 2015). Overall, however, the impact of economic crises on party systems appears to be quite limited. Moreover, regarding closure, the coefficient even indicates a shift toward *more* stability during crises. Closure does not decrease as expected, but instead shows a significant increase.¹² These findings are quite puzzling in that they do not confirm the popular impression of economic crises causing major perturbations in party-systems.

[Table 2 about here]

The puzzle is readily solved by adding our two independent variables to the regressions. Table 3 shows the resulting coefficients for economic growth and party-system restraint. To easy interpretation, we display the predictions graphically.

[Table 3 about here]

¹² Note that closure might have a natural tendency to increase over time as more governing coalitions are formed in various combinations, thus eliminating opportunities for novel combinations that would depress closure. At the same time, closure will tend to decrease whenever new parties gain parliamentary representation. Its net behaviour over time is an empirical matter. Using a time series model with the election as unit of analysis, a post-crisis dummy and the running election number as predictors and fixed effects at the country-crisis level, we did not find an effect of time on closure independently of crisis events. Tellingly, then, if closure increases over time, this appears to be due to repeated crises rather than due to some natural trend.

Figure 2 shows the values of the four party-system parameters as predicted by economic growth, with party-system restraint held at its mean. As can be seen, the expectations of our H3 are fully supported. The lower economic growth after the crisis, and in particular for countries with negative growth, the more pronounced is the increase of volatility, fragmentation and polarization, and we also find the expected decrease of closure for very poor growth rates.¹³ Overall, the estimated impact for more severe crises is quite sizeable. For very strong growth rates, in contrast, we find the opposite effects, i.e. decreasing volatility, fragmentation and polarization and increasing closure. The cases concerned emerged strengthened from the crisis and were apparently able to translate this success into additional consolidation of their party systems. When looking at the intersections of the graphs with the x-axis in Figure 2, it becomes clear that the average crisis effect shown in Table 2 depends on the cut-off point at which perturbation of party systems turns into consolidation. The higher the growth rate required for consolidation (1.5% for volatility, 1.1% for fragmentation, 3.0% for polarization), the more cases are perturbed and the higher is the overall impact of a crisis. For closure, we find the lowest growth rate required for consolidation (-3.7%). This shows how elites succeed in insulating the executive level from the surrounding turbulences, an effort that only fails if the economic impact of a crisis is very severe.

[Figure 2 about here]

Turning to our fourth (and final) hypothesis, Figure 3 shows the values of the four party-system parameters as predicted by party-system restraint, with economic growth held at its mean. Again, the resulting pattern fully supports our expectations. The increase of volatility, fragmentation and polarization is concentrated among elections with high prior party-system restraint. The more restrained a party system in general, the more willing voters appear to be to risk some disturbance in response to a crisis. In contrast, complex systems (those with low restraint) tend to consolidate at the same time. When economic crisis and political complexity coincide, voters apparently prefer to err on the side of caution. The cut-

¹³ Note that the economy could theoretically be endogenous if party-system parameters affect government performance, which in turn affects economic growth. However, when the data are restricted to the first election after the crisis, the effects of the economy can still be found. This supports our interpretation of the correlation because up to the first post-crisis election, party-system parameters are still determined by the last pre-crisis election.

off point here is around the mean of restraint for volatility and fragmentation,¹⁴ while polarization is a more pervasive phenomenon that is predicted for all but the least restrained systems. A mirror image of this behaviour is observed for party-system closure: In systems with at least some complexity, political elites react to crises apparently by restricting access to executive power to the set of established forces; as a consequence, closure increases. Only in highly restrained systems are elites willing to experiment with new cabinet solutions, and so closure declines. In both scenarios, risk-averse strategies of voters and elites therefore go hand in hand. While complex systems are granted a breather, restrained systems receive a wake-up call.

[Figure 3 about here]

The special role of party-system closure

Closure does not only differ from the other three party-system parameters in that it is determined on the elite level, but also in that cabinet formation takes place during the weeks *after* an election. Elites therefore have the opportunity to *react* to any electoral changes. Therefore, while volatility, fragmentation and polarization are determined directly at the ballot box, closure is indirectly affected by voter support because the electoral parameters restrict the range of possible cabinet solutions. We will call this the “structural” component of closure. But elites still have ample room for manoeuvre in cabinet formation that is independent of election outcomes – reason why we need the separate concept of closure in the first place. If elites use their room for manoeuvre to manipulate closure in reaction to electoral changes, we will call this the “strategic” component.¹⁵

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

¹⁴ Remember that the measure of restraint is a factor score, so its mean is zero.

