

The effects of economic crises on participatory democracy

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## Introduction

Western democracies have increasingly deployed an extensive range of participatory and deliberative institutions. However, our empirical knowledge about the outcomes of such practices is scarce, as it is the effect of contextual factors on such outcomes. As a result, we do not know much about how a dramatic economic downturn such as the recent financial crisis could have affected the characteristics and success of participatory processes. This research addresses the impact of the Great Recession on institutionalised forms of public participation organised or sponsored by public authorities. As far as we know, there are no other comparable studies that take on the question of how such a significant shift in political and economic context impacts on what is a relatively novel aspect of our political landscape. Our research question, therefore, reads as follows: how has the financial crisis affected the practice and results of local institutions of participatory governance?

Our analysis is focused on participation processes organised by local authorities in Spain (as such, independent social movement activity is not considered). These processes are formalised activities where citizens are involved in the discussion or making of public decisions. Such processes range from well-resourced participatory budgeting to less structured neighbourhood councils and ad-hoc public consultations. We have selected Spain as our geographical focus as it is one of the Southern European countries where the effect of the crisis has been most severe and where most major policy areas have been substantially (sometimes radically) transformed. Given the strength of the external shock, the effect on participatory governance is likely to be more extensive.

This paper is ground-breaking in at least two ways. First, most of the analysis of the effect of the crisis in Southern Europe has focused on the impact on national and regional level policy. Much less

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is known about the impact on the local level, where it is likely that austerity policies and financial cuts have been more heterogeneous amongst the approximately 8,000 Spanish municipalities. Our analysis contributes to this relatively unexplored field of the local effects of the crisis.

Secondly, we know more about the reactions of governments to the economic crisis, but little on how the crisis impacts on citizens as contributors to policy making. In the face of economic recession, do citizens place more pressure on these local institutions or moderate their demands in recognition of limited available resources? Our analysis offers an initial opportunity to shed light on these significant questions.

This paper aims to extend our understanding of the context of citizen participation and, more particularly, of the impact of the economic crisis. It draws on an innovative dataset that gathers and tracks the proposals emerging from participatory exercises organised by Spanish local authorities in three Spanish regions between 2007 and 2011. We exclude 2009 from the analysis to clearly differentiate the crisis and pre-crisis contexts. This database has (at least) two key virtues in respect of our research questions. First, its unit of analysis is proposals that have emerged from participatory processes developed in municipalities. This guarantees a large number of observations at the proposal-level (N=501), as well as a degree of diversity in the characteristics of the participatory processes, the municipalities in which they were held and the proposals that were recommended and then implemented. The second virtue is that the participatory processes analysed by the project cover the period when the economic crisis emerged most visibly. This allows us to distinguish those processes that were developed during the period before the impact of the crisis (up to 2008) and those where the proposals were developed under obvious crisis conditions (2010-2011). The paper is also

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methodologically sophisticated in the way in which we analyse the data: four different but complementary analytical strategies are brought to bear to ensure the robustness of findings.

The next section discusses how and why a significant economic crisis could be expected to affect participatory processes organised by local administrations, making the argument that we can reasonably expect at least moderate changes in the field. The article moves on to explain the methodological strategy and the analysis of our two outcomes of interest – proposal characteristics and their final implementation – using four complementary verification strategies. Finally, the article closes with a discussion of the implications of the results for both the field of local participation and for the analysis of the crisis effects in Southern Europe and beyond.

**Public participation: Even more challenging in the event of an economic crisis?**

The expanding literature on participatory processes has evolved from a focus on single, exemplary case-studies (for example participatory budgeting in Porto Alegre) to a consideration of a wide array of practices. This has allowed researchers to categorise more effectively the variety of processes that enable citizens to participate in public decisions. But the day-to-day reality of public participation is not well served by comparisons with exemplary cases (Spada and Ryan, 2017). For example, the importation of participatory budgeting into Europe has been a highly differentiated process where generally the results have been very different from the earlier Brazilian experience (Sintomer et al, 2008). The focus on the mundane, everyday use of participation by municipalities provides quite different insights from the earlier analysis of exemplary cases (Galais et al, 2012). This work provides evidence of plethora of methodologies that are used to engage citizens in public decisions (Smith,

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2005). Moreover, large N studies and comparative analysis of participatory processes have begun to isolate the various explanatory factors of the quality and success of participation, taking into account the increasing variety of contexts and circumstances in which such participatory processes are established (Newig et al, 2013; Pogrebinschi and Samuels, 2014; Font et al, 2014; Font et al, 2018).

The financial crisis is clearly one among a wide array of factors that may condition the nature and fate of proposals made by citizens and, by extension, the whole participatory process. However, the effects of the crisis on public participation has not been the subject of systematic academic attention. In the words of Åström et al (2013: 34), previous studies on participatory innovations 'have focused foremost on the influence of institutional and systemic factors', while 'largely ignoring or overlooking crisis, a concept that has had a central position in other related fields of social scientific research interested in innovations in government and society'.

Only a minority of works address the role that economic constraints may have in the development of participatory governance. A study based on five Spanish and Italian regions concludes that political determinants (political choices, conflicts and priorities) are more important than social and economic determinants in explaining the implementation of participatory processes (Font et al, 2014). This suggests that political will can overcome the impact of the crisis on participatory governance. But money also matters. For instance, we know that financial support is acknowledged as a central issue to the success of participatory budgeting (PB). It is thanks to the institutional and financial support offered by institutions such as the World Bank, UNESCO and the UK Department for International Development (DFID) that many PBs have flourished in the last twenty years (Zamboni, 2007). What is less understood is the way in which citizens involved in participatory budgeting react to

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economic constraints. In Porto Alegre and Belo Horizonte citizens have taken politically unpopular decisions, such as raising local taxes, in order to improve the financial context (Souza, 2001; Zamboni, 2007). Most participatory methodologies involve direct interaction between citizens and public servants and there is a line of argument that suggests that in such contexts, citizens become more sensitive to the needs of bureaucracy (rather than the other way around): a form of '*incorporation of the lay public into official institutions*' (Newman et al, 2004: p. 212).

