Better the Devil You *Don't* Know? Economic Shocks, New Party Emergence, and Changes in Voting Behavior [*]

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Abstract

This paper analyses the effects of an economic shock on the emergence of new parties and other changes in voting behavior. The identification strategy relies on regional variation in the severity of the economic shock and avoids other potential endogeneity concerns by using European Parliament electoral outcomes. The data shows that a worsening of economic conditions leads to an increase in electoral competition and volatility: more new parties emerge and gather more support, vote share concentration decreases, and there are larger shifts in the vote shares. Conversely, establishment parties are penalized, as the vote share of parties that have been part of a national government decreases.

Keywords: elections, voting behavior, political parties.
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1. Introduction

When a country experiences an economic downturn, studies show the incumbent party loses electoral support in the upcoming elections (e.g. Ahlquist et al. 2020). Anecdotal evidence suggests that the effects on voting behavior may go beyond electoral turnover and induce considerable changes in a country's political landscape. For instance, it could bolster the emergence of new parties as voters look for alternatives to establishment parties that are held responsible for the current situation. Examples of this can be seen in Italy, Spain, Mexico, and Peru, where recent new parties created in the aftermath of economic crises currently hold seats in their respective parliaments and are part of the government. Beyond anecdotal evidence, the impacts of economic conditions on voting behavior are naturally hard to identify: not only may economic outcomes be a consequence of past electoral results, snap elections may be called at the onset of a crisis and their results affect its severity and persistence.

This paper estimates the effects of a negative economic shock on voting behavior. The identification strategy exploits regional variation in the impact of the Great Recession on European Parliament elections, sidestepping endogeneity concerns. The results show that not only do more new parties emerge in areas that experience a deeper economic downturn, but they also obtain a larger vote share. This is to the detriment of not only the incumbents but of establishment parties overall, that is, of parties that had been in government prior to the crisis. Finally, the deterioration of economic conditions increased both electoral competition and electoral volatility.

To identify the effects of an economic crisis on voting behavior in European Parliament elections I exploit variation in economic indicators at the regional level. In particular, I use the fact that European Parliament (EP) is a transnational body where parties run at the national level. Despite the parliament's power including voting for international agreements and affecting areas such as consumer protection and energy policy, it has a limited ability to affect a country's response to a crisis, much less a region's. Moreover, elections are held simultaneously in all countries and the date cannot be moved. While the phenomenon studied here is globally prevalent, especially in parliamentary democracies, focusing on the EU Parliament allows us to bypass endogeneity issues regarding the political response to economic performance and the latter's effect on voting behavior.

The analysis relies on a new, comprehensive dataset with regional-level data on voting behavior and economic outcomes. For this, I create a dataset with all parties that ever obtained more than

0.25% vote share in EP elections since 1999, including their electoral results at the regional level, date of creation, participation in government, and political ideology. I then combine this with data on per capita output growth and unemployment rates during the same period, which includes the Great Recession and the subsequent debt crisis.

New parties are more likely to emerge and gather more electoral support in areas where the recession was more severe. Specifically, a one percentage point increase in the region's unemployment rate leads to a 1 to 2 percentage point increase in new party vote share. Hence, a one standard deviation increase in the unemployment rate, increases the vote share of new parties by 6.5 to 13 percentage points. This result is robust to different specifications and definitions of what constitutes a new party. Moreover, it is new right-wing and extreme right-wing parties that benefit from the effects of the recession rather than left-wing parties.

This shift toward new parties parallels voters' move away from establishment parties. Indeed, looking at parties that were part of the national government in the 20 years prior to the start of the crisis, I find that their combined vote share decreased from 1-2 percentage points in response to a 1-point increase in unemployment. This suggests that voters not only hold the incumbent accountable but also parties that are part of the establishment. Instead, they turn to new parties, which would arguably not bear responsibility for the economic downturn.

Finally, the worsening of economic conditions renders elections both more competitive and more volatile. In areas with a higher unemployment rate and lower GDP growth rate, vote shares are less concentrated and dispersed across more parties, while the most voted party has a lower vote share. Further, variability in vote shares across elections is also higher in such regions.

In short, this paper shows that the political effects of economic downturns go beyond the punishment of the incumbent and replacing it with a challenger party. When the effects of a recession are particularly pronounced, voters may avoid the overall political establishment and bolster new parties into parliamentary representation. This, in turn, generates volatility in voting behavior and a more fractured parliament in which it might become more challenging to pass the necessary measures to boost the economy.

1.1. Related Literature

This paper contributes to two main literature strands: the effects of economic crises on voting behavior and the study of the emergence and success of new parties.

Electoral consequences of economic shocks. This paper is contributing to a the research devoted to the effects of economic shocks on voting behavior, including the effects on incumbents, which type of parties might benefit from it, and how do both phenomena impact vote share concentration. With respect to the former, the most related paper is by (Ahlquist et al. 2020), which identifies a negative effect of an economic shock on the political support for the incumbent. More broadly, Hernández and Kriesi (2016) and Alonso and Ruiz-Rufino (2020) highlight the positive association between economic performance and the support for incumbent parties and establishment parties in the context of the Great Recession, which is stronger in countries that were financially intervened (Ruiz-Rufino 2021). This paper shows indeed the support for establishment parties decreases in favor of new parties.

On the other hand, others have instead focused on whether economic shocks might boost support for right-wing parties, extremist parties, or populist parties. The most closely related paper, Algan et al. (2017), finds that an increase in unemployment increases the vote share of populist parties in Europe. Generally, evidence suggest that, in the aftermath of an economic shock, there is an increase in the vote share of extremist parties (Funke et al. 2016; Gomez and Ramiro 2019) and eurosceptic parties (Hobolt and de Vries 2016; Fetzer 2019). Moreover, this effect appears to be driven by individuals experiencing economic insecurity (Becker et al. 2017; Dal Bo et al. 2019; Liberini et al. 2019). This paper considers whether a similar pattern exists in the success of new parties. It does find that new parties are overall more successful in areas that experience a more severe recession and that it is new right-wing parties that benefit the most.

New party emergence and success. Most of the literature on new parties is devoted to analysing the trends of new party emergence over time and understanding which features of a new party may make it successful among the electorate. The papers by (Chiaramonte and Emanuele 2017) document the rise of electoral volatility of some countries in Western Europe since the 2000s, and suggest it is associated with the increased presence of new parties in national parliaments (Emanuele and Chiaramonte 2018). The mechanisms behind a new party's success are found to be related to the number of elastic voters and level of dissatisfaction with the current political parties (Lago and Martínez 2011; Laroze 2019), and innovation in internal party structure (Bolleyer 2013). In the context of this paper, economic shocks could be interpreted as a catalyst that would increase voters' dissatisfaction, as seen in the decrease in vote shares for the establishment par-

ties, and turn to new parties, including new parties that did not appear as a result of a split or a merge of already existing parties.

The rest of the paper is structured as follows: Section 2 describes the necessary background on the European Parliament and the Great Recession, Section 3 presents the main datasets used, Section 4 explains the empirical strategy and specifications to be estimated, Section 5 discusses the main results of the analysis, and Section 6 concludes.

2. Background

This section discusses the features of the European Parliament and the Great Recession that are essential to the empirical methodology of this paper. It summarizes the role of the European Parliament in shaping policy, its prerogatives and limitations, and the electoral laws it is subjected to. Then, there is a short overview of the 2007-2008 financial crisis, and how it had a lasting effect on most EU countries in terms of GDP growth and unemployment rate.

The European Parliament. Elections to the European Parliament are coordinated across all member countries, which still retain some rights over how their representatives are elected. Elections are held every five years on the same day throughout the EU and cannot be delayed or advanced.[1] Each country can elect a given number of Members of the European Parliament (MEPs), which depends on their relative population size and may change when new countries join the EU. Countries have control over how their MEPs are elected, that is how votes are translated into seats for parties and candidates. Countries usually adopt the same electoral system governing their national elections. Political parties run nationally, that is they need to be registered as parties in the country where they run, and their seats are determined at the country level. [2] If parties have representation at the European Parliament, they form part of EU-wide groups within the European Parliament.

[1]The Netherlands is the only exception, where it is held three days prior but no results are published until all countries have voted. Newly admitted countries have to hold a special election on the year of their admission to elect their respective MEPs.

[2]To the author's knowledge, there have only been two transnational parties running for the European Parliament elections, i.e. that have registered in multiple countries at once: (i) Democracy in Europe Movement (2025), which ran in the 2019 elections across 9 different countries without gaining representation, and (ii) Volt, which ran in the 2019 elections across 5 different countries and obtained one MEP in Germany.

As a part of the process of furthering economic and political integration across EU countries, national governments have had to relinquish the ability to legislate over certain matters. The European Union is the only political institution that has the power to legislate on certain areas such as laws regulating the customs union, market competition within the EU or international trade agreements. Within these areas, the EU may legislate as long as (i) it falls within its jurisdiction according to the most recent EU treaty and (ii) EU-wide legislation would yield better outcomes compared to national-level laws. EU law is superior to national law, and hence countries may not pass legislation that contradicts it. Moreover, monetary policy is dictated by the European Central Bank, which is independent of any political body within the EU. Hence, national governments can still use fiscal policy to tackle the effects of an economic shock remain in the power of national governments.

