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BINI SMAGHI VS. THE PARTIES: REPRESENTATIVE GOVERNMENT AND INSTITUTIONAL CONSTRAINTS

Peter Mair
**Bini Smaghi vs. the Parties:**
Representative Government and Institutional Constraints

**Peter Mair**
**Robert Schuman Centre for Advanced Studies**

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Abstract
Although it is generally seen as desirable that parties in government are both responsive and responsible, these two characteristics are now in increasing tension with one another. Prudence and consistency in government, as well as accountability, requires that governments conform to external constraints and past legacies, and not just answer to public opinion, and while these external constraints and legacies have grown in weight in recent years, public opinion, in its turn, has become harder and harder for governments to read and process. Meanwhile, because of changes in their organizations and in their relationship with civil society, parties in government are no longer in a position to bridge or ‘manage’ this gap, or even to persuade voters to accept it as a necessary element in political life. This problem is illustrated by extensive reference to the current fiscal crisis in Ireland, and is also used to question some of the assumptions that are involved in principal-agent treatments of the parliamentary chain of delegation.

Keywords
Responsive government, responsible government, fiscal austerity, Ireland, European Union
I. Introduction

My focus in this paper is on the problems facing the good functioning of representative government in contemporary parliamentary democracies.¹ In brief, I argue that these systems are characterised by a sharply growing tension between the demands of representation, on the one hand, and the demands of government, on the other; or, as I put it in an earlier version of this paper, between the demands of responsiveness and the demands of responsibility.² Although tensions such as these have always existed in one form or another in most democracies, I argue that have become substantially more acute in the past two decades. There are a variety of reasons for this, and these are summarised later in the paper. In addition, and for a variety of other reasons, I also argue that contemporary governments are finding it more and more difficult to manage this tension: not only is there a growing gap between representation and government, but the capacity of political actors to bridge that gap is itself diminishing.

I focus on parliamentary democracies for two reasons. First, I assume that the problems discussed in this paper are more acute in systems where party government tends to prevail and where executive and legislative powers are fused. In systems where these powers are separated, there is less pressure on the executive to manage government in a manner that is both representative and responsible. It is not that the executive in these systems can afford to ignore representative demands – that is clearly impossible – it is simply that elsewhere in the institutions there are other actors, those working within the legislative arena, that are independent of the executive and that can afford to give priority to representative claims. This inevitably reduced the representative pressure on the executive. In other words, the executive is more likely to be willing to act responsibly in the knowledge that political representation is also being looked after elsewhere in the system. This is obviously more easily managed in systems with a non-elected executive, as in the European Union political system, for example, then with an elected executive, as in the US. Nonetheless, in both systems the executive is clearly less constrained by the tension between representation and responsibility than in a parliamentary system, where the executive, usually in the form of a party government, must also represent, and where no other institution is sufficiently independent to take up that latter role (indeed, in most parliamentary systems, the executive also more or less dominates the legislature, thereby further undermining its functional autonomy).

The second reason for the focus on parliamentary regimes is because, as Müller et al (2003: 20) emphasise, these are regimes which, within the terms of principal-agent theory, epitomise a clear and singular ‘chain of delegation’:

The ideal-typical parliamentarism thus features an indirect chain of command, in which at each stage a single principal delegates to only one agent (or several non-competing ones), and where each agent is accountable to one and only one principal. Thus, indirectness and singularity set parliamentarism apart from other constitutional designs, such as presidentialism.

The distinctiveness of parliamentary systems in this regard is also emphasised by Neto and Strøm (2006: 632):

Different constitutions imply different regimes of delegation and accountability – different ways in which political principals select agents, transfer authority to them and subsequently hold them to account. In the parliamentary chain of delegation, voters delegate to individual members of parliament, members of parliament to parliamentary majorities, parliamentary majorities to a

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¹ Apart from a small title change and small corrections, this paper is the version presented to the Conference on Democracy in Straightjackets: Politics in an Age of Permanent Austerity, Ringberg Castle, Munich, March 23-26, 2011. I am grateful to Wolfgang Streeck for the conference invitation, and especially to Dorothee Bohle, Tom Bourke, Conor Little, and Alexander Trechsel for their help and their constructive comments.

² See Mair (2009). Section 3 below draws extensively from that paper.
prime minister, a prime minister to policy makers in the cabinet and cabinet ministers to civil servants. Parliamentary democracy thus means a long and indirect chain of delegation, in which few political agents are selected directly by the citizens.

In this paper, I contend that the parliamentary chain of delegation faces increasing difficulty in functioning in the ideal-typical way that Müller, Strom and their colleagues have sketched. There are two problems here. In the first place, the earliest and most important link in the chain, that connecting voters to their elected representatives, is becoming increasingly problematic, in that elected representatives – or at least their organizations – appear to be less willing or able to respond to the voice of the ordinary voters, and in that this voice itself has become increasingly inchoate and inaudible. Or, while audible, it is less easily tuned in and – as parties might put it – less easily aggregated. I come back to this issue later in the paper. Since every chain is only as strong as its weakest link, the problem for the parliamentary chain of delegation is made even more acute by virtue of the weakest link being also the earliest.

The second problem, as the Irish case below shows all too clearly, is that the chain is no longer very singular. That is, while each prior principal in the chain – the voters, the members of parliament, the majority, the prime minister, etc – clearly seeks to delegate to the subsequent agent, and while each agent is also theoretically accountable to the prior principal, these are not the only actors involved. Rather, agents at all stages in the chain, but particularly at the executive level – both the political and administrative executive – are also subject to increasing pressure and demands from outside the formal chain itself. These may come from lobbyists and special interests, to whom some agents also feel obliged to listen, and who are often deemed by these agents to have legitimate authority; or, more importantly, they may come from other institutions or supranational or international bodies that have a right to be heard and, indeed, the authority to insist. Even beyond those directly engaged in the chain of delegation itself, there are therefore many other competing principals that intervene along the way and that might seek to divert the agents in a different direction than that intended by their immediately prior principals in the chain. Indeed, the agents may sometimes even be persuaded that they owe a greater duty of accountability to these ‘external’ principals than to their own domestic principals (e.g., Börzel and Risse 2000; Papadopoulos 2010: 1034-6). If, instead of the metaphor of the chain of delegation, we think of the process as similar to Newton’s cradle – the executive toy made up of swinging balls that hit back and forth – then the external principals are like other balls that come in and hit from an obtuse angle, thereby disrupting and blocking the sequences of action (representation) and reaction (accountability).

