European Left and the financial crisis

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1

The European left and the crisis: opportunity or catastrophe?

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Introduction

This book examines how the European left reacted to the economic crisis triggered by the banking collapses of 2008. For some, the crisis was an opportunity for a triumphant comeback for left-wing ideas and policies and for the left to regain the political initiative. The German Social Democrats talked about the crisis being 'a new starting point for more democracy and a new common ground' (SPD, 2009: 5), and there were assertions that 'the crisis in Europe can be a chance for social democracy to rediscover itself' (Martell, 2013: 33). The crisis was interpreted as a failure of the neoliberal model. As SPD (Sozialdemokratische Partei Deutschlands, or Social Democratic Party of Germany) leader Sigmar Gabriel put it, 'we, the Social Democrats, are convinced that capitalism needs to be tamed a second time' (2011).

But the record of the ten years since the start of the crisis suggests that instead of creating an opportunity for a comeback, left-wing parties have suffered a series of catastrophic electoral defeats across Europe. In 2017 alone, social democratic parties suffered historic losses in a succession of elections. In the Netherlands, the Dutch PvdA was 'hammered by its supporters' (Graham, 2017) as it endured by far its worst-ever result. In Germany, SPD leader Martin Schulz admitted to 'a difficult and bitter day for social democrats in Germany' (BBC, 2017) as the party recorded its worst post-war result. In France, a commentator could ask 'is France's Socialist Party dead?' after its candidate fell to fifth in the presidential election (Schofield, 2017).

This book examines this crucial period for the left in Europe. It presents a comparative analysis across two dimensions. The first is between ten EU member states during the economic crisis, including bailout countries and what could be termed 'creditor' countries. The second dimension compares the different party families of the left, from social democracy through green left to the radical left. Even allowing for the fact that not every member state has a party system in which all these varieties of the left are present, it still leaves quite some range to consider. Rather than try to prescribe a rigid approach for every chapter, the book presents three loose over-arching questions.

First, it explores how the left-wing political parties in each country responded to the crisis both programmatically and politically. Each of our case study contributions outlines the left in their country, with the focus being primarily on parties that are present in parliament. However, one of the features of the crisis was the important role of extra-parliamentary actors and movements, so the contributors were free to broaden their analysis where appropriate. The chapters evaluate how the left has dealt with the crisis, focusing particularly on similarities and differences between the different families of the left.

Second, the chapters examine what the crisis means for the relationship between the left and European integration. This includes in particular how the parties responded to the headline events of the crisis in the EU, particularly the bailouts (and the Greek crisis has an especially significant role in this regard) and the policy adaptations of the EU such as the Fiscal Stability Treaty. The chapters also consider the parties' wider positions on issues such as economic reform in the EU, the role of the euro and the democratic deficit.

Third, the book explores what the crisis means for socialism as an economic, political and social project. It asks whether the crisis simply reinforced the extent to which a Europeanised and globalised structure limits the left's available choices; or whether it made possible the idea of a return to more traditional interventionist politics and policies; or indeed whether it created the space for new ideas and projects.

The following section introduces the basic features of the economic crisis that hit the global economy in 2008. The chapter will then go on to examine how the crisis had very particular implications for the European Union. Economies in the Eurozone face particular constraints and demands, and this added to the problems they faced when the global crisis struck. The chapter then examines how the crisis created a challenge for left-wing parties in Europe, setting out the political ideas linked to the economic crisis. The chapter proceeds by outlining the left, identifying the three main left-wing party families that are present in Europe today: the social democratic left, the green left and the radical left. Finally, the chapter sets out the countries chosen for the case studies in this book.

