Austerity. An international comparison of the implementation of austerity plans and their social consequences.

1 Summary of the research plan

In the 1980s, mature democracies in Europe, Asia, and America entered a period of permanent austerity. This pressure for austerity was intensified considerably in 2008 and 2009 when nearly all governments announced new plans for fiscal consolidation after a short period of counter-cyclical policy. While we know much about the determinants of austerity policies and the economic effects of the various variants, we know little about the implementation of fiscal consolidation plans and their social effects. Clearly, some governments fail to effectively implement austerity policies. In addition, while these may have socially devastating effects in some nations, these social costs are felt much less in other countries. Against this background this project attempts to answer two simple questions: Which variables can explain the fact that some governments succeed in realizing their austerity plans and other fail to do so? Do austerity policies always increase inequality, and provided there is variation in their social effect, how can we explain this?

The analysis is based on a comparison of EU member countries plus the US, Canada, New Zealand, Australia, Japan, Norway, Iceland, and Switzerland. We combine three analyses: (1) A quantitative approach using three different operationalizations of large fiscal consolidations in the period 1980-2012 when analysing the effects of austerity on various measures of social inequality; (2) a quantitative approach, which analyses the extent to which austerity has been implemented after 2008 and the politico-institutional variables which can explain these variations, controlling for economic circumstances and processes; and (3) a qualitative analysis of selected cases of austerity after 2008, which relies on and deepens the quantitative analyses.

2 Research plan

2.1. Current state of research

Austerity policies are large fiscal consolidations that rely at least partially on spending cuts. As it turns out, almost all of these cuts are complemented by attempts to increase tax revenue. As a recent OECD survey of fiscal consolidation plans in the OECD from 2009 to 2015 (OECD, 2011: 32) shows, all planned fiscal consolidations contain elements of spending cuts; in most cases these make up the largest part of consolidation, and there is no case of fiscal consolidation relying exclusively on revenue increases. We therefore use the terms 'austerity policy' and 'large fiscal consolidation' synonymously; in our analyses, however, we will also differentiate whether the emphasis is strongly on spending cuts or on revenue increases. Large fiscal consolidations generally cannot be achieved within a short period of one year; in most cases they cover a time perspective of at least two years.

Several authors argue that by the 1980s, or at the latest by the 1990s, a new age of permanent austerity began (see for example Pierson, 1994, Pierson, 1996, Pierson, 2001). Among the various reasons for this are the failures of Keynesian policies in the 1970s, the political decisions in favor of prudent fiscal policy, and independent central banks, and - in Europe – the decision to create the Euro. Moreover, the institutional commitments of governments to (often welfare state related) expenditure programs that are hardly reversible (such as pension schemes or public sector employment) increasingly narrowed the fiscal span for discretionary policies (Streeck and Mertens, 2010b, Streeck and Mertens, 2010a). This general trend towards austerity was suspended for a short period in some countries in 2008 and 2009, when governments tried to respond to the great recession since 2007 by expansionary policies (Armingeon, 2012, Cameron, 2012, Hall, 2012, Pontusson and Raess, 2012). By the end of 2009 however, nearly all governments announced to abandon expansionary policies in favor of tightening the fiscal stance (IMF, 2010a). This was most acutely felt in the Euro-zone countries when the recession resulted in the destabilizing of the Euro and the sovereign debt crisis. In some countries – Greece, Ireland, Italy, Portugal, Spain – dramatic austerity programs were launched which, to a large extent, were imposed by the EU and the IMF (OECD, 2011, Armingeon and Baccaro, 2012c, Armingeon and Baccaro, 2012b). Fiscal policies converged and austerity became the only game in town (Armingeon, 2012b).

Large fiscal consolidations have been a recurrent topic in economic research. The state of the art has recently been summarized by Alesina and the IMF (Alesina, 2010, Alesina and Ardagna, 2010, IMF, 2010b: Chapter 3). The major questions were: Under what conditions do austerity programs get launched? Do they reach their goals? What are the economic side effects? What type of consolidation –cutting spending or increasing taxes – is most successful? Political scientists joined the debate by asking to what extent politico-institutional variables help to understand the emergence and the sustainability of consolidations (Hallerberg et al., 2009; Wagschal and Wenzelburger, 2008a, 2008b; Wagschal and Wenzelburger, 2012). Less prominently, some authors asked whether consolidation would lead to changing composition of governments. The seminal work was by Pierson (Pierson, 1994) for the case of cuts in social spending, who argued that welfare state retrenchment is an electorally risky undertaking. This was qualified by subsequent research: Alesina found no systematic punishment brought on by large consolidations (Alesina et al., 1998, Alesina et al., 2010); other authors showed that electoral punishment for welfare state retrenchment was conditional on campaigns or the retrenching party (Arndt, 2011, Armingeon and Giger, 2008, Giger, 2011, Giger and Nelson, 2011). Finally Colomer (2012) argued that during the economic crisis citizens adopted a strategy to 'fire the coach', analogous to when the coach of an underperforming soccer teams is fired, despite the fact that he is not responsible for the team's failures.