On the other hand, previous research has also shown that citizens may harden their positions as a result of an economic crisis. After 1979, social movements in Brazil claimed more autonomy from the state, presenting their demands as rights rather than favours and strengthening their opposition to the authoritarian government. This is considered to be the product of the aggravation of economic external constraints (Sallum 1996: p. 90). In the recent Great Recession, Morlino and Quaranta (2016) have shown that citizens have become more sensitive about what government delivers, assessing their responsiveness more negatively in a context of limited public resources. Similarly, Åström and colleagues (2013) explain that the economic and political crisis in Iceland led to innovative and challenging e-participation initiatives at the national level and also in the city of Reykjavik. In the local Southern European context, research on this issue has been limited, but a combination of new types of protest activities mixed with social innovation and platforms for social reciprocity have been observed as a result of the multidimensional and structural crisis (Blanco and León, 2017). In a broader sense, the crisis has generated new social movements and political parties in Spain (Martí-Costa and Tomàs, 2017) and emergent 'urban solidarity spaces' in Athens (Arampatzi, 2017).

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It is not clear whether participatory practices evolve differently in the context of a financial crisis, or if citizens involved at that moment moderate their demands or push them further, taking advantage of the weakness of authorities. We might expect that, unlike processes involving the central or federal state, citizens will empathise more with local authorities, particularly those that have organised or supported participatory initiatives. Citizens' involvement in decision making means that they are likely to better understand the financial situation of the municipality and to take this into consideration in making proposals.

Approaching the issue from the perspective of local authorities, the outcome of participatory processes will be affected by the authority's attitude and behaviour. Ballester and Lacroix (2016) found the Great Recession to be a crucial factor in undermining the continuation of participatory processes in the Ebro River Basin in Spain and the Tucson Basin in the United States. The uniqueness of this work is particularly striking given the enormous attention that the Great Recession has received as a potential burden or explanatory factor for a wide array of public policies (Petmesidou and Guillén, 2014; Natali and Stamati, 2014).

Extending Ballester and Lacroix's findings, we can expect the Great Recession to negatively affect how citizens' proposals are dealt with by local authorities, ultimately hampering their chances of implementation. In the event of an economic recession public authorities are likely to feel compelled to protect basic services and restrict expenditure in their response to participation which is often seen as peripheral or even superfluous activity. The significance of external shocks may be stronger in a relatively novel and poorly institutionalised form of political activity. We might reasonably expect such practices to be particularly vulnerable to the impact of the fiscal crisis: public authorities will 'hunker

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down' in an attempt to protect core activities rather than respond to proposals coming from peripheral participatory spaces. In other words, in times of crisis public authorities will implement fewer demands from citizens arising from participatory processes.

An alternative hypothesis running in the opposite direction suggests that economic crisis increases the complexity of governance for municipal authorities and leads to further deterioration in trust, given that financial constraint equates to reductions in service delivery. Under such circumstances, the authorities may seek to involve citizens further as a response to increased complexity and to enhance the legitimacy of decisions (Warren, 2009) – or as a way of shifting the responsibility of approving service cuts, as has happened in Central and Northern European participatory budgeting (Sintomer et al, 2008). A financially disciplined participatory praxis could result in more limited proposals that are more likely to be implemented than in other periods.

There is also room for the null hypothesis. Probably, the strongest argument for no major alteration in participatory dynamics is that citizens' proposals and funding requirements that emerge through participatory processes are so limited compared to core service provision that they are not a relevant place to make substantial financial cuts. In this interpretation, it would be precisely the peripheral role that these processes play in policy making, in Spain (Talpin, 2011; Font et al, 2014) or any other polity, that makes them less vulnerable to crisis effects.

The next section presents the strategy we adopt in order to reveal the effects of the economic downturn on the outcome of participatory processes (namely, the implementation of proposals) and on the character of citizens' demands.



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**Context, research design and methodology**

Citizens’ proposals that emerge from participatory processes are our unit of observation. The analysis of the ‘fate’ of proposals made by citizens allows us to gain more insight into the decisiveness of participatory processes, the attitudes of local government towards citizen engagement, and the degree of power that citizens wield. Indeed, whether proposals are implemented, modified or rejected offers an insight into the legitimacy of participation in the eyes of public authorities. It also enables us to empirically test sceptical conceptions of participatory processes as artefacts conceived to reduce conflict with authorities (Newman et al, 2004) or as processes steered at distance by local government, which only accepts the outcomes that do not challenge its agenda (Hoppe, 2011). From a different perspective, the focus on the nature of proposals brings the analysis into dialogue with critics of participation who are concerned that demands of citizens will be excessive and unrealistic, placing unnecessary strain on the capacity of public authorities to govern effectively (Schumpeter, 1976; Fiorina, 1999).

As for the context in which these proposals emerge, our analysis is limited to policy proposals emanating from local participatory processes in one country: in this case Spain. Spanish local governments are elected every four years and are in charge of about 12 per cent of total public spending. Even if they provide a significant number of services and functions to local residents, their level of autonomy in performing such task is more limited than in other European countries. This is due, among other reasons, to the distinction between ‘own’ and ‘delegated’ competences and to the fact that an important share of their revenues comes from transfers from other administrations that have to be spent for specifically determined purposes (Moreno, 2012). This limitation of their financial

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autonomy was further restricted in 2013, with the approval of Law 27/2013 that tries to limit their expenses and debt. Its effects are significant in the provision of some public services, even if most municipalities continue to develop similar programs through a lax interpretation of its mandate (Boix Palop, 2015).

The participatory processes developed by Spanish municipalities have evolved from a limited system built around advisory councils in the late eighties (Navarro, 2004) to a much more diverse ecology. Such processes may be more extensive and methodologically more plural, but their decision-making capacities continue to be quite limited, often focused on relatively minor decisions rather than major local policies (Talpin, 2011; Font et al, 2014). Under the early advisory council model, the main actors were primarily local associations, but more recent initiatives have diversified the range of participants to include individual citizens. These developments in participatory governance have emerged from an environment where concern with corruption and lack of confidence in political institutions is quite widespread (Villoria et al, 2012), but also political interest and willingness to become involved in participatory processes increased substantially (Baiocchi and Ganuza, 2017).

