Democracy in crisis? The declining support for national democracy in European countries, 2007–2011

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Abstract. The Great Recession that started in 2007/2008 has been the worst economic downturn since the crisis of the 1930s in Europe. It led to a major sovereign debt crisis, which is arguably the biggest challenge for the European Union (EU) and its common currency. Not since the 1950s have advanced democracies experienced such a dramatic external imposition of austerity and structural reform policies through inter- or supranational organisations such as the EU and the International Monetary Fund (IMF) or as implicitly requested by international financial markets. Did this massive interference with the room for maneuver of parliaments and governments in many countries erode support for national democracy in the crisis since 2007? Did citizens realise that their national democratic institutions were no longer able to effectively decide on major economic and social policies, on economic and welfare state institutions? And did they react by concluding that this constrained democracy no longer merited further support? These are the questions guiding this article, which compares 26 EU countries in 2007–2011 and re-analyses 78 national surveys. Aggregate data from these surveys is analysed in a time-series cross-section design to examine changes in democratic support at the country level. The hypotheses also are tested at the individual level by estimating a series of cross-classified multilevel logistic regression models. Support for national democracy – operationalised as satisfaction with the way democracy works and as trust in parliament – declined dramatically during the crisis. This was caused both by international organisations and markets interfering with national democratic procedures and by the deteriorating situation of the national economy as perceived by individual citizens.

Keywords: democracy; crisis; European Union; external influence; legitimacy

Introduction

The global financial crisis that began in 2007 in the United States turned into a crisis of the real economy by 2008. In many European countries, this triggered severe sovereign debt crises beginning in early 2010, often followed by the implementation of tough austerity measures or programmes for structural reforms of the welfare state and labour market – with countries like Greece, Portugal, Spain, Ireland, Italy and the Baltic states representing the most prominent examples. To a large extent, these policies were explicitly imposed through the interaction between inter- and supranational organisations – the International Monetary Fund (IMF), the European Union (EU), or the so-called 'Troika', composed of the EU, the IMF and the European Central Bank (ECB) – and national governments or implicitly enforced through international financial market pressure. External actors therefore defined the room for manoeuver of national politics (Beckert & Streeck 2012). While parliaments were under strong pressure to accept the deals with the Troika, citizens did not have a say in the matter. Whether the citizenry had voted the previous government out of office, parliamentary parties cooperated or antagonised each other, social partners

cooperated or waged general strikes, or citizens demonstrated or stayed at home, was of little importance for the structural, fiscal and social policies agreed upon in the memorandums of understanding between the EU/IMF and national governments. In the end, the people simply had to accept the deals. In other words, democratic discourse was ineffective (Armingeon & Baccaro 2012).

External constraints on domestic policy making are nothing new to democratic nation-states. Small countries in particular have always had to cope with a limited room for manoeuver; and their national democracy was about enacting policies that were compatible with both external constraints and domestic institutions, and power relations (Katzenstein 1985). But arguably, the tough rules and requests made by external actors, or enforced through international financial markets during the sovereign debt crisis since 2007, undermined democratic self-determination to a hitherto unknown extent in mature European democracies since the end of the Second World War.

What effect did this temporary hollowing out of national democratic procedures have on citizen support for their national democratic system? Did they realise that their democratic institutions were no longer able to formulate effectively their own economic and social policies? If so, did citizens react by concluding that this severely constrained democracy no longer merited further support? These are the questions guiding this article.

Generalising from the 'Indignado' movements in Southern European countries, comprising protests against the Troika dictate that deprived the people of their voice, we assume that the very fact that *external actors were imposing* policies from outside led to an erosion of support for national democracy. In this sense, citizens evaluate their national democracy in an international frame: they attribute deficits of the national political system to the actions of external actors and forces. The general strike in Portugal in spring 2012, the results of the Greek elections in May and June 2012, or the bitter domestic conflicts over the implementation of austerity policies in November 2012 in Southern Europe are good examples illustrating these dynamics. As a consequence of having given in to the pressure exerted by private capital markets and by delivering the requested liberal reform and austerity policies in return for IMF, EU or ECB money, national parliaments and governments in these countries were cast in a very negative light by their citizens. At the same time, however, citizens also use a national frame of reference. Most relevant in times of economic crisis, citizens begin with an evaluation of their national economy and withdraw support for their democratic system if the perceived economic record is poor. Finally, national economic performance may also be affected by international developments: as externally imposed austerity tends to further aggravate the recession in crisis-ridden economies, and as citizens observe and evaluate this development within their national frame of reference, support for their national political system may erode even further.[1]

In substantial terms, our argument is therefore that citizens evaluate their national democracy within both an international and a national frame, and that the effect of international actors and markets interfering with national democracy works by demonstrating the constrained room for manoeuver of national politics. Independent of other domestic economic or policy variables, this triggers a drop in support for the national democratic system. We focus strictly on this relative impact of external interference with national democratic procedures. We are much less interested in the purely domestic process – that

is, in the way citizens use national structures, policies and outcomes when making up their minds about their national democratic system. We simply control for these domestic processes.

We use two operationalisations for support for national democracy: satisfaction with the way democracy works and trust in the major democratic institution – the national parliament. Our analysis is based on 78 national Eurobarometer (EB) surveys conducted between 2007 and 2011 and various country-level statistics. We use these surveys since they cover all EU Member States, are conducted in regular and short intervals before and during the crisis, and contain all the items we need for our analysis. Taken together, these factors make the EB superior to other high-quality data sets such as the European Social Survey (ESS), the Comparative Study of Electoral Systems (CSES) or the International Social Survey Programme (ISSP).

This article thus offers three innovations. To the best of our knowledge, it is the first comprehensive comparative analysis of the effects of the Great Recession and the concomitant policy responses on the support for national democratic systems using an extremely large amount of data. Second, in addition to established statistical techniques such as time-series cross-section (TSCS) methods, we estimate more sophisticated cross-classified multilevel (ML) logistic regression models, which allow us to analyse changes in support for democracy at the individual level through consecutive surveys in EU Member States. Finally, we show that citizens' support for their national democracy in times of economic crisis does not only depend on domestic conditions and developments. Rather, in evaluating the quality of their national democracy, citizens do also take into account the impact of external actors and forces interfering with national democratic procedures.