While we find considerable research activity dealing with the genesis and success of fiscal consolidations , two questions remain arguably under-researched:

1) **Although governments frequently announce fiscal consolidation, how can we explain why they fail to fully implement it?**

One obvious reason is that although they cut spending and increase taxes as planned, the effects of these actions are offset by processes such economic recessions or external shocks beyond the control of government. A second reason is that plans are not realistic, for example if a government plans to increase revenues by selling public enterprises or public property for which there is no buyer. A third reason may be related to the type of austerity: Under conditions of relatively low growth, austerity programs lean heavily on the side of cutting spending, while in times of relatively high growth, they rely more heavily on revenue increases.

A fourth reason is that plans are modified over the course of implementation. Here the older literatures on policy implementation (Mayntz, 1983) are highly relevant. One major insight is that politico-institutional variables are important not only for the process of decision making, but also for that of policy implementation. This also applies to the more recent literature on program implementation. The experience from compliance with EU programs is particularly helpful in this regard (Falkner et al., 2005, Pülzl and Treib, 2007, Scharpf, 1999), since the contexts of the implementation of an EU directive are comparable to the context of implementing current austerity programs in the European Union: the program is largely designed by external actors (EU, IMF, ECB), or at least strongly influenced by them, while national political systems are obliged to implement these programs. From studies on EU compliance we know that negotiation processes between the EU and the national level of governance are important (see for example Scharpf, 2000) and that the goodness-of-fit between imposed programs and national institutions and politics are relevant (Boerzel and Risse, 2000). But domestic politics and institutions seem to be even more important for the process of implementation (Treib, 2004). In this regard, national institutions for inclusion or strategies aimed at excluding actors are crucial. For example, as convincingly shown in the research on Swiss policy implementation, the loss of time in consensus building during decision making will be compensated by higher efficiency during policy implementation, since actors have agreed on a program and therefore have no incentive to dismantle a program that they dislike (Linder, 1988). Another study on the inclusive strategies of governments during fiscal consolidation pointed to political constraints and needs of governments (Afonso 2010). Moreover, analyses of historical cases of consolidation (Wagschal and Wenzelburger, 2008a) point to the importance of party systems and power distributions within government as an additional reason why governments may fail to fully implement planned austerity measures (Hallerberg, 2000, Hallerberg et al., 2009). Finally, recently observable problems with regard to the implementation of austerity in Southern Europe may be closely linked to the fact that these policies are imposed by external actors, half-heartedly accepted by governing elites, and fiercely opposed by major domestic interest groups such as trade unions. Correspondingly, political will and economic ideology of national policymakers and public support for austerity policies are further important explanatory factors.

In our analysis we will therefore start from a standard model of political decision making, taking into account the actors (such as political parties, interest organizations), their power resources, and their strategies and traditions of conflict and cooperation within a given institutional context and under the constraint of limited policy alternatives (Scharpf, 1997). We expect conflictual and consensual strategies. In case of the former, social groups and their political representatives who suffer most from austerity will oppose and most likely be successful in mitigating it, provided they have sufficient power resources – for example in terms of votes or citizens who can be mobilized. In contrast, success of consensual strategies may depend on actors' abilities to compensate losers and sustain broad coalitions. This implies that there are no major incentives or opportunities for actors to free-ride on the cooperation of others. Basically, this model of domestic politics with the core idea of group conflict and their socio-economic foundations go back to Marx' idea of class conflict (Marx and Engels, 1968) and to the idea of group conflict in pluralist theory (Truman, 1962). Major arguments about political coalitions and strategies of inclusion have been developed in theories of corporatism (Schmitter and Lehmbruch, 1979) and of consociational and consensus democracy (Lehmbruch, 1967, Lijphart, 1968, Lijphart, 1999). The main and simple argument that actors may build coalitions if it is a rational strategy of interest intermediation is however also found in many other literatures. For example in a paradigmatic analysis of liberalization in Germany, Manfred Schmidt showed that the interaction of the two large political parties -- social-democratic and centrist/Christian Democratic party – and the institutions of the Federal Republic forced the government on a 'middle way' of liberalization (Schmidt 2012a). The counter-argument states that provided there is strong external pressure for austerity-strategies conflict or cooperation, inclusion or exclusion and the power distribution between social groups do not matter. There is some evidence for this view with regard to the design of austerity programs in Southern European countries after 2010 (Armingeon and Baccaro, 2012c, Armingeon and Baccaro, 2012b). However whether group interests and politics become important once these programs are in the process of implementation remains to be answered. Our analyses of the implementation of austerity programs therefore start from two competing hypotheses: The first states that austerity programs since 2008 can hardly be modified during the course of implementation – at least if external constraints (requirements and sanctions by EU, IMF, and ECB) are tight. The second hypothesis states that even under these conditions institutions (such as negotiation democracy),and politics (such as a strong left party) make a difference: We would expect that left parties tend to mitigate an austerity program and that negotiation structures lead to a more balanced distribution of costs on social groups.

