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The Politics of Economic Collapse: A Comparative Historical Sociology of the 2008 Crisis

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Doctor of Philosophy (PhD) in Sociology
The University of Edinburgh
2021
I, Yuji Shimohira Calvo, declare that this thesis has been composed solely by myself and that it has not been submitted, in whole or in part, in any previous application for a degree. Except where states otherwise by reference or acknowledgment, the work presented is entirely my own.

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Yuji Shimohira Calvo
30th April 2021
Edinburgh, Scotland
Abstract

The 2008 financial crisis was the second major financial crisis in modern history. Like the 1930s Great Depression, the 2008 Great Recession shook political and social arenas. From socio-economic policy reforms to popular political mobilisations, advanced capitalist countries underwent important political and institutional reconfigurations. Yet 12 years later, and despite the depth and scale of these initial responses, neoliberal domestic configurations that had been in place since the 1980s withstood in the longer term. Institutional and social responses suggest that the postwar market embeddedness that facilitated unprecedented levels of social and economic welfare in Europe is perhaps now in terminal regression.

Given the historical magnitude of the Great Recession and the responses it occasioned, this study asks: can we empirically establish (a) historical path(s) between the Great Depression in the 1930s and the Great Recession in 2008 amongst the selected Western European countries? Viewed comparatively and being mindful of their longer trajectories, how did they converge or diverge in the run-up to 2008 and how their convergence/divergence explains their institutional response to the crisis? And, can we identify opportunities for significant paradigm-changing reactions from the Western European publics or civil societies?

Recent sociological work has sought to understand 2008 by examining sociodemographic, institutional and attitudinal data (e.g. Hooghe and Quintelier, 2014; Kern et al., 2015; Marien et al., 2010). Much of this scholarly work has arguably paid insufficient attention to the deeper historical embedding of the Great Recession and its political and civil society responses. By contrast, economic historians have examined the Great Recession in light of previous crises (e.g. Bordo, 2018; Kobrak and Wilkins, 2011; Nayak, 2013) but with little attention paid to civil society responses, and thereby also neglecting an important political dimension of the economic crisis. This study broadly draws on these bodies of work but seeks also to make a contribution by using a comparative historical sociological approach to explore three distinct dimensions of the Great Recession. The first is presented in Chapter 4. It positions Western European political elites’ responses to the Great Recession in a historical long-run, in which 2008 is considered in the light of the 1930s and the
responses that the Great Depression had occasioned. The second dimension is presented in Chapter 5, which turns the macro-historical comparative lens of the previous chapter to what might be termed a meso-level analysis. Chapter 5 thus presents a comparative examination of Western European states’ political responses according to a regime-typology (the Anglos, the Euros, and the Nordics). Finally, Chapter 6 comparatively examines survey data from the European Social Survey (ESS) to allow reflection on how Western publics responded to these various measures.

Central to this thesis is the retrieval of the comparative historical sociology of Polanyi (1957), Mann (1983; 1993; 2012; 2013), and Esping-Andersen (1990). Drawing from Polanyi, I use his concepts of ‘market embeddedness’ and ‘double movement’ to examine the historical drift from welfarism to today’s neoliberalism; from Mann, I take his comprehensive ideological, economic, military, and political (IEMP) model to dissect the different causal sources of the crisis and the responses to it; and from Esping-Andersen, I employ his ideal-typical classification of modern capitalist welfare states.

Following the introduction, theory, and methods discussion, Chapter 4 traces the broad lineages of the development of welfare states across Western Europe from the beginning of the 20th century and, crucially, as punctuated by the Great Depression. I show that there was a common path-dependent movement towards welfare policies after a series of major historical disruptions, but this was then reversed in the late 1970s in a new iteration of Polanyi’s double movement. Expanding the analysis of such critical juncture, Chapters 5 offers a typology to explore the varying responses to the Great Recession across three geopolitical regions: the liberal Anglos, the conservative Euros, and the social-democratic Nordics. I argue that whilst initial political responses converged in 2008 to follow an expansionary rationale reminiscent of 1930s Keynesian logic, each soon reverted fully to historical form, i.e., the neoliberal logic of austerity and fiscal discipline. More, and based on accompanying analysis of ESS data, I find that Western European publics are deeply mistrusting of democratic institutions and political actors. This supports contemporary views that see liberal democracy under threat (e.g., Runciman, 2018; Applebaum, 2020). Today’s low levels of political trust can be seen as positive feedback reinforcements of the neoliberal pathway Western Europe took in the 1980s, thus suggesting that European publics
will not exert pressure for a new socially embedding move as it had partially happened in the 1930s. Yet, also importantly, this reasserts Mann’s (1970) classical argument that liberal democracy’s stability requires apathetic, non-committed publics. On this basis, I conclude that the impacts of the Great Recession are best understood against longer-term historical path-dependent political lineages.
Lay summary

The 2008 financial crisis, also referred to as the Great Recession, was the second biggest financial crisis in modern history. Like the previous major crisis, the Great Depression in the 1930s, the 2008 Great Recession also impacted our contemporary society in many profound ways. The crisis generated important political reforms that sought to prevent future collapses in the banking sector. However, these reforms were limited in scope and left the international financial system virtually unpunished.

Despite massive popular protests in countries like Spain, Greece, and France, the European Union continued with neoliberal economic policies usually referred to as austerity measures. Such measures sought to control public spending at the expense of social programmes for the unemployed, the elderly, and the sick just to name some. In this way, the Great Recession saw income inequality increase while the political elites were busy safeguarding the interests of banks and financial institutions.