The remainder of the article is structured as follows. First, we present the theoretical argument, followed by a discussion of the data. Next, we present a descriptive analysis of country-level support over the course of the crisis. Finally, we discuss the TSCS as well as our ML regression models and interpret the main results.

Theoretical argument

In present times of crisis and globalisation, external actors and developments seem to dominate national democracy – at least in countries that have been particularly hard hit by the European debt crisis (Scharpf 2011; Armingeon & Baccaro 2012; Beckert & Streeck 2012). On the one hand, specific austerity and structural reform policies are currently being imposed from outside, as EU or IMF financial assistance is explicitly made conditional on their strict implementation. On the other hand, these same policies tend to be enforced implicitly through international financial markets as prohibitively high interest rates on sovereign debt compel national policy makers to implement ambitious reform and austerity measures that enable them to retain (or regain) the trust of and access to private capital. In other words, since the onset of the sovereign debt crisis, external actors define the room for manoeuver of national politics in many European countries to an unprecedented extent.

But does this mean that citizen support for national democracy drops as people attribute the loss of political maneuverability to these external actors? The 'Indignados' in Spain, Portugal and Greece, or the Occupy movements that started in the United States and

quickly spread to European cities such as Zurich, Frankfurt and Rome, signal increasing apprehension about the way national democracy is working. These movements were based on the idea that external actors have eroded national democracy. This was also the topic of Stéphane Hessel's 2011 booklet 'Indignez-vous', from which the Indignados took their name. But can we generalise from the small group of the activists in the squares in Barcelona, Madrid and Athens to the general public?

The idea of an explicit link between perceptions of external actors' activities and consequences for national democracy starts from strong assumptions that citizens have sufficient information and cognitive skills to develop arguments such as: 'The EU and international financial markets dictate what our political system has to do. By implication, our national democracy is no longer effective and this leads me to withdraw my support to this disappointing national democracy.' There certainly are doubts as to whether large shares of citizens are able to detect such causal relations. Around one in two Europeans are not really interested in politics and only about a third is able to correctly answer three simple questions on the EU. Two-thirds of respondents admit that they are not very well, or not at all, informed about the EU.[2]

Even if people are ill-informed and not interested in politics, however, they can hardly escape recent headlines in newspapers and on television suggesting a link between the pressure exerted by international bond markets or the policy prescriptions of the Troika, and the implementation of tough austerity and structural reform programmes in their home countries. We therefore have good reason to assume that a considerable part of the citizenry deliberately distinguishes between national and international actors and developments. Indeed, work by Karp et al. (2003) shows that citizens are able to distinguish the international from the national levels. In consequence, we argue that there is a direct link between EU/IMF conditionality or financial market pressure and support for national democracy. If support declines in times of crisis, this may be related to these external actors and markets interfering with national democratic procedures, thereby provoking citizens to conclude that national democracy has stopped working properly and does not warrant further support.

Nevertheless, a considerably body of literature argues that citizens often generalise from national experiences and knowledge when they form their opinions about international actors and causal processes that link the national to the international level (see, e.g., Anderson 1998; Leconte 2010). Most relevant in times of crisis, they start from an evaluation of their national economic situation and withdraw support for their political system if the economy is perceived to perform poorly. This process is well documented for electoral behaviour. The causal mechanisms are complicated and highly conditional on institutions (Duch & Stevenson 2008). For instance, objective economic outcomes are not directly translated to perceived ones. Moreover, Kayser and Peress (2012) show that citizens also factor in the situation in other countries, using it as a benchmark when assessing the performance of their own economy. Even then, however, people are mainly using a national frame of reference as their knowledge about international actors and (economic) interdependencies is limited. They place blame on national actors, even if domestic outcomes are to a substantial degree determined by international events beyond those actors' control (Anderson 1998; Rohrschneider 2002; Hooghe & Marks 2005). The national situation therefore affects both electoral behaviour and – as we suggest – support for the

democratic system. Support for national democracy should therefore be closely related to an assessment of the living conditions in a country, as partially reflected in actual and perceived economic outcomes, both of which deteriorated considerably during the crisis.

In many of the most crisis-ridden countries, external actors certainly were important in shaping these outcomes – for example, by imposing austerity measures that tended to deepen or prolong the recession. By early 2012 a large number of analysts agreed that the austerity policies implemented during the crisis often have adverse effects on growth and employment.[3] Likewise, the IMF Fiscal Monitors of April and October 2012 signaled an end of fiscal conservatism, arguing that 'as long as financing allows, a gradual but steady pace of adjustment seems preferable to heavy front-loading' (IMF 2012: IX). Such negative economic consequences of austerity should have amplified the withdrawal of support for the national democratic system.

There are two major concerns with regard to both our argument of an independent effect of external actors' interference with national democracy, as well as our ability to identify such an effect. First, one could argue that it is not so much the *act of imposing* policies from outside that undermines support, but that it is rather these *policies per se* that matter. Many citizens tend to suffer– in the short term at least – when governments cut welfare state benefits, shrink the public sector, raise taxes or liberalise the labour market. The decline of support may therefore be due to an independent effect of these policies – regardless of whether they are externally imposed. Similarly, one may argue that even if these policies are an explicit component of Troika conditionality or contemplated only under severe bond market pressure, they may still be attributed mainly to the national political system, since it is here where the final vote on such measures is taken. We therefore have to control for these policies in order to make sure that we do not attribute an effect to international actors that is substantially due to national policies alone.

Second, one might think that any effect we may find on the basis of our external interference variables is actually driven by endogeneity – that is, one could argue that nation-states were punished by financial markets and ended up under Troika surveillance because national policy makers failed to implement sound economic, social and fiscal policies in the past. In other words, governments themselves may have produced the economic environment that led to the crisis, and this is what ultimately caused financial market pressure, IMF/EU intervention and eventually also an erosion of democratic support. Greece may be cited as an example in this regard. If Greek citizens are found to have lost trust in their national democracy, it is arguably not primarily because of externally imposed policies, but rather because these policies are a direct consequence of bad governance and poor economic performance before the crisis hit.