¹⁵ The choice of the word pair structural/strategic is inspired by similar terminology introduced by Duverger (1954) to describe the behavioural effects of electoral systems (mechanical/psychological).

should react to these changes – given the structural component – by protecting established cabinet solutions, which increases closure.

The analytical challenge is that the strategic component cannot be observed in its pure form. Whenever party systems change, any strategic reaction will be mixed with structural restrictions. We address this challenge by estimating two models, the difference of which will help isolate strategic effects. The first one replicates the model of closure change from Table 3, just that we add three more predictors, namely the changes in the other party-system parameters that had just occurred in the respective post-crisis election as compared to the pre-crisis average. The second model predicts the *level* of closure in *pre*-crisis elections from the levels of the other three parameters. While both these models may reflect structural and strategic components, their emphasis is different. The first model focuses on short-term changes after the crisis and will thus be more affected by strategy than the second model, which focuses on long-term structural correlations before the crisis. For the sake of simplicity, we will label the first model “strategic” and the second “structural”.

Table 4 shows the results. In the strategic model, polarization has a significant positive coefficient, while the coefficients of volatility and fragmentation, the former negative and the latter positive, are both small and statistically insignificant. In the structural model, the coefficients of volatility and fragmentation are both negative, statistically significant and much larger than in the strategic model. Moreover, polarization now also has a significant negative coefficient, meaning that its effect is exactly reversed as compared to the strategic model.

[Table 4 about here]

The impact of electoral changes on elite strategy is now best judged by comparing the two models. The structural model indicates that, absent elite strategy, we should have expected declining closure in reaction to increasing volatility, fragmentation or polarization. However, to begin with polarization, this is turned into an *increase* of closure due to strategic behaviour. Interestingly, then, a feature such as polarization that is commonly seen as an indicator of political *instability* can increase government stability because it restricts the set of viable coalition alternatives (also see Warwick 1994: 46; Grotz and Weber 2012). Similar conclusions can also be drawn with regard to volatility and fragmentation. While these two variables show null effects in the strategic model, these need to be evaluated against the baseline expectation of strong negative effects as indicated by the structural model. While the

structural component is negative, the strategic component works in the opposite direction. In the aggregate the two effects cancel each other out.

Overall, we can conclude that elite strategy reacts directly to economic crises as well as indirectly to electoral changes that result from such crises. These reactions are qualitatively similar: As we have seen above (Figure 3), the effect of party-system restraint indicates that closure increases in environments with generally high *levels* of volatility, fragmentation and polarization; in the same way, elites react by increasing closure when these three parameters *change* in the direction of less restraint. We therefore have evidence from two independent tests that not only voter behaviour but also elite strategy affects party systems after economic crises.

Historical variation

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

While our hypotheses have so far been applied to the level of the election, they can also be formulated on the level of the crisis. Regarding the economy (H3), we should expect crises that were generally more severe to have a larger impact on party systems than less severe crises. According to our growth indicator, 2008 was the most severe crisis (average post-crisis growth of -0.50%), followed by 1929 (0.67%) and 1973 (3.14%).

Table 5 breaks down the general effects shown in Table 2 by crisis. A first look suggests that out of the three crises here analysed, the last (and current) one has indeed exerted the largest impact on the development of European party systems. All four parameters have increased in recent years, even if not significantly so in case of volatility and fragmentation. The popular impression of widespread party-system change during the Global Financial Crisis is therefore justified at least to some degree. This is followed by the impact of the Great Depression, where significantly increased polarization reflects challenges to the establishment from communists on the left and fascists on the right. While the Great Depression affected the general population with a previously unseen fierceness, however, its overall electoral impact was limited. Volatility and fragmentation even decreased, although not significantly. The Oil Crisis, finally, did not have a comparable impact on growth, which

is why its impact on party systems is equally contained. None of the four parameters shows a significant change during this time. Admittedly, however, the Oil Crisis may have provided a basis for the success of Green parties, which affected party systems on the parliamentary and executive levels only in the long term (Müller Rommel and Poguntke 2002).

[Table 5 about here]

The Global Financial Crisis does not only stand out in terms of its impact on party systems, but also with regard to the number of European countries that were democratic at the time. In particular, most of the postcommunist countries have experienced their first global recession under democratic rule in 2008 (see Table 1). We therefore also calculated the impact of the 2008 crisis separately for postcommunist party systems. The crisis was less severe than in the West (average post-crisis growth of 0.79% as compared to -1.53%), which is why we expect its impact on party systems to be less pronounced in the East. Moreover, in this context our H4 is particularly relevant. Postcommunist party systems feature high volatility, new parties regularly entering parliament or even cabinet, and generally weak institutionalization (Casal Bértoa 2013; Powell and Tucker 2014; Grotz and Weber 2016). All this is reflected in a low average value of party-system restraint in our data (-0.95). Also on this basis we expect a stronger effect of the crisis on Western party systems with their higher average level of restraint (0.23).