The European Parliament is part of the legislative branch of the EU but does not have legislative initiative. In particular, it may not propose any laws, only amend them. Instead, MEPs vote to adopt the legislation that is drafted by the European Commission.[3] However, the European Parliament may ask the Commission to initiate laws. The EU budget is drafted by the European Commission, and then submitted to the Council of the European Union and the European Parliament for approval.[4]

The 2007-2008 Financial Crisis and the Great Recession. Albeit the financial crisis did not originate within the European Union, its effects ripples across all countries where national governments faced the challenge of dealing with a recession with limited powers to confront it. The onset of the economic crisis was a series of bankruptcies of prominent financial firms in the United States which quickly propagated to European stock markets. The crisis had deep effects in all European Union countries. As Figure 1 and Figure 2 show, all countries suffered a negative shock to GDP growth in 2009 which corresponds to the 2007-2009 financial crisis. As a result, most national governments chose to implement budget cuts and a broad range of austerity measures to different degrees. The success of such policies was also varied across countries. Indeed, some countries also experienced a further downturn in terms of economic growth and unemployment

[3]The European Commission is the executive branch of the EU and it is made of 27 members, each member must be part of one of the 27 EU countries. One of these members is the President of the European Commission, which is selected by the European Council and confirmed by the European Parliament. The European Council is an institution made of all the heads of state of the EU country members. The EP has the power to propose a motion of censure against the Commission which, if passed, forces the Commission to be dismissed.

[4]The European Parliament's role in the budget started on December 1st 2009, with the application of the Lisbon Treaty.

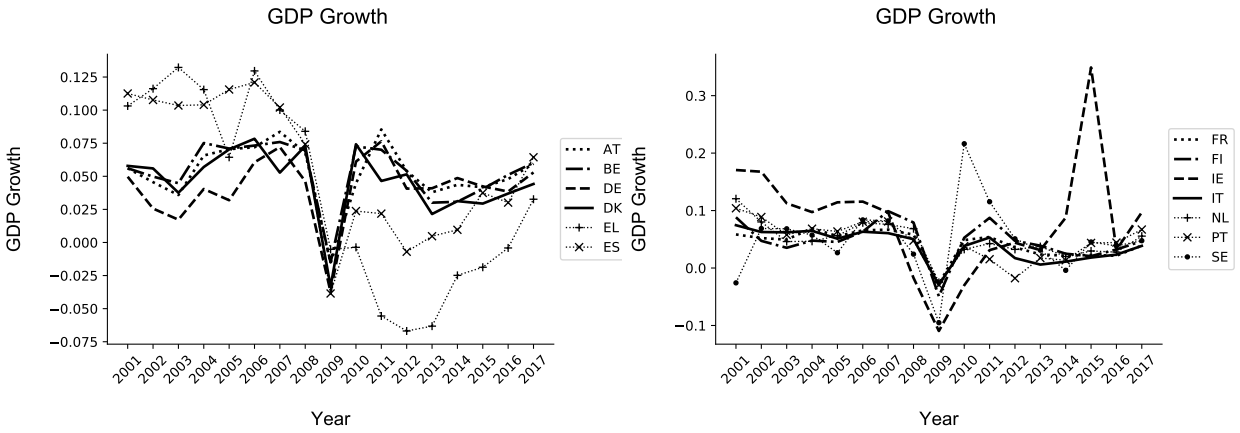

Figure 1. **GDP growth of the 13 EU countries**

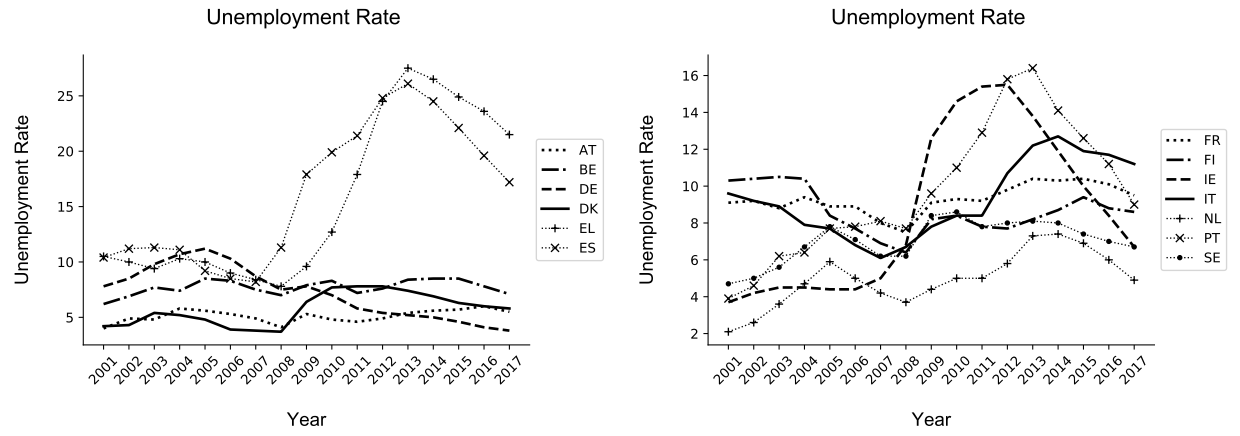

Figure 2. **Unemployment rate of the 13 EU countries**

between 2010 and 2014. Furthermore, the evolution of unemployment was very different across countries; from a decreasing trend in Germany to over 10 percentage points increase in countries such as Greece, Portugal, and Spain.

The differences in the effects of the crisis are made further apparent in Table 1. The maximum level of unemployment as well as when it was attained varies greatly across countries – from 6% in Austria 2016 to 26.1% in Spain 2013. Except for Greece and Portugal, all countries experienced the sharpest drop in output growth in 2009. Even so, within those countries the differences go from a 2% drop in growth in Belgium to an 9.1% drop in Greece. On the other hand, the peak in unemployment rate occurs usually at least one year after the drop in output growth.

Table 1. **Depth of the financial and debt crisis in the EU countries**

Country	Unemp. Rate		GDP Growth		Output Gap		Crisis length
	Year	Max	Year	Min	Year	Min	
Austria	2016	6.0	2009	-3.8	2009	-2.09	8y 6m
Belgium	2010	8.3	2009	-2.0	2009	-2.33	5y 1m
Denmark	2011	7.8	2009	-4.9	2009	-3.78	5y 11m
Germany	2009	7.8	2009	-5.7	2009	-4.83	4y 10m
Greece	2013	27.5	2011	-9.1	2013	-16.46	8y 7m
Finland	2010	8.9	2009	-8.1	2009	-4.50	1y 10m
France	2013	10.4	2009	-2.9	2009	-2.57	4y 6m
Italy	2013	17.3	2009	-5.3	2013	-6.18	6y
Netherlands	2013	7.3	2009	-3.7	2013	-2.77	5y 1m
Portugal	2013	16.4	2012	-4.1	2013	-7.51	7y 2m
Spain	2013	26.1	2009	-3.8	2013	-11.92	4y 9m
Sweden	2010	8.6	2009	-4.3	2009	-5.24	2y 1m
United Kingdom	2011	8.0	2009	-4.2	2009	-3.88	2y 5m

Note: Data on real output growth and unemployment is retrieved from Eurostat. Data on Output Gap is from the OECD's Economic Outlook No. 105 – May 2019. The length of the crisis is determined by the data on systemic crises by the European Systemic Risk Board.

3. Data

The main datasets used in this paper consist of electoral data for the European Parliament elections, information about political parties, and measures of economic performance. These results are at the NUTS-II level, which is an administrative division of the EU territory and is used for EU-wide statistics.

Electoral Data. Using the data available from each country's official results, I constructed a dataset with the electoral results to the European Parliament elections between 1999 to 2019 at the NUTS-II level. In many cases, the country's constituencies coincided with the EU's NUTS division and, when not, I aggregated municipal-level results to construct the NUTS regions. The dataset contains information on 13 countries and 210 NUTS-II regions. More details on the gathering of the election results and their aggregation to the NUTS-II level can be found in Appendix A 1.

This dataset includes the number of votes each party or coalition received, the total number of votes cast, and the number of citizens registered to vote at the regional level. It includes all parties

that got at least 0.25% of the national vote share in at least one EP election.[5] That is, every party that was ever in a coalition or ran alone that obtained at least 0.25% of the votes at the national level at any time during 1999 to 2019 is included in the sample. Parties can be tracked across elections and different coalitions.[6] Therefore, when a party in the sample does not show up in a given year it could only be because (i) the party either dissolved or merged, or (ii) did not run in that particular year. This dataset will be used to compute the vote shares of different parties, measures electoral volatility, and of vote dispersion.

Electoral results are used in tandem with party-level information. I created a new dataset with information on the year each party was founded, the circumstances of the foundation (e.g. party stemmed from a split), and year of dissolution. If the party was created as result of a split from an already existing party or was the result of the merger of multiple parties, party codes are available to be able to track these events.[7] This information was gathered by consulting country-level party registries, the parties' official websites, and newspaper articles. This new dataset is used when defining what makes a party "new" based on the date of its creation. Table 2 shows some descriptive statistics of each country's political system and new parties in 2004. As can be seen, there is a large variation across countries in terms of how old parties are on average, the number of parties running for the 2004 EP election, the number of new parties running and how successful they were.