In the face of such a crucial moment in our recent history I ask:

- Can we empirically establish (a) historical path(s) between the Great Depression in the 1930s and the Great Recession in 2008 amongst the selected Western European countries?
- Viewed comparatively and being mindful of their longer trajectories, how did they converge or diverge in the run-up to 2008 and how their convergence/divergence explains their institutional response to the crisis?
- And, can we identify opportunities for significant paradigm-changing reactions from the Western European publics or civil societies?

In this thesis, I argue that ‘history matters.’ Although it might seem obvious, we tend to forget that our present time is intimately connected with past experiences. The political elites in 2008 certainly forgot the lessons of the 1930s.

History is not a single, unbroken line of events that connect the past with the present. Instead, history is presented with critical opportunities to change its course. One such opportunity was the 1930s when the Great Depression generated profound political changes that led, ultimately, to the social control of formerly unregulated
economic markets. The Second World War presented another critical opportunity, one that the victors of war took advantage of to strengthen the achievements of the 1930s. Different countries, however, took different pathways following previous historical legacies. Finally, the 1970s presented yet another critical opportunity when the postwar welfare state collapsed. This resulted in our contemporary international order, sometimes referred to as ‘neoliberal order.’

This thesis then seeks to analyse the above-mentioned critical opportunities across a selection of six Western countries, which are: the UK, Spain, France, Germany, Sweden, and Norway. These countries are both similar and different in many important ways. Studying how they developed throughout the 20th century will shed light on our understanding of the 2008 Great Recession.
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Ailsa and Mortimer know how much I owe them, but that’s for another page.
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1 Introduction

I have lived through most of the twentieth century without, I must add, suffering personal hardship. I remember it only as the most terrible century in Western history. (Isaiah Berlin in Hobsbawm, 1994: 1).

The 2008 financial crisis was the second major global financial crisis in the long 20th century. Like the Great Depression in the 1930s, the 2008/9 Great Recession shook political and social arenas across the world. From socio-economic policy reforms to many public demonstrations, advanced capitalist countries were forced into and undertook significant socio-political and financial reconfigurations. Yet more than a decade later, and despite the depth and scale of states’ initial responses, the historical (neo)liberal disembedding process that had been in place since at least the 1980s was shaken but in the longer term withstood the global economic crisis. Despite the Western economies in particular undertaking institutional, political, economic and social responses to the Great Recession, arguably the ethos of the immediate postwar neo-Keynesian market embeddedness that had facilitated unprecedented levels of social and economic welfare in the immediate decades after WWII in Western Europe receded. How might we understand the 2008 financial crisis within the wider historical sociological narrative of embedded and dis-embedded liberalism in Western states, and in particular in light of the economic crises of the 1930s?

There was considerable societal progress after the 1940s. Two world wars had ended the 19th century's order, creating a synthetic conjuncture in which previously unregulated market forces were now significantly controlled. The postwar reforms adopted in Western Europe reversed many of the political and economic trends of the previous decades. Utilising interventionist policies, states importantly regulated markets and industries, thus contributing to the creation of “socially acceptable living standards independently of market participation” (Esping-Andersen, 1990: 37). Thus, embedded liberalism (Ruggie, 1982) became the new dominant order. By embedded liberalism, Ruggie intended a macro-political re-orientation of state activity based on a compromise between free-markets (advocated by New York’s financial circles) and states’ domestic interventionism (supported nearly by all other nations outside the US, see Ruggie, 1982: 393). And the concept has since been taken up by scholars over
the past 30 years to mean a macro-social pact between class interests (Harvey, 2005), a stabilized tug of war between monetarist advocates (i.e., economic liberalism) and Keynesian multilateralism (Helleiner, 2019), or an ongoing political process seeking to reassert social control over markets (Wolfe and Mendelsohn, 2005). I will take up this crucial idea in this thesis but draw also from an original source in Karl Polanyi’s work.

Crucial to the political and economic development of Western Europe in the 20th century, of course, was the grand class pacts that followed both wars. For the first time since the threat of Napoleon Bonaparte, total warfare had forced European states to mobilise populations *en masse*, and these sacrifices in the battlefields most especially could not go unpaid (Halperin, 2004: Chapter 5)—especially after the Bolshevist triumph in the East. This resulted in important advancements in terms of social and civil rights, e.g., the universalisation of the political franchise after the First World War (see Hicks, 1999). By the end of the Second World War, organised labour with parliamentary representation had already attained the institutional means to pursue the many reforms that would follow the War (Esping-Andersen, 1990; Mann, 2012). Nevertheless, the grand social pact of the postwar order started to fall apart a few decades after its inception, and thus the spirit of universalism and social solidarity was progressively abandoned. This is perhaps best exemplified by the rise of inequality, with the increasing income share of the top 1 per cent earners echoing pre-1930s patterns (Atkinson, 2015). Ultimately, there was no beach under the paving stones.¹

The younger generations were born into a relatively peaceful and affluent world, one of accelerated technological development (e.g., electronics and IT) and great opportunities for personal development, especially in terms of higher education (Lenhardt, 2002). Yet they also experienced their own disillusionments. The 2008 financial crisis was the second major global disruption in less than a century. Like the Great Depression in the 1930s, the financial collapse of the Great Recession shook political and social arenas. From substantial socio-economic policy reforms to popular mobilisations, Western Europe underwent significant socio-political reconfigurations. Yet much of this reconfiguring process was aimed at preserving the global order that had caused what Michael Mann refers to as the *great neoliberal recession* (Mann, 2012).