This problem is typified very clearly by the Irish example, which I deal with extensively in this paper (Section 2). Not only is the external pressure – the weight of the external principals – very evident in the Irish case, which is a small open economy with a crisis economy, but there is also a strong tradition of localism in electoral politics, which keeps the elected representatives very close to their local constituencies and thereby ‘frees’ the national policy-makers to pay more attention to their own preferences or those of others outside the chain. Following the analysis of the Irish case, I then go on to outline the growing tension between representative and responsible government (Section 3), and finally conclude with a discussion of the potential implications of the argument (Section 4).

3 For reasons of space, this latter aspect is not treated in this paper. But see Farrell at al (2011).
II. A Story of Irish Banking

“‘Everything depends on everything else’ a close political adviser to Dr Merkel told *The Irish Times.* (Irish Times 15 February 2011).

In the early morning of 30 September 2008, two weeks after the collapse of Lehman Brothers in New York, and following a rapid haemorrhaging of funds from some of the major Irish banks, a group of leading Irish bankers met to discuss the crisis with a small number of senior politicians and civil servants, including the Taoiseach [Prime Minister], Minister for Finance, the Attorney General, the Governor of the Central Bank and various officials. The immediate cause for concern was a run on a relatively new bank, the Anglo Irish Bank, which had engaged in reckless lending to property developers during the boom years of the Celtic Tiger, and which was now risking meltdown. Since the collapse of Lehman Brothers, the bank was losing about €1 billion a day, and by late September it was facing a cash shortfall of €12 billion. According to Merrill Lynch, advisors to the government, the bank had exhausted its liquidity and faced an immediate funding deficit of €100 million. It no longer had the funds to meet its obligations, and despite frantic last-minute efforts by its senior officials, it was unable to raise emergency funds from the other major banks in the system. In fact, these other banks were also in trouble, including the long-established Bank of Ireland and Allied Irish Banks (AIB). Both were losing major deposits on a daily basis and were facing a collapse in their share price. Two weeks after Lehman, it seemed that the entire Irish banking system was about to go under.

The response of the Irish government early that morning was to issue a guarantee, on behalf of the state, of the liabilities of all of the troubled banks, including those not directly represented at the actual meeting. The decision was taken at around 3 am by the three politicians, all of whom belonged to the same leading party in the then coalition, and by their senior advisors. Other Ministers were contacted by telephone and gave their approval. At 6 am the decision was also communicated to the French finance minister, then chair of the EU finance ministers, and to the Luxembourg Prime Minister, then head of the Eurozone member states. It was announced publicly at 6.45 am.4 The total size of the deposits and liabilities covered by the guarantee on the night it was issued was estimated at €334 billion, of which over €50 billion was required immediately or in immediate pledges. Ireland’s GDP is roughly €160 billion. This was, as O’Toole (2010: 16) later put it, ‘the most momentous political decision in the history of the state’.

There are a number of observations that can be drawn from this story, some of which are not necessarily relevant to this paper. In the first place, we can see that a political decision with fundamental and possibly very long-term consequences for the citizens of the polity can nevertheless be taken very quickly and perhaps even carelessly. The issue had been rumbling for some time, and had become acute during the two weeks following Lehman. It reached crisis point on the night of 29/30 September, and the decision was effectively taken by 3 am, when those involved were clearly tired and stressed. In other words, within the space of a few hours, a decision was made which will clearly have serious repercussions on the finances of the state for decades to come. Moreover, as later became apparent, it was not a very well-informed decision. The banks had not been completely up front about their liabilities, and the guarantee was eventually to encompass a much larger sum than originally envisaged. It also involved the effective nationalisation by the state of the main banks involved.

Second, in a majoritarian polity such as Ireland, we can see that a decision-making circle can actually be very small: in this case, just three senior politicians, including the prime minister and finance minister, various senior government officials, and a handful of top bankers. Third, although it

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shows that parties matter and make a difference – it was a group of party leaders who were responsible for this ‘momentous political decision’ – it does not show that party differences make a difference, which has always been the more interesting question for students of parties and public policy. In fact, at a special emergency debate in the Dáil held later on 30 September to ratify the guarantee, the government decision was supported not only by the main opposition party, Fine Gael, but also by one of the more important fringe populist parties, Sinn Féin. The only party opposing the decision was the small Labour party, which was reluctant to commit to an open-ended guarantee. In the event, the government’s proposal was accepted by a margin of 124 to 18, an encompassing consensus.

During the late 1990s and early noughties, record Irish growth levels had followed from the huge expansion of inward investment, principally in the high-tech and pharmaceutical sectors, leading to what observers famously dubbed ‘the Celtic Tiger’. Thereafter, as this particular engine of growth slowed, the boom was fuelled instead by an extraordinary property bubble, which, in turn, was built on massive private debt, including the huge loans made by the Irish banks to various property companies, as well as the host of smaller but still substantial loans to private house-buyers. One consequence of the boom, in both its guises, was great buoyancy in government revenues and hence also a substantial reduction in sovereign debt. This, together with the exceptional growth levels, had left Ireland appearing as one of the model citizens of the Eurozone: by early 2008, national debt (sovereign debt) had been reduced to just €46 billion, representing one of the lowest ratios to GDP in the Eurozone, while budget deficits were almost non-existent. The labour force had expanded dramatically, not least as a result of substantial inward migration from the new accession states, and there was virtually no unemployment. And while in other circumstances the combination of these positive indicators would have likely led to major domestic inflation, and did so in practice in Ireland, the monetary effects of this inflation were smothered by the Euro.

