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## Original Article

# How the eurozone crisis reshaped the national economic policy space: The Netherlands 2006–2012

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**Abstract** This article shows that the eurozone crisis has reshaped the national economic policy space. The extent to which parties favour European integration, affects their positions on economic policies. These results stand in contrast to earlier studies that found limited effects of European integration on national party systems or found effects in other domains than the economic realm. The article focuses on economic decision-making in the Netherlands between 2006 and 2012. The economic left/right dimension no longer suffices to understand the economic policy positions of political parties: party positions on important welfare state reforms do not follow the left/right line of conflict, but rather a reform line of conflict that divides parties from the left and the right into pro-European reformers oriented at sustainability of the welfare state and Eurosceptic defenders of the existing welfare state. The measurement of party positions is based on the self-positioning of parties on hundreds of economic policies that they submit to the Netherlands Bureau of Economic Analysis.

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## Introduction<sup>1</sup>

There is considerable debate in political science about which lines of conflict structure the party space (Hooghe *et al.*, 2002; Pellikaan and Brandsma, 2005; Benoit and Laver, 2006; Kriesi *et al.*, 2006, 2008; Mair, 2007b; Van der Brug and Van Spanje, 2009). Most authors agree that party positions on economic matters are structured by a left/right line of conflict (Mair, 2007b). The left favours government intervention and economic egalitarianism, while the right believes in market solutions and that economic inequality creates incentives (Downs, 1957; Bobbio, 1996; Noël and Thérien, 2008). The key question of this article is whether the

left/right line of conflict suffices to understand the positions of political parties on actual economic policies.

This study examines the expectation that party positions on economic issues in eurozone member states no longer exclusively follow the left/right line of conflict due to the eurozone crisis. In these countries, austerity policies were implemented because of the Stability and Growth Pact and the European Commission expanded its powers over budgetary policy to monitor states' compliance (Bauer and Becker, 2015). This transformational moment in recent European history may have changed the lines of conflict underlying the political space. Before the economic crisis, Kriesi *et al* (2008, p. 13) proposed that globalization, in the form of European integration, had strengthened the existing left/right line of conflict. It may be that after the eurozone crisis the growing influence of the European Commission has contributed to the formation of a second economic line of conflict that divides those parties that favour EU oversight over national budgets and those who oppose this. Analyses of voter positions in Greece, a country strongly affected by the crisis, show that the political dynamic has changed drastically (Katsanidou, 2013): in Greece a bailout dimension structures voter positions on economic issues in addition to the left/right dimension. This dimension concerns the reforms that were mandated by the bailout agreement.

This article examines how the eurozone crisis has affected party positions on economic issues in the Netherlands, a typical case of the eurozone member states that were not bailed out (cf. Gerring, 2007, p. 91). By examining the effect of the eurozone crisis on this national party system, one can test whether the political dynamic found for voters in Greece, a country where the crisis shocked the economy and society, also appears in other party systems.

In addition to this theoretical contribution, this article also makes a methodological contribution: one can see a trend in the literature on party positioning to take inductive approaches (De Vries and Marks, 2012). Many of these studies look at political text (for example, Slapin and Proksch, 2008; Coffé and Da Roit, 2011). Studying economic policy positions can be difficult because in their manifestos parties dodge difficult economic questions and do not quantify the budgetary changes they want to make. Parties can make unrealistic promises in their manifestos, for instance proposing to increase government spending and lower taxes (Milyo, 2000). In the Netherlands, the non-partisan Netherlands Bureau of Economic Analysis (CPB) estimates the budgetary and socio-economic effects of the parties' election manifestos on the parties' own request (Den Butter, 2002, p. 116). Before the elections, each party submits a detailed list of policies to the CPB that they intend to implement. The CPB uses the data to calculate the budgetary and socio-economic effects of the party's manifestos. The party leadership authorizes the policy positions their party submits (Den Butter, 2002, p. 116; Don, 2002, p. 110). These CPB estimations play an important role during the campaign: the reports of these estimations are one way in which the very detailed election manifestos reach voters (Louwerse, 2014, p. 99). Parties use the reports in the election campaigns to show



that their manifestos are consistent, effective and realistic (Den Butter, 2002, p. 116; Don, 2002, p. 110). The reports offer a rich data source of the policy positions of Dutch political parties. This article uses this data to inductively measure party policy positions.

This article will have the following structure: first, it discusses the consensus on party positions in Western European countries and the expectations about the effect of the eurozone crisis on party positions. After this, the relevance of the Dutch case for the analysis of the effect of the eurozone crisis on party systems in general is discussed. Next, the data and methods of data reduction are presented. This article will then introduce the standard model of the Dutch party system in terms of the left/right line of conflict. Finally, it will analyse models of the economic policy positions of Dutch parties for the 2006, 2010 and 2012 elections based on the CPB data.

## Left, Right and European Integration

In the field of political science, there is broad agreement that party positions in West European countries on economic issues reflect an underlying economic left/right line of conflict (McDonald and Mendes, 2001; Hooghe *et al*, 2002; Benoit and Laver, 2006, pp. 192–195; Kriesi *et al*, 2006, 2008; Mair, 2007b; Van der Brug and Van Spanje, 2009). This line of conflict is so dominant in the debate about party positioning that the main question is to what extent the left/right suffices to understand party positions on all issues (Mair, 2007b).

This article focuses on the lines of conflict structuring the party space on economic issues. A line of conflict is a consistent difference in opinion between political parties: that is, political parties that agree on one issue (for example, higher taxes) also agree on another issue (for example, the nationalization of banks). The most prominent of these lines of conflict is the economic left/right line of conflict. Two elements are often mentioned as the core of the left/right line of conflict: the first is economic interventionism, the classical Downsian question: ‘[h]ow much government intervention in the economy should there be?’ (Downs, 1957, p. 116). The right favours the free market principle of *laissez-faire* and the left government intervention and regulation. The second element is economic egalitarianism, voiced, for instance, by Bobbio (1996, p. 69): ‘the distinction between left and right corresponds to the difference between egalitarianism and inegalitarianism’. Other authors, such as Noël and Thérien (2008, p. 19) emphasize that left and right have different conceptions of equality: equal opportunities (for the right) and equal outcomes (for the left). Left-wing parties favour income redistribution, and right-wing parties accept economic inequalities because these create incentives. The general consensus is that the left and the right disagree over policy ends and policy means. The left proposes to nationalize economic sectors, increase taxes and expand the welfare state. The right favours private enterprise, lower taxes and a limited welfare state.