Finally, I use the ParlGov dataset (Döring and Manow 2019) for their variables on the parties that were members of the government during the period of study and earlier. I also use the Manifesto Project dataset (Volkens et al. 2021) to classify parties as right- or left-wing.

Economic Data. I use data provided by Eurostat to get real GDP and real GDP growth and unemployment rate at the NUTS II level. Those are the two measures that are common to all countries

[5]There are some parties that have been included in the data that never reach 0.25% of the votes or above at the national level. These are parties that had a substantial share of the vote at the regional level. For instance, the parties Vallée d'Aoste or Autonomie Liberté Démocratie had 37% and 18.5% of the vote shares in Aosta, but this amounts to less than 0.25% at the national level.

[6]Every party is given a unique identification number that can be tracked over the election and through different electoral coalitions that the party may be part of. All coalitions also have a unique identification number that depends only on the parties forming that coalition. That is, if party A and party B run together in 2004 and 2009 their coalition number is the same. But if Party C joins them in 2014 then that coalition has a different number.

[7]A party from which a faction splits and forms a new party keeps its original identification number. For instance, in 2000 the Popular Orthodox Rally in Greece split from New Democracy, which keeps its identification number. In the period that concerns us there is no significant split such that the party suffering the split cannot be considered as the "original" party.

Table 2. **Descriptive Statistics of Political Parties (2004)**

	Avg. Age	# Parties	# New Parties	Vote Shares New Parties
Austria	43.1	7	1	13.6%
Belgium	33.7	19	6	0.7%
Denmark	75.7	9	1	6.7%
Finland	60.8	11	3	1%
France	32.2	23	13	39.6%
Germany	48.2	17	3	1.3%
Greece	35.6	11	4	6.1%
Italy	30	26	18	47.5%
Netherlands	39.8	13	6	13.8%
Portugal	36.5	13	5	6.9%
Spain	42	30	8	0.44%
Sweden	75.2	9	1	14.1%
United Kingdom	65	10	1	1.6%

Note: # Parties refer to the number of parties that ran in the 2004 European Parliament election in each country. # New parties refers to the number of new parties that ran in the 2004 European Parliament election in each country. New parties are defined as having been created in the 10 years prior, and their vote share includes new parties that ran alone or new parties that ran in a coalition with only other new parties. Avg. Age refers to the average age of all parties running in the 2004 European Parliament election.

that are available at a sub-national level for most of the period of interest. The only exceptions being France and the United Kingdom, for which there is no available GDP data covering the period of interest at the subnational level. There is no subnational level data on unemployment rate in Denmark throughout the period and on Finland in 2004.

4. Empirical Strategy

The main challenge of this paper's analysis is to overcome the clear endogeneity issue between electoral results and economic performance. Voting behavior may change as a result of an economic downturn or a boom (Ruiz-Rufino 2021; Hernández and Kriesi 2016). At the same time, the resulting parliamentary composition and government may affect the likelihood of a crisis, which policies are implements and hence its duration (Alesina et al. 2006; Herrera et al. 2020; Mian et al. 2014; Nguyen et al. 2022; Stöckl and Rode 2021). Indeed, there is a large literature that documents how political instability and uncertainty are associated with higher inflation (Aisen and Veiga 2006), lower public investment (Darby et al. 2004), lower private investment (Gulen and Ion 2015;

Julio and Yook 2012), and increases risk premia (Pástor and Veronesi 2013). In this section, I discuss how I use the setting of the European Parliament elections combined with regional-level variation in the depth of the Great Recession to identify its effects on voting behavior.

The European Parliament elections are an ideal setting to study whether the Great Recession had an effect on party systems. The institution is becoming increasingly important in the matters that it regulates and how it affects EU citizens. [8] Moreover, the EP elections present a unique situation where multiple countries with their own electoral rules and political parties are holding an election to the same institution simultaneously. Furthermore, a majority of those countries are part of an economic and monetary union.

Additionally, in a national setting it is often the case that the timing of elections is not exogenous to the business cycle, which could be endogenous to the current or expected economic performance of the country. In a majority of the countries in the sample, governments have the power to call a snap election and could do so when facing a recession or lack of political support. In fact, Saalfeld (2013) finds that early elections are more likely in periods of high unemployment in European countries between 1945 and 2011. Indeed, as seen in Table 3 all countries in the sample except for Finland, France, and Sweden had at least one snap election between 1999 and 2019. The fixed schedule of the European Parliament elections is instead unrelated to the economic situation of any particular country.

National and regional governments have an effect on the exposure of the country to an economic or financial crisis as well as the subsequent economic measures to counter its effects (Nguyen et al. 2022). However, this link is less obvious in the case of the European Parliament. The European Union's influence on a country's policies would mainly occur through the Stability and Growth Pact (SGP), of which all member states are a part of. However, any measure taken under the SGP such as the Excessive Deficit Procedure are conducted by the European Commission and the European Council. That is, albeit the European Parliament clearly has an effect on EU countries' economy – especially through trade-related legislation – it is arguable whether any decision made in the European Parliament had any effect on the timing of the crisis in particular countries or how national and regional governments chose to address the effects of the crisis.

[8] For instance, in 2016 it voted to approve the General Data Protection Regulation which, among other things, allowed individuals more control over their personal data online. More recently, in October 2022 the European Parliament approved a law that made it compulsory for all cameras, mobile devices, and tables to have a USB-C charging port.

Table 3. **Snap elections in the national parliaments (1999–2019)**

Country	Year(s)
Austria	2002, 2008, 2019
Belgium	2010
Denmark	2007
Finland	–
France	–
Germany	2005
Greece	2007, 2009, 2012 (I), 2012 (II), 2015 (I), 2015 (II)
Italy	2008
Portugal	2011
Spain	2011, 2016, 2019 (I), 2019 (II)
Sweden	–
United Kingdom	2017, 2019

Moreover, even if it is not possible to categorically affirm that the European Parliament has no effect whatsoever in the national economy, its scope and effects would be EU-wide rather than targeting a particular country or region. Hence, using data at the regional level would ensure that any particular region could not have any significant effect on electoral outcomes and vice-versa. Furthermore, this also allows me to exploit the heterogeneous effects of the economic crisis within countries by using NUTS-II level data on unemployment and GDP growth whenever available. Table 4 shows that there is substantial variation across NUTS-II regions for GDP growth and unemployment rate in percentage points.

The main specification is a two-way fixed effects model:

$$\text{DepVar}_{t,l} = \beta_0 + \beta_1 \text{IndepVar}_{t,l} + \gamma \mathbf{X}_{l,t} + \eta_l + \tau_t + \varepsilon_{t,l}$$

Where $\text{DepVar}_{\text{t,l}}$ is, for instance, the vote share of new parties in region l and on election year t, $\text{IndepVar}_{\text{t,l}}$ is for instance, the unemployment rate in region l and on election year t. I add time and region fixed effects and cluster the error terms at the region level (NUTS II). [9] I also include controls $\mathbf{X}_{l,t}$: population density and a binary variable indicating whether parties need to have a minimum share of votes to be considered for the assignment of seat. An electoral threshold potentially benefits larger parties not only because leaving out minor parties gives them more seats, but also it might encourage voters to vote for parties that are more likely to have enough

[9] Results also hold if instead I cluster at the NUTS I level or at the country level.

Table 4. **Heterogeneity of the economic indicators at the NUTS-II level.**

	2004		2009		2014	
	GDPg	U.R.	GDPg	U.R.	GDPg	U.R.
Austria	1.03	2.06	1.33	1.52	0.81	2.04
Belgium	1.43	3.75	1.90	4.13	1.48	4.81
Denmark	1.89	–	0.69	–	1.04	–
Finland	0.90	–	5.76	1.57	1.10	1.02
France	–	1.69	–	1.95	–	1.60
Greece	2.50	2.46	2.95	1.59	1.60	2.76
Italy	1.28	4.75	1.64	3.37	1.51	5.52
Germany	1.15	4.63	2.29	2.85	0.95	1.92
Netherlands	0.90	0.86	2.85	1.00	2.53	1.33
Portugal	1.81	1.73	1.43	1.74	1.13	1.59
Spain	0.63	3.80	1.39	4.68	1.19	5.69
Sweden	0.01	1.05	0.04	0.78	0.02	0.99
United Kingdom	–	1.15	–	1.86	–	1.67

Note: This table shows the standard deviation within country across its NUT-II regions for the years 2004, 2009, and 2014. Missing information for Denmark, France, Finland, and the United Kingdom is due to the lack of data at the subnational level. GDPg denotes real output growth and U.R. the unemployment rate.

votes to pass this threshold. I focus on the 2004, 2009, and 2014 elections the encompass the elections before, during, and after the Great Recession.

5. Results

In this section, I present the main results of the analysis. First, I show that new parties are more likely to emerge and successfully get a larger vote share in areas that suffered a larger drop in GDP growth or increase in unemployment rate. This seems to benefit mostly new right-wing parties. New party entry comes with an increase in electoral volatility and a decrease in the concentration of vote shares, i.e. an increase in electoral competition. Moreover, it is the parties that had been part of the national governments in the years prior to the start of the crises that suffered the most electorally.

5.1. Emergence and Success of New Parties

This section goes over the definition of new parties and the effect that a worsening of economic conditions affected their success, and how it varied across different types of new parties.

