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Editorial Note

Dear Reader,

We proudly present Vol. 33 of POLITIKON, the flagship academic journal of the International Association for Political Science Students.

In this volume that is comprised of four selected papers, you will be able to explore the influence of economic integration on the consolidation of autocratic regimes.

The second paper examines Podemos, an allegedly left-wing “populist party” in Spain, and its discursive appeal to European Union (EU) issues.

If you are interested in International Relations and with a particular emphasis on Russia, a recommended reading for you is the third paper of this volume, which evaluates the effectiveness of sanctioning Russia.

For those of you interested in religion and politics, the fourth paper will be of interest as it focuses on both aspects in the case of Italy by subjecting the role of Christian democracy in post-war democratization to critical scrutiny.

The authors of this volume range from senior undergraduate students to PhD researchers, whose papers successfully passed the peer review procedure. This demonstrates that Politikon is open to talented junior scholars regardless of their formal academic status. If you also want to publish an article with us, please visit our website for further information: http://www.iapss.org/wp/academics/journals/politikon/call-for-papers/

We are looking forward to reviewing your work!

Your Editors
Rather Yields than Rights: The influence of economic integration on the consolidation of autocratic regimes

David Nikolas Kristen

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David Kristen 24, from Schwetzingen (Germany), is a graduate who received his bachelor’s degree in Political Sciences and Business Administration at the University of Mannheim in 2016. His main areas of interest are the fields of international political economy and development studies. He currently works at the German Chamber of Commerce in Chile and has gained professional experience working for a humanitarian aid organization through the German Corporation for International Cooperation and as a student assistant at the Social Science faculty of the University of Mannheim.

Abstract

Despite the research on globalization and the survival of autocracies through economic integration, the knowledge regarding the relationship between these two events, the importance of which has noticeably increased in the last decades, is still limited. This paper examines the influence that economic integration has on the consolidation and therefore the durability of autocratic regimes. I use Ordinary Least Squares (OLS) regression models to test the impact that foreign direct investment, trade agreements, investment treaties and membership in the World Trade Organization (WTO) have on the durability of autocracies within 120 countries between 1961 and 2008. The results generally support my theoretical assumptions that a higher level of economic integration leads to increased durability and hence consolidation of autocracies. However, WTO membership decreases the durability, and FDI inflows have an impact only within a certain range while trade agreements and bilateral investment treaties extend the lifespan of the examined cases.

Keywords

Autocracies, consolidation of autocracies, economic integration, foreign direct investment, trade agreements, investment treaties, WTO, regime durability
Introduction

Economic integration is the spearhead of globalisation that characterizes the modern world. Despite waves of democratization along with increasing interconnectedness, especially over the last century, many autocracies remained stable during this development period, and a not-to-be-underestimated number of them, such as China and Saudi Arabia, even seem to have profited from globalisation. The purpose of this paper, therefore, is to investigate if a relation exists between stable, consolidated autocracies and their level of economic integration.

This paper aims to contribute to two fields of international relations: the research on autocracies and the research on economic integration, particularly on financial investment streams and trade. Two things are new in this approach: first, the connection of economic integration with the durability of regimes and second, the investigation of economic integration as an explanatory variable. The purpose is to contribute not only to the existing research but to deliver an understanding as to why some autocratic states function well economically and the influence that Western states have on this development.

Numerous autocracies have become important players in the global economy. Figure 1 shows how the inflows of foreign direct investments (FDIs) in autocracies constantly increased since the beginning of the new millennium and even exceeded those of democracies in 2012.2 The success in attracting FDI inflows indicates the compatibility of an autocratic political system with economic success. Investigating how the associated integration strengthens the respective regimes and, in turn, affects the consolidation of these states should help achieve a greater understanding of functional autocracies in the environment of globalisation. Thus, the objective of this article is to investigate the influence that economic integration has on the durability of autocratic states. My hypothesis is that a higher level of economic integration leads to a stronger, consolidated autocracy. My argument consists of two parts, first, how economic integration leads to growth and second, how this leads to the consolidation of a
Economic Growth through Economic Integration

Miroslav Jovanovic states “(...) we can conclude that international economic integration is a process and a means by which a group of countries strives to increase its level of welfare” (1992: 9). This highlights the purpose of this first theoretical step quite precisely. Generally, the effects of economic integration on economic growth have been studied comprehensively and are widely accepted. The various processes leading to an increased economic interconnectedness in order to increase trade by removing barriers and extending investment flows are covered later in this paper in discussion of the definition of economic integration.

Before I focus on a more specific view of the components of economic integration, I have chosen for my model a closer look at the conceptualisation of economic integration that other researchers have taken. Badinger (2001), examines the framework of the General Agreement on Tariffs and Trade (GATT)/WTO and membership in the European Free Trade Association (EFTA), among other economic characteristics of the European Union. De Benedictis and Tajoli (2011) show that being a member of the WTO makes a state more integrated into the international economy than non-member states. The situation is similar for free trade agreements (FTAs), the arrangement which leads, according to many researchers, to a growth in trade (Baier and Bergstrand 2007; Brada and Méndez 1985) is perhaps the most basic component of economic integration. FDIs as a tool for developing countries to upgrade their respective export structures can also be mentioned in line with economic integration (Harding and Javorcik 2011). Bilateral Investment Treaties, on the other hand, especially help autocratic regimes to overcome the absence of functional domestic courts, a credible reputation and transparency in policymaking to ensure that rules and laws of investments are respected in the long run (Arias et al. 2015).

The next section aims to take a closer look at how the components of economic integration individually support economic development and growth.

Existing research offers a good overview of the mechanism linking FDIs to economic growth. By giving recipient countries access to leading international technology and expertise, the positive effects of FDIs on economic development are widely recognized when assuming a minimum threshold of human capital and a basic ability to absorb new technologies (Borensztein et al. 1998; Liu und Li 2005). Moreover, foreign direct investment is more long-term oriented, as the fluctuations are less intense and crisis-dependent, which also favours economic development (Nunnenkamp 2000: 187). The effects on stability
are expected to be high particularly among developing countries, which includes most autocracies\(^3\), as they benefit from the transfer of technology and expertise due to relatively strong differences. FDIs are also usually illiquid investments, such as the foundation of new factories, job training, or operational control, which makes it harder for the investors to retrieve their investments (Moon 2015: 345). This point displays the reciprocal relationship of FDIs that, on the one hand, affects economic development and on the other hand establishes particular circumstances that credibly commit investors to be profitable. This recognition has to be noticed because as a consequence, autocratic states which fail to commit to being a country worth investing in will be more unstable than autocracies that can successfully overcome the credible commitment problem.

In general, it is important to highlight the close connection and mutual relationship between the building blocks of this complex concept. Predominantly through the relationship with FDIs, this is visible as international trade agreements allow particular developing countries to attract more FDI inflows and consequently increase their economic growth (Büthe and Milner 2008; MacDermott 2007; Medvedev 2012). The commitment problem mentioned in the last section can be overcome by trade agreements and membership in an international organization (GATT/WTO), as it elevates agreements to a supranational level and legally binds the states to follow certain policies which would be costly to break (Büthe and Milner 2008: 744; Keohane 1989; Simmons 2000). Free trade agreements and WTO membership also affects economic growth through other means, as the organization’s name itself implies increased trade. Trade flow resulting from a free trade agreement increases five-fold while, on average, bilateral trade between two members of an FTA doubles within 10 years (Baier and Bergstrand 2007). The same could be said for the membership in the WTO, as the same institution declares that: “(...) Merchandise exports grew on average by 6% annually. Total trade in 2000 was 22-times the level of 1950.” (WTO 2016). Even though the effect of WTO/GATT membership on trade is not undisputed and other economic factors such as higher rates of productivity in tradable goods, falling transport costs, regional trade associations, and the shift from primary products towards manufacturing and services may have contributed to this process as well (Rose 2003: 22), a relationship can hardly be denied (Subramanian and Shang-Jin 2006). Although a goal of both ITAs and the WTO/GATT is to liberalize tariffs and trade (Krueger 1998), these structures are not interested in achieving political or civil liberties. Thus, in a liberalizing country, increased trade promoted by international trade agreements and the membership of the WTO then fosters economic development and lessens the income gap between country and other, wealthier countries (Ben-David and Loewy 1998).

On the one hand, Bilateral Investment Treaties (BITs) are closely related to the encouragement and governance of FDIs and usually increase the amount of FDI inflows (Neumayer 2005). On the other

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\(^3\) With the exception of the Gulf States.
hand, they affect economic integration on additional dimensions, similar to trade agreements and WTO membership, namely through the protection of contractual rights and the right to international arbitration in the event of an investment dispute.

Concluding this first section, there are three things to remember about how economic growth is affected in this model. First, economic integration generally leads to growth mainly through the exchange of knowledge and capital. Second, the effects of foreign direct investment are particularly high among developing countries but, at the same time, require a certain degree of stability in the receiving country. Third, ITAs, BITs and the membership in the WTO lead to increased trade and economic liberalization, which consequently fosters economic growth.

**Regime Durability through Economic Development**

After comprehensively discussing in the first section how economic integration leads to economic development and growth, this section deals with the issue of how this might foster regime stability. But first, I will define the term autocracy as it applies to this article. Underlying for my argument as well as my data analysis is the concept of the “Polity IV” score, which characterizes autocracies based on two criteria: The competitiveness of executive recruitment and the openness of recruitment for the chief executive. Autocracies are therefore regimes that suppress competitive political participation with the chief executive being chosen from within the political elite, and, once in office, leaders face few institutional constraints on their power.

The regime stabilisation effects of economic development on both democracies and autocracies has been attested in various studies (Feng 1997; Belkin and Schofer 2003; Goldstone et al. 2010; Maeda 2010). Miller (2012) shows that the probability of violent leader removal decreases significantly when the average income increases. Londregan and Poole (1990) demonstrate that successful coups are negatively associated with income and economic growth. Although there have been made some distinctions: "modernity breeds stability, but modernization breeds instability" (Huntington 1968: 41) and different theoretical assumptions such as rapid growth as a destabilizing force (Olson 1963), the empirical results support the authors mentioned above and hence my argument.

General explanations for the relationship between economic development and regime stability are that a greater economic gain enables the regime to invest in the extension of its repression capacities (Fearon and Laitin 2003). Moreover, it provides the regime with the opportunity to redistribute and thereby stabilize its power (Morrison 2009). Other mechanisms are the strengthening of the economic standing of average citizens (Goldstone et al. 2010) which at the same time makes the citizens less likely to use violence strategies (Inglehart and Welzel 2005) and raises the opportunity cost for a rebellion (Przeworski 2005).
A widespread assumption in the field of political science is the positive relationship between globalisation, growth, economic development and democracy, coherently with the assumption that autocratic regimes fail to enable economic development in the long-term (Olson 1993; Acemoglu and Robinson 2005). The assumption is that autocratic leadership fails to establish a credible commitment when it comes to policy implementation, such as redistribution and property rights. This is very helpful to explain certain cases of state failure and the emergence of democracies, but other cases of autocracies that outlast economic development stable, such as China, Saudi-Arabia and Russia, require a different explanation. Their increasing economic openness cannot be equated with a loss of control suddenly granting a middle class more rights; states such as China, Russia or Venezuela rather have increased their repression. A good example is social media: “China has periodically blocked access to Google’s English-language news service and recently forced Microsoft to block the use of words such as ‘freedom’ and ‘democracy’ on the Microsoft software used by blockers.” (De Mesquita and Downs 2005: 81). Through the suppression of coordination goods and the media, while also providing public goods such as primary education, public transport and a healthcare system, autocracies simultaneously counteract risks and show a positive development towards stability. This combination of strategy and economic growth has already been empirically demonstrated to increase the chances of regime survival significantly (De Mesquita and Downs 2005).

Determinants of Stable Autocracies

This section gives an overview of the existing literature about the stability of autocracies where economic integration as an explanatory variable should be considered.

Kailitz and Stockemer (2015) show that communist ideocracies and ruling monarchies are on average more durable than other types of autocracies because of their high elite unity and small elite differentiation which makes overthrowing them difficult for the opposition. Generally, it is widely accepted that the type of autocracy matters and that particularly military-ruled autocracies have significantly shorter survival rates than others (Geddes 1999; Hadenius and Teorell 2007; Kailitz and Stockemer 2015).

Classic approaches explaining the durability of autocratic states often focus on patron-client networks in which the stability of the regime is achieved by the distribution of rents to specific groups in the population to ensure their loyalty. Particularly applicable are theories that explain the survival of so called rentier-states (Beblawi and Luciani 1987) such as the Middle Eastern oil monarchies. The influence of oil and mineral wealth on autocracies as an obstacle for democratisation (Ross 2001; Jensen and Wantchekon 2004) and particularly as a factor supporting regime stability (Smith 2004; Wright et al. 2013) has been also found to be important in this context.

Other approaches consider factors such as welfare enhancement and capital accumulation policies as crucial for regime survival (Overland et al. 2005). Besley and Kudamatsu, in turn, argue that the
accountability of autocrats matters (2007). However, this seems hardly to correspond to the previously displayed success of monarchies, especially in the Middle East, but instead more so for states such as China. Gandhi and Przeworski highlight the importance of the institution for the survival of autocracies rather than the type of autocracy: “They [autocracies]‘must accurately perceive the strength of the threat and respond with a sufficient degree of institutionalization’” (2007: 1293).

How Economic Integration Consolidates Autocracies

In the previous section, I have displayed how the economic integration of states fosters economic development and growth and consequently makes autocracies more durable. Economic integration leads to economic development. In turn, this causes, through greater legitimacy, repression options and better conditions for co-optation in the consolidation of autocratic systems defined as the durability of an autocratic regime. These three pillars can be linked to Gerschewski’s (2013)\(^5\) model, which provides a theoretical approach to explain successful autocracies. Due to the difficulty of defining and particularly measuring the components without contradiction, I will use this strategy only for parts of my theoretical argument, while the actual empirical analysis only focuses on the direct relationship between economic integration and the consolidation of autocratic regimes.

Economic integration enables the regime to redistribute a greater amount of resources to relevant groups in the society, but moreover to keep the elite group loyal and prevent the ascent of an alternative source of legitimacy. To avoid public protest that could lead to a coup d’état, greater admission to resources enables the autocratic regime to make economic concessions such as tax relief or subsidies for certain sectors rather than political concessions. This “buying of legitimacy” can be observed especially in countries such as Saudi Arabia or the United Arab Emirates, but also in China or Russia, where companies that profit from economic integration get clearance in exchange of regime loyalty. Companies, individuals and other groups that benefit comparatively more than others have a strategic interest to support the current regime as they might lose their privileges during a regime transition or democratisation process.

I assume that legitimacy also increases when the investment and settlement of multinational corporations creates jobs and the standard of living consequently increases. Freedom also has an economic component and if this increases through economic integration, not only does the satisfaction of the people increase by the subjective increase of liberty, but also the fear that any change of the regime might disable or destroy the acquired economic freedoms. That redistribution, at least to the certain extent that it is crucial for the survival of the elites, was already argued by Boix (2003) as he hypothesized that one of the core risks occur from the lower classes wishing to overthrow the redistributional equilibrium in the society.

Of course, autocracies are not only based on legitimation; an additional, crucial component is repression.

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\(^4\) Remark of the author.