¹ From the popular slogan of the May 1968 student revolts “sous les pavés, la plage!” in France.
From a social perspective, here lies the most important difference between 1929 and 2008. The former led to a wave of radical, market embedding transformations that changed the very fabric of society—in some cases resulting in pragmatic class coalitions that furthered social and political rights, and in other cases resulting in totalitarian regimes (see Luebbert, 1991 on these comparative variations). On the other hand, 2008 did not result in the strengthening or deepening of the social embedding of financial markets and related societal protections, but rather, after a brief neo-Keynesian period of reform, most states in Western Europe reverted to the previous longer-term and structural disembedding process.

Thus, it is important to comparatively explore not only the key political, historical, and economic developments in the lead up to the Great Recession in Western Europe, but also to carefully unpack the variation in state responses and their consequences. One of my goals is to reconstruct the social mechanisms that link the contemporary experiences of the Great Recession with its historical antecedents or the Great Depression in the 1930s and its political responses. Mann’s (1983; 1993; 2012; 2013) theorisation of the sources of social power is an important influence in my comparative historical analysis of Western trajectories, which pays special attention to differences in differences between key Western countries. In doing so, I highlight and trace two entwined threads: the social embedding of market liberalism (Polanyi, 1957) and the development of the welfare state in Western Europe. This formational period is key to understand the contemporary context of the Great Recession and its primary enabler, i.e., the electoral success of neoliberalism. Despite the apparent lack of historical awareness showed by Western political elites, the Great Recession echoes the 1930s in both causes and consequences. Yet, more importantly, the Great Recession must be situated in a wider historical process of double movements not only between markets and society but also between the ideological and political sources of social power. The great embedding process of the mid-20th century took place in a context of overt class struggle, warfare, and material deprivation. Whereas the second collapse of the world’s financial centre was the culmination of an antagonistic disembedding process that took place in a context of ideological and political struggle between the worn-out defenders of Keynesian welfarism and the old forces of economic determinism.
Since the 1970s, Western financial institutions—especially investment banks and companies, as well as insurance and mortgages companies—have undergone a deep *disembedding* process driven by the electoral rise of neoliberal politics (see Chapter 4). By the mid-1980s, the New Keynesian macroeconomic model was widely substituted by a lax, pro-liberalisation model that promoted an international system prone to developing innovative and high-risk sectors. The new framework, often linked to the important Washington Consensus of the late 1980s, heavily favoured international financial and macroeconomic regulations that promoted the relaxation of institutional controls on market expansion and investment operations. In many regards, this was a direct response to the collapse of the welfare state amidst stagflationary crises. Ultimately, this also meant the ideological and political victory of the economic determinism and market fundamentalism that originally opposed the Bretton Woods agreements in 1944.

The new neoliberal framework justified its lax regulatory systems alluding to the perils of concurrent high inflation and unemployment. The new framework sought to increase domestic competition in national financial sectors by relaxing the rules of the game, but it also promoted the flexibilization of both labour and financial assets (Iversen and Soskice, 2012). At the same time, the neoliberal framework was also thought to be an optimal response to economic globalisation and increasing complexity. Thus, the two decades preceding the Great Recession were characterised by an international system of high financial interdependency and low levels of institutional control that pushed more and more the boundaries of hedge risks.

Nevertheless, in the wake of the financial crash in 2008, Western economies first responded with strong collective coordination that led to tighter controls of financial institutions and markets (Cameron, 2012). In Western Europe, the initial concern was the state and health of European banks—a concern that would actively dominate political agendas for several years. The last quarter of 2008 witnessed a coordinated plan of action that made its main focus to control interest rates, which were cut in a context of generalised insolvency and lack of liquidity. Further non-standard measures were adopted by the European Central Bank in order to *unlimitedly* supply banks against collateral.
The impact of the Great Recession on the body social materialised almost immediately. The dry European interbank sector called loans in, disrupting the main tenets of the credit-based society that has dominated in Western Europe throughout the last three decades. Both businesses and households got their much-needed credit cut, leading to a severe crisis in the real economy. Firms downsized, unemployment soared, and small owners struggled as the blood and life of credit-based capitalism dried up.

The immediate responses to the crisis in Western Europe had, in general, an expansionary logic that could fairly be described as neo-Keynesian. The initial effort was highly coordinated at the supranational level, although national economic contexts dictated the shape and form of the stimuli. For instance, the Nordic countries, who comparatively more dependent on income-elastic revenues, opted for an expansionary fiscal strategy. Whereas continental countries such as Germany and Austria focused instead on controlling rising unemployment.

