

12 The Electoral Consequences of Centrist Policies

Fiscal Consolidations and the Fate of Social Democratic Parties

Björn Bremer

12.1 Introduction

Large-scale social and economic structural transformations have hurt mainstream center-left parties in advanced economies over the past few decades.¹ However, social democratic parties are not only passive victims of these structural transformations, but they can craft and re-craft electoral coalitions by shifting strategically in the programmatic space (Abou-Chadi and Wagner 2019). In the last few decades, many social democratic parties attempted to do this. They modernized their ideological offer and attracted a growing share of the expanded middle classes (Kitschelt 1994; Gingrich and Häusermann 2015; Häusermann 2018), most famously by shifting toward the center and embarking on the so-called Third Way (Giddens 1998) in the 1990s.

At the time, this was celebrated as a successful strategy to overcome the electoral dilemma of electoral socialism (Przeworski and Sprague 1986), but eventually, the long-term decline of social democracy continued (Benedetto et al. 2020). This begs the question of whether social democratic parties benefit or lose from centrist strategies. A large literature shows that moderate positions tend to increase a party's vote share (Erikson et al. 2002; Ezrow 2005; Adams and Somer-Topcu 2009; Abou-Chadi and Orłowski 2016). Following a Downsian logic, successful mainstream parties are said to compete for the median voter (Downs 1957a). From this perspective, centrist strategies allow the Moderate Left to broaden its electoral appeal. However, centrist strategies are not only associated with a repositioning in the programmatic space of party

¹ Following Kitschelt (1994: 1), social democracy is employed as a generic concept that covers “a cohort of parties that run under socialist, labor and, social democratic labels.” I will use the terms “social democratic,” “mainstream center-left,” and “moderate left” parties interchangeably.

competition, but when parties win office, they also involve the implementation of a set of (economic) policies, which have substantial distributive effects. Over time, there may thus be feedback effects that influence the electoral performance of parties that implement them (e.g., Pierson 1993; Gingrich and Ansell 2012).

Adding to earlier chapters in this volume, which mostly focus on programmatic competition, this chapter studies the electoral repercussions of policies that parties implement. Following Schattschneider's (1935) famous insight that "policies create politics," the chapter assumes that the policies that governments implement have feedback effects. They create the terrain for political struggle and thus influence the electoral prospects of incumbent and opposition parties alike. The chapter, therefore, studies the electoral consequences of implementing centrist strategies for social democratic parties in the last few decades. Building on research that focuses on the economic consequences of the Third Way (Arndt 2013; Karreth et al. 2013; Schwander and Manow 2017), the chapter focuses on the case of fiscal consolidations. It analyzes to what extent social democratic parties lost support after implementing fiscal consolidations by using data from sixteen advanced economies from 1978 to 2014.

The results suggest that implementing fiscal consolidations mostly hurts social democratic parties. On average, their vote share is lower in elections following consolidations that they implemented themselves. However, not all fiscal consolidations are equal: Social democratic parties lose when they implement spending-based consolidations that cut investment spending or public sector wages. Fiscal consolidations centered around tax increases are not associated with losses. Most forms of fiscal consolidations also reduce the overall size of the "left field" and undermine the ability of the Moderate Left to win office. Overall, this suggests that fiscal consolidations are politically risky for social democratic parties and that fiscal consolidations, which hurt key constituencies of social democratic parties, are particularly costly for them. By diluting the brand of social democratic parties and facilitating convergence with the Moderate Right in economic terms, they contributed to the recent electoral crisis of the Moderate Left (also see Bremer 2023).

To make this argument, the remainder of this chapter is structured as follows. It first reviews the arguments why centrist strategies may either benefit or hurt social democratic parties. It argues that it is important to distinguish policies from programs and to test the feedback effects of different types of policies on the ability of parties to win votes. It then examines the association of austerity, and its various subtypes, with the electoral fate of social democratic parties over time. The final section concludes by highlighting both the implications and limitations of the analysis.

12.2 Capturing the Center: A Viable Strategy for Social Democratic Success?

In advanced economies, social democratic parties have been struggling with the threat of decline for decades. As highlighted in the introduction of this volume, large-scale structural changes have reduced the size of the working class and its electoral relevance for the Left (Fox Piven 1991; Pontusson 1995; Bürgisser and Kurer 2021). The resulting electoral realignment made it more difficult for social democratic parties to build winning coalitions (Oesch and Rennwald 2018; Rennwald and Pontusson 2021).

Yet, parties are not simply victims of structural conditions, but they are also agents of their own fate. Parties operate in a strategic environment and can move in the political space to forge (new) electoral coalitions between different electoral constituencies. For example, as the traditional constituency of social democratic parties shrunk, many social democratic parties modernized their programmatic offer toward the end of the twentieth century by moving toward the center, both on the cultural and the economic dimensions of political competition.

Most prominently, social democratic parties embarked on the so-called Third Way (Giddens 1998). After the end of the Cold War, many Social Democrats accepted capitalism as hegemonic. They did not challenge the underlying faith in markets and assumed that markets could be an instrument to achieve social democratic objectives. The Moderate Left, therefore, adopted liberal economic positions (Callaghan 2000; Glyn 2001; Pierson 2001; Lavelle 2008; Merkel et al. 2008), embraced a technocratic and managerial approach to politics, and changed their rhetoric (O'Grady 2019) in line with the liberal *Zeitgeist*.

Based on the assumption that voters are located in the middle of the ideological spectrum and that they support the party closest to their position, such strategies are thought to be vote maximizing. In fact, Anthony Downs's (1957a) famous median voter theorem already predicted that parties have an incentive to moderate their position and converge toward the center. Evidence shows that mainstream parties, indeed, follow shifts in the preferences of the median voter rather than their support base (Ezrow et al. 2011) and that such strategic moves are successful (Somertopcu 2015).

However, centrist strategies do not only involve the strategic repositioning vis-à-vis other parties but also the implementation of policies that have feedback effects. Due to the initial success of the Third Way, many moderate left parties temporarily halted their long-term decline in the 1990s and 2000s and stabilized their vote share. In many countries, the

center-left won elections, and thus, at the turn of the century, it controlled eleven out of fifteen governments in the EU.² When in government, social democratic parties also followed through on their promises and implemented centrist policies. What were the electoral effects of these policies?