To support any set of rules to categorize a party as new or not, it is essential to understand the characteristics that might make a new party different from others. In this paper, new parties are different due to two main reasons. The first one, new parties need to devise a new infrastructure, seek the attention of voters and, most importantly, will be more inexperienced in the political arena than their counterparts. They may lack the political networks and the social capital to promote their new party, design and organize a campaign, to name a few. The second one is that new parties, because they are new, may find it easier to choose a political platform that is different from all existing ones or to claim ownership over an issue – e.g. the emergence of the new green parties during the 1980s and early 1990s. This could be because “outsiders" are better at spotting “gaps" across the policy preferences of voters that are not being represented by other parties. On the other hand,an existing party may face certain path dependence in its political platform. This could be due to a leadership that changes very slowly and to pressure from current members who may be disappointed and desert them if the party changes its program significantly.

In this paper, parties are considered to be new if they were created within the last 5 or 10 years.[10] This captures the first few years of a party's life, where its members and leaders may still be building support among voters – and fail to do so – as well as develop its platform. As a robustness check I focus on genuinely new parties (Sikk 2005), that is parties that were not created because of a split or merger. These parties are less likely to have leaders that have any previous experience in politics.

In many cases parties run together in a coalition – and hence voting data is at the coalition and not the party level –, so it is important to define whether a coalitions is "new" or not. I consider two different definitions: (i) a coalition is new if all of its member parties are new and (ii) a coalition is new if at least one of its member parties is new.

In order to evaluate the change electoral support for new parties, I consider two indicators that relate to the emergence and success of new parties. The first measures the percentage of parties that are new among the number of parties that got at least 5% of the votes. This measure is intended to capture whether new parties are becoming more prevalent in the political landscape a given region. The second indicator measures the electoral success of new parties as a whole by combining their vote share.

New parties became more prevalent in areas that endured harsher economic conditions during the economic and financial crisis. The rising unemployment rate increases the share of new parties in the group of parties with more than 5% of the votes as shown in Table 5. In particular, a one percentage point increase in the regional unemployment rate increased the share of new parties with more than 5% of the vote shares in that region by between 0.8 to 2.1 percentage points on average. The results remain consistent when using output growth – a decrease in output growth increases the share of new parties, see Table A.15. When combining both unemployment rate and output growth, the same results hold for the former but the latter becomes insignificant throughout– see Table A.16.

Moreover, not only did the economic crisis increase the frequency of new party emergence but it also had a positive effect on the aggregate vote share of new parties. Unemployment rate has a statistically significant effect on the vote share of new parties, as seen in Table 6. This is also the case for new parties that either ran alone or with other new parties. For example, we consider

[10]Not all countries have an official registry for political parties. If that was not available, I used the information provided by the parties themselves or newspaper records documenting the creation of a new party. For a small group of parties, no information was available. In that case, I use the first time they ran for an EP election.

Table 5. **New Party Emergence**

	New Parties (5Y)	New Parties (5Y) Strict New Coals.	New Parties (10Y)	New Parties (10Y) Strict New Coals.
Unemployment Rate	1.87^{***}	0.79^{***}	2.14^{***}	1.19^{***}
	(0.285)	(0.250)	(0.308)	(0.255)
Controls	Yes	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes	Yes
Observations	588	588	588	588
R^2	0.713	0.641	0.833	0.757

Note: The dependent variable is the share of new parties in the group of parties with more than 5% of the votes. In the columns with the label (5Y), only parties created up to 5 years prior to the election were considered as new. Similarly, the columns with the label (10Y), only parties created up to 10 years prior to the election were considered as new. Strict New Coals. is short for Strict Coalitions for new parties. This means that only coalitions with new parties were considered as new. In the other columns coalitions with at least one new party were considered as new. NUTS-II and year fixed effects are included. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

new parties created 10 years prior that belong to coalitions with only other new parties, a one percentage point increase in the unemployment rate leads to a gain in 1.4 percentage points in the combined vote share of new parties. As with emergence of new parties, output per capita growth has a negative effect on the success of new parties but becomes insignificant if it is regressed together with the unemployment rate – see Table A.17 and Table A.18.

In trying to understand what drives the success of new parties, I focus on ideological heterogeneity and differences in party structure. First I consider only genuinely new parties (GNPs).[11]. There are between 23% to 33% of GNPs among the new parties running in a given election. The effects have the same sign as when using a looser definition of new parties although the coefficient is smaller in size, which is to be expected. For instance, a one percentage point increase in the unemployment rate leads to a 0.74 percentage point increase in the overall vote share for genuinely new parties in a given region – see Table A.19.

[11]For GNPs, I only focus on parties that ran alone, since the main feature that separates GNPs from the rest of new parties is that they are unlikely to inherit a preexisting structure from another party or have candidates with previous political experience. Since there are very few GNPs, I only use GNPs created within the last 10 years, instead of 5 years.

Table 6. **Cumulative vote share of new parties**

	Vote Shares			
	New Parties (5Y)	New Parties (5Y) Strict New Coals.	New Parties (10Y)	New Parties (10Y) Strict New Coals.
Unemployment Rate	1.97***	1.00***	2.19***	1.37***
	(0.269)	(0.252)	(0.258)	(0.219)
Controls	Yes	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes	Yes
Observations	590	590	590	590
R^2	0.729	0.674	0.842	0.797

Note: In the columns with the label (5Y), only parties created in the 5 years prior to the election were considered as new. Similarly, the columns with the label (10Y), only parties created in the 10 years prior to the election were considered as new. Strict New Coals. is short for Strict Coalitions for new parties. This means that only coalitions with new parties were considered as new. In the other columns coalitions with at least one new party were considered as new. Standard errors are clustered at the NUTS-II level. NUTS-II and year fixed effects are included. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

I use the Manifesto Project data (Volkens et al. 2021) to classify parties as either left or right. Since not all the new parties in the original dataset can be found in the Manifesto Project data, the sample is reduced to parties that were relatively successful in national elections.[12] Using their measure that locates parties in a left to right spectrum, I classify new parties as left-wing if they have a score below zero and vice-versa for right-wing parties. I also look at extreme left-wing and extreme right-wing parties. To do that I use the distribution of old parties in the left-right spectrum. New parties that are located below the 25th percentile of the distribution of old parties are classified as extreme left-wing. New parties that are located above the 75th percentile of the distribution of old parties are classified as extreme right-wing.

Between 12 to 13 of the new parties running in a given election were able to be matched to the parties within the Manifesto Project – 16% to 19% of new parties. In contrast, I am able to match between 55 and 62 old parties across elections – or 49% to 51% of the sample. Table 7 shows that, on average, new right-wing and extreme right-wing parties are more successful in areas

[12] I use the party's previous closest entry in the Manifesto Project to the year of the EP election. I also exclude from the analysis parties that run in a coalition, since imputing a combined ideology to a coalition is not straightforward. Finally, I use parties created within the last 10 years in that election.

Table 7. **Cumulative vote share of new parties by ideology**

	Vote Shares			
	Left	Ext. Left	Right	Ext. Right
Unemployment Rate	0.03	-0.09	0.42***	0.42***
	(0.114)	(0.101)	(0.086)	(0.087)
Controls	Yes	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes	Yes
Observations	588	588	588	588
R^2	0.856	0.473	0.622	0.600

Note: New parties are considered "Left" if they have a strictly negative *rile* score in the Manifesto Project Data and "Right" otherwise. New parties are considered extreme left ("Ext. Left") if their *rile* score is below the 25th percentile of the distribution among old parties in a particular election. New parties are considered extreme right ("Ext. Right") if their *rile* score is above the 75th percentile of the distribution among old parties in a particular election. Standard errors are clustered at the NUTS-II level. NUTS-II and year fixed effects are included. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

that experience a more severe economic downturn, whereas this does not seem to affect new left-wing parties.

5.2. Changes in voting behavior

Electoral Volatility

To understand what may have driven this increase in the success of new parties, I go over other changes in voting behavior that occurred during the same period.

First, I look at electoral volatility, that is the variability of vote shares across elections. An easy way of capturing this effect is through a measure distance of the vector of vote shares between two elections. For this, I use the L_p-norm with p set to either 1 (absolute value) – equivalent to the Pedersen Index (Pedersen 1979) – or 2 (Euclidean norm). I include the latter because the L_2 norm treats small and large changes differently. [13] Note that for this measure to work there must be a constant number of coalitions and that the coalitions stay the same across different elections.

[13]For instance, with the L_1 norm if 5 percentage points of the vote shares of parties A and B when to parties X and Y would be treated as the same as if 10 percentage points of the vote share of party A went to party X. Instead, in the L_2 norm the latter would be penalized.

This is potentially problematic since parties run alone or with a coalition in different elections, and coalition members also change across the years.

To measure electoral volatility, one has to be able to compare vote shares across different elections. This would be straightforward if the same parties were running in every election. Indeed, our vector of vote shares would have the same length and entities across two different years. However, some parties choose to run in coalitions, which members may change over time. In order to have comparable vote shares across the years, I create an "umbrella" coalition identifier that includes all parties that have been in a coalition together in at least one of the two elections considered. For instance, suppose party A was in a coalition with party B in 1999 and party B was on a coalition with party C in 2004. Then the "umbrella" coalition would consist of parties A, B, and C when measuring electoral volatility between the years 1999 and 2004. Their combined vote share is then computed for each election. This approach is the one that results in the largest number of parties possible within a coalition identifier.