This argument may well apply for Greece, but not for the other countries under formal (e.g., Ireland, Portugal) or informal (e.g., Spain, Italy) external surveillance, conditionality and bond market pressure. Countries such as Ireland experienced strong growth and had low deficits and debt levels before the crisis; other countries had reasonable fiscal developments (e.g., Spain) or did not perform considerably worse than other EU Member States such as Belgium (Armingeon & Baccaro 2012). In other words, there is no clear-cut direct link running from bad government policy and disappointing economic performance in the

past to sovereign debt crisis and bond market pressure cum IMF/EU conditionality today. The causes of the crisis in the Eurozone are to a considerable degree connected to the weak institutional foundations of the common currency, which are not necessarily related to bad governance or weak economic performance at the national level (De Grauwe 2011; Scharpf 2011).

Summarising these theoretical considerations, we argue that support for national democracy during the crisis is related to citizens relating the quality of national democracy to external actors and events interfering with national democratic procedures – that is, the international frame of reference. Moreover, support is strongly affected by citizens evaluating their economic situation (as well as their economic, fiscal or social policies) through national lenses – largely ignorant of any national or international forces like the Troika or bond market pressure affecting that situation, and at best benchmarking the national situation with developments in other countries. In other words, neither the deteriorating (perceived or actual) economic situation alone, nor the austerity and reform policies or their actual or perceived consequences (insofar as they have already materialised) alone drive the decline in democratic support. Rather, we show that the mere act of imposing policies from outside, through international organisations and international financial market pressure, played an additional, independent – and substantial – part in the process of eroding citizen support for their national democratic systems during the crisis.

We do not have specific hypotheses about the relative importance of the international and the national frame of reference. Researchers such as Anderson (1998) or Niedermayer and Sinnott (1996) suggest that the international link may be negligible. In contrast, the work by Karp et al. (2003) shows that citizens do distinguish between national and international actors and are capable of evaluating if and to what extent their national democracy is affected.

Data

Support for national democracy is a multidimensional concept with its dimensions lying roughly on a continuum from diffuse to specific support, with the former decoupled from actual system performance and the latter reflecting achievements and failures of a specific political system, parliament or government (Rohrschneider 2002).[4] Ideally, we would aim to distinguish between all these dimensions and test our hypotheses for each of them. For reasons of data availability, however, we confine our analysis to two major aspects: satisfaction with the working of democracy; and attitudes towards its core institution – the parliament. The latter is operationalised as trust, following Rohrschneider and Schmitt-Beck (2002) in conceiving trust as an expression of support.

While we consider both of these measures to be located near the centre of the continuum between diffuse and specific support, their exact position cannot precisely be determined and is a matter of debate. Norris (2011: Chapter 3) or Mishler and Rose (2001) argue, for instance, that trust is closer to the specific end, while satisfaction leans toward the diffuse end of the continuum. In contrast, Canache et al. (2001) point out that the satisfaction variable in particular tends to tap various aspects of support, and that its substantive

content may vary across nations and individuals, especially since the wording of the corresponding survey question leaves considerable room for interpretation.

What is quite clear, however, is that neither of these variables provides any precise information about the level of support for the norms and principles of democracy in an abstract way (i.e., diffuse support); rather, they are confined to the way the national democratic system works and whether it enjoys the support of its citizens (see also Linde & Ekman 2003). This is exactly what we want to measure in this article. We hasten to add that this operationalisation is not optimal; there are, however, no superior indicators of support in the available datasets.

Both of these dependent variables, as well as all our individual-level independent variables, come from several EB surveys conducted between 2007 and 2011. Throughout these surveys the original variables indicate whether individuals (a) were very, fairly, not very, or not at all 'satisfied with the way democracy works' in their country; and (b) 'tend to trust' or 'tend not to trust' their national parliament. We recode these variables to obtain individual dummies, where 1 corresponds to 'very/fairly satisfied' or 'tend to trust' and 0 captures the remaining categories.[5] For our country-level analyses, we also create aggregated versions reflecting the proportion of the population in each country that is 'very/fairly satisfied' or 'tends to trust', respectively.

The question about satisfaction with democracy has been asked in the EB survey waves in autumn 2007, 2009 and 2011. For trust in parliament we were able to analyse five survey waves (autumn 2007, 2008, 2009, 2010 and 2011). Since the results obtained from the analysis of these five waves are substantially the same as those from the three waves, we report the findings based on only three waves.[6] This increases comparability of the results based on the trust variable with those based on the satisfaction variable. Our ML analysis is therefore based on a sample comprising around 73,000 individuals, simultaneously nested in 26 EU Member States and in three time points (of around 24,000 individuals each).[7]

Additionally, we calculate change rates (first differences) on the basis of the aggregated versions of the satisfaction and the trust variable, which will serve as dependent variables in the TSCS models. Our TSCS analysis is therefore based on a sample of 26 nations and two time periods (change from 2007–2009 and from 2009–2011), stacked to yield a dataset comprising 52 observations.[8]

According to our main argument, support for democracy is a function of the extent to which international financial markets and the Troika reduce the room for manoeuver of national democracy. Moreover, support is strongly affected by an evaluation of the national economy, by national austerity and reform policies, as well as by a number of country- and individual-level control factors.

