

## 11. HETEROGENEOUS POPULISM, ECONOMIC POLICIES AND CENTRAL BANK INDEPENDENCE

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*This chapter illustrates the results obtained in Masciandaro and Passarelli (2019) regarding the relationships between left-wing and right-wing populism, economic policy design and politician pressure to change the central bank independence (CBI). The political pressure measures the difference between the short term government goals and the long term central bank choices. Defining as populist any policy that guarantees anti-elites redistribution without regard of longer term distortions, a populist pressure that promotes a more dependent central bank can arise. Here it is emphasized one feature that both left-wing and right-wing populisms can share, acting as autocratic policymakers: they are likely to dislike the veto players – as the central banks are – that characterize the liberal democracies.*

### 11.1. INTRODUCTION

Some researchers argue that the rise of populism may negatively affect the consensus in favour of central bank independence (CBI) which has been evident from the late 1980s until the 2008 Great Crisis (Buiter 2016, de Haan and Eijffinger 2017, Goodhart and Lastra 2017, Rajan 2017, Rodrik 2018). From an empirical point of view, literature has tested the relationship between one aspect commonly attributed to populism – namely national identity politics – and CBI (Agur, 2018). The aim of this chapter is to discuss the relationships between heterogeneous populism and CBI, using a political economy framework that links literature covering the effect of populism on economic policies with literature on the need to reconsider CBI. We will emphasize that both left-wing and right-wing populisms can consider unwelcome a monetary veto player.

After the first wave of populism, which was mostly concentrated in Latin America (Dornbush and Edwards 1991, Acemoglu et al. 2013), a second wave of populism gained ground in many European countries and the United States, leading to both left-wing and right-wing movements. Such movements directly and/or indirectly influence the design and implementation of different kinds of economic policies (Dovis et al. 2016, Aggeborn and Persson 2017, Rodrik 2017).

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The populist movements, which share a demand for short-term protection, appear to be characterized by three main properties (Guiso et al. 2017, Kaltwasser 2018, Saint Paul 2018): the claim that they protect the people from the elite, pandering certain demand conditions and disregarding future consequences. This seems to be a constant in the literature focused on the economic aspects of populism (Sachs 1989, Dornbush and Edwards 1991, Acemoglu et al. 2013, Chersterley and Roberti 2016, Edward 2019).

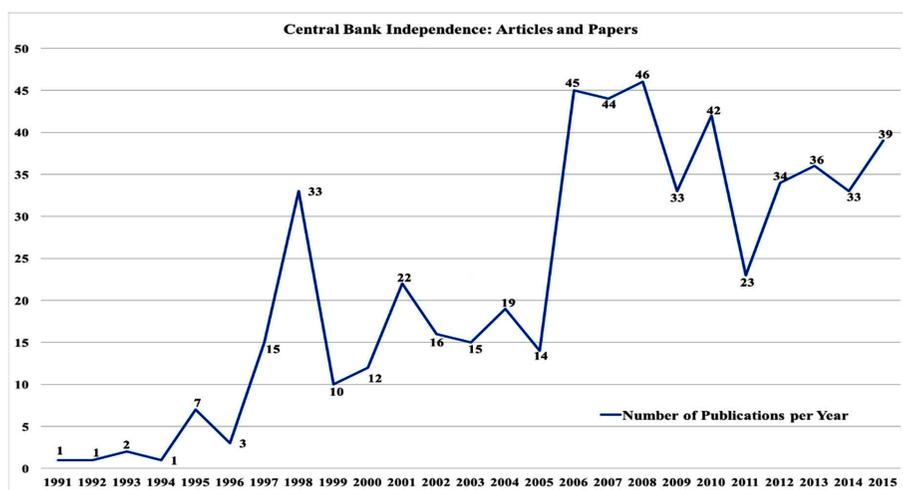
Here the central bank independence question comes in. By the time of the 2008 Great Crisis, the independence of central banks had become the benchmark for evaluating the effectiveness of monetary institutions around the world. This institutional design was supported by a broad consensus (Cecchetti 2013, Bayoumi et al. 2014, Goodhart and Lastra 2017, Issing 2018). The theoretical bottom line is well known (Cecchetti 2013, Eijffinger and Masciandaro 2014): incumbent policymakers tend to use monetary tools for short-term purposes and for smoothing out various kinds of macroeconomic shocks, including real (Barro and Gordon, 1983) and fiscal (Sargent and Wallace, 1981) imbalances. However, the more markets are efficient, the greater the risk that the short-sighted monetary policies will produce just macro distortions and imbalances. Therefore, the rules of the game between policymakers and central bankers became relevant (Barro and Gordon, 1983; Backus and Driffill, 1985; Rogoff, 1985; Lohmann, 1992, Persson and Tabellini 1993), triggering a significant stream of literature on CBI.