Crisis: the Great Recession

The global economic crisis is more accurately thought of as a series of inter-connected crises, stemming from a banking crisis in the autumn of

2008, which tipped the global economy rapidly from growth to recession. This 'financial carnage' (Keeley & Love, 2010: 11) was the start of 'the most serious financial and economic crisis since the Great Depression' (IMF, 2014). The moment that is usually taken to signal the start of the crisis is the bankruptcy of the US investment bank Lehman Brothers in September 2008, and this was followed by a succession of bank collapses. In the United States, several other banks went bust, while others had to be bought out.[1] Indeed, the federal government intervened to put the two largest US mortgage providers, Fannie Mae and Freddie Mac,[2] into 'conservatorship' – essentially a form of nationalisation, and 'one of the most sweeping government interventions in private financial markets in decades' (Goldfarb et al., 2008).

Why did the initial US banking crisis occur? Most analyses point to the development of very high-risk investment strategies, particularly in relation to so-called 'sub-prime' mortgages. This was made possible by a variety of factors. Banks borrowed excessively to fuel their investments, they developed new financial packages that allowed them to pass on some of the bad loans they were being exposed to, and systems of corporate governance and of regulation failed. Overall, it amounted to a 'systemic breakdown in accountability and ethics' (FCIC, 2011: xxii).

The next step was the globalisation of the banking crisis. The problems were by no means confined to the US financial sector, and they quickly spilled over. Indeed, even in 2007 problems with sub-prime loans had started to become evident in Europe, with Northern Rock bank in the UK almost going under before being propped up and temporarily nationalised, while BNP-Paribas suspended trading on several of its funds.[3] When the full crisis hit, Fortis bank in the Benelux countries was partially nationalised in September 2008, while in the UK the government intervened to protect RBS, HBOS and Lloyds-TSB. In Iceland, the three main banks collapsed in October 2008, resulting in an International Monetary Fund (IMF) loan of $2.1 billion in November 2008.

This globalisation of the crisis is easily explained. It is one of the features of the crisis that it exposed the high degree of interdependency of financial institutions around the globe. Global capital markets had been liberalised, regulations had been reduced or removed, and banks had become international enterprises. This is particularly evident in the Icelandic collapse. The country had deregulated its banking sector in 2001, allowing its three big banks, Glitnir, Kaupthing and Landsbanki, to grow rapidly on the basis of trading in short-term international loans. By the time of the collapse, the accumulated loans of the three banks were many times the size of Iceland's gross domestic product (GDP) (see Ingimundarson et al., 2016; Jónsson & Sigurgeirsson, 2016).

The next step in the evolving crisis was the development of a sovereign debt crisis. We have already noted how governments in several countries tried to prop up their failing banking systems. Effectively, they nationalised their financial institutions, both through loans and the direct use of public money and state guarantees. US Secretary of State Hank Paulsen took Fannie Mae and Freddie Mac into public ownership 'because he feared a systemic global financial crisis that would prompt the biggest depression since the 1930s' (Elliott, 2008). These nationalisations left the public exchequers seriously weakened in many countries. As will be discussed in greater depth throughout this book, this sovereign debt crisis was felt particularly severely in the EU's Eurozone economies, where the criteria for monetary union greatly restricted the scope for borrowing or investment by the state.

In order to balance the books, governments adopted severe austerity programmes, either of their own volition or as a result of imposition by external funding agencies, which led to a deepening of social and political problems. The World Bank estimated that the total world economy contracted by 2.9% in 2009 (World Bank, 2009: 12), while in the Organisation for Economic Co-operation and Development (OECD) area alone, the contraction was 4.7% (Keeley & Love, 2010: 12). 'The closing months of 2008 and the start of 2009 saw precipitous drops in global production and trade' (WTO, 2009), and the UN recorded a fall in the volume of global trade of 12.2% (Shelburne, 2010: 2). An International Labour Organization report indicated that unemployment rose by 2.5% in developed countries in that year (Jansen & von Uexkull, 2010: 33).

Thus, what was initially a global financial crisis led to a European sovereign debt crisis, and this begat a broader social and political crisis. After several years, countries returned to growth, but there was no dramatic bounce-back. Ten years after the initial shock, growth rates remained generally poor, economic activity remained weak, and employment rates did not recover rapidly.