While there is agreement in the academic community that party positions on economic issues are structured by a single left/right line of conflict, there is debate on the question whether this left/right line of conflict suffices to understand party positions or whether a multidimensional interpretation of the party space is necessary. One question has been, for instance, whether European integration forms a separate dimension in national party politics. Different models have been proposed (see Hooghe *et al.*, 2002): many studies interpret the political space in the European countries as two-dimensional (Hooghe *et al.*, 2002; Kriesi *et al.*, 2008; Van der Brug and Van Spanje, 2009; Costello *et al.*, 2012). One particularly influential multidimensional interpretation of the political space is voiced by Kriesi *et al.* (2008). They argue that between 1970 and 2000 the party space in Western Europe was consistently two-dimensional but that the nature of these dimensions changed. For the party systems of the 1970s, Kriesi *et al.* (2008) see a two-dimensional space with a left/right line of conflict concerning economic issues and a second line of conflict that concerns moral issues, such as euthanasia. It divides traditionalist parties from libertarian parties. This second line of conflict had changed in nature since the 1990s. It now concerns the question whether states should integrate into a globalizing world or whether they should demarcate their national sovereignty. This new line of conflict concerns political integration into the European Union, as well as openness to immigration. This change in dimensionality is the effect of globalization in terms of both immigration from non-Western countries and integration of the European Union. At the same time, economic globalization ‘reinforce[s] the classic opposition between a pro-state and a pro-market position’ (Kriesi *et al.*, 2008, p. 13): the right seeks to prepare national economies for international competition, while the left wants to protect national economies against economic globalization.

Mair (2000, 2007a, c) has argued that European integration has had only a limited effect on party systems: it is not enough for party positions on European integration to be perpendicular to the established left/right line of conflict. This line of conflict should also play role in decision-making on the national level; it must affect the ‘mechanics’ of the party system (Mair, 2000). Mair’s (2000, p. 31) diagnosis was negative: ‘Europe has not made for significant new alliances or enmities’ in European political systems. Mair (2007c, p. 160) did observe other ways in which European integration has affected party systems, for instance integration limits the policy repertoire of parties. This in particular concerned policies that go in against the free market nature of the European Union.

It is important to note that like parties, voters may also consistently differ in opinion (Kriesi *et al.*, 2008; Van der Brug and Van Spanje, 2009). Voter and party spaces do not necessarily need to have the same underlying structure (Van der Brug and Van Spanje, 2009): as a case in point of this, there is considerable evidence that voter positions on economic issues do not follow the left/right dimension. A large section of the electorate favours economic egalitarianism but opposes the welfare state necessary to bring about economic equality (Derks, 2004; Achterberg *et al.*, 2011; Roosma *et al.*, 2012).



At the same time, the correlation between general left/right attitudes and positions on egalitarianism has declined in the Netherlands, while the relation between general left/right positioning and cultural issues has increased (De Vries *et al*, 2013). The left/right no longer plays the structuring role in citizens' attitudes towards economic issues that it once did.

### **The eurozone crisis and national party systems**

There is reason to believe that the political space on economic issues has become multidimensional in eurozone countries: especially as the European Commission expanded its influence over the budget of eurozone member states after the onset of the economic crisis. The eurozone crisis and the response of the European Union to this crisis forms a transformational moment for national party systems. Economic decision-making is now directly influenced by the European Commission, therefore the question whether one favours or opposes European integration may inform economic policy positions directly. Where previously, as Kriesi *et al* (2008) argued, the economic left/right line of conflict may have been strengthened by globalization, the specific conditions of the European budgetary crisis may have created a second economic line of conflict: the pro-European/Eurosceptic line of conflict may now also structure party positions on economic issues. Kriesi's *et al* (2008) theory of dimensional change, where the left/right line of conflict concerns economic issues and the integration/demarcation line of conflict concerns non-economic issues is only one way in which globalization can affect the dimensions that structure the political space. In other cases, the pro-European/Eurosceptic line of conflict may partially structure economic issues. The conflict focuses on the question whether political parties accept or reject the limitations on their national decision-making set up by the European Union (cf. Mair, 2007c).

The eurozone crisis has made this question more pressing: since the institution of the European Monetary Union in 1999, the direct influence of the European Union over economic policies has grown: in eurozone countries, budgetary policies are limited or even co-determined by the European Commission. Eurozone countries are all member of the Stability and Growth Pact, which limits a country's budget deficit to 3 per cent of their GDP. After the onset of the banking crisis and the following economic crisis, many eurozone countries could no longer keep to this norm: in order prevent an economic depression, they increased their spending in the short term. These violations of the Stability and Growth Pact were tolerated, as long as these stimulus packages were followed by welfare state reforms in order to balance the budget in the long term. As the banking crisis turned into an economic crisis, deficits and public debts grew. The trust of financial markets in particular eurozone countries declined. In order to keep the trust of financial markets, the European Commission increased its

control over national budgetary decision-making with the Fiscal Compact (signed in 2012). In this treaty, the tools that the European Commission had to force countries to keep to the Stability and Growth Pact were expanded. In some countries the mandates of the European Commission came earlier and were enforced even stronger: for instance when Greece was bailed out in 2010 and 2012, the loans came with strict conditions about reforms, privatizations and austerity measures. Inductive studies of the positions of voters and parties in Greece show how economic issues are no longer structured by the economic left/right dimension: in Greece, a bailout line of conflict has developed that concerns the extent to which voters of the traditional left and the right favour the mandated reforms and budget cuts (Katsanidou, 2013; Teperoglou and Tsatsanis, 2014). Pro-European voters of the left and right tend to favour such reforms, while Eurosceptic voters of the left and right oppose such reforms.

It may be that globalization, when it comes in the form of European control over budget policies, does not reinforce the left/right dimension but it may in part displace the political competition. The pro-European/Eurosceptic line of conflict may affect economic policy positions: Eurosceptic parties oppose the unpopular reforms and austerity measures mandated by the European Commission and claim to defend welfare states against the ‘dictates from Brussels’. In this sense, ‘Europe’ may become the object of contestation through its effect on everyday politics (cf. Mair, 2007c). The key expectation that one can deduce from this discussion is the following: *after the onset of the eurozone crisis, party positions on economic issues are no longer exclusively structured by the left/right line of conflict but also by a pro-European/Eurosceptic line of conflict.*

## Case selection

It is an open question whether the pattern observed for Greece can be observed in other countries. One may argue that Greece was an outlier, because it was bailed out by the international community. The patterns found in this country may be the result of the extreme circumstances of the bailout. It may also be that the bailout is only one element of a general pattern of Europeanization of economic decision-making. In other countries, austerity policies were also implemented in order to keep to the requirements of the Stability and Growth Pact. Therefore this article selects a country that is ‘typical’ of the eurozone countries that were not bailed out (Gerring, 2007).