All of this changed completely in September 2008. In taking over the liabilities of the banks, the government transformed what had been an enormous private debt into a sovereign debt, thereby doubling and potentially tripling the liabilities incurred by the state. A sovereign debt of some 40 per cent of GDP was doubled overnight – literally overnight - to close to 80 per cent, with a potential further stretch to up to 110 or 120 per cent still to come. In addition, the need to pump so much money into so many banks in such a short space of time pushed what had been a small and sometimes non-existent budget deficit to an astonishing 32 per cent in 2010. Government revenues were also suffering in a more general sense. Prior to the crash, the centre-right Fianna Fáil-Green coalition, encouraged by the opposition parties, had sought to burn the policy candle at both ends by increasing public spending at the same time as lowering taxes, making up the shortfall through commercial property taxes, stamp duty, and other exceptional revenue sources that were mainly connected directly or indirectly to the property bubble. By late 2008, this circle could no longer be squared. By then, indeed, the former poster-boy of the Eurozone had become effectively insolvent.

The consequence is now well-known: an emergency loan from the EU and the IMF, plus some indigenous Irish funds, totalling some €85 billion. Some of this was intended for the banks. Some was for the normal running costs incurred in governing the state, in that recourse to the normal bond market had become prohibitively expensive as a result of the doubling of the sovereign debt. Not all of the €85 billion needed to be drawn down immediately, but every tranche that is taken comes with an interest rate of 5.8 per cent, a figure which is generally seen as potentially crippling the Irish economy. Moreover, the government has also pledged to reduce its budget deficit down to 3 per cent by 2015 or 2016 – there may be some flexibility as far as this target date is concerned – which is seen to require the adoption of a very severe austerity programme. These, at least, are the very demanding terms that have been agreed with the EU, ECB and IMF by the outgoing Fianna Fáil-Green government, and that have also been approved in broad outline in a rushed procedure in the Dáil at the beginning of February, with support from both Fine Gael and Labour (but with opposition from Sinn Féin).

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5 For a recent insightful assessment, see Dellepiane and Hardiman (2010).
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But there are still some doubts about how demanding it will turn out to be in practice, and this brings me to the core of the present paper. Although the broad outline of the EU/IMF loan package has been agreed by all mainstream parties, including Fine Gael and Labour, who were expected to form a new coalition following the election called for 25 February, the precise terms are still considered up for negotiation. The target date for reducing the deficit to 3 per cent is still somewhat open, for example, and all parties accept this. Flexibility regarding the interest rate is disputed, however. The outgoing Fianna Fáil-Green government claims the terms were the best available in the circumstances and cannot be changed. The opposition Fine Gael and Labour parties, on the other hand, claim that a more favourable rate was offered to Greece, and although they avoided concrete commitments, they both pledged on the eve of the election campaign that they would seek to renegotiate the 5.8 per cent figure. In a special RTE Prime Time programme on the issue, broadcast on 27 January 2011, spokespersons from both parties suggested that they might try to lower the figure to closer to 3 or 3.5 per cent.8

Although this was clearly an attractive election pledge, since it promised the possibility of being able to pull back from the most severe elements of the austerity programme, it also seemed unrealistic. Interviewed for the same RTE programme, Lorenzo Bini Smaghi, a member of the ECB Executive Board, and the official in charge of European and international relations, flatly denied the possibility that the loan might be renegotiated:

A government engages a country when it signs the agreement. It went through parliament [and] so the democratic process. So it doesn’t happen that when you have a change in government the next government reneges on commitments. It enters of course into discussion of the implementation of the programme, but the programme is there, has been signed, and has to be implemented.

This view was echoed by Ajai Chopra, who had headed the IMF mission to Ireland, and who also viewed the agreement as committing the nation rather than the particular government, and who thereby viewed it as given. The following is extracted from the transcript of an interview from the IMF website:9

QUESTIONER: The people who you've negotiated this agreement with, the current government, is very, very unlikely to be in power much beyond March of next year and the opposition parties have made it clear that they are not happy with the terms of this overall package.....How big a risk do you think it is that after the election whenever that happens the commitment to following through on these measures will wane and you'll be left going back in there to renegotiate?

MR. CHOPRA: I think the key point to make over here is that this is a program for Ireland and that this is a national response. The IMF has had experience of dealing with such situations where there is a change in government. What we need to do is look at the public record of what the parties have said and here there is a copious public record. We've looked at the statements made by

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6 See Dan O’Brien, ‘The Opposition parties want to renegotiate the bailout. It is possible?’, Irish Times 1 February 2011.
7 See ‘FG leader meets Barroso over bailout’, Irish Times 29 January 2011; ‘FG pledge to revise EU-IMF loan conditions’, Irish Examiner 1 February 2011; and ‘Renegotiating the EU/IMF loans package – just how realistic is that?’ (http://www.irishelection.com/2010/12/renegotiating-the-euimf-loans-package-just-how-realistic-is-that/).
8 There are also minor parties and independent candidates who are campaigning on the pledge of tearing up the agreement in its entirety, and renegoting on the overall guarantee to the banks. According to Sinn Féin president Gerry Adams, for example, the party’s policy remained to tell the IMF ‘to go home and take their money with them’ (Irish Times, 31 January 2011). Speaking in the Dáil on the last day of business before the election, the Sinn Féin parliamentary leader stated: ‘I call on all parties in this general election to make clear to the European Union, the IMF and the wider international community that this deal is not acceptable, not affordable and ruinous to the Irish economy and the Irish people. It was negotiated and imposed by a discredited Government and it must be set aside’ (Dáil Debates. 1 February 2011).
party leaders on their websites…. There is nothing that we've seen in terms of the public pronouncements by the opposition parties in terms of the approach to achieving the goals of fiscal and financial stability that would cause undue problems to achieving the overall goals of the program.

QUESTIONER: One additional question. Therefore do the opposition parties have any chance of renegotiating the overall rate?

MR. CHOPRA: For the IMF, no. This is the rate that is applied to all member countries.

Since these discussions and negotiations are very current at the time of writing, it is obviously impossible to predict what will happen under any new government that is likely to take office in March. Moreover, although general grandstanding on the issue on the part of the opposition parties is easily documented, both Fine Gael and Labour are being very careful not to make specific and hence potentially accountable pledges. Nonetheless, entering an election, and competing against the outgoing governing parties, they were both clearly keen to give the impression that they could renegotiate the agreement, and they both clearly expected that this stance would deliver electoral support. Against this, the ECB and the IMF, in the persons of Bini Smaghi and Chopra, insisted that the agreement has been negotiated on behalf of the Irish state rather than on behalf of any short-term government, and hence that it was more or less set in stone – particularly as far as the rate of interest was concerned. All of this has the potential to lead to a conflict between a set of parties that enter government with a representative mandate to renegotiate a loan, and a set of lenders that insist on sticking to the terms of an agreement that has already been signed by ‘the state’.11

Cui Bono?