The European Union and the Eurozone crisis

Jean Pisani-Ferry puts a precise date – 16 October 2009 – on when 'the euro decisively ceased being boring' (Pisani-Ferry, 2014: 8). This was the day when the newly elected Greek Prime Minister, George Papandreou, announced that official Greek debt and deficit figures had been manipulated for many years. This triggered a dramatic divergence of bond spreads (the cost of state borrowing) among Eurozone members, effectively 'differentiating between "good" and "bad" borrowers' (Pisani-Ferry, 2014: 8). These differences exposed the incomplete nature of the Economic and Monetary

Union (EMU) construction, and raised political questions of how to manage the euro crisis.

The member states of the EU had gone down the path of similar policies to those in the US. The financial sector was subject to very light-touch regulation and had jumped on the bandwagon of high-risk financial speculation. Meeusen suggests the crisis did not simply have an impact on Europe's economy, it also had a sharp effect on policy-makers in the EU, 'many of whom lost their bearings, at economics as a scientific discipline and, specifically, at the process of European integration itself' (2011: 1). In similar vein, Dinan argues that the crisis 'proved difficult to understand for political leaders, policy-makers, and professional analysis alike' (Dinan et al., 2017: 55).

The 19 Eurozone economies were particularly vulnerable, for two reasons. First, the 'one size fits all' monetary policy had allowed weaker economies to borrow at very low interest rates that were more a reflection of the strength of other economies such as Germany. Second, when the crisis hit, the rules of the single currency meant that individual Eurozone member states could not avail of some of the devices that might have restored stability for their economies, such as currency devaluation or a loose monetary policy. As their financial sectors came under increased stress, they were obliged to respond within the confines dictated by the EMU criteria and policed by the European Central Bank (ECB).

By 2009, several Eurozone economies were in deep trouble. As Table 1.1 shows, every EU state bar one (Poland) recorded negative growth in 2009, and the Eurozone countries recorded two further years of negative growth, in 2012 and 2013. In some countries, the levels of indebtedness were extremely high, and the banking sector was in real danger of collapse. The prospect of a Eurozone state defaulting on its debts terrified the markets, as it was felt that 'such defaults would probably trigger the collapse of Europe's banking system' as banks held huge quantities of government bonds (Authers, 2012: 4).

In response, the EU decided to intervene. It had already agreed emergency financial assistance programmes with three EU states outside the Eurozone, Latvia and Hungary in 2008 and Romania in 2009. This was followed by a series of programmes with the five Eurozone states facing the greatest difficulties. A series of Economic Adjustment Programmes was agreed between the European Commission, the ECB, the IMF and (though their input into the process was limited) the relevant member states (see Table 1.2). These bailouts provided funding to maintain the financial sector in exchange for commitments to deep structural reforms. Each of the bailout programmes was accompanied by strict adjustment conditions. In addition to these programmes, Italy also undertook a programme of extensive structural adjustments at the behest of the EU, though this was intended to stave off the need for a full bailout.

Table 1.2 EU-ECB-IMF bailouts

2 May 2010	Greece (1)	€110 billion	Ended March 2012[a]
16 December 2010	Ireland	€85 billion	Exited December 2013
16 May 2011	Portugal	€78 billion	Exited June 2014
1 March 2012	Greece (2)	€130 billion	Expired June 2015
9 June 2012	Spain	€100 billion	Exited January 2014
16 March 2013	Cyprus	€10 billion	Exited March 2016
12 July 2015	Greece (3)	€86 billion	Expired August 2018

Source: European Commission, n.d.
Notes: [a] superseded by the second bailout

The EU adopted a number of new policies to deal with the unprecedented crisis. In May 2009, a European Financial Stability Facility (EFSF) was set up to issue bonds and other forms of debt instruments. In January 2011, this was joined by the European Financial Stabilisation Mechanism (EFSM), which provided for emergency funding programmes that could be guaranteed by the EU. These two were superseded in September 2012 by the European Stability Mechanism (ESM), which put the various bailout mechanisms onto a permanent footing. Alongside this, in March 2012 the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG, also referred to just as the Fiscal Stability Treaty or the European Fiscal Compact) was agreed. This established strict limits on government spending and borrowing for Eurozone members, and also introduced clear penalties for any state breaching those limits. It was signed by 22 EU states – all 19 Eurozone members, plus Bulgaria, Denmark and Romania, who had chosen to opt in to the treaty.