Table 1 lists the 19 eurozone countries. It also shows two characteristics of national economies between 2008 and 2014, namely, whether countries were bailed out by the European Union and the number of years with an ‘excessive’ budget deficit according to European norms. Five countries were bailed out by the European Union: a pattern like in Greece is likely in these countries. Four countries became a member of eurozone since the onset of the economic crisis and therefore cannot be argued to be representative for

**Table 1:** Nineteen Eurozone countries

<i>Country</i>	<i>Year of eurozone accession</i>	<i>Bailed out</i>	<i>Years with excessive budget deficit</i>
Finland	1999	No	0
Luxembourg	1999	No	0
Estonia	2011	No	0
Austria	1999	No	2
Germany	1999	No	2
Belgium	1999	No	4
Italy	1999	No	4
Netherlands	1999	No	4
Malta	2008	No	4
Slovakia	2009	No	4
Latvia	2014	No	4
Slovenia	2007	No	5
Cyprus	2008	Yes	5
Lithuania	2015	No	5
France	1999	No	6
Ireland	1999	Yes	6
Portugal	1999	Yes	6
Spain	1999	Yes	6
Greece	2001	Yes	6

Source: For information on budget deficit: Eurostat (2015).

the countries that were a member for a longer period. Out of the remaining 10 countries, four countries had ‘excessive’ budget deficits for the median number of years (4): Belgium, Malta, the Netherlands and Italy. These countries can be argued to be most representative of the 10 countries that were not bailed out.

The Netherlands is a good choice of a typical case because it, like many other eurozone countries, has a multiparty system where the left/right line of conflict and an integration-demarkation line of conflict structure political competition (Kriesi *et al.*, 2008).<sup>2</sup> Moreover, the Netherlands had sizeable Eurosceptic parties on the left and the right before the crisis, which meant that the European influence over economic and budgetary issues could be contested from both the left and the right. Given the economic indicators shown in Table 1, one may expect the effect of the eurozone crisis on the German and Finnish party systems to be smaller than in the Dutch case, while in countries like France the effects may be larger.

## Method of Data Reduction

There are different ways to assess the dimensionality of a political space. This article will employ methods of data reduction to assess whether a specific dimensional set-up ‘fits’ party positions. It is important to note that the choice of scaling method has



implications for the results that one gets. Therefore, one cannot claim that data has a true dimensionality (Benoit and Laver, 2006). In the end, data reduction is a process of creation (Coombs, 1964). Still, one can test the internal consistency and external validity of models one creates. Moreover, one can assess to what extent particular models show a better or a worse level of internal consistency or external validity by using the same methods for different periods. Whether one ought to select an inductive and deductive method depends on the research question one has (De Vries and Marks, 2012). This study seeks to determine whether the left/right line of conflict suffices to understand party positions on actual economic issues. Because the number of lines of conflict and their nature is an open question in this study, this study will mainly use an inductive methodology.

This article employs methods from Item Response Theory. Such methods have a minimal number of assumptions about the nature of the data (Mokken, 1971; Kruskal and Wish, 1978). This stands in contrast to methods such as factor analysis that are based on a number of assumptions, such as normal distribution of the data (Van Schuur and Kiers, 1994). When examining a maximum of 10 parties, the assumption of a normal distribution is not realistic. This article will use two methods: Multi-Dimensional Scaling (MDS) and Mokken Scaling. First, MDS is used as an inductive method to explore data. The starting point of MDS is a distance matrix. MDS creates a model with a given number of dimensions that best fit the given distances. The distances between parties are calculated in terms of their disagreement on policy issues. Non-metric multidimensional scaling and specifically Sammon's Non-Linear Mapping is used on Manhattan distances (Sammon, 1969). Choosing non-parametric over parametric MDS and Manhattan over Euclidian distances makes the results less sensitive to outliers. The extent to which data 'fits' a model with a given number of dimensions is expressed in the stress. A stress that is lower than 0.1 is 'acceptable'. This means that 10 per cent of the distances is misrepresented by the model.

Second, Mokken Scaling will be used as a deductive method to assess the extent to which items can be integrated into a single scale (Mokken, 1971). It was developed to test the quality of exams. This scale then runs from easy items (that most respondents answer correctly) to difficult items (that most respondents answer incorrectly). The quality of the scale is expressed in the number of errors: the number of times respondents who answer the difficult questions correctly get the easy questions wrong. This is expressed in the H-value. An H-value below 0.3 is unacceptable. In this article, models run from, for instance, left to right instead of from easy to difficult. Polytomous Mokken scaling is applied on items with multiple, ordered answer categories (Van der Ark, 2007).

## Data Sources

This article uses data from the Dutch Bureau of Economic Analysis to model party positions (CPB, 2006; CPB and PBL, 2010, 2012).<sup>3</sup> The CPB reports give an



overview of both the input that parties give to the CPB as well as the outputs that these policies have according to the CPB. As argued above, this data is superior to many other sources, because parties position themselves on a very detailed list of policies that they wish to implement in the next four years. The CPB reports list all policies that parties propose in each election year. These have been reduced to 212 policy items on which parties can propose to spend more or less money or raise or decrease taxation. Tables A1 and A2 give an overview of a sample of these policy items. These policies are expressed in a common currency (namely, euro). There is, however, one major drawback: parties are forced to translate their election manifestos into the categories offered by the CPB. After the CPB calculates the effects of these policies, parties have the possibility to revise their input (Giebels and van der Malen, 1998). This creates an opportunity for the contributing politicians to game the system manipulating their input in order to maximize particular output variables (Don, 2002, p. 109; Banning and Jansen, 2006): parties know what kind of ‘tricks’ they need to pull to get the best result out of the CPB models (Haegens, 2006). On occasion, the election manifestos of parties and their final input to the CPB has deviated markedly (De Kam, 2002).