Conflicts between what a government or its voters might like to happen, on the one hand, and what various institutional and other constraining forces ‘allow’ to happen, on the other, are, of course, congenital in any modern democracy. To paraphrase an earlier analysis (Katz 1986), the party-ness of modern party government is often in conflict with its government-ness. At the same time, however, I should emphasise that this is not a conflict between input and output legitimacy (Scharpf 1999), or between government by the people and government for the people. In the Irish case, to push for a renegotiation of the EU/IMF agreement after the election might well be considered expressive of government by the people, and hence we see this side of the equation in action. The parties favouring renegotiation – even if without precise detailed plans – are those currently preferred by the electorate and are likely to win a commanding majority. Indeed, the agreement has become extremely unpopular with voters, as has the austeriy which it promises, and according to a pre-election poll in the *Sunday Independent* (30 January 2011), more than 80 per cent of the electorate favoured renegotiation. Should the people decide, it would be likely in favour of new terms. This would be a decision by the people.

On the other side of the equation, however, it is difficult to view acceptance of the status quo, and hence acceptance of the Bini Smaghi-Chopra arguments, as being expressive of government for the

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10 On the last day of Dáil business before the election, for example, the Labour leader Eamon Gilmore stated that ‘this election is a three-way contest. Those who want more of the same can vote for the Fianna Fáil party that brought down the country, that tied the State to the sinking and stinking misfortunes of the banks and that sold us out in the deal with the EU and IMF’ (*Dáil Debates*, 1 February 2011). Later, launching his party’s economic programme for the election, he stated that the choice facing the electorate was to have the budget decided by the ECB or by the Irish government, and the voters could either accept the rescue deal or to trust Labour to change its terms: ‘It’s Frankfurt’s way or Labour’s way’ (*Irish Times*, 4 February 2011).

11 See also the comments by Olli Rehn, EU Economics Commissioner, as reported in the *Irish Times*, 15 February 2011. ‘I’m of course following the Irish debate closely and I’m aware that in democratic politics we have freedom of speech and freedom of positions. At the same time, it is clear that the EU has signed the Memorandum of Understanding with the State, with the Republic of Ireland and we expect continuity and respect of the memorandum…If there will be any changes to the pricing policy, which I personally support and the commission supports, it will take place for the overall European reasons not specifically because of electoral statements in Ireland.’
people. According to many interpretations, including those of renowned economists Ken Rogoff and Paul Krugman, as well as financier George Soros, this agreement is actually damaging to the interests of the Irish people and to the long term prosperity of the Irish state. ‘How long can Ireland take the pain that’s necessary?’ asked Rogoff recently. ‘A year, two years? Maybe. But three or four? Countries outside of Romania maybe, under Ceausescu, really haven’t done this and so it’s possible but it’s very demanding’ (Irish Times, 27 January 2011). According to Krugman, ‘you have to wonder what it will take for serious people to realize that punishing the populace for the bankers’ sins is worse than a crime; it’s a mistake’ (New York Times, 25 November 2010). For Soros, finally, it is a case of ‘the bondholders of insolvent banks…being protected at the expense of taxpayers. This is politically unacceptable. A new Irish government to be elected next spring is bound to repudiate the current arrangements’ (Financial Times 14 December 2010). Staying with there present commitments does not therefore seem to be expressive of government for the people. Indeed, for some commentators, as we’ve seen, it is government against the people.

So, in whose interests was it? And for whom was the decision made? In the first place, and most obviously, it was in the interests of the banks that were bailed out, and in the interests of the senior management of these banks who were busy lobbying the party leadership on the night of 30 September. Subsequent to the declaration of the bank guarantee, there has been a lot of speculative comment in the Irish media regarding the personal relationships between the bankers themselves and senior government Ministers, and it has often been suggested that the decision was owed to cronyism and political favouritism (e.g., O’Toole 2010). This also means that it was in the interests of the bondholders of the failing banks, who are mainly European banks, and who are together owed an estimated €360 billion, including €100 billion owed to German banks, and €110 billion to UK banks. Since any default would have major knock-on effects on their balance sheets, it is also in clearly in the interests of these other European banks and their national governments that the debts are covered. Finally, the decision was also taken in the interests of the ECB and the leadership of the Eurozone more generally, as well as of the EU authorities, since an Irish default would serious undermine the Euro, and hence risk irreparable damage to the EU itself. Indeed, it was argued by some Irish commentators and politicians that the ECB and the EU had forced the rescue package on Ireland in an effort to protect the European banks and the currency. Perhaps, then, the decision is expressive of government for the European people(s).

Issues of interest and culpability were also the subject of a heated exchange in the European Parliament, connecting the problem not just to moral hazard on the part of the Irish banks, but also on the part of their counterparts in Europe, and thereby connecting also to a wider discussion as to whether the blame for the crisis lay with the Irish banks, who loaned recklessly in the property market, or with those European banks that provided the funds to allow Irish banks to make the loans in the first place. An Irish Socialist MEP, Joe Higgins, placed the blame on both the Irish and the European banks, and condemned the transferring of the costs of the bailout to the Irish taxpayers, who, he claimed, were not responsible. The bailout mechanism, he argued, ‘is in practice nothing more than another tool to cushion major European banks from the consequences of their reckless speculation on the financial markets’. To which the president of the European Commission, José Manuel Barroso, responded angrily: ‘the problems of Ireland were created by the irresponsible financial behaviour of some Irish institutions and by the lack of supervision in the Irish market….Europe is now part of the solution; it is trying to support Ireland. But it was not Europe that created this fiscally irresponsible situation and this financially irresponsible behaviour. Europe is trying to support Ireland. It is important to know where the responsibility lies’ (European Parliament Debates, 19 January 2011).