2) **Is austerity policy always redistributive, discriminating against the disadvantaged? And if there is some variation with regard to the social effects of austerity, can it be explained by political variables? Or, to put it the other way around: Provided austerity is the only game in town, does politics matter with regard to who suffers most?**

There is very little systematic research that deals with these questions, and the answers are far from clear. For example, when imposing austerity programs on Southern European countries, the IMF and national governments promised to pursue these policies in a way such that the lower social strata would be protected. In a similar vein, economic advisors argued that austerity will only make a difference for the poor in efficient welfare states that redistribute market income by means of taxes and social transfers. In less efficient ones – such as in Southern Europe – the redistributive effects of the welfare state are much more muted from the offset, thereby rendering austerity measures much less pronounced in these countries – the outgoing tide will lower all boats and policy makers may even be able to combine improvement of the situation of the disadvantaged, by way of smart welfare state reform, with fiscal adjustment (Alesina, 2010: 10). The counter-argument is loudly pronounced in Greek and Portuguese streets in these days: Here left politicians and trade unions argue that austerity has hit employees, lower income groups, and marginalized social groups with particular force.

There is a lack of research on the impact of austerity policies on welfare state schemes and their conditioning effect on the social implications of large fiscal consolidations. Hypotheses can however easily be deduced from findings and theories about welfare states. With respect to the first part of the argument, welfare state expenditures currently account for about half of total government outlays in Western welfare states (i.e. excluding the democracies in Central and Eastern Europe) (average of 2000-2007; Source: Armingeon et al., 2011). Any austerity policy will therefore rely to some considerable degree on shrinking the welfare state. But the extent to which this actually is the case may be conditioned by institutional and political variables, even after controlling for the severity of the fiscal crisis and the required amount of consolidation. Building upon the literature on the determinants of the welfare state, we expect that the following variables have considerable explanatory power: The type of capitalism ('liberal' versus 'coordinated') (Hall and Soskice, 2001), the type of welfare state (the various worlds of welfare, including the 'Southern European' and the 'Eastern European' type (see Part IV in Castles et al., 2010)), and the type of the political system ('Westminster' versus 'consensus') (Lijphart, 1999). In addition, the political composition of government as well as the general political power distribution is expected to shape policy development (Schmidt, 2010, Korpi and Palme, 2003, Huber and Stephens, 2001). In particular the works of Manfred Schmidt have stressed the importance of the structure of party competition for social policy reform (Schmidt 1996; Schmidt 2002; Schmidt 2012b). With respect to the second part of the argument, there is strong evidence that welfare states make a real difference for the living conditions of citizens. Depending on its type and structure, the welfare state considerably reduces social inequality. If austerity – mediated by socio-economic, institutional, and political variables – leads to welfare state retrenchment, the result should therefore be increases in inequality of living and earning conditions. (see for example Alber, 2001, Alber, 2002, Schmidt, 2012b, Pontusson, 2005).