12.3 Fiscal Consolidations and Brand Dilution

To study the effect of centrist policies, this chapter uses the example of fiscal consolidation. Historically, mainstream center-left parties were associated with Keynesian fiscal policies (e.g., Hibbs 1977; Scharpf 1991; Hall 1989). They were ready to use government spending to stimulate the economy and usually less concerned about public debt than the Moderate Right. As Social Democrats moved toward the center, however, they often also accepted fiscal orthodox policies, including fiscal consolidation. As part of the Third Way, they attempted to increase their fiscal credibility (Kraft 2017), but they were also inspired by macroeconomic supply-side ideas that became part and parcel of the Left's economic paradigm (Bremer and McDaniel 2020). Especially in Europe, in the wake of the 2008 financial crisis, many parties of the Moderate Left endorsed austerity (Bremer 2018) and according to some analyses, became even more likely to implement austerity and retrench the welfare state than the Moderate Right (Armingeon et al. 2016; Raess 2023).

A large literature suggests that voters are fiscal conservatives and support balanced budgets (e.g., Blinder and Holtz-Eakin 1984; Peltzman 1992; Stix 2013). Although attitudes vary over time (Barnes and Hicks 2021), survey research indicates that elite cues and media frames even make austerity popular (Barnes and Hicks 2018; Bisgaard and Slothuus 2018). Research on the electoral consequences of fiscal consolidations, therefore, claimed that voters support governments' efforts to reduce public deficits and debts (Alesina et al. 1998, 2019; Brender and Drazen 2008; Giger and Nelson 2011; Arias and Stasavage 2019). Most famously, Alesina et al. (1998: 198) even argued that there is "no evidence of a systematic electoral penalty or fall in popularity for governments that follow restrained fiscal policies." Asking why austerity became the dominant fiscal policy in Europe during the Great Recession, Bansak et al. (2021: 488) similarly suggested that "governments adopt austerity because, contra to conventional wisdom, it is actually a popular response to economic crises among the voting public."

² These countries were Austria, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Portugal, Sweden, and UK.

However, a growing literature documents that fiscal consolidations can be politically costly. Governments strategically time fiscal consolidations, as vulnerable governments avoid consolidations toward the end of the term (Hübscher and Sattler 2017; Hübscher et al. 2021). Fiscal consolidations usually imply trade-offs and given these trade-offs, reducing government debt is not a priority for the average voter (Bremer and Bürgisser 2023). In fact, during an electoral term, fiscal consolidations strongly undermine the popularity of governments (Jacques and Haffert 2021; Bojar et al. 2022), especially if they are associated with increasing unemployment, large protest mobilization, or the involvement of external creditors (Bojar et al. 2022). Therefore, experimental evidence shows that a government's re-election chances decrease if it proposes fiscal consolidation (Hübscher et al. 2021), while observational studies indicate that European incumbents were punished for implementing austerity measures during the Great Recession (Talving 2017).³

The political risks of implementing fiscal consolidations may be especially large for social democratic parties. Existing research stresses that centrist social and labor market policies can undermine the support of their traditional constituency, the working class (Arndt 2013; Karreth et al. 2013; Schwander and Manow 2017). Karreth et al. (2013: 792) use individual-level evidence from Germany, Sweden, and the UK to argue that “gains from the policy shift towards the middle in the 1990s were short-lived and came at the expense of electoral success in the subsequent decade.” Schwander and Manow (2017) show that in Germany, the “Agenda 2010” created space for a national challenger party on the left (*Die Linke*). It helped to entrench the party in the German party system because the Third Way undermined the relationship between the working class and social democratic parties (Arndt 2013).

Following this literature, I argue that implementing fiscal consolidations is electorally costly for moderate left parties (Bremer 2023). Parties are often compared to brands (e.g., Aldrich 1995; Cox 1997; Lupu 2016), which are formed based on what parties say and do (Fortunato and Stevenson 2013). Party brands provide clarity about parties' intentions and identity (Ezrow et al. 2014) and facilitate voters' choices by giving them clear options (Dalton et al. 2011). They provide voters with shortcuts by helping them to distinguish between different parties, but they are constantly in flux, as parties change their positions and voters update their perceptions of parties.

³ Additional research shows that austerity leads to social unrest (Ponticelli and Voth 2020), mass protests (Genovese et al. 2016), polarization (Hübscher et al. 2020), and the rise of populism (Fetzer 2019; Baccini and Sattler 2020).

Historically, social democratic parties had a strong brand. They emerged from the labor movement and were central actors in forging a class compromise between capital and labor in the twentieth century. They built the welfare state (Stephens 1979; Korpi 1983), pursued Keynesian macroeconomic policies that tackled unemployment (Hibbs 1977; Hall 1989), and became seen as protectors of the less well-off (Esping-Andersen 1985). By using the resources of the state to intervene in free markets, they promised their constituents to protect them from the adverse consequences of unfettered free-market capitalism.

Implementing fiscal consolidations dilutes this brand. Austerity has large distributive consequences because it often leads to welfare state retrenchment and undermines the state's ability to intervene in markets. For social democratic parties, this creates inconsistencies with the parties' traditional positions. This is harmful for the competition with the Moderate Right over centrist voters, as it hurts the ability of moderate left parties, in particular Social Democrats, to distinguish themselves. Moreover, it undermines the partisan attachment of "core voters," which also played an important role in the collapse of established left parties in Latin America following the implementation of liberalizing reforms in the 1980s and 1990s (Lupu 2016; Roberts 2017). In most advanced democracies, both the working and middle classes benefit from the welfare state. Although they often prefer different social policies (Häusermann et al. 2022), large fiscal consolidations are against the interest of either group. If social democratic parties are responsible for these consolidations, they are likely to lose support. Thus, I formulate the following hypothesis:

Hypothesis 1: The larger the fiscal consolidations that social democratic governments implement when they are in government, the more they lose in the following election.