Therefore, one may argue that the output values reflect the real party preferences better than the input values. The policy effects, however, depend on the economic models the CPB uses and their assumptions about how the economy functions. These models have been subject to constant debate. In the 1970s, the debate about the CPB models was ideological: Keynesians argued that the models were based on neo-classical assumptions (Driehuis and Van der Zwan, 1978). Since then, the debates have been less ideological (Snels, 1999; Banning and Kalse, 2002). Still, academic economists consider the CPB models to be less trustworthy than the models of international institutions, such as the IMF (Klamer and Van Dalen, 1996). The CPB models continued to be criticized, most prominently by Bomhoff, because the models were unable to accurately predict economic growth (for example, Bomhoff and Van der Geest, 2003). In order to address these criticisms, the CPB has invited external visitations by academics every 6–7 years (for example, Hellwig *et al.*, 2010): The last visitation committee has raised the question whether the CPB incorporates enough behavioural economics in their models. Politicians of the left and the right, employers’ organizations and labour unions have also criticized the models on occasion, in particular when those results did not fit their own agendas, while citing the results *verbatim* when they do (Financieel Dagblad, 2002; Tamboer, 2002; Den Butter, 2010; Vendrik, 2010)

Both the input and the output variables have their own drawbacks: parties may pick particular policies because they work well in the CPB models but not because they prefer them. This means that they really desire particular outcomes, not necessarily particular inputs. These outcome variables, however, are based on a specific model, which is not uncontested. This can be addressed in two ways. First, while the input or output CPB models may distort party manifestos, there is no proof

of systemic bias: this means that *relative* party positions will be left roughly intact. This analysis looks at these relative positions. Moreover, the CPB and their models play a major role after the elections, calculating the effects of coalition manifestos and proposed policies. As Gerrit Zalm, at that time director of the CPB admitted: ‘the CPB delineates the political playing field’ (Banning and Jansen, 2006). In this sense, the analyses of the CPB are an accurate reflection of the options parties have in office. After the elections decisions, decisions by parties are still informed by the CPB’s models and parties are likely to pick policies that according to the CPB reach their policy goals. As both the input and the output models have advantages and disadvantages, both are used in order to triangulate party positions.

The output data also suffers from a number of statistical problems: first, the output variables selected by the CPB differ per election. This means that comparisons over time should be made with some caution. Second, these outputs are not expressed in the same variable. Therefore, the output data has been normalized.

In order to aid interpretation every model has been rotated (using Procrustean rotation) so that the horizontal dimension is as close as possible to the left/right line of conflict based on a ‘standard left/right scale’, which will be constructed in the following section and reflects the common wisdom of the main party positioning consortia. The key question that this article will then seek to answer is what patterns underlie the variance on the second dimension.

## Left and Right in the Netherlands

This section examines policy positions of Dutch parties between 2006 and 2012 (listed in Table 2) according to the two major political science consortia occupied with party positioning: the Chapel Hills Expert Survey (CHES) and the Manifesto Research on Political Representation (MARPOR). CHES asks experts on party positioning to place parties on a number of scales including a number of social-economic scales (Hooghe *et al*, 2010; Bakker *et al*, 2015). This reflects the scholarly consensus on party positions. For CHES, four economic items are taken together. As one can see from the H-values in Table 1, party positions on these four items were practically identical.<sup>4</sup>

MARPOR analyses election manifestos: in these documents, parties can signal their policy positions to voters (Schumacher, 2011). MARPOR has classified election manifestos on the basis of the issue addressed in them (Volkens *et al*, 2014). Following McDonald and Mendes (2001), an economic line of conflict is constructed from the MARPOR data. They include items that concern support or opposition to nationalization and willingness to tax and spend (McDonald and Mendes 2001, p. 108). They subtract mentions of 13 left-wing items from mentions of nine right-wing items.<sup>5</sup>

The results of these two measures can be integrated into a single scale. In 2006, MARPOR and CHES are practically identical; in 2010 there are limited



discrepancies, but on the basis of the H-value one can conclude that CHES and MARPOR scales measure the same underlying concept. Scale scores are calculated in terms of the average position on the CHES and MARPOR economic left/right scores. This scale that combines CHES and MARPOR data will be referred to as the ‘standard left/right scale’.

The ‘core’ of the Dutch party system is formed by three parties (Smith, 1989): the Christian-democratic CDA, the social-democratic PvdA and the conservative liberal VVD. The CDA has a centre-right position; the PvdA has a centre-left position; and the VVD has a right-wing position. To the left of the PvdA, there are two parties: the socialist SP and the green party GL. Between the centre-left PvdA and the centre-right CDA there are four centrist parties: the single-issue animal rights party PvdD, the conservative Christian SGP, the social-liberal D66 and the Christian-social CU. On the right, one can find the right-wing populist PVV; according to both CHES and MARPOR, this party has moved to the left between 2006 and 2010.

In addition to the economic left/right line of conflict discussed here, Kriesi *et al* (2008) also mention the existence of a libertarian/traditionalist line of conflict. Hieda (2013) has shown that party positions on this line of conflict influence childcare spending. As similar pattern can be seen in the welfare state literature where Esping-Andersen (1990, p. 27) has identified a ‘corporatist’ world of welfare state capitalism, in addition to a liberal and social-democratic one. Van Kersbergen and Vis (2014, p. 76) relate this corporatist model to a particular Christian-democratic approach to the welfare state policy, which emphasizes the role of families in providing welfare and seeks to maintain the existing social order. Party positions on the libertarian/traditionalist dimension from CHES are shown in Table 2 as well.<sup>6</sup> The PvdA, PvdD, GL and D66 have the most libertarian positions. The CDA, SGP, CU and PVV take more traditionalist positions according to experts. These experts place SP and the VVD in the middle of this dimension.

According to Kriesi *et al* (2008), the traditionalist/libertarian line of conflict has been replaced by a demarcation/integration line of conflict, which, among others, divides pro-European and Eurosceptic parties. Table 2 also shows this dimension, constructed from two questions from CHES.<sup>7</sup> The SP and the PVV are most Eurosceptic. The SGP, PvdD and CU are placed in the centre. On the pro-European side, one can find the VVD, PvdA, CDA, D66 and GL.

## The economic policy space 2006–2012

The following section discusses six inductive models of the policy space that have been constructed on the basis of either the plans that parties submitted to the CPB (input data) or the predicted policy effects of these policies according to the CPB (output data) for the 2006, 2010 and 2012 elections.<sup>8</sup> First, the number of dimensions necessary to capture the variance is discussed. Then the models will be presented.