We measure economic evaluations based on the following EB question: 'How would you judge the current situation in each of the following? . . . The situation of the [national] economy.' This original four-category variable is recoded to obtain a dummy, where 1 corresponds to a 'positive' assessment of the economic situation. As for the dependent variables, we also create an aggregated version of that dummy and calculate a country-level change rate for our TSCS analysis. An erosion of democratic support during the crisis does not necessarily occur linearly with respect to deteriorating evaluations of the economy, as the research on economic voting shows (Duch & Stevenson 2008; Kayser & Peress 2012). Moreover, individual *assessments* are not generally a valid measure of *actual* performance

Table 1. IMF conditionality during the crisis

4th Quarter of . . .	**2007**	2008	**2009**	2010	**2011**
Greece	0	0	0	Stand-by (1)	
Hungary	0	Stand-by (1)			0
Ireland	0	0	0	EFF (1)	
Latvia	0	Stand-by (1)			
Portugal	0	0	0	0	EFF (1)
Romania	0	0	Stand-by (1)		

(Palmer & Duch 2001).[9] Over the course of the crisis, however, individual assessments began to correspond quite closely to objective economic outcomes. While the correlation of the aggregated version of our variable with annual economic growth rates is far from statistically significant in 2006 and 2007, validity increases considerably as the crisis proceeds, up to a highly significant correlation of 0.76 in late 2010.[10] Substantially, in times of crisis people tend to be much more aware of the real state of their national economy.[11]

In order to test our argument regarding the role of the Troika and financial markets, we construct two country-level variables.[12] The influence of the former is measured with a dummy indicating whether a country was under formal IMF conditionality during any quarter included in the analysis. Being under IMF conditionality is defined as an active lending arrangement according to IMF records (i.e., Stand-By Arrangement or Extended Arrangement (EFF)).[13] Table 1 provides an overview of all countries under IMF conditionality during the crisis. The IMF dummy used in the TSCS analysis was set to 1 when a country was under conditionality in a given year *or* the year before (e.g., it equals 1 for Hungary in 2009–2011 since the country was under IMF conditionality in 2010). We do not include an additional variable to capture EU influence as the two institutions regularly sided with one another for all countries in our sample.

This IMF/EU dummy is however only of limited help in discovering the extent of exposure of the national political system to external actors and forces. Arguably, long-term interest rates on ten-year government debt securities, as provided by the ECB,[14] are a much better indicator for the influence of international actors, because, being a metric variable, it contains more information than the dummy. As an additional crucial advantage, interest rates also cover situations when a country is not (yet) under formal IMF/EU conditionality, but where external political and economic pressure is nevertheless already mounting. Italy and Spain (which are not captured by the dummy) are good examples in this regard.

While interest rates may carry the disadvantage of being less visible to citizens as compared to a Memorandum of Understanding imposed by the IMF/EU, this problem is mitigated by the fact that interest rates and IMF/EU conditionality are closely related both theoretically and empirically. With respect to the former, severe bond market pressure (i.e., interest rates on government debt rise to prohibitively high levels) can be considered a necessary condition for IMF/EU intervention. When a government faces no difficulty in rolling over its debt on private capital markets, there is simply no need for IMF/EU rescue money. In line with this observation, the point serial correlation between the two variables is as high as 0.69 for the 104 country-year observations between autumn 2008 and 2011.

Therefore, although these two indicators technically serve to capture slightly different concepts, interest rates are a good summary measure of external pressure in general. In fact, we consider them superior to the IMF/EU dummy when it comes to identifying situations when national policy makers are put under pressure (of different intensities) by international actors and forces to implement specific austerity and/or reform policies. We measure interest rates in levels in the ML models and calculate change rates for the TSCS analysis.

In addition to the variables discussed so far, we add a battery of control factors. At the individual level these include gender, age, education, life satisfaction and individual knowledge about the EU (as a proxy for political knowledge in general). Controls at the country-level include the unemployment rate, an austerity variable, a variable measuring the age of democracy based on the Polity IV democracy/autocracy index and a variable indicating government changes, coded to reflect whether these were triggered by elections or other events. For the TSCS analysis we calculate two-year change rates for unemployment; the government-change variable is summed up over two successive years. The age of democracy varies between countries only. We expect democratic support to be stronger in older democracies.

For the austerity variable we use two different operationalisations, which remain the same across all ML and TSCS specifications: two-year percentage changes in an index of real total government expenditures (excluding interest); and two-year percentage changes in social transfers in kind (in per cent of GDP at market prices). The advantage of the first operationalisation is that it captures the extent to which spending has been cut. The disadvantage is that automatic stabilisers, such as unemployment benefits during the crises, also drive expenditures. This problem should not be too dramatic since we control for changes in unemployment as well as for other standard indicators of the business cycle. Nevertheless, we supplement our analyses with the second operationalisation of austerity, which taps a central element of the welfare state (care, child facilities, health services, social work, etc.) but does not tend to reflect any cyclical effects comparable to those of automatic stabilisers. Since the results of both operationalisations are substantively similar, the second does not appear in any of the models reported below. The same is true for several other individual- and country-level control factors, which were used for robustness tests only.

Support for democracy in times of crisis

This section provides a brief overview of the pattern of democratic support in 26 EU member countries over the course of the crisis. The data show a general broad-based erosion of support for democracy in Europe. On average and across all countries in our sample, satisfaction with democracy receded by seven percentage points between autumn 2007 and 2011, while trust in national parliaments decreased by eight percentage points.[15] In autumn 2011, 30 per cent of Europeans trusted their parliament and about 50 per cent were satisfied with the way democracy worked in their country – the lowest level of support since we have data for all 26 countries in our sample. Table 2 shows *country-specific* absolute changes of these two variables and ranks them from the highest to the lowest loss between autumn 2007 and 2011. The measures are strongly correlated but not identical (correlation of 0.84). Moreover, we computed the average of these variables in order to obtain an

Table 2. Changes in country-level satisfaction/trust between autumn 2007 and autumn 2011

	Satisfaction		Trust		Support for democracy
	Change	Rank	Change	Rank	
Greece	−45.5	1	−39.8	1	−42.7
Spain	−32.1	2	−29.3	2	−30.7
Cyprus	−17.8	4	−21.9	3	−19.9
Slovenia	−16.3	5	−21	4	−18.7
Ireland	−13.3	7	−12.3	9	−12.8
France	−12.1	8	−13.5	6	−12.8
Czech Republic	−19.3	3	−6	17	−12.6
Portugal	−8.1	9	−13.8	5	−11
Romania	−13.6	6	−8.3	13	−11
Italy	−4.9	13	−12.5	8	−8.7
Malta	−2.8	15	−13.4	7	−8.1
Austria	−6.9	10	−8.3	14	−7.6
Slovak Republic	−1.3	19	−11.8	10	−6.5
Denmark	−2.3	16	−10.7	11	−6.5
Belgium	−5.3	11	−6.9	16	−6.1
United Kingdom	−1.7	17	−9.3	12	−5.5
Netherlands	−5	12	−4.4	18	−4.7
Latvia	−4.4	14	−1.9	19	−3.1
Finland	1.3	21	−7.2	15	−3
Lithuania	−1.5	18	−1.6	20	−1.5
Germany	3.1	22	1.2	22	2.2
Hungary	6.3	23	7.2	23	6.7
Bulgaria	−0.5	20	14.6	25	7
Luxembourg	15.1	26	0.1	21	7.6
Sweden	6.4	24	13.1	24	9.8
Poland	11.7	25	15.3	26	13.5
Mean change	−6.6		−7.8		−7.2
Median change	−4.6		−8.3		−6.5
Standard deviation	12.9		12.6		12.2

