Discretion, Majoritarianism, and Their Political Economy: Large Scale Evidence from Europe and the United States

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The 2010s have seen the rise to power of groups that challenge the liberal institutional and policy orthodoxy in contexts as varied as Eastern Europe and the Anglo-Saxon world. This article uses quantitative data from five cases that may reflect this development - the US, the UK, Hungary, Poland, and Romania - to go beyond the initial causes of their arrival, and instead analyze these groups' political-economic approaches while in office. The qualitative evidence points to a similar discretionary and majoritarian institutional model developing in at least four of the cases. Macroeconomic and budgetary data shows that, contrary to theoretical expectations, this has been accompanied by relatively conventional economic policy outcomes. Statistical analysis of several firm surveys reveals business reactions to these developments to be either neutral or positive. Analysis of several voter surveys reveals that retirees, individuals employed in lower-skill occupations, and those in more deprived regions form the economic coalition behind these governments. These findings point towards a coherent political-economic model emerging in the cases, characterized by a reconciliation between executive discretion and economic efficiency, and by the support of a novel economic coalition, the composition of which can explain many of their policy choices.

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1. Introduction

The 2010s have seen the striking success of a political ideology alternatively called illiberalism, populism, or nationalism, usually by its detractors, in several democracies across the world (Mickey, Levitsky, and Way 2017, Haggard and Kaufman 2018, Norris and Inglehart 2019)[2]. Examples of this trend include Hungary as an archetypal case and the United States as a particularly important one. Political groups espousing this ideology are united by the degree to which they shock supporters of the liberal orthodoxy, but pinning down their other characteristics is not easy: Much like other broad ideological developments of the past, this one also complements rather than supplanting existing political cleavages; and varies in its nature from one country to another, making sweeping generalizations difficult. At least two variations of this evolution can be identified by now in political groups that gained power: an Eastern European one - exemplified by Hungary after 2010, Poland after 2015, and arguably Romania after 2017; and an Anglo-Saxon one - exemplified by the United States after 2017, and speculatively and partially the United Kingdom after the Brexit referendum of 2016. In all these cases, groups that challenged some aspects of the policy orthodoxy of their respective societies came to power, and after doing so revealed an interest in also challenging the basic institutional orthodoxy. This institutional challenge has led to accusations of corruption, disregard for the rule of law, and even

[2] Other labels that have been used, especially when such groups come to power, include deinstitutionalization (Acemoglu and Robinson 2019), weak institutionalization (Waldner and Lust 2018), and plebiscitary democracy (Körösényi 2019).

authoritarianism, from their opponents, raising serious questions about the health of the democratic system in at least four of the cases.

An emerging literature focuses on the causes behind the adoption of such political solutions, with a focus on voter motivations and the particular political or economic contexts which favored them (for example Hobolt 2016, Hooghe and Dassonneville 2018, Mounk 2018, Fetzer 2018). The focus of this article is different: Enough time has passed under such governments, in several representative cases, that a discussion of their governance strategies, going beyond the initial logic of their arrival, can be had. This is important for understanding whether these striking new developments are limited to the policy sphere (where they may be called “populism” or “nationalism”), or whether they also point to more fundamental institutional changes and novel accompanying productive, distributive, and redistributive, approaches.

To do this, the analysis starts by asking whether a coherent pattern of attempts at institutional change can be distinguished in the cases. As the answer to this will be yes, in the form of a drive towards a majoritarian democratic model and a shift towards executive discretion, the second question is whether this has been reflected in a weakening of the coherence and credibility of the economic policies pursued by these groups. On the same note, the third question is whether business has had a negative reaction to these institutional developments. The fourth question, which may be useful for understanding some of their policy choices, is on the economic coalition supporting these developments among the voting public. While several works have looked at the causal determinants of vote choice for such groups, a focus on the economic features of these voters can, it will be argued, explain much about the behavior in office.

The research strategy focuses on selecting typical cases for the phenomenon under study, in the sense of Seawright and Gerring (2008). This approach is especially appropriate for exploring the mechanisms implied by theoretical models. The focus is on the European and North American context, but we should not disregard the possibility that developments beyond this (for example in Brazil) may also be illustrative. As the focus is on governance approaches, cases can only be selected if groups displaying the features being analyzed actually gained power, either by themselves or as the dominant coalition partner. This leaves out from consideration the many nationalist right wing parties from Western Europe, which are out of power, or are non-dominant coalition partners as in Austria or Italy.

A large-scale empirical analysis, using a range of datasets from the three Eastern European cases and the two Anglo-Saxon ones will be used to tackle the research questions. Aggregate economic data on output, budgeting, and the monetary and investment climate is used to establish the broad economic policy approaches of these governments. Repeated cross sectional data on firm perceptions of the institutional environment, and similar data on firm perceptions of the judicial system, in the European cases, is used to model the over-time evolution of these indicators, as the political developments were taking place, as well as their cross-sectional determinants. Aggregate business confidence data is used to model over-time trends, as well as any discontinuities arising from these governments coming to power. Three large-scale voter surveys (the European Social Survey, the European Elections Survey, and the American National Elections Study) are used to model the economic support base of these governments; the interaction between these economic factors, the social values, and the institutional preferences espoused by these voters; as well as to situate these patterns in a wider developed-country context. These statistical models are complemented by qualitative case analysis. The conclusions can be summarized as follows:

1. There is evidence in the Eastern European cases, the US, and, to a limited extent so far, in the UK, for the emergence of a political model characterized in its institutional approaches by a

majoritarian and discretionary view of democracy. The majoritarian approach is reflected in the extent to which these governments seek to implement policies that are strongly opposed by the losing minority. The discretionary approach is reflected in the limited negative feedback on this from other institutions, from inside the leading party, or form its supporters.

2. This model is characterized by relatively, though not fully, conventional economic policy, leading so far to good economic results. A notable and likely contributing factor is the extremely favorable monetary policy climate enjoyed, and cultivated, by governments in all cases. Beyond this, however, the result still points to a reconciliation between increased executive discretion and economic efficiency in these cases, suggesting the need for a reassessment of existing political economy theory concerning this.

3. Echoing the previous result, the increased policy discretion did not immediately translate into negative business perceptions of the institutional environment. One possible explanation is that the weakening of constraints on the executive may not be a single-dimensional process, but rather that meaningful institutional constraints in production-relevant areas could be accompanied by a relaxation of checks in other areas.