Lorenzo Bini Smaghi was also explicit on this issue, emphasising that the whole problem was the responsibility of the Irish, and that it was ‘totally wrong’ to suggest that the ECB had pressured the government: ‘Democracies have to be accountable and consistent with their own choices. I don’t think anybody outside Ireland should tell Ireland what to do, but you should not complain if now you have to increase taxes as a result of the choice of economic model the Irish people made…. The driving
force was the collapse of investor confidence and the decision was entirely the Government’s own’ (Irish Times, 15 January 2011). Brian Cowen, the soon to be outgoing Taoiseach, pushed the same line, emphasising that the request for European help had not been forced on his government: ‘It was an Irish decision made by Irish people,’ he insisted.¹²

III. Representative and Responsible Government

For a variety of reasons – social structural, organizational and geopolitical, as well as simply the sheer force of attrition – the character of parties and party competition in many of the European polities is changing in ways that more and more difficult for parties to respond to their voters, and hence to represent and act on their opinions. In other words, it is changing in ways which challenge the integrity of the chain of delegations. These problems emerge at two levels. First, parties find it more difficult to listen to voters and to understand, aggregate or process their demands. Second, parties have less freedom in which to treat their voters as principals and to act as their agents.

Representative parties

In traditional understandings of the development of representative government in modern Europe, parties were seen to have played two crucial roles. In the first place, they played a crucial representative role – articulating interests, aggregating demands, translating collective preferences into distinct policy options, and so on. They linked civil society to the polity and did so from a very strong and well-grounded foundation in society. Parties gave voice to the citizenry. In the second place, they governed. They organized and gave coherence to the institutions of government, and from their positions in government, and in opposition, they sought to build the policy programmes that would serve the interests of their supporters and of the wider polity. The combination of both these crucial roles in one was the unique contribution parties offered to the development and legitimation of modern democracy. That is, within one party agency, and within one party organization, were developed the key representative and governing functions of the polity. This was the key to the legitimation of representative government in democratic political systems. In such a process there were few if any principal-agent problems: there was usually only one principal, and this principal was also the agent (see Katz and Mair forthcoming: Chapter 2).

In contemporary democracies, by contrast, these two functions have begun to grow apart, with many of today’s mainstream parties downplaying, or being forced to downplay, their representative role, and enhancing, or being forced to enhance, their governing role (Mair 2006; Katz and Mair 1995). In other words, as part of the process by which parties have moved their centres of gravity from civil society to the state, they have also began to shift from combining representative and governmental roles (or combining representative and procedural or institutional roles) to building on their governmental role alone.

Another way of looking at this is to suggest that these parties have moved from making representations on behalf of citizens to the state, to making representations on behalf of the state to the citizens. The representation of the citizens, meanwhile, to the extent that it still occurs at all, is increasingly given over to other, non-governing organizations and practices – to interest groups, social movements, advocacy coalitions, lobbies, the media, self-representation, etc – that are disconnected from the parties and the party system, and that can talk directly to government and the bureaucracy. In this way, the representation of interests – government by the people – becomes less and less a function of the activities of partisan political organizations. This also implies the possible emergence of a new division of labour within democracy polity, whereby the mainstream parties would govern, or primarily govern, while other agencies would look after the citizens’ representative needs. There is

¹² Interview with Brian Cowen, Prime Time, 8 December 2010.
one important exception here, of course, in that one channel of representation that does remain within the electoral channel is that trumpeted by the new ‘niche’ or ‘challenger’ parties (Meguid 2005), often populist in tone, who may also downplay their governing ambition or lack a governing capacity. Needless to say, these developments severely challenge the strength and coherence of the first link in the parliamentary chain of delegation. This is not only because, as Müller et al (2003, fn. 12, citing Riker (1982)) acknowledge, it may simply be impossible for the parties to know what citizens want, but also because the parties that govern seem now less willing or able to listen, while the citizens themselves prefer to address other agencies.

There are at least four good reasons to believe that parties are now less inclined and less able to listen to voters, and less capable of processing their demands. In the first place, they find it increasingly difficult to know what voters want. Since the development of the catch-all party in the 1960s, resources and power inside the parties had increasingly shifted upwards, privileging those whom Kirchheimer (1966) spoke of as ‘the top leadership groups’. Although this had allowed the parties greater flexibility in competing for office, and had freed the leaderships from the constraints of more purposeful mass organizations and memberships, it had also had its costs. Party organizations became more top-heavy and capital intensive, membership levels began to fall, and the general rootedness of parties within the wider society began to erode. Levels of popular identification with parties waned, loyalties declined, voters grew more distant and less engaged, and electoral preferences became more volatile and contingent. It was not only the case that voters no longer belonged to the parties – as Parisi and Pasquino (1979) had once argued, instancing the general shift from what ‘a vote of belonging’ to a ‘vote of opinion’ – but also that the parties no longer belonged to the voters. When party organizations were embedded within a wider network of organized cleavages, and when both leaders and voters were more less part of the same milieu, it was easy for party leaders to listen to voters and to understand what they were saying. In contemporary party organizations, by contrast, leaders (or their professional consultants) who wish to listen to their voters are obliged to rely on opinion polls, focus groups, and on the independent media, none of which seems able to offer a clear and unambiguous message, with much of that which is an expressed being a sense of disappointment at the inability of parties and governments to do what might be desired (e.g., Russell 2005; Hay 2007).

Parties also have problems listening to voters simply because electoral representation itself has become more difficult. The decline of the traditional large collective constituencies, the fragmentation of electorates, the particularisation of voter preferences, and the volatility of issue preferences and alignments – that whole process which the Dutch refer to as \textit{ontzuiling} and individualisation – made it more and more difficult for parties to translate popular interests into distinct policy alternatives (see also Schmitter 2008). This was especially so since many of the traditional representative guidelines no longer functioned, but instead were part of a context in which, as Rudy Andeweg (2003: 151) has noted, ‘religion is increasingly expressed outside churches, interest promotion is taken care of outside interest associations, …physical exercise outside sports clubs….. work outside permanent employment, love outside marriage, and even gender differences are becoming divorced from sex differences.’ In other words, even if parties wanted to listen to voters, and even if they managed to do so, the result was often a cacophony of different voices. This made it harder for the to synthesise the various demands, let alone aggregate them into coherent electoral and governing programmes – itself, the classic representative function performed by parties within democracies.