However, fiscal consolidations can be achieved in different ways. First and foremost, governments can reduce their deficit either by cutting spending (spending-based consolidations) or by increasing revenues from taxes (revenue-based consolidations). These policies likely have different consequences because, as argued earlier, moderate left parties were historically seen as the founders and defenders of the welfare state. Their brand is strongly based on the notion of protecting the weakest members of society and providing insurance for others against adverse economic shocks (unemployment benefits, health insurance) and old age (pension). Most spending cuts undermine this commitment, while tax increases do not necessarily have the same impact. In fact, historically, Social Democrats explicitly argued for higher taxes to finance the welfare state and achieve redistribution ("tax and spend"). Therefore, it is

likely that increasing taxes does not have the same electoral consequences for Social Democrats as cutting government spending, as formulated in Hypothesis 2:

Hypothesis 2: Social democratic parties lose more when they implement spending-based consolidations than when they implement revenue-based consolidations.

However, not even all spending-based consolidations necessarily hurt social democratic parties equally, either. Voters are likely to punish social democratic parties for cuts to government spending that they cherish. Given that social democratic parties appeal to a broad cross-class coalition, their supporters may react adversely to the full range of spending cuts. However, as argued earlier, research shows that the social democratic parties have increasingly recruited voters from the expanded middle classes (Kitschelt 1994, Gingrich and Häusermann 2015) and that public sector workers have become a key constituency crucial for their electoral success (Benedetto et al. 2020). These groups are still strongly supportive of the welfare state, but they often prioritize social investment over social consumption spending (Häusermann et al. 2022). Existing research thus shows that social democratic parties are most successful when they combine investment-oriented positions with liberal sociocultural positions (Abou-Chadi and Wagner 2019). Similarly, it is likely that social democratic parties lose more when they cut investment spending or public sector wages than when they cut consumptive expenditures. The former types of cuts immediately hurt the interests of large constituencies, which are well organized and likely to mobilize against their losses (Pierson 1996). They are likely to abandon social democratic parties in favor of other parties – including the New Left or the Moderate Right – if their interests are hurt.

Hypothesis 3: Social democratic parties lose more when they implement spending-based consolidation that cut investment spending and public sector wages than when they spending-based consolidations that cut consumption spending.

12.4 Data and Methods

To test whether fiscal consolidations implemented by social democratic parties are associated with brand dilution, I use a dataset provided by Devries et al. (2011) that was updated by Alesina et al. (2019).⁴ To create

⁴ By doing so, I follow Hübscher et al. (2020) and Jacques and Haffert (2021), who also used the data to study the politics of fiscal consolidations.

the data, policy decisions were coded to measure the precise amount of spending cuts and tax increases that governments implemented during episodes of fiscal consolidation. This approach directly captures fiscal policy decisions by governments.

The data is available for sixteen countries from 1978 to 2014.⁵ It allows me to extract several variables that measure whether and how governments implemented fiscal consolidations before elections: First, I create a variable that measures the level of fiscal consolidations in the year before an election; second, I create two variables that distinguish between spending-based consolidations and revenue-based consolidations; third, I create five variables that further distinguish subcategories of both types of consolidations: investment, (social) consumption, salaries, income taxes, and value-added taxes.

To create the subcategories for investment and consumption, I aggregate several types of spending cuts. Specifically, investment refers to cuts in gross fixed capital formation (e.g., infrastructure investment), education spending, family policies, and spending on research and development. Consumption refers to cuts in pension spending, spending on the unemployed, other social security programs, and health-related spending. Table 12.A2 shows the items included and provides further definitions based on the data by Alesina et al. (2019).⁶

I then combine the data on fiscal consolidations with information from the ParlGov database (Döring and Manow 2021) about the vote share of the main social democratic party, which I use as the main dependent variable (“SD party”). To analyze the association between fiscal consolidations and electoral performance, I then use time-series cross-section analysis. The key quantity of interest in my analysis is an interaction effect between the consolidation variables and a dummy variable that records whether social democratic parties were responsible for implementing the consolidation package or not. This variable takes a value of 1 if the prime minister responsible was a Social Democrat and 0 otherwise. In a robustness test shown, I repeat the same analysis for a variable that takes the value of 1 if the social democratic party was in government, irrespective of whether the prime minister was a Social Democrat or not.

Unit root tests show that all variables are stationary, which allows for time series analysis. All models include a lagged dependent variable to account for autocorrelation. Lag selection tests indicate that lags for the independent variables are not statistically significant. Hence, I

⁵ The full list of countries and elections included in the analysis is shown in Appendix A.

⁶ The results shown below are robust to using logged values for all consolidation variables.

use linear regression models and estimate the following first-order autoregressive lag models:

$$Y_{it} = \alpha Y_{it-1} + \beta X_{it-1} I_{it-1} + \varepsilon_{it} \quad (12.1)$$

where the dependent variable Y for country i at time t is modeled as a function of its lagged value and fiscal consolidation in the year before the election X_{it-1} in interaction with an incumbency dummy I_{it-1} .

To account for other variables that may explain the performance of moderate left parties, I control for the level of unemployment and union density. Moreover, all models include country-fixed effects to account for the unobserved country- or party-level differences in the electoral performance of social democratic parties.

12.5 Results

12.5.1 *The Average Effect of Fiscal Consolidations*

Table 12.1 shows the results from regression models that use three different interaction effects with the incumbency dummy: the overall level of fiscal consolidations as well as the levels of spending- and revenue-based consolidations, respectively. To interpret the interaction effects, it is useful to plot them graphically.

Figure 12.1 shows the predicted vote share for the level of social democratic parties by the overall level of fiscal consolidation in the year before a given election and the incumbency status, that is, whether social democratic parties implemented the fiscal consolidation or not. The results suggest that there is a weak interaction effect: Social democratic parties tend to lose in elections following fiscal consolidations that they implemented; in contrast, they tend to win in elections following fiscal consolidations that were implemented when they were in opposition. Although the negative effect of implementing consolidations is sizeable, it is not statistically significant. There is thus no strong evidence for Hypothesis 1.