All of this took place against a backdrop of social crisis. This played out differently in various member states. Table 1.3 indicates the differences in severity and sequencing of the EU-wide unemployment crisis. Substantial variations document the diverging experience of the impact of the crisis over time. While unemployment peaked or stabilised by 2010 in Latvia, France, Finland and Germany (and even declined afterwards), it continued to rise steeply in Ireland until 2012 and in Greece, Cyprus, Spain, Portugal and Italy until 2013. In all cases (except Germany), the levels of unemployment were a relevant indicator of the degree to which the crisis was experienced and continued to remain far higher than they were at the pre-2008 crisis level.

This highlights the social consequences of the economic crisis, and also indicates the extent to which the crisis contributed to political life. It took place in a period framed by electoral cycles, competition for votes, strategic

Table 1.3 Unemployment rates in EU member states, 2008–16 (%)

considerations, party political behaviour, and in some cases even coalition building and government office, while proposing policy narratives and ideas that would be credible as well as appeal to the wider electorate. We turn next to this political dimension, and particularly to the left-wing response to the crisis.

What is the left?

The first things that needs to be done is to define the left. Although the left can be segregated into several distinct party families, and the relationships among these parties are often very fractious, nonetheless there is something that binds them together. Left-wing politics is characterised by a number of features. It is based on a belief in social cooperation, which historically was often especially focused on one particular social group, the working class. There is a strong commitment to the principle of equality in social, political and economic terms, although the extent of that equality in practice has varied. Above all, the left is based on the principle of socialism. While socialism 'contains a bewildering variety of divisions and rival traditions', it is 'an ideology defined by its opposition to capitalism and its attempt to provide a more humane and socially worthwhile alternative' (Heywood, 2017:95). Within those broad boundaries, two broad approaches exist: reformist and radical.

Reformists work within the confines of capitalism to bring about improvement. Indeed, they have increasingly come to see the role of the left not as outright opposition to capitalism, but as engineering a capitalism that can guarantee socially just policies. This has been the focus of social democratic parties, which grew to be the dominant force on the European left in the post-Second World War era. Whether a humane capitalism is possible is open to question, with Marlière arguing that 'capitalism has been more successful at transforming social democracy than vice versa' (Ladrech & Marlière, 1999: 1). This seemed particularly true in the later twentieth century, when many social democratic parties accepted the 'embrace of neo-liberalism' (Lavelle, 2009: 9). Their commitment to the principle of equality and society remained the same, but was reinterpreted to focus on equality of opportunity, not equality of outcome. For some, this resulted in an 'eviscerated version of social democracy' (Unger, 2005: 7).

By contrast, for radicals the opposition to capitalism is absolute, and the project of left-wing parties must be to replace capitalism by some form of socialist economy. What exactly that socialist alternative might look like remains a hazy concept, and indeed radical left parties are often defined simply as being 'to the left of social democracy' (Dunphy, 2004: 2; Hudson, 2012: 2; March & Keith, 2016: 1). Over time, the insistence on revolutionary overthrow of capitalism has waned, and instead there is acceptance of the need for evolution. This has brought the radical left closer to the reformists – or at least, closer to the positions held by reformists before their neoliberal drift. The radical left parties include a wide range, from former communists to student radicals to a new generation of alter-globalisation protesters.

One variant worth adding to this list is the green left, which combines left-wing policies in many areas with a strong environmental dimension. Initially, the green left was closer to the radical left side of the spectrum, but over time – and as green parties have been drawn ever closer to the orbit of government – their positions have moderated and a more reformist position has emerged.