In this study then, contextual variation is limited to the municipalities and regions of Spain in which participatory processes were undertaken. No fully representative frame of local participatory processes exists in any country, so our aim was to ensure diversity of participatory processes from which to analyse proposals. Our initial sampling frame is a quite diverse collection of participatory processes developed in three Spanish regions: Andalusia, Catalonia and Madrid<sup>1</sup>.

We use a time frame from one local election (2007) to the next (2011) with fieldwork taking place in 2014 as this combines the possibility that enough time has passed for at least the initial

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implementation of citizens' proposals, but also that memories and administrative records are recent enough to be tracked. Since our goal is to analyse what happens to proposals we focus only on those participatory processes that produce a list of recommendations<sup>2</sup>. Since we lack a comprehensive list of participatory processes, our sample cannot be taken as representative of the totality of Spanish activity, but rather presents a close approximation of activity in the three regions (Font et al, 2106). The population for our study is, thus, the proposals from the processes developed by municipalities in these three regions during the period 2007-2011. We include in our population a number of proposals that resulted from participatory processes in 2005 and 2006, but where the implementation process by the local authority had not begun until 2007 or later.

Since it is quite likely that different proposals emerging from the same participatory process are treated differently by local governments, we tracked the evolution of each proposal to understand whether there are factors at the proposal level which are systematically associated with their fate (extent of implementation). From the initial datasets, a total of 403 participatory processes that produced proposals were organised in these regions during our temporal frame. The final selection of participatory processes is not intended to depict a fully representative sample of all participatory processes that existed between 2007 and 2011, but to guarantee enough variation in terms of context (that is region and city size) and types of participatory methodology. A strategy of stratified random sampling was used with four variables –region, municipality size, process design and previous participatory experience– as classification criteria and random selection within each of these strata. Table 1 shows the final sample composition<sup>3</sup>.

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For each of the processes we produced a list of all the proposals that were agreed by participants. In order to avoid excessive weighting in the final sample towards processes with hundreds of proposals, we coded a maximum of 20 randomly selected proposals per process –and all proposals when the number was lower than 20. Whenever a process generated more than 20 proposals, but these had been ordered in a stratified format (for example in thematic issue packages as is often the case in Agenda 21), we proportionally (relative to the size of each stratum) and randomly selected proposals from each list. Next, we tracked the fate of each proposal through a combination of official documents and records and with interviews with officials in the local administration and other informants from civil society or the local political sphere, with an average of 4.2 interviews per participatory process.

The variety of sources accessed to retrieve the information as well as their different degree of quality and willingness to cooperate meant that there were important differences in the quality of the information collected. In order to be able to account for this, we excluded those proposals for which we did not have sufficiently reliable data (38 proposals).

The final database used here includes 501 observations corresponding to proposals stemming from 34 processes in 22 municipalities. For each observation, we have information about more than 40 variables characterising each proposal, the participatory process from which it emerged and the municipality that held or sponsored the participatory initiative.

For the purposes of the current research we are mainly interested in three dependent variables: (a) *the fate of proposals* – to test the impact of the crisis on the attitude of the local authorities; (b) *the budgeted cost of proposals* – to test whether the crisis had an effect on the cost of

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proposals; and (c) *whether or not the proposals are challenging in nature* – in order to check if citizens adapted their demands as a result of the Great Recession. The fate of proposals takes three possible values: first, full implementation of the proposal with no or minimal changes; secondly, the range of intermediate situations, from significant changes to the proposal in implementation to partial implementation; and thirdly, proposals that were rejected or abandoned by the local administration. Approximately one third of the proposals belong to each of these categories. The second dependent variable, the budgeted cost of proposals, establishes if implementation entails a high, medium, small or no investment on the part of the local administration. Finally, the challenging nature of a proposal captures whether it entailed change to the local government’s current course of action and practices, according to the perceptions of the local interviewees (Table 2).

The main explanatory variable of change in any of these three variables is the economic crisis. We have operationalised the crisis following two different strategies. The first considers the crisis as a dichotomous variable, taking the value one for the years affected by the financial strain (2010-2011) and zero if the process was held before the Great Recession. It is broadly assumed that the economic crisis began in Spain by the end of 2008, but we have considered that changes in participatory mechanisms would appear only when crisis effects are clear in society; and these appeared gradually during 2009. Since 2009 is therefore not a clear cut off point, but a year in which pre- and post-crisis dynamics are likely to be both present, we have excluded this year from the analysis to compare more systematically a pre-crisis period with a context where the effects of the crisis are clearly present<sup>4</sup>. Therefore, our dataset contains 195 policy proposals that emerged from 13 different participatory processes before the crisis and 306 proposals developed in 21 processes in the crisis context.

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Additionally, we have approached the crisis from a more quantitative perspective, considering it a continuous phenomenon. For this purpose, we have tapped the crisis effects using the unemployment rate, the most characteristic recession indicator of the Spanish crisis (Gutiérrez, 2014), which moved from an average of about 8.5 per cent in 2007 to a maximum of 26 per cent in 2013. An additional reason to select the unemployment rate to track the crisis is that high rates of unemployment entail a greater share of the population at risk of poverty which in turn places demands for resources and social services on the public administration (including local authorities). The rate of unemployment has also been a highly salient issue in the public mind<sup>5</sup>.

Our estimations also include a series of controls which we consider as potential explanatory factors for the characteristics of citizens' proposals and their fate<sup>6</sup>. We have included seven variables related to characteristics of the municipality and nine variables tapping the features of the participatory processes that spawn the proposals. At the municipality level, we consider economic resources (number of inhabitants, income per capita), participatory resources (presence of a participation department and a participation plan; number of previous participatory processes developed) and political context (government strength, continuity at the political level). We could reasonably expect that those municipalities with stronger economic indicators, a more institutionalised participatory tradition and more stable political conditions would be less affected by the crisis. Also, citizens may adapt their demands (the cost or challenging character of their proposals) to these specific local contexts.