The evolution of this research field occurred in two steps. Initially, scholars involved in the field worked on verifying theoretical conjectures through comparative, institutional and empirical analyses. Then, after constructing CBI indices (Grilli et al. 1991, Cukierman et al. 1992; Alesina and Summers, 1993), they used cross-country studies and time series analyses to determine whether and how the different indices could be considered as drivers of the most important macroeconomic phenomena, including inflation (Klomp and De Haan 2010) and fiscal variables (Bodea and Higashijima 2017). In some cases, researchers evaluated a country at a particular point in time (Acemoglu et al. 2008). However, as CBI is sometimes included as one component of a larger reform package or is viewed as part of a more complex series of events, establishing causality has been challenging (Bayoumi et al. 2014).

The first wave of studies on central bank regimes, including those adopting more critical views (McCallum, 1995), took an important step forward by considering CBI as an endogenous variable that had to be explained (Posen, 1995, Franzese 1999, Hayo and Hefeker 2002, Aghion et al. 2004, Crowe and Meade 2008, Jacome and Vasquez 2008, Fernández-Albertos 2015). The aim in this regard was to shed light on the drivers of governments' decisions to maintain or reform their monetary regimes.

The approach of CBI endogeneity can be adopted to explain the second wave of studies devoted to the central bank regime in the last decade. CBI has become again a relevant subject in academia, politics and the media (Figure 1). However, in this most recent surge in the topic's popularity, some have noted (Alesina and Stella 2010, Cecchetti 2013, Bayoumi et al. 2014, Issing 2018, Thiele 2018) that the critical voices seem to dominate (Stiglitz 2013, Ball et. Al 2016, Rodrik 2018, Rogoff 2019).

Figure 1: Research and policy articles with a “Central Bank Independence” title (1991-2015)



Notes: Figure 1 presents the evolution of the number of academic papers whose titles contain the words “Central Bank Independence”, between 1991 and 2015. Data obtained from SSRN and JSTOR. Source: Masciandaro and Romelli 2018a.

This increased interest mainly reflects the fact that the economic and political importance of the central banks in the advanced economies has grown since the beginning of the 2008 Great Crisis (Buiters 2014). Supervisory and regulatory responsibilities have been piled onto the central banks, thereby intensifying the relationships among banking, fiscal and monetary policies (Bayoumi et al. 2014, de Haan and Eijffinger 2017). The boundaries between the central bank's role as liquidity manager and the government's solvency support for banking and financial institutions have been blurred, inevitably triggering a debate on the shape of the central bank regimes (Nier 2009, Bean 2011, Cecchetti et al. 2011, Ingves 2011, Reis 2013), especially with regard to the features of CBI (Cukierman 2008 and 2013, Cecchetti 2013, Taylor 2013, Buiters 2014, Sims 2016, Blinder et al. 2017). These aspects have also been in focus from a historical perspective (Bordo and Siklos 2017, Ugolini 2017).