This rather disparate set can be organised and simplified by reference to party groupings at the EU level. There are two types of European grouping worth considering. First, there are broad pan-European federations of like-minded parties. Second, there are European Parliament (EP) groups. With both of these types, we can clearly see a three-fold division of the European left. First, and by far the largest, there is a social democratic family, consisting of a federation (the Party of European Socialists, or PES) and an EP grouping (the Socialists and Democrats group[4]). Next, there is a radical left family, again made up of a federation (the Party of the European Left, or PEL) and an EP group (European United Left-Nordic Green Left, or GUE-NGL). Finally, there is a green federation (the European Green Party, or EGP), which cooperates with another federation to form an EP grouping (Greens-European Free Alliance, or G-EFA).

These three party families of the European left form the basic frame of reference for this book. The membership of these family federations and groupings does not correspond exactly. First, the federations usually stretch their membership to include parties from non-EU states.[5] Second, not every party from an EU state ends up winning an EP seat, leaving a discrepancy between federation membership and participation in the EP grouping. Third, some parties have chosen membership in one group but not the other – for example, several GUE-NGL member parties remain outside PEL.

The focus of this book is on the political consequences of the crisis in the European Union, and particularly on Eurozone states. We have included ten countries, including all those that received bailouts and a number of creditor countries. The book begins with analyses of the political impact of the crisis in the five countries that received bailouts and one – Italy – where the imposition of a severe austerity programme was the price of avoiding a full bailout. It then looks at Latvia, one of the few eastern European states in the Eurozone, before analysing three 'creditor' states, Finland, France and Germany.

Greece may be the country that has been most deeply affected by the crisis. It suffered from a particularly intense economic crisis and from the 'extreme austerity' (Karyotis & Gerodimos, 2015: 4) imposed on the country. The chapter here by Nikos Nikolakakis explains the collapse of the traditional bipartisan system in Greece and examines the rise to power of the radical left SYRIZA. The chapter illustrates how SYRIZA have tried to balance – not by any means always successfully – a very critical stance towards aspects of the EU with a strong commitment to the principle of integration. Nikolakakis argues that the crisis was a catalyst that transformed not just the Greek political system but also the balance of political power on the left.

In Spain, there is a similar narrative of transformation of the party system and of the left in particular. The chapter by Carlos Rico Motos examines the crisis of Spain's political order. Established parties such as the social democratic PSOE have declined precipitously while new ones such as the radical left Podemos have experienced rapid growth. Spain has also witnessed a transformation of the political agenda. On Europe, Podemos evolved from an initially quite Eurosceptic position towards a more ambiguous stance that focused on a discourse of national sovereignty against a 'Brussels technocracy'.

The next chapter looks at Portugal. It is a slightly different case, a bailout country where the traditional social democratic party has survived relatively unscathed but the radical left has also become stronger. Cláudia Toriz Ramos describes how the country witnessed an intensive public debate on EMU as bailout conditions meant the implementation of severe austerity measures. Similar to Spain, ordinary citizens were drawn to widespread protest. The public perception of European integration shifted from positive associations with modernisation and funding to being increasingly linked with more negative concepts such as austerity and poverty. Although the left-of-centre Socialist Party (PS) lost power when the crisis began, the crisis eventually led to a historically significant and unprecedented cooperation between the country's centre left and radical left parties in 2015.

Ireland was the first EU country to go into recession at the start of the crisis. To begin with, the social democratic Labour Party profited from the crisis, gaining a historic result in the 2011 election. But it then went into a coalition government that continued to implement austerity measures, and subsequently suffered an equally historic defeat in 2016. Meanwhile, various radical left groups gained ground steadily. The radical left used the EU's handling of the crisis and questions over how to respond to austerity measures as a means of separating themselves from the Irish centre left. There were fundamental disagreements between the parties over the issue of European integration.