\(^5\) Also see: Friedrich and Brzezinski 1986; O’Donnell’s 1979; Acemoglu and Robinson 2005.
The economic integration and the resulting inflows into the state’s budget make a greater investment in the security sector possible. Better equipped and funded police personnel are able to counteract insurgents and repress any upcoming movement that aims to undermine the current regime. Furthermore, generals, officers and others in executive positions are part of the relevant elite group which needs to be satisfied in order to prevent powerful opposition in the immediate vicinity, drawing the connection back to the issue of legitimacy.

Regarding co-optation, particularly in personal dictatorships or monarchies, it can be assumed that a well-functioning economy with economic growth and development makes transfer of power easier because of the increased legitimacy of the incumbent regime. A lesser degree of economic integration however, in relation with uncertainty and discontent that at the same time cannot be restrained effectively, will lead to a decreasing durability of the autocracy.

To examine how economic integration directly influences the durability of an autocratic regime, I will look closer at the behaviour of autocracies and the particular relationship democracies have to them. In principle, democracies might have the moral claim to help other states to democratize and overthrow autocratic regimes, averting this process. But at the same time, democracies follow economic interests to secure their own survival. Taking the relationship between the United States and autocratic China as an example, the U.S. has imported more goods annually from China than any other country since 2007. China also plays a significant role as an exporter of goods for the U.S. (CCTV America 2015). 17 countries of the 50 most important trading partners of Germany are classified as autocracies and that already includes 20 member states of the EU. Taking the EU (27) as a whole, in 2010, nine countries out of the 20 most important trading partners were autocracies and together had a volume of exported goods of 395,2 billion euros, which comprises around 30 percent of the total volume of exports.\(^6\)

States that are economically crosslinked as extensively as I have displayed in the examples before can have no serious interest in seeing trade partners destabilize. In case of FDI's, the traded capital could be lost and constructed infrastructure such as factories may be destroyed or expropriated. Regarding trade agreements, successors of the ousted regime might see them as invalid and refuse compliance. For their own economic well-being, the economic importance of commodities and markets, particularly in Asia and the Middle East, simply exceeds the willingness to challenge the prevailing power relations. Extensive trade sanctions against states because of missing civil or democratic rights would not be able to be enforced without massive economic losses and domestic pressure arising therefrom. States are not interested in destabilizing countries within their economic network; in contrast, they are interested in taking action to stabilize countries, especially autocracies, to ensure their economic benefits arising from their economic integration. Economic integration under these circumstances creates an equilibrium in

which both sides gain from the other’s stability and solidify the interest to maintain it. In other words: both sides are in the same boat because of economic integration, which consequently prevents them from drilling a hole in the other’s side.

From the perspective of an autocratic state, economic integration provides the current regime bargaining power, as investors and other countries are generally interested in opening up new markets and benefiting from extended trade, processes which function better in stable countries. On the other hand, it calls for concessions, for example regarding investment protection, property rights and liberal economy policies. Instead of taking the path of slow democratisation which sooner or later would lead to the disempowerment of the regime, autocracies meeting the prerequisites tend take the path of economic integration. This means a harmonization of the domestic economic order so as to enable mutual economic development.

*Figure 2* shows the relationship between an index of economic integration (consisting of the summed values of FDI inflows, the number of signed BITs and PTAs) and the regime durability variable measured in years since the last change of more than three categories in the Polity IV score. The positive correlation between the variables is clearly observable. However, it is striking that most of the data points are located between value 0 and 50, which suggests that the most important part of the suspected correlation takes place in this area.

In summary, emerging resources can be used for greater repression and to “buy” a higher legitimacy from the state’s population and relevant elite group as well as a changed relationship between trading partners, particularly democracies whose preferences shift from moral interests towards economic interests. From this I derive my hypothesis: that a higher level of economic integration leads to stronger consolidated autocracy.

**Operationalisation**

The data is based on the merged International Political Economy Database (Graham 2015) and contains data from 120 different autocracies (country-level) in the period from 1961 to 2008.

I have selected the Polity IV durability measurement to model autocratic consolidation. Changes in the combined Polity score of three or more points are counted as a regime change. The variable counts the
years since the last regime change occurred according to this definition. I consider this measurement as the most appropriate for regime consolidation for two reasons: first, the concentration of changes towards and especially from democracy makes it possible to identify autocracies with a consolidated political system. Geddes et al. (2014) criticise the Polity IV durability measurement and the CGV dichotomous regime type measurement (Cheibub et al. 2010) which would also be a possible operationalisation for my dependent variable, arguing that it does not account for autocracy-to-autocracy transitions. Although their research on autocratic regime survival resembles mine, it still differs from my field of interest and definition of autocratic consolidation. My arguments of how economic integration leads to the consolidation of autocratic regimes are not necessarily reduced to a particular regime or elite that is currently in power, but rather refers to the general consolidation of an autocratic fundament. While investors are, as previously stated, mainly interested in the long-term stability of their investments, in some cases, changing this support in favour of a different autocratic opposition might prove useful as the new regime could be able to commit more credibly to the stability than the current regime. The Polity IV measures therefore recorded only such regime changes that show a change in the degree of the autocracy level. One example is the 1968 Iraq transition from military rule to Saddam Hussein’s rule, which would be coded as a regime change in Geddes et al. but not in Polity IV.

To make my coding clearer, Table 1 (Appendix) shows the data for Chile from 1973 until 1988 as an example. The coding starts in 1973 with the overthrow of the democratically elected president Salvador Allende by General Augusto Pinochet and the installation of a military regime. The autocratic score then does not shift within the next 14 years by more than 3 points as indicated by my dependent variable, which counts up to 14 until the democratisation process in 1988 starts and the autocratic score drops to 3.

To differ between autocratic and democratic states, I also use the Polity IV database, excluding those cases that have a score above 0. My independent variables are FDI inflows which are set in relation to gross domestic product (GDP) to account for different sized economies (World Bank 2015) and the number of BITs (Graham et al. 2015). The second part of my independent variables consists of the binary variable of WTO membership (Graham 2015) and the cumulative number of signed trade agreements (Dür et al. 2012). Economic growth and GDP (The World Bank 2015) are important to control for independent economic development that might influence regime durability. To consider the characteristics of different types of autocracies, monarchies and one-party regimes are included as two binary dummy variables. Finally, a variable to control for the impact of natural resources is included that shows the amount of oil exports as a share of GDP. The control variables I am using might, as shown in the theory section, be associated with both my independent and dependent concepts of interest.
**Statistical Model**

To test my theoretical assumptions, I use an OLS regression model. The data withdrawn from the Political Economy Database (Graham 2015) is time-series cross-sectional data. In OLS time-series data, the observations are in most of the cases not independent (Plümper, Troeger, and Manow 2005: 329). Four common violations of the OLS occur as a result to panel data: Serial correlation of errors, heteroscedasticity of errors, correlated errors across units due to common exogenous shocks and finally non-spherical errors in the cross-sectional and the serial dimension (Plümper, Troeger, and Manow 2005: 329). To account for these violations, I make use of panel-corrected standard errors in my model (Beck and Katz 1995).

**Results**

*Economic Integration and Regime Consolidation*

<table>
<thead>
<tr>
<th>Model 1</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
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<tbody>
<tr>
<td>FDI Inflows</td>
<td>0.375</td>
<td></td>
<td></td>
<td>0.346</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.237)</td>
<td></td>
<td></td>
<td>(0.243)</td>
<td></td>
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<tr>
<td>BITs</td>
<td>0.398***</td>
<td>0.474***</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>(0.0619)</td>
<td>(0.0752)</td>
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<tr>
<td>WTOmember</td>
<td>-1.465</td>
<td>-6.667***</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>(1.085)</td>
<td>(1.246)</td>
<td></td>
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<tr>
<td>TradeAgreements</td>
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<td>0.209*</td>
<td></td>
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<tr>
<td></td>
<td>(0.0990)</td>
<td>(0.124)</td>
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<tr>
<td>Growth</td>
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<td>-0.0747</td>
<td>-0.0728</td>
<td>-0.0740</td>
<td>-0.0974</td>
</tr>
<tr>
<td></td>
<td>(0.0731)</td>
<td>(0.0683)</td>
<td>(0.0686)</td>
<td>(0.0684)</td>
<td>(0.0737)</td>
</tr>
<tr>
<td>GDP</td>
<td>2.35e-11***</td>
<td>1.17e-11***</td>
<td>1.99e-11***</td>
<td>2.18e-11***</td>
<td>1.33e-11***</td>
</tr>
<tr>
<td>OneParty Regime</td>
<td>2.190**</td>
<td>2.943***</td>
<td>3.438***</td>
<td>3.091***</td>
<td>1.384</td>
</tr>
<tr>
<td></td>
<td>(0.883)</td>
<td>(0.816)</td>
<td>(0.818)</td>
<td>(0.808)</td>
<td>(0.870)</td>
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<tr>
<td>Monarchy</td>
<td>8.578***</td>
<td>7.341***</td>
<td>7.907***</td>
<td>7.769***</td>
<td>8.014***</td>
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<td>(1.290)</td>
<td>(1.277)</td>
<td>(1.260)</td>
<td>(1.327)</td>
</tr>
<tr>
<td>Oil Export</td>
<td>0.201***</td>
<td>0.262***</td>
<td>0.247***</td>
<td>0.257***</td>
<td>0.232***</td>
</tr>
<tr>
<td></td>
<td>(0.0350)</td>
<td>(0.0378)</td>
<td>(0.0374)</td>
<td>(0.0375)</td>
<td>(0.0344)</td>
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<tr>
<td>Constant</td>
<td>12.48***</td>
<td>11.68***</td>
<td>12.60***</td>
<td>11.28***</td>
<td>11.11***</td>
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<tr>
<td></td>
<td>(0.710)</td>
<td>(0.711)</td>
<td>(0.738)</td>
<td>(0.947)</td>
<td>(0.999)</td>
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<td>Observations</td>
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<td>1,597</td>
<td>1,341</td>
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<td>R-squared</td>
<td>0.140</td>
<td>0.147</td>
<td>0.129</td>
<td>0.139</td>
<td>0.174</td>
</tr>
</tbody>
</table>

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

The outcomes of my empirical examination are discussed in this section. During my interpretation, I will focus mainly on the joint regression of all four model (5) as the independent variables are mutually
dependent. Bilateral investment treaties have a positive and statistically significant influence on autocratic consolidation. The increase of one signed bilateral investment treaty increases the average durability of a state by almost half a year if all other variables are kept constant. Trade agreements also have a positive and statistically significant influence on the durability of autocracies, however not as strong and significant as investment treaties. One additional signed trade agreement increases the lifespan of an autocracy by 0.2 years. Regarding FDI inflows, there is no significant relation with my dependent variable observable, which is quite surprising and will be discussed in further discourse. Membership in the WTO/GATT indicates a relation in the opposite direction, as predicted, which is also statistically significant. Membership in the WTO decreases regime durability of autocracies according to my model for 6.6 years.

To account for pairwise correlations of all independent variables, the model still remains robust after testing for multicollinearity. The different number of observations can be explained with the varying missing’s in the variables, a problem I will come back to later. It is important to make clear at this point that this model and the statements attributable to it are retrospective as we are not dealing with a survival model and the dependent variable counts the years since the last regime change occurred. The model fit r-squared is normal sized regarding the panel data that I have used.

Regarding my control variables, my results concerning the positive relationship between oil exports and regime durability are consistent with the outcomes of previous research (Smith 2004; Wright et al. 2013). This accounts as well for ruling monarchies being the most durable form of autocracies (Kailitz and Stockemer 2015).

The potential influence can best be illustrated using statistical tools to predict how durability changes when values used for the explanatory and control variables are varied. Taking, for example, a monarchy that is a member of the WTO, the expected average years without changes in durability measure without investment treaties, trade agreements and a high level of removed FDI inflows is 6 years, holding the other control variables at their mean. Increasing the level of economic integration to the average level by setting the explanatory variables to their mean as well, the expected interval without a regime change is on average 18 years. Letting the exemplary monarchy category integrate on a high level still yields a result within the standard deviation, which means that if FDI inflows make 10.5 percent of the GDP and the autocracy has signed 7 bilateral investment treaties and 7 trade agreements, the expected regime durability increases again up to 22.3 years.

Changing the monarchy to a non-member of the WTO, the regime durability increases up to 29 years.

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7 Also tested for homokedasticity, heteroskedasticity (Breusch-Pagan Test) and Outliers (Cook's distance and Standardized (jaccnifed) residuals).

8 Based on the “clarify” program (stochastic simulation techniques).
Realistic changes in the relevant variables can thus make a difference up to 24 years in regime durability. A possible explanation for the positive but not significant results for FDI inflows I found in Model 1 might be the existence of a nonlinear influence. I created categorical variables to account for that. This makes sense especially for FDI inflows as a percentage of GDP as there might be differences even with negative net inflows\(^9\) and FDI inflows ranging between one and ten percent which is the range included in the standard deviation and a very high share of the GDP\(^10\) which is in the vast number of cases is not necessarily a good sign for the economic situation. Figure 3 shows the distribution of the regime’s durability variable in four different FDI inflow groups. In the group with negative inflows, cases with zero and values close to zero are predominant for regime durability. In the group with a percentage of FDI inflows between zero and 3.5 percent, values are already more heterogeneous and there are more cases of longer regime durability. The group between 3 and 15 percent of FDI inflows, which is the range including the standard deviation, includes the highest number of cases having a high regime durability. For the last group with an FDI inflow value above 15 percent the correlation is not clearly identifiable, which could explain the lack of significance in Model 1.

Discussion

First of all, the most appropriate way of dealing with this data, especially with the regime durability dependent variable would be a duration model. Counting each regime timespan regardless of the duration and the country as one single observation and tested with a survival method would be probably the best way to deal with this, but an OLS also serves the requirements to show that there might be some statistical evidence to support my argument.

Particularly striking is the negative influence of membership in the WTO on regime durability. A first step to find possible explanations is a differentiation between my independent variables. While FDIs and

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\(^9\) This happens when FDI is withdrawn from the country.

\(^10\) These often include cases of very small countries, mostly islands with a very low GDP, dependent on large donor countries.
investment treaties are, as the name indicates, concentrated on investment and might have a more immediate and (from the government’s perspective) more controllable influence, the consequences of trade-related measures are harder to identify. A possible explanation would be that civilian society profits more from trade than the regime, which would lead to the creation of a middle class demanding democratization based on its growing influence, which in turn destabilizes the autocracy. This hypothesis would be in line with previous research assumptions arguing that economic development and growth might foster democratization. This however is by no means a contradiction to my argument but would rather show that investment affects regime durability differently than trade. Another possible explanation as to why WTO membership correlates negatively with regime durability is the enormous imbalance between autocracies and those member states that are not autocracies: 5500 non-member cases face only 1000 member cases over a time period of 47 years. It might be possible that political or macroeconomic changes such as global economic development or the end of the Cold War are reflected by this variable stronger than with other variables.

There are also some problems with my data that have to be mentioned. A major problem I have identified is the missing of data such as FDI inflows in countries that either are experiencing an ongoing civil war or countries that are or were closed off from the rest of the world from where there is no available data. Cases as a consequence are coded as missing and not considered in the regression, which could have a potential effect in both directions as it excludes very stable countries such as North Korea and very unstable countries such as Somalia or South Sudan. A further drawback that has to be pointed out is the limited data availability between 2008 and 2015, as some tendencies of autocratic consolidation during the last 8 years are not considered.