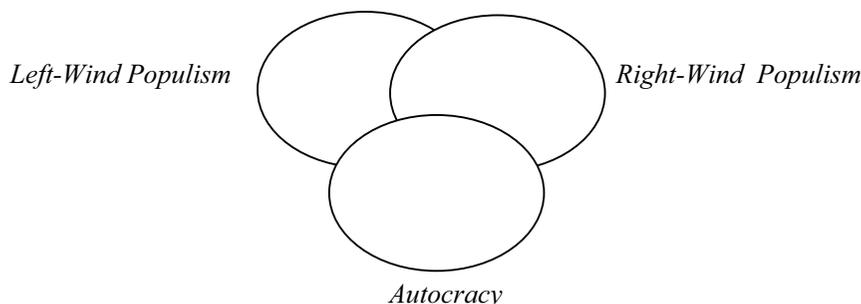
In this vein, an important question is whether the policy-blurring effect has made the pendulum swing in the other direction. Thus far, comparative analyses have not offered homogenous results (Bodea and Hicks 2015, de Haan et al. 2018, Masciandaro and Romelli 2018a). Here we zoom in this policy-blurring effect and sheds light on the possible impact in terms of CBI. On this respect we discuss the concept of political pressure, as a proxy of a potential demand for reforming the legal CBI, or as an indicator of the actual – as opposed to legal – CBI (Binder 2018b).

More specifically, we will elaborate on the political pressures due to the existence of both left-wind and right-wind populisms. It has been correctly pointed out (Colantone and Stanig 2019) that the populist parties are very heterogeneous; besides the traditional the classical left-right divide, one more dimension is likely to be relevant: nationalism versus cosmopolitanism.

Here we would like to emphasize one more feature of both left-wind and right-wind populism: they can consider unwelcome the veto players that characterize the liberal democracies. In general, the populists tend to dislike the autonomous institutions – as the modern central banks – that are neither directly controlled nor directly elected by “the people” (Kaltwasser 2018). Specifically, the existence of independent central banks is in contrast with the need of using lax monetary policy to implemented short sighted strategies, as it is particularly evident in the case of Latin American countries before 1990 (Edwards 2019). In other words, the notion of central bankers seems to provide a natural target for populist policies. On top of that, “with their PhDs, exclusive jargon, and secretive meetings in far-flung places like Basel and Jackson Hole, central bankers are the quintessential rootless global elite that populist nationalist love to hate” (Rajan 2017).

The populist narrative stresses the idea that the general will should prevail. Thus liberal institutions are less useful – e.g. the separation of powers, checks and balances, the representative democracy, and intermediate state institutions. CBI is one of those institutions. Its aim is to ensure neutrality and the inter-temporal consistency of monetary policy. Curbing the independence of central banks would be consistent with the populist goal of exerting direct control over conflicts within society (Goodhart and Lastra 2017).

All in all, we can define as populist a politician who seeks to remove the checks and balances generally applied in a democratic state – e.g. CBI – in order to fulfil promises made during the election campaign. In other words, it encompasses politicians acting as autocratic policymakers (Goodhart and Lastra 2017). It is worth noting that the autocracy seems to be inversely correlated with CBI (Bodea et al. 2019). Heterogeneous populism and autocracy can be intertwined definitions (Figure 2).

**Figure 2 : Heterogeneous Populism and Autocracy**

Moreover also the anecdotal evidence shows that in general the central bankers are facing political scrutiny of an intensity not seen in recent decades. In several occasions U.S. President Donald Trump ramped up his personal war of words with the Federal Reserve. On December 2018 the governor of India's central bank resigned after dispute over independence. On March 2019 Italy's ruling populists tried to seize control of the central bank and its gold reserves. It is worth noting that at the time the government was led by an heterogeneous populist coalition. On June 2019 in South Africa the ruling party attacked the independence of the central bank. On July 2019 the Turkish governor was fired.

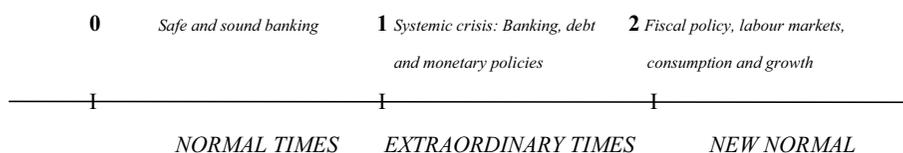
The remainder of the chapter is organised as follows. Section Two presents how in the Masciandaro and Passarelli (2019) framework the relevant macro players – citizens, banks, government and central bank – interact, and then the optimal economic policy design is defined. In Section Three the importance of the citizen heterogeneity emerges, and the possibilities of political pressures are discussed, zooming then on the special cases of both left-wing and right-wing populisms. Section Four concludes.