However, once the worst of the initial shock passed, political elites reverted to historical form, thus proceeding to follow a neoliberal logic that implanted budget and fiscal discipline, i.e., 

austerity

This reversion to form shifted the blame from financial institutions to the nation-state and its citizens, especially those with higher levels of public debt—derogatorily called PIIGS: Portugal, Italy, Ireland, Greece, and Spain. The decision to adopt austerity measures was in equal parts economic and political, for prior to the counter-cyclical measures introduced in late-2008 all countries mentioned above actually met the requirements of the Stability and Growth Pact (Armingeon and Baccaro, 2012: 3). Furthermore, the implementation of harsh controls on public spending was not merely a matter of national politics. Instead, it occurred as a coordinated international effort actively promoted by transnational institutions such as the European Commission and the International Monetary Fund. Under the new paradigm of austerity, social services and provisions were drastically reduced. Hundreds of thousands that depended on social benefits further became disillusioned with political elites and professional politics, leading to the formation of new anti-austerity social movements and political parties around the West (della Porta, et al., 2017: 31—35). Labour markets were reconfigured too, specifically by means of flexibilisation, i.e., easing the conditions for firing staff, facilitating temporary labour contracts, and increasing the age of retirement.
Soon after austerity measures were introduced, the body social reacted across Western Europe. Popular mobilisations were stronger in the Southern periphery. Spaniards and Greeks took to the streets to protest against neoliberal austerity, organising strikes, occupations, and massive demonstrations over long months during the hardest years of the Great Recession. Yet over a decade later, and despite the depth and scale of these initial responses, neoliberal configurations that had been in place since the 1980s appear to have comfortably withstood in the longer term. This highlights the institutional and social strength of the existing disembedding arrangements initiated in the 1970s with the process of welfare retrenchment. Then, the liberalising framework was presented as a remedy to the dire stagflationary crisis of the “nanny state.” However, the Great Recession, a direct result of the neoliberal model and the credit-based society it fomented, did not produce a significant change in the electoral and political dynamics that necessarily support the neoliberal project.

This thesis is therefore governed by the following questions:

- Can we empirically establish (a) historical path(s) between the Great Depression in the 1930s and the Great Recession in 2008 amongst the selected Western European countries?
- Viewed comparatively and being mindful of their longer trajectories, how did they converge or diverge in the run-up to 2008 and how their convergence/divergence explains their institutional response to the crisis?
- And, can we identify opportunities for significant paradigm-changing reactions from the Western European publics or civil societies?

Much of the contemporary socio-political work on the Great Recession has focused on sociodemographic, institutional and attitudinal data. For instance, Hooghe and Quintelier, (2014); Kern et al., (2015); Marien et al., (2010) explore the impacts of economic recession, political corruption, and social perceptions on individual civic engagement. This body of scholarly work has perhaps paid insufficient attention to the deeper historical embedding of the Great Recession and its political and civil society responses, with the consequence that certain longer-term and structural dimensions of the crisis remain out of view. By contrast, historical-economic work has examined the Great Recession in light of previous crises (e.g. Bordo, 2018; Kobrak and Wilkins,
2011; Nayak, 2013) but with little attention paid to the social or civil society responses, and thereby also neglecting an important political dimension of the economic crisis. This thesis broadly draws on these bodies of work but seeks also to make a contribution by using a comparative historical sociological approach to explore three distinct dimensions of the Great Recession. The first, or Chapter 4, positions European political elites’ responses to the financial collapse in a macro-historical context, in which 2008/9 is considered in the light of the 1930s and the responses that that crisis had occasioned. Chapter 5 then turns the comparative historical lens to what might be termed a meso-level analysis, focusing comparatively on European states’ political responses according to a regime-typology (the Anglos, the Euros, and the Nordics). And finally, Chapter 6 comparatively examines quantitative European social survey data to allow reflection on how the publics responded to these various measures. Thus, whilst not exhaustive, I hope that an exploration of these three dimensions of the Great Recession might shed comparative and historical light on the politics of the economic crisis.

**Thesis organisation and argument**

The Short Twentieth Century (Hobsbawm 1994) was anchored by three major historical disruptions: one is economic, the Great Depression, and two are military—the world wars (see Mann, 2012; 2013). All three disruptions are historically tied, via their political and institutional responses, in a chain of events where one event served as partial cause to the next, thus slowly creating a distinct historical path that led to the 2008 Great Recession. Under this macro-historical lens, such a chain of events is driven by the tug of war between embedding and disembedding forces (Polanyi, 1957). The first decades of this periodisation witnessed the true demise of the old laissez-faire order characteristic of the previous century and the emergence of a new embedding order that tamed the forces of self-regulated markets. It was in this context that three distinct ideal-typical political regimes came to be, they are the liberal Anglo-Saxons (Anglos), the conservative-Christian Continentals (Euros), and the social-democratic Scandinavians (Nordics) (Esping-Andersen, 1990, cf. Mann, 2013). Each of these ideal-typical regimes underwent socially embedding processes that differed in motivation, focus, and scope—but were all embedding nonetheless. Such order was
further strengthened after the Second World War with the grand international agreement of Bretton Woods, thus creating a common framework for international interaction limited by regulatory and interventionist rules.

The consolidation of three distinct ideal-typical regimes post-WWII may seem like history was running on multiple railways, and whilst true, all three were unified by people’s desire to persevere after two catastrophic decades that witnessed humanity’s worst. Nevertheless, as I will show in this thesis, some fundamental (conceptual) tracks were forged and set in place precisely during the ‘golden years’ of welfarism, thus making seemingly different paths converge into a definitive neoliberal path in the 21st century. Esping-Andersen’s ideal-typical regimes up to the late 1970s were the railways Western history was running along; the 2008 Great Recession was the revelation that a convergence had occurred; we, the people, the travelers embarked on a journey we could hardly escape. This analogy encompasses vast bodies of literature that integrates together path dependency, Mann’s multi-dimensional model of sources of social power, and the ever-present double movement of Polanyi. I develop this integration in Chapter 2 below.