However, as argued earlier, it could matter what kind of fiscal consolidations parties implement. Governments can consolidate their finances by cutting spending or increasing taxation. Moderate left parties have historically built the welfare state and their brand is strongly built around the notion of protecting the weakest members of society. Spending cuts undermine this commitment, while tax increases do not necessarily have the same impact. To test whether there is a difference between the impact of spending- and revenue-based consolidations, I consider them separately in Models 2 and 3, respectively.

Table 12.1 *Fiscal consolidations and the electoral performance of social democratic parties*

	Model 1	Model 2	Model 3
SD party ($t - 1$)	0.484** (0.147)	0.478** (0.157)	0.514** (0.134)
SD prime minister ($t - 1$)	-1.706 (1.694)	-1.542 (1.789)	-2.427 (1.482)
Unemployment	-0.364* (0.161)	-0.384* (0.167)	-0.343* (0.155)
Union density	0.038 (0.100)	0.043 (0.100)	0.035 (0.098)
Consolidation ($t - 1$)	0.546 (0.458)		
Consolidation ($t - 1$) \times SD prime minister ($t - 1$)	-1.264 (0.846)		
Spending-based consolidation ($t - 1$)		1.199+ (0.661)	
Spending-based cons. ($t - 1$) \times SD PM ($t - 1$)		-2.310+ (1.166)	
Revenue-based consolidation ($t - 1$)			0.007 (0.816)
Revenue-based cons. ($t - 1$) \times SD PM ($t - 1$)			-0.817 (1.698)
Num.Obs.	179	179	179
R^2	0.853	0.854	0.851
R^2 Adj.	0.832	0.834	0.830
R^2 within	0.240	0.247	0.231
AIC	1,139.5	1,137.8	1,141.6
BIC	1,212.8	1,211.1	1,214.9
Log.Lik.	-546.765	-545.893	-547.783
Std.Errors	By: country	By: country	By: country
FE: country	Yes	Yes	Yes

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

The interaction effects are again shown in Figure 12.2. The left-hand side of the figure suggests that, indeed, Social Democrats are more strongly punished for spending-based consolidations than revenue-based consolidation (Hypothesis 2). Implementing revenue-based consolidations reduces the predicted vote share for social democratic parties much less, as shown on the right-hand side: the effect is smaller and not statistically significant. This indicates that Social Democrats can find ways to escape punishment for revenue-based consolidations but not for

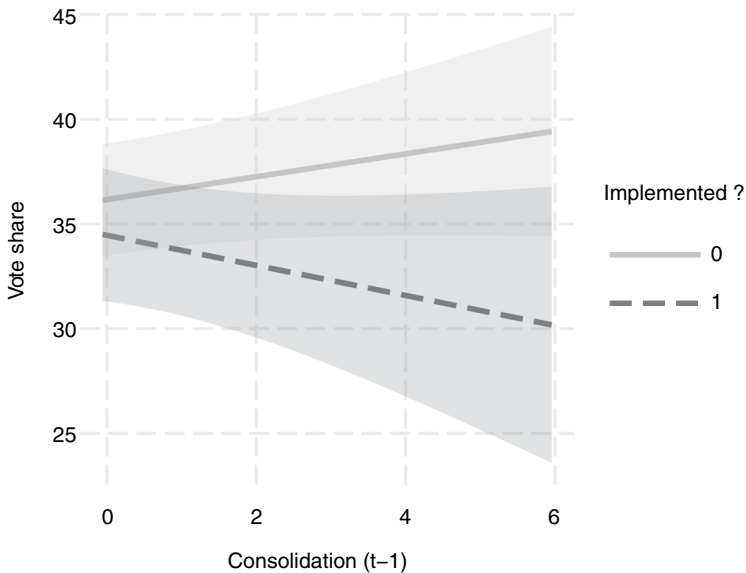


Figure 12.1 Predicted vote share of social democratic parties by level of fiscal consolidation and incumbency status

Note: This figure shows the predicted effect of fiscal consolidations in the year before an election at time t on the electoral performance of center-left parties in that election depending on whether they were in government at $t - 1$ or not. Results are based on Model 1 from Table 12.1. For a histogram showing the distribution of the size of fiscal consolidations, see Figure 12.A1.

spending-based consolidations (also see Hübscher et al. 2021). The latter dilute the brand of social democratic parties more strongly, thus negatively impacting their vote share.

Several robustness tests further lend credibility to these results. First, further analyses show that the effects are weaker but go in the same direction if social democratic parties are in government without leading it. This indicates that moderate left parties are more generally punished for implementing centrist policies, while they benefit electorally if they are in opposition when these policies are implemented. Second, neither adding year-fixed effects nor a lag of the consolidation variable changes the results. The results also hold if only elections after 1990 are considered and they replicate across regions. Due to the small number of observations, however, the results do not reach statistical significance in some regions (e.g., in Northwestern Europe, which only includes Germany, Austria, and Belgium).

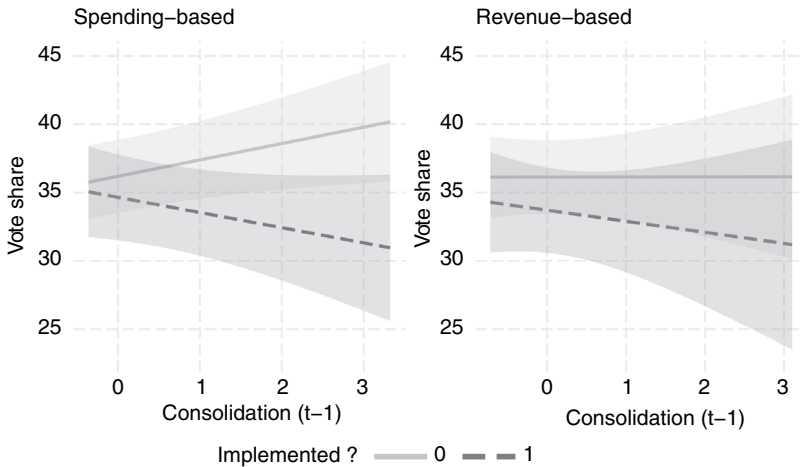


Figure 12.2 Predicted vote share of social democratic parties by level of spending- and revenue-based consolidations and incumbency status
 Note: This figure shows the predicted effect of spending- and revenue-based fiscal consolidations in the year before an election at time t on the electoral performance of center-left parties in that election depending on whether they were in government at $t - 1$ or not. Results are based on Models 2 and 3 from Table 12.1, respectively. For a histogram showing the distribution of the size of spending- and revenue-based consolidations, see Figure 12.A2.