The results in Table 5 support our expectations. Despite the fact that most Western European party systems continue to be more stable than their Eastern counterparts, their electorates have become significantly more volatile, fragmented and polarized during the crisis. No such effects can be found in the East. In the latter group of countries, it is party-system closure that increased at the same time. Thus, while in Western Europe party systems were affected on the electoral level, in Eastern Europe change has taken place mostly at the executive level. As a result, and as our model expects for party systems with low restraint, postcommunist systems consolidated during the crisis. The logic is simple: While the economic crisis may have caused a political crisis in the West, many postcommunist countries have already been in political crisis according to these standards when the economic crisis hit them (Hernández and Kriesi 2016). Postcommunist elites countered the threat of being overwhelmed by monopolizing executive power. This feedback loop of our model explains why especially in new democracies the economic crisis has not, to put in bluntly, turned out to be the straw that breaks the camel's back.

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

Conclusions

Although “the flavor of the day” in political science in the 1980s and 1990s (Mair 1997), the importance of party-system change in the literature decreased at the turn of the century. Still, the changes in otherwise consolidated (e.g. Norway, Luxembourg, the Netherlands, the United Kingdom and Italy) and not so consolidated (e.g. Bulgaria, Czech Republic, Lithuania, etc.) European democracies after the economic shock of 2008 point to the need of bringing systemic change back in.

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

The overall finding is that while, as expected, economic crises tend to disturb party systems, stability continues to be the norm. In other words, and in spite of repeated economic and financial disasters, the “inertia towards stability” that Bartolini and Mair (1990)

diagnosed more than twenty-five years ago still prevails. Our analysis adds a micro-foundation to this observation. Since voters and elites are risk-averse, economic crises as prime occasions for party-system change tend to disturb restrained systems and to consolidate complex ones. This explains why party systems rarely fall apart, nor do they reach ultimate stability. “Restrained change” is in the nature of democratic representation. To use a slight variation of Schattschneider’s (1942) famous words, “modern democracy is unthinkable safe in terms of party systems.”

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

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Table 1 – Countries and crises in the dataset

Country	1929	1973	2008
Albania			x
Andorra			x
Austria	x	x	x
Belgium	x	x	x
Bulgaria			x
Croatia			x
Cyprus			x
Czechia	x		x
Denmark	x	x	x
Estonia	x		x
Finland		x	x
France	x	x	x
Georgia			x
Germany	x	x	x
Greece	x		x
Hungary			x
Iceland		x	x
Ireland	x	x	x
Italy		x	x
Kosovo			x
Latvia	x		x
Liechtenstein			x
Lithuania			x
Luxembourg	x	x	x
Macedonia			x
Malta		x	x
Moldova			x
Montenegro			x
Netherlands	x	x	x
Norway	x	x	x
Poland			x
Portugal			x
Romania			x
Serbia			x
Slovakia			x
Slovenia			x
San Marino		x	x
Spain			x
Sweden	x	x	x
Switzerland	x	x	x
Turkey		x	x
Ukraine			x
United Kingdom	x	x	x
Total	16	18	43

Table 2 – Effects of economic crisis on party-system parameters

Dependent variable	Δ Volatility	Δ Fragmentation	Δ Polarization	Δ Closure
Constant (crisis effect)	0.62 (0.72)	0.02 (0.07)	2.77* (1.08)	1.47+ (0.80)
N	175	179	179	168
OLS coefficients with robust standard errors in parentheses, cross-clustered by country and crisis. ** p<.01; * p<.05; + p<.1				

Table 3 – Effects of economic growth and party-system restraint

Dependent variable	Δ Volatility	Δ Fragmentation	Δ Polarization	Δ Closure
Economic growth (post)	-0.82** (0.15)	-0.07** (0.02)	-1.29** (0.33)	0.35** (0.08)
Party-system restraint (pre)	3.67** (0.84)	0.57** (0.10)	1.86 (1.34)	-4.13** (0.57)
Constant	1.25+ (0.70)	0.08 (0.14)	3.83** (0.48)	1.28* (0.53)
R-squared	0.16	0.14	0.17	0.28
N	175	179	179	168

OLS coefficients with robust standard errors in parentheses, cross-clustered by country and crisis.