## 11.2. CITIZENS, MACRO SHOCKS AND ECONOMIC POLICY OPTIONS

This section describes the Masciandaro and Passarelli (2019) setting, introducing the relationships between economic policy design and political pressure in order to analyse under which conditions populist policies aimed to reform the CBI can emerge. The framework mimics an economy in which a macroeconomic shock occurs. Then the policymakers are forced to design a policy involving at the same time banking, fiscal and monetary aspects aimed at minimizing the spillovers of the shock into the real sector. The incumbent government defines the banking and fiscal policies, while an independent central bank sets the monetary policy choices, i.e. the degree of fiscal monetization.

The economy consists of a population of citizens, a government, a central bank and a banking system. The sequence of events is as follows (see Figure 3). At  $t = 0$ , banks engage in business with some level of risk (*normal times*). The outcome of their activities determines the extent to which the banks’ risk profile – i.e. the capacity to meet their obligations – is safe and sound. Without a bank crisis, the government does not need to issue debt and, consequently, there is no need to introduce distortionary taxation to service such debt. But at  $t = 1$ , bank failures that trigger public externalities can occur and, consequently, the government has to design its strategy (*extraordinary times*). This public policy involves two decisions, one regarding the banking policy – i.e. the bailout amount – and another regarding the fiscal policy – i.e. how to finance such a bailout. In turn the degree of fiscal monetization will depend on the central bank decisions. Given that the government issues public debt for the amount of the bailout and that government bonds can be purchased by either citizens or the central bank, the degree of fiscal monetization tells us the amount of public debt the central bank decide to subscribe.

**Figure 3 :Normal Times, Extraordinary Times and New Normal Times**



Source: Masciandaro and Passarelli, 2019.

At  $t = 2$ , the government introduces an income tax to repay debt and interest. The citizens make decisions about labour, consumption and income given the tax, and the central bank transfers payments for interest received on its bond purchases back to the government (*“new normal” times*).

The economic policies that adopt a long-term perspective, including the central bank choices, will be the socially optimal ones. In other words, the social planner equilibrium in the new normal times will reflect the intertemporal trade-off between minimizing tax distortions and smoothing out banking externalities. The social planner equilibrium implies that the optimal economic policy design produces homogeneous effects. But if the policies trigger heterogeneous effects on the country’s citizens, different individuals will have different views regarding those policies. This is crucial as long as the citizens’ preferences are relevant in the political process. Therefore, the final policy is not automatically equal to the socially optimal one.

The model focuses on heterogeneity among citizens in terms of financial inequality given that the mix between fiscal, banking and monetary policies can produce the so called “three D” effects (Goodhart and Lastra 2017). The Distributional Effect results from changes in interest rates. The Directional Effect captures the impact of public policy on a certain sector and/or constituency of the economy, such as the banking industry (Brunnermeier and Sannikov 2013).

The Duration Effect measures the monetary policy’s effect on overall public-sector liabilities, including the central bank’s balance sheet within the public sector. In this regard, more fiscal monetization reduces the duration and can be associated with monetary instability. The Duration Effect can move the spotlight to the fiscal implications of the central bank’s balance sheet (Cavallio et al. 2017). The Duration Effect is associated with the dimensions and risk profile of the central bank’s balance sheet (CBBS). The emerging role of the CBBS in the monetary policy perimeter (Curdia 2011, Bindsell 2016, Reis 2016a and 2016b) highlights how an abnormal CBBS can trigger instability in the longer term for at least two reasons (Rajan 2017), notwithstanding the gains that the provision of a public safe asset can produce (Greenwood et al. 2016, Barthelémy et al. 2019). First, an excess supply of publicly provided external money may crowd out private internal funds. Notably, privately provisioned liquidity has additional benefits (Diamond and Rajan 2001). Second, large CBBSs can increase the risk of moral-hazard behaviour among politicians (Plosser 2013 and 2017, Sims 2016).