Furthermore, the signed trade agreements and investment treaties variables are cumulative counts, the number of agreements/treaties remains the same and is not reset after regime changes, and thus might cause some distortions. Concerning the dependent variable: some very drastic regime changes towards democratisation might be not reflected in the data as the range only includes cases within 0 and minus 10 on the Polity IV scale.

**Conditions and the Case of North Korea**

This section discusses two important aspects related to my argument: first, if economic integration is favourable for autocrats, why are they not all choosing it? And second, I discuss the case of North Korea as an example of a consolidated autocracy that remains stable without being economically integrated.

The answer to the question “If economic integration is favourable for autocrats, why are they not all choosing it?” is quite simple: because they cannot. The decision to integrate economically is based mainly upon the investors, the WTO and the trading partners rather than the autocracy itself. As previously mentioned, economic integration does on the one hand produce stability but on the other hand also
requires a certain level of previous stability and credibility. The interest to trade or invest in Somalia, for example, is currently low, even if the transitional government might be interested in more international economic activity. Thus, it is not the absence of civil or political rights that decides whether an autocracy experiences, for example, FDI inflows but the level of corruption (Mathur and Singh 2013), the constancy of the government (Busse and Hefeker 2006), internal conflicts and political stability (Lucas 1990; Singh and Jun 1995; Haksoon 2010). Autocracies that want to integrate more economically must not only satisfy the conditions set by the WTO and trading partners, but also offer some kind of comparative advantage making it worth investing in. Commonly, this is related to tax rebates or exemptions (Bond and Samuelson 1986), the wage level or subsidies (Haaparanta 1996).

Finally, I want to discuss the exemplary case of North Korea to provide an explanation for cases that remain stable autocracies without economic integration. North Korea matches the previously presented assumptions that communist ideocracies and ruling monarchies are on average more durable. It can be assumed that elite unity is high in North Korea, even compared to states such as China. North Korea has managed to create a political system that enforces its legitimacy with extreme repression of its people. A sudden opening of the markets could for various reasons lead to a quick regime overthrow. The North Korean regime, however, even under this condition, aims for economic integration to a certain extent. Examples are mainly trade relations with China, which provide North Korea with foreign currency and China with cheap production sites and a new sales market, but also sending North Korean workers to seek employment in other countries, even the EU\(^{11}\), as well as secret trade with despots worldwide. Accounting for this empirically seems hardly possible and is not covered in the data of the WTO, but should not be forgotten entirely.

**Conclusion**

The approach of testing the influence of economic integration with the components of FDI inflows, TAs, BITs and the WTO membership has brought some evidence that there exists a relationship between these factors and autocracy stability. Both the number of signed trade agreements and bilateral investment treaties have, in my model, a positive and statistically significant influence on the durability of autocratic regimes. FDI inflows also have a positive influence which, however, is not significant, but by clustering the variable in four categories, the picture changes slightly as the durability is particularly high between FDI inflows in the range of 3 to 15\%. WTO membership is, in my model, contrary to my first predictions of a strongly negative influence on the durability of autocratic regimes. Letting a country economically integrate according to the four components can make a difference up to 24 years compared to a country that is not integrated. Under the consideration of the limitations of this paper, especially regarding the

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11 An estimated 50,000 North Koreans are currently working in Asian and Middle Eastern countries, but also Malta and Poland have been accused to operate with forced labour from North Korea (The Telegraph 2015).
empirical analysis, the effect of economic integration on the consolidation of autocratic regimes claims to make a moderate contribution to the field of international relations. If trade and investment stabilizes the persistence of autocracies, this affects the long-term security not only of Western democracies but the general development towards a more peaceful world. Although short-term economic profits from such trade relations seem to prevail at first glance, the long-range perspective shows that the economic strengthening of non-democracies in cases like China is accompanied with the rise of political and economic players that might follow different interests than those of liberal democracies.

References


Appendix

<table>
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<tr>
<th>Country</th>
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<th>Polity IV</th>
<th>Durability</th>
<th>FDI Inflows</th>
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*Table 1: Coding for Chile, years 1973-1988*
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Table 2: Overview of the data
Left-wing Populism in Spain: Discursive Formations on the European Union

Juan Roch González

Juan Roch González is a Phd candidate in political science at Freie Universität Berlin who spends most of his time these days conducting research on populism, the emergence of new political parties in Europe and their links to Europeanization processes. He studied his Bachelor’s Degree in Sociology in Madrid and his Master’s Degree in Barcelona, Spain. In his prior research work, he analysed the new social movements in Spain and Europe and the role of the traditional media and the new Information and Communication Technologies in these movements. His most recent publications is “Podemos und die neuen Medien”, an article focused on the use of digital media by the political party Podemos.

Abstract

This article examines the discursive appeal of Podemos, an allegedly left-wing “populist party” in Spain, to European Union (EU) issues. It analyses the political discourse of this party on the EU focusing on specific points of rupture of the hegemonic discourses in the Spanish political system. Literature on party politics and populism offers empirical evidence about the emergence of traditional right-wing populist parties and new left-wing populist parties in Europe; scholars have also studied the Eurosceptic tendency of right-wing populist parties. However, little attention has been paid to the discursive approach of left-wing populist parties to the EU. Using discourse analysis, this study illuminates the points of rupture of the hegemonic discursive formations in Spain and identifies the articulatory practices of Podemos on EU issues. The results indicate that the EU is integrated in an ambivalent way in the dichotomist discourse of Podemos and its antagonist view of society.

Keywords

Podemos, EU issues, left-wing populism, hegemonic discourse, articulatory practices
Introduction

The last three decades have been times of disturbance for the stability of the two-party system in Europe. New parties – environmental focused, far right-wing or left-wing, niche parties – have emerged challenging the usual political discourses and the distribution of electoral opportunities (Meguid, 2005: 347; Dahlström and Sundell, 2012: 353-354). The Eurocrisis and its political management at the European and domestic level have generated additional opportunities for new political agents, especially in Southern Europe (Eder, 2014; Deutschmann, 2014)

This paper focuses on the emergence of the political party Podemos in Spain and its discursive appeal toward EU issues. This party is analysed under the lens of the concept of populism and prior studies on populist parties. Populism is defined in this paper as a type of political discourse and it is fundamentally understood as a two-dimensional phenomenon with a rhetorical and social – the object of the appeal – component12. Recently, researchers have shown an increased interest in populism due to the rise of parties such as Movimento 5 Stelle in Italy, the UKIP in the United Kingdom, Syriza in Greece or Podemos in Spain. There is extensive literature on right-wing populist parties and their appeal against the European Union; these studies connect with research focused on Euroscepticism although in occasions the last is separated from the specific analysis of populist phenomena (see Ford, Goodwin and Cutts, 2012; Bertoncini and Delors, 2014). However, few studies have studied the discourse of left-wing populist parties on the EU and its historical formation in a systematic way (apart from Stavrakakis and Katsambekis, 2014). In this vein, the present study aims at empirically substantiating the discursive formation of the party Podemos on the EU.

The analysis is threefold: (1) first, crucial points of rupture of the hegemonic discourse towards the EU in the Spanish political system are identified and analysed (2) second, the impact of these points of rupture on key political structures in the country is discussed and (3) finally, the discourse of Podemos on the EU is substantiated in its rhetorical and discursive dimension. The study of the case of Podemos may contribute to a better understanding of the phenomenon of populism, particularly left-wing populism, and its discursive approach to the EU. The discourse analysis conducted in this research is based on the theoretical and empirical developments of the Essex School of discourse analysis,13 departing from the seminal work of Chantal Mouffe and Ernesto Laclau “Hegemony and socialist strategy” in 1985. This paper uses the analytical tools provided to understand a populist discourse and identify the different articulatory practices constituting the central categories of a populist appeal.14

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12 For a full discussion and definition of populism see the section below “A populist challenger in Spain?”
13 In addition to Chantal Mouffe and Ernesto Laclau, other significant scholars of the Essex School are Aletta Norval, David Howarth, Jason Glynos or Yannis Stavrakakis.
14 Some useful manuals for this purpose have been edited. The more elaborated are “Discourse Analysis: Varieties and Methods” of Jason Glynos, David Howarth, Aletta Norval, Ewen Speed (2009) and Yannis Stavrakakis et.al (2014) “Methodological orientation internal technical report”.

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1. Populism and the EU

“...no political movement will be entirely exempt from populism, because none will fail to interpellate to some extent the 'people' against an enemy, through the construction of a social frontier” (Laclau, 2005a: 47).

The literature on European populism is generally devoted to the description of either the populist parties’ rhetoric (Albertazzi and Mc Donnel, 2007; Hartleb, 2012, Vasilopoulou, Halikiopoulou and Exadaktylos, 2014) or the facilitating and constraining conditions under which populist political parties may emerge (Hartleb, 2012; Giusto, Kitching & Rizzo, 2013; Malone, 2014, Kriesi and Pappas, 2015). Most of this research focuses exclusively on right-wing populist parties and its main goal is to highlight key features of political discourses or political styles to grasp the nature and characteristics of the populist phenomenon. For instance, Genga analyses the discourse of the *Front National* in France concluding that it is based on the cleavage of clash of civilizations, thus reformulating a postmodern version of nationalism. The contribution of Vasilopoulou and associates shows a sophisticated and detailed methodological approach (framing analysis) in the study of populism within the Greek political system. They distinguish between mainstream populism and fringe populism in Greek politics and conclude that populism is an “embedded ideological feature of Greek politics” (Vasilopoulou et.al., 2014: 400). Rovira Kaltwasser and Mudde conduct a comparative analysis between European and Latin-American populist parties in order to determine the ideological differences between them. They also differentiate between right-wing and left-wing populist parties. These authors use crucial dichotomies such as inclusion-exclusion and identity-economy to draw relevant conclusions about the differences and similarities of several European and Latin-American populist parties (Rovira Kaltwasser and Mudde, 2011). Scholars more concerned with political opportunities explaining the emergence of populist agents, focus on the role of structural changes and social and political mobilizations (Fella, 2008; Jansen, 2011; Roberts, 2014).

Research on populism and the EU has been mostly restricted to the analysis and classification of Eurosceptic parties and its opposition to European Integration (see Ford, Goodwin and Cutts, 2012; Grabow and Hartleb, 2013; Hillebrand, 2014; Bertoncini and Delors, 2014). In this vein, Senninger and Wagner analyse the Austrian case to determine how parties talk about the EU in national elections, also evaluating the salience of European issues in the political discourses. Contrary to their expectations, they find that Eurosceptic parties do not address more frequently EU issues than mainstream parties (Senninger and Wagner, 2015: 8). So far, however, there has been little discussion about the connections between populism, mostly associated to party politics and comparative politics, and EU dynamics and Europeanization processes, primarily located in the area of International Relations.15 Few scholars

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15 Some authors underscore the necessity to relax the rigid separation between comparative politics, focused on the domestic contexts, and international relations in which the analysis is usually located at the supranational level (See Jabko and Meunier, 2003: 2-3, Saurugger and Radaelli, 2008: 214).
explore new left-wing populist parties in relation to the EU, and there is also a striking lack of analysis on the specific political discourses of these parties on EU issues. This study contributes to the development of research on populism and the EU, navigating between the fields of comparative politics and international relations.

2. A populist challenger in Spain?

When exploring a populist phenomenon, the terminological question of whether the adjective populist is adequate for the case or not takes an especial relevance due to the high normative charge of the term. Thus, the characterization of an agent as populist must be supported by solid theoretical foundations and certain empirical substantiation. There are two distinct strategies to fulfil this objective: one consists in analysing the rhetorical attributes of a given political agent to define the populist character of its appeal. Following this path, most of students of populism ground in the minimal definition proposed by Cas Mudde whereby populism is defined as a thin-centred ideology:

“that considers society to be ultimately separated into two homogenous and antagonistic groups, ‘the pure people’ versus ‘the corrupt elite,’ and which argues that politics should be an expression of the volonté générale (general will) of the people” (Mudde 2004: 543)

The implications of defining populism as an ideology are not completely clear in the elaboration of Mudde and there are scholars contesting the adequacy of this definition\(^\text{16}\). The empirical analyses based on this conception of populism look generally at the rhetorical features – the most used method is content analysis - of the populist agents to measure the presence of the opposition between elites and the people and further characterizations of the populist appeal.

Another group of students of populism uses a different strategy and rely upon what might be called an historical perspective. One of the major exponents of this stream of research, Ernesto Laclau, conceives populism as a political logic and a particular mode of articulation of the social (Laclau, 2001 [1985]: 33-34). This specific mode of articulating heterogeneous social identities is based on an appeal to “the people” against the “other” – corrupt elites but also other actors - and the irruption of subaltern or excluded sectors in the public space (Barros, 2006: 71). This occurs through a process of dichotomization of the political space between certain type of elites – representatives of the status quo – and the people. In this conception of populism the opposition between the elites and the people is continues to be central but Laclau and the Essex school scholars include, in addition, a social dimension into the analysis. In accordance to Laclau, there is no successful populist appeal without the previous construction of chains of equivalence among non-satisfied social demands.

\(^{16}\) For an exhaustive refutation of this definition see Is Populism an Ideology? A Refutation and a New Perspective of Paris Aslanidis, 2015.
This paper conceives populism as a type of political discourse that may show evidence in each of the dimensions described above; that is, in the rhetorical dimension of populism – in as much as it shapes words, sentences and the composition of texts and utterances of particular political actors; and also, following Laclau and Mouffe, the traces of populism can be found in the changes of social aggregation and formation of equivalent chains between social demands in a broader social sphere. Thus, with the goal to achieve a minimal consensus on the fundamental traits of the concept, this paper defines populism as a type of political discourse that should be contextualized social and historically and that can be associated to various populist subjects and specific situations of crisis. This political discourse entails four constitutive components (Ben Stanley, quoted in Van Kessel, 2014: 101):

- The existence of two homogeneous units of analysis: ‘the people’ and ‘the elite’.
- The antagonistic relationship between the people and the elite.
- The idea of popular sovereignty.
- The positive valorization of ‘the people’ and denigration of ‘the elite’.

To sum up, the case of Podemos and its characterization as a populist agent revolve around two theoretical assumptions: first, the rhetorical features of this specific political agent – the aforementioned antagonism between the people (in Spanish la gente, la mayoría social) and the elites and the defence of a popular will; second, the contextual crisis of representation that implies an, at least latent, populist identification of specific social sectors with empty and unifying signifiers.