Analytically speaking, it is useful that Hobsbawm’s short 20th century also ends with the demise of the Bretton Woods order. In the last three decades of the century, the neo-Keynesian model entered a terminal state characterised by chronic rampant inflation and unemployment. This facilitated neoliberalism’s electoral victory first, and not coincidentally, in the US and the UK. A macro-historical lens helps to highlight that such a transformative socio-political project had deep historical roots in the agitated formational period of the 1930s. Thus, the last two decades of the short 20th century shows us the international spread of neoliberalism across all three ideal-typical regimes. The century ends in 1991 with the collapse of the Soviet Union and the rotund victory of American capitalism and the international dissemination of its economic policy prescriptions.

This thesis, therefore, situates the analysis within this historical long-run. To do so, I examine three analytically distinguishable but empirically entwined dimensions of the 2008/9 financial collapse, positioning it, as Mann does, as the great neoliberal recession at the end of this so-called short 20th century (Hobsbawm 1994). Each dimension corresponds to a substantive chapter and each draws on different historical
primary and secondary sources. Chapters 4, 5, and 6 all look at the same problem: the Great Recession of 2008. However, each chapter is concerned with a specific key piece in the puzzle: Chapter 4 examines the macro events—critical junctures—that created distinct historical paths for the selected Western European countries. Chapter 5 takes the analysis down to a more granular meso-level that helps the thesis identify positive feedback loops (see Chapter 2) in each distinct regime-type. Finally, Chapter 6 focuses on the most micro-level of the Great Recession, that of civic engagement, in order to analyse the empirical outcomes of those feedback loops examined in the critical junctures in previous chapters.

Chapter 4 comparatively and in broad, macro terms, examines key political and economic developments in Western Europe in the short 20th century (i.e., 1914–1991) using Esping-Andersen’s (1990) ideal-typical classification of welfare regimes which differentiate Anglo (the UK), Euro (Spain, France, and Germany), and Nordic (Sweden and Norway) countries. Esping-Andersen (ibid.: Chapter 1) referred to his three ideal types as liberal, conservative, and social democratic regimes. Although my historical examination of Western Europe follows Esping-Andersen’s theoretical sensibilities, in this thesis I have opted to use Mann’s (2012: 293–309) nomenclature, i.e., the Anglos, the Euros, and the Nordics. Using ideal-typical regimes in a historical examination of Western Europe is useful because such types facilitate the comparative analysis of countries with both similar and dissimilar historical pathways. Furthermore, ideal-typical regimes help to identify welfare mechanisms (or “windows”, see Esping-Andersen, 1990: 144–147) and their definite social outputs. The selected 1914–1991 period spans the emergence, development, establishment, and decline of market-embedding forces.

In this way, the three ideal-typical regimes illustrate well the critical junctures post-WWII that different parts of Western Europe adopted. I examine each country’s historical context as to discern the primary factors that made them diverge into three distinct welfare regimes. Mann’s IEMP model (see paragraph below) is the main conceptual tool employed here to do so: by looking at the intersection and interaction between his four sources of social power—although, at times, not all of them are relevant—I seek to discern the historical foundations of each regime-type to, then, better explain the great neoliberal convergence towards the short 20th century and subsequent 2008 crisis.
Central to this thesis is the retrieval of the comparative historical sociology of Karl Polanyi (1957), whose concepts of market embeddedness and double movement are further expanded by using Mann’s theorisation of the four sources of social power, i.e., ideological, economic, military, and political (Mann, 1983, 1993, 2012, 2013). The double movement refers to a historical tug of war between antagonistic forces seeking to expand or socially constraint the capitalist market (Polanyi, 1957: 130). However, such a concept can be too general at times, thus Mann’s work helps this thesis in historically contextualising and extrapolating Polanyi’s work to decades later in the short 20th century. Moreover, this allows me to pay special attention to two entwined and closely related historical threads: the emergence of distinct market-embedding social forces that successfully controlled self-regulated markets, and the advent of the modern welfare state. While I am primarily interested in the six countries outlined above, due to the transnational nature of all major disruptions analysed in this chapter, i.e., the Great Depression and both world wars, I also examine the impacts of broader world-contexts on the development of Western Europe more widely.

On this basis, I try to show that examining the Great Recession historically in the light of the Great Depression in the 1930s and the subsequent reorganisation of the global liberal order after the Second World War, we can discern a path-dependent historical sociology full of critical junctures (Mahoney, 2000, 2001; Thelen, 1994, 2004). The 2008/9 financial collapse thus forms part of a historical long-run that traces a fragmented story marked by defining events between 1929 and 2008. Ultimately, this is an expansionary conceptualisation of Polanyi’s double movement in longer historical terms that identifies an ever-present, unresolved tug of war between society and the market—thus stressing the contemporary importance of Polanyi’s work. However, such expansion of Polanyi’s work cannot be undertaken without first identifying the paths along which history was traveling (i.e., Esping-Andersen’s ideal-typical regimes and their deeper historical context) and, equally importantly, the multifaceted four-dimensional theory of Mann.

As I show in Chapter 4, the development of modern welfare states and multilateral control of financial capital greatly reduced pre-existing levels of commodification. In other words, postwar welfare states started to provide social services rendered as “a matter of right” in order to guarantee socially acceptable levels of livelihood that do not rely on market-participation (see Esping-Andersen, 1990: 21–
Postwar compromises were thus an attempt to create an *impasse* in the dynamics of long-term double movements, identified by Polanyi in the first decades of the 20th century. I suggest that perhaps society *acted* against economic liberalism, but the social forces behind the self-regulated market never disappeared as their ideological foundations still dominated important academic and financial circles. Then, market fundamentalism was capable of *reacting* in a new iteration of the double movement, only possible once the memories of sacrifice and solidarity of WWII were diluted by unprecedented socio-economic growth under embedded liberalism. When the neo-Keynesian order entered a terminal stagflationary state, economic determinism found a political alternative in the form of neoliberal parties that successfully reordered the balance between sources of social power (i.e., ideological and political).