4. In spite of the wide differences in context, in all five cases an economic coalition of retired individuals, those in occupations traditionally characterized as lower skill, or working class, and those in rural or economically deprived regions, forms the basis of support for the discretionary-majoritarian solutions. This coalition appears to be specific to these cases rather than to conservative parties more generally, and shares some similarities to the coalition supporting far-right populist parties in other countries. While these economic features do not necessarily cause vote choice, there is substantial evidence that the economic make-up of the coalition influences

the economic policy approaches of these governments, and may also influence their institutional interventions.

The article contributes to the active literature on emerging challenges to the liberal model in the West and beyond. The work is linked to the literature on populism, especially right-wing populism (Norris and Inglehart 2018, Kriesi and Pappas 2015, Eatwell and Goodwin 2018, McCoy et al 2018), but the developments studied here go beyond the populist message and policy choices of these groups and into their institutional and economic approaches. It is also linked but not fully overlapping with the literature on competitive-authoritarian regimes and illiberal democracies (Levitsky and Way 2010, Diamond 2015, Wintrobe 2018, Luhrmann and Lindberg 2019). A closely related literature is on developments in each of the cases. Kornai 2015, Cszillag and Szeleny 2015, Fazekas and Toth 2016, Bozoky and Hegedus 2018, Bogaarts 2018, and Kreko and Enyedi 2018 discuss Viktor Orban's Hungary, generally focusing on making the case that the institutional changes enacted by him are authoritarian in nature. Bugaric and Kuhelj (2018), Fomina and Kucharczyk (2016), Tworzecki (2018), and Karolewski and Benedikter (2017) extend this analysis to Poland under the PiS, while Klasnja and Pop-Eleches (2019) deal with the case of Romania. Waldner and Lust 2018, and Hawkins and Littvay 2019, discuss the case of Donald Trump through the same lens, and several works on the determinants of Brexit (Hobolt 2016, Becker, Fetzer, and Novy, 2017, Colantone and Stanig 2018) tackle issues connected the ones raised here. We generally agree with the points made by these works, but also seek to advance the discussion towards the strategies adopted by these governments while in power and towards the key political-economic theoretical puzzles these strategies rise.

2. Institutional approaches

This section reviews the evidence for the emergence of a discretionary and majoritarian approach to democracy in these five cases. The choice of the three Eastern European examples is justified by them having received formal reprimands from the European Commission regarding the functioning of their democratic institutions in the period of analysis, after 2010. Hungary is the earliest, and likely clearest, example of discretionary-majoritarian developments (see the excellent treatments in Kornai 2015, Cszillag and Szeleny 2015, Fazekas and Toth 2016, Bozoky and Hegedus 2018, Bogaarts 2018, and Kreko and Enyedi 2018). Following its winning of a supermajority in the 2010 legislative elections, the Fidesz-KDNP government embarked on a program of constitutional revisions and majoritarian and discretionary policies which led to the country becoming the first European Union member to be classified as "partly free" by Freedom House, and falling fourteen places in the Transparency International corruption index, where it is now ranked behind the usual Eastern European suspect of Romania. Poland's PiS (Law and Justice) has a different political ancestry (it is a personalistic and paternalist-conservative party as opposed to the liberal-conservative origins of Fidesz), but its behavior in office after 2015 quickly drew parallels to the Hungarian case (see Bugaric and Kuhelj 2018, Fomina and Kucharczyk 2016, Tworzecki 2018, but also Karolewski and Benedikter 2017 for an opposing view). The PiS government replaced members of the constitutional court in a series of legally dubious moves (Davies 2018) and effectively removed its ability to review laws; made the politically appointed justice minister the chief prosecutor of the country as well, and had him pursue political opponents; and changed the appointment procedure of judges to one which is controlled by the government. These steps have led to the European Commission opening up an infringement process against Poland and an injunction from the European Court of Justice. Beyond this, a series of legal changes has allowed the government to sack and replace large numbers of civil servants and the top brass of the military (Markowski 2019). As of Feburary 2017, 26 generals and 260 top officers had resigned as a result of the reorganization of the army which entailed the promotion of PiS faithful to the highest ranks (Day 2017).

Romania's Social Democratic Party (PSD) carries yet another political ancestry (it is nominally a left-wing party which combines redistributive elements with an oligarchical elite base), but in its most recent incarnation in power, after 2017, has converged onto a policy platform which carries substantial similarities to the Polish and Hungarian cases, in regards both to its institutional approaches and economic policies. Much like in the Hungarian and Polish cases, the party, together with its ALDE allies, won an outsized and unusual majority in the November 2016 legislative elections, and used it to engage in a program of legislative changes designed to frustrate the efforts of law enforcement and the judiciary to check its powers. The PSD also moved towards a nationalistic and conspiratorial rhetoric, which included the party leader claiming to have survived an assassination attempt by George Soros (AP News 2018), and enacting a referendum to ban the possibility of gay marriage. In the post-2017 period, the party passed a series of laws and emergency decrees designed to decriminalize or otherwise grant amnesty for various corrupt acts which the party leadership were on trial for, established a new PSD-controlled body to investigate the prosecutors who were investigating its leaders and used it to charge the leading anti-corruption prosecutor with corruption herself, and promoted the fight against a "parallel state" made up of anti-PSD prosecutors and law enforcement. The party leader, Liviu Dragnea, could not serve as prime minister, as he was a convicted felon who campaigned in 2016 while on probation, and was arrested following one of his several corruption trials in May 2019. A qualification on the Romanian case is the presence of a president with real powers who is opposed to these developments.

Leaders in all three Eastern European cases make it quite explicit that they regard Donald Trump as a political model and kindred spirit. The case of the US as an example of institutional change towards majoritarianism and discretion hinges on how much one evaluates current practices as departing from established ones in the American system. Some academic work has made the case that Donald Trump's actions constitute a significant deviation from norms, and reflect developments in other illiberal or even competitive authoritarian systems (Acemoglu 2017, Levitsky and Ziblatt 2018, Norris and Inglehart 2018). Certain features of the Trump presidency certainly reflect a move towards increased executive discretion. Volume 2 of the Mueller report (DoJ 2019) details a series of actions by the president that can be interpreted as attempting to prevent the regular functioning of government institutions which could have generated legally or politically undesirable outcomes for him. These actions have parallels to those of the previous three sets of politicians. The president's rhetoric against federal law enforcement is a novelty in American politics, but not when compared to the other cases. The president's foreign policy is sometimes carried outside of regular institutional arrangements - with little involvement from the State Department, intelligence agencies, or other White House staff. The president's family has an unusual degree of involvement and influence in government affairs, without holding formal positions in government. The president also uses executive orders to enact controversial policies, with little interaction with Congress, the federal government, or most White House personnel - for example on the use of detention facilities for the children of asylum seekers, or the ban on travel from several Muslim-majority countries.