3. Dislocation and points of rupture

Studying populism from a discursive perspective implies, when discourse is taken seriously, that the analysis expands beyond the rhetoric and looks at how the object of the appeal is also in construction in the turbulent terrain of the social. Thereby, and following the path of all discourse-oriented analysts, “the people” is not a passive object but rather a subject involved in its constitution. This notion of the people in construction opens up a terrain for further characterizations of what does this process consist of and how does it take place. The Essex School scholars have revealed some preconditions for the construction of the people from a discursive perspective (see Laclau, 2005b or Katsambekis, 2016). One of these preconditions is a certain crisis of representation as a prelude of a populist articulation. In a discourse-oriented approach, the will of the represented is not reflected or transposed in the representative bodies or subjects; it is on the contrary constituted, at least partially, in the very process of representation (Laclau, 2005b: 157-62). This is, in fact, the process to constitute hegemonic orders, political and discursive, that never are completely fixed or closed. This precarious order of the system of representation can be altered by specific dislocations and the proliferation of non-satisfied demands and non-represented subjects. In words of Mouffe and Laclau the non-satisfied demands equate to non-fixed elements that can, eventually, be articulated by alternative discourses (2005b: 105).
“...articulation refers to the signifying mechanism through which elements are incessantly transformed to moments of distinct discourses in an attempt to (partially) fix their meaning and crystallize identities.” (Stavrakakis, Kioupkiolis, Katsambekis, Siomos, Garefi, 2014: 17)

The dislocation of the order, operating as a precondition for the populist articulation, can be produced by extra-discursive events such as economic crises, corruption or key shocking events (Katsambekis, 2016: 393; Roberts, 2014: 681-92). There is an ongoing discussion on whether populism can be identified as a side effect of crisis or, conversely, it is a phenomenon independent of the dislocations and crisis of the political systems. This paper does not aim at solving this dilemma but rather argues that populism, as a type of political discourse, tends to strongly emerge in situations of dislocation or crisis. Thus, specific points of rupture can be identified and alternative discursive articulation evaluated in its process to ensemble the non-fixed elements through nodal points (Stavrakakis and Katsambekis, 2014: 122). In other words, even when a mechanic cause-effect relationship between crisis and populism is not advocated here, the exploration of the contextual features favouring specific populist articulations is seen in this study as an inescapable step in any thorough analysis of the populist phenomenon. Accordingly, this paper argues that the disruptive processes of Europeanization in Spain during the hard years of the crisis were crucial for the dislocation of the hegemonic discursive order on the EU (see Roeh González, 2017). The pending question is how did Podemos, the allegedly populist agent in Spain, incorporate and articulate discursively the EU elements within its populist master frame, with the characteristic nodal points and empty signifiers. 17

4. Methods
This case of study uses methodological tools from discourse-oriented analyses of populism, especially those influenced by Laclauian theorizations and the further developments of the Essex School. The main goal is to identify points of rupture, in Laclau’s words, that may shape the character and content of the populist articulation of Podemos in regards to the EU. The discourse of Podemos is, in a second step, analyzed to determine the position and characterization of the EU in its populist articulation. It is far from the scope of this study to make empirical generalizations about the discourse of left-wing populist parties on the EU; conversely, it attempts to provide a thick description and discourse analytical data for contributing to the ongoing cross national analysis and comparison of populist agents in Europe and beyond.

17 Following Laclau, nodal points and empty signifiers are crucial figures to facilitate the populist articulation: “Terms such as 'the unity of the people', the 'welfare of the country', and so forth, as something that antagonistic political forces claim to ensure through totally different political means, have to be necessarily empty in order to constitute the aims of a political competition. They are alternative terms to refer to the plenitude of a fully fledged communitarian order as something which is absent and which has to be achieved” (Laclau, 1994: 37).
In a first step, key points of rupture of the hegemonic discursive order on the EU in Spain are identified and evaluated. The second part of the analysis is devoted to the study of Podemos’ discourse on the EU and how is it integrated in a broader populist discourse. The data collected in this study are press releases and official documents of the European commission, other EU bodies or Spanish authorities during the period 2010 – 2012. In order to substantiate the discourse of Podemos on the EU, speeches of the party leader, Pablo Iglesias, during the European elections campaign in May 2014 are collected and explored.

The discourse analysis conducted in this study aims at describing and analysing the main features of Podemos’ discourse on EU issues. A fully elaborated discourse analysis should entail not only the description and the analysis of what is said about the EU but also of what is not said and what are the forces operating as facilitators or constrains across discursive practices.

5. Points of rupture of the hegemonic discourse on the EU

There are some events during the hard years of the economic crisis in Spain that changed significantly the relationship of the EU with Spanish authorities and also the configuration of the imaginary about the EU in the Spanish public sphere and the political system (for a detailed analysis see Roch González, 2017). The austerity packages implemented consecutively by the Prime Minister José Luis Rodríguez Zapatero, affiliated to the Socialist party (PSOE), and Mariano Rajoy of the Popular Party (PP) during the years 2010-12, responded both to pressures and recommendations of EU institutional bodies. For instance, at the ECOFIN meeting the 9th and 10th of May 2010 all financial ministers of the EU member states agreed on financial aid for Spain and Greece but, at the same time, urged the respective authorities to promote specific social and economic measures. The recommendations were in the line of the contention of public spending and the implementation of ensuring mechanisms to pay back the debt.

We therefore welcome and strongly support the commitment of Portugal and Spain to take significant additional consolidation measures in 2010 and 2011 and present them to the 18 May ECOFIN Council. The adequacy of such measures will be assessed by the Commission in June in the context of the excessive deficit procedure. The Council also welcomes the commitment to announce by the 18 May ECOFIN Council structural reform measures aimed at enhancing growth performance and thus indirectly fiscal sustainability henceforth [author's emphasis] Extraordinary Council meeting Economic and Financial Affairs Brussels, 9/10 May 2010

As explained somewhere else (Roch Gonzalez, 2017), these indications turned into concrete measures and budget cuts in social spending. The reform of the Spanish constitution the 27th of September 2011 under pressures of EU institutions and in order to guarantee the so called “fiscal consolidation”, was

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equally supported by the two main parties in Spain (PSOE and PP). These events illustrate a political phenomenon studied by some Europeanization scholars: the convergence of the mainstream parties, socialists and conservatives, with specific varieties in each country (see Mair, 2007 or Ladrech, 2009). This process finds parallels in the case of Greece, as it is explained in Katsambekis (2016) or Stavrakakis and Katsambekis (2014). In the text of the constitutional reform - a balanced-budget amendment – there are words equivalent to fiscal sustainability such as budgetary stability:

“1. All public administrations must adapt to the principle of budgetary stability.”

“2. The State and the Autonomic Communities cannot produce a structural deficit over the established thresholds, in the case, for the European Union to the Member States.”

Another point of rupture of the discursive order governing the relationships between the Spanish political system and the EU was the Memorandum of Understanding (MoU) between the Spanish authorities and the European Council signed the 25th of June, 2012. The impact of the MoU on the political system and the hegemonic discourses has been also analysed for other cases (Kasambekis, 2016: 393). Similar semantic patterns can be found in the text:

In particular, these recommendations invite Spain to: 1) introduce a taxation system consistent with the fiscal consolidation efforts and more supportive to growth, 2) ensure less tax-induced bias towards indebtedness and home-ownership, 3) implement the labour market reforms, 4) take additional measures to increase the effectiveness of active labour market policies, 5) take additional measures to open up professional services, reduce delays in obtaining business licences, and eliminate barriers to doing business, 6) complete the electricity and gas interconnections with neighbouring countries, and address the electricity tariff deficit in a comprehensive way.

These pieces of evidence shed light on the disrupting character of Europeanization processes in Spain during the period 2010-12. The Europeanization of Spanish politics was governed by a general austerity discourse; its logic and categories – fiscal consolidation, budgetary stability, fiscal sustainability - underlie the proliferation of legal texts establishing rules and policies with specific meanings and directions. This austerity discourse can be described in similar terms than those used by Radealli to refer to the “master discourse” of competitiveness in the frame of the Open Method of Coordination and the Lisbon Treaty (Radaelli, 2003: 7). As it can be seen in Figure 1, the dramatic drop in the trust and the positive image of

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Spaniards towards the EU coincides exactly with the period 2009 – 2012, the years of the disruptive Europeanization and the harder austerity measures.

![Figure 1. Percentage of Spaniards who trust on or have a positive image of the EU (2004-2015)](http://ec.europa.eu/public_opinion/archives/eb_arch_en.htm)

**5. The emergence of Podemos**

The dislocation of the Spanish political system prior to the eruption of Podemos in the party system cannot be explained only on the basis of one specific point of rupture, following a mono-causal and linear way of explanation. Such dislocation, with the concomitant gradual defection of voters from the mainstream parties (Katsambekis, 2016: 393), would require a profound and extensive analysis of multiple factors, specific conjunctures and causal combinations (Rihoux and Ragin, 2009). This paper looks at a precise point of rupture – the one of the pro-European hegemonic discourse – and analyses the reactive articulatory practices of Podemos in regards to this point and within a more general frame of populist articulation and crisis of representation in Spain. Two indicators are relevant to understand the nature of the dislocation of the Spanish political system: (1) the uprising in the Spanish squares of the so-called *indignados* or 15-M movement in May 2011 and the significant popular support of Spanish civil society to these mobilizations and protests; (2) and the dramatic drop in legitimacy of the two mainstream parties, the social-democrats PSOE and the conservatives PP.

Before this dislocated political system, the political party Podemos was launched in January 2014 and gained 5 seats in the 2014 May European elections - 7, 98 % of the vote – becoming the fourth most

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21 This figure was elaborated by the author with data extracted on March 3 from the website of the European commission: http://ec.europa.eu/public_opinion/archives/eb_arch_en.htm.

22 The 15-M or *indignados* movement was a huge anti-austerity mobilization in Spain. Polls at that time showed an agreement of 80% of Spaniards with the demands of the 15-M movement. See a survey of Havas Media the 1st of June, 2011. Extracted on March 3, 2017 from: http://recursos.anuncios.com/files/428/77.pdf. See also the research on public opinion about May 15 mobilization (Calvo, Gómez-Pastrana and Mena 2011: 5).
popular political force in Spain. The impact of the unexpected ascendance of a new and fresh political party on the media and the Spanish public sphere boosted even more the popularity of Podemos scoring at the top of the opinion polls for a period, as can be seen in Figure 2. The two main parties’ combination vote (PSOE y PP) was below 50% in the May 2014 European elections for the first time in the post-dictatorship Spain’s democracy. Likewise, in the December 2015 Spanish General Elections the percentage of vote of PSOE and PP only summed 50,73% while Podemos became the third political force in the country with 20,66% of the popular vote.

![Figure 2. Vote intention and electoral results](http://www.cis.es/cis/opencm/ES/1_encuestas/TiposEncuestas/EncuestasElectorales/eleccionescongreso.jsp)

### 6.1. The political discourse of Podemos on the EU

Some scholars characterise the pre-crisis Spanish political system as a “Europhile system” (Vazquez Garcia, 2012: 110-111) where the “permissive consensus” (Robert Ladrech, 2009:4) towards the EU was hegemonic. The emergence of the political party Podemos came to disturb this order in the Spanish party system since its inception in January 2014. It should be noted, however, that the discourse of Podemos on the EU is analysed here in the specific period of the inception of the party and the European elections campaign in May 2014. To fully understand and describe the overall discourse of Podemos on the EU, its development, fluctuations and adaptations to different conjunctures, a diachronic evaluation across

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23 The electoral report of the CIS (Centro de Investigaciones Sociológicas) in October 2014 indicated that Podemos was the first political force in voting intention while the third in voting estimation – taking into account certain correctors to make the predictions. Extracted on March 5, 2017 from: http://www.cis.es/cis/opencm/ES/1_encuestas/TiposEncuestas/EncuestasElectorales/listaEstudiosYearElecciones.jsp?year=2014&tipoeleccion=generales [In Spanish].

24 Figure 4 is elaborated by the author with data from the CIS (Centro de Investigaciones Sociologicas) corresponding to various opinion polls. It compares the voting intention and the final results for the general elections of Podemos and the Popular Party, the ruling party at that time. Data extracted on March 6 from: http://www.cis.es/cis/opencm/ES/1_encuestas/TiposEncuestas/EncuestasElectorales/eleccionescongreso.jsp [In Spanish].
the various stages of the party must be conducted. This paper aims at grasping an initial reaction and deployment of the discourse in the specific context of the emergence of the party and the European elections campaign, from January to May 2014. This is relevant due to two main reasons: first, it captures the initial and allegedly pure populist appeal of the party (Gomez Reino and Llamazares, 2015) and second, it covers the European elections campaign when EU topics are more likely to be salient in the general political discourse of the party.

6.1.1. The “elites” as a nodal point

“I ask Ms. Valenciano [candidate of the socialist party, PSOE] and Mr. Cañete [candidate of the conservative party, PP] to be coherent and put forward a unique list to let citizens know what they can vote: either the “Casta” or democracy!” [Pablo Iglesias in a campaign event for the European elections in Zaragoza].

The starting point of Podemos's European election campaign was a symbolic event in Berlin, at Humbold Universität Berlin, as a way to protest against the austerity measures promoted by EU institutions and the government of Angela Merkel. The depiction of Angela Merkel, and more generally of the European elites, as a group of privileged actors against democracy and social rights is part of the anti-establishment discourse articulated by Podemos and especially by the leader of the party, Pablo Iglesias. Thus, the European elites are constructed in this specific context, as evil and foreign economic and political elites and tend to be described as an extension of the national elites or vice versa. As it can be seen above in the speech of the leader of the party, Pablo Iglesias, the dichotomization of the social space is made through two signifiers: democracy and the “Casta”. This last term has been already used by leaders such as Beppe Grillo of the Movimento 5 Stelle and represents the political, economic, and media establishment. The second movement of Podemos is identifying the content and dynamics, on the one hand of the signifier “Casta” and on the other hand, of “democracy”. The “Casta” is due to be filled with specific actors, properties of the actors, relationships and aspirations. In the excerpt of the same speech shown below, the signifier “Casta” is filled with specific names of parties or party leaders across Europe; they basically represent two party families: the social-democratic and the conservative family.

“They [referring to the PSOE] should compare themselves with Ms. Merkel who governs together with the socialists in Germany, they should compare with François Hollande who implements the same policies than Sarkozy; they should compare with the PASOK in Greece that governs also with the right;
they should compare with themselves, with that “Casta” who end up in boards of directors of companies, with that “Casta” who grant pardon to bankers...” [Pablo Iglesias, Ibid].

The elites’ category, in this case the “Casta”, is constituted with a mixture of socioeconomic and territorial components. “La patria”, or the homeland, and as a by-product the people, is placed continuously in the discourse of Podemos in an antagonistic position against the elites. In order to constitute this frontier between the people and the elites the territorial divide is used but without ethnic or racial components; the “Casta” belongs rather to a set of more or less dispersed and cosmopolitan transnational actors.

6.1.2. Constructing the people

The “Casta” is constructed in the discourse of Podemos through an antagonist relation with “the people”. As it has been described above, the “Casta” is formed by mainly political mainstream actors, that is, social-democrats and conservatives; the other option stressed in the discourse of Pablo Iglesias is democracy. In the discourse of Podemos, democracy is “the power of the people” and “the people” can be constituted through the active identification with the party and the leader, Pablo Iglesias, the opposition to the elites and the generation of an equivalential chain among particular demands. “Democracy” is the empty signifier *par excellence* in the discourse of Podemos, with the goal of integrating the set of plural demands emerging at least since the 15-M movement in Spain. In the general discourse of Podemos the people is represented by the following signifiers: the people (“la gente”) the social majority or the citizens.