2.2 Own research

Klaus Armingeon has been focusing on the political processes during the great recession since 2009. Prior to this research he worked extensively in the fields of comparative welfare state research, comparative industrial relations, and comparative political institutions. He has built up several datasets for comparative political analysis which are widely used in the academic community. His recent papers and projects deal with the following questions:

a) Why did some governments initially respond to the great recession with expansionary policies and others with austerity? (Armingeon, 2012a)
b) How can we explain the problems of Southern European countries? What policy alternatives did they have and what were the effects on citizens' support for democracy? (Armingeon and Baccaro, 2012c, Armingeon and Baccaro, 2012b). These papers were written together with Lucio Baccaro, a professor of sociology at the University of Geneva, and led to intensive research on the effects of liberalization – including the application of methods from policy analysis in economics (difference-in-differences analysis) (Armingeon and Baccaro, 2012a). A paper from this project on liberalization is currently under review.
c) Did the policy responses during the great recession lead to an erosion of trust in the European Union? This project was done together with a PhD student from the University of North Carolina at Chapel Hill (UNC), Besir Ceka. The paper is currently under review.
d) Did the policy responses during the great recession lead to an erosion of support for national democracy? This project was done together with a PhD student from the University of Bern, Kai Guthmann. The paper is currently under review.
e) Are there patterns of coalition building at the level of the European Council with regard to European strategies fighting the sovereign debt crisis and the destabilization of the Euro zone? What role do domestic political conflicts play? To what extent are policy makers constrained by patterns of public opinion? This is an on-going project together with Skyler Cranmer, an assistant professor at UNC.
f) Did the great recession lead to major welfare state innovations? This article will be published in a new edition of a well-known reader of welfare state studies (Armingeon, 2012).
g) Germany, as a trading state, has a vital interest in the stabilization of the Euro zone. On the other hand, it is very reluctant to accept major transfers to Southern European nations, which could be a precondition for the sustainability of the Euro. How can we explain the policy stances of German politicians and interest groups leaders? This is an on-going project with Lucio Baccaro (University of Geneva). Most of the expert interviews, on which this paper will be based, have already been conducted.

h) Armingeon and Baccaro just received a grant by the Swiss National Science Foundation to study liberalization policies –i.e. market-enabling (regulatory) reforms -- in the fields of labour markets, product markets, collective labour relations, public sector size and privatisation, tax policies, welfare states and education in the period 1980-2012. They intend to create a data base that helps to answer three major questions: What are the conditions under which liberalising reforms are enacted? What are the conditions under which liberalising reforms achieve beneficial economic goals? What are the electoral consequences of liberalising reforms?

2.3 Detailed research plan

Our project consists of three interrelated analyses of austerity periods. The first quantitative analysis focuses on the consequences of austerity for social inequality during the period 1980-2012 (or latest date for which data are available) in a maximum of 35 countries. The reason why we go back in time is that we need to have data on social inequality (group-specific unemployment rates, indicators for income inequality) that are not yet available for the most recent years of the current period of austerity.

In a second analysis we study the explanatory power of politico-institutional variables for the implementation of austerity policy. Here we confine our analysis to the years between 2008 and 2012. For these years we (will) have data on planned and achieved government balances. This gives us a dataset of a maximum of 135 observations (35 countries * 5 years). The third analysis is qualitative; it studies the process of fiscal consolidation in six countries in 2008-2013.

Analysis # 1: Austerity and social inequality (1980-2012)

We will start from three operationalizations of austerity. The standard approach is to define it as significant changes in cyclically adjusted deficits. If the adjusted primary balance improves by at least 1.5% of GDP in a given year, this is called a large fiscal adjustment by Alesina (Alesina and Ardagna, 2010: 41). An augmented operationalization uses changes in (unadjusted) deficits and debts and considers whether this process lasts for at least two years (Wagschal and Wenzelburger, 2012: 47-49). A third approach is called the 'action approach' and has been developed by the IMF

(IMF, 2010b: 96-97). It identifies "cases in which the government implemented tax hikes or spending cuts […] to reduce the budget deficits and put public finances on a more sustainable footing" (IMF, 2010b: 96). This measure therefore does not focus on the outcomes but rather the actions taken by governments. These data are available for a limited number of countries in our sample. Given our existing data base (Armingeon et al., 2012, Armingeon et al., 2011), we will not have major problems in identifying periods of large fiscal consolidation according to the standard approach for the entire sample and the period 1980-2012. We will try to apply the IMF's action approach-measure not only to the 15 advanced economies during 1980-2009 for which data are already available, but also to additional countries, if possible. In this sub-project, as in the quantitative analysis of implementation for 2008-2012 and in the qualitative analysis of six countries, we will systematically control for the type of austerity: is it more reliant on spending cuts or do tax measures generate a larger share of fiscal consolidation?