** p<.01; * p<.05; + p<.1

Table 4 – Effects of volatility, fragmentation and polarization on closure

<i>Strategic model</i>	Δ Closure		<i>Structural model</i>	Closure	
	b	β		b	β
Δ Volatility	-0.07 (0.07)	-0.09	Volatility	-0.44** (0.08)	-0.47
Δ Fragmentation	0.02 (0.42)	0.00	Fragmentation	-0.62** (0.21)	-0.12
Δ Polarization	0.13** (0.02)	0.19	Polarization	-0.06+ (0.03)	-0.08
Economic growth (post)	0.46** (0.16)	0.21			
Party-system restraint (pre)	-4.09** (0.69)	-0.51			
Constant	0.86* (0.41)		Constant	99.28** (1.80)	
R-squared	0.31		R-squared	0.32	
N	168		N	225	

OLS coefficients with robust standard errors in parentheses, cross-clustered by country and crisis.

** p<.01; * p<.05; + p<.1

Table 5 – Effects of economic crisis on party-system parameters, separately by crisis

Dependent variable	Δ Volatility	Δ Fragmentation	Δ Polarization	Δ Closure
Only 1929 (N=37)	-1.00 (1.24)	-0.22 (0.23)	3.16+ (1.66)	2.94+ (1.48)
Only 1973 (N=52)	-0.21 (0.65)	0.00 (0.11)	0.46 (0.57)	-0.27 (0.46)
Only 2008 (N=90)	1.81 (1.24)	0.13 (0.16)	3.95** (1.16)	1.95** (0.72)
- Postcommunist (N=40)	0.23 (2.25)	-0.35 (0.24)	0.33 (1.73)	5.80** (1.24)
- Others (N=50)	2.96* (1.37)	0.52* (0.19)	6.85** (1.46)	-0.84 (0.60)
OLS coefficients with robust standard errors in parentheses. ** p<.01; * p<.05; + p<.1				

Figure 1 – Distributions of party-system parameters

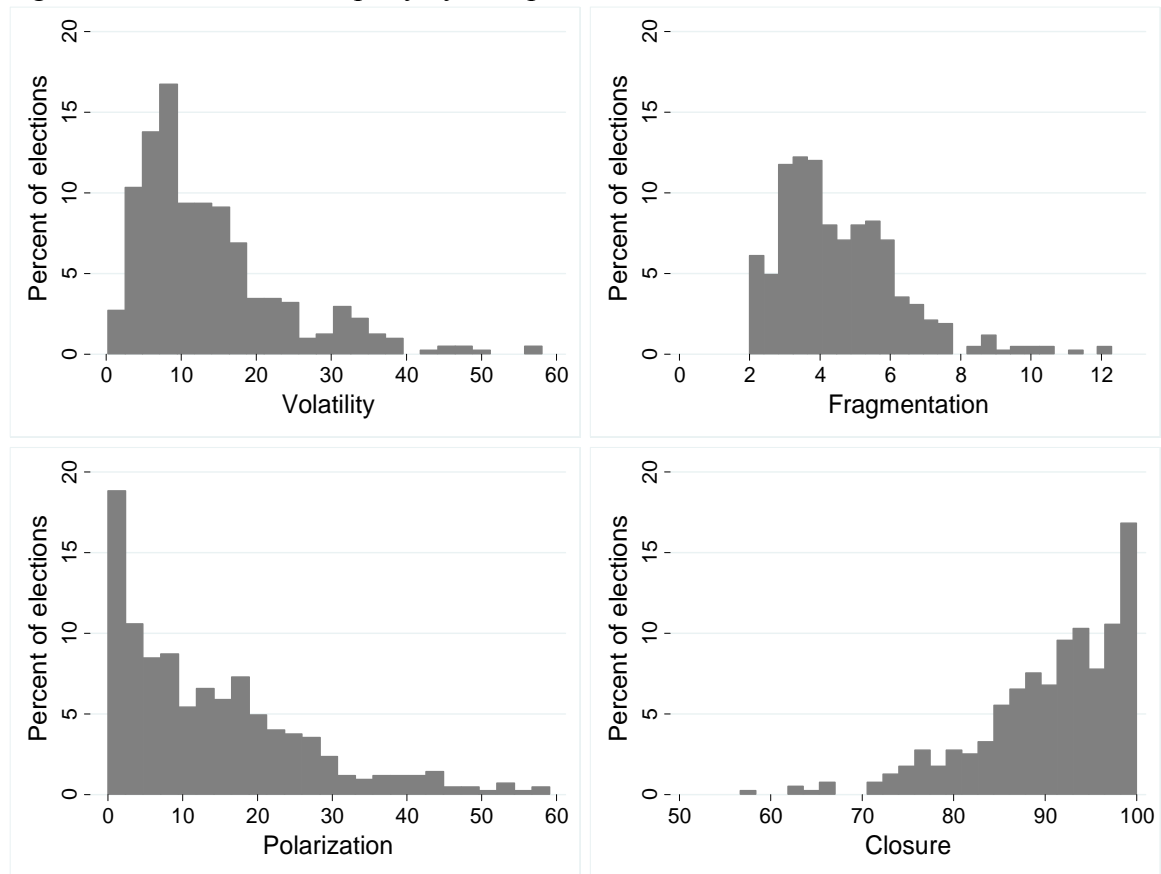


Figure 2 – Effects of economic growth (predicted values with 95% CIs)