As for the process features, we consider: the type of participatory mechanism (participatory budgeting, strategic planning, other temporary mechanisms – for example, a participatory workshop or

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forum – and other permanent mechanisms – mainly advisory councils); whether the initiative was initiated only by the public administration or in partnership with civil society; the number of participants; the number of proposals stemming from each process; the presence of other administrations involved in the organisation of the process; and the existence of external financial support. Although our goal is not to test the role of these factors on the fate and nature of the proposals, we expect complex processes (for example strategic planning) to produce more extensive proposals that are likely to be more expensive, challenging and difficult to implement. Similarly, for initiatives generating a large number of proposals, it would be expected that more would end up not implemented. A large number of participants and the involvement of other administrations, on the contrary, entails more eyes to oversee the process and hold the local authority accountable for implementation. Proposals emerged from processes initiated by citizens themselves are more likely to be more challenging in character, but at the same time more likely to be implemented because citizens are involved from the very beginning of the process and are thus likely to be more vigilant as to the fate of proposals. A generous budget and the existence of third parties funding and overseeing the process would also increase the chances of proposals being implemented, even if they are costly or challenging.

Finally, we include three variables related to responsiveness of the municipality to the participatory process that may contribute to potentially explaining the fate of proposals. First, the orientation of the public authority towards proposals varies: some designs include a duty on the public authority to respond to proposals ('compulsory'). Second, the timing of a response to participatory outcomes varies: in some situations, public authorities provide a public response to the proposals immediately after they are presented ('immediate response by authority'). Third, there is diversity in

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the extent to which a local authority accepts proposals from citizens: 'general acceptance' means that the administration makes a general statement accepting all the proposals, although whether it then implements them is another matter (technical or cost criteria, for example, may be applied at a later date). These different modes of responsiveness must be considered when we analyse the fate of proposals. Proposals coming from participatory processes where the requirement of the local government to respond is compulsory or the authority has responded immediately and accepted all proposals are arguably more likely to be implemented.

Our goal then is to be certain that the economic crisis had an effect even after controlling for all these potentially relevant competing explanations. Table 2 provides a summary of the response categories for each one of these dependent, independent and control variables.

[Insert Table 2]

For the data analysis, the impact of the economic crisis is tested in four different and complementary ways. First, we show bivariate analysis describing the differences in the dependent variables between the years previous to and after the start of the Great Recession. Once the main differences have been shown, we estimate a series of multivariate analyses to test the impact of the economic context on implementation, cost and challenging character of proposals, controlling by the variables discussed above. We show the results operationalising the economic crisis as a continuous indicator referring to the national level of unemployment each year. We test the robustness of these



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results operationalising the crisis context as a dichotomous variable and considering the public debt as an alternative continuous indicator (results not shown but available upon request). We complement these regressions with a different type of analysis, an average treatment effect of the crisis. Finally, a controlled bivariate comparison is made only considering a subset of our population: those municipalities where data is available both for the pre-crisis and the crisis context.

**Results**

In laying out our results, we start by exploring the fate of proposals and the characteristics of their content, controlling for crisis context. We then explore the extent to which the fate and the content of proposals have changed with the onset of the financial crisis considering simultaneously the role played by other potentially influential factors.

What effect does the crisis context have on the extent of implementation? Differences between the pre-crisis and crisis context are shown in Figure 1. A higher percentage of proposals are fully or partially implemented before the impact of the crisis, although differences are not statistically significant. The main difference appears in the number of proposals that are rejected in the crisis context (37.7% as compared to 30.7% before the crisis). This difference is more relevant if we consider that participatory processes generate demands that are less expensive in the crisis context (see Figure 2).

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[Insert Figure 1]

Figure 2 indicates that there is a crisis effect on the cost of proposals<sup>7</sup>, with the crisis context reducing costs significantly (65.7% of proposals entailing no or low cost in the crisis context, compared to 43.6% before the crisis). What we cannot tell from our analysis is whether this is because the agendas of participatory processes are limited to choices between less costly options (structured by local administrations) or citizens are modifying their demands (making them less costly) in light of the fiscal crisis.

[Insert Figure 2]

A second question relating to the content of proposals is the extent to which proposals represent continuity in local government policy. In other words, in the time of economic crisis, are citizens' proposals more challenging to municipalities? Our analysis shows that most proposals are not challenging: they represent a continuity, improvement or innovation that builds on existing policies and practices. But within the new context of economic crisis, the challenging character of proposals increases: 44.3% are challenging in the crisis period versus 35.4% in the pre-crisis context, a significantly different result (Figure 3). While this is likely to be driven primarily by citizens, the agenda of a participatory process (primarily driven by the local government) can also shape the dynamics of proposals, although this is a less likely explanation. Thus, citizens appear to be adapting to the

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emerging adverse economic conditions, pushing for change and criticising local government policy and practice.

[Insert Figure 3]

Does the crisis effect remain when we control for process design and municipality level variables? First, we present the results of multivariate regression analyses, and then a treatment effects analysis to check the robustness of the results. Table 3 presents the estimations for each one of our main dependent variables: degree of implementation of the proposals, cost, and challenging character. In this case, the proxy to tap the effects of the economic crisis is the unemployment rate. Each observation takes the value of the unemployment rate of the year in which the proposals were generated. Controlling for the effects of other variables at the municipality and process design levels, a worsening of the economic context implies less implementation, cheaper and more challenging proposals. We find the same results (not shown) using the public debt as a percentage of the national GDP to tap the effects of the crisis or considering the dichotomous variable differentiating the pre-crisis and the crisis context.

[Insert Table 3]

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All in all, we see consistent results regardless of the indicator used to tap the economic crisis: citizens have adapted their expectations to the new economic context, proposing less costly proposals, but ones that are more challenging with regards previous local policies and practices, although the latter effect (the challenging nature of proposals) is less significant. Local government has also changed its attitude, adopting fewer proposals, possibly due to limited resources, and/or because there are more incentives to cherry-pick among proposals those that are less costly.

The significant crisis effect appears even when we control for a large number of variables. That about half of these variables have also significant effects indicates that these are relevant. In fact, introducing controls helps to make visible (significant) the crisis effect where it was not so clear in the bivariate analysis focused on implementation.