Thirdly, it is likely that parties will have become less inclined to listen to voters to the extent that they cannot effectively process the demands that voters express. For a variety of reasons, parties in national governments in recent years have ceded much of their capacity and authority to make binding decisions in a host of different policy areas. In part this is because of the sheer complexity of the issues involved (Papadopoulos 2003) and results from the tendency to delegate decision-making authority to expert institutions and agencies lying outside the formal electoral arena. However, it is also the result of a gradual shift in competences, with the European level in particular assuming an increasing responsibility in many policy areas and thereby reducing the capacity of parties to offer meaningful
policy alternatives to their voters (Dorussen and Nanou 2006; Nanou and Dorussen 2010). Given that national governments now often lack the resources to determine policies autonomously, the parties occupying these governments are unlikely to encourage voters to give voice in these areas in electoral contexts.

Finally, the steady opening up of the governing process to an ever wider range of parties in the 1970s and 1980s had turned the ambition to govern into a much more realistic and manageable goal for more and more party leaders. Indeed, holding office in government became part of the conventional career cycle and ambition for both parties and their leaders – a process which, as Borchert (e.g. 2008) shows, went hand in hand with the growth of political professionalisation. This also became part of the more general change in party strategy, whereby the shift of resources inside parties from the party on the ground and from the party in central office to the party in public office allowed the ambitions of the party in public office to be transformed into the ambitions of the party as a whole (Katz and Mair, forthcoming). For many party leaders, parties were governors or they were nothing, a perspective which clearly leaves little room for listening to voters.

Responsible government

The second source of difficulty in the parliamentary chain of delegation connects directly to the notion of responsibility. It is a commonplace to note that all democratic governments, always, have had to maintain a balance between demands for responsiveness, on the one hand, and demands for responsibility, on the other, or, echoing Scharpf (1999), all governments have had to maintain a balance between democracy and efficiency. Today, however, in the new circumstances of party politics, these two demands have come increasingly in tension, and it is becoming more and more difficult to reconcile them. Moreover, and this is where I come to the core of my argument, not only are the demand for responsiveness and the demands for responsibility increasingly at odds with one another, but there has also been an undermining of the parties’ capacity to reconcile and resolve this growing tension. In other words, the tension itself is becoming steadily more acute, and the means of handling that tension are steadily waning.

Responsibility is, of course, a difficult and contested term. For Sartori (1976: 18-24), for example, as well as for many of the US advocates of the ‘responsible party model’ in the 1950s and 1960s (e.g., APSA 1950), responsibility essentially boils down to accountability. Political actors and their parties and their governments give account to parliament and/or to the people, and are in this sense accountable and, thereby, responsible. For Downs (1957: 105), by contrast, responsibility implies predictability and consistency: a party is responsible ‘if its policies in one period are consistent with its actions (or statements) in the preceding period’ and hence ‘the absence of responsibility means party behaviour cannot be predicted by consistently projecting what parties have done previously.’ For Rieselbach (1977: 8-10), who proposes responsibility, responsiveness and accountability as three standards against which the US Congress – or any legislature – might be evaluated, responsibility implies efficiency and effectiveness: ‘a responsible institution provides reasonably successful policies to resolve the major problems it is faced with. The emphasis of the responsibility criterion is on speed, efficiency, and, of course, success.’ Finally, for Birch (1964), in his classic study of the British constitution, responsibility implies not only responsiveness and accountability – the two notions highlighted by the US advocates of the ‘responsible party model’, for example – but also ‘prudence and consistency on the part of those taking decisions.’ As Birch goes on to emphasise, this latter meaning evokes notions of duty and of moral responsibility, and here too it is contrasted with reckless or inconsistent decision-making.

We are therefore confronted with three distinct concepts, each of which is in some way associated with the broader notion of responsibility. The first is responsiveness, whereby political leaders or governments listen to and then respond to the demands of citizens and groups. This may also be associated with the traditional understanding of party government and party democracy, in which parties and their leaders acquire a mandate through elections and go on to implement the chosen
policies while in government. The second concept is accountability, whereby political leaders or governments are held to account by parliaments or by voters. The judgement of these citizens or parliaments may be based on evaluations of how responsive the leaders have been, and how well they have acted as delegates or agents of the bodies or principals carrying out the evaluation; or it may reflect a ‘trustee’ type of relationship, in which the leaders make their own judgements and are subsequently evaluated on their performance. Either way, both judgements involve ex-post evaluation and, following Andeweg (2003), this seems to have become more important as traditional ex-ante representation – responsiveness – becomes more difficult to realise. In other words, there is a potential trade-off between responsiveness and accountability, with a weakening of the former being compensated by a greater emphasis on the latter; or, in Scharpf’s (1999) terms, with the failings of input-oriented legitimacy being compensated by a greater reliance on output-oriented legitimacy.

The third concept, following Birch, is responsibility in the narrower and more formalised sense of the term, whereby leaders and governments are expected to act prudently and consistently and to follow accepted procedural norms and practices. This also means living up to the commitments that have been entered into by their predecessors in office and abiding by agreements that these predecessors have made with other governments and institutions. In other words, responsibility involves an acceptance that in certain areas and in certain procedures, the leaders’ hands will be tied. Of course, the hands may also be eventually loosened and the leader may break with established traditions and practices – but even in these cases, to act responsibly means to effect changes according to accepted procedures and to avoid random, reckless, or illegal decision-making. In terms of procedures, responsible government is therefore ‘good’ government.

So how do these three notions fit together? The first two obviously fit together in the sense that the declining representative capacity of parties leads to retrospective accountability acquiring a greater emphasis than prospective mandates. Indeed, regardless of whether the parties in government are standing in relation to parliament and the voters as accountable trustees or as responsive delegates, there is a clear and relatively unambiguous principal-agent relationship involved. The parties in government are the agent, and voters – whether mandating ex ante or being accountable ex post – are the principal. The chain of delegation is clear.

The relationship of both concepts with responsibility in the Birch sense is much more problematic, however. Here there is not one more or less straightforward principal that the parties in government meet when dealing with the voters or the parliament, but rather a host of different and sometimes contradictory principals constituted by the many veto and semi-veto players who now surround government in its dispersed multi-level institutional setting: the central banks, the courts, the European Commission, the Council of Europe, the WTO, the United Nations and its various offshoots, and so on, and who, as we have seen, are proving so powerful in the Irish case. It is to these sometime principals that parties in government are also accountable, and it is when these governing parties continue to respect the rulings and procedures laid down by these institutions that we can speak of them being consistent, prudent, and responsible.