In Table 8, we can see that an increase in the unemployment rate leads to an increase in electoral volatility, and these effects are statistically significant at the 10% significance level minimum. In particular, a one point increase in the unemployment rate increases by 0.76 points the absolute value of the difference in vote shares, and it increases by 0.36 Euclidean norm of the difference in vote shares. These effects are also present when using output growth alone as a regressor and are robust to include both output growth and unemployment. This result suggests that voters are more likely to change the party they vote for during an economic downturn, perhaps then switching to voting for a new party. However, this does not tell us how vote share composition changed.

Competition

To measure the effects on vote share composition or, in particular, political competition, I use several indicators of vote share concentration.

First, I consider the Herfindahl-Hirschman Index (HHI) applied to vote shares, where an increase in the HHI means that there is an increase in the concentration of votes. Table 9 shows how unemployment and output growth had an effect on the Herfindahl-Hirschman Index. An increase in the unemployment rate leads to a decrease in vote concentration, and a decrease in output growth also leads to a decrease in vote concentration. Indeed, a one percentage point increase in the unemployment rate leads to a 1.7 points decrease in the Herfindahl-Hirschman Index.

Table 8. **Electoral Volatility**

	$\|\|\Delta$Vote Shares $\|\|_1$		$\|\|\Delta$Vote Shares $\|\|_2$	
Unemployment Rate	0.76***	0.48*	0.36***	0.27*
	(0.201)	(0.286)	(0.116)	(0.159)
Output Growth		-1.35**		-0.59**
		(0.540)		(0.273)
Controls	Yes	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes	Yes
Observations	583	417	583	417
R^2	0.538	0.582	0.468	0.487

Note: $||\cdot||_p$ denotes the L_p norm, which is applied to the change in vote shares between two consecutive elections. Standard errors are clustered at the NUTS-II level. NUTS-II and year fixed effects are included. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

Table 9. **Vote Share Concentration**

	Herfindahl-Hirschman Index		
Unemployment Rate	-1.57***		-1.74***
	(0.348)		(0.372)
Output Growth		1.31***	-0.29
		(0.420)	(0.380)
Controls	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes
Observations	588	433	422
R^2	0.812	0.829	0.861

Note: HHI refers to the Herfindahl-Hirschman Index. P. R. Index denotes the proportionality index which measures how disproportionate the seat distribution is with respect to the vote shares of the parties: the larger the value of the index, the more disproportional the distribution is. Standard errors are clustered at the NUTS-II level. Fixed effects include NUTS-II and year fixed effects. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

Table 10. **Concentration of vote shares in the most voted parties**

	Most Voted Party	Two Most Voted Parties	Three Most Voted Parties
Unemployment Rate	-0.69**	-1.45**	-1.26**
	(0.077)	(0.124)	(0.105)
Controls	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes
Observations	588	588	588
R^2	0.820	0.844	0.817

Note: Standard errors are clustered at the NUTS-II level. Fixed effects include NUTS-II and year fixed-effects. Significance levels have been corrected to account for multiple hypotheses following the Romano-Wolf correction. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

These first results on volatility and vote concentration indicate that the change in the vote shares of parties became less stable and less concentrated with the economic and financial crisis. This could have simply been a transfer of votes between the previous winner of the elections and the other main party. However, since we know that the concentration of vote shares also decreased with the crisis, this suggests that voters did not respond to economic instability by switching from the incumbent to the main opposition party. Instead, vote shares seem to have split into more parties and increased electoral competition, which benefited new parties.

Electoral competition, as measured by the Herfindahl-Hirschman Index, could lead to voters' preferences being better represented or parties forming platforms or pushing for policies that would cater more to their electorate. However, increased electoral competition could also lead to an increase in political instability. If more parties are represented in the parliament it will become more difficult to approve policies with the consensus of the majority of the parties.

Hence, I next consider the vote share accumulated by the most voted parties as well as the number of parties required to obtain a certain vote share. Both measures should capture whether vote shares are becoming more spread out. Note that this is separate from the issue of whether mainstream or perceived "establishment" parties have been penalized by the recession since I am only considering the vote shares of the most voted parties, regardless of which parties they are.

Areas that experience more adverse economic conditions, both through output growth and unemployment, overall decrease the vote share of the most voted parties, that is vote shares are less concentrated in the largest parties. On average, the most voted party has around 37% of the vote shares, and this increases up to 72% when we consider the combined vote share of the three most successful parties. This indicates that, in general terms, there are two to three dominant parties in a given region. In Table 10, we see that unemployment rate has a negative and statistically significant effect on the vote share of the most voted parties. For instance, a one point increase in the unemployment rate leads to a decrease of 0.69 percentage points in the vote share of the most voted party. Similarly, a decrease of one percentage point in output growth decreases the vote share of the most voted party by 0.49 percentage points, as seen in Table A.20.

On the other hand, an adverse economic shock also has an effect on the minimum number of parties to accumulate a sizable proportion of the votes. As we can see in Table 11, unemployment rate has a statistically significant effect. In particular, 1 percentage point increase in the unemployment rate increases by 0.07, 0.11, and 0.17 the number of parties required to get to 60%, 70%, or 80% of the votes, respectively. This is also robust to adding output growth as a regressor; on its own, output growth has a positive effect on the number of parties required to reach a certain threshold. [14] This means that in this particular instance, unemployment seems to also capture the variation in vote concentration caused by output growth.

Composition

In this section, I look at the effect that the crisis had on the composition of party systems. For this I consider the effect it had on establishment parties, then I provide evidence as to how it changed its relative effect on fringe and new parties.

First, I study the effects on parties that had been in power in the 20 years leading up to 2009. Those are parties that were part of at least one cabinet in the national government, and I also consider only parties that had a Prime Minister during this same period. These parties may have been held accountable for the poor economic performance or the response to the crisis. To do that, I use the ParlGov dataset (Döring and Manow 2019) on cabinet composition. This dataset contains information about which parties formed part of the cabinet – and had a Prime Minister – for all national elections going back to the establishment of a democracy after World War II. In Table 12 we can see that the unemployment rate decreases the vote share of establishment

[14] See Table A.22, and Table A.23, in the Appendix.

Table 11. **Concentration in vote shares**

	60% vote share	Min #Parties to 70% vote share	80% vote share
Unemployment Rate	0.07***	0.11**	0.17**
	(0.012)	(0.016)	(0.020)
Controls	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes
Observations	588	588	588
R^2	0.759	0.783	0.788

Note: Standard errors are clustered at the NUTS-II level. Fixed effects include NUTS-II and year fixed-effects. Significance levels have been corrected to account for multiple hypotheses following the Romano-Wolf correction. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

parties. A one percentage point increase in unemployment reduces the vote share of parties in the cabinet by 1.3 to 1.7 percentage points. If regressed on its own, a decrease in output growth also has a negative effect on the vote share of establishment parties. Focusing only on incumbent parties at the national level by May 2009, I find that the effect of unemployment rate and growth decreases by at least half – see Table A.24 –, confirming that the electoral punishment is not limited to parties in the current government.

Parties that were part of the country's government in the two decades leading up to the crisis were punished in the polls and suffered a greater loss in terms of vote shares in areas that had a larger increase in the unemployment rate. Given the results of our previous section, this suggests that new parties benefited from the electorate shifting away from traditional or mainstream parties. Indeed, new parties, which have not been present in the political arena for very long, would be less likely to be held accountable for the current economic conditions.

Next, I provide descriptive evidence as to whether both fringe and new parties were able to capitalize on the effects of the economic crises or whether the growth of one group was detrimental to the other.

First I look at the evolution of vote shares of fringe and new parties. Figure 3 plots the evolution of the vote share of establishment, fringe, and new coalitions. Fringe parties are defined as those parties that are neither part of the establishment nor are they new parties. Except for Finland

Table 12. **Establishment Parties**

	Vote Share for Establishment Parties					
	Prime Minister			Cabinet		
Unemployment Rate	-1.45***		-1.98***	-1.29***		-1.68***
	(0.151)		(0.294)	(0.175)		(0.349)
Output Growth		0.45	-1.30***		0.33	-1.14**
		(0.372)	(0.444)		(0.369)	(0.492)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	588	433	422	588	433	422
R^2	0.909	0.897	0.928	0.835	0.799	0.831

Note: The Cabinet column denotes that parties are labeled as "establishment" parties if they were part of a national government cabinet in the last twenty years or in the twenty years leading up to the crisis. The PM column denotes that parties are labeled as "establishment" parties if they had a Prime Minister in the national government in the last twenty years or in the twenty years leading up to the crisis. Significance levels have been corrected to account for multiple hypotheses following the Romano-Wolf correction. Standard errors are clustered at the NUTS-II level. Fixed effects include NUTS-II and year fixed-effects. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

and Denmark, new parties have had a continuing presence on the political map alongside fringe parties. In countries such as Austria, Belgium, Germany, Italy, and Portugal, there seems to be a negative correlation between the vote shares of new coalitions and fringe coalitions. On the other hand, in France, Greece, and Spain it seems that fringe and new coalitions are complements rather than substitutes.