12.5.2 The Effect of Specific Spending Cuts and Tax Increases

Governments still have a variety of different policies available to them when pursuing spending- and revenue-based consolidations. We can thus go one step further and consider the effect of different forms of fiscal consolidations in a more granular way. Specifically, I distinguish between three types of spending-based consolidations (investment, consumption, and salaries) and three types of revenue-based consolidations (income taxes, property taxes, and value-added taxes), as outlined earlier.

The results are shown in Table 12.2 and illustrated in Figure 12.3. First, Figure 12.3(a)–(c) confirm that spending-based consolidations are more detrimental to the electoral performance of social democratic parties than revenue-based consolidations. Figure 12.3(d)–(f) highlight that consolidations achieved by different types of tax increases in the year prior to an election are essentially unrelated to the predicted vote share of social democratic parties. This is further evidence that is in line with Hypothesis 2.

Table 12.2 *Different types of fiscal consolidation and vote share of social democratic parties*

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
SD party ($t - 1$)	0.509** (0.161)	0.482* (0.172)	0.479** (0.163)	0.522** (0.131)	0.519** (0.152)	0.514** (0.130)
SD prime minister ($t - 1$)	-2.126 (1.769)	-1.986 (1.746)	-1.598 (1.729)	-2.400 (1.553)	-2.656 (1.622)	-2.514+ (1.391)
Unemployment	-0.381* (0.170)	-0.337+ (0.166)	-0.354* (0.158)	-0.410* (0.160)	-0.336+ (0.164)	-0.349+ (0.167)
Union density	0.052 (0.096)	0.048 (0.100)	0.041 (0.099)	0.039 (0.093)	0.038 (0.095)	0.039 (0.095)
Consumption ($t - 1$)	12.199*** (2.864)					
Consumption ($t - 1$) \times SD PM ($t - 1$)	-13.491* (5.155)					
Investment ($t - 1$)		3.467* (1.483)				
Investment ($t - 1$) \times SD PM ($t - 1$)		-30.773*** (6.016)				
Salaries ($t - 1$)			11.609*** (2.657)			
Salaries ($t - 1$) \times SD PM ($t - 1$)			-35.423*** (3.635)			
Income taxes ($t - 1$)				5.471+ (2.898)		
Income taxes ($t - 1$) \times SD PM ($t - 1$)				-4.323 (3.202)		
Property taxes ($t - 1$)					-5.300+ (2.919)	

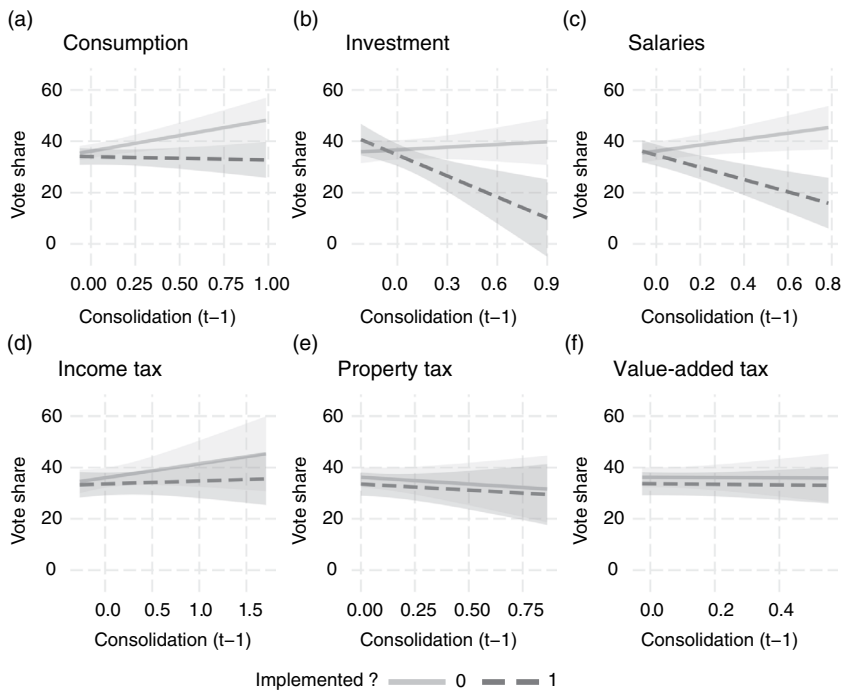


Figure 12.3 Predicted vote share of social democratic parties by level of consolidation in different areas and incumbency status

Note: This figure shows the predicted effect of spending cuts or tax increases in different areas in the year before an election at time t on the electoral performance of center-left parties in that election depending on whether they were in government at $t - 1$ or not. Results are based on Models 1 and 6 from Table 12.2, respectively. For a histogram showing the distribution of the size of different types of fiscal consolidations, see Figure 12.A3.

Second, with regard to spending-based consolidations, not all types of consolidations are equal, as outlined in Hypothesis 3. Social democratic parties tend to lose most strongly when they cut a variety of different forms of investment spending. Most importantly, this category includes education spending, which is one of the most popular forms of welfare state spending and probably drives the results. It is in line with arguments that emphasize the changing nature of social democratic voters (e.g., Kitschelt 1994; Gingrich and Häusermann 2015; Abou-Chadi and Wagner 2019).

Similarly, the Moderate Left loses when it cuts public sector salaries. Public employees are often a well-organized constituency that has

become a central element of the social democratic support coalition. When Social Democrats act against the interests of this constituency, Figure 12.3 suggests that their vote share drops.