Moreover it is worth noting that the link between monetary policy per se and redistribution can be illustrated using three different channels (Auclert 2019): an earnings heterogeneity channel from unequal income changes, a Fisher channel from (un)expected inflation changes, an interest rate exposure channel from (real) interest rate changes. In our framework we zoom on the third channel only, given that here we assume that monetary instability is a social cost that is borne equally by all individuals and that earnings on assets other than public bonds are fixed and normalized to zero.

In our analysis the Directional Effect depends on banking policy choices, while the Distributional effect and the Duration effect are associated with the corresponding fiscal and monetary policies. Given that the first ring in the overall chain of events is the likelihood of a banking crisis, the banking activities are the starting point.

The systemic risk that a banking crisis can produce depends on the behaviour of the banking sector. A banking crisis occurs if the bank is unable to meet its obligations. In such an event, the value of the bank’s liabilities falls to zero, and the bank’s shareholders bear the full cost of the crisis (bail-in). The bank’s failure probability is associated with its risk assumption. When a crisis occurs, a bailout policy can be designed that injects fresh public capital in a proportion of the

bank's value. The bank chooses the risk profile that maximizes its own expected equity value, while taking both the crisis event and the bailout likelihood into account.

The second ring in our narrative is the government's behaviour. When a bank fails, the government enters an environment of extraordinary times and faces a trade-off: let the bank fail or rescue it by injecting new capital. In the latter case, the government issues public debt for the amount of the bailout. Public bonds can be purchased by either citizens or the central bank. The central bank's purchases represent the fiscal monetization.

The government's policy will influence the economy through the behaviour of the citizens, which is the third and final ring in our chain of events. The citizens are risk neutral, and they draw utility from consumption and disutility from labour. They use their net labour income and their financial assets to buy consumption goods. Income and labour supply in equilibrium will depend on the tax policy, which can be influenced by the government's decision regarding the bailout option. Moreover, the government's decisions also influence the financial assets held in the individual portfolios. Four asset types are present: bank shares; bank deposits; government bonds; other financial assets.

Finally, financial and monetary externalities are present due to a banking crisis. The externalities are increasing and convex in the amount of bank liabilities that evaporate, and they depend on the bailout option that the government can implement. The smaller the bailout policy is, the lower the Direction Effect and the greater the externalities. Moreover the bailout option also triggers monetary policy consequences. The fiscal monetization is associated with increasing monetary stability costs. It is worth noting that the costs of monetary instability include as a particular case the costs of inflation, which have been usually used to justify the optimality of institutional settings with monetary dominance, i.e. where the central banks are relatively independent from the executive powers and/or involved in inflation targeting policies. In summary, citizens draw utility from consumption and disutility from labour. In addition, financial and monetary externalities must be taken into account.

The last step is the identification of the benchmark for evaluating actual public policies. We assume that a social planner takes the relationship between the tax policy, and the labour supply into account, and simultaneously sets the policy strategy regarding the banking policy, and the monetary policy, in order to maximize the social-welfare function. When setting the banking policy, the social planner accepts a trade-off between two public goals: externality smoothing and tax-distortion minimization. This trade-off can be mitigated using monetary policy, but it also introduces the dilemma of monetary instability.

Focusing the attention on the central bank decisions, the optimal level of fiscal monetization (accommodation) has certain properties. It increases: a) if the labour supply is relatively elastic, given that the corresponding tax-distortion risk is high, b) if the cost of debt servicing is high and c) if the monetary instability costs are low. In other words, if both the Distributional Effect and the Duration Effect are likely to be low, the optimal central bank accommodation is likely to be high. In addition, recall that higher levels of the optimal bailout policy, will increase the overall amount of debt monetization (Direction Effect), notwithstanding the monetization parameter is held constant.

### 11.3. CITIZEN HETEROGENEITY, ECONOMIC POLICIES, CENTRAL BANK INDEPENDENCE AND HETEROGENEOUS POPULISM

Economic policies have relevant redistributive effects, but the social planner described in the previous section is only concerned about economic efficiency. When it comes to the effects of such policies for individual citizens, the situation can be completely different, as the net transfers implied by efficient policies can be largely positive for some and largely negative for others.