Hence, since there does not seem to be an obvious relationship between the success of new and fringe parties, I turn to examine the correlation across years and countries. In Figure 4, we can see the country-level data plotted, in which there appears to be a negative correlation between the two variables, the correlation being -0.65. On the other hand, the Pearson correlation coefficient is -0.28 and is statistically significant at the 5% level. This suggests that there may be a relationship between the success of new and fringe parties.

The reason why there seems to be no obvious answer as to whether new parties and fringe parties are complements or substitutes may stem from the fact that very different patterns are observed across countries. Indeed, new party entry and their eventual success most likely depends on the preexisting tapestry of parties as well as their political platforms. In some countries, it may be

the case that there were already fringe parties that were able to appeal to happy voters more than unknown parties. Whereas in others new parties may have been the only ones to convince part of the electorate of their opposition, or difference from, established parties.

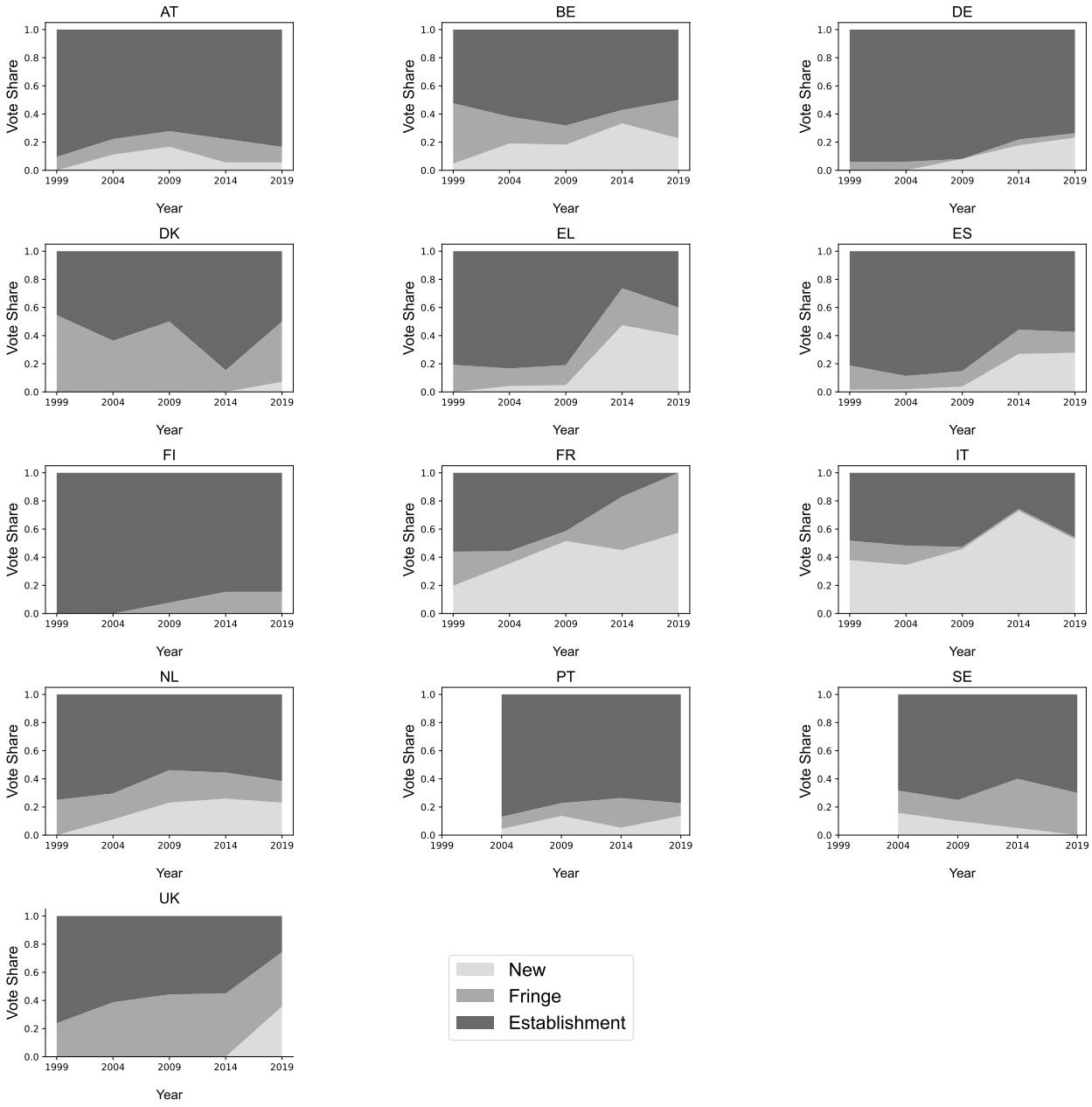

Figure 3. **Evolution of seat shares of Establishment, Fringe, and New Party Coalitions with Representation in the European Parliament**

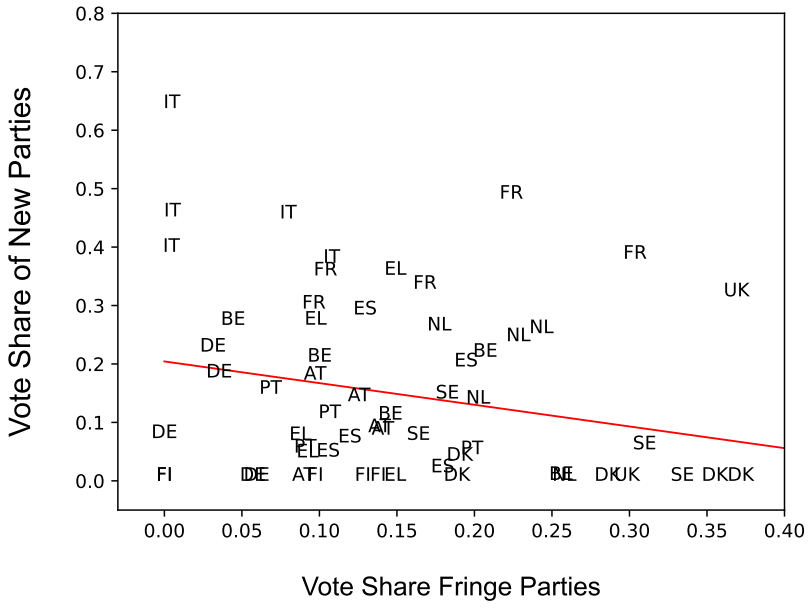

Figure 4. **Correlation between the Vote Shares of Fringe Party Coalitions and the Vote Shares of New Party Coalitions with Representation in the European Parliament**

6. Conclusion

This paper studies whether worsening economic conditions have an effect on voting patterns, namely the increase in vote shares for new parties, electoral volatility, and vote share concentration.

However, there exists a clear identification issue since (i) in most countries parties in government have a say on the date of the elections and (ii) which parties are represented in parliament and their relative strength has an effect on the country's economic performance and response to an economic shock. In order to mitigate any confounding effects, I use regional-level results of elections to the European Parliament. Given the powers and the jurisdiction given to the European Parliament, it is unlikely that legislators particularly targeted the economic outcomes of certain regions. Moreover, the EP is a transnational body where national parties are elected with a fixed election schedule. This allows us to study voting behavior with the same parties as in the national elections, but where the election timing is not potentially strategically decided by the incumbent government. In addition to the electoral results at the NUTS-II level for thirteen countries of the European Union, I also create a new dataset tracking political parties across

elections and with information regarding when they were created and whether and how they had been dissolved or merged.

I find that the intensity of the economic crisis had a significant effect on vote share distribution and on the emergence and success of new parties. In particular, electoral volatility increases with a worsening of the economic conditions, and vote shares become less concentrated. In fact, the most voted parties see a decrease in their vote shares, and more parties are required to obtain a majority of the votes.

During and in the aftermath of the crisis, I find not only an increase in the emergence of new parties but also that those new parties are more successful at gaining ample electoral support. This result holds with different definitions for new parties – regardless of whether they were created in the last five or ten years, the coalition they ran with, or whether parties were issued from a split, a merger, or were genuinely new parties. On the other hand, worsening economic conditions are detrimental to the vote shares of parties that had previously been part of a national government. This suggests that voters move away from more traditional or mainstream parties to favor new parties.

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Appendix

A. Empirical Framework

Additional information on matching voting results to NUTS areas

The Nomenclature of Territorial Units for Statistics (NUTS) is a subdivision for European Union members that was introduced in 1970 by Eurostat and put into EU legislation in 2003. For a majority of countries, the NUTS classification corresponds to an already established administrative division. For example, NUTS-III corresponds to the "départements" in France and to the "provincias" in Spain. Generally speaking, areas assigned to different levels of NUTS have to comply with certain requirements based on the average population of the regions. By EU legislation, NUTS areas must remain the same for at least three years.

For many countries, there were no changes in the NUTS classification but for others, there was a significant change in the NUTS classification, for NUTS II, NUTS III, or both. Given that the economic data is only available for the latest NUTS nomenclature (in this case, 2016), I aggregate electoral results appropriately. Whenever necessary and if data was available I used municipal-level data in order to construct the appropriate NUTS-II and NUTS-III areas. For this reason, there is only NUTS-II level data for Greece. An example of the changes in NUTS regions can be found in the Appendix, Figure A.5.

Data at the regional level is not available for the 1999 European Election in Portugal.

