



LEGITIMULT

WP 6 – Legitimate Crisis Governance and Economic Sustainability

Lead beneficiary: UNED

Participants: Eurac; UiB; ULEI; FUBe

Start month: M1; **End month:** M36

Goal: Explanation and analysis of the impact of multilevel governance on social, economic and fiscal measures during the Covid-19 pandemic and the political legitimacy of these measures.

During the Covid-19 crisis, governments have taken a range of social, fiscal and economic measures such as subsidies, transfers, tax deferrals, tax cuts and cash payments. These measures have challenged the economic sustainability in multilevel governance systems, namely the trade-off between current and future consumption. WP 6 collects a dataset on social, economic and fiscal measures at the subnational and national in 31 European countries and at the EU and international level. It then explores the impact of multilevel governance and other explanatory factors of the political legitimacy of these measures relying on different quantitative methods. Based on the results of these analyses, WP 6 provides recommendations on how to foster economic sustainability in crisis governance and its legitimacy.

Objectives

Objective 1: Evaluate the impact of multilevel governance institutions on social measures, fiscal and economic stimulus on democratic governance

The crisis governance during the Covid-19 crisis involved important social measures as well as fiscal and economic stimuli such as subsidies, transfers, tax deferrals, tax cuts, and cash payments. Many governments' social, fiscal and economic policy responses affected multilevel governance and will exert strong pressure on economic sustainability in multilevel governance systems, understanding economic sustainability as the trade-off between current and future consumption. The stimulus measures decided in the countries of interest differed in their timing and the policy instruments on which they relied. Following a thorough literature review, WP 6 will collect data on the social, economic and fiscal measures taken at each level of government (the subnational level, the national level, the European Union, and the international level) in each of the identified case studies. Among others, we will build on the existing data of the Oxford Covid-19 Government Response Tracker and the Policy Responses to Covid-19 database of the IMF.

Objective 2: Providing recommendations on how financial relations in multilevel governance can be improved to increase legitimacy of crisis governance and how to improve fiscal responsibility and



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budgetary decision-making during crisis periods

The expansionary fiscal measures were adopted in moments of uncertainty and urgency, which has the potential to foster the executive dominance over the legislature and judicial control mechanisms, undermining the legitimacy of crisis governance. Against this backdrop, WP 6 will furthermore examine whether and how the legislative and judicial branches of government-shaped social, fiscal and economic stimulus policy.

Description of work and methodology

UNED – with support from Eurac, FUBe, ULEI and UiB – takes stock of the impact of Covid-19 crisis governance on multilevel governance and on democratic decision-making in the case studies mentioned above by collecting, coding, comparing and analysing the different social, economic and fiscal measures taken in each of the identified case studies. The data on measures taken by the international (here specifically: WHO and the IMF), European, national, subnational, and selected local levels is then coded to discuss if they meet the criteria we identify for legitimacy in crisis governance. WP 6 also works with International IDEA to assess and use their data on the impact of Covid-19 on democracy and human rights - and the relevant economic perspective, and uses these various datasets as a framework for the case selection.

In order to evaluate the implementation of social, economic and fiscal policies that aim at mitigating the impact of the pandemic in different countries, WP 6 applies different impact evaluation techniques such as differences-in-differences econometric techniques and synthetic control methods to data from the Oxford Covid-19 Government Response Tracker and the Policy Responses to Covid-19 database of the IMF which makes it possible to detect the most successful policies. These methodologies allow to build counterfactuals in order to assess the impact and economic sustainability of implementing a specific policy in a specific territory.

We then look for explanatory factors that help us understand the different outcomes of the measures taken in terms of the legitimacy of crisis governance. Statistical analysis based on the Oxford Covid-19 Government Response Tracker and the Policy Responses to Covid-19 database of the IMF, using different econometric techniques of impact evaluation, helps in searching for specific correlations and identifying factors that explain similar and different outcomes across our case studies. As multilevel governance is of vital importance, the existing data from the Regional Authority Index is used in order to determine if different degrees of MLG have had a substantial influence on country performance during the crisis, and if MLG is indeed a key variable that impacts on legitimate crisis governance. Based on these results, we compare similarities and differences amongst the measures taken to contain the crises and their impact on democratic governance across our cases, both at a country and at regional and local levels in more detail through a qualitative analysis, which employs tools of comparative politics and comparative constitutional law.

With use of the above findings, concrete policy recommendations are developed to assess the importance and practices of economic sustainability in crisis governance and its impact on legitimate crisis governance. In particular, we evaluate our findings with key economic and governance



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stakeholders to develop a set of recommendations and refine the relevance of our findings.

Deliverables of WP 6

D6.1 Working paper: literature review and methodology

D6.2 Working paper: research outline

D6.3 Submission of article for peer-review on explanatory factors and interpretation and comparison of the data collected

D6.4 Dataset publication

D6.5 Submission of draft book chapter for edited volume



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