Next, Chapter 5 seeks to offer greater analytical granularity in the tracing of distinctive historical paths to the Great Recession and the variations in each state’s policy responses. I do this by deepening this thesis’ analytical focus by adopting a meso-level lens which compares the Anglo (the UK), the Euros (Spain, France, and Germany), and the Nordics (Sweden and Norway) over a period between the 1990s and 2000s. These were the decades just before the financial crisis, which witnessed both the weakening of the neo-Keynesian welfare state and the firm international establishment of neoliberal disembedding institutions. I identify two key *political* phases of the financial crisis. First, and despite the general weakening of postwar welfare regimes across all three ideal-typical regimes, and despite the range within regime types, the initial political and policy responses to the financial crisis in between 2008–2010 converged across all six European states, taking a predominantly neo-Keynesian character. I argue that this was largely due to the perceived necessity for all-encompassing, centralised measures, which in turn owed a great deal to a new global assessment of the financial crisis as ‘another 1929.’ Yet once the worst of the crisis had passed, by 2010 in most countries, political elites reverted to their various historical forms, thus furthering the march of neoliberalism. I understand this reversion against the comparative path-dependent process that linked the double movement in the 1930s and a new, reversed iteration in the 1970s, outlined in Chapter 4.

These findings highlight how the financial crisis ultimately enabled a consolidation and development of the neoliberal order across all six examined countries, paying special attention to electoral strengths, which found supporters
amongst both left- and right-winged political elites. Still, there was some variation that echoed the critical junctures—and resulting feedback loops—experienced by each regime-type. The Nordics entered the 21st century still with comparatively strong, encompassing welfare states—although they had already started the liberalisation of their financial sectors in the late 1980s. The UK, the examined country where neoliberalism took the strongest hold in policymaking, further expanded Thatcher’s “revolution” but in a more moderate way under New Labour. In turn, the Euros, and to varying degrees, ameliorated the effects of liberalisation by virtue of their Christian-democratic and social-democrat historical legacies, like Germany’s milder ordo-liberalism. Nevertheless, and despite variation between the three ideal-typical regimes, Western Europe reached the turn of the century with important undergoing processes of economic liberalisation and financial ‘rerregularisation.’

I suggest, on this basis, that the financial crisis cemented the new iteration of Polanyi’s double movement that occurred in the 1970s. But this time it was driven by the conjunction of ideological (neoliberalism) and political (first conservative parties, then reformed labour parties) forces, not so much by the military and economic forces as was the case in the early 20th century. All under the pragmatic acceptance of Western European publics, who opted for stability and continuity in the face of adversity and opportunity for change (see Mann, 1970). Thus, I here stress the importance of the tug of war for the social and political control of the market in the previous century. The reversion to historical form after an initial neo-Keynesian wave of responses highlights the consolidating strength of the social changes that had occurred in the 1970s and 1980s as a result of reordering the balance between sources of social power amidst a new phase in the long-run double movement.

Chapter 6 then presents a third analytical lens at the micro-level that corresponds to a different political phase of the crisis, that of civic responses to the politics of crisis. Here I complement this thesis’ analysis of political responses to the financial crisis with an examination of how the bodies social of the UK, Spain, France, Germany, Sweden, and Norway reacted politically to state responses to the crisis. This is done by taking into consideration citizen political engagement with the core institutions of representative democracy in the period 2002—2016, and in particular, I focus my analysis on a variety of measures of political participation, both because it is core to liberal democracy and because of what it might suggest in terms of value.
consensus around the neoliberal settlement. Put differently, how did the populations of the six key Western European countries respond to and engage with those institutions, which not only reacted to the financial crisis, but which more broadly are those that we deem capable of safeguarding the advancements achieved in the previous century? Can we identify ‘windows’ for social change, or do we see positive feedback that reinforces the critical junctures of previous decades? To explore some dimensions of this, I use social survey data from the European Social Survey (ESS, 2020) between the years of 2002 and 2016 – that is, taking the pulse before the financial crisis and after in order to gauge the effect of the crisis on the body politics. I construct a series of indexes that measure individuals’ levels of trust in the core institutions of democracy. The body social’s political reactions are measured in terms of political participation, which has long distinguished between voting, institutionalised participation, and non-institutionalised participation (e.g., Almond and Verba, 1989; Barnes, et al., 1979; Hooghe and Quintelier, 2014; Kern et al., 2015; Kriesi, 2008; Marien et al., 2010; Verba and Nie, 1972; Verba et al., 1995; Zittel, 2007). I derive these outcome variables from the European Social Survey by employing a series of factor analyses that seek to identify latent concepts and reduce the dimensionality of statistical models. The analysis of such variables is done by using binary logistic regression.