To check the robustness of our multivariate analyses, we have run a series of treatment effects analyses. There are several reasons for taking this approach. First, we can consider the crisis effect as an external shock that produces a quasi-experimental situation: there is a 'control' group of proposals not treated (generated before the crisis) and a treatment group (a series of proposals that emerged after the start of the economic downturn). Second, although the OLS estimator of the crisis effects might be unbiased, OLS assumes that errors are independent and identically distributed. However, the crisis is probably affecting both the outcome and some of the explanatory factors, and therefore this assumption no longer holds. Although there are ways to adjust the standard errors, the treatment effects approach offers the additional advantage of a simple, straightforward output that focuses exclusively on the impact of the crisis and ignores model fit measures and other results that are not as important for our purposes. Treatment effects are constructed by matching individuals with the same

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values for a series of explanatory factors instead of using a linear estimation to model the effects of such variables, which relaxes the OLS assumption that these effects should be linear.

The average treatment effect (ATE) would be equivalent to repeatedly reassigning treatment at random, computing each time the difference of means between treated and control groups, then averaging them and comparing the differences in means between the two groups. But we cannot estimate the average treatment effect by simply subtracting the sample means for the treated and the untreated groups with observational data such as ours. In order to compensate for the fact that we are dealing with observational, not experimental, data, and therefore the proposals are not randomly assigned to the treated (post-crisis) and the control (pre-crisis) group, we must consider a methodology that uses covariates to ensure the treatment and the different possible outcomes are independent.

More precisely, we employ the propensity score matching method, which implements the propensity scores (PS) estimator. The method uses a logit model to estimate the probabilities of being treated using a series of covariates, then matches observations on a single continuous variable (the PS), which is the estimated treatment probabilities. Each observation in the control or treated group is matched with another individual, the one with the closest value for the propensity score in the opposite group. The average treatment effect is computed averaging the difference between the observed and potential outcomes for each proposal.

When considering the relevant covariates, we have only taken into account variables that may have influenced simultaneously the treatment and the outcome variables (Grilli and Rampichini, 2011), as the dependent variables need to be independent of the treatment condition on the propensity score.

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In other words, any other variable that may have been affected by the treatment must be omitted. As a result, we have excluded from these models all the variables that relate to the features of the participatory processes. We have included a series of municipal covariates, as they are stable characteristics that were there before the crisis and that may have an impact on the municipal context exacerbating the effect of the crisis which started in 2008.

The list of covariates we consider includes the existence of a participation department and participation plan, the number of participatory processes previously developed in the municipality (all indicators of an established participatory culture within the local authority), the municipality's income per capita in 2012, its number of inhabitants in 2012, the continuity of the local governing regime and the strength of the ruling party/coalition.

The results of the treatment effects analysis for our three dependent variables are displayed in Table 4. We first consider the proposal's implementation as the outcome. According to our propensity score matching, when proposals stem from participatory processes conducted after the crisis, they are less likely to be implemented. More precisely, the crisis has a significant effect of -0.31 on the implementation variable. As this is a three-category indicator, the coefficient is not directly interpretable, but it confirms the negative, significant effect found in the regression analysis.

[Insert Table 4]

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The next row considers the proposal cost, as measured with our four-category variable (from no to high cost). The average treatment effect, obtained using propensity score matching of our treated (post-crisis) and untreated (pre-crisis) observations, points at a negative, significant effect. The crisis caused a significant reduction in the cost of proposals. Our final analysis considers the challenging character of the proposal. The average treatment effect is less significant here, even if the direction of the effect is pointing to proposals in the crisis context being more challenging.

Finally, for illustrating these effects, we have analysed only those municipalities where data is available for participatory processes developed before and during the crisis context. In these three municipalities, five participatory processes were developed before the impact of the crisis (ending up in 81 proposals) and three processes during the crisis context (with 56 proposals). This comparison is interesting since the crisis effect can be examined holding constant all the local characteristics. Figure 4 points in the same direction as the previous analyses but shows deeper differences: in the crisis context proposals are cheaper, more challenging and less likely to be implemented, and all these differences are statistically significant.

[Insert Figure 4]

**Conclusion**

This paper represents a first step in understanding the effect of the financial crisis on institutions of participatory governance. The emergence of the financial crisis in the middle of our data collection

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period in Spain, one of the European nations that suffered the most extensive impact of economic recession, provided an occasion to analyse the impact of this significant external shock on participatory processes organised in municipalities. This impact could have at least two faces: it could alter the nature of demands made by citizens; and alter government reactions to these proposals. In both cases these are relevant research questions that have not been adequately and systematically addressed (Blanco and León, 2017).

Our findings paint an intriguing picture. The financial crisis has had an effect on the way that public authorities respond to proposals that emerge from participatory processes: fewer proposals are implemented and those that are taken forward are less costly. In other words, governments seem to be less able to accept citizens' demands in a more challenging economic context (Hoppe, 2011) and engage more actively in cherry-picking amongst them (Font et al, 2018). But citizens have also adapted their behaviour to the new context, putting less costly but more challenging proposals on the table. This contradicts common assumptions that citizens will make excessive and unreasonable demands (Schumpeter, 1976; Achen and Bartels, 2016). Citizens do adapt their expectations to the adverse economic context, putting forward less expensive proposals, but in so doing, challenging the municipal authorities to do things differently: to change their established policies and practices. These results suggest a degree of sophistication in citizens' judgements that democratic realists are prone to ignore. We cannot rule out that these changes are not due to adaptation of citizens' judgements but are instead driven by changes in the framing of the participatory processes and other interventions on the part of public authorities. However, this alternative perspective is less likely to explain why more challenging proposals emerge in the crisis period. This would not be in municipalities' interests.



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The evidence in favour of the two central findings of this paper appears robust given that they are the product of four different verification strategies, using different variables and model specifications. This does not mean that the change has been dramatic. In fact, compared to other policy areas (pensions, health, poverty, banking) or to other political arenas (national or regional) where changes have been more profound, participatory governance appears to have suffered less of a radical transformation in this period. Participatory processes continue to be developed and some, but not all, proposals continue to be implemented by local authorities, just at a lower rate than before the crisis years. One explanation of this finding is that the scope of participatory governance remains relatively marginal in most Southern European cities (Talpin, 2011; Font et al, 2014) and beyond (Baiocchi and Ganuza, 2017)<sup>8</sup>. In most cases, major policies and major budgets remain unaffected by participatory processes and as such this type of practice may survive with only small adaptations during a large external shock. Whether the experience of participatory governance can be generalised to other relatively peripheral activities and policy areas in local administrations is an open question that only further research can answer.