We will measure their effects on social inequality for these different operationalizations of austerity. By social inequality we mean income inequality and labor market inequality; i.e. group-specific employment and unemployment rates (female, young, unskilled, older workers). We will use the standard procedure of policy analysis for a universe in which some subjects were treated and others not; i.e. the difference-in-differences approach (Angrist and Pischke, 2009). This is a quasi-experimental design in which the differences of the respective variable in the treated groups (countries with austerity) before and after austerity are compared to the difference of that variable in the non-treated group. We complement this analysis with a standard regression analysis. The data for the independent politico-institutional variable come mainly from the Comparative Political Data Set (Armingeon et al., 2012, Armingeon et al., 2011) and underlying sources. The data on inequality are mainly from the OECD, the World Bank, and the Luxembourg Income Studies (LIS). There will be some data limitations: For example, while the LIS-data are not available for all 35 countries during 1980-201,we will however have data for a sufficiently large subset of our sample.

Analysis # 2: Implementing austerity (35 countries, 2008-2012)

We take advantage of the fact that since 2008 the major democracies under study underwent a major crisis, unleashing a period in which governments everywhere experienced extraordinarily strong incentives for austerity. This setting allows us to study how governments respond to such major (and roughly similar) challenges. The quantitative analysis uses data from the IMF Fiscal Monitor and its updates (IMF, 2010a, IMF, 2011b, IMF, 2011a, IMF, 2012), and related IMF sources to analyze the extent to which plans for fiscal consolidation have been implemented. We will develop and estimate regression models (in a Time Series Cross Sectional design, see Beck and Katz, 2011) with the difference between the planned and actual deficit (and expenditures) serving as the dependent variable. This will be regressed on socio-economic and politico-institutional variables, most of which are available in the Comparative Political Data Sets (Armingeon et al., 2012, Armingeon et al., 2011).

Analysis # 3: Fiscal consolidation in the sovereign debt crisis (6 countries, 2008-2013)

Both quantitative analyses will help to identify the most important variables and configurations explaining the social consequences and the implementation deficits of austerity policies. But even in dynamic models with interactive terms we will not be able to fully reflect on and understand the processes that flow from austerity plans to implemented austerity and its social consequences. In order to reconstruct these processes and to distinguish different paths of policy, we need qualitative analyses that can account for contexts and configurations. In particular we are interested in the trajectories of welfare state reforms: Which type of welfare reforms were pursued? Was crisis and austerity an opportunity for policy innovation (Gourevitch, 1986) that allowed for smart social policy reforms in the interest of the disadvantaged (Alesina, 2010)? Or do we witness welfare state reforms driven mainly by socio-economic factors and generally shrinking social policy transfers (Hall, 2012, Armingeon, 2012b)? Based on our quantitative analysis we will select around six countries that represent different models of austerity. In the qualitative analysis we will use newspaper reports, government reports, IMF/OECD/EU reports, and statements by political parties and interest organizations. If the material is not available in German, English, or French we will use electronic translation programs (http://translate.google.com/). In an on-going project (with Skylper Cranmer, UNC) we have found that these translations are sufficient to understand the main messages and content of such press releases, policy statements, etc. In addition, we will conduct interviews with policy makers (elites from government, political parties, and interest groups). We plan to have a week of interviews for each country. In an on-going project on German decision processes during the sovereign debt crisis (with Lucio Baccaro), we learned that this fieldwork is immensely helpful in understanding and analyzing types of policy formation.

2.4 Time Schedule and organization

The project will begin in July 2013. It will be led by Klaus Armingeon. Kai Guthmann, a PhD candidate at the University of Bern, will be the main project collaborator. He has received intensive training in statistical methods, in particular in Times Series Cross Sectional Analysis, multi-level analysis, and Bayesian statistics, which will be of utmost importance in this project. Moreover, he has extensive experience in empirical analysis and political economy. His master's thesis at the University of Konstanz dealt with the political and institutional foundations of strong currencies in a comparative perspective. He is currently preparing this thesis for submission to a journal.

In the first year we will do the quantitative analyses. In the second year we will conduct the case studies of the six countries. In the last year, we will perform additional analyses based on the pervious findings and write research reports. We intend to produce at least two papers (one based on the quantitative and one on the qualitative analysis), which will be written together. In addition to that, Kai Guthmann will write a PhD thesis based on the data and analyses of this project.