The redistributive effects are a relevant issue as long as the policies are chosen through the political process – i.e. when the citizens are voters. The Masciandaro and Passarelli (2019) analysis considers majority voting with voter preferences that are associated with the financial wealth distribution. Therefore the political pressure can be considered a proxy for a contingent demand of CBI reform; such as interpretation can be confirmed observing that so far the political pressure seems to be uncorrelated with legal – or *de jure* – CBI (Binder 2018b).

In general, the median voter's preferences and, consequently, the features of his or her financial portfolio will determine the actual overall equilibrium. The more the politicians in charge accommodate the demand for an economic policy design that differs from the socially optimal one, the more a political pressure to change the central bank regime will be likely to be in action. For example, reforms that decrease the CBI owing to financial stability issues (Ueda and Valencia 2012) are more likely to occur.

At the same time, it is worth remembering that if the central bank is sufficiently robust to avoid the political incentives to manipulate the both the fiscal and monetary policies in order to ensure financial stability, such incentives can be channelled using financial regulation. In other words, a politically captured regulation could be a by-product of CBI (Aklin and Kern 2016).

Under which conditions can a populist pressure occur? Given the above-mentioned definition (Guiso et al. 2017), a populist policy can be defined as any political decision that guarantees short-term protection without regard for long-term distortions. In a way the populist policy is at the same time a myopic and redistributive action.

How does the standard link between myopic policies and CBI differ from the relationship that characterizes a populist policy? In the Introduction we discussed the four key elements of the standard view, which can be summarized as follows (Fischer 2015): the CBI is an institutional device used to avoid distortionary inflation tax given the political pressure, and this device is implemented using time-inconsistent policies (Kydland and Prescott 1977). Here, the trigger is financial inequality – not the unemployment rate – and the policy tool is the interaction among banking, fiscal and monetary policies, rather than monetary policy per se. Moreover, the inefficient macro outcome is the overall taxation design, not just the inflation tax, which is produced without any particular assumptions about the players' expectations or information sets.

Table 1, which presents all of the possible equilibria, sheds light on when and how a left – wind populist pressure is likely to emerge. For the sake of our purposes depositors represent the unsophisticated investors, while the asset (bond) holders are the sophisticated ones.

The columns show what happens when the median voter is a smaller/equal/larger depositor than the average voter, while the rows show what happens when the median voter is a larger/equal/smaller bond holder than the average voter. It is worth noting that in general (Meltzer and Richard 1981) the difference between mean and median income can be considered a measure of inequality. In every combination, the policy outcome is compared with the socially optimal policy. The outcome can be characterized as efficient if it is equal to the benchmark, conservative if it is more restrictive and lax if it more expansive. A lax banking policy can be defined as a situation of financial dominance (Smets 2013), while a lax monetary policy represents a case of fiscal dominance (Sargent and Wallace 1981). The reader can find the right-wing populist by herself, i.e. when the preferred policies are the conservative ones.

**Table 1: Median Voter Financial Identikit and Policy Preferences**

	Smaller Depositor	Equal Depositor	Larger Depositor
Larger Bond Holder	Conservative banking policy Conservative MP	Efficient banking policy Conservative MP	Financial dominance Either conservative CBI or fiscal dominance
Equal Bond Holder	Conservative banking policy Conservative MP	Efficient banking policy Efficient MP	Financial dominance Fiscal dominance
Smaller Bond Holder	Conservative banking policy Either conservative MP or fiscal dominance	Efficient banking policy Fiscal dominance	Financial dominance Fiscal dominance

Source: Masciandaro and Passarelli, 2019.

A crucial fact emerges. In general, voters' preferences are consistent with the socially optimal policies if and only if the financial portfolios are homogeneous. The greater the financial heterogeneity – financial inequality – the more the equilibria differ from efficient levels.