Donald Trump and the UK's Brexit are often discussed together, but it is not clear that British political evolutions after June 2016 reflect the same trend towards discretion and majoritarianism as in the other cases. Leaving the EU itself is certainly a significant institutional change, entailing the dismantling of some 759 international agreements (McClean 2017) and an opportunity to rewrite about a quarter of post-1993 British legislation (Coleman 2016). Groups across the British political spectrum, including from the left-wing opposition, advertise it as an opportunity for a removal of constraints on their ability to enact policy. A powerful cross-party political faction of hard Brexiteers came to favor a particularly radical removal of constraints in the form of a no-deal Brexit. This move towards government discretion (or sovereignty, depending on one's views) is justified through the quintessentially majoritarian logic of the referendum result. Beyond this, pro-Brexit politicians, including Theresa May and Boris Johnson, were often in open conflict with the House of Commons as an institution, leading to Johnson's decision to suspend Parliament for five weeks to prevent it from taking action on Brexit. May's government has challenged all the way to the Supreme Court the right of Parliament to vote on the withdrawal declaration. Speaker John Bercow became the first in 230 years to not be awarded a peerage upon retirement, a gesture widely seen as punishment for his defense of the powers of Parliament. The post-referendum period saw numerous other instances of institutional or simply procedural novelty which could receive a majoritarian and discretionary interpretation. Examples include the government surviving in office after the largest losses in the Commons in recorded history, on its withdrawal deal; May holding the longest Parliament after the Civil War, denying it the opportunity of yearly votes on the Queen's speech; the development of an institutionalized party faction, the European Research Group, which freely disregards government whipping on the logic of the primacy of the referendum result; and Johnson destroying his own majority in the House by removing the whip from 21 senior Conservatives. Against all this, it could also be argued that it is simply the novelty of the situation which generates such innovations, and there is no systematic trend inside the Conservative party towards increased majoritarianism and discretion in other policy areas. The British case is therefore a marginal one, and qualifications on its inclusion with the other cases should be assumed throughout. By a slight abuse of language, we will call "the government" in this case the group of politicians in the cabinet and the Commons that came to support Brexit after 2016, and we will identify support for this group among voters by expressing preferences for leaving the European Union.

3. Economic policy and firm reactions

The previous section has developed the argument that a similar discretionary and majoritarian institutional model has emerged in the cases. This naturally leads to asking whether this is reflected in incoherent, low-credibility, and arbitrary economic policy. Column two in table 1 presents average GDP growth rates for the five cases in the relevant periods of analysis. Here and in the rest of the paper, the periods are: after May 2010 for Hungary, after November 2015 for Poland, after January 2017 for Romania, after January 2017 for the US, and after June 2016 for the UK, rounding to the nearest limit in the case of yearly data. These are not unusually low rates, and in fact are quite good given the baseline GDP level of each country. In all cases, except to some extent the UK, there is no obvious downward trend until 2019. A similar picture emerges from column five, presenting average yearly net inflows of foreign direct investment. Columns six and eight present average yearly budget deficits and average yearly changes in government spending as a share of GDP, as indicators of the broad fiscal approaches of these governments. A fiscally conservative picture emerges in all cases, except the American one. A number of elements contribute to these fiscal outcomes. On the one hand, all groups promote or maintain fiscal generosity towards key supporters. Looking first at Eastern Europe, the Polish PiS and Romanian PSD are explicitly redistributive parties, and both promoted significantly higher spending on pensions, child benefits, and government salaries while in office (The PiS for example introduced a significant $130 per child monthly benefit, and the PSD increased state pensions and government salaries repeatedly after 2017). Fidesz started its term in office during the turmoil of the global financial crisis, and for the first three years promoted a mixture of heterodox policies including an early exit from an IMF program and a special levy on financial institutions, with unpopular spending restraints, but during the 2014 election campaign converged towards the same targeted social expenditures for pension increases and work-fare arrangements that benefited poor rural areas.

	GDP gr prev	GDP gr	FDI shar prev	FDI shar	Deficit prev	Deficit	Gov exp prev	Gov exp	Bank Rate 19
HU - Fidesz	.59	2.65	17.24	1.87	-4.40	-2.82	.27	-.43	0.90%
PL - PiS	3.87	4.34	3.39	2.61	-4.34	-1.37	-.27	-.30	1.50%
RO - PSD	3.15	5.54	3.76	2.81	-5.37	-2.27	31	-.47	2.50%
UK - Brexit	1.43	1.67	4.06	5.55	-6.40	-2.10	.09	-.70	0.75%
US -Trump	1.73	2.54	1.88	1.56	-4.98	-3.40	.11	-.25	2.50%

	Gen public services	Defense	Pub order	Econ affairs	Environment	Housing	Health	Recreation	Education	Social protect
HU - Fidez	-.23	.01	.06	.17	-.02	-.05	-.05	.26	-.03	-.51
	8.0	1.0	2.4	7.1	0.4	0.8	4.8	3.5	5.1	14.0
PL - PiS	-.25	.05	-.05	-.10	-.10	-.05	0	.05	-.20	.35
	4.4	1.7	2.1	4.7	0.4	0.6	4.7	1.2	4.9	16.4
RO - PSD	-.075	.12	.02	-.42	.02	.02	.17	-.02	-.10	-.20
	4.2	1.8	2.0	4.4	0.5	0.9	4.3	1.0	2.8	11.7
UK - Brexit	.10	-.10	-.05	.05	-.05	0	-.05	-.05	-.20	-.45
	4.7	1.9	1.8	3.1	0.7	0.7	7.4	0.6	4.6	15.2
US - Trump	-.02	-.04	-.06	-.06	na	.00	.02	-.00	-.09	-.12
	5.6	3.1	3.2	3.2	na	.05	9.3	0.3	6.0	7.6

Figures in the first part are averages for the years under analysis, and for the years before that, up to 2005, in the columns labeled "prev". Part two presents average annual percentage changes in the ten budget areas, together with the base level in 2018 for each area.

Table 1: Economic data.