2.5 Relevance

Although we have been living in a period of permanent austerity for some time now, we know rather little about the implementation and social consequences of austerity measures. In particular there is a lack of comparative and systematic studies. This is a major research deficit and this project will contribute considerably to this debate. In addition, the project will study one of the most critical periods of fiscal and social policy making in the post-war period: the great recession that started in 2007/2008 which turned into a sovereign debt crisis by 2010. We will collect and present quantitative and qualitative data that are not only important for our analyses but which will also be of great value to the academic community. The data will be made accessible via Internet, data archives, etc. In particular they will be added to our 'Comparative Political Data Set.' which can be downloaded from our website and is widely used in studies of comparative political economy.

Finally, this project has a major political relevance: What does austerity mean for the living conditions of ordinary citizens? To what extent can austerity policies be designed in such a way that they minimize the harm done to those who are particularly disadvantaged? Can austerity policies be modified in the course of implementation? What are the most important forces responsible for such modifications? Do these modifications pay off for citizens, or do they make the situation even worse by delaying reforms that cannot be avoided?

References

AFONSO, A. 2010. *Europeanisation and Social Partnership in Small European States (Doctoral thesis),* Lausanne: University of Lausanne.

ALBER, J. 2001. Hat sich der Wohlfahrtsstaat als soziale Ordnung bewährt? *In:* MAYER, K. U. (ed.) *Die Beste aller Welten? Marktliberalismus versus Wohlfahrtsstaat. Eine Kontroverse.* Frankfurt am Main, New York: Campus.

ALBER, J. 2002. Besser als sein Ruf. Der Sozialstaat als erfolgreiches Modell. *WZB Mitteilungen*, 24-28.

ALESINA, A. 2010. *Fiscal adjustments: lessons from recent history,* Cambridge, Mass. (Harvard University), Unpublished paper, prepared for Ecofin meeting, Madrid, April 15, 2010.

ALESINA, A. & ARDAGNA, S. 2010. Large Changes in Fiscal Policy: Taxes versus Spending. *Tax Policy & the Economy,* 24, 35-68.

ALESINA, A., CARLONI, D. & LECCE, G. 2010. *The Electoral Consequences of Large Fiscal Adjustments,* Boston (Harvard University), Unpublished paper.

ALESINA, A., PEROTTI, R. & TAVARES, J. 1998. The Political Economy of Fiscal Adjustments. *Brookings Paper on Economic Acitivity,* 29, 197-226.

ANGRIST, J. D. & PISCHKE, J.-S. 2009. *Mostly Harmless Econometrics. An Empiricist's Compagnion,* Princeton and Oxford, Princeton University Press.

ARMINGEON, K. 2012. The Politics of Fiscal Responses to the Crisis of 2008–2009. *Governance*, 25, 543-565.

ARMINGEON, K. 2012 Breaking with the past? Why the great recession caused austerity policies but no modernization of the welfare state (3rd ed.). *In:* CASTLES, F. & PIERSON, C. (eds.) *The Welfare State Reader.* London: Blackwell.

ARMINGEON, K. & BACCARO, L. 2012a. *Do Labor Market Liberalization Reforms Pay Off?,* Lucerne, Paper presented at the annual congress of the Swiss Political Science Association.

ARMINGEON, K. & BACCARO, L. 2012b. Political Economy of the Sovereign Debt Crisis: The Limits of Internal Devaluation. *Industrial Law Journal,* 41, 254-275.

ARMINGEON, K. & BACCARO, L. 2012c. The Sorrows of Young Euro: Policy Responses to the Sovereign Debt Crisis. *In:* BERMEO, N. & PONTUSSON, J. (eds.) *Coping with Crisis: Government Reactions to the Great Recession.* New York: Russel Sage

ARMINGEON, K., CAREJA, R., WEISSTANNER, D., ENGLER, SARAH, POTOLIDIS, P., GERBER, M. & LEIMGRUBER, P. 2012. *Comparative Political Data Set III 1990-2010,* Bern, Institute of Political Science, University of Berne.

ARMINGEON, K. & GIGER, N. 2008. Conditional Punishment. A comparative analysis of the electoral consequences of welfare state retrenchment in OECD nations, 1980-2003. *West European Politics,* 31, 558-580.

ARMINGEON, K., WEISSTANNER, D., ENGLER, S., POTOLIDIS, P., GERBER, M. & LEIMGRUBER, P. 2011. *Comparative Political Data Set I 1960-2009,* Bern, Institute of Political Science, University of Berne.

ARNDT, C. 2011. *The Electoral Consequences of Third Way Welfare State Reforms : Social democracy's Transformation and Its Political Costs,* Århus, Forlaget Politica.

BECK, N. & KATZ, J. 2011. Modeling Dynamics in Time-Series–Cross-Section Political Economy Data. *Annual Review of Political Science,* 14, 331-352.