**Table 2:** Dutch parties and their positions

<i>Party name</i>				<i>CHES economic left–right</i>		<i>Economic MARPOR</i>		<i>Scale scores</i>		<i>CHES libertarian/traditionalist</i>		<i>CHES EU</i>	
<i>Abbr.</i>	<i>English</i>	<i>Dutch</i>	<i>Ideology</i>	<i>2006</i>	<i>2010</i>	<i>2006</i>	<i>2010</i>	<i>2006</i>	<i>2010</i>	<i>2006</i>	<i>2010</i>	<i>2006</i>	<i>2010</i>
SP	Socialist Party	<i>Socialistische Partij</i>	Socialist	1.1	1.4	–18.9	–22.1	0.11	0.08	5.2	5.2	2.3	2.3
GL	Green Left	<i>GroenLinks</i>	Green	2.3	3.0	–20.9	–25.2	0.16	0.13	2.4	1.9	4.9	5.8
PvdA	Labour Party	<i>Partij van de Arbeid</i>	Social-democrat	3.5	4.1	–13.5	–17.1	0.37	0.35	3.7	4.0	5.3	5.2
PvdD	Party for the Animals	<i>Partij voor de Dieren</i>	Green	—	3.8	–4.3	–4.6	—	0.55	—	3.8	—	3.9
SGP	Political Reformed Party	<i>Staatkundig Gereformeerde Partij</i>	Christian conservative	—	6.3	–4.9	–11	—	0.61	—	9.3	—	3.6
PVV	Freedom Party	<i>Partij voor de Vrijheid</i>	Right-wing populist	8.4	5.3	2.9	–4.4	1.00	0.66	6.6	7.2	1.9	2.3
D66	Democrats 66	<i>Democraten 66</i>	Social-liberal	5.3	5.9	–6.2	–5.7	0.63	0.68	2.5	1.6	6.4	6.6
CU	ChristianUnion	<i>ChristenUnie</i>	Social-Christian	4.0	4.7	–6.8	0.2	0.53	0.7	8.4	7.4	3.6	4.2
CDA	Christian-Democratic Appeal	<i>Christen-Democratisch Appèl</i>	Christian-democratic	5.4	6.2	–4.9	–3.2	0.66	0.74	6.7	7.1	5.6	5.6
VVD	Liberal Party	<i>Volkspartij voor Vrijheid en Democratie</i>	Conservative liberal	8.1	8.4	–1.1	–0.9	0.95	0.93	5.1	4.8	5.4	5.2
H				0.99	0.98	—	—	0.98	0.77	—	—	0.88	0.80
<i>N</i> Parties				8	10	—	—	8	10	8	10	8	10
<i>N</i> Items				4	4	—	—	2	2	1	1	2	2
Min				0	0	–100	–100	0	0	0	0	1	1
Max				10	10	100	100	1	1	10	10	7	7



Next, the internal and external validity of these models will be determined by assessing the stability of the dimensions over time and across sources of data (internal validity), and the correlation between these dimensions and the policy scales presented above (external validity). Finally, the substantive nature of the conflict will be determined by looking at more specific items.

Table 3 presents the stress levels for the different solutions. If one applies a strict 0.1 criterion to justify a one-dimensional model, one can see that only the input data for 2006 fits a one-dimensional model (stress is 0.09). The other models all have too much variance to be one-dimensional, but do fit a two-dimensional model. For comparability's sake, two-dimensional models will be presented exclusively. Figures 1–3 present the MDS models based on the output data. Figures 4–6 present the multi-dimensional scaling models based on input data. Figure 4 should therefore be treated with some caution: the horizontal dimension from Figure 4 has a 0.98 correlation with the single dimension based on the same data. Therefore, the vertical dimension of Figure 4 does not capture meaningful variance. The level of stress in the 2006 data is consistently lower than the level of stress for the 2010 and 2012 data. This indicates that the importance of the second dimension for the input and the output data has grown.

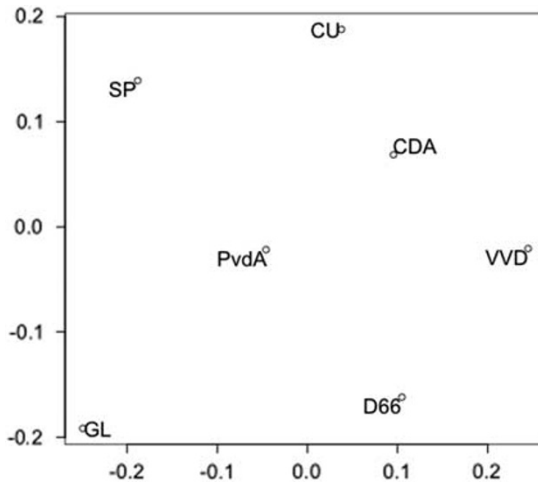
Figure 1 shows the model based on the 2006 output data. One can see a left/right division on the horizontal dimension: the GL and the SP on the far left, the PvdA, on the centre-left, CDA, CU and D66 on the centre-right and the VVD furthest to the right. The vertical dimension clusters the traditionalist parties CDA and CU as well as the SP, which according to experts takes a centrist position on the divide between traditionalists and libertarians. The GL and D66 are on the other side of the figure. It appears that the second dimension in the output data reflects the libertarian/traditionalist divide.

In Figure 2, one can see marked stability on the horizontal dimension and marked change on the vertical dimension. The Eurosceptic PVV and the SP share a common position in the top of the figure. The pro-European GL is furthest from the PVV and the SP. Figure 3 has a very similar structure to Figure 2, with the GL and the SP standing much closer to each other on the horizontal dimension than they do on the vertical dimension, and for the VVD and the PVV one can see the same pattern.

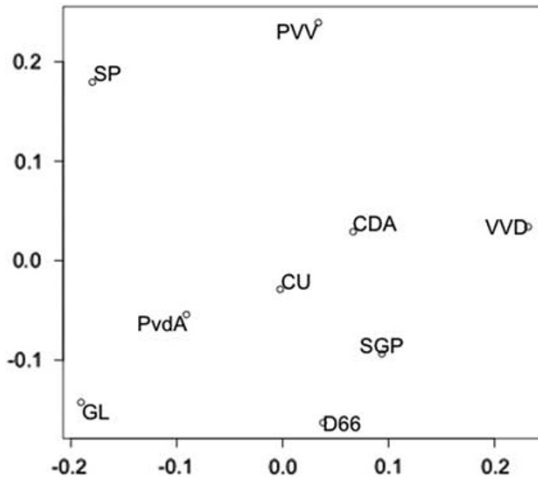
In Figure 4, one can see the model based on the input data for 2006. It shows a strong difference between the GL on the one side and the other parties on the other. This is the result of the massive tax shift from income taxes to environmental taxes that the GL proposed. Within the other parties one can see a left/right pattern as one moves from the left-wing SP and PvdA to the centrist CDA, D66 and CU to the right-wing SGP and VVD. The second dimension in this model does not pick up meaningful variance; as seen above, the data can best be scaled in terms of single dimension. Figure 5 has clear similarities to Figure 2, with the horizontal separating the left from the right and the vertical dimension showing a clear difference between the SP and the GL. The mainstream parties, CDA, VVD and PvdA, are closer to the

**Table 3:** Stress for different solutions

	<i>Number of Dimensions</i>	<i>2006</i>	<i>2010</i>	<i>2012</i>
Input	1D	0.09	0.14	0.15
	2D	0.02	0.04	0.03
Output	1D	0.13	0.18	0.15
	2D	0.01	0.02	0.02