A different story emerges in Cyprus, which is distinctive as the only EU state with a radical left government prior to the crisis. The chapter by Yiannos Katsourides examines how that AKEL party coped with the bailout. AKEL held government office at the height of the crisis, and the public largely blamed them for the harsh austerity measures that were implemented. AKEL's inability to attempt any alternative policies was not consistent with the party's radical left identity, and eventually voters punished them when the party lost power in 2013. AKEL offers a good example of how, while the crisis appeared tailor-made for the left to offer a critical alternative to neoliberalism, in practice left-wing parties were unable to make a difference when in government.

Although Italy did not receive a bailout, it underwent a severe structural adjustment programme that once again triggered political upheaval. Jorge del Palacio Martin shows how the crisis triggered more general political, social and institutional upheaval that led to major changes in Italy's party political system. The social democratic left under Matteo Renzi concentrated on constitutional reform rather than any challenge to austerity, but faced a major new opponent in the Five Star Movement. The Five Star Movement espoused anti-establishment discourse and a populist programme which drew in voters from left and right. They succeeded in ending the previous left–right bipolarism of Italian politics, and the centre left suffered a disastrous defeat in 2018.

The next chapter, by Karlis Bukovskis and Ilvija Bruge, examines Latvia. Here, the narratives around the left and the crisis were very different from those elsewhere. Even though the crisis resulted in high unemployment, increasing inequality and austerity in Latvia, this did not amplify any doubts about integration. Indeed, Latvia actually joined the euro in the midst of the Eurozone crisis, in 2014. The Latvian case also shows a continuing stigmatisation of the left, which is seen as a derogatory term in Latvia. While Bukovskis and Bruge argue that centre left social democratic policy ideas are visible and are embraced by most parties, this has not led to a resurrection of a social democratic or socialist left party.

In neighbouring Finland, Tapio Raunio explores the unusual situation of a multi-party government that included the social democrats, the green and the radical left, but also parties to their right. The crisis revealed the fragility of Finland's domestic consensus over European integration, with the anti-integration Finns Party being very successful in turning public discourse on the EU in a far more cautious and critical direction. While it is not an outright Eurosceptic stance, it is certainly one that aims for an EU characterised more by free trade than by social solidarity. Parties on the left in Finland have struggled to find an effective response to this.

Julien Navarro and Antonella Seddone look at France, where once again the story is of the decline of the social democrats during the crisis. The crisis had a major impact on French citizens' satisfaction with domestic and EU politics, with austerity measures being widely perceived as an outside imposition. Austerity fuelled feelings of Euroscepticism and anti-politics, and opened up electoral opportunities for radical parties both from the left and right. The economic crisis also highlighted the deep divisions between the different sections of the left. Although the Socialists had regained power in 2012, they rapidly ran into problems. By 2017, the Socialist Party was unable to find any electoral space between the pro-European centrism of Emmanuel Macron, a more EU-critical stance on the radical left and the outright hostility to the EU of the far right Front National.

Knut Roder's chapter looks at Germany, where the SPD has been in government but also in decline, while the radical left has been overtaken by the radical right. Germany is often viewed as having come quite well through the crisis. But there was a very deeply rooted narrative that the crisis was the fault of other countries in the Eurozone, which were to blame for their own troubles and should not be bailed out at the expense of German tax payers. The SPD was a junior partner in grand coalition governments during this period, which meant that the party shared responsibility for the German government's approach towards the crisis. It made it virtually impossible for the left to find common ground and challenge the handling of the crisis by the Merkel governments.

Finally, Andy Storey examines the complex relationship between left-wing parties and EU governance. His analysis looks at voters' attitudes to integration and nationalism, and argues that there is a distinct left-wing form of Euroscepticism. This feeds into the concluding chapter, where we argue that the crisis reveals a left that is neither entirely pro-European nor Eurosceptic. We raise the idea of alter-Europeanism, a distinct left-wing approach to integration that seeks a different path to European cooperation, but we also identify the constraints inhibiting the development of a real project for alter-Europeanism.