On the other hand, in all three cases, this relative generosity did not translate into increasing deficits for a number of reasons. First, the transfers are carefully targeted towards key constituencies that form the basis of support for the government, especially pensioners and the rural poor, rather than reflecting major increases in infrastructure, education, or health spending. The second part of table 1 presents the average percentage changes, as a share of GDP, in the main components of government spending, as defined through the common COFOG international framework. While these redistributive trends are reflected in the increases in social protection spending in Eastern Europe, this is balanced by smaller increases, or decreases in other areas, such as education spending. Second, relatively high growth rates allow this generosity to be compatible with a decrease in the government spending to GDP ratio. Third, and crucially, a very favorable international financial climate allowed all three governments to borrow cheaply, while also decreasing the debt-to-GDP ratio. The extraordinarily low interest rates prevalent throughout the developed world in the 2010s are reflected in low interest rates on government debt (yields on 10-year government bonds match or barely beat inflation in all three cases as of 2019), as well as being matched by highly accommodative monetary policy from their central banks. In Poland and Hungary, governments appointed trusted associates as central bank chiefs, and they provided record-low base rates well into the expansionary part of the economic cycle, while also experimenting with unconventional monetary policy in Hungary. In Romania the head of the central bank is an independent, but here as well the extent of the accommodation is extraordinary by any historical standards: a country that recorded inflation rates in excess of 250% in the 1990s now finds it possible to maintain negative real base rates, without any acceleration in inflation.

A similar picture, with some qualifications, emerges in the US and the UK. Both show decreases in the government spending to GDP ratio, but significantly more so in the UK. The US is the outstanding case in terms of fiscal conservatism, as it ran a relatively high budget deficit, breaking the commonly used threshold of three percent of GDP, in every year of the Trump administration. This can be linked to the largely unfunded tax cuts enacted by the Republican congress in December 2017, which included cutting the corporate tax rate from the highest level in the OECD to one of the lowest, and a 2.6 percentage points reduction in the top tax rate, but also to the same highly favorable borrowing environment - rates on 10-year government bonds have barely beaten inflation throughout the period. In both countries, the same mixture of generosity towards key constituencies and stinginess towards longer-term objectives such as education or infrastructure can be seen in the data and the case evidence. The British Conservatives introduced a "triple lock" on state pensions in 2010, which insures they can never grow by less than 2.5% a year, even as they allow cuts to education funding, policing, and infrastructure spending. Maintaining farm payments at the same level as those allowed by the EU's agricultural policy was among the first assurances offered after the referendum, while few other areas received any commitment regarding post-Brexit funding. A largely similar story holds in the US with regards to the social security pension system, and the funding of healthcare for retirees. The administration's commitment to compensation for farmers affected by the trade wars it engages in is a rare instance of non-military spending generosity in the post-2017 era. In both Anglo-Saxon cases, the highly accommodative monetary policies in place after 2008 contribute to the easy investment and borrowing climate. The US Fed funds rate has been at historically record lows throughout the 2010s, while in the UK the already record low rate of .75% was further cut to .25% in the wake of the referendum. The highly favorable economic climate cannot be separated from the ability of both countries to maintain good growth and fiscal performance during times of unsettled politics.

This analysis points towards the continued relevance of the long-standing literature on the politics of the economic cycle for understanding these novel developments. We know that governments are more likely to be reelected during good economic times, that they sometimes seek to strategically use fiscal policy to be reelected (though the effectiveness of this has been questioned), and that absent an independent central bank they may seek to use monetary policy for the same purpose (Alesina et al 1997, Persson and Tabellini 1999, Franzese 2002, Brender and Drazen 2008). All our cases happen during the upswing and top portion of the economic cycle, all governments under analysis are fiscally generous due to the favorable growth and interest rate environment, and all benefit from (and are able to influence, in the Polish and Hungarian cases) the unusually favorable monetary environment. Simple though they may be, these explanations for the success of these governments cannot be ignored.

Another question raised by our cases is whether, and how, these political developments affected the business and investment climate. A simplistic account of the drive towards policy discretion, and a resulting reduction in commitment power, could point towards the hypothesis that business should have a negative reaction and that output should be affected. The Eastern European cases all feature some policies that could be regarded as anti-business. In Hungary, "Orbanomics" saw the imposition of narrowly-focused taxes and regulations on activities which the government regards as particularly undesirable or guilty for the country's economic misfortunes - including a 0.45% tax on bank assets imposed in 2010 that saw the mostly foreign-owned banks struggling to reach profitability, various taxes and regulations targeting foreign supermarkets, and a tax on media advertising revenue which disproportionately hit the independent RTL conglomerate. In Poland and in Romania similar measures targeting foreign banks and supermarkets were proposed and enacted - including a supermarket levy which was judged illegal by the European Commission in Poland, and a "greed tax" on bank assets applied in case loan interest rates go beyond a certain threshold in Romania. The Hungarian government intervened to cap the monthly repayments of individuals who had taken loans denominated in Swiss Francs. The PSD has passed an emergency decree which seeks to reduce interest rates on outstanding loans by requiring they be based on a different reference rate. Moreover, in Hungary and Romania, corruption accusations and evidence surround the leading parties. According to academic and media evaluations (Fazekas and Toth 2016, Magyar 2016), Fidesz has perfected a system that channels public money, especially EU solidarity funds, towards itself and its supporters. Viktor Orban's son in law has become a successful entrepreneur in the area of public lighting, and Orban's childhood friend has graduated from being a pipe-fitter to Hungary's second-richest individual, on the back of government contracts. The Romanian PSD is mired in corruption investigations and trials - two of its last four leaders went to jail, and a third one was charged but not convicted.

A counterargument to this view, however, is that it focuses on the extraordinary and the outrageous, rather than the mainstream of economic activity. If we accept that institutions guaranteeing property rights and contract enforcement are crucial for economic efficiency, and moreover that the actions described above are examples of the absence or weakening of such institutions, then the empirical question still remains whether such moves reflect a targeted and limited program that allows the government to keep getting reelected, increase its private income, and implement its desired policies, or a generalized shift towards a weakening of institutions guaranteeing property rights and contract enforcement. Businesses may well interpret the evidence as favoring the former answer - at the present time there is no immediate evidence for the latter in any of the cases. To examine the business response to these developments, we will use three broad classes of firm surveys which are available in a comparable format across our cases. The primary hypothesis to be examined in this data is whether a significant deterioration in firm perceptions of the institutional framework has taken place under these governments (which would indicate that the institutional changes under analysis reflect a wider shift towards discretionary and extractive behavior), or whether no such trend can be distinguished (which would indicate that the developments, dramatic though they may be, are not immediately relevant to the productive process).