aggregate measure of changes in country-level support, shown in the last column. The data are sorted according to this aggregate measure. As can be easily seen, support for democracy in Europe has eroded over the course of the crisis. What is however evident in Table 2 is the considerable variation in the development of support when looking at individual countries. While it effectively collapsed in some nations, others have actually seen an increase in support.

Interestingly, these purely descriptive statistics may already offer some tentative insights into the underlying causal mechanisms. For instance, out of the five countries that were under formal IMF conditionality during autumn 2011 (see Table 1), four rank in the upper

third of the table. Similarly, as an indication of the pressure exerted by international financial markets, there are only five countries in our sample whose interest rates on sovereign debt increased by more than two percentage points between autumn 2007 and 2011 (Greece +14.5 per cent, Portugal +7.8 per cent, Ireland +4.1 per cent, Cyprus +2.4 per cent and Italy +2.1 per cent). Four of these are found in the upper third of the table; only Italy ranks slightly lower.

Moreover, among the so-called 'GIIPS countries' that have been hit hardest by the crisis (Greece, Italy, Ireland, Portugal and Spain), less than 9 per cent of the population evaluated the national economic situation favourably in autumn 2011. In three of these countries, that number even dips below 4 per cent. To put this into perspective, on average across all 26 countries in the sample, 28 per cent of the people (still) saw their countries' economic performance in a positive light in late 2011. As we can see in Table 2, economic evaluations also seem to be strongly related to democratic support as the GIIPS countries are clearly among those where support receded most during the crisis.

Contrast this with the development of support in Poland, Sweden, Luxembourg and Germany. EU/IMF and bond market pressure was effectively absent in these nations, with interest rates being roughly stable in Poland (plus 0.05 percentage points between autumn 2007 and 2011) and even decreasing by more than two percentage points in Sweden, Luxembourg and Germany.[16] Similarly, among all 26 countries in the sample, these latter three nations rank first, second and third in terms of citizens' evaluation of their national economies.[17] While this number remains only slightly above average in Poland (35 per cent of the Polish population evaluated their economy favorably in late 2011), this country is by far the best-performing economy in the sample when it comes to actual growth. Poland's economy grew on average by 3.7 per cent annually between 2008 and 2011. Compare that to the second-best performing country on the list – Sweden – with average growth at just 0.9 per cent over the same period.

Time-series cross-sectional and multilevel models

In this section we present the empirical core of our analysis, introduce the relevant methodology and interpret the main findings. In order to identify variations in support that is conditional on the explicit or implicit imposition of policies by external actors, we apply two different estimation strategies. The first strategy relies exclusively on aggregate-level data, based on our pooled TSCS dataset comprising 26 EU member countries (j . . . J) and three time points (t . . . T; autumn 2007, 2009 and 2011), which yields a balanced panel of 52 observations (two change rates calculated from three time points). We estimate our TSCS models twice to obtain separate results for each of the dependent variables. These are measured as two-year change rates in country-level satisfaction and trust, respectively, and are regressed on changes in aggregated economic assessments, long-term interest rates, the IMF dummy, an austerity variable, the age of democracy and government change. The main advantage of this aggregate-level analysis is the direct measurement of *changes* in satisfaction and trust, which stand at the core of our theoretical interest. We apply simple OLS estimators on the pooled TSCS data.[18] Formally, our models are specified as

Table 3. Determinants of changes in country-level satisfaction/trust (TSCS models)

	Satisfaction with democracy		Trust in parliament	
	(S1)	(S2)	(T1)	(T2)
Δ Assessment national economy	0.143[+] (0.07)	0.156* (0.06)	0.138[+] (0.08)	0.148* (0.07)
Δ Unemployment rate	–0.012* (0.00)	–0.001 (0.01)	–0.009[+] (0.00)	0.000 (0.01)
Austerity	–0.306 (0.20)	–0.115 (0.16)	–0.417[+] (0.21)	–0.251 (0.18)
Age of democracy	–0.000 (0.00)	0.000 (0.00)	–0.001 (0.00)	–0.001 (0.00)
Government change	0.005 (0.02)	0.019 (0.02)	0.013 (0.02)	0.024 (0.02)
IMF conditionality	0.001 (0.04)		0.005 (0.04)	
Δ Interest rates		–0.016*** (0.00)		–0.013** (0.00)
Constant	–0.003 (0.03)	–0.020 (0.03)	0.008 (0.04)	–0.004 (0.03)
Adjusted R^2	0.22	0.44	0.13	0.27
N			52	

Note: Standard errors in parentheses. + < 0.1; * < 0.05; ** < 0.01; *** < 0.001.

$$\Delta y_{jt} = \alpha + \beta_1 \Delta nat.\ econ.\ ass_{jt} + \beta_2 \Delta unemploy_{jt} + \beta_3 austerity_{jt}$$
$$+ \beta_4 age.\ demo_j + \beta_5 gov.change_{jt} + \beta_6 IMF_{jt} + \beta_7 \Delta interest_{jt} + e_{jt} \tag{1}$$

where Δ indicates changes from t–1 to t, the coefficients for our explanatory variable are symbolised by β_1 to β_7, and e_{jt} is an idiosyncratic error.