NUTS-III level data is also not available for Greece. This is due to the fact that it is impossible to match constituency-level electoral results and economic variables. The main issue is that the area of Athens is divided into 3 constituencies and into 4 NUTS-III regions. These regions overlap and hence it is impossible to match both data sources.

Ireland has been excluded from this analysis due to the impossibility to match economic and voting data. First, NUTS-level economic data is available in the most recent version. This means that for any given NUTS region, it encompasses the same actual area throughout the years. Second, Ireland voting data is only available at the electoral district level, which does not match NUTS regions. For this reason, it is not possible to include Ireland in the analysis.

Matching between municipal-level voting results and NUTS-II and NUTS-III areas was done using the dataset available at Eurostat which features a correspondence table between Local Adminis-

trative Units (LAU) and the most recent NUTS classification.[15] For municipalities that had been merged, split, or dissolved, information was obtained from either official websites or Wikipedia.

There were, however, a few instances where a former municipality had been split or dissolved in a way that belonged to two different NUTS-III regions. In that case, I checked the relative shares of population that went to each different area as well as how much they represented in terms of their population then. I always imputed to that municipality the NUTS code corresponding to the area that obtained the largest share of the population, which was always above 50%. Furthermore, the areas below the municipality level that were mismatched to a given NUTS area never represented more than 5% of the population of their rightful NUTS area. Below I provide two examples from the Netherlands to illustrate the rule I followed.

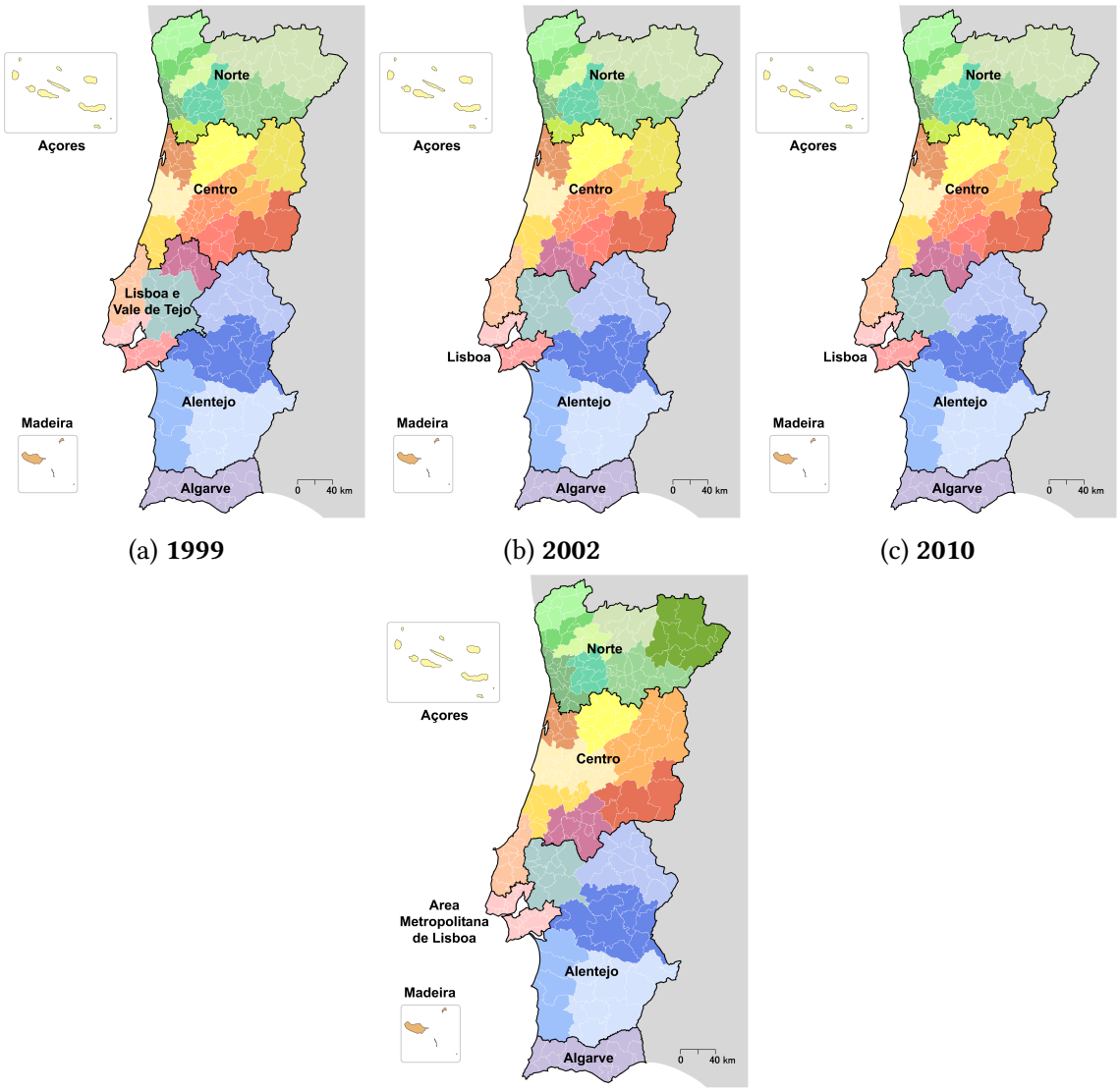
In 2018 the municipality of Littenseradiel was dissolved and split between Leeuwarden, Súdwest-Fryslân, and Waadhoeke, which was created also that year. However, voting data is unavailable below the municipality level. Out of the three, Leeuwarden got most of the former municipality in terms of population (around 57%). Therefore, I will count the entirety of Littenseradiel as being part of Leeuwarden. Furthermore, all municipalities except for Súdwest-Fryslân belong to the same NUTS region, NUTS124. The population that should be assigned to Súdwest-Fryslân only represents around 3.9% of the population of NUTS125.

The same issue occurs with Boarnsterhim, which was dissolved in 2014 and split amongst De Friese Meren, which was also created at the same time, Leeuwarden, Heerenveen, and Súdwest-Fryslân. Leeuwarden got 56.6% of the total population of the former municipality. Therefore, I am including Boarnsterhim into Leeuwarden, which is in NL124. Furthermore, the population that should go to other NUTS areas – namely NUTS-II5 and NUTS-II6 – only represents at most 3.2% of the NUTS area.

Note on establishment parties

Italy represents a particular case within the sample. In the early 1990s scandals swept the political landscape and involved almost all major parties in the country. As a result, many of the most prominent parties were dissolved. Some had natural successors. For instance, the Italian Socialist Party was dissolved in 1994 and succeeded by Italian Socialists, which was dissolved in 1998 and succeeded by the Italian Socialist Democrats, which eventually became the current Democratic Party. On the other hand, some other parties seem to have no legal successors or had multiple

[15] Source: https://ec.europa.eu/eurostat/web/nuts/local-administrative-units



(a) **1999** (b) **2002** (c) **2010**

(d) **2013**

Figure A.5. **Changes in NUTS-II and NUTS-III classification in Portugal**

The bold black lines denote the limits of the NUTS-II areas whereas the different colors denote LAU 1 areas belonging to the same NUTS III.

Source: "A NUTS 2013 : as novas unidades territoriais para fins estatísticos". Instituto Nacional de Estatística. Lisboa, 2015.

Table A.13. **List of Pre-crisis Establishment Parties**

Austria	*Social Democratic Party*; *People's Party*; Freedom Party
Belgium	*Christian's People Party*; *Flemish Liberals and Democrats*; Socialist Party; Ecology Party; Humanist Democratic Centre; Green; Socialist Party Differently; Liberal Reformist Party; People's Union; Agalev; Reformist movement
Denmark	*Liberals*; *Social Democrats*; Social Liberal Party; *Conservative People's Party*; Center Democrats; Christian People's Party
Finland	National Coalition Party; *Centre Party*; *Social Democratic Party*; Green League; Left Alliance; Swedish People's Party; Christian League
France	*Socialist Party*; *Rally for the Republic*; Greens; Communist Party of France; *Union for a Popular Movement*; Union for French Democracy
Germany	*Christian Democratic Union-Christian Social Union*; *Social Democratic Party*; Greens; Free Democratic Party
Greece	*New Democracy*; *Panhellenic Socialist Movement*; Coalition on the left and Progress;
Italy	*Forward Italy*; Northern League; Communist Refoundation Party; *Democrats of the Left*; Party of Italian Communists; Italy of Values; Union of the Centre; National Alliance; Italian Democratic Socialists; Party of Italian Communists; Federation of the Greens
Netherlands	*Christian Democratic Appeal*; *Labour Party*; People's Party for Freedom and Democracy; Christian Union; Democrats 66
Portugal	*Socialist Party*; *Social Democratic Party*; Democratic and Social Centre - People's Party
Spain	*People's Party*; *Spanish Workers' Socialist Party*
Sweden	*Moderate Party*; *Social Democratic Party*, Liberal Party, Christian Democratic Party, Center Party
United Kingdom	*Conservative Party*; *Labour Party*

Parties in italics also had a Prime Minister during the period besides positions in the cabinet.

successors. Hence, since it is beyond the scope of this paper to determine which parties can be rightfully named as successors of parties that were dissolved during that period, I treat these newly created parties as non-establishment parties.