There is also further research to be undertaken on how continuing crisis conditions can affect participatory politics. Our focus was on the period immediately after the crisis began, but the political conditions for local participation in Spain altered quite radically as an indirect effect of the changing economic and social landscape: the emergence of new political candidacies (coalitions including Podemos) that won local elections in 2015 in many of Spain's largest cities are developing more ambitious policies towards participatory democracy (Font, 2017; Nez, 2018). In other European countries, the political response to crisis at the municipal level has differed. The short-term

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consequences that we capture in our analysis and the impact of longer term political changes may point in different directions.

### **Acknowledgements**

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23 <sup>1</sup> The selection of these three regions allows us access to two extensive and diverse datasets. A more detailed  
24 explanation of the data collection method used in this paper is available in Font et al (2016). The details of the initial  
25 data collection process appear in Galais et al (2012) and Font et al (2014). The three regions selected introduce  
26 substantial contextual variation since they include quite different levels of development as well as very different regional  
27 participation policies (Sintomer and Del Pino, 2014).

28  
29 <sup>2</sup> This set of proposals can include general ideas (for example develop a more egalitarian city), as well as specific policies  
30 or actions such as the improvement of a specific street or organising a summer school for children.

31  
32 <sup>3</sup> Where it became clear that we were not able to achieve enough local cooperation to collect most of the information,  
33 then a participatory process was substituted randomly by another case in the same strata. This happened in only three  
34 cases where a full list of proposals was lacking and in nine due to lack of cooperation. 82% of the initial cases that were  
35 eligible ended up in the final sample. All details of the case selection and substitution criteria used appear in Font et al  
(2016).

36  
37 <sup>4</sup> Results including 2009 as part of the crisis period are very similar to those reported here (totalling 39 participatory  
38 processes and 571 proposals when including this year).

39  
40 <sup>5</sup> Note that unemployment rates at the municipal level are impossible to calculate in Spain, as public data on the number  
41 of citizens belonging to the active population seeking work are not provided at the municipal level. Citizens are more  
42 aware of national unemployment rates, not local ones. Indeed, the CIS (Centro de Investigaciones Sociológicas) surveys  
43 confirm that unemployment is through all this period the 'most important problem' on the Spanish public agenda. In  
44 January 2005 this is mentioned as the 'main national problem' by 58% of citizens. It decreases until March 2007, the  
45 lowest point in the series (35%). From then, it increases again, until reaching scores higher than 80 per cent in 2010 and  
46 remaining stable during 2010 and 2011. Note as well that the unemployment variable in our models takes a different  
47 value per year. Thus, we have variables measured at the proposal level (our three dependent variables, N=501), at the  
48 process level (N=34), at the municipal level (N=22) and at the year level (N=7, from 2005 to 2011). This apparently  
49 nested structure suggests a multilevel approach to the analysis of the data, yet they are not perfectly 'pyramidal'.  
50 Indeed, our data do not comply with the rule of thumb regarding the minimum, safe number of units at each level of the  
51 analyses, which should ideally be 30 or higher (Maas and Hox, 2005). Alternative models to those presented in this  
52 paper clustering standard errors by participatory process or municipality do not affect the significance of the effects  
53 found for unemployment. Finally, we have alternatively estimated multilevel models where the participatory process is  
54 the second level. The standard errors increase in some instances and four coefficients are no longer significant: the  
55 effect of unemployment on the challenging character of proposals; type: other temporary on implementation; external  
56 financial help on implementation; and requirement to respond on implementation.  
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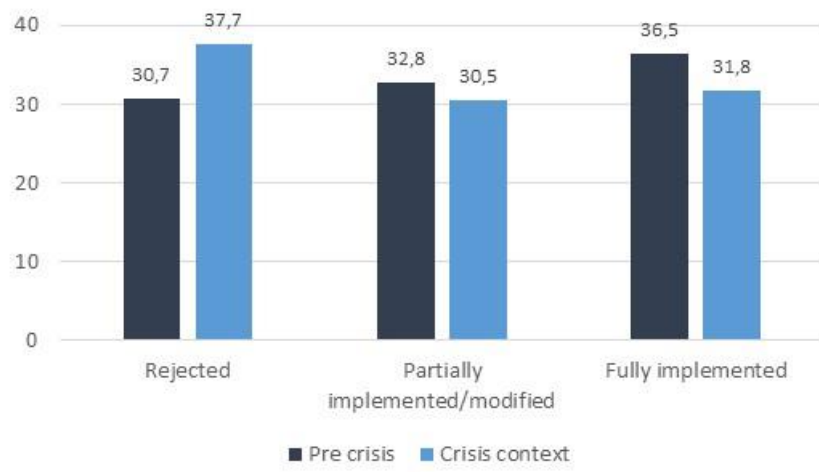
<sup>6</sup> For a more extensive review of factors potentially affecting the fate of proposals see Font et al (2018).

<sup>7</sup> The information we have is the estimated final cost of implementation of the proposal (even if not implemented). As such it can include modifications introduced in planning and implementation stages by the administration.

<sup>8</sup> Further research on the Spanish case is needed to explore whether our main findings hold in light of the effect of the budgetary rationalization that since 2013 has limited the financial autonomy of municipalities.

