

Fiscal Trade-Offs and The Politics of Austerity

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Austerity: why some can and some can't?

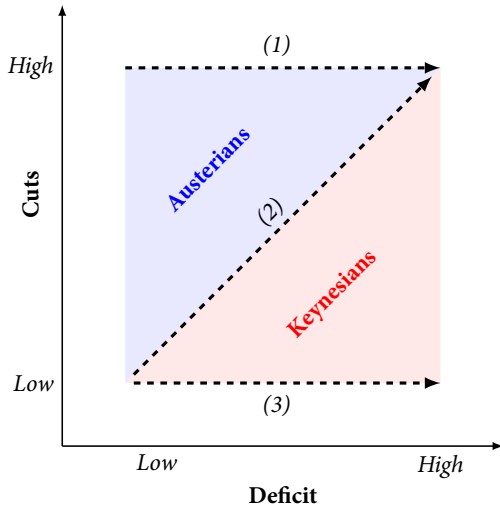
Double puzzle on political feasibility of austerity

- ▶ Empirics: DE in '80s vs. ES in '10s
- ▶ Literature: Voters either prudent or profligate
- ▶ Both focus on aggregate level

Our approach: modelling 2 trade-offs to see *disaggregated Voter Partisan Coalitions* (VPC)

- ▶ Primary: how much should we cut?
- ▶ Secondary: what should we cut?
- ▶ Partisan voter coalitions can (dis)agree on these 2 levels

Fiscal trade-offs



*(1) high baseline preference for cuts,
low deficit sensitivity*

*(2) low baseline preference for cuts,
high deficit sensitivity*

*(3) low baseline preference for cuts,
low deficit sensitivity*

Survey design

To get VPC and disaggregated data on 2 trade-offs: two-part online survey

- ▶ Population-based survey experiment
 - Treatment: varying levels of deficits
 - Fiscal information
 - Cut up to 10% of budget
- ▶ Survey for austerity preferences for 6 policy dimensions
 - Distribute govt 3% cut
 - Pensions, social protection, defense and order, health, public services and education

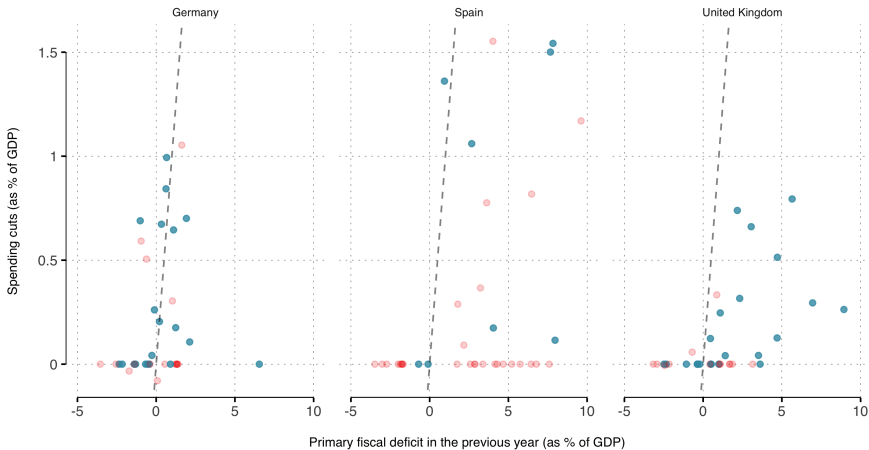
Socio-econ questions and attentiveness checks