With responsiveness and accountability, the integrity of the parliamentary chain of delegation remains intact, in that there is one key principal and one key agent at each of the points, and there is also singularity. Once we introduce the notion of responsibility, on the other hand, the integrity is undermined, since other principals external to the chain of delegation begin to assert themselves. The key difference is therefore not that between prospective responsiveness and retrospective accountability, which governments can try to square in any case; but between both of these forms of control, on the one hand, each with the same basic principal, and the problem of responsibility, on the other, with its host of different and sometimes competing – and often legitimate – principals. As is more than evident in the Irish case, for example, it is here that the key incompatibilities lie, with the demands of responsiveness, to both voters and to parliament, and hence also the demands of representation, proving particularly difficult to reconcile with the demands of responsibility. This is therefore also where the parliamentary chain of delegation runs into problems.
But this is also an old problem, and one that connects closely to Dahl’s (1956) traditional distinction between populistic and Madisonian democracy, as well as to the more common contemporary distinction between efficient and democratic government (e.g., Scharpf 1999). Moreover, the problems posed for the chain of delegation by institutional diversity are also recognized by Müller et al (2003), as well as by some of the more general work on principal-agent theory. A recent evaluation of the literature on bureaucratic control concluded, for example, ‘that bureaucratic actions are influenced by multiple potential principals and that these potential principals are often in competition with one another’ (Worsham and Gatrell 2005: 364; see also Wood and Waterman 1993), while Kaare Strom (2003: 60) also points out that external political constraints can get in the way of representative politics by prohibiting certain forms of agency or by ‘forcing agents into behaviour that neither they nor their [own, domestic] principals would have freely chosen.’ So why should this familiar tension between responsiveness and responsibility now be a matter of particular concern? What is different in contemporary democracy?

**A Growing Tension**

There are four factors in particular that are important here, all of which point to a difference in scale rather than a difference in kind, but which together cumulate in a manner that constitutes a fundamental challenge to the good functioning of representative government. In the first place, and as already discussed above, governments are finding it ever more difficult to respond to voters and to electoral opinion, and are finding it ever more difficult to read and aggregate preferences and to persuade voters to align behind their policies. As we have seen, this is partly because they have withdrawn from civil society and hence are out of touch with electoral demands, and it is partly because they now maintain smaller and increasingly unrepresentative party memberships, and lack mechanisms for steering communication upward through the party organisation. Moreover, the parties have tended to loosen their ties with the major mass organisations in civil society, organisations which in any case are themselves less able to communicate with the wider citizenry, and hence they lack access to that particular channel of communication. As noted, it is also increasingly difficult for he parties to respond to voters in policy terms, since, at least in Europe, much of the policy discretion and room for manoeuvre open to governments has been severely curtailed by the transfer to decision-making authority to the supranational level. All of these factors have acquired greater weight in recent years, and for this reason the problems that they cause assume greater weight.

It is not just top-down change that is relevant here, however. Mass electoral opinion has become more fragmented and volatile, with the result that there are fewer and fewer stable landmarks around which the parties can orient themselves. As Russell Hardin (2000) has argued, the general decline in the importance of left-right economic competition, and the general growth in a host of often complex issues that are unrelated to one another, together undermine the capacity to organize politics along a single simple dimension. The result is that even if parties in government were in a position to respond to popular demands, they would find it difficult to do so because they would find it difficult to know what those demands actually were. This also makes parties and governments more susceptible to the influence of lobbyists and special interests. The tension therefore becomes more acute simply because it has become more difficult for parties to be responsive to the citizenry as a whole.

Second, in seeking to act responsibly – that is, in trying to do what they are expected to do as governments, and in trying to meet the everyday responsibilities of office – governments now find themselves more and more constrained by other agencies and institutions. In other words, as we have seen very clearly in the Irish case, the range of principals who oblige governments to behave in a particular way, and who define the terms of reference of responsibility, has expanded enormously. This is a growing problem, in that the Europeanisation and internationalisation of policy parameters, reflected in what Ruggie (1997) and Scharpf (2000) treat as ‘the decline of embedded liberalism’, oblige governments to be accountable to an increasing number of principals, many of who are not located within the domestic realm, and most of whom are difficult to control. In other words,
globalisation in general, and Europeanisation in particular, by dis-embedding liberalism, create many new principals to whom governments owe account. This also makes it even more difficult for voters to see or understand the rationale behind certain decisions, and hence this also provokes tensions. Even though governments might be willing to heed their voters’ demands – if they could read them properly – they may well be limited in doing so by having ‘other constitutionally prescribed roles to play’ (Strøm 2003: 60). This is not a new problem, to be sure, but it has become weightier and more serious in recent years. This means that we not only dealing with a problem of voter demands that are not so easily understood by parties in government, but also with governments that are not always in a position to respond to those that they do understand.

There is also a third, cumulating factor at work here, which was originally highlighted by Richard Rose (e.g., 1990) some time ago, and which concerns the constraints imposed by the legacies inherited by governments. As Rose argued, most of what governments do is a function of what they have inherited rather than what they have chosen. In the mid-1980s, for example, the then radical Thatcher government was still maintaining and funding 207 of the 227 programmes which it had inherited from the previous Labour regime (many of which had also been inherited by Labour) and, after six years in office, it had initiated just 28 new programmes. In terms of the total programme cost to the government in 1985, less than 6 per cent of expenditure was occupied by newly created programmes (Rose 1990: 279-80). In acting ‘responsibly’, governments are therefore not only limited by their traditional constitutional constraints and by the growing weight of international constitutional constraints – deriving from the EU or Council of Europe in the European case, and from the UN and the international legal system more globally – but also by the weight of prior policy commitments. Indeed, with time, the inherited weight of these prior commitments has grown enormously, and hence the room for discretionary manoeuvre available to any one government at any one time has become correspondingly curtailed.13

In his discussion of responsible government in the British case, Birch (1964: 170) emphasises the familiar point that although responsiveness and responsibility are both generally seen as desirable, they are not always compatible. This is also my main point here. Not only are these features of party government sometimes incompatible, they are also increasingly incompatible, in that prudence and consistency, as well as accountability, requires conforming to external constraints and legacies, and not just to public opinion, and these external constraints and legacies have grown in weight in recent years, while public opinion, in its turn, has become harder and harder to read. This is the growing imbalance.