## 11.4. CONCLUSION

This chapter discussed the relationships between citizen heterogeneity, economic policy design, left-wing and right-wing populism, and central bank independence (CBI). With citizen heterogeneity, assuming that a macro (banking) shock occurs and that an independent central bank implements a monetary policy which is consistent with the social welfare function, it is possible that the majority of citizens prefer policies that are different from the social optimal ones. In these cases, a political pressure against the central bank choices may arise. The political pressure can be interpreted as an indicator of actual CBI. Among the possible equilibria, if we define as populist any policy that guarantees anti-elites redistribution without regard for longer term distortions, both left-wing and right-wing populist pressures can arise.

The discussion can be further enriched in many fruitful directions:

- a) Financial wealth and monetary instability. It has been assumed that monetary instability is a social cost that is borne equally by all individuals. Earnings on assets other than public bonds are fixed and normalized to zero. If we were to associate monetary instability with specific inflation risks, we would assume that portfolios are heterogeneous in terms of their ability to match monetary instability (Fujiwara et al. 2019). Allowing for this kind of

heterogeneity would lead to a straightforward prediction: the smaller the mass of individuals with these characteristics, the stronger the political pressure to monetize. In other words it can be interesting to explore the relationships between inequality and inflation, as well as the corresponding role of CBI (Binder 2018a).

- b) Income. In general, income distribution (Aggeborn and Persson 2017) or labour distribution (Algan et al. 2017) can explain the demand for populist policies. On top of that, the channels of monetary policy redistribution can affect the aggregate demand when winners and losers are heterogeneous (Ampudia et al. 2018, Bunn et al. 2018, Samarina and Nguyen 2019), i.e. they have different incomes (Oikawa and Ueda 2018), or different marginal propensities to consume (Cairò and Sim 2018, Aucleart 2019), or different productivities and/or skills (Dolado et al. 2018, Turdaliev 2018). Of course, income can be correlated with other forms of heterogeneity, such as portfolio size or the size of a bank stake in an individual's portfolio, or differences in terms of inside and outside money (Gahvari and Micheletto 2019). This leads to interesting trade-offs, that moreover can be considered special cases of more general exploration on how micro heterogeneity can lead to macro shocks (Kaplan and Violante 2018).
- c) Initial public debt and tax pressure. As it has been discussed above, here the government debt is only issued to save the banks, while taxes are raised only to service that debt. These are two simplifying assumptions. Another initial setting can be imagined as follows. In normal times: the level of taxation and the stock of public debt can be large and vary substantially by country and over time. The insertion of initial taxation and initial debt into the framework would increase its complexity but without any substantial consequence for the overall rationale.
- d) Foreign debt and foreign ownership of the bank. The framework can be extended to account for the existence of foreign investors, and to investigate the association between external debt and populism (Dovis et al. 2016).
- e) It is worth noting that the existing empirical analysis on political pressure, documenting the types of politicians and governments that are most likely to apply political pressure on central banks (Binder 2018b), notes that left wing executives, nationalist parties, or executive facing few checks and balances, or weak electoral competition are more likely to pressure the central bank. We might wonder how and under which conditions such nationalist parties show preferences which are consistent with our definition of heterogeneous populist policies.
- f) Empirical and/or institutional analyses designed to shed light on the associations among financial wealth distribution, voters' geographical locations

(Inglehart and Norris 2016, Algan et al. 2017) and economic policy preferences would be interesting. At the same time, such explorations could be fruitfully correlated with the empirical results on the concrete distributional implications of monetary policy actions, both recent (Casiraghi et al. 2016, Furceri et al. 2016, Amaral 2017, Auceart 2019) and historical ones (Herradi and Leroy 2019).

Finally and from a methodological point of view, thus far, cognitive biases have not been assumed to affect the relevant players. However, what are the effects of behavioural biases that influence the preferences of political actors or citizens? This question refers to behavioural political economics (BPE) (Schnellenbach and Schubert 2015). In optimal currency area (OCA) research the BPE approach was recently used. On the one side, it has been analysed a currency union in which expectations were formed through behavioural reinforcement learning (Bertasiute et al. 2018). On another side, it has been examined whether loss aversion among citizens can shape the decisions of national politicians, shedding light on the conditions under which Eurozone membership can persist (Masciandaro and Romelli 2018b).

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