Survey in DE, ES and UK • Analyzed with QBMLM and FML

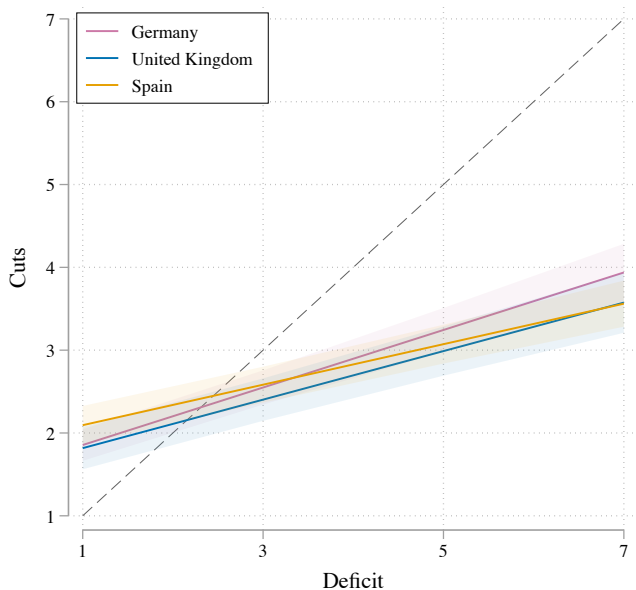
The macro story

Relationship between spending cuts and primary fiscal deficit

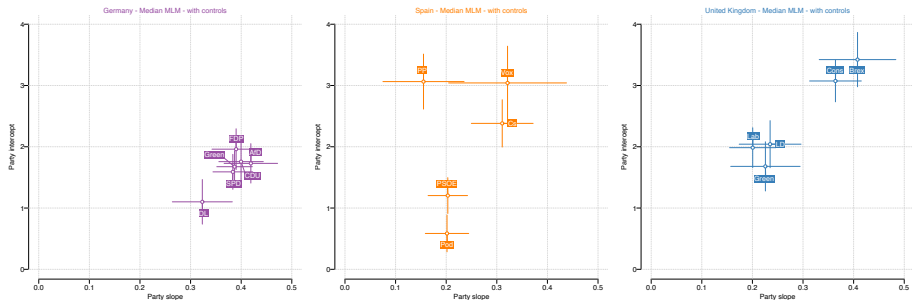
Blue points represent conservative governments, red points socialist cabinets.



Primary trade-off (aggregated)



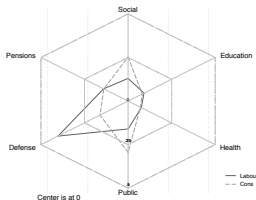
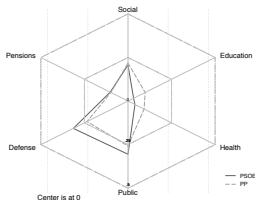
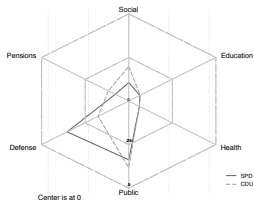
Primary trade-off (*disaggregated*)



Partywise, 3 different austerity universes:

- ▶ DE: overlapping austerity universes ($\approx \alpha$ and $\approx \beta$)
- ▶ ES: parallel austerity universes ($\neq \alpha$ and $\approx \beta$)
- ▶ UK: diverging austerity universes ($\neq \alpha$ and $\neq \beta$)

Secondary trade-off (compositional)



Left parties cut more on defense, but this is tricky

So agreement on other categories is key

- ▶ DE: overlapping compo preferences (H, E, PS)
- ▶ ES: overlapping compo preferences (P, S, PS)
- ▶ UK: not so overlapping compo preferences (P, E & H [ringfenced])

Conclusion

Austerity: so why some can and some can't?

Our answer: depends on Voter Partisan Coalitions (VPC) on two trade-offs

- ▶ DE: less constraining easy VCP
- ▶ ES: discrepancy btw I and II trade-off, difficult VPC
- ▶ UK: diverging austerity preferences, difficult VPC

Trade-off:	Primary	VPC	Secondary	VPC
DE	✓	overlapping	✓	overlapping
ES	✗	parallel	✓	overlapping
UK	✗	diverging	✗	not so much

Thank you!