Finally, somewhat surprisingly, there is no discernible negative effect of cutting consumption spending for moderate left parties. There is still a significant interaction effect according to Table 12.2, but this effect is solely driven by a positive effect of such spending cuts when Social Democrats are in opposition. In fact, Social Democrats win most when other governing parties cut consumption spending compared to other forms of spending cuts. It is possible that social democratic governments are less likely to cut consumption spending than other governments in the first place, which could explain the results and calls for further analyses about the (political) determinants of different types of fiscal consolidations. Overall, Figures 12.2 and 12.3 present important variation in the electoral consequences that different types of fiscal consolidations have for social democratic parties.

12.5.3 The Effect of Spending Cuts on the Overall Left Field and the Electability of Social Democratic Parties

What is the effect of fiscal consolidation on the overall left field and the electability of social democratic parties? To answer this question, I create three additional dependent variables based on the ParlGov database. I consider the vote share of all other left-wing parties, including green/left-libertarian and radical left parties (“Small Left”) as well as the vote share of the entire left bloc (“Left Field”). Beyond vote share, I also consider whether social democratic parties can win elections and thus appoint the prime minister (“PM post”) after a given election. I then repeat the analysis from above with these alternative dependent variables. Given the results from above, the analyses focus on spending-based consolidations (overall) as well as different forms of spending cuts (consumption, investment, public salaries).

The results are shown in Table 12.3. Models 1 to 4 use the vote share of small left parties as the dependent variable. The results suggest that these parties also lose when social democratic parties implement cuts to consumption spending but that they tend to win when social democratic parties cut investment spending or public sector salaries. The latter effect is particularly strong and statistically significant for cuts to investment spending, which further supports the interpretation of the results in Table 12.2: When social democratic parties cut spending that middle class voters prioritize, they are likely to vote for other small left parties, instead. It remains an open question why the non-social

Table 12.3 *The effect of spending-based consolidations on small left parties, the overall left field, and the likelihood of social democratic parties winning office*

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12
	DV: Small left (M1-4)				DV: Left field (M5-8)							
Small left ($t-1$)	0.872*** (0.043)	0.875*** (0.043)	0.849*** (0.046)	0.859*** (0.043)								
Left field ($t-1$)					0.647*** (0.128)	0.642*** (0.130)	0.655*** (0.131)	0.630*** (0.132)				
SD prime minister ($t-1$)	0.133 (0.269)	0.102 (0.279)	-0.135 (0.372)	-0.057 (0.365)	-1.990+ (0.988)	-2.171* (1.020)	-2.480* (0.995)	-1.886+ (1.044)	0.176+ (0.087)	0.154 (0.091)	0.146 (0.088)	0.173+ (0.088)
Unemployment	-0.054 (0.101)	-0.045 (0.091)	-0.072 (0.118)	-0.068 (0.115)	-0.265* (0.122)	-0.219 (0.132)	-0.204 (0.128)	-0.236+ (0.121)	-0.002 (0.012)	0.003 (0.013)	0.004 (0.013)	0.005 (0.011)
Union density	0.002 (0.028)	0.004 (0.028)	-0.002 (0.029)	0.002 (0.029)	0.053 (0.058)	0.062 (0.054)	0.047 (0.064)	0.049 (0.056)	-0.002 (0.005)	-0.002 (0.005)	-0.002 (0.005)	-0.002 (0.005)
Spending-based consolidation ($t-1$)	0.255 (0.206)				1.498 (0.931)				0.097 (0.058)			
Spending-based ($t-1$) × SD PM ($t-1$)	-0.431 (0.397)				-1.610 (1.360)				-0.076 (0.109)			
Consumption ($t-1$)		1.429+ (0.808)				14.276** (4.443)				0.289 (0.492)		
Consumption ($t-1$) × SD PM ($t-1$)		-4.041** (1.023)				-14.130** (4.591)				-0.298 (0.596)		
Investment ($t-1$)			1.634 (0.993)				4.808* (1.746)					-0.032 (0.095)

Investment ($t - 1$) × SD PM ($t - 1$)	8.913* (3.522)	-12.809+ (6.306)	13.732** (3.816)	-0.091 (0.644)
Salaries ($t - 1$)	1.051 (0.742)	179	179	0.418 (0.407)
SD PM ($t - 1$) × SD PM.	3.673 (3.909)	179	179	-1.389** (0.435)
R^2	0.843	0.849	0.857	0.267
R^2 Adj.	0.820	0.827	0.837	0.168
R^2 within	0.718	0.719	0.722	0.023
AIC	839.9	839.0	837.8	234.5
BIC	908.8	907.9	902.1	299.2
Log.Lik.	-397.963	-397.521	-396.881	-95.272
Std.Errors	By: country	By: country	By: country	By: country
FE: country	Yes	Yes	Yes	Yes
	country	country	country	country
	Yes	Yes	Yes	Yes
	By: country	By: country	By: country	By: country
	Yes	Yes	Yes	Yes

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.001$.

democratic Left loses when the Moderate Left cuts social consumption spending, as there are several different mechanisms that could be at play. These parties could support the government (in a coalition or otherwise), giving their supporters a reason to walk away. Yet, there could also be an indirect mechanism: retrenchment could increase the salience of economic distributive conflicts on which (some) green and left-libertarian parties do not take strong stances. Leftist voters who would otherwise vote on second-dimension non-economic policies for the Small Left could turn to social democratic parties, compensating for the losses that social democratic parties sustain to other parties (e.g., the Moderate Right).

Models 5 to 8 then use the combined vote share of the overall left field as the dependent variable. Following on from Models 1 to 4, the results generally suggest that the Left Field is hurt by spending-based consolidations in general. This is particularly true when social democratic parties cut public sector salaries, but there is also a negative interaction effect for the other spending categories. The negative effect of consolidations that cut investment is weaker than the effect on the vote share on the Moderate Left alone, given that other small left parties benefit from these kinds of consolidations. Still, spending cuts are not a viable strategy to maximize the size of the bloc, given that the interaction effect shown in all four models is clearly negative.