“What we are saying is what the majority of the people think, the majority of the people want to have a decent health system, the majority of the people want to have a decent education system, the majority of the people want the rich to sometimes pay taxes, the majority of the people love their country and want to keep dignity up” [Pablo Iglesias in a campaign event for the European elections in Albacete]28

The “people” is also expanded, to be constructed in an antagonist relation with the elites or the “Casta”, a transnational group of politicians with connections with the economic elites. In this case, the “people” is formed not only through the opposition to the elites but also through the distinction from “an institutionalised other”, in words of Laclau (2005b: 117), representing alien or floating demands; these demands and their meaning are in dispute and can be incorporated to alternative equivalential chains (Laclau, 2005: 131). Thus, the equivalential chain needed for the constitution of the people is always limited to a specific sector of the society that aims at representing the whole community. Podemos defines the people and the constitution of an equivalential chain at that point, as something restricted to South

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European citizens:

We are fed up with the fact that the European institutions are governed by criminals...our problem is not with Europe, is with these criminals...we are convinced that we have many things in common with many south-European citizens” [Pablo Iglesias in a campaign event for the European elections in Burgos]29

The antagonism between the people and the elites is constructed on the basis of specific divides, operating the logic of difference for such purpose. In the context of the European elections, the combination of socioeconomic and territorial divides is used to generate this antagonism. The separation between South European citizens and other citizens or elites indicates a territorial divide used to construct the people. This divide operates in combination with the socioeconomic division between the economic elites and the normal or decent people:

Corruption is a way to govern that allows who does not run for elections to rule. The economic elites that have enough power, using threats, using their influence or using briefcases full of 500 Euros bills that go to the main political parties' headquarters [Pablo Iglesias, Ibid].30

6.1.3. Europe as a floating signifier

The signifier “Europe” is also integrated in this populist articulation in a dichotomist and antagonist way. In relation to the constitution of the nodal points the “elites” and the “people”, Europe plays an ambivalent role with two meanings associated to each of the antagonistic poles. In the case of the elites, there is one Europe of banks, financial institutions and non-accountable politicians. On the other hand, in the case of the people, there is a Europe of social rights, of South European and decent citizens.

We want the majority of the people to say clearly we can!, we can do politics ourselves, we want dignity for our countries, we want dignity for our people, we want a future for our children and that future can be in Europe but not with a currency and with a central bank without democratic control serving the banks. We do not want a Europe serving the rich and the banks but serving the citizens and that is called democracy [Pablo Iglesias in a campaign event for the European elections in Albacete]31

Thereby, Europe appears in the discourse of Podemos primarily as a floating signifier, in the sense that it can be appropriated by many actors and filled with several meanings and directions; but, at the same time, it is functioning as an empty signifier in as much as allows for the development of an equivalential

30 Iglesias, Pablo, Ibid.
chain among specific South European “peoples”. This idea of different meanings and the different potentialities for the construction of the people associated to the signifier Europe is clearly depicted by Pablo Iglesias in the following speech:

Some say that we are Eurosceptics. We love Europe if Europe means freedom, equality and fraternity, we love Europe if Europe means social rights we love Europe if Europe means human rights. The problem is not Europe, the problem is that the European Central Bank president is called Mario Draghi and was representative of Goldman Sachs in Europe....Europe's problem is called Durau Barroso....that's why we say along with other southern Europeans that we want to recover the dignity and the future of our peoples and our countries [Pablo Iglesias in a campaign event for the European elections in Sevilla].

**Concluding remarks**

In contrast to the Europhile Spanish political system, the emergence of the political party Podemos during the European elections campaign served to illuminate some points of rupture in the hegemonic view on the EU. The dislocation of the symbolic and political order has been described in this paper in terms of a “disruptive Europeanization” taking place in Spain during the hard years of the crisis (Roch Gonzalez, 2017). Therefore, the dislocation of the Spanish political system was, in part, triggered by disruptive Europeanization processes. This fact, together with contextual factors such as the European elections and party-internal and ideological factors, allowed for a specific integration of EU elements in the populist articulation of Podemos. These floating elements, detached from the hegemonic articulation on the EU, permit the emergence of new discursive formations with counter-hegemonic purposes.

The research has also shown that the discourse of Podemos on EU issues is integrated in more general articulatory populist practices. Thereby, two main signifiers have been identified as nodal points of the discourse of Podemos: the “Casta” and “Democracy”. The antagonistic relationship between the “people” and the “elites” is articulated on the basis of these two signifiers. The analysis reveals how the people and the elites – in this case the “Casta” and “Democracy” - are *Europeanized*, that is, expanded as elastic signifiers to incorporate content from EU issues. The “Casta” is expanded in order to encompass transnational and European elites and allow for the integration of EU elements in the discourse. The elites appear as a homogeneous group separated from the people by territorial and socioeconomic divides. However, the discourse of Podemos differs significantly from the classical Eurosceptic parties in Europe since there are no racial or ethnic elements in its discursive articulation.

Europe functions in the discourse of Podemos as a floating signifier; Podemos makes visible the floating

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character of Europe and its potential connections – equivalent chain – either with more “democratic” demands or with the “Casta”. This coheres perfectly with prior theorizations of Laclau in which “...the floating dimension becomes more visible in periods of organic crisis, when the symbolic system needs to be radically recast” (2005b: 132). The hegemony of the symbolic order on the EU in Spain was challenged by a structural moment of dislocation and the emergence of a new articulatory agent. In general, therefore, it seems that “Democracy” represents in the discourse of Podemos the empty signifier moment – with this integrating and articulating function in regards to particular demands – whereas “Europe” represents the floating signifier moment – signalling the hegemonic struggle on how to fix the meaning of such particular demands -. Thus, Europe is subdivided into two meanings to highlight on the one hand, the hitherto hegemonic articulation of democracy in a liberal version, with traditional actors (mainly social-democrats and conservatives), economic transnational actors and part of the civil society; on the other hand Europe, with its alternative meaning as a democracy of “the people”, of social rights and of south European citizens signals the emergence of a counter-hegemonic articulation. Laclau conceives the empty and floating moment as different dimensions of the same hegemonic struggle whereby:

“the first concerns the construction of a popular identity once the presence of a stable frontier is taken for granted; the second try conceptually to apprehend the logic of the displacement of that frontier” (Laclau, 2005b:133)

The scope of this study was limited in terms of time-dimension and actor-centre explanation. The discourse of Podemos on the EU was only explored during an initial period in the European elections campaign and it limits the ability to infer conclusions about the overall discourse of Podemos on the EU - even though it illuminates an important moment of emergence of the party -. Consequently, the selection of this period affects the salience of EU issues in the general discourse of Podemos; such salience is, in turn, determined by (1) the audience object of the speech – a restricted or expanded public -, (2) the general political and economic context and (3) the internal strategy of the party. The analysis of this variance of the salience and direction of EU issues in the discourse of Podemos should be addressed in future studies. The analysis of the speeches of the leader of the party implies an assumption about the representativeness of the leader in the case of Podemos. Even when the centrality of Pablo Iglesias in the European elections – Podemos’ ballot papers were illustrated with a picture of the leader – is unquestionable, a finer analysis should incorporate different voices in the construction of the political discourse of Podemos.

Notwithstanding the relatively limited scope, this work offers valuable insights into the articulatory practices of populist parties, especially left-wing populist parties, in regards to EU elements. It offers evidence on how the master populist discourse can integrate diverse elements in its antagonistic form. A
natural progression of this work is to analyse how these practices are consistent across left-wing populist parties in Europe and how they can be differentiated from traditional Eurosceptic parties or new right-wing populist parties.

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Sanctions and Decision-Making Processes in Russia: Towards a Better Understanding?

Rebecca L. Smith

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Rebecca Smith, 22, from Norristown (Pennsylvania, United States), received her Bachelor’s degree in Political Science at Arcadia University in 2016. She wrote her undergraduate thesis on the determinants of beliefs and perceptions about economic inequality. She currently works as a Legislative and Communications Specialist at the Delaware County Intermediate Unit. Her interests include economic segregation and political behavior.

Abstract

Sanctions are a method for countries to coerce a change in policy. In theory, when Russia’s largest trading partners all placed sanctions on Russia following its annexation of Crimea, Russia would have eventually decided to withdraw from the region to reestablish its trade relations. Three years later, no such change in policy has occurred. This leads to the question: are sanctions on Russia ineffective? To better understand the extent to which sanctions on Russia are effective, this paper seeks to explore how one can best understand Russian foreign policy decision-making concerning Crimea in response to economic sanctions. To assess this question, I consider the Russian perception of the sanctions, applying Expected Utility Theory and Prospect Theory to investigate if either offer a useful framework for understanding the situation. Ultimately, I argue that Prospect Theory offers a useful lens to view the Russian foreign policy decision-making behavior while under sanctions.

Keywords

Sanctions, Russia, Crimea, Prospect Theory, Expected Utility Theory, Annexation
**Introduction**

In March 2014, the approximately two million individuals living in the Ukrainian peninsula of Crimea were ‘reunified’ with Russia (Macias, 2015). As a response to this annexation several states placed economic sanctions on Russia. In June 2017, three years later, the EU extended its sanctions, while the U.S. expanded sanctions and committed not to end them until Russia exits Crimea (Kottasová, 2017; Baczynska, 2017). Sanctions are a tool used by states and intergovernmental bodies typically designed to “coerce, deter, punish, or shame entities that endanger their interests or violate international norms of behavior” (Masters, 2015). However, the Russian response to sanctions over the past three years does not indicate that Moscow intends to alter its foreign policy objectives. Therefore, to better understand the extent to which sanctions, and more narrowly sanctions on Russia, are an effective tool, this paper seeks to explore how one can best understand Russian foreign policy decision-making concerning Crimea and in response to economic sanctions. To do so, I use Expected Utility Theory and Prospect Theory – two psychological theories that have been adapted to economics and international relations. Following a discussion of each theory and the explanations each offers for decision-making behavior, I use pattern-matching to apply each theory to pertinent speeches and events to investigate which theory offers the best explanation for Russian decision-making. Ultimately, I argue that Prospect Theory offers the best framework for understanding Russian foreign policy decision-making in light of the economic sanctions. An improved understanding of how states make decisions with respect to sanctions is useful in contributing to the overall debate over whether sanctions are an effective tool to induce change from other states.

**Background**

Catherine the Great incorporated Crimea into the Russian Empire in 1783, where it remained until Nikita Khrushchev offered it to Ukraine as a “present” in 1954 (Sasse, 2017). In 2013, it appeared that Ukraine would become more politically and economically tied to the West, as the country negotiated a trade agreement with the EU (Aljazeera, 2014). On November 21, 2013, however, Yanukovich announced abandonment of the trade agreement and sought closer ties with Moscow. Massive pro-EU and anti-government protests broke out in Kiev’s Independence Square, ultimately resulting in a change in government. The new pro-Europe government contributes to rapidly deteriorating Ukraine-Russia relations (Aljazeera, 2017).

On March 16, 2014, in a referendum condemned by the West as illegitimate, 97% of voters in Crimea voted to succeed from Ukraine and join the Russian Federation, a move some have viewed as Crimea “returning home” (BBC News, 2015). Following the referendum, leaders of Western states, including the U.S. and EU member states, warned Russian President Vladimir Putin against absorbing Crimea into the Russian Federation and imposed a travel ban and asset freezes on key Russian officials to deter such action. Despite the warnings, President Putin signed a bill to annex Crimea into Russia on March 18,
2014 (BBC News, 2015). Official sanctions on Russia soon followed from the EU, U.S., and a host of other countries, including Australia, Iceland, Japan, and Norway (Dreyer and Popescu, 2014: 1). These countries are against the annexation because they believe that it is a violation of Ukrainian sovereignty.

The Kremlin, on the other hand, justified the annexation through its compatriot policy, officially meant to protect ethnic Russians living in nearby counties (Grigas, 2017). Russia’s compatriot policy was initially introduced by Vladimir Putin in 2000 during his first presidential term and is now outlined in Russia’s “National Security Strategy to 2020”. Further, the Russian constitution states, “the Russian Federation shall guarantee its citizens defense and patronage beyond its boundaries” (Grigas, 2017). From the Russian perspective, in the words of Russia’s Foreign Minister Sergey Lavrov, “We are talking here about protection of our citizens and our compatriots, about protection of the most fundamental of human rights – the right to live – and nothing more” (Treiman, Bunkis and Navarette, 2014). From the Western perspective, though, the compatriot policy is little more than an excuse for a land grab in former Soviet areas, as appeared to be the case in South Ossetia and Abkhazia in 2008 (Grigas, 2017: 4-5). While Russia may view actions beyond its borders as protecting its compatriots, other states view it as a violation of state sovereignty and condemn such actions.

Since the annexation of Crimea, states have scaled up the sanctions several times in addition to blacklisting several senior Russian officials and companies that the West accuses of undercutting the sovereignty of Ukraine (BBC News, 2014). These sanctions have contributed to the current political and economic climate confronting decision-makers in Russia today, which leads back to the main question this paper explores: how can we best understand Russian foreign policy decision-making concerning the economic sanctions and Crimea?

**Theory**

The implementation of the sanctions has sparked a debate over whether sanctions work, and more narrowly, whether sanctions work on Russia. Three years on, experts still do not have a clear answer. The debate, according to Iana Dreyer and Nicu Popescu (2014: 1), revolves around two central themes: the extent of economic impact on Moscow and whether the sanctions are enough to change Russia’s behavior. A third theme considering Moscow’s perception of the sanctions is largely absent from this discussion. The Russian perspective is a crucial component, however, because the real decision-making power to change the situation rests with Moscow. This section, therefore, offers two theories that may be useful in understanding Russian decision-making behavior with respect to the economic sanctions. The fundamental point of contention within these theories revolves around the idea of rational choice, which is the notion that actors always conduct a logical cost-benefit analysis when making a decision.

**Expected Utility Theory**

Expected Utility Theory (EUT), which fundamentally believes actors are rational, offers one potential
lens with which to consider Russian foreign policy decision-making while under economic sanctions. EUT assumes two fundamental aspects about decision makers. First, in accepting that actors are rational, it assumes they always make logical decisions to maximize their benefit. Second, EUT assumes that actors consider the probability of possible outcomes – a certain outcome will be preferable to a chance, even if the guaranteed amount has a lower net gain than the gamble. When dealing with uncertain outcomes, EUT states that decision makers will consider various options based on each option’s expected utility. Utility refers to the subjective value or benefit of the outcome (Mongin, 1997: 342).

Bruce Bueno de Mesquita, who adapted EUT to international conflict, outlines five central axioms that sum up the core of EUT. First, decision-makers are rational, and therefore, order various outcomes in terms of preferences. Second, actors order preferences transitively. The actor will rank preferences so that A is a more favored outcome than B, which the actor prefers to C, D, E, and so forth. If the cost of preference A outweighs its benefits, a rational actor would choose option B. The third axiom of EUT is that decision makers know the subjective value (the utility) of their actions. Fourth, actors consider outcomes through examining both the utility of the outcome and the probability of success. This is a potential outcome’s expected utility. Finally, the fifth tenet of EUT is that decision makers always select the option with the greatest expected utility (Bueno des Mesquita, 1989: 144). Generally, the most important variables for decision-makers within the EUT framework is a potential outcome’s probability of success or failure and its expected utility.