B. New Parties' Ideology

I use the Manifesto Project database (Volkens et al. 2021) to classify parties as either left or right. Since not all the new parties in the original dataset can be found in the Manifesto Project data, our sample is reduced to parties that were relatively successful in national elections.[16] Using their measure that locates parties in a left to right spectrum, I classify new parties as left-wing if

[16] A party is matched to the Manifesto Project data only if it has an entry on the same year as the EP election or on a year before or after that. I also exclude from the analysis parties that run in a coalition, since imputing a combined ideology to a coalition is beyond the scope of this paper. Finally, I use parties created within the last 10 years in that election.

Table A.14. **Changes in the electoral law**

Country	Original	Change	Year
France	Single constituency	Multiple Constituencies	2004
France	Multiple constituencies	Single Constituency	2019
Germany	Hare-Niemeyer	Sainte-Lagüe	2009
Germany	5% Electoral Threshold	No Threshold	2014
Italy	No Threshold	4% Threshold	2009
Greece	Closed Lists	Open Lists	2014

Note: Single and multiple constituencies refer to whether MEPs are determined by the results at the national level or at the subnational level. Hare-Niemeyer and Sainte-Lagüe are different methods used to attribute seats on the basis of vote shares. Electoral Threshold is a minimum share of votes required of parties to be considered for the assignment of seats. Closed lists means that the candidates running for office and their order is set by the party. Instead, with open lists voters have some influence over which candidates are elected.

they have a score below zero and vice-versa for right-wing parties. I also look at extreme left-wing and extreme right-wing parties. To do that I use the distribution of old parties in the left-right spectrum. New parties that are located below the 25^{th} percentile of the distribution of old parties are classified as extreme left-wing. New parties that are located above the 75^{th} percentile of the distribution of old parties are classified as extreme right-wing.

However, only between 5 to 11 of new parties running in a given election were able to be matched to the parties within the Manifesto Project – 8% to 17% of new parties. In contrast, I am able to match 38 to 41 old parties across different – or 30% to 38% of the sample.

C. Additional Plots and Regressions

Table A.15. **New Party Emergence**

	New Parties (5Y)	New Parties (5Y) Strict New Coals.	New Parties (10Y)	New Parties (10Y) Strict New Coals.
Output growth	-1.73***	-0.46*	-2.11***	-0.92***
	(0.403)	(0.264)	(0.394)	(0.263)
Controls	Yes	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes	Yes
Observations	442	442	442	442
R^2	0.584	0.565	0.757	0.783

Note: The dependent variable is the share of new parties in the group of parties with more than 5% of the votes. In the columns with the label (5Y), only parties created up to 5 years prior to the election were considered as new. Similarly, the columns with the label (10Y), only parties created up to 10 years prior to the election were considered as new. Strict New Coals. is short for Strict Coalitions for new parties. This means that only coalitions with new parties were considered as new. In the other columns coalitions with at least one new party were considered as new. NUTS-II and year fixed effects are included. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

Table A.16. **New Party Emergence**

	New Parties (5Y)	New Parties (5Y) Strict New Coals.	New Parties (10Y)	New Parties (10Y) Strict New Coals.
Unemployment Rate	2.00***	0.81**	2.19***	1.11***
	(0.416)	(0.360)	(0.473)	(0.393)
Output growth	-0.05	0.20	-0.20	0.05
	(0.467)	(0.359)	(0.499)	(0.452)
Controls	Yes	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes	Yes
Observations	422	422	422	422
R^2	0.644	0.597	0.783	0.791

Note: The dependent variable is the share of new parties in the group of parties with more than 5% of the votes. In the columns with the label (5Y), only parties created up to 5 years prior to the election were considered as new. Similarly, the columns with the label (10Y), only parties created up to 10 years prior to the election were considered as new. Strict New Coals. is short for Strict Coalitions for new parties. This means that only coalitions with new parties were considered as new. In the other columns coalitions with at least one new party were considered as new. NUTS-II and year fixed effects are included. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

Table A.17. **Cumulative vote share of new parties**

	Vote Shares			
	New Parties (5Y)	New Parties (5Y) Strict New Coals.	New Parties (10Y)	New Parties (10Y) Strict New Coals.
Output growth	-1.96***	-0.77***	-2.25***	-1.19***
Controls	Yes	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes	Yes
Observations	442	442	442	442
R^2	0.630	0.597	0.788	0.807

Note: In the columns with the label (5Y), only parties created in the 5 years prior to the election were considered as new. Similarly, the columns with the label (10Y), only parties created in the 10 years prior to the election were considered as new. Strict New Coals. is short for Strict Coalitions for new parties. This means that only coalitions with new parties were considered as new. Standard errors are clustered at the NUTS-II level. NUTS-II and year fixed effects are included. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

Table A.18. **Cumulative vote share of new parties**

	Vote Shares			
	New Parties (5Y)	New Parties (5Y) Strict New Coals.	New Parties (10Y)	New Parties (10Y) Strict New Coals.
Unemployment Rate	2.11***	1.20***	2.14***	1.34***
	(0.343)	(0.317)	(0.361)	(0.316)
Output growth	-0.18	0.23	-0.47	-0.09
	(0.349)	(0.262)	(0.407)	(0.352)
Controls	Yes	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes	Yes
Observations	422	422	422	422
R^2	0.702	0.663	0.817	0.833

Note: In the columns with the label (5Y), only parties created in the 5 years prior to the election were considered as new. Similarly, the columns with the label (10Y), only parties created in the 10 years prior to the election were considered as new. Strict New Coals. is short for Strict Coalitions for new parties. This means that only coalitions with new parties were considered as new. Standard errors are clustered at the NUTS-II level. NUTS-II and year fixed effects are included. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

Table A.19. **Cumulative vote share of new parties**

	Share GNPs			Vote Share GNPs		
Unemployment rate	1.22***		0.96***	0.87***		0.74***
	(0.130)		(0.193)	(0.094)		(0.134)
Output growth		-1.36***	-0.59***		-1.03***	-0.41**
		(0.206)	(0.221)		(0.156)	(0.186)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	588	433	422	588	433	422
R^2	0.661	0.598	0.642	0.672	0.612	0.649

Note: GNPs refer to genuinely new parties, that is parties that were created within the last 10 years at the time of the election and were not issued from a merger of parties or a split from a preexisting party. Standard errors are clustered at the NUTS-II level. NUTS-II and year fixed effects are included. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

Table A.20. **Concentration of vote shares in the most voted parties**

	Most Voted Party	Two Most Voted Parties	Three Most Voted Parties
Output Growth	0.49***	1.14***	0.96***
	(0.127)	(0.190)	(0.161)
Controls	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes
Observations	433	433	433
R^2	0.838	0.833	0.802

Note: Standard errors are clustered at the NUTS-II level. Fixed effects include NUTS-II and year fixed-effects. Significance levels have been corrected to account for multiple hypotheses following the Romano-Wolf correction. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

Table A.21. **Concentration of vote shares in the most voted parties**

	Most Voted Party	Two Most Voted Parties	Three Most Voted Parties
Unemployment Rate	-0.87***	-1.50***	-1.29***
	(0.109)	(0.160)	(0.137)
Output Growth	-0.35***	-0.25	-0.24
	(0.155)	(0.234)	(0.216)
Controls	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes
Observations	422	422	422
R^2	0.855	0.879	0.852

Note: Standard errors are clustered at the NUTS-II level. Fixed effects include NUTS-II and year fixed-effects. Significance levels have been corrected to account for multiple hypotheses following the Romano-Wolf correction. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

Table A.22. **Concentration in vote shares**

	60% vote share	Min #Parties to 70% vote share	80% vote share
Output Growth	-0.06***	-0.09***	-0.16***
	(0.016)	(0.021)	(0.027)
Fixed Effects	Yes	Yes	Yes
Observations	442	442	442
R^2	0.77	0.74	0.71

Note: Standard errors are clustered at the NUTS-II level. Fixed effects include NUTS-II and year fixed-effects. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. Significance levels have been corrected to account for multiple hypotheses following the Romano-Wolf correction. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

Table A.23. **Concentration in vote shares**

	60% vote share	Min #Parties to 70% vote share	80% vote share
Unemployment Rate	0.07***	0.11***	0.16***
	(0.016)	(0.018)	(0.023)
Output Growth	0.01	0.01	-0.02
	(0.020)	(0.022)	(0.027)
Fixed Effects	Yes	Yes	Yes
Observations	422	422	422
R^2	0.799	0.783	0.775

Note: Standard errors are clustered at the NUTS-II level. Fixed effects include NUTS-II and year fixed-effects. Significance levels have been corrected to account for multiple hypotheses following the Romano-Wolf correction. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.

Table A.24. **Incumbent Parties**

	Vote Share for Incumbent Parties		
Unemployment Rate	-1.01***		-0.86***
	(0.094)		(0.133)
Output Growth		0.70***	-0.131
		(0.166)	(0.213)
Controls	Yes	Yes	Yes
Fixed Effects	Yes	Yes	Yes
Observations	588	433	422
R^2	0.916	0.908	0.918

Note: Parties were considered as incumbents if the parties forming the cabinet by May 2009. Standard errors are clustered at the NUTS-II level. Fixed effects include NUTS-II and year fixed-effects. Controls include population density and a binary variable indicating whether there is a threshold for a party to be considered to get assigned seats. ***: $p < 0.01$, **: $p < 0.05$, *: $p < 0.10$.