Finally, Models 9 to 12 indicate that fiscal consolidations cannot be considered successful office-seeking strategies, either. Given the previous results, it is not surprising that the sign on the interaction effect is again negative. However, the interaction is only statistically significant in one instance: following cuts to public sector wages, the likelihood that social democratic parties can appoint the prime minister decrease is much lower than otherwise. This is in line with evidence from Benedetto et al. (2020), highlighting the importance of public sector workers as a constituency for social democratic parties.

12.5.4 Further Analyses

The results shown earlier may not only hold for social democratic parties. To test whether fiscal consolidations are also associated with electoral losses for the Moderate Right, I replicated the analysis. The results show that moderate right parties also lose in elections after they implemented fiscal consolidation. However, this effect is smaller than it is for social democratic parties, and it is not statistically significant. More importantly, the Moderate Right is punished for different forms of fiscal

consolidation: On average, their vote share is hardly affected by any form of spending-based consolidations. Instead, the Moderate Right loses after implementing revenue-based consolidations. This is in line with my theoretical expectations postulating that fiscal consolidations which are against the interests of a party's key constituencies are more likely to be associated with electoral losses.

Also in light of this evidence, it is puzzling that the Moderate Left retrenches the welfare state in times of fiscal consolidation (Armingeon et al. 2016) and does not rely more on revenue-based consolidations, given that rational vote-seeking politicians should be able to anticipate the electoral consequences of the policies that they implement. Yet, the analyses shown above are not driven by a specific set of cases. Table 12.A1 shows a list of the largest fiscal consolidation packages that the Moderate Left passed before election years in the countries included here. The list includes cases from different periods (e.g., the 1990s, the eurozone crisis) as well as different regions. Governments are somewhat more likely to implement consolidations during hard economic times, but there is no strong correlation between the main macroeconomic context factors and (the type of) consolidations that governments social democratic politicians pursue. Macroeconomic circumstances may force social democratic parties to pursue spending-based consolidations when there is a large public sector deficit, the country already has comparatively high taxes, and the country spends a large amount on social policies. Although those instances are rare, the conditions under which social democratic parties pursue different (types of) consolidations should be investigated further.

12.6 Conclusion

In many advanced economies, centrist strategies were hailed as a magic formula to increase the electoral popularity of left-wing parties toward the end of the twentieth century. Although centrist *programs* may have increased the support for the Moderate Left in the short run, the same cannot be said about the centrist *policies*. Once social democratic parties won office and implemented these policies, they had feedback effects with adverse electoral consequences (Arndt 2013; Karreth et al. 2013; Schwander and Manow 2017).

Using the case of fiscal consolidations as a proxy for centrist policies, this chapter shows that social democratic parties, on average, lose after implementing such consolidations. The negative association between consolidations and the electoral performance of social

democratic parties is mostly driven by spending-based consolidations. Revenue-based consolidations are not associated with lower vote shares and this is true for both direct (income, property) and indirect (VAT) tax increases.

In particular, social democratic parties tend to lose support after cutting investment spending and public sector wages. Surprisingly, there is no clear negative association between cuts to consumption spending and their electoral performance. This implies that not all types of fiscal consolidation are politically risky for social democratic parties. Rather, fiscal consolidations that hurt their key constituencies which have outside options and could vote for other voters – the middle classes and public sector employees – are particularly harmful. These forms of consolidations also tend to shrink the size of the overall left field and undermine the ability of Social Democrats to be reelected after implementing them.

What can be learned from these results? The results indicate that social democratic parties get punished for the policies that they implement. For several decades, social democratic parties supported fiscal orthodox policies as part of a centrist economic strategy. However, fiscal consolidation is not a viable strategy to secure the long-term success of Social Democracy. A party's ability to distinguish itself from other parties is clearly important for its electoral success. Social democratic parties, therefore, need to retain their own brand while moving strategically in the political space vis-à-vis their electoral competitors. In the short run, centrist programs were successful in the 1990s – especially as an office-seeking strategy and in majoritarian electoral systems – but centrist policies have undermined the social democratic party's brand. As many voters are asking what these parties still stand for, centrism is unlikely to help Social Democrats escape from their current electoral malaise.

Still, the results have to be interpreted with caution because they are mostly driven by patterns that existed when party systems were more stable, less volatile, and less fragmented than they are today. The extent to which we can apply history to learn about the present may thus be limited. As we shorten the time frame and compare the payoffs of different strategies over relatively short periods, we reach the limits of quantitative analyses. In this case, results are strongly influenced by measurement error and may just be “white noise” generated by small variances. It would thus be useful to supplement quantitative analyses with qualitative analysis to learn about the payoffs of different electoral strategies in the last few years.

APPENDIX

Table 12.A1 *List of countries and parties included in the analyses*

Country	Mainstream left party
Australia	Australian Labor Party
Austria	Social Democratic Party of Austria (SPÖ)
Belgium	Socialist Party (PSB), Socialist Party (PS), Socialist Party Different (SP.a)
Canada	New Democrats
Denmark	Social Democracy (SD)
Finland	Social Democratic Party of Finland (SSDP)
France	Socialist Party (PS)
Germany	Social Democratic Party of Germany (SPD)
Great Britain	Labour Party
Ireland	Labour Party
Italy	Italian Socialist Party (PSI), Democrats of the Left (DS), electoral alliances Olive Tree and Union, Democratic Party (PD)
Portugal	Socialist Party (PS)
Spain	Spanish Socialist Workers' Party (PSOE)
Sweden	Social Democrats (SAP)
United States	Democrats

Table 12.A2 *Operationalization of the variables*

Variable	Description	Source
SD party	Sum of vote share of social democratic parties	ParlGov & own coding
Small Left	Sum of vote share of green, radical left, and small social democratic parties	ParlGov & own coding
Left bloc	Sum of vote share of green, radical left, and social democratic parties	ParlGov & own coding
PM post	Dummy indicating whether the prime minister after election is a social democrat (1 = Yes; 0 = No)	ParlGov & own coding
Consolidation ($t - 1$)	Sum of all consolidation measures (spending-based + revenue-based consolidation) in the year prior to a given election	Alesina et al. (2019)
Spending-based consolidation ($t - 1$)	Sum of all spending-based consolidation measures in the year prior to a given election	Alesina et al. (2019)
Revenue-based consolidation ($t - 1$)	Sum of all revenue-based consolidation measures in the year prior to a given election	Alesina et al. (2019)

Table 12.A2 (cont.)