This theory is consistent with the logic behind imposing economic sanctions. The sanctioning party or parties inherently assume the rationality of the target and that negotiations will follow the sanctions, eventually leading to a desired goal (Hakimdavar, 2013: 186). In the realm of economic decision-making, the most important consideration is taking into account short-term financial prospects when deciding whether to take a risk for a long-term financial gain (Briggs, 2015).

With specific regards to understanding Russian foreign policy decision-making in response to the economic sanctions, one would expect to see the following while using EUT as a framework: (1) the consideration of alternate outcomes with respect to preferences and the probability of each outcome occurring; (2) the perusal of actions in order of favored outcomes; and (3) for Russia to always choose the outcome that will yield the highest utility. Most importantly, EUT expects that Russia will always rationally weigh the probability of success and the utility of a potential outcome before choosing an action.

**Prospect Theory**

Prospect Theory (PT) emerged as an alternative to EUT in 1979. Critics of EUT claim that one cannot simplify decision-making behavior to merely one model of normative behavior. Rather than rationally considering the utility and probability of an outcome, PT posits that actors make decisions from a
personal reference point and fear losses more than gains, even when each outcome has the same probability of occurring (McDermott, 2001: 18).

Like the five axioms that comprise EUT, there are six major points to PT. First, people think in terms of gains and losses of a decision from a reference point rather than the net outcome of any particular decision. When making a decision, actors are primarily concerned with changes from a perceived position, rather than the final position itself. Second, actors think about gains and losses differently. Decision-makers are less likely to take a risk to gain something and more likely to take a risk to prevent a loss. The third important point to PT is that actors dislike losing more than they like winning. This distaste for losing is called loss aversion, a phenomenon that implies that actors hold more value for what they already have compared to a similar thing they do not possess. The tendency to over-value current possessions is called the endowment effect, which states that the mere acquisition of an object makes the object more valuable to its owner (Levy, 1992: 174-79).

Fourth, PT states that because actors make decisions from a reference point, the framing of a problem, or a decision-maker’s interpretation of a situation is critical to an actor’s response to events. According to PT, framing a choice in terms of gains or losses can significantly influence an actor’s preferences because of loss aversion. The fifth central point to PT posits decision makers overweight small probabilities and underweight high probabilities. This directly contrasts EUT, which states that actors rank possible outcomes linearly by probability. Finally, the last major point of PT is that decision-makers tend to simplify choices, cancelling out options that seem similar and focusing only differing aspects of each alternative option (Levy, 1992: 174-79).

Generally, PT argues that decision-makers (1) consider options from their own reference point; (2) fear
loss (particularly of current possessions); and (3) frame prospective choices in terms of gains or losses. Figure 1 represents the relationship between loss aversion and framing. When actors interpret, or frame, a potential outcome with high probability as a loss, they are more likely to take risks than a high-probability potential outcome in the domain of gains. This is because decision-makers are desperate to avoid significant losses. The opposite is true, however, in a low-probability situation (Byrne, 2013).

With respect to Russian decision making vis-à-vis the economic sanctions and Crimea, there are several components that one would expect to see when using Prospect Theory as a framework. First, one would expect Russian perception of reality to play a bigger role in decision-making processes than objective, rational thought. The framing of choices in terms of loss would also play a large role in explaining Russian actions. This loss aversion would also lead to the over-valuation of what Russia considers to be its “possessions”.

**Analysis**

To understand if either Expected Utility Theory or Prospect Theory offers a useful framework for understanding Russian foreign policy decision-making behavior with respect to Crimea while under economic sanctions, I apply the major tenants of each theory to key speeches and events. This investigation, while limited by the knowledge available regarding the Russian decision-making process, shows that Prospect Theory provides a useful lens to view Russian foreign policy decision-making behavior.

**Applied Expected Utility Theory**

A central tenet of EUT is the consideration of alternate outcomes with respect to preferences and the probability of each outcome occurring. While it is possible that President Putin and his advisors did consider the probability of success in deciding to annex Crimea, it does not appear that they appropriately accounted for the possible consequences from the international community. In March 2014, Putin publicly revealed that planning to reclaim Crimea began three weeks before the referendum after an all-night meeting with security advisors – the event that Putin previously claimed was his main reason for the annexation (Kondrashov, 2015; MacFarquar, 2015). It is impossible to fully know the events of this all-night meeting, or what probable outcomes the Russian leadership considered. However, giving Mr. Putin and his advisors the benefit of the doubt, it is reasonable to assume that they considered the most strategic and likely to succeed methods for bringing Crimea back into Russia. This type of consideration is consistent with EUT.

However, on March 17, 2014, in the time between the referendum on March 16, 2014 and Russia’s official legislation to annex Crimea on March 18, 2014, the international community warned Russia not to take such action because it would violate the sovereignty of Ukraine. Despite the warnings, Russia did not change its behavior and continued with the original plan. While it is also impossible to know the full
considerations of Vladimir Putin and his closest advisors, it seems apparent that Russian decision-makers did not account for the change in probability of long-term success given economic sanctions. While the implementation of sanctions does not take away the short-term ability for Putin to annex Crimea, it does change the ability to keep Crimea for an extended period of time. Since Crimea is not a self-sufficient territory, annexing it despite an imminent threat of sanctions with the potential to hurt the Russian economy does not appear to show a consideration for alternate outcomes, as one would expect to see given EUT.

Additionally, failing to adapt to the threat of economic sanctions does not show the perusal of actions in order of favored outcomes, another of EUT’s central axioms. However, the seventeen hours of negotiations on the Ukrainian conflict in Minsk, Belarus in February 2015 does appear to align with the EUT notion that actors will pursue transitorily ranked preferences. In exchange for the resumption of economic relations (this does not mean an end to the sanctions, however), Russia agreed to a ceasefire in Eastern Ukraine, the withdrawal of weapons, and Ukrainian control of the border by the end of 2015 (Weaver and Luhn, 2015). Such negotiations as the Minsk Agreement appear in accordance with EUT. Russia realized the cost of annexing Crimea and supporting separatist movements in Eastern Ukraine outweighed the benefits, and therefore Russia decided to enter negotiations to move towards a less desired, but overall more beneficial option. This would support EUT as a valid theory for explaining Russian decision-making behavior had Russia adhered to the ceasefire agreement.

However, the Organization for Security and Cooperation in Europe (OSCE) frequently documents violations to the ceasefire and note an increase in violence (Dacic, 2015). In fact, the OSCE noted a violation of the Minsk Agreement on the very day of its implementation, and in conjunction with the Joint Centre for Control and Co-ordination (JCCC) continues to report sometimes over one hundred violations in a single day. These violations are both incoming and outgoing (OSCE, 2015a). The continuous violations of the Minsk Agreement from the very start of its implementation shows that Russia’s apparent willingness to pursue an alternative transitorily ranked choice was never serious. Therefore, EUT does not provide a very beneficial framework for understanding how Russian decision-makers rank and pursue the most beneficial strategy.

EUT also expects decision-makers to always choose the outcome that will yield the highest utility. Given the cost of acquiring Crimea and of the sanctions, it does not appear that this is a valid explanation for Russia’s actions. Fischer and Rogoza outline the benefits of the annexation: strengthening support for Vladimir Putin, natural gas and crude oil reserves, ownership of the Crimean tourist infrastructure and other industries, and broad access to the Black Sea (Fischer and Rogoza, 2014). While it is true that the annexation did provide an increase in Mr. Putin’s approval rating, it is also important to note that they were also very high before the annexation. Since 2008, his approval ratings have fluctuated between 54 and 85 percent despite widespread belief in a corrupt government and low confidence in the Russian
economy (Ray and Espiova, 2017). In perspective, President Putin, both before the annexation and after, enjoys a higher approval rating than most other major world leaders (Heintz, 2017). Putin did not need to annex Crimea to save approval ratings because they were never in jeopardy. Similarly, Russia does not need Crimea for oil or natural gas reserves. Russia is already the world’s second highest producer of fossil fuels. Estimates suggest that Russia – 633.3 times larger than Crimea – accounts for more than 80% of the world’s energy supply and has a 455-year supply of coal (Clemente, 2015). Russia in no way needs to depend on Crimea for energy resources, and in fact, Russia now needs to provide energy for much of Crimea (Fischer and Rogoza, 2014). Additionally, the annexation itself took away much of the benefit Russia could have received from Crimean industry. Since the annexation, industry in Crimea has suffered, especially for tourism. Moreover, more than three-quarters of the region’s international investments have since pulled out of the area (Yablokova, 2015). While expanded access to the Black Sea does provide Russia with some utility for military infrastructure, the need for a warm-water port is becoming less necessary as military naval technology advances (Micaleff, 2017). The clear majority of the benefits to acquiring Crimea, as identified by Fisher and Rogoza were not actually very strategic or important for Russian interests, which indicates that the decision to annex Crimea was not an outcome of high utility for Russia.

On top of the lack of substantial benefits to the annexation, it has come at great cost to Russia. In 2014, Russia spent 125 billion rubles on Crimea, and it continues to spend billions annually in the region three years later (Micaleff, 2017). On top of this expense, Russia faces the damaging effects of the economic sanctions. Following their implementation, the Russian economy plunged into a recession, resulting in high inflation, high unemployment, and negative economic growth, that is only showing signs of starting to recover three years later (largely due to rising global oil prices and growing macro-stability) (World Bank Group, 2017). Additionally, inflation is rising and the value of the ruble is dropping. This, combined with Russia’s ban on food imports form the EU and U.S. (in retaliation of the sanctions), has caused a sharp increase in the price of food. Rising food prices have caused difficulties for many Russians and has had a terrible effect on Moscow’s restaurant industry (Birnbaum, 2015). By annexing Crimea, Russian decision-makers chose an option with very little benefit at a very high cost. This does not reflect the EUT concept that actors will always select the option that provides the highest expected utility.

The most important theme of EUT, however, is rational decision-making. EUT expects that Russia will always rationally weigh the probability of success and the utility of a potential outcome before choosing an action. While it is impossible to truly know everything President Putin and his advisors considered when choosing whether or not to annex Crimea, one can make observations based on events that followed the decision. Given the high cost of the annexation and consequences of the sanctions, it does not appear that Russia rationally weighed the utility of annexing Crimea. Furthermore, by moving ahead with the annexation despite warnings from the West that sanctions would follow the action shows that
Russia did not rationally weigh the probability of full success because they underweighted the potential harm from the sanctions. For these reasons, EUT does not appear to offer a useful explanation for understanding Russian decision-making with respect to the economic sanctions.

**Applied Prospect Theory**

Prospect Theory, as an alternative to Expected Utility Theory, allows for decision-makers to act outside of strictly rational thought. Several key concepts, such as loss aversion, the endowment effect, and framing are important to PT framework for understanding decision-making behavior. According to PT, these also have an effect on whether an actor is risk-seeking or risk-averse. These concepts, applied to key events and speeches, appear useful in understanding Russian decision-making behavior around the economic sanctions.

Prospect Theory argues that the fear of loss plays a big role in decision-making. In fact, loss has surrounded much of President Putin’s rhetoric regarding the annexation of Crimea. This loss aversion would also lead to the over-valuation of “possessions”. According to Rudy and Venteicher, “states are willing to fight to defend the same territory they would not fight to acquire in the first place. In such cases, states fight to defend their territory because they value it more due primarily to the fact that they own/control the land (as suggested by the endowment effect), and possible losses generates more risk acceptant behavior due to loss aversion” (Rudy and Venteicher, 2006). In this case, Crimea is the “overvalued possession” that Russia is willing to accept risk and considerable financial loss to defend.

According to a Standard and Poor’s estimate, Russia would have to pour approximately one billion dollars into Crimea annually to bring the living standard in Crimea up to Russian standards (Kottasova, 2015). Crimea needs most its energy, drinking water, and food imported, as well. On top of the costs of merely maintaining Crimea, there are also costs associated with integrating it into the Russian Federation. Moreover, the annexation also resulted in a steep decline in Crimea’s tourism industry – the largest sector of the Crimean economy (Fischer and Rogoza, 2014). To help combat the steep decline in tourism, and perhaps also because Crimea has a long-standing history as a popular Russian vacation destination, Russia is also pouring billions of dollars into projects meant to boost tourism. In October 2016, Russia began construction on a multi-billion-dollar project to build a bridge to Crimea (BBC News, 2016). In April 2017, Russia also announced plans to spend $8.5 million (475.4 million rubles) to subsidize flights to Simferopol, Crimea (Montag-Girmes, 2017). Despite the considerable cost, Vladimir Putin maintains his position on Crimea, clearly stating, “I believe we did the right thing and I don’t regret anything,” to RIA Novosti, a state-operated Russian news agency (Neuman, 2015). Putin maintains that the annexation righted a historical wrong – namely that Crimea has always belonged to Russia rather than Ukraine (Meyers and Barry, 2014). The massive amount of money and resources Russia is willing to pour into a tiny peninsula in the Black Sea appears rationally disproportional. The endowment effect helps to explain the motivation behind such a risky action. This is particularly evident in President Putin’s justifications
for the annexation because Crimea is historically and rightfully part of Russia. This is also an example of loss aversion, in that much of Mr. Putin’s justification for the annexation revolves around the argument that Crimea existing as a part of Ukraine instead of Russia is a terrible loss.

PT would expect to see such framing of choices in terms of gains or losses. As discussed above, Putin already frames loss of Crimea as an injustice. The economic consequences of the sanctions, however, do not receive an equally negative framing. On the one-year anniversary of the annexation, marked by a huge celebration in Moscow, Putin acknowledged that the sanctions are “not fatal, but naturally damage our ongoing work” (BBC News, 2015). He went on to argue that the sanctions are worth any ensuing struggle because of what Russia would lose if it submitted to the coercion of the sanctions. In his speech, Putin frames this potential loss by saying, “The issue at stake was the sources of our history, our spirituality and our statehood – the things that make us a single people, and a single, united nation” (Herzenhorn, 2015).

Putin’s statement reflects an awareness of the harmful effects of the sanctions. However, by referring to Russia’s “ongoing work,” he also alludes to the notion that Russia is not willing to change its policy to bring an end to the sanctions. Putin therefore frames loss from economic sanctions as second to the potential loss of Crimea. Thus, in the process of decision-making vis-à-vis the economic sanctions, the possession of Crimea is Russia’s point of reference and Russia fears losing Crimea a second time. On the other hand, Russia also faces potential harm from the international community’s sanctions. Since Russia fears losing Crimea, they risk economic harm from these sanctions. This harm manifested in several ways following implementation of the sanctions, including a credit rating cut from Standard & Poor’s, a steep devaluation of the ruble, inflation, a decline in foreign investment, falling bond prices, a reduction in economic growth, and a rise in geopolitical tensions (Phils, 2014). The desperation to prevent the loss of Crimea, combined with the high-probability of loss due to the economic sanctions and international pressure places Russia in the upper left quadrant of the graph in Figure 1.