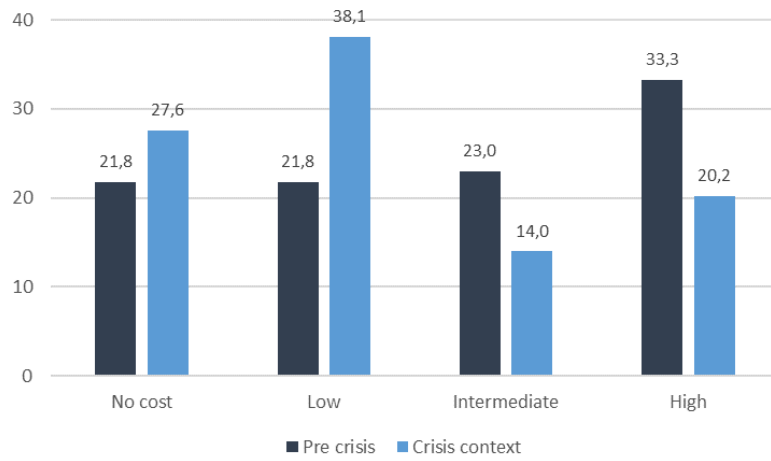


**Figure 1.** Degree of Implementation of Proposals, Before and During Crisis Context (%) (N = 497)



Note: Differences between the pre-crisis and crisis context are not statistically significant.

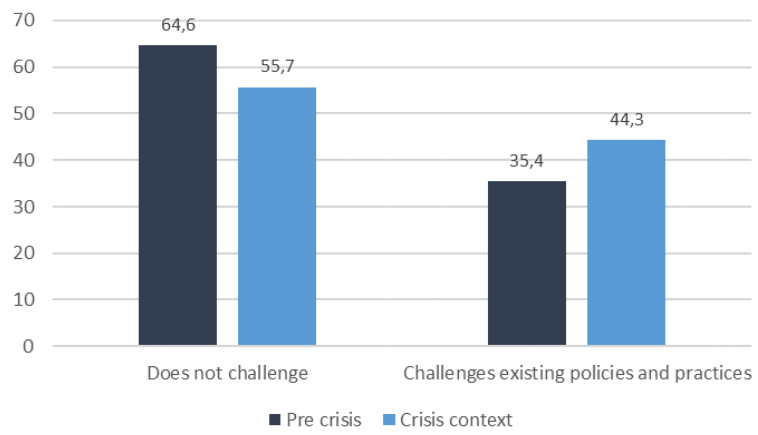
**Figure 2.** Estimated Cost of Proposals Before and During Crisis Context (%) (N = 431)



Notes: Includes the estimated cost of all proposals, including those not accepted by local authorities.

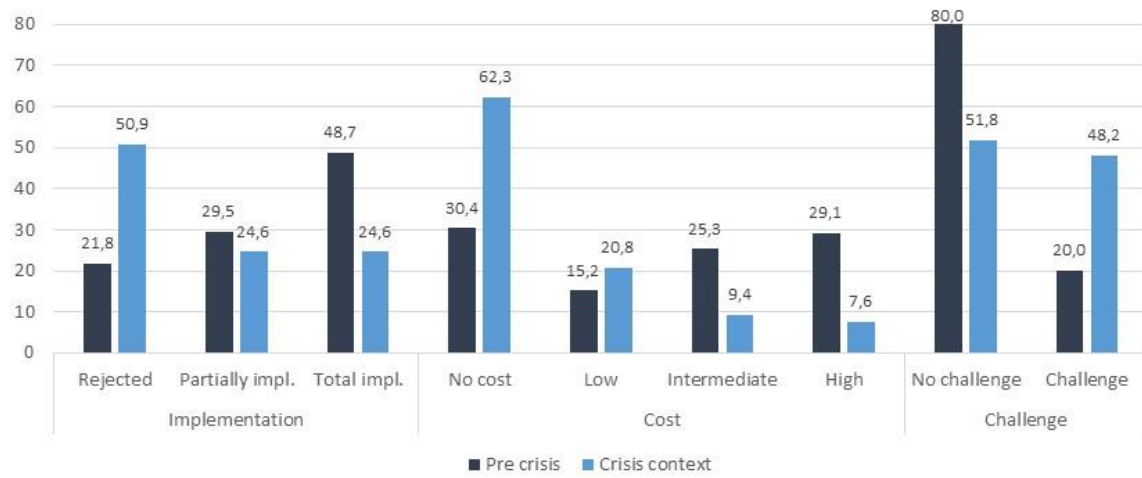
Differences are statistically significant at 0.01 level (Cramer's V = 0.225).

**Figure 3.** Challenging Character of Proposals Before and During Crisis Context (%) (N = 487)



Note: Differences are statistically significant at 0.1 level (Cramer's V = 0.088).

**Figure 4.** Degree of Implementation, Cost and Challenge Character of Proposals by Crisis Context (Only Municipalities with Information of Pre and Crisis Context) (N = 135, 132, 136)



Note: Differences are statistically significant at 0.001 level for implementation (Cramer's V = 0.316); cost (Cramer's V = 0.384) and challenge (Cramer's V = 0.299).

**Table 1.** Accomplished Sample Composition

	Selected cases		Number of proposals	
	n	%	n	%
<b>Region</b>				
Andalusia	17	50.0	268	53.5
Catalonia	8	23.5	130	25.9
Madrid	9	26.5	103	20.6
<b>Municipality size</b>				
Less than 5,000	3	8.8	39	7.8
5,000 to 10,000	5	14.7	77	15.4
10,001 to 20,000	4	11.8	59	11.8
20,001 to 50,000	6	17.6	96	19.2
More than 50,000	16	47.1	230	45.9
<b>Process design</b>				
Participatory budgeting	6	17.6	117	23.4
Strategic planning	13	38.2	241	48.1
Other permanent	7	20.6	65	13.0
Other temporary	8	23.5	78	15.6
<b>Previous participatory experience</b>				
One or two processes	10	29.4	111	22.2
Three or more processes	24	70.6	390	77.8
Total	34	100.0	501	100.0