Table 3 presents the results of this analysis. Among the theoretically most interesting variables, the coefficient for economic assessments has the expected sign and is statistically significant in all models. The coefficient for the IMF variable also has the expected sign but is not significant in any of the models. This is not altogether surprising when keeping in mind that our IMF dummy captures neither any form of external pressure that goes beyond *formal* IMF conditionality, nor distinguishes between different intensities of pressure. In line with this observation, the metric interest rate variable is significantly related to changes in support. Note that even the austerity variable, which may already capture some part of the interference of international organisations and markets, does not change this finding. The same also holds true when we include an interaction of austerity with our IMF dummy or the interest rate variable (not reported).[19] In other words, the decline in support does not simply reflect the effect of domestic policies. Rather, the act of imposing policies from outside has an additional and independent effect. We do not comment on the other control variables.

The main theoretical message from this analysis concerns the role played by international markets (and actors) in shaping citizen support for national democracy. Our findings so far suggest that citizens not only look at purely national developments when making up their minds about the working of their national democracy; rather, they also take into account external forces, actors and the international sources of these national developments.

We ran a number of robustness tests for this analysis. Among others, all findings reported are robust against the inclusion of a lagged dependent variable, two economic
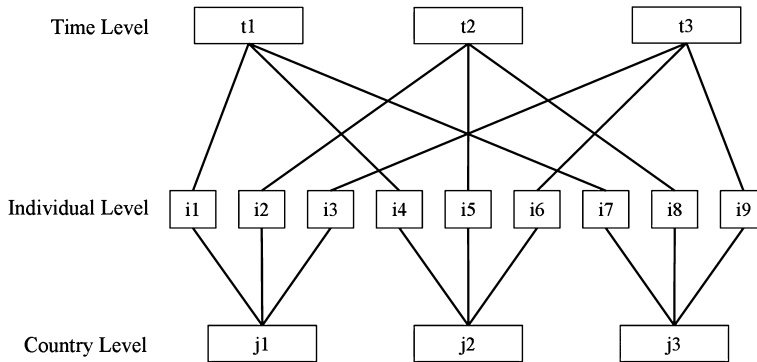
Figure 1. Cross-classified three-level nesting structure.

growth measures (annual growth and its squared version, to be able identify possible threshold effects), a different operationalisation of the austerity variable, changes in corruption levels, the size of the welfare state and a dummy indicating membership in the Eurozone and its interaction with economic growth.[20] Moreover, we do not find indications for serious problems with multicollinearity. Finally, an obvious question to ask is whether results are driven by the Greek case – they are not, as robustness tests excluding Greece demonstrated (not reported). A more encompassing description of our robustness analyses is found in the online appendix.

Among others, major problems with the aggregate-level TSCS analysis concern the lack of control for (changes in) individual characteristics. We know, for instance, that political knowledge is a good predictor of democratic support. This is important, as after a highly politicised period (e.g., as when 'Indignados' and trade unions mobilised against political actors) political knowledge might increase and trigger changes in support. More crucially, however, by relying on the results of TSCS estimations alone, we would run the risk of committing an ecological fallacy. This is because we claim that it is *subjective* performance evaluations of the economy which exert a strong influence on democratic support – and both subjective evaluations and support are inherently individual-level phenomena (Snijders & Bosker 2011: 14ff). It therefore seems prudent to test our hypotheses at the individual level as well.

We address these issues in a second estimation strategy where we proceed with a ML regression design that includes variables from three distinct levels of analysis – individuals $(I \ldots N)$, countries $(j \ldots J)$ and time $(t \ldots T)$ – as potential sources of variation in individual-level 'satisfaction and trust probabilities' (Hox 2010: 171). An important feature of our data is that while individuals are simultaneously nested in countries and time, these higher levels do not come in a pure hierarchy. Rather, in methodological terms, our higher levels are *cross-classified* and our individuals are nested within this cross-classification (Gelman & Hill 2007: 244; Hox 2010: 15). Figure 1 illustrates the nesting structure schematically (based on Rasbash & Browne 2008).

Based on this data structure, the specification of a cross-classified three-level model would in principle allow us to understand variations in individual satisfaction/trust probabilities across individuals, as well as across both space and time. A major shortcoming, however, is that any over-time variation in these probabilities would be constrained to be

constant across countries and, correspondingly, any between-country variation to be constant across time. We would therefore not be able to identify effects of some idiosyncratic country-time-specific changes in explanatory variables, such as in the IMF dummy. We resolve this issue by adding a fourth level to the model, which amounts to a country-by-time interaction term.[21] Technically, this procedure ensures that any variation in satisfaction/trust probabilities over time can also vary across different national contexts (Raudenbush & Bryk 2002: 377ff).

The only remaining notable disadvantage of this ML model is the non-availability of individual data on *changes* in support. While these were available in our aggregate-level TSCS design, we now have to resort to an indirect measure of change by controlling for levels of trust/satisfaction in other periods, other national contexts and contingent upon different individual characteristics.

Summarising this methodological discussion, we predict individual-level satisfaction/trust probabilities based on a cross-classified, varying-intercept, ML logistic regression model with four levels. (We are grateful to Richard Traunmüller for his valuable advice on specifying this kind of model.) Formally, the individual part of this model is specified as

$$Pr(y_{ijt}=1) = logit^{-1}\left(\begin{array}{l} \alpha_{jt} + \beta_1 lifesat_{ijt} + \beta_2 gender_{ijt} + \beta_3 age_{ijt} + \beta_4 education_{ijt} \\ + \beta_5 EUknowledge_{ijt} + \beta_6 nat.\,econ.\,ass_{ijt} \end{array}\right) \qquad (2)$$

and estimates the probability of an individual i in country j at time t being satisfied with the working of his or her national democracy or tending to trust his or her national parliament.[22] The estimates for our individual-level variables are symbolised by β_1 to β_6. We expect individual satisfaction/trust probabilities to be influenced by a number of aggregate-level variables: unemployment rates, austerity policies, age of democracy, government change, IMF conditionality and financial market pressure. A varying intercept α_{jt} is therefore included and modeled as a function of these variables, with its error term comprising a country-element, a time-element and a country*time-element. This is formalised as

$$\alpha_{jt} = \mu_\alpha + \gamma_{1(\alpha)} unemploy_{jt} + \gamma_{2(\alpha)} austerity_{jt} + \gamma_{3(\alpha)} age.\,demo_j + \gamma_{4(\alpha)} gov.\,change_{jt}$$
$$+ \gamma_{5(\alpha)} IMF_{jt} + \gamma_{6(\alpha)} interest_{jt} + \eta_{\alpha j}^{country} + \delta_{\alpha t}^{time} + \zeta_{\alpha jt}^{country*time} \qquad (3)$$

where: $\eta_{\alpha j}^{country} \sim N\left(0, \sigma_{\alpha j}^2\right)$; $\delta_{\alpha t}^{time} \sim N\left(0, \sigma_{\alpha t}^2\right)$; $\zeta_{\alpha jt}^{country*time} \sim N\left(0, \sigma_{\alpha jt}^2\right)$