The first set of results is on firm perceptions of potentially extractive or corrupt behavior arising from institutional changes. Firm-level data on the four European cases is available from Eurobarometer business surveys on the broad topic of corruption carried in 2013, 2015, and 2017. Table 2 presents the most relevant models from this analysis, with additional results presented in appendix 2. The models examine changes in firm perceptions of the institutional environment. In the three Eastern European cases, the dependent variable asks whether firms display an increasing perception of corruption being a problem for them, of corruption being a problem in the country in general, and of institutional instability as indicated by fast-changing policies and legislation being a problem. Controls for firm size, sector of activity, and age, are included. The results show no indication of increasing perceptions of corruption or institutional instability in Hungary and Poland, and in fact show some improving perceptions on these topics. The exception is the perception of corruption in Romania, which seems to increase after the PSD's 2016 rise to power. Having said that, firms in Romania also indicate improving perceptions of legislative stability across the period. Models in table 1 of appendix 2 test whether these changes in firm perceptions are moderated by participation in public procurement, by the amount of interaction with the government, and by having been requested to pay bribes to officials. There is some indication of that in Romania for the case of firm and general corruption perception, and in Poland for the case of general corruption perceptions: firms that participate in public procurement display an increasing divergence of perceptions from firms that do not, and have a more positive perception of the institutional environment. Similarly, in Hungary, more government-dependent companies show a more positive evolution of perceptions of corruption, and in Romania firms asked to pay bribes again show a more positive evolution on all three measures. These patterns suggest that in the Eastern European examples there is some evidence that positive business evaluations are reflective of increased opportunities for rent seeking, and not simply of neutral effects of the institutional developments on the business environment. Table 1 in appendix 2 also presents 2017 cross section models that examine how firm characteristics connect to institutional perceptions. Across the four samples, there is generally little support for substantial heterogeneity in perceptions, but there is some indication in Romania and Poland that participation in public procurement again predicts more positive perceptions. As a robustness test, table 2 in appendix 2, presents the same models as in the body without the firm characteristic controls, which may provide increasing estimation precision in these relatively low-N samples, but the results show little substantive difference from the first set.

	Corruption a problem for you			Corruption perception in ctry			Fast changing legislation a problem			
	HU	PL	RO	HU	PL	RO	HU	PL	RO	UK
2013										
2015	.32**	-.00	-.19	.25***	.17***	-.07	.36***	-.04	-.02	.29*
2017	.15	.13	-.59***	-.02	.30***	-.21***	.31***	.06	.21*	.26*
Controls	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
N	822	865	883	868	898	904	848	898	892	857
Mean DV	2.34	3.24	1.56	1.94	2.22	1.66	2.12	2.15	1.75	3.07

Note: Higher values indicate better perceptions. All models are linear regressions, with design and post-stratification weights, and robust standard errors. Controls are: log firm size, NACE sector of activity, and firm age. *** = signif at .001 level, ** = signif at .01 level, * = signif at .05 level, . = signif at .10 level.

Table 2: Firm-level results, corruption surveys.

A different set of Eurobarometer firm surveys asks questions on perceptions of the judicial system, in 2016, 2017, and 2018, with Poland, Hungary, and Romania being the relevant samples

- there are no suggestions that the British judicial system has been weakened by the political developments. Table 3 presents the results of models in which firm perceptions of judicial independence and of political interventions in the judiciary are tracked over time, while controlling for firm size, sector of activity, and age. The results show improving perceptions on both accounts in Hungary, no changes in perceptions in Poland even as the judicial purges were taking place, and worsening perceptions in Romania. Results in which only negative perceptions are distinguished from positive perceptions and no opinion responses are presented in appendix 2 and show very similar results. The overall perception of the judicial system on the part of firms is relatively good in Hungary (61% of firms indicate a favorable opinion), less good in Poland at 46% , and even less good in Romania at 43%.

	Judicial system opinion			Political intervention in justice		
	HU	PL	RO	HU	PL	RO
2016						
2017	1.04***	.26	-.74*	-1.44***	-.46	.76 .
2018	.60	.18	-1.28***	-1.20*	-/27	1.76 **
Controls	yes	yes	yes	yes	yes	yes
N	400	928	505	244	609	313
Mean DV	.61	.46	.43	.38	.58	.66

Note: Higher values indicate better perceptions. All models are logistic regressions, with survey design weights. Controls are: firm size, NACE sector of activity, and firm age.*** = signif at .001 level, ** = signif at .01 level, * = signif at .05 level, . = signif at .10 level.

Table 3: Firm-level results; judicial system surveys

Data on business confidence is useful for testing whether these institutional changes have had effects on business perceptions of the investment climate. Monthly data on business confidence from firm surveys is available from Eurostat in the European cases and similar data from the OECD is available for the US. The data is indexed with a base of 100 and typical sample standard deviations are in the range of 5-10. Table 4 first presents models in which the level of business confidence is predicted using a lagged dependent variable and dummies for periods in which the outcomes under study are in place in each country: three dummies for the three Fidesz governments, dummies for the PiS, Brexit, and Trump outcomes, and three separate dummies for three governments in which the PSD participated in the decade, with the third one being the most relevant for our analysis. Models two and three present event studies in which discontinuities in confidence data are examined in the months before and after government changes, with quadratic time trends (results with a linear trend are similar in nature). The results show generally positive but nonsignificant connections between the political outcomes and business confidence in model one, and a mixed picture that points towards some positive effects in the event study models. The first Fidesz win is associated with a large increase in business confidence, and subsequent wins with nonsignificant changes. The PiS win is associated with a negative but nonsignificant change in confidence. The first PSD government is associated with a small negative change, but the most relevant one, from 2016, with no significant change. Overall, the firm survey results show little evidence of substantial negative effects from our political outcomes to firm perceptions of institutional quality or business confidence in the Eastern European cases, with the partial exception of Romania.