**Figure 1:** MDS of output data (2006).



**Figure 2:** MDS of output data (2010).

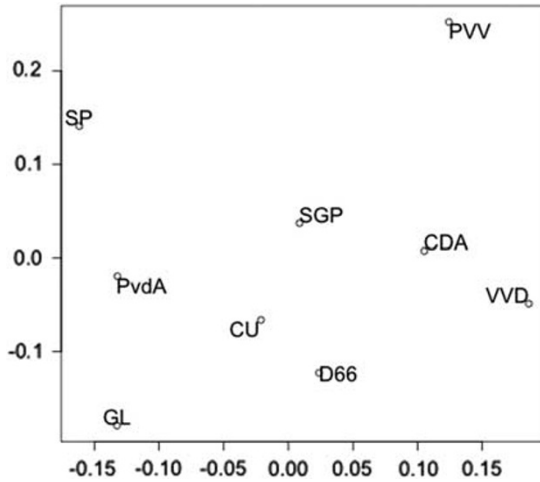


Figure 3: MDS of output data (2012).

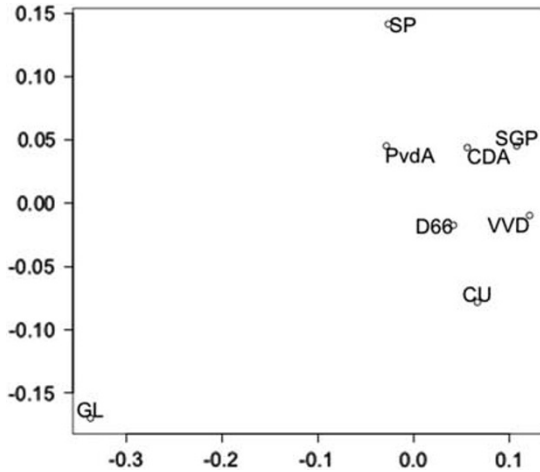


Figure 4: MDS of input data (2006).

top of the figure in Figure 5, compared to Figure 2. Figure 6 is strikingly similar to Figure 3, except for the PvdA, which is closer to the SP than the GL in Figure 3, while it is closer to the GL in Figure 6. When looking at these figures, the theoretical expectation presented above fits better with the output than with the input data. These patterns are studied in greater detail below.



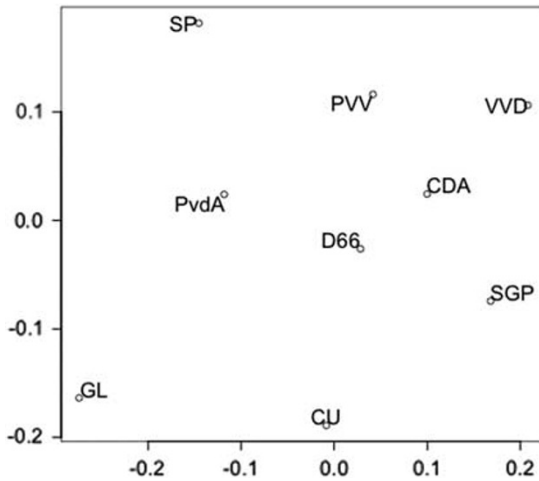


Figure 5: MDS of input data (2010).

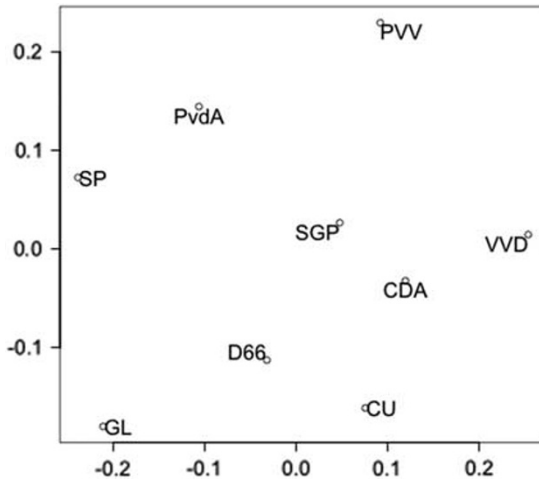


Figure 6: MDS of input data (2012).

As the horizontal dimensions from the two-dimensional models are rotated to best match the standard left/right scale, one would expect them to be stable and reflect a left/right division. As can be seen in Table 4, this is the case: the correlations both between different sources of data for the same year and the same source of data for

**Table 4:** Correlations for the horizontal dimension in two-dimensional models

		<i>Input</i>			<i>Output</i>		<i>Standard left-right scale</i>
		<i>2006</i>	<i>2010</i>	<i>2012</i>	<i>2006</i>	<i>2010</i>	
Input	2006	—	—	—	—	—	0.73
	2010	0.88	—	—	—	—	0.89
	2012	—	0.89	—	—	—	0.96
Output	2006	0.84	—	—	—	—	0.98
	2010	—	0.96	—	0.98	—	0.95
	2012	—	—	0.93	—	0.89	0.91

**Table 5:** Correlations for the vertical dimension in two-dimensional models

		<i>Input</i>			<i>Output</i>		<i>EU</i>	<i>GAL-TAN</i>
		<i>2006</i>	<i>2010</i>	<i>2012</i>	<i>2006</i>	<i>2010</i>		
Input	2006	—	—	—	—	—	0.31	0.19
	2010	0.80	—	—	—	—	0.43	0.04
	2012	—	0.75	—	—	—	0.61	0.33
Output	2006	0.50	—	—	—	—	0.69	0.90
	2010	—	0.75	—	0.75	—	0.79	0.41
	2012	—	—	0.84	—	0.89	0.88	0.58

different years are high. They also reflect the standard left scale. This shows that the data is partially but consistently structured by the left/right line of conflict.

When it comes to the second dimension, however, one can see more diversity: Table 5 shows a number of correlations that can help in the interpretation of the vertical dimension. Compared to the patterns seen above, these vertical dimensions are less stable. For the input data the patterns are highly stable over time, but the correlation decreases slightly. For the output data, the over-time stability is constantly high and increases slightly. The cross-method stability of these vertical dimensions increases over time: the vertical dimensions of the input model correlates well with vertical dimension for the output data for 2010 and 2012. In 2006, the correlation is medium. This indicates that these dimensions tend to pick up on the same concept in 2010 and 2012, but that in 2006 the second dimension did not reflect the same variance, which is reasonable given that the vertical dimension for the 2006 input data does not measure meaningful variance. This means that as this second dimension became more important in structuring both the input and output data, the coherence between the dimensions from the two data sets increases.