Put into words, μ_α represents the grand-mean of all individual satisfaction/trust probabilities (across both countries and time), $\eta_{\alpha j}^{country}$ stands for the country-specific and $\delta_{\alpha t}^{time}$ for the time-specific deviation from this mean. Furthermore, $\zeta_{\alpha jt}^{country*time}$ adds, for each of the 78 country-time-combinations, another deviation of individual probabilities from those predicted by the grand-mean and the two main effects. The variance components are assumed to be normally distributed with a mean of 0 and constant variances $\sigma_{\alpha j}^2$, $\sigma_{\alpha t}^2$, and $\sigma_{\alpha jt}^2$. Moreover, $\gamma_{1(\alpha)}$ to $\gamma_{6(\alpha)}$ symbolise estimates for our country-level variables.

Table 4 shows the estimation results of the ML specifications just introduced. Satisfaction with the working of democracy is the dependent variable in models S0–S2, while in models T0–T2 the dependent variable is trust in parliament.[23] All specifications strongly support our argument of an independent effect of external pressure by international actors and markets on support for national democracy. In contrast to the TSCS analysis, the coefficient of the IMF variable now also indicates a statistically significant effect of formal IMF/EU conditionality on democratic support. The coefficients for individual assessments and interest rates confirm the results obtained from the TSCS analyses.

How important are these effects? Substantially, the effect measured by our international variables is a moderate one. While IMF/EU conditionality reduces satisfaction/trust probabilities by about 12 percentage points (on average across all models), a 5 percentage point increase in interest rates results in a 10 percentage point decrease in support (our interpretation is based on the 'divide-by-4 rule' as described by Gelman & Hill 2007: 82)[24]. The effect of individual assessments of the national economy is stronger. A 'positive' assessment as compared to a negative one increases satisfaction and trust probabilities by about 25–30 percentage points. We do not comment on the control variables.

We ran a number of robustness tests for these ML analyses, structured basically the same as for the TSCS models. As before, all findings reported are robust against the inclusion of our actual economic growth measures, the second operationalisation of the austerity variable, corruption levels, the size of the welfare state, the Eurozone dummy and its interaction with growth rates, interactions of the austerity variables with our IMF and interest rate measure, respectively, as well as cross-level interactions of the EU knowledge variable with these measures. Moreover, we took some effort to control for an individual-level variable measuring the frequency of political discussions (as a proxy for political interest) as well as for two versions of a variable measuring citizens' ideological distance to their government (based on data from Benoit & Laver (2006), Volkens et al. (2011) and Armingeon et al. (2012), among others). Finally, we again replicated all analyses excluding Greece. Our results were not substantively different in these alternative specifications. A more encompassing description of our robustness analyses is found in the online appendix.

Conclusion

Did the imposition of austerity policies by the Troika, or as implicitly requested by international financial markets, erode support for national democracy in the crisis since 2007? Did citizens realise that their national democratic institutions were no longer able to decide effectively on major economic and social policies? And did they react by concluding that since national democracy had stalled, this constrained democracy no longer merited further support? These were the questions guiding this article comparing 26 EU countries between 2007 and 2011. It re-analysed 78 national surveys and estimated aggregate-level TSCS as well as cross-classified ML logistic regression models.

We argued that citizens take both national and international developments into account when evaluating the quality of their national democracy. On the one hand, in a time when it is hard to deny that national policies are to a substantial degree determined by international forces, citizens still rely on heuristics and patterns of problem diagnosis that are

Table 4. Determinants of individual-level probabilities of satisfaction/trust (ML models)

	Satisfaction with democracy			Trust in parliament		
	(S0)	(S1)	(S2)	(T0)	(T1)	(T2)
Fixed effects (unmodeled coefficients):						
Individual level						
Assessment national economy		1.219*** (0.02)	1.219*** (0.02)		1.011*** (0.02)	1.011*** (0.02)
Life satisfaction		0.816*** (0.02)	0.815*** (0.02)		0.608*** (0.03)	0.608*** (0.03)
Gender		−0.010 (0.02)	−0.010 (0.02)		−0.083*** (0.02)	−0.083*** (0.02)
Age		−0.001+ (0.00)	−0.001+ (0.00)		0.005*** (0.00)	0.005*** (0.00)
Education		0.013*** (0.00)	0.013*** (0.00)		0.019*** (0.00)	0.019*** (0.00)
EU knowledge		0.157*** (0.02)	0.157*** (0.02)		0.166*** (0.02)	0.166*** (0.02)
Country level						
Unemployment rate		−0.011 (0.01)	0.025+ (0.01)		−0.033+ (0.02)	−0.014 (0.02)
Austerity		−0.994+ (0.52)	−0.934+ (0.42)		0.920 (0.74)	0.585 (0.63)
Government change		0.172+ (0.09)	0.108 (0.07)		0.289** (0.11)	0.207* (0.10)
Age of democracy		0.023*** (0.00)	0.021*** (0.00)		0.012* (0.00)	0.012* (0.00)
IMF conditionality		−0.346* (0.17)			−0.616** (0.21)	
Interest rates			−0.080*** (0.02)			−0.086*** (0.02)
Overall intercept	0.154 (0.20)	−1.026*** (0.15)	−0.770*** (0.14)	−0.766*** (0.19)	−1.341*** (0.21)	−1.118*** (0.21)
Variance components (entries are standard deviations of intercept):						
Country level	0.935	0.378	0.371	0.804	0.438	0.449
Time level	0.129	0.000	0.000	0.169	0.135	0.121
Country*Time level	0.348	0.274	0.233	0.434	0.334	0.311
Deviance	87723	81839	81821	82657	78818	78812
Number of observations			73090			
Number of countries			26			
Number of time points			3			
Number of country*times			78			

Note: Standard errors in parentheses. + < 0.1; * < 0.05; ** < 0.01; *** < 0.001.

predominantly confined to the national political system. This is indicated by the strong and highly significant effect that subjective evaluations of national economic performance have on support for national democracy. As indicated by our ML regressions, the probability of an individual supporting his or her democracy increased by about 25 percentage points if he or she evaluated the national economy favourably. The magnitude of this effect is suggested to be much larger than that of any other variable in our models.