According to PT, this makes Russia risk-seeking. The willingness to endure economic hardship to hold on to Crimea already reflects some risky behavior. However, the lack of action on changing Russia’s policy regarding Crimea is not the only risky behavior emerging from Russia since the advent of the economic sanctions. Russia not only consistently stands behind the actions that led to the sanctions in the first place, but it is encouraging similar actions in other parts of Eastern Europe that belonged to Russia before the collapse of the Soviet Union. These actions are consistent with the Russian Compatriot Policy used to justify the Crimean annexation. Shortly before the one-year anniversary of the Crimean annexation, President Putin signed agreements with South Ossetia and Abkhazia, breakaway regions of Georgia bordering Russia. The 25-year agreement with South Ossetia created a common security space and allows citizens to cross the border freely. Critics of this arrangement equate it with a Russian annexation of South Ossetia (Herzenhorn, 2015). The agreement with Abkhazia establishes a “strategic
partnership” in the “social, economic, and humanitarian spheres” and a joint defense and security space with a unified group of Russian-Akbaz troops (Radio Free Europe, 2015). Furthermore, Russia also supports the separatists in Donetsk and Luhansk in Eastern Ukraine (Herzenhorn, 2015). These actions all share similarities with the actions that led to the sanctions in the first place. This demonstrates risk-seeking behavior, which suggests that PT offers a fitting explanation regarding Russia’s framing of the situation in terms of potential loss of Crimea.

PT also posits that perception of reality plays a bigger role in decision-making processes than objective, rational thought. This is evident in the Russian framing of the situation to fear the loss of Crimea more than loss from economic sanctions. According to PT, the way in which a decision-maker frames an issue is critical to how the actor will respond. This offers an explanation for why President Putin continuously reaffirms the importance of unity among historically Russian regions rather than changing policy to prevent economic loss from the sanctions. Forgoing objective and rational thought also is evident through the evident overvaluation of Crimea and the underweighting of potential harm from the sanctions.

Prospect Theory’s framework for decision-making appears to offer a useful explanation for understanding Russian decision-making behavior in this case. Loss aversion and the endowment effect describe why Russia so adamantly seeks to keep and support a territory that offers it such little benefit in return, even in the face of risking high financial loss. Moreover, it also offers an explanation for Russian risk-seeking behavior in other similar situations since the implementation of the sanctions.

Towards a Better Understanding

In this case, PT offers a more useful understanding of Russian decision-making behavior than EUT. EUT expects states to behave rationally, weigh potential outcomes, and always select the option that will yield the highest expected utility. In contrast, PT argues that actors do not think rationally when making decisions that can result in significant gains or losses. Furthermore, PT focuses more on how a state frames the situation for itself, rather on objective thought processes. PT argues that states overvalue possessions and are therefore more likely to engage in risky behavior when faced with a loss of these possessions.

With respect to the sanctions meant to coerce Russia into changing its behavior toward Crimea, rational decision-making does not appear evident, as Russia celebrates the annexation of a region with no noteworthy benefits, despite the significant negative financial effects of the sanctions. However, President Putin’s rhetoric shows that he does not frame the situation in terms of potential financial loss, but rather in terms of the potential loss of Crimea – a Russian “possession”. Russian decision-makers are willing to risk the financial harm of the sanctions because it fears losing Crimea. This is more consistent with the framework PT offers for understanding decision-making behavior than that of EUT.
Conclusion

Prospect Theory offers the clearest explanation for understanding Russian foreign policy decision-making behavior vis-à-vis the economic sanctions and the annexation of Crimea. This contributes to a comprehension of how states respond to sanctions. In the case of economic sanctions on Russia, PT explains how Russia is willing to accept high financial costs to prevent the loss of Crimea. However, it is also important to note the limitations of this study. Only three years old, the sanctions are relatively new, and therefore, this study can only make conclusions about short- and medium term policy decisions, rather than long-term information.

This does, however, open an interesting opportunity for future research. Repeating this study with new information as the sanctions either continue or Russia changes its policy will either confirm or negate the claim that PT provides a useful framework for understanding Russian decision-making behavior in the face of economic sanctions. Furthermore, additional case studies of other state decision-making behavior under economic sanctions is another opportunity for future research. This study can only make claims about Russian decision-making behavior, however, conducting a similar analysis of other similar cases would expand the understanding of whether Prospect Theory is a useful tool for understanding state behavior with respect to sanctions.

References


Religion and Politics in Italy: The Role of Christian Democracy in Post-War Democratisation

Gianmarco Capati

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Gianmarco Capati, 23, from Rome (Italy), holds a BA in International Affairs from John Cabot University, and will shortly pursue an MA in International Political Economy at King's College London, in the UK. His interests range from global economic integration, to the politics of global finance (including financial integration, crises, and governance), to questions of power and wealth in international affairs. He previously worked as a journalism and media intern at the Center for American Studies in Rome, and is currently working as a country risk analyst for Centro Studi Roma 3000, a Rome-based research centre and consultancy.

Abstract

Entering the controversial debate on the effects of religion on democratisation, this research enquires into the role of the Italian Christian Democratic party (Democrazia Cristiana, or DC) in post-war democratisation in Italy. Through a largely discursive analysis of the historical rise of the party, the article adopts a case-study approach to test the “inclusion-moderation hypothesis”. This hypothesis is applied to the two distinct historical phases of the DC’s activity: the “inclusion” phase (from 1945 to 1958) and the “moderation” phase (from 1958 onwards). The findings suggest that the DC contributed to post-war democratisation by drawing broad consensus from both the Catholic laity and the Church, in the first phase, and moderating its religiously exclusive goals and the views of the Church in the second phase—leading to even wider support from the electorate.

Keywords

Democratisation, religion, Christian Democracy, inclusion, moderation, dialogue
Introduction

The inclusion of religious parties in politics has raised serious debates about the effects of religion on the quality of democracy. Religious parties may pursue goals, especially religiously exclusive goals, which do not work very well with liberal democracy. This is because religiously exclusive policies may stem from old religious tenets and norms that concern themselves with the conduct of the individual and, thus, with their freedom. An interesting question, however, is whether religious parties can exist in, or even contribute to, a democratic system. The aim of this research is to examine what role the Italian Christian Democratic party, Democrazia Cristiana (DC), played in the post-war politics of democratisation in Italy. The paper’s argument is that the DC contributed to democratisation in Italy, first, by including religious discourse and actors in the process while complying with the rules of democracy, and second, by moderating its political goals and persuading the Church into accepting democratic values as well.

The first three sections of the paper deal with the relevant literature on democratisation and the relationship between religion and democracy, the theoretical framework adopted to approach the case-study (in this case, the “inclusion-moderation hypothesis”), and how the theory is applied to the study of the Italian Christian Democratic party. Then, the first part of the analysis focuses on the rise of the DC and the implications of the political “inclusion” of religion for democratisation between 1945 and the late 1950s. The second part of the analysis focuses instead on the second historical phase of the DC, the “opening to the left”, and the way the DC moderated its political goals and the Church’s views from the late ‘50s onwards. The next section then discusses any potential critiques to the argument, giving way to the “conclusion and possibility for further research” section. In this paper, “moderation” is meant as the party’s adoption of less religiously exclusive goals. Democracy, instead, refers to “liberal democracy”: a system that promotes (1) equal rights and (2) individual freedom, and is marked by (3) separation of powers, (4) rule of law, and (5) free, fair, and competitive elections.

Literature Review

Any analysis of the relationship between religion and democracy must begin with a review of some of the existing literature on democratisation, along with its strengths and weaknesses. The contribution of Fareed Zakaria (2007) to this subject revolves around the role of economics, more specifically of capitalism, in fostering democracy. In Zakaria’s view, capitalism causes a new class to rise that will demand political representation in return for taxation (Zakaria 2007: 73-75). However, although capitalism might make democracy more sustainable, Zakaria’s approach does not explain what triggers democratisation or makes it more successful (Geddes 2009: 320). In studying all cases of democratisation since 1972, Jay Ulfelder (2009) finds that 32 out of 43 cases involved some form of popular rebellion. This certainly proves revolutions to be a frequent pathway to democracy, but does not explain its inherent causes. Larry Diamond (1999) emphasises the “democracy-building” function of civil society, but himself admits that
civil society alone is not a sufficient condition for democracy. As for the author’s perspective, in another article I have argued that the compatibility or incompatibility of prevailing ideas within society and liberal democratic principles (such as the rule of law and equal rights) help explain the presence or absence of democracy in a certain country (Capati 2017).

It is in this kaleidoscope of views on the causes of democratisation that the study of religion has gained more prominence. Scholars of religion and democracy agree that a government’s activity should never be hindered by non-elected religious authority (Stepan 2012: 57). One question that is worth addressing, however, is whether religious values and actors can enter politics, through the creation of religious parties, without undermining the principles and rules of democracy. The “incompatibility thesis” has come to comprise various arguments sharing the idea that any interference of religion with the political process threatens the functioning of democracy. Samuel Huntington (1996) admitted that Christianity played an important role in “making” Western civilisation. Yet, in his view, it seems that the contribution of Christianity lies in its detachment from political affairs and in the concept of “separation of church and state” present in Western culture, and absent in all other cultures and religions. Christians are told to “give to Caesar what is Caesar’s, and to God what is God’s”. “In Islam”, Huntington said, “God is Caesar; in China and Japan, Caesar is God; in Orthodoxy, God is Caesar's junior partner.” (Huntington 1996: 70). Following this line of thought, Steve Bruce (as cited in Beckford and Demerath 2007: 222) argues that “religion taken seriously is incompatible with democracy”. That is because the division of the world into “godly” and “ungodly” people is incompatible with the idea that all men and women are equal (Beckford and Demerath 2007: 222).

In criticising the incompatibility thesis, Alfred Stepan (2012: 57) argues that, after the “government autonomy” condition is met, religious groups must be able to support political movements as long as their actions do not violate the liberties of other citizens or go against the laws of democracy. Religious parties have indeed often existed in Western democratic countries, and virtually none of these countries now have a rigid separation between church and state. In addition, Stepan’s findings suggest that “secularism” has no direct link to democracy (Stepan 2012: 58–59). From a philosophical perspective, William Zartman (2001) concurs that there is, and should be, no incompatibility between religion and democracy, because there is none between religion and politics. The two spheres are hardly separable, since the person-to-God relationship has implications for the person-to-person relationship that should motivate the individual’s participation in the political order, albeit without determining the nature of that order (Zartman 2001: 231). In this research, I try to add validity to this (Stepan and Zartman’s) side of the argument, by analysing the role of the Italian Christian Democratic party in post-war Italian democratisation.
Theoretical Framework

Stepan’s (2012) and Zartman’s (2001) arguments find particular strength in the inclusion-moderation hypothesis, which is based on the idea that inviting extremists to participate in the political process is likely to moderate political discourse. In part, this is because, over the long run, a party will have to moderate to win over enough support to survive (Dickson 2014: 114–15). The inclusion-moderation hypothesis derives much of its rationale from Huntington’s (1991) “participation-moderation trade-off” and the “median voter model”. In the participation-moderation trade-off, political groups tend to moderate by accepting democratic rules and by focusing on running competitive political parties (Godwin 2011: 6). Duncan Black’s (as cited in Godwin 2011: 6) “median-voter model” represents the preferences of voters as a spectrum. The reason why parties capture a larger number of votes when they moderate is because voter preferences are concentrated at the centre of the spectrum (Godwin 2011: 6). In his model, Anthony Downs (1957) also views political preferences in a spectrum, but he argues that there may be multiple “peaks” of preferences concentration, which do not necessarily have to be near the centre of the spectrum. This may often happen in a society with little ideological consensus and a multi-party system.

Several other authors go further and provide various causal mechanisms behind the inclusion-moderation process. Carrie Rosefsky Wickham (2004) and Nancy Bermeo (as cited in Godwin 2011: 8) argue that moderation stems from the learning process involved in participation. Theodore J. Lowi (as cited in Godwin 2011, 8) thinks that radical groups become more moderate when they try to defend their political positions, by determining which of their beliefs are defensible and by discarding radical views. Frances F. Piven and Richard A. Cloward (1977) argue that inclusion forces parties to be held accountable for government efficacy. Therefore, they stop opposing the democratic regime and try to achieve results. Finally, Adam Przeworski (as cited in Godwin 2011: 8) argues that moderation stems from the idea that, in order to better achieve a group’s goals, that group has to participate fully in the political process.

The validity of the inclusion-moderation hypothesis is not only confined in the analysis of Islam and democracy, where it is often used. In this research, the discussion of the role of the DC in post-war Italian democratisation serves as a test of the inclusion-moderation process. As shown below, the inclusion of Catholic groups and values after World War II led to wide support from Catholics for democratisation—by means of supporting a Christian Democratic party—and, later, to the moderation of political goals within the DC. Hence, the party’s rise and hold to power can be divided precisely into two historical phases: the “inclusion” phase and the “moderation” phase.

Methodology

This research adopts a case-study approach to the issue of religion and democracy, adding evidence against the incompatibility thesis. The question being asked is what role religion played, if any at all, in
post-war democratisation in Italy. The function of the research is to test, not to formulate, a hypothesis through a case study. This is done through a discursive analysis of the role of the Italian Christian Democratic party in post-war democratisation. Therefore, the only quantitative measurement used while describing the increasing support of the electorate for the party involves the number of votes obtained in the 1948 elections. The hypothesis tested is the inclusion-moderation hypothesis, which is directly applied to the two historical phases characterising the rise and hold on power of the Christian Democratic party: the “inclusion” phase (from 1945 to the late 1950s) and the “moderation” phase (from the late ‘50s onwards).

This division into two historical phases is to better reflect the dual process of inclusion-moderation. In this way, it is easier to highlight the democratising role the DC played in (1) including and gaining the support of the wide Catholic electorate in the first phase, and in (2) moderating its initial religiously exclusive goals and the political views of the Church in the second phase (which is in fact the argument of this paper). The first part of the analysis below thus tests whether the inclusion of religion in the democratisation process hampered the process itself in a way or another. It also verifies whether the DC was truly a means by which the Catholic Church re-engaged in Italian politics after years of exclusion, and, therefore, whether the DC can in fact be viewed as an inclusion of religion in the political process. As shown below, the answers to these two questions are “no” and “yes” respectively, meaning that the inclusion of religion played a key role in democratisation. The second part of the analysis tests whether the inclusion of religion later led to the moderation of political goals and discourse. As mentioned later, moderation occurred both within the party and in the ranks of the Catholic Church itself.

The “Inclusion” Phase: The Rise of Christian Democracy

The Democrazia Cristiana was formed as a clandestine party during the last years of the Fascist regime, thanks to a network of politically engaged Catholics. Their objective was to create a Christian-inspired party that would play a major role in post-war Italian politics. Some of the founders of the DC had been members of Luigi Sturzo’s Italian Popular Party (PPI), which had been dismantled by the Fascists in the 1920s (Domenico and Hanley 2006: 118-119). Alcide de Gasperi, for instance, had been the PPI’s leader in the last few months of the party’s existence, and became the first leader of the DC in the 1940s. Among the members were also professors Fanfani, La Pira, Moro, and Andreotti. In 1943, having become an important political force, the DC joined an anti-Fascist coalition, the Committee of National Liberation (CLN), together with the Italian Communists (PCI), the Socialists (PSI), and others. In 1944, the CLN became the head of the liberated Italian government and, in 1945, De Gasperi became the new Prime Minister. By 1947, the DC expelled the Communists and Socialists from the alliance and ruled with an absolute majority until 1953. From 1953 on, however, the party needed to form several coalitions to retain majority power (Domenico and Hanley 2006: 119). Nevertheless, Christian Democracy dominated
Italian politics for almost five more decades.