Table 2. Description of the Variables Analysed

Dependent Variables Analysed		Variable categories or ranges	Mean	SD
Degree of implementation of the proposal: the final fate of the proposals		- Rejected = 1 - Partially implemented/ implemented with modification = 2 - Fully implemented without modification = 3	1.986	0.829
Estimated costs of proposals, differentiating whether they imply infrastructure construction work (CW) or not		- No cost = 0 - Low (<50.000 € for CW and < 18.000 € for the rest) = 1 - Intermediate (50.001 to 200.000 CW and from 18.001 to 60.000) = 2 - High (>200.000 € for CW and more than 60.000 for the rest) = 3	1.478	1.086
Challenging character of the proposals according to prevailing policy action		- Does not challenge existing policy positions (continuity) = 0 - Challenges existing policies and practices = 1	0.409	0.492
Independent Variable Analysed (crisis)		Variable categories or ranges		
Unemployment rate (%)		Quantitative (from 8.5% to 26%)	16.195	5.927
Controls regarding municipality		Variable categories or ranges		
Inhabitants		Quantitative (from 4,229 to 3,233,527)	3.800	1.362
Income per capita		Quantitative (from 503.59 to 1,655.3)	3.669	1.664
Participation Department		No = 0 / Yes = 1	0.918	0.274
Participation Plan		No = 0 / Yes = 1	0.679	0.467
Number of participatory processes previously developed		1 experience; 2; 3; 4; 5; 6 or more experiences	3.645	1.753
Government strength		- Minority government (one or several parties) = 1 - Coalition government (with majority support) = 2 - Single-party majority government = 3	1.491	0.575
Continuity at political level (after 2011 local election)		- Clear government change = 1 - Partial continuity (mayor or most important party in government remains) = 2 - Complete continuity (same mayor and party/coalition) = 3	2.329	0.835
Controls related to participatory processes		Variable categories or ranges		
Type of participatory process		- Participatory Budgeting. No = 0 / Yes = 1	0.234	0.424
		- Strategic planning (reference category in table 3. No = 0 / Yes = 1	0.481	0.500
		- Other temporary experiences. No = 0 / Yes = 1	0.130	0.336
		- Other permanent experiences. No = 0 / Yes = 1	0.156	0.363
Initiative of the process		The initiative for starting the participatory process emerged from the civil society. No = 0 / Yes = 1	0.980	0.140
Number of participants		Less than 10 = 1; 10-24 = 2; 25-49 = 3; 50-99 = 4; 100-299 = 5; 300-499 = 6; 500-1,000 = 7; more than 1,000 = 8	5.224	2.112
Number of proposals		Quantitative (from 1 to 131)	51.735	32.854
Other administration involved		No = 0 / Yes = 1	0.474	0.500
External financial help		No = 0 / Yes = 1	0.568	0.496
Responsiveness: the orientation of the public authority towards proposals	Requirement of local authority to respond	- Compulsory = 3 - Recommendation = 2 - No obligation at all = 1	1.885	0.659
	Immediate response by authority	No = 0 / Yes = 1	0.820	0.385
	General acceptance	- No = 0 - Yes, some proposals accepted = 1	1.046	0.642

	of proposals	- Yes, all proposals accepted = 2		
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**Table 3.** Explanatory Factors of Implementation Degree, Cost and Challenging Character of Proposals

	Implementation	Cost	Challenging
<b>Economic level</b>			
Unemployment	-0.03** (0.01)	-0.05*** (0.01)	0.02* (0.01)
<b>Municipality level</b>			
Inhabitants	0.03 (0.06)	-0.00 (0.06)	0.04 (0.03)
Income per capita	-0.09+ (0.05)	0.02 (0.06)	-0.05 (0.03)
Participation Department	1.05*** (0.28)	-0.63* (0.32)	-0.14 (0.17)
Participatory Plan	0.24* (0.11)	-0.44*** (0.13)	-0.07 (0.07)
Number particip. processes	-0.05 (0.04)	0.10* (0.04)	-0.06** (0.02)
Government strength	0.50*** (0.11)	-0.14 (0.12)	-0.15* (0.06)
Continuity at political level	-0.11 (0.11)	-0.79*** (0.12)	0.11 (0.07)
<b>Participatory process level</b>			
Type: Participatory budgeting	0.24 (0.20)	0.51* (0.23)	-0.00 (0.12)
Type: Other permanent	-0.88* (0.36)	-1.27** (0.41)	0.65** (0.22)
Type: Other temporary	-0.67* (0.30)	-1.02** (0.35)	0.42* (0.18)
Initiative: only public admin.	0.94+ (0.55)	-0.61 (0.63)	-0.19 (.12)
Number of participants	-0.15** (0.05)	-0.08 (0.06)	0.10** (0.03)
Number of proposals	-0.01*** (0.00)	-0.00 (0.00)	0.00* (0.00)
Other administration involved	-0.23 (0.23)	0.53* (0.26)	0.16 (0.14)
External financial help	-0.50+ (0.30)	-0.56 (0.34)	0.19 (0.18)
Requirement to respond	-0.20* (0.10)	-0.07 (0.11)	0.06 (0.06)
Immediate response	-0.09 (0.17)	0.07 (0.19)	0.23* (0.10)
General acceptance	0.15 (0.10)	0.59*** (0.12)	0.14* (0.06)
Constant	2.36* (1.11)	5.60*** (1.28)	-0.67 (0.68)
R-Squared / Pseudo R-Squared	0.172	0.352	0.105
Observations	445	449	438

Standard errors in parentheses

+ p<0.1, \* p<0.05, \*\* p<0.01, \*\*\* p<0.001

OLS regressions for implementation and cost, logistic regression for challenging. We have replicated the same regression analyses measuring the economic level in two different ways. First, considering the public debt as a



continuous variable, the effects are similar (-.02\*\* on implementation, -.02\*\*\* on cost; .04\* on challenging). Second, considering the crisis as a dichotomous variable (pre and post crisis), we also obtained similar effects (-.33\* on implementation; -.70\*\*\* on cost; .70+ on challenging). Likewise, including 2009, all analyses are similar, but with a loss of significance for the effect of unemployment and public debt on the cost of proposals.

**Table 4.** Average Treatment Effects of the Crisis on Implementation, Cost and Challenging Character of the Proposals

	Coef.	Robust std. error	z	P> z	N
<b>Implementation</b>					
ATE					
Post-crisis	-.31	.08	-3.68	.000	497
<b>Cost</b>					
ATE					
Post-crisis	-.45	.10	-4.46	.000	501
<b>Challenging</b>					
ATE					
Post-crisis	.11	.06	1.85	.064	487