Variable	Description	Source
Consumption ($t - 1$)	Sum of all consumption-related consolidation measures (pensions, health, social security, unemployment)	Alesina et al. (2019)
Investment ($t - 1$)	Sum of all investment-related consolidation measures (investment, education, research and development, family and children policies)	Alesina et al. (2019)
Salaries ($t - 1$)	Sum of all salary-related consolidation measures	Alesina et al. (2019)
Income taxes ($t - 1$)	Sum of all income tax consolidation measures	Alesina et al. (2019)
Property taxes ($t - 1$)	Sum of all property tax consolidation measures	Alesina et al. (2019)
Value-added taxes ($t - 1$)	Sum of all value-added tax consolidation measures	Alesina et al. (2019)
Unemployment	Mean of unemployment rate over legislature period	OECD
Union density	Net union membership as a proportion of wage and salary earners in employment (range from 0 to 100)	ICTWSS database

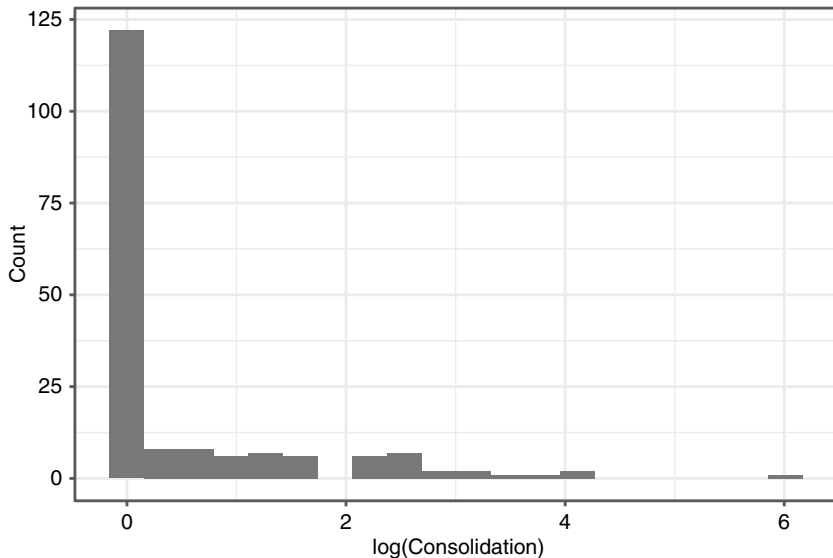


Figure 12.A1 Distribution of fiscal consolidation programs

Note: This figure shows distribution of the size of all fiscal consolidation programs included in the analysis.

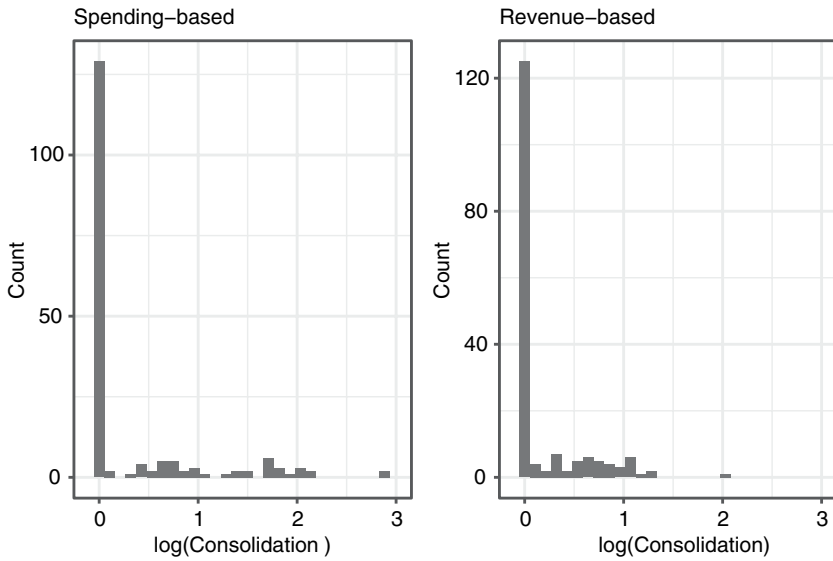


Figure 12.A2 Distribution of spending- and revenue-based consolidation programs

Note: This figure shows distribution of the size of spending- and revenue-based fiscal consolidation programs included in the analysis.

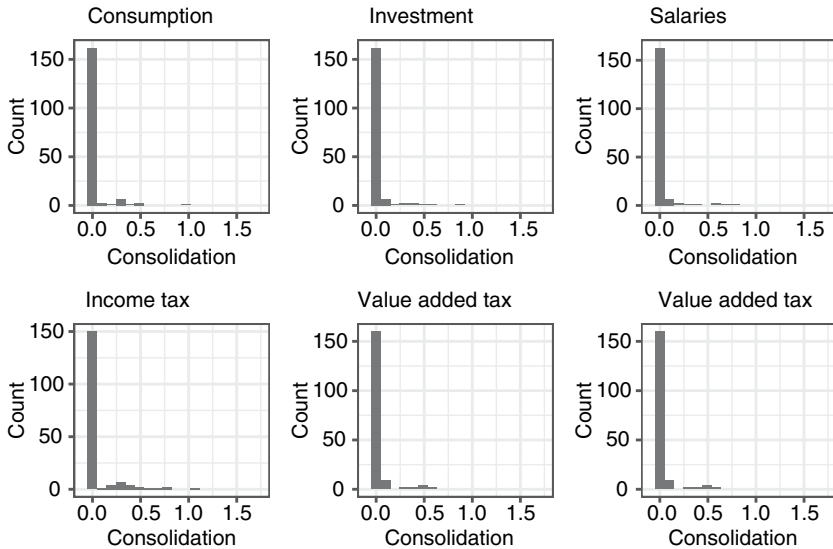


Figure 12.A3 Distribution of different types of consolidation

Note: This figure shows distribution of the size of different types of fiscal consolidation included in the analysis.