Analysis of these ESS data shows that the overall picture of Western European democracy is rather pessimistic, disillusioned, and apathetic. This is key as, in this thesis’ historical analysis, I show that democratic processes that reach ample strata of society are key against disembedding neoliberal policies. In all six examined countries, we see very low levels of trust in the principal democratic institutions and engagement with the various forms with which citizens can engage with national politics. Western European publics largely withdrew from the political arena, and if generalised low levels of political trust do not create real checks on disembedding market fundamentalism—as exemplified by the reelection of political parties, both right and left-wing, that continued with neoliberal austerity measures. More, logistic regressions of the ESS data show that lower social classes across all six countries are less likely to participate than the more privileged social classes. This is of course in line with decades of social movement theory (e.g., della Porta and Caiani; Inglehart, 1981 2009; Melucci, 1981; Pichardo, 1997). Viewed in historical terms there was, in short,
comparatively little resistance or dissent to either the initial neo-Keynesian response to the financial crisis or to the austerity measures which followed. This general apathy or value consensus is significant. My findings suggest that the 1970s marked a crucial critical juncture in Western history and forged strong loops of institutional feedback. But it also shows that Mann’s early classic argument—that the stability of liberal democracies relies on the lack of consistent value commitment and the pragmatic acceptance of subordinated social classes (Mann, 1970)—still holds true after decades of social and civic rights advancements. My findings more generally support those who view liberal democracy as being under fire (e.g., Runciman, 2018; Applebaum, 2020). If a strong democratic control is one of the key bulwarks against the disembedding forces of market fundamentalism, then the withdrawal of the public’s political engagement at such a defining moment (i.e., the Great Recession), and in the absence of the previously dominant early postwar ethos of class solidarity (Mann, 2013: Chapter 2), suggests that path-dependent neoliberal legacies will not be met with new critical junctures.

Taken as a whole, then, my attempt in this thesis is to place the politics of the century’s second great financial crisis and the subsequent Great Recession within those broader macro-historical processes that Polanyi explored early in the 20th century. Polanyi’s ‘double movement’ is framed in three distinct ideal-typical regimes and examined under Mann’s multi-dimensional theory. This thesis’ argument, thus, is ultimately a political and state-centred one. It identifies markets as arenas for political and social control; the economy is political. The protection of society against the self-regulated market required the electoral success of working-class parties in the 1920s and 1930s, and a further global armed conflict to cement the social embedding of the economy. Equally, the forces behind market-disembedding economic determinism cannot enact its policy prescriptions without controlling the political arena. This has been sustained by political mistrust, apathy, and withdrawal of the body social. The Great Recession, when conceived as resulting from a new iteration of Polanyi’s double movement, narrates a historical long-run that connects the social experiences of 1929 and 2008/9.
2 States, markets, and the body social in context

A revealing crisis

Crises are periods of vulnerability and uncertainty. However, they are also periods that enable change and revelation. Calamities, whether financial, natural, or human, expose with definite clarity the internal configurations of calmer periods—which are not always so obvious as they might be taken for granted. The Great Recession is one such example because it exposed in great detail the relationship between modern capitalism and the body politic. Throughout the last four decades, comparative institutional advantages in the international sphere have guided the elites of the bodies politic in the advanced economies of the world towards different paths. In Europe, for instance, the UK specialised and promoted sectors of high-risk financial operations; Germany opted for developing high value-added export sectors (Iversen and Soskice, 2012: 35). The Crisis of 2008 shook not only the high value-added financial sectors of advanced economies, but it also impacted decisively on the real economy in which most of the body social participate; a financial crisis became an economic downturn of considerable magnitude. The economic pillars on which the so-called “Western world” had rested since the fall of the Berlin Wall were suddenly challenged with unprecedented ferocity.

The first clear sign of the turbulent years to come arrived on the 15th of September 2008 when Lehman Brothers went bankrupt. Pervasive high-risk-taking by banks, such as Lehman Brothers, had spread “garbage” investment portfolios internationally soon made it clear that no advanced economy was going to be left unaffected (for a more detailed account of the origins of the crisis see Hearn, 2017: Chapter 3 and the footnote below). In Europe, the Paris summit of October 2008 gathered the Eurozone’s heads of state and government to discuss the issue for the first time. The major agreement was the enactment of national measures integrated

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2 One could say that the first serious signs of financial malfunctioning occurred as early as 2007, when some US investment trusts working in the sub-prime mortgages sector filed for bankruptcy protection. Towards the end of that summer, it was clear that US banks were not content with existing levels of liquidity. In July 2007, Ben Bernanke, chairman of the Federal Reserve, issued a warning regarding the crisis in the US sub-prime lending market (BBC, 2007). However, the collapse of Lehman Brothers, the first major bank to fall, is considered for many an easily-identifiable starting point with which to mark the economic crisis. For a detailed account of the events that led the world to the 2008 financial crisis, see Bank for International Settlements, 2009.
into a Europe-coordinated framework to prevent adversely affecting the single market and the other member states.

This, however, revealed an important problem in the European Union. Over time, the European Union’s explicit desire to expand financial market integration in the Eurozone proved to be incompatible with the necessity of maintaining an acceptable level of stability in an expanding market area. The problem was both legal and practical in nature, for the existing institutional and regulatory frameworks promoted financial market integration whilst retaining national regulatory competencies, creating a context of minimum harmonisation of national laws (Texeira, 2011: 10).

In hindsight, the monetary strategy that the European Central Bank deployed at the euro’s launch clearly lacked regulation and discipline. Price stability decreased unemployment rates, and increased trading in goods and services were all achieved with relative success during the first decade of the new common currency (Mongelli and Camba-Mendez, 2018: 533). However, control mechanisms in the banking sector were, and remained, weak as cross-country banking activity intensified leading to an increase in bank holdings of public debt from other nations. On the one hand, this can be seen as an important step towards successful integration in the Eurozone. The ECB’s policy toolkit provided, for example, quick response to the turbulence caused by the US sub-prime mortgages crisis in 2007. On the other hand, integration without effective collective regulation only maximises systemic risks—as became evident at the onset of the 2008 crisis.