The left and the crisis

At first, the crisis seemed to present an opportunity for the left in Europe. It was easy for the left in Europe to blame the crisis on a neoliberal, Anglo-American model of financial capitalism. The crisis was widely viewed as proof that aspects of the dominant economic wisdom, and particularly ideas of deregulation and neoliberalism, were at best inadequate and at worst dangerous. In addition, the response to the crisis adopted by centre right governments should have given further ammunition to the left. A crisis largely created by free market financial speculation and private debt led paradoxically to public austerity and restrictions on public deficits and debt.

The puzzle therefore is why the left has struggled to be effective, given a political terrain seemingly so propitious for them. The left began to put forward alternative narratives, with Ryner imagining that the crisis could signal 'the obituary of the Third Way' (2010). On the social democratic side, the narrative emphasised a return to strong regulation and advocated the revival of Keynesian demand management policies. Similar policies emerged from the green left, while on the radical left there were arguments for a fundamental re-think of the economic system.

However, it can be argued that economic depressions generally tend to favour the right rather than the left (Gamble, 2009:109–110). Diamond stated that 'despite the worst global economic crisis for over 80 years, it is Christian democracy which is ascendant in today's Europe' (2012: 1), and March noted wryly that 'rumours of the death of neo-liberalism have been exaggerated' (2012: 1). Rather than being a return to the left, social inequality has widened, and 'the financial crisis since 2008 has been handled at the almost exclusive expenses of tax payers and public finances' (Hillebrand & Maas, 2011: 6), to the extent that the crisis has been interpreted cynically as a kind of 'socialism for the rich' (Jones, 2014).

The left proved unable to control the narratives. Particularly when the banking crisis shifted to become the EU sovereign debt crisis, the perception of the problems and of appropriate solutions shifted rapidly. When the bailout programmes were imposed, the debate shifted away from a flawed financial system. Instead, the arguments focused on re-starting the European economy. For many countries, the discussion became one of 'irresponsible' management of national economies, with an attendant refusal to countenance any form of social or economic solidarity among EU countries.

Social democratic parties were especially ill-placed to respond to the crisis. Most of these parties had only relatively recently embraced neoliberalism, and had done so on the grounds that there was no alternative – exactly the position that was now being challenged. Their 'decade-long strategy of full accommodation to neo-liberalism in order to skim off the surplus for ameliorative social spending has collapsed with the end of the growth upon which it depended' (Guinan, 2012). In addition, many social democratic parties found themselves in government during the crisis, but they were being required to implement austerity programmes and had no space in which to engineer any alternative models.

This focuses attention on the relationship between the left and the European Union. Embedded within all of this was a big question: if you are going to try to re-design the European economy, whether in a social democratic or radical direction, how does that fit with the existing treaties of the EU? The crisis was thus a challenge to the economic policies of the left, but also to their understanding of the process of European integration. The crisis and the party responses to it pose questions about the very essence of EU integration. The crisis has significantly impacted on the programmatic alignment and strategic responses undertaken by political parties, and as is the focus of this book, on political parties on the European left. As we write in 2018, the crisis is in the daily headlines less than before. But it is very far from being resolved or from having played itself out. The analysis in this book suggests that for the left, the transformations triggered by the crisis are only just starting to take effect.

Notes

1 Washington Mutual Bank and Wachovia Bank were among those that went bankrupt, while the investment banks Bear Sterns and Merrill Lynch were taken over (by JP Morgan Chase and by Bank of America respectively). JP Morgan Chase and Goldman Sachs also altered their banking status to make themselves subject to more strict regulation and thus to try to reduce their degree of exposure to unknown risks.
2 Properly, the Federal National Mortgage Association and the Federal Home Loan Mortgage Company. Together, these two companies held an estimated $5 trillion in home loans.
3 This was effectively a statement that the bank had no way of accurately gauging the value of the complex assets bundled together in the funds.
4 This name was adopted in 2009; prior to then they had been known as the Socialist Group.
5 For example, Norwegian parties are members of PES and EGP, while Swiss parties are in PEL and EGP.

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