Business confidence index	M1		M2	M3
Hungary				
Lagged BCI	.94***	Second pwr trend	No	Yes
Fidesz term 1	.46	Fidesz term 1	13.23***	22.45***
Fidesz term 2	1.06*	Fidesz term 2	14.67***	3.33
Fidesz term3	1.21	Fidesz term 3	6.24 ***	-.31
N	205		48, 48, 36	48, 48, 36
Poland				
Lagged .BCI	.97***	Second pwr trend	No	Yes
PIS term	.14	PIS term	1.75**	-1.33
N	194		48	48
Romania				
Lagged BCI	.95***	Second pwr trend	No	Yes
PSD term 1	-.02 .	PSD term 1	1.95	-4.81*
PSD term 2	.03	PSD term 2	.33	-3.63*
PSD term 3	.01	PSD term 3	.26	.17

N	201		48, 48, 36	48, 48, 36
UK				
Lagged BCI	.95***	Second pwr trend	No	Yes
Post-referendum	.20	Post-referendum	-3.36 .	1.46
N	266		48	48
US				
Lagged BCI	.96***	Second pwr trend	No	Yes
Trump term	.05	Trump term	1.33***	1.16***
N	134		48	48

Note: M1 is, for each of the five countries, a time series regression with a lagged dependent variable, with robust standard errors, on monthly data. M2 is a linear regression with Newey-West standard errors and autocorrelation of up to level three allowed, on monthly data starting 24 months before the change of government and ending 24 months after. M3 is similar to M2, but includes a second power time trend. .*** = signif at .001 level, ** = signif at .01 level, * = signif at .05 level, . = signif at .10 level.

Table 4: Business confidence surveys

The context in the Anglo-Saxon cases is different, but the conclusions will be similar. According to his opponents, Donald Trump's administration displays a degree of discretionary behavior which is unprecedented in modern American history. Much like in the Hungarian case, the leader's family is involved in business dealings which could benefit from the family's involvement in government - for example Jared Kushner was occupying an executive position in the White House while also searching for financing for his 666 Fifth Avenue real estate investment. Several members of the cabinet have resigned after being involved in practices of dubious ethics - for example Ryan Zinke leaving the Interior Department after it awarded a contract for the rebuilding of Puerto Rico to an unknown company from his home town. At the same time, it remains an open question, to be examined in the data, whether such developments had any short term effects on investment and productivity. Table 4 presents models similar to the ones from the European samples on the reaction of business confidence to the election of Donald Trump, and show a reliable and substantively strong positive effect, that is maintained throughout his first term.

Here, as well as in the Eastern European cases, the lack of a clear connection between increased discretion and a negative investor response can receive several interpretations. The first one is that our cases may prove the removal of constraints on the executive is not a single-dimensional process, but rather can be segmented by policy area and by source of constraint. We may have positive evidence that constraints on overriding minority preferences or on the personal enrichment of leaders are not present in the cases, but there is yet no such evidence that constraints preventing large-scale expropriation of wealth, or reneging on obligations towards bond holders, or other output-destructive actions, have also been removed. It may be that the same courts, legislatures, party organizations, and voters, that tolerate the former set of actions would not tolerate the latter. Empirical evidence towards this end is not yet observable, as, in game theoretic terms, it lies off the equilibrium path, making definitive conclusions difficult.

A second explanation for the empirical patterns is simply that the time horizon for any negative effects of the institutional changes is longer than that afforded by our observation period. This cannot be discounted: We do have a historical example of regimes combining authoritarianism, economic heterodoxy, and economic success, in the import substitution industrialization era prevalent in the developing world in the 1970s. The end of the easy-money period in the early 1980s revealed the apparent miracle to be a relatively short-lived one, dependent on an unusually favorable financing context, not completely unlike that of the 2010s.

Results in the UK are similarly striking, but it is less clear they can receive an interpretation which ties them to the other cases. There is no reliable connection between the referendum result and business confidence, which complements the conclusion that the post-2016 period was not economically exceptional in the UK, arising from table 1. The possible explanations mirror the ones for the other four cases: It is possible that the institutional changes surrounding Brexit are well insulated from the institutional framework most relevant for the productive process. While in the other cases the question of whether the government's increased discretion may not eventually come to affect the basics of the rule of law and contract enforcement is an open one, there is no hint towards that in the British case. On the same note, while some businesses which are directly dependent on unencumbered trade with Europe have seen clear effects of the Brexit uncertainty - see for example the disinvestment in the UK of the car industry, and the move of some operations of the financial industry to the continent, for most companies this dependence is not as immediate and pressing. It is also likely that that the favorable monetary climate, made even more favorable by the Bank of England's out of order reduction in interest rates in August 2016, papered over any negative effects. Having said that, the economic growth rate of the UK has been the lowest of the cases, and among the lowest in the OECD in the period, and it did slow down further as the date of withdrawal in October 2019 approached.

4. Distributive politics and economic coalitions

The causal path model (Pearl 1995, and see illustration in appendix 3) assumed for the voter-level models in this section is one in which primary socio-economic characteristics such as family background and education determine both the economic position, as well as the social preferences, of voters. The economic position and social preferences are likely to be highly correlated, and to jointly then determine political support. Models connecting political support to the economic position therefore identify the composition of the economic coalition supporting these groups. Including factors that lie further back on the causal path, such as family background or education, does not, under these assumptions help identify this, so this is avoided. Including both the social and the economic factors in the same model can be informative for which are more important for vote choice, but do not necessarily help identify the parameter of interest. The economic composition is of theoretical interest because it determines the constraints within which the economic policies of these groups can be carried out.

Three sources of voter-level survey data - the European Social Survey (ESS) from late 2016 and early 2017, the European Elections Survey (EES) from June 2014, and the American National Elections Study (ANES) from late 2016 and early 2017 - will be used to understand this composition further. Tables 5, 6, and 7 present results on voter-level statistical models using the three data sources, and appendix 3 presents more details on the coding choices, summary statistics, and further models. The dependent variable in the ESS and the EES data is always expressing a future voting intention for the parties which form the object of analysis in Eastern Europe, and for leaving the EU in the UK. In the US, the sample is split between pre-election and post-election waves, so the dependent variable is either expressing an intention to vote for Donald Trump in the general election, or having voted for him in the general election or Republican primaries. In all cases, only individuals who indicate an intention to vote for a particular party or candidate are included in the analysis. In the US the cleavage between white and non-white voters is extremely salient, and permeates the entirety of our discussion, so a dummy variable for non-white voters is always employed. All models are weighted by the relevant sampling weights, and robust standard errors are used when linear regression is employed.