On the other hand, however – and this contradicts much established wisdom – citizens evaluate their national democracies with considerable regard to international forces and developments as well – even when we control for domestic policy changes which are arguably due to international interference. People indeed seem capable of recognising how severe bond market pressure and the actions of international and supranational actors can effectively circumvent national procedures of democratic decision making. Based on the estimates from our ML regressions, individual support probabilities were reduced by about 10 percentage points if a country was under IMF/EU conditionality or if interest rates went up by 5 percentage points. In this respect, our study also connects to the literature on the EU's problem of democratic legitimacy. While in the past that debate was often confined to academic circles, our findings emphasise that these legitimacy problems may have important real-world consequences in undermining support for democratic policy making at the national level.[25]

Our findings also suggest that support for democracy is largely conditional on both economic and political performance: the latter is affected when external actors interfere with the working of national democracy. Moreover, external actors may affect countries' economic performance as well. Insofar as imposed austerity measures contributed to the recession in the most crisis-ridden nations, this amplified the effect of worsening economic performances on national democratic support.

Students of political culture may be surprised by the evidence showing that support for democracy can mostly be seen as specific support that varies with (perceived) outcomes of governmental policies. Admittedly, however, our analysis is confined to just a part of the multidimensional concept of support. In order to be able to provide a more encompassing picture of the pattern of support during the crisis, we would need to analyse data on the development of more diffuse components of democratic support as well, such as individuals' adherence to democratic values and principles. Unfortunately, such data are rare.

What can be learned from our results with respect to future crisis-related policy making in Europe? Not surprisingly, deteriorating (evaluations of) economic performance eroded support for national democracy in Europe during the crisis. But more importantly and worrisome, we find strong evidence that the way the crisis has thus far been handled politically (through the imposition of austerity policies from above and by largely neglecting national arenas of democratic decision making) seems to have made things worse for democracy in Europe. One can only hope that these policies soon will at least begin to work as intended and quickly produce a more favourable economic environment.

Supporting Information

Additional Supporting Information may be found in the online version of this article at the publisher's web-site:

Appendix. Democracy in Crisis? The declining support for national democracy in European countries 2007–2011.

Notes

1. For the link between austerity and growth during the recession, see, e.g., Holland and Portes (2012).
2. Calculated from EB 71.3 (Summer 2009) and EB 74 (November/December 2010).
3. See Note 1.
4. For the concept of diffuse and specific support, see Easton (1975).
5. Details on the operationalisation of all variables are found in the online appendix.
6. These are: EB 68.1 (4th quarter 2007), EB 72.4 (4th quarter 2009) and EB 76.3 (4th quarter 2011).
7. Estonia had to be excluded due to missing data on important independent variables.
8. The correlation between our dependent variables is 0.70 in the TSCS and 0.39 in the ML dataset.
9. This is also why we cannot simply replace perceptions of the economic situation by objective economic data.
10. Correlations in other periods: spring 2005: –0.01; autumn 2006: –0.12; autumn 2007: –0.11; autumn 2008: 0.18; autumn 2009: 0.34; autumn 2010: 0.76; autumn 2011: 0.36.
11. Nevertheless, our empirical analyses confirm that economic evaluations are far better predictors of support as compared to objective economic data.
12. All country-level variables are measured on a quarterly basis for each quarter of the corresponding EB survey. Whenever quarterly data were unavailable from original sources, it was calculated as the average of three consecutive months. Economic growth is measured on an annual basis.
13. International Monetary Fund (www.imf.org/external/data.htm).
14. European Central Bank Statistical Data Warehouse (http://sdw.ecb.europa.eu/browse.do).
15. The biggest loss of trust (–5.7 percentage points) occurred between early and late 2011 – a time when the European debt crisis intensified considerably. This is the largest annual or biannual loss in average trust levels since the EB began collecting data on all 26 countries in our sample in autumn 2004.
16. On average across all countries, interest rates increased by 0.85 percentage points during that period.
17. In 2011, there were 79 per cent positive evaluations in Germany, 85 per cent in Luxembourg and 86 per cent in Sweden.
18. Using simple ordinary least squares (OLS) instead of panel estimators is justified based on a Breusch-Pagan Lagrange multiplier test indicating no significant differences across units (no panel effect). In line with this finding, employing a GLS random effects estimator with or without correction for heteroskedasticity did not yield substantially different results. In order to be able to identify possible trends, we re-ran our specifications to include a lagged dependent variable (LDV). We do not report these models since our substantial results were

unchanged. The first period of the LDV was computed using the EB of spring 2005 and autumn 2007. All TSCS analyses were run in Stata 12.

19. The coefficients of these interaction terms are negative as expected, but not always statistically significant. Detailed results of these models are found in the online appendix.

20. The inclusion of the last two terms is based on the argument by Polavieja (2013) that Eurozone member governments lack standard domestic policy instruments to combat recessions, such as currency devaluations and interest rate policy.

21. This is a variable that indexes all possible country-time combinations and serves to identify the fourth level.

22. All ML analyses were run in R.

23. Null-models S0 and T0 serve to identify the variance components at the country, time and country*time level.

24. Citing Gelman and Hill (2007): 'As a rule of convenience, we can take logistic regression coefficients . . . and divide them by 4 to get an upper bound of the predictive difference corresponding to a unit difference in x. This upper bound is a reasonable approximation near the midpoint of the logistic curve.'

25. Although we cannot be sure that national democracy would not be blamed if policies were imposed by democratically more accountable EU-level actors.

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