The Christian Democrats achieved an important victory in the first parliamentary elections of 1948. With the approaching elections, the DC made a huge propaganda effort to contrast itself with the strength of the left. This happened thanks to the help of the Azione Cattolica, or Catholic Action, (AC)—one of the main Catholic associations—in mobilising the electorate through the Comitati Civici (Civic Committees). The victory of the DC was also made possible by rising national support for the party (Radi 2005: 39-40). By 1948, the number of registered members of the DC had more than doubled since 1945. The DC’s members amounted to 537,582 in 1945, 607,977 in 1946, 800,378 in 1947, and 1,127,128 in 1948 (Radi 2005: 40). The result of the election was a heavy DC majority in parliament. The party won 48.4% of the votes, 304 out of 574 seats in the Chamber of Deputies (Furlong 2003: 49), and 12.7 million votes out of 28 million overall (Radi 2005: 54). In the senate, the DC obtained 48.1% of the votes (roughly half of the 22 million votes cast in the election) and 131 out of 237 seats (Radi 2005: 54).

The 1948 election signalled a large Christian moderate electorate in post-war Italy and a large consensus for Christian Democracy in general. It also signalled, as discussed later, a shift in the Church’s position with respect to the political sphere. Finally, it also signalled the return of religion into Italian politics. Both the Christian electorate and Catholic Action were supporting a self-declared democratic party. Catholic Action’s help itself during the 1948 campaign shows the party’s initial dependence on the Church’s hierarchy and associations.

The DC was theoretically independent but practically dependent on the Catholic Church. The party relied heavily on Catholic Action as to the mobilisation of the electorate, as showed during the 1948 electoral campaigns. Catholic Action back then made a huge effort in mobilising all the parishes, the Catholic Orders and organisations through the Civic Committees (Radi 2005: 42). The Civic Committees were created by the then president of the AC, Luigi Gedda, with the necessary approval of Pope Pious XII, out of a well-founded fear that the DC was too organisationally weak and willing to compromise with leftist forces (Radi 2005: 44). The AC was instituted by Pope Pious X, who envisioned it almost as an extension of the action of the clergy and as an institution heavily dependent on the direction of ecclesiastical authority (Bidegain 1985: 3). The objective of the Vatican in creating Catholic Action was to re-catholicise Italian society (Bidegain 1985: 2) The Committees were efficiently organised in four different bureaus. The first connected all the “Opere cattoliche” and provide them with the propaganda material that was destined to the peripheries. The second transported the material from the centre to the dioceses. The third prepared all the propaganda activities that ranged from cinema to manifestos. Finally, the fourth bureau had followed all the propaganda strategies of the political opponents (Radi 2005: 44).

In the months preceding the elections, the AC mobilised 300,000 activists and 20,000 local Committees
Moreover, the AC influenced the formation of the party lists. Indeed, the DC drew many of its leading cadres from the AC. Over the years, these came to include Fanfani, Moro, and Andreotti (Hanley 1994: 76). This initiative, of course, was never officially stated to avoid undermining the Lateran Pacts of 1929, which prohibited the AC from participating in politics (Furlong 2003: 46). The party’s dependence on the Church, however, goes beyond the AC and involves the broad political, though perhaps illiberal, objectives of the Vatican in the years before the so-called “opening to the left”.

Through the DC, the Vatican aimed at asserting greater power over the state, by influencing policies such as contraception, abortion, and divorce (Killinger 2002: 182). In particular, one of the Church’s main goals was to guarantee a dominant position for Catholicism in state education. This was made possible by the DC’s monopoly of the Education Ministry, among many others, over several years and through the successful insertion of the Lateran Pacts into the post-war constitution (Hanley 1994: 77). Yet, this was not the only way in which the Church influenced the policies of the DC. Catholic Action, on which the party was highly dependent, took its directives especially from the Catholic Curia, which had a deep anti-liberal tradition and a different conception of democracy (Driessen 2014: 102). Although Pious XII had openly declared the importance of democracy in defending human rights, his vision for post-war Italy was a democracy that would guarantee the Church’s right to shape politics. His view included restrictions on democracy itself, which had to conform to Christian morality and to the Pope’s ideas (Driessen 2014: 103). However, the fear of a civil war led the Pope to discard other views, which were much more illiberal than his, within the Church’s hierarchy (Driessen 2014: 104). In order to promote its views, the Vatican pressed the DC to lobby for the inclusion of the Lateran Pacts, to emphasise religious policies and to force the Communists out of coalitions (Driessen 2014: 102). All in all, despite the illiberal tendencies within the Church’s hierarchy, the Vatican seemed to have accepted the methods and procedures of a democratic political system.

In his 1944 Christmas radio message, Pope Pious XII spoke in favour of democracy openly. On many points, the Pope stressed the importance of correcting and criticising the actions of public authority in a critical way and that such questioning and distrust can be best achieved through a democratic system. As Pious said on point 19, “the democratic form of government appears to many as a postulate of nature imposed by reason itself” (“Democracy and a Lasting Peace”). Even if the Vatican secretly rejected the implications of liberal democracy, they still put a great effort into supporting the Christian Democratic party. This, as mentioned, is shown by the mobilisation of the electorate during the campaigns and the creation of the Civic Committees, which were both approved by the Pope himself.

The influence of the Church shows that the DC was not only a democratic party that pretended to espouse Christian views, but was a means through which Catholic voters and the Church could affect policies in post-war Italy. The entering of religion into the political sphere always represents a risk. In
this case, however, the participation of religious groups in politics did not lead to violations of the principles of democracy. This seems to reflect Stepan’s (2012: 57) view that “no group in civil society—including religious groups—can a priori be prohibited from forming a political party”. Religious groups must be able to advance their views in civil society and support movements in politics, as long as their actions do not violate the liberties of other citizens, democratic rules, and laws (Stepan 2012: 57).

In line with Stepan’s argument, the DC acted perfectly within the laws and rules of democracy. Interestingly, the party had also contributed to the drafting of the new Italian constitution (Furlong 2003: 54). In terms of civil liberties, some of the DC’s policies were in fact religious “restrictions” on themes such as abortion, divorce, and the role of women. However, these policies reflected the views of the largest portion of society. It seems that gender inequality was more a product of social values than just a consequence of religion in politics. Nevertheless, the party’s illiberal policies were heavily limited when the “opening to the left” occurred. As discussed later, letting such policies into the political sphere in the first place did not seem to threaten democratisation, especially since the party was later going to “soften” them to win more popular support. In any case, this first phase of the DC—characterised by a strong dependence on the Church—already shows that the party contributed to democratisation by involving a wide Catholic electorate in the process and by giving birth to the largest single party without which no government could be formed (Furlong 2003: 48).

The “Moderation” Phase: The “Opening to the Left”

The DC’s conservative, religious policies and its dependence on the Catholic Church changed with the “opening to the left”. The opening to the left was a shift in the DC’s political alliances that began in the late 1950s and was driven by social changes and a “leftist” change within the DC. The so-called “economic miracle” in that period consisted of a rapid industrialisation and urbanisation process in Italy. Millions of Italians moved from the countryside to the cities. As a consequence, workers demanded a greater share of the growth benefits, which led to the creation of labour unions. Leftist parties gained much more consensus, especially on the issues of feminism, environmentalism, and prison reform. However, they were much more cautious on divorce and abortion (Sarti 2009: 82). As Sarti (2009: 82) writes, “the opening to the left was the cautious political response to a country moving painfully toward a new equilibrium”. This is because, despite the social changes, the majority of Italians were still culturally conservative with respect to family, traditional gender roles, and the ceremonial aspects of religion (Sarti 2009: 82).

The opening to the left was mainly a response to these changes and to the party’s need to capture wider support. The left fringes of the party had never really despised the Socialists and the Social Democrats, as much as they despised the Communists. Indeed, Fanfani had even proposed an alliance with the Socialists before the 1958 elections (Sarti 2009: 83). After achieving wide consensus, the DC realised that
it had to win over an even wider electorate to ensure its dominance in politics. Soon, the party became less interested in pursuing exclusively religious policies and resorted to move to the left. Therefore, the DC decided to form a coalition with the Italian Socialist Party, which for decades had supported democratic institutions. This, of course, signalled a laicisation of the DC with a consequent growing independence from the Vatican and fewer religious policies (Driessen 2014: 108). This shift went against the interests of the Church, at least initially, but the issue was gradually overcome thanks to Moro’s dialogue with the Vatican and a change in the Church’s views that was taking place in these years.

In practical terms, the opening to the left led to the first centre-left government formed by Fanfani in 1962, which included the DC, the Social Democrats and the republicans. Although the Socialists did not join the coalition, they abstained from voting against it provided that three reforms be realised before the 1963 elections. These included the nationalisation of the electrical industry, the formation of regional governments, and the reformation of secondary school (Ginsborg 2003: 267-68). However, Fanfani was moving too fast for the conservatives within its party and, in the following elections, he lost 4% of the votes (Sarti 2009: 83). By entering a coalition with the left, Fanfani aimed at making the party more independent from the Catholic Church. He tried to do so by centralising power in the hands of the secretary, himself, and promoting progressive cadres to important positions (Driessen 2014: 108). His approach was one of the main reasons why he soon lost consensus. The shift of the party towards more independence from the Church, however, was later achieved by Moro.

In 1963, Moro formed the first centre-left coalition that also included the Socialists (Sarti 2009: 83). For this reason, this year was the most important for the opening to the left. Although Moro’s objective was also to make the party more independent from the Church, his approach was based on a dialogue with the high ranks of the Church’s hierarchy. Moro tried to argue that, in order to face the social changes of the time and to defend religious morality, it was necessary for the party to move towards the left and achieve greater independence from the Church. This, he argued, would be better for both the Church and society and it would reflect the changing needs of the Italian people. The Church’s response, at this point, was positive (Driessen 2014: 109).

The opening to the left was also made easier by the liberalisation of the Church’s views in the ‘60s, especially with the advent of Pope John XXIII. Indeed, the Church was already undergoing internal changes in this period. Some of these changes led to the Second Vatican Council, which was announced by Pope John XXIII in 1959. From 1962 to 1965, 2,500 bishops and representatives from other Christian and non-Christian religions gathered together to discuss three important issues: faith and science, the Church and the modern state, and Christianity and other religions (Ciorra and Higgins 2012). In addition to peace, religious tolerance, and dialogue, the Council also discussed democracy. However, it did so in an indirect way. Through various documents, the Council established a new framework for the practice
of the Church in the political order. Moreover, it underscored the importance of religious freedom and human rights—two prerequisites of democracy (Curran 2003: 27). Vatican II played an important role in the democratisation of many countries between 1974 and 1989, three-quarters of which were Catholic-majority countries (Curran 2003: 30). Certainly, all this made Moro’s work much easier. However, his own contribution was to address in practice the problem of the party’s independence from Catholic institutions and the need to moderate political goals. Here, the moderation of policies contributed especially to the “civil rights” aspect of democracy.

The shift to the left shows that the DC contributed to democratisation by capturing an even wider electorate and moderating its political goals. By winning over more support, the party was able to form governments with a relatively large majority and show the Italian people that democracy was workable. As a response to the social changes that the population was experiencing in the ‘60s, the shift to the left allowed the party to expand its political objectives beyond its religious goals and toward new ones that reflected the new social and economic circumstances (Sarti 2000: 82). As mentioned, the moderation of policies and the shift to the left was also accompanied by greater independence from the Church. This, however, did not mean that the DC ceased to be a Catholic party. Indeed, the DC was still greatly influenced by Catholic tradition and morality. With the opening to the left, the party also persuaded the Church into further embracing democratic values and recognising the need to respond to the social needs of the time.

**Criticism and Response**

A solid critique of the main argument concerns the role of the party in democratisation. More specifically, it could be said that the DC did not make a crucial contribution to the process. One could argue that democratisation in Italy would have happened even without the existence of a Christian Democratic party after World War II. Most probably, international pressure and other factors would have caused the country to become democratic anyway. This critique is certainly well-founded. However, this research does not aim to demonstrate that the DC caused democratisation in Italy, but rather that it contributed to the process. Although democratisation would have occurred anyway, the research has shown that inviting the Catholic majority of the population and the widely shared religious tradition into politics gave the process a greater consensus. In 1948, the DC became the largest party and it did so as a Catholic democratic party. As previously mentioned, no democratically elected government could be formed without the DC (Furlong 2003: 48).

Another critique may also be levelled at the “moderation” aspect of the inclusion-moderation hypothesis. The Church had already accepted the rules and laws of democracy and, in the late ‘50s, it also started to embrace the inherent values of democracy. It follows that the DC did not really contribute to moderating religious actors’ views and goals. Partly, this is true. The Church had begun liberalising without the
pressure of the party, as shown by Pope John XXIII’s announcement of Vatican II in 1959. However, Moro’s DC “accelerated” the ideological change within the Church, at least as far as its relationship with the party and the moderation of the party’s policies are concerned. Indeed, moderating its goals was the DC’s own initiative and it arose out of the need to win wider support (as suggested by the inclusion-moderation hypothesis). By accepting democratic rules in the first place, the party was also bound, in the long term, to moderate its policies to survive within the democratic system. This is what the inclusion-moderation hypothesis maintains, despite the changes that took place within the Church independently of the party.

Conclusion and Further Research

The research has found that including religion in post-war Italian politics helped democratisation, first, by involving the wide Catholic population and their consensus in the process and, second, by “forcing” the DC and, to some extent, the Catholic Church to moderate and accept democratic values (in addition to democratic rules). The first part of the analysis focused on the rise of the DC from 1945 to around 1958 and its dependence on the Church during this phase. As the findings suggest, including religion in politics did not hamper democratisation, since the party acted within the rules and laws of democracy. In fact, involving religious ideas in the political process created a greater consensus for the new democratically elected governments. Although the party’s initial position on divorce, abortion, and gender equality might be deemed “illiberal”, this was more a product of society, culture, and tradition rather than religion per se. Nevertheless, these conservative policies were slowly moderated with the “opening to the left”.

The second part of the analysis focused on the shift of the DC toward the left. In this second phase, the need of the DC to reflect social changes and capture a wider electorate caused the party to moderate those policies that, to some extent, could be viewed as “restrictive” of civil liberties in the first years of political activity. Although the Church had already accepted the rules of democracy and was undergoing a theological change within itself, the DC helped speed that process up and managed to gain the Church’s official support for the moderation of its political goals. Finally, the research has discussed, and responded to, potential criticism.

The paper focused on the ways in which the DC contributed to democratisation, leaving out of the analysis the historical, political reasons behind the Church’s will to re-enter politics—by openly supporting a political party—after years of exclusion. In addition to demonstrating that religion worked with democratisation in post-war Italy, further research into the complex factors affecting political theology would add much to the discussion. The research also avoids drawing any conclusions about what the role of religion should be in general. A normative analysis of the ideal role of religion within a state would nonetheless be a relevant subject for further research. Finally, following the same historical
approach to test the inclusion-moderation hypothesis through different case studies would better highlight the strengths and the weaknesses of the theory.

**References**


Pope Pius XII (1944): "Democracy and a lasting peace". Available at: http://www.ewtn.com/library/papaldoc/p12xmas.htm


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Appendices

Every piece of data used shown so as to facilitate potential replications. If possible, data shared publicly and/or presented together with the manuscript.

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