BOERZEL, T. A. & RISSE, T. 2000. When Europe Hits Home: Europeanization and Domestic Change. *European Integration online Papers,* 4.
CAMERON, D. R. 2012. Fiscal responses to the economic contraction of 2008-09. *In:* BERMEO, N. & PONTUSSON, J. (eds.) *Coping with Crisis: Government Reactions to the Great Recession* New York: Russell Sage.
CASTLES, F., LEIBFRIED, S., LEWIS, J., OBINGER, H. & PIERSON, C. (eds.) 2010. *The Oxford Handbook of the Welfare State,* Oxford: Oxford University Press.
COLOMER, J. M., and P. MAGALHAES. 2012. *Firing the Coach: How Governments Are Losing Elections in Europe.* Washington, D.C.: Paper prepared for the conference 'Political Consequences of the Economic Crisis: Voting and Protesting in Europe', Georgetown University, April 2012
FALKNER, G., TREIB, O., HARTLAPP, M. & LEIBER, S. 2005. *Complying with Europe. EU Harmonisation and Soft Law in the Member States,* Cambridge, Cambride University Press.
GIGER, N. 2011. *The Risk of Social Policy? The electoral consequences of welfare state retrenchment and social policy performance in OECD countries,* London and New York, Routledge.
GIGER, N. & NELSON, M. 2011. The electoral consequences of welfare state retrenchment: Blame avoidance or credit claiming in the era of permanent austerity? *European Journal of Political Research,* 50**,** 1-23.
GOUREVITCH, P. 1986. *Politics in Hard Times. Comparative Responses to International Economic Crises,* Ithaca/London, Cornell University Press.
HALL, P. A. 2012. The Political Origins of Our Economic Discontents: Contemporary Adjustment Problems in Historical Perspective. *In:* KAHLER, M. & LAKE, D. (eds.) *Politics in the New Hard Times.* Ithaca: Cornell University.
HALL, P. A. & SOSKICE, D. (eds.) 2001. *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage,* Oxford: Oxford University Press.
HALLERBERG, M. 2000. *The Importance of Domestic Political Institutions: Why and How Belgium and Italy Qualified for EMU (Center for European Integration Studies Working Paper B 10/2000),* Bonn, Rheinische Friedrich-Wilhelms-Universität Bonn.
HALLERBERG, M., STRAUCH, R. R. & HAGEN, J. V. 2009. *Fiscal Governance in Europe,* Cambridge, Cambridge University Press.
HUBER, E. & STEPHENS, J. D. 2001. *Development and Crisis of the Welfare State. Parties and Policies in Global Markets,* Chicago and London, The University of Chicago Press.
IMF 2010a. *Fiscal Monitor. Fiscal Exit. From Strategy to Implementation. November 2010,* Washington, D.C., IMF.
IMF 2010b. *World Economic Outlook. October 2010. Recovery, Risk and Rebalancing,* Washington, D.C., IMF.
IMF 2011a. *Fiscal Monitor. Adressing Fiscal Challenges to Reduce Economic Risks. September 2011,* Washington, D.C., IMF.
IMF 2011b. *Fiscal Monitor. Shifting Gears. Tackling Challenges on the Road to Fiscal Adjustment. April 2011,* Washington, D.C., IMF.
IMF 2012. *Fiscal Monitor. Balancing Fiscal Policy Risks. April 2012,* Washington, D.C., IMF.
KORPI, W. & PALME, J. 2003. New Politics and Class Politics in the Context of Austerity and Globalization: Welfare State Regress in 18 countries, 1975-95. *American Political Science Review,* 97**,** 425-446.
LEHMBRUCH, G. 1967. *Proporzdemokratie. Politisches System und politische Kultur in der Schweiz und Österreich,* Tübingen, Mohr (Siebeck).