In order to assess the external validity of these dimensions, they are correlated to two external dimensions. This can also help to understand what kind of political

**Table 6:** Correlations between dimensions and reform and redistribution scale

	<i>Data Set</i>	<i>Correlation</i>	<i>H-value</i>
Redistribution	Input 2012	0.94	0.82
	Output 2012	0.95	—
Reform	Input 2012	0.78	0.83
	Output 2012	0.81	—

conflict these dimensions concern. The pro/anti-EU dimension and the libertarian/traditionalist dimension presented above are used. One can see the correlations between party positions and the libertarian/traditionalist dimension on the input side are generally low (fluctuating between 0.19 and 0.33), while there is a marked decrease on the output side (from 0.92 to 0.58). This indicates that especially in the 2006 output model this vertical dimension reflected the libertarian/traditionalist line of conflict but that in other models this relationship is weaker. The scale based on the CHES EU integration items taps into a pro-European/Eurosceptic line of conflict. The correlations between the vertical dimension from the input data and the EU scale increase from low (2006) to medium (2012); and for the output data the correlations increase from medium to high. These correlations are considerably and consistently higher for the output data compared to the input data. The external validity of the input data is lower than the external validity of the output data. The two sets of correlations tell a similar but slightly different story: in the output data model, the pro-European/Eurosceptic line of conflict replaced the libertarian/authoritarian dimension in structuring a two-dimensional economic policy space. In the input data model, the pro-European/Eurosceptic line of conflict became more important as the economic policy space became more two dimensional.

What do these dimensions concern substantively? In order to aid interpretation, two scales have been constructed for the 2012 CPB input data. Ten items were selected that formed a consistent scale and were related to the vertical dimension and 10 items that formed a consistent scale and were related to the horizontal dimension (see Table 6). The exact policy items are listed in Tables A1 and A2. The first scale concerns redistribution of income between rich and poor (such as a wealth tax) and policies oriented at the worst off both nationally (the handicapped) and internationally (developing countries). Therefore it is labelled as the redistribution line of conflict. However, it also concerns environmental items (such as spending on nature conservation). These items scale well and they relate well to the horizontal dimensions from both the input and the output model. This redistribution line of conflict mainly concerns egalitarianism, but also taps into environmentalism.

The second scale consists of items that correlate with the vertical dimension. They include a broad range of welfare state reforms. The most prominent of these is raising the retirement age, which is meant to contribute to a long-term balanced budget.



Other reforms reinforce competition and the principle ‘the user pays’ in health care or limit sick pay and the unemployment benefit. These reforms disadvantage seniors more than younger people, because they use health-care and social security more often. The scale also includes policy items on education and science spending. Education spending benefits young people more than seniors. In this sense, this dimension reflects a generational conflict between parties that seek to ensure that the welfare state is sustainable in the long term and parties that seek to ensure that the welfare state benefits those citizens that currently need its help the most, in particular seniors. As these items tap into different kinds of welfare state reforms, it is labelled the reform line of conflict. As can be seen in Table 6, these items form a consistent scale. The correlations with the vertical dimension from the input and output model are high. The reform line of conflict mainly concerns opposition to or support for a number of major reforms to the welfare state, oriented at, among others, long-term balanced budgets.

All in all, these results indicate that when analysing both policy proposals and policy outputs, there is a second line of conflict in addition to the left/right line of conflict. This second line of conflict has grown in importance: it was less important in 2006 and it became more important in 2010 and 2012. In 2006, the conflict on economic issues divided political parties into left and right: the GL and SP were on the left and the CDA and VVD were on the right. For as far as there was a second dimension in Dutch economic politics, it tapped into the libertarian/traditionalist line of conflict, with the traditionalist parties forming their own cluster. Since 2006, the second dimension has become more important and it changed in nature: it taps into the division between pro-European and Eurosceptic parties. It divides parties on a number of public sector reforms oriented at the long-term sustainability of the welfare state. This indicates that this dimension reflects a social-economic interpretation of the pro-European/Eurosceptic division: Eurosceptic parties like the PVV and SP oppose welfare state reforms meant to bring the Netherlands in line with the budgetary requirements of the Stability and Growth Pact.

## Conclusion

This article shows that party positions on economic issues are not necessarily always structured by the left/right dimension: between 2006 and 2010 a number of economic policy issues do not fit into the left/right line of conflict in the Netherlands. In addition to a left/right dimension of conflict, there is a second economic dimension in Dutch politics. For as far as there was second dimension in these economic positions in 2006, it concerned the difference between libertarian and traditionalist parties, linking to a distinct Christian-democratic approach to the welfare state. In 2010 and 2012, the second dimension was important and it changed in nature. This ‘new’, ‘second’, ‘vertical’ or ‘reform’ line of conflict taps into a division

between Eurosceptic parties, namely the right-wing populist PVV and the socialist SP and pro-European parties, such as the social-liberal D66 and the green GL. The first two oppose restricting national sovereignty over the budget, while the second two favour the Europeanization of the budgetary process. In this case, globalization, in the form of European integration, has not reinforced the left/right conflict (Kriesi *et al.*, 2008, p. 15); rather, economic issues are partially structured by a pro-European/Eurosceptic line of conflict. The observed pattern may be considered a delayed version of Kriesi *et al.*'s (2008) description of the effect of globalization, but then specifically for economic issues: the second dimension changes in nature from the libertarian/traditionalist line of conflict to a line of conflict that concerns favouring or opposing European economic integration. This interpretation seems likely as the line of conflict became stronger as the European Commission increased its control over the national budgeting process. Here one can see a direct effect of European integration on the mechanics of the Dutch party system (cf. Mair, 2007c): pro-European parties that accepted the increasing European control over the national budget agree on a policy agenda of reforms, which Eurosceptic parties opposed. This dimension taps into an intergenerational line of conflict between parties that are willing to reform the welfare state in order to ensure its sustainability and parties that oppose reforms because they hurt those who need the support from the welfare state now. These interpretations are not exclusive: this line of conflict divides pro-European reformers oriented at sustainability of the welfare state and Eurosceptic defenders of the existing welfare state. The traditional left/right dimension still plays a role in economic policy, it taps into issues of egalitarianism and environmentalism, but does not exclusively structure party policy positions on economic issues.