	Vote	Vote	Trust parl	Trust legal s	Vote	Vote	Trust parl	Trust legal	Vote	Vote	Trst parl	Trst lgl
	HU				PL				UK			
Working cl	.28	.19	-.18	-.19	.30*	.21	.14	-.44**	.71***	.42**	-.79***	-.66***
Retired	.37*	.25	-.01	-.18	.80***	.48***	.59***	-.60***	1.0***	.49**	-.38*	-.51***
Rural	.25*	.15	-.11	-.18	.67***	.54***	.53***	-.19	.01	-.08	-.00	.13
Import tradition		.18***				.38***				.15***		
Immigr benefit		-.08***				-.07*				-.46***		
Men job rights		.19***				.23***				.13		
N	1078	897	1063	1068	1161	1024	1139	1133	1334	1307	1328	1322

Note: Columns labeled “Vote” are logistic regressions. Other columns are linear regressions with robust standard errors. All models use design and post-stratification weights. .*** = signif at .001 level, ** = signif at .01 level, * = signif at .05 level, . = signif at .10 level.

Table 5: European Social Survey results

	Vote	Vote	Voice does not count	Vote	Vote	Voice does not count
	HU			PL		
Working class	.15	.11	.11	.62***	.62**	.25***
Retired	.43*	.44*	-.11	1.30***	1.15***	.22***
Rural	-.13	-.02	.18*	.21	.16	.18***
Attached to country		.05			-.03	
Opposed gay marriage		.08***			.09***	
Immigration restriction		-.04			.06 .	
N	745	698	1067	627	549	1111
	RO			UK		
Low	.60*	.44 .	.21***	.68***	.46 .	.38***
Ret	1.28***	.79***	.13	.95***	.37 .	.11 .
Rural	.02	.10	-.28***	.07	.02	-.11
Attached to country		.25			-.09	
Opposed gay marriage		.08*			.12***	
Immigration restriction		-.01			.25***	
N	642	535	1057	804	752	1341

Note: Columns labeled “Vote” are logistic regressions. Other columns are linear regressions with robust standard errors. All models use design and post-stratification weights. .*** = signif at .001 level, ** = signif at .01 level, * = signif at .05 level, . = signif at .10 level.

Table 6: European Elections Survey results

	Vote	Vote	Distrust fed govt	Elections do not matter
US General				
Working class	.70***	.32**	.13***	.10***
Retired	.67***	.01	-.00	.01
State GDP	-.02***	-.02***	-.33***	-.004***
Minority	-1.86***	-1.91***	-.33***	-.12***
Immigration too high		.78***		
Traditional values		-.75***		
N	2989	2971	3598	3602
US R Primaries				
Working class	.45**	.13		
Retired	.54***	.09		

State GDP	-.01**	.00
Minority	-1.51***	-1.33***
Immigration too high		.68***
Traditional values		-.46***
N	1601	1591

Note: Columns labeled “Vote” are logistic regressions. Other columns are linear regressions with robust standard errors. All models use design and post-stratification weights. .*** = signif at .001 level, ** = signif at .01 level, * = signif at .05 level, . = signif at .10 level.

Table 7: US American National Elections Study results

The first focus of the analysis is on the economic coalition supporting the discretionary-majoritarian solutions. Three economic cleavages which have become particularly salient in contemporary capitalist economies are explored. The first one is the distinction between occupations usually classified as “high skill”, requiring longer formal training, and those often called “lower skill” or “working class”. This was coded in each case by making use of the formal classification of occupations used by each dataset, as described in appendix 1.3. There is significant evidence that the liberal economic order prevalent in the Western world after the 1980s has benefited the former group more than the latter, and even more so in the five cases, all of which are prime examples of broad elite commitment to neoliberal economic ideas. On this note, Hobolt 2016 and Colantone and Stanig 2018, among others, discuss the role played by differential gains from globalization in explaining the Brexit vote, and Hooghe and Dassonneville 2018 as well as Mutz 2018 look at the same issue in the US, (but cast doubt on the causal relevance of these economic factors). The second distinction is that between retirees and workers (including students). In at least one of the cases, the UK, this distinction has been argued to have become an important political cleavage (Norris 2018), separating those benefiting from relatively low exposure to economic volatility and benefiting from past asset accumulation from those more affected by economic risk and asset price inflation. A similar argument could, however, be made for all our cases. All feature mechanisms that insulate the retired from institutional and economic shocks - most obviously the provision of a relatively fixed income through state pension schemes, but also more subtle mechanisms in the Western cases - including disproportionately benefiting from home price appreciation, or the provision of government-funded healthcare in the US. A third distinction is the regional one between metropolitan centers and the rest of the country. The same liberal order that disproportionately benefited higher-skill occupations has been argued to have benefited dynamic urban centers and their environs to the detriment of more rural areas. In the European samples this can be operationalized through variables indicating urban or rural location for the respondent (although in the UK this is an admittedly poor measure), and in the US sample this can be operationalized through the distinction between higher income (and most often higher growth) states, and lower-income ones.

Results in models 1, 5, and 9, table 6, models 1, 4, 9, and 12 table 7, and 1 and 5 , table 8 suggest a clear, and quite uniform, picture. In the ESS and ANES data, discretionary-majoritarian political solutions tend to be supported by an economic coalition of the retired, those in working class occupations, and those in rural or otherwise regionally deprived areas. The only qualifications on these claims are that in Hungary the working class variable only has a p-value of .11, which may be explained by the fact that the second-largest party in this country, Jobbik, occupies much the same ideological space as Fidesz, and targets these voters disproportionately, and that in the UK the rural variable is a poor measure of the underlying concept, and is non-significant. We know, however, that more deprived regions in the UK have in fact voted disproportionately for Brexit (Arnorsson and Zoega 2018). The coefficients can receive an approximate interpretation by using the divide-by-four rule: dummy variables in all cases indicate between .06 and .25 higher chances of a vote for the respective options, corresponding to substantively significant effects. The EES data, which is recorded earlier than the ESS and additionally includes a Romanian sample, shows largely the same patterns, with the qualification that the rural indicator seems to be poorly measured and is therefore often nonsignificant, even if coefficients for it are as expected.

An emerging literature has also argued that social and identity preferences were central to the emergence of outcomes such as Donald Trump's election or Brexit (Hooghe and Dassonneville 2018, Mutz 2018). Models 2, 6, and 10 in table 6, 2, 5, 10, and 13 in table 7, and 2 and 6 in table 8 present results in which the economic indicators are used together with social preference indicators capturing the traditional versus liberal cleavage, described in more detail in appendix 1.3. Traditional social preferences are strongly connected to the preference for these political solutions. These variables often make the economic group variables non-significant, although their sign remains the same. Tables 3 and 4 in appendix 3 show that the economic and social preference cleavages are clearly overlapping, though the importance of the social preference variables for the economic groups seems to vary, with immigration opposition being connected to low skill employment and the importance of tradition to retirement.