The fourth factor that I wish to emphasise here is that while the traditional (and lesser) incompatibility between responsiveness and responsibility that was experienced in the past could often be bridged or ‘managed’ by parties who were able to persuade voters on side through partisan campaigns and appeals to partisan loyalty, this is less conceivable today. The incompatibility has always troubled parties of course, and many party governments in the past have been quick to cite difficult circumstances, inauspicious developments, or simple misjudgements in order to justify the evasion of election commitments or the reneging on promises. In addition, parties could also sometimes pull their voters with them through the change of direction by appealing to popular loyalty and trust. In contemporary circumstances, however, this option is no longer effectively available. Parties have almost no members to help mobilise public opinion, and have an ever-shrinking number of strong partisan identifiers within the electorate who might take them at their word. They rarely control the means of political communication, and hence have to rely on others for their persuasive capacities. Moreover, as is now well attested, political parties are by far the least trusted institution within modern democracies. For all of these reasons, their mobilisation capacities, and hence also their persuasive capacities, are now severely reduced. Parties, in short, now appear to exacerbate rather than alleviate the problem.

13 For an extensive discussion of these cumulating problems in application to the German case, see Streeck (2006, 2007).
IV. Implications

‘Democracy means not only that people can vote in free and fair elections, but that they can influence public policy as well. What people think matters at least as much as what governments do’ (Krastev 2002: 45).

A number of implications follow from these arguments. As far as the particular case of Ireland is concerned, the politics of the future will almost certainly, and enduringly, be a politics of austerity. It is not simply the size of the newly enlarged sovereign debt that matters here – given that there is likely to be at least at least some level of default on the debts owed by the banks, there should be an eventual reduction in the overall debt owed by the state – but rather the rate of interest which is being paid on the sums borrowed from the EU and the IMF. Should this rate remain at 5.8 per cent, and this decision is obviously not in Irish hands, it will almost certainly squeeze the Irish economy severely, thereby ensuring that Irish democracy remains in a straitjacket for years to come. In such a context of ‘democracy without choices’ (Krastev 2002), it makes little sense to speak of the parliamentary chain of delegation: it is the external principals who will be making the demands and constraining the decisions, while the voice of Irish voters will count for little. It will be difficult for the parties to beat Bini Smaghi (or to beat the Germans, or the Dutch).

Beyond the Irish case, however, there are also wider implications. First, and most obviously, it is clear that the task of governing the modern has become extremely complex, time-consuming and demanding, and is something that does not afford much room for partisan mobilisation either as a core activity or even on the side. It therefore follows that parties that are busy governing are more busy as governments than they are as parties. If they are busy as parties, then either some else is governing – through the displacement of the real decision-making power – or they are governing badly. This is a problem for the parties as well as for democracy. Moreover, because parties are busy governing, because governing demands so much of them, and because there is so little room for partisanship in this governing process, much of what they do is inevitably depoliticized. But this in itself leads to a paradox which eats away at their standing: The more the parties depoliticize policy-making, the more they are obliged to justify their choices – this is so because these choices, being depoliticized, are no longer self-evident choices for their supporters and voters; yet, the more parties depoliticize, particularly within contemporary circumstances, the more difficult it becomes – as parties – to justify these choices.

Second, there are signs that the growing gap between responsiveness and responsibility and the declining capacity of parties to bridge or manage that gap is leading to the bifurcation of a number of party systems and to a new form of opposition (Katz and Mair 2008). In these systems, governing capacity and vocation becomes the property of one more or less closely bounded group of political parties. These are parties which are clearly within the mainstream, or ‘core’ (Smith 1989) of the party system, and it is these which may be able to offer voters a choice of government. Representation or expression, on the other hand, or the provision of voice to the people, when it doesn’t move wholly outside the arena of electoral politics, becomes the property of a second group of parties, and it is these parties that constitute the new opposition. These latter parties are often characterised by a strong populist rhetoric. They rarely govern, and also downplay office-seeking motives. On the rare occasions when they do govern, they sometimes have severe problems in squaring their original emphasis on representation and their original role as voice of the people with the constraints imposed by governing and by compromising with coalition partners. Moreover, though not the same as the anti-system parties identified by Sartori (1976: 138-40), they share with those parties a form of ‘semi-responsible’ or ‘irresponsible’ opposition as well as a ‘politics of outbidding’. In other words, it is possible to speak of a growing divide in European party systems between parties which claim to represent, but don’t deliver, and those which deliver, but are no longer seen to represent.

Finally, the growing gap between responsiveness and responsibility – or between what citizens might like governments to do and what governments are obliged to do – and the declining capacity of parties to bridge or manage that gap, lies at the heart of the disaffection and malaise that now suffuses
democracy. This also echoes Jean Leca’s (1996) conclusion that there is a growing separation between the world of public opinion, on the one hand, and the world of problem-solving, on the other (see also Papadopoulos 2010). Governments try to solve problems, and hence parties in government try solve problems, but they do so at an increasing remove from public opinion.

Seen in this way, and framed as the growing and potentially unbridgeable gap between responsive government and responsible government, it becomes very difficult to conceive of how the malaise might be treated or overcome. This is particularly so since we are dealing with a problem that can only grow worse in a period of fiscal austerity, when external constrains and financial limits become much more powerful, and when the governing parties are even less able to meet the demands of voters.

Some years ago, in an evaluation of the development of political in the newly democratized Balkan states, Ivan Krastev (2002: 51) emphasised how the stability of public policy had been ‘ensured largely by outside pressure and constraints in the form of EU or IMF conditionalities, currency pegs and the like.’ The current situation in Ireland, which is one of the longest enduring of the European democracies, is of course little different. But even if to a lesser degree, this situation is also comparable to that of many more of Europe’s long-standing democracies, which are also constrained by debt and the legacy of past policies, and which are now also pressured by external lenders, bondholders and supranational authorities. In such circumstances, as Krastev goes on to argue, relations between politicians and public worsen, since in such circumstances we see regimes ‘in which the voters can change governments far more easily than they can change policies.’ In the Balkans, he argues, this signals the failure of representation, and the onset of a democracy without choices. Elsewhere in Europe, where democracies are more established, such failures are also increasingly evident.
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