LIJPHART, A. 1968. *The Politics of Accommodation. Pluralism and Democracy in the Netherlands,* Berkeley/Los Angeles, University of California Press.
LIJPHART, A. 1999. *Patterns of Democracy: Government Form and Performance in Thirty-Six Countries,* New Haven, Yale University Press.
LINDER, W. 1988. *Politische Entscheidung und Gesetzesvollzug in der Schweiz. Entscheidungsprozesse in der schweizerischen Demokratie.,* Bern, Stuttgart, Haupt.
MARX, K. & ENGELS, F. 1968. Manifest der Kommunistischen Partei (zuerst 1848). *In: Marx Engels Werke. Band 4.* Berlin: Dietz.
MAYNTZ, R. (ed.) 1983. *Implementation politischer Programme II - Ansätze zur Theoriebildung,* Opladen: Westdeutscher Verlag.
OECD 2011. *Restoring Public Finances (OECD Working Party of Senior Budegte Officials,* Paris, OECD.
PIERSON, P. 1994. *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment,* Cambridge, Cambridge University Press.
PIERSON, P. 1996. The New Politics of the Welfare State. *World Politics,* 48**,** 143-179.
PIERSON, P. 2001. Coping with Permanent Austerity: Welfare State Restructuring in Affluent Democracies. *In:* PIERSON, P. (ed.) *The New Politics of the Welfare State.* Oxford: Oxford University Press.
PONTUSSON, J. 2005. *Inequality and Prosperity. Social Europe vs. Liberal America,* Ithaca and London, Cornell University Press.
PONTUSSON, J. & RAESS, D. 2012. How (and Why) Is This Time Different? The Politics of Economic Crisis in Western Europe and the United States. *Annual Review of Political Science,* 15**,** 13-33.
PÜLZL, H. & TREIB, O. 2007. Implementing Public Policy. *In:* FISCHER, F., MILLER, G. J. & SIDNEY, M. S. (eds.) *Handbook of Public Policy Analysis. Theory, Politics, and Methods.* London, New York, Boca Raton: CRC Press.
SCHARPF, F. W. 1997. *Games Real Actors Play. Actor-Centered Institutionalism in Policy Research,* Colorado/Oxford, WestView Press.
SCHARPF, F. W. 1999. *Governing the European Union. Effective and Democratic?,* Oxford, Oxford University Press.
SCHARPF, F. W. 2000. *Notes Toward a Theory of Multilevel Governing in Europe (MPIfG Discussion Paper 00/5),* Cologne, MAx-Planck Institute
SCHMIDT, M. G. 1996. 'Germany. The Grand Coalition State.' In *Political Institutions in Europe*, ed. Colomer, J. M. London and New York: Routledge, 62-98.
SCHMIDT M. G. 2002. 'The Impact of Political Parties, Constitutional Structures and Veto Players on Public Policy.' In *Comparative Democratic Politics. A Guide to Contemporary Theory and Research*, ed. Keman, H. London: Sage, 166--184.
SCHMIDT, M. G. 2010. Parties. *In:* CASTLES, F., LEIBFRIED, S., LEWIS, J., OBINGER, H. & C. Pierson (eds.) *Oxford Handbook on Welfare States.* Oxford: Oxford University Press.
SCHMIDT, M. G. 2012a. 'Der mittlere Weg der Liberalisierung -- Deutschland im internationalen Vergleich.' In *Superwahljahr 2011 und die Folgen*, ed. Jesse, E. and R. Sturm. Baden: Baden: Nomos.
SCHMIDT, M. G. 2012b. Wirklich nur Mittelmaß? Deutschlands Sozialstaat im Spiegel neuer international vergleichender Daten, Heidelberg: unpblished manuscript.
SCHMITTER, P. C. & LEHMBRUCH, G. (eds.) 1979. *Trends Towards Corporatist Intermediation,* Beverly Hills, London: Sage.
STREECK, W. & MERTENS, D. 2010a. *An Index of Fiscal Democracy,* Cologne, Max Planck Institute for the Study of Societies, Discussion Paper 10/3.

STREECK, W. & MERTENS, D. 2010b. *Politik im Defizit. Austerität als fiskalpolitisches Regime,* Cologne, Max Planck Institute for the Study of Societies, Discussion Paper 10/5.
TREIB, O. 2004. *Die Bedeutung der nationalen Parteipolitik für die Umsetzung europäischer Sozialrichtlinien,* Frankfurt am Main, Campus.
TRUMAN, D. B. 1962. *The Governmental Process. Political Interests and Public Opinion,* New York, Alfred A. Knopf.
WAGSCHAL, U. & WENZELBURGER, G. 2008a. *Haushaltskonsolidierung,* Opladen, Westdeutscher Verlag.
WAGSCHAL, U. & WENZELBURGER, G. 2008b. Roads to Success: Budget Consolidations in OECD Countries. *Journal of Public Policy,* 28**,** 309-339.
WAGSCHAL, U. & WENZELBURGER, G. 2012. When do Governments Consolidate? A Quantitative Comparative Analysis of 23 OECD Countries (1980,Äì2005). *Journal of Comparative Policy Analysis: Research and Practice,* 14**,** 45-71.