This evidence concerns the Netherlands, but there are reasons to believe that this is not an exclusively Dutch phenomenon: the study corroborates the findings from Greece, where there is a second economic dimension that concerns support for the country's bailout and related austerity measures (Katsanidou, 2013; Teperoglou and Tsatsanis, 2014). The study shows that Greece is not an outlier. The Netherlands is a typical case, meant to be representative for the eurozone countries that were not bailed out. Similar patterns as in the Netherlands may be visible in countries that have seen similar periods of 'excessive' budget deficits as the Netherlands saw, such as Italy: here the *Movimento Cinque Stelle* has questioned Italy's membership of the euro and opposed austerity policies that the mainstream parties of the right and left supported in order to meet the requirements of the Stability and Growth Pact. These patterns may be stronger in countries that have seen longer periods of excessive debt, such as France: here the *Front National* may share similar Eurosceptic economic policy positions with *Front de Gauche*. In countries that have had shorter or no period of excessive debt, such as Germany and Finland, the effect of the Europeanization of budgetary policy on the party system may be more limited.

In addition to this theoretical contribution, this article showed that the reports of the CPB, the Netherlands Bureau of Economic Analysis, offer an alternative way to



measure party policy preferences. When parties submit their programmes to the CPB, they need to quantify how they want to tax and spend, and cannot promise to maximize every policy goal but will need to prioritize. This article shows that this kind of information can be translated into low-dimensional models using an inductive methodology. These models showed considerable stability across time and between different sources of data as well as external validity.

## About the Author

Simon Otjes (1984) is researcher at the Documentation Centre Dutch Political Parties of the University of Groningen. His research interests are political parties, party systems, political space and in particular the effect of the eurocrisis on European party systems. He has previously published in the *American Journal of Political Science*, *Party Politics* and *Electoral Studies*.

## Notes

- 1 This article was inspired by a blog post by Tom Louwerse (2010). I would like to thank him, Gijs Schumacher and the two anonymous reviewers from *Acta Politica* for their comments and suggestions.
- 2 Italy has had its own particular eurozone crisis experience when the Fourth Berlusconi government was replaced by a technocratic government under pressures of international markets. Belgium has its own unique multiparty system with a strong linguistic cleavage. Malta finally is the only true two-party system in the Eurozone.
- 3 Since 2010 the Netherlands Environmental Assessment Agency (PBL) has assessed the environmental effects of the manifestos, which are incorporated in the same report.
- 4 These items are:
  1. Economic Left/Right Parties can be classified in terms of their stance on economic issues. Parties on the economic left want government to play an active role in the economy. Parties on the economic right emphasize a reduced economic role for government: privatization, lower taxes, less regulation, less government spending and a leaner welfare state: extreme left (0) and extreme right (10).
  2. Position on improving public services versus reducing taxes: strongly favours improving public services (0) and strongly favours reducing taxes (10).
  3. Position on deregulation: Strongly opposes deregulation of markets (0) and strongly supports deregulations of markets (10).
  4. Position on redistribution of wealth from the rich to the poor: Strongly favours redistribution (0) and strongly opposes redistribution (10).
- 5 The left-wing items are centralization, market regulation, economic planning, corporatism, protectionism, Keynesian economics, controlled economy, nationalization, Marxism, social justice, welfare: pro, education: pro and labour groups: pro. The right-wing items are decentralization, free enterprise, protectionism: con, productivity, infrastructure, economic orthodoxy, welfare: con, Education: con and labour groups: con. The scalability of this model is not tested separately for the Dutch case, as the scale was developed on basis of a large- $N$  inductive analysis.
- 6 The question: Parties can be classified in terms of their views on democratic freedoms and rights. 'Libertarian' or 'postmaterialist' parties favour expanded personal freedoms, for example, access to

abortion, active euthanasia, same-sex marriage, or greater democratic participation. ‘Traditional’ or ‘authoritarian’ parties often reject these ideas; they value order, tradition, and stability, and believe that the government should be a firm moral authority on social and cultural issues.

7 The questions are:

1. How would you describe the general position on European integration that the party leadership took over the course of 2010?
2. What position did the party leadership take over the course of 2010 on the following policies? The internal market (that is, free movement of goods, services, capital and labour).

8 Except for the *Partij voor de Dieren* (Party for the Animals, PvdD), which has never submitted its manifestos to the CPB. In 2006, the SGP only participated in the calculation of budgetary effects and not in the calculation of socio-economic effects. The PVV did not participate in the CPB-process in 2006.

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## Appendix A

**Table A1:** Examples of reform economic items

<i>Policy</i>	<i>VVD</i>	<i>PvdA</i>	<i>PVV</i>	<i>CDA</i>	<i>SP</i>	<i>D66</i>	<i>GL</i>	<i>CU</i>	<i>SGP</i>
Retirement age increase	15	-4	-8	12	0	6	6	0	5
Unemployment benefit	12	-1	-10	11	-10	11	8	9	8
Sick pay	2	0	0	3	0	2	2	2	2
Rule-free care <sup>a</sup>	0	0	13	0	13	0	0	0	13
Competition in health care	10	0	0	10	0	11	8	6	9
Health-care deductibles	36	-4	-16	30	-36	21	0	19	-2
Science spending <sup>a</sup>	-1	0	2	-3	0	-3	-1	-1	-2
Higher education <sup>a</sup>	-1	1	0	0	-2	-8	-8	-4	-3
Property transfer tax <sup>a</sup>	-2	-2	12	0	0	-5	-3	-2	0
VAT-increase	0	-42	-74	0	-42	0	0	0	0
Score values	75	-54	-111	69	-99	57	30	39	14

<sup>a</sup>Item reversed in Mokken Scaling analysis. All items in hundreds of millions euro. Positive values lead to an increase of money for the government (budget cuts and tax increases); negative values lead to a decrease in money for the government (spending increases and tax cuts).

**Table A2:** Examples of redistribution economic items

<i>Policy</i>	<i>VVD</i>	<i>PvdA</i>	<i>PVV</i>	<i>CDA</i>	<i>SP</i>	<i>D66</i>	<i>GL</i>	<i>CU</i>	<i>SGP</i>
Quota	0	4	0	1	7	6	7	0	0
Health-care premium	0	58	0	0	57	0	57	0	0
Mortgage interest relief	0	9	3	0	14	12	12	17	8
Wealth tax	-4	4	0	0	15	0	7	0	0
Road pricing scheme	0	20	0	0	23	16	50	34	3
Packaging tax	0	3	0	0	18	0	18	0	0
Soft drugs tax	0	5	0	0	5	5	5	0	0
Foreign aid spending <sup>a</sup>	27	0	35	5	-7	0	-7	-2	-1
Culture and media spending <sup>a</sup>	4	-1	5	0	-3	-1	-2	7	4
Nature spending <sup>a</sup>	2	0	2	0	-2	-4	-7	-1	1
Score values	-37	104	-39	-4	151	44	172	47	7

<sup>a</sup>Item reversed in Mokken Scaling analysis. All items in hundreds of millions euro. Positive values lead to an increase of money for the government (budget cuts and tax increases); negative values lead to a decrease in money for the government (spending increases and tax cuts).