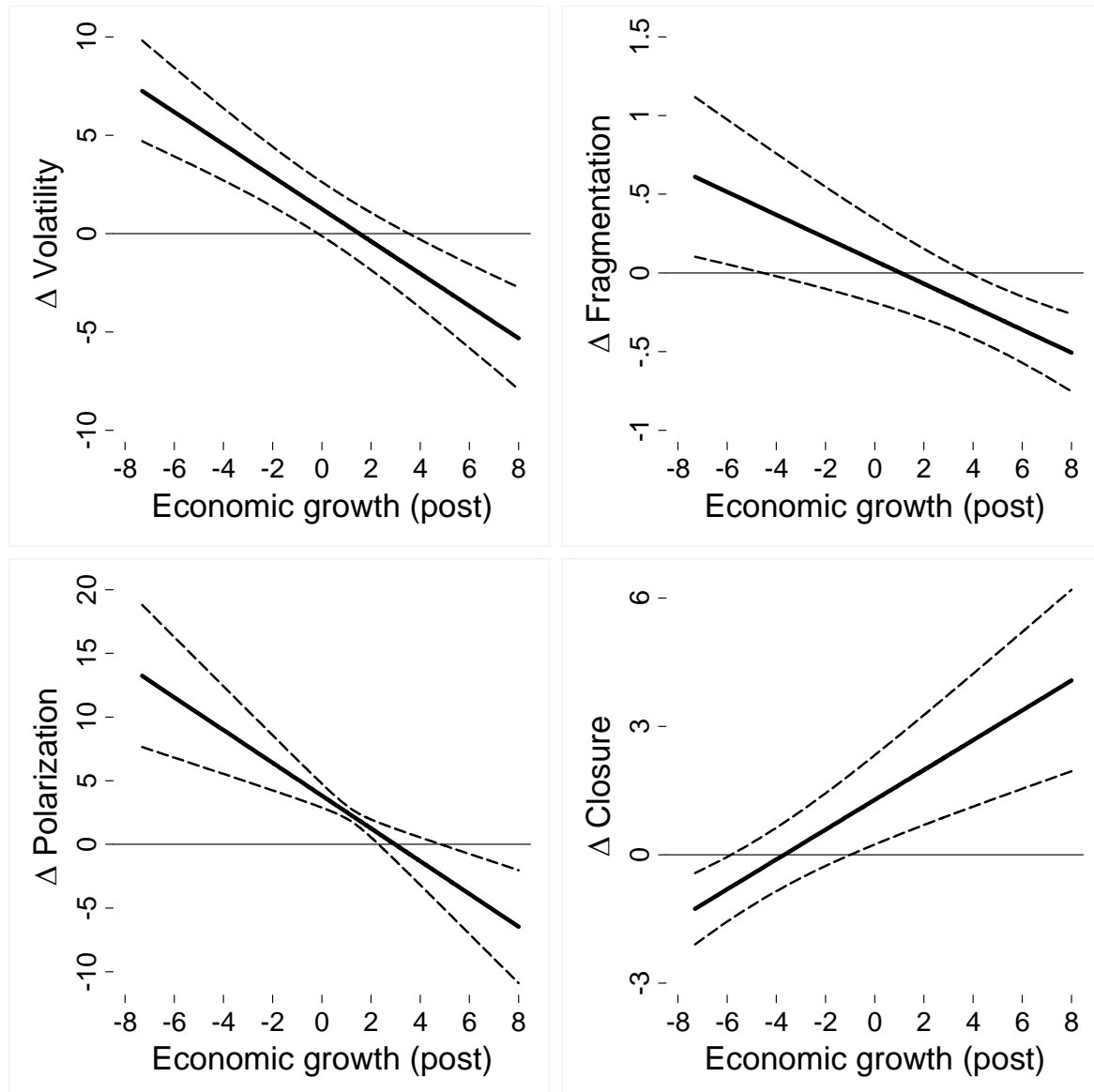


Figure 3 – Effects of party-system restraint (predicted values with 95% CIs)