The policy behavior of the discretionary-majoritarian governments certainly suggests that the economic interests of its supporters guide their economic policies, and that the economic cleavage identified here explains those policies better than traditional left - right distinctions. All five governments protect and enhance the pension system and other forms of support for retirees. The Eastern European cases saw significant pension increases in the period of analysis, and in the two Anglo-Saxon cases the government pension systems, as well as the health insurance system in the case of the US, remain untouched by the drives towards austerity and economic libertarianism otherwise promoted. All promote redistributive schemes towards their non-metropolitan electoral bases: In Hungary, Fidesz has introduced a system of workfare in which otherwise unemployed rural residents perform community service in exchange for a welfare payment. A significant proportion of rural residents in Romania subsist on welfare payments which are vigorously defended by the PSD, and in Poland, the PIS's social spending is seen as benefitting rural areas disproportionately. The extent to which these governments redistribute towards their lower-skill supporters is harder to pin down. Two of the parties - the PiS and the PSD - adopt a clearly redistributive rhetoric, matched by policies which are certainly more redistributive than those of their economically liberal alternatives. Fidesz has a very different ideological ancestry, and in the 2010-2014 term promoted austerity in the wake of the financial crisis. A bill adopted in 2018 came to be called the "slave labor law" as it allowed firms to force employees to perform overtime without pay. The party's unapologetic embrace of nationalism after 2014, however, has helped make it popular among this group, though as the results in table 5 show, this is not to the same extent as in the other cases. In the two Anglo-Saxon cases, the connection between the discretionary-majoritarian solutions and lower skill workers lies less in redistribution, and more in protection from the competition of foreigners and of immigrants. Unlike their immediate predecessors - the pre-Trump Republican Party in the US and the mainstream Conservative party in the UK, Trump and Brexit backers make explicitly distributive arguments for their nationalist policies. US tariffs and immigration restrictions, as well as the reduction of immigrant competition through Brexit are openly, and successfully, advertised by these groups.

A challenging question is whether these economic features can explain the toleration of the institutional interventions the political groups engage in. Suggestive evidence from the cases and from data on the connection between these economic features and support for the existing institutional framework indicates this may be the case. Models in table 5 show that belonging to the three groups indeed predicts less trust in the legal system (although not in Hungary, where Fidesz had already dominated the judiciary for six years), and less belief that one's voice is heard in the country, uniformly across the samples. Models in table 6 show weaker but still suggestive evidence of a connection between the economic groups and a perception that one's voice does not matter in the country, and US models in table 7 show a clear connection between the economic indicators and distrust in the US federal government, as well as the belief that elections do not matter for policy outcomes. Further analysis in table 6, appendix 3, shows that belonging to these groups also shows less trust in parliament and less satisfaction with democracy in Hungary and the UK. Qualitative evidence from the cases also suggests that opposition to the institutional interventions tends to be disproportionately an urban, middle class, and relatively young, phenomenon. An explanation for these patterns could lie in the differential exposure of individuals on either side of the economic cleavage to the costs of the institutional interventions. Any arrangement that insulates one's income from the effects of extractive or otherwise arbitrary behaviors will make one less interested in checking them, and retirement is certainly such an arrangement, at least in the short run. Similarly, groups which perceive relatively lower benefits from any given institutional arrangement may be more willing to tolerate its dismantling for other benefits, which could explain the connection between working class occupations and these institutional attitudes.

A natural question is whether the economic coalition underlying the discretionary-majoritarian solutions is a novel one or whether it is a typically conservative one that may have come to favor these particular approaches in our cases. Table 7 in appendix 3 repeats the exercise in model 1, table 5, predicting votes for the mainstream conservative parties of Germany, France, the UK (by contrast to the Brexit vote), and Spain. The results are not similar to the ones in our cases. Working class employment is generally negatively associated with a conservative vote, although sometimes non-significantly, and the connection with retirement and rural location is not as clear-cut in these cases. By contrast, model 1 in table 7, appendix 3, repeats model 1 by predicting a vote for nationalist parties in a full European sample, as indicated by the party belonging to the EFDD and ENF political groups in the European Parliament (full details on coding in appendix 1.3). Two of the key elements of the coalition - low skill employment and retirement, are very strongly predictive of such a vote. This suggests that our political groups are perhaps more similar in nature in terms of their basis of support to the newer nationalist parties than to traditional conservative parties. At the same time, they are also distinguished from the nationalist and far right groups both by originating in mainstream and large political parties, and by winning power. The similarities in policy preferences and in electoral base suggest that, if successful in gaining a dominant position in government, parties such as the Front National or AfD may perhaps employ similar institutional approaches.

5. Conclusions

The continued success of governments challenging the institutional and policy orthodoxy throughout the democratic world requires explanation, and this article has contributed to this effort. Three key factors emerged as particularly important in explaining both the conventional economic results in the face of institutional change, as well as the continued support among voters and economic agents. The first is these regimes' ability to target their institutional interventions such that they allow extensive discretionary behavior in some areas but less in other areas which may be more relevant for the productive process - such as property rights, contract enforcement, or fiscal and monetary stability. Whether this ability reflects genuine institutional constraints on their behavior or is more the result of strategic behavior by the leaders is an open question. As time passes and economic pressures mount, the extractive restraint of these governments may come to be seen as a temporary step. It is reasonable to speculate on a divergence between the American case, in which the institutional constraints on a Donald Trump are likely genuine and solid, and the Eastern European cases, in which this is not so clear.

The second important explanatory factor is the favorable economic environment, in which the unusually favorable monetary environment likely plays a key role. Again, this has not been tested yet, in any of the cases, by an economic downturn and need for monetary tightening. The “magical” mix of discretionary behavior, high investment, high spending, high growth, and inflationary and fiscal stability will likely have to lose some of its components when more regular economic and monetary times arrive - as it often did in economic history.

Third, the emergence of an common economic coalition in all our cases has significant explanatory power for the policy approaches of these regimes, including for their institutional interventions. The repeated occurrence of this coalition in widely different contexts, as well as its tight overlap with the increasingly salient traditional vs. liberal social cleavage, suggests that it may form the basis of support for similar discretionary-majoritarian solutions in the long run and in different countries.

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