**From financial crisis to crisis of the real economy**

After the Paris summit of October 2008, when the immediate concern was the state of European banks, interest rates were cut across the continent in a coordinated manoeuvre. The insolvency of major financial institutions in the US, and the generalised lack of liquidity in the European interbank sector prompted the ECB in October 2008 to offer unlimited supply at a fixed rate against collateral. This was a non-standard measure tailored to a context in which distrust and fear dominated. Prior to the crisis, the ECB would only provide banks with pre-set amounts of credit against collateral. This practice worked complementarily with common lending and borrowing between banks to achieve the liquidity they required for their operations. However, as a result of the evident lack of liquidity, “the ECB amended its approach and provided
unlimited credit to banks at a fixed interest rate” (ECB, nd). However, none of this averted the collapse of banks, which impacted global trade and trade financing terribly. But perhaps more importantly, it hit the confidence of investors hard, leading to a marked decrease in investment, production, and finally consumption. This is ultimately how the financial crisis metastasised to the real economy, where the body social would feel it deeply.

With the European interbank sector drying up rather quickly, banks became desperate to accumulate liquidity, triggering the call-in of loans and stopping the credit flow that had previously dominated in the late 1990s and early 2000s. This affected both business and household expenditures, which fell markedly due to their reliance on credit that was no longer available. Furthermore, wealth in the body social dwindled alarmingly as house and stock prices plummeted—two elements, real state and equity, in which the body social had trusted their savings and pensions (Iversen and Soskice, 2012: 43). Prior to the 2008 financial crisis had been a decade of supposed ‘dissaving’ facilitated by easy credit; the press was quick to blame the body social for living beyond its means, especially in the Mediterranean countries and Ireland—where housing bubbles were loudly bursting. However, the crisis in the real economy actually shows the pervasive effects of financial liberalisation and neoliberal market fundamentalism; the body social would not have engaged with sub-prime mortgages if they had not existed. In turn, sub-prime mortgages and easy credit existed because, firstly, the sector was not regulated sufficiently and, secondly, because banks and financial institutions had turned in the 1980s to predatory, high-risk strategies. Credit was, and still is, the blood of Western economies in many regards; from cars to phones many of the goods marketed as socially desirable rely on finance for purchasing.

Once liquidity dried up, the bodies social of Europe thus suffered the perils that come with an economic crisis of significant magnitude. The European “periphery” was shocked harder, but it would be wrong to forget that the epicentre of the catastrophe was in the neoliberal heartlands (i.e., the US and the UK). Once the GDP of these two economies dropped as a result of the events discussed above, foreign investments and business exports followed suit, thus creating a cascade across the continent, that increased unemployment rates, homelessness, income inequality, and poverty levels, amongst others.
**Figure 2.1** Unemployment rate in Mediterranean countries, 2007–2018

Source: Eurostat (2019)

**Figure 1.2** Income quintile share ratio in Mediterranean countries, 2005–2018.

2009 marked the first time in recent memory in which the whole European Union’s (28 member states) real GDP growth rate was negative, -4.3 per cent (Eurostat, 2019a). However, a smaller number of countries already showed negative growth in 2008: Sweden (-0.2 per cent), the United Kingdom (-0.3 per cent), Denmark (-0.5 per cent), Italy (-1 per cent), and more dramatically Ireland (-4.5 per cent). With the contraction of European economies, labour markets were affected severely and unemployment rates increased sharply. As unemployment depends significantly on business cycles and national labour policy, trends vary considerably across countries. Spain and Italy present the first turning points, both in May 2007, followed by Ireland that August. However, unemployment rates in most member states started to increase in 2008 without any apparent geographical pattern. The bodies social in the Mediterranean member states suffered the most, both in terms of increase in and absolute magnitude of unemployment.

Figure 1.3 Income quintile share ratio in various countries, 2005–2018

In Spain, unemployment was at 8.2 per cent of the labour force in 2007, a figure not that different from other countries such as France (8 per cent) or Germany (8.5 per cent). Nevertheless, these countries’ unemployment rates took very different paths during the crisis years. Whilst in Spain unemployment kept increasing sharply until 2013 when it reached a maximum of 26.1 per cent, in Germany it decreased virtually year by year in the whole period of 2007–2018, reaching a local minimum of 3.4 per
cent in 2018 (compared to 15.3 per cent in Spain during the same year). The only member state that experienced unemployment rates as severe as Spain has been Greece, which, nonetheless, until 2010 had presented figures similar to countries such as France, the United Kingdom, and Sweden. Since then, Greece has sustained the highest levels of chronic unemployment in the Mediterranean region as shown in Figure 1.1.

It is obvious that an economic crisis of such magnitude would deeply affect the body social’s well-being. However, not all strata were hit equally, for many social segments are considerably more vulnerable than others. For example, migrants, young people, and women were hit harder than nationals, older people, and men (Eurostat, 2019b). The crisis also differently impacted class strata, affecting the lowest and middle more than the highest earners. This aspect of the crisis revealed a harsh socio-institutional reality that the different postwar welfare arrangements in Europe had perhaps buried too deep in the social imaginary, i.e., that equality of opportunity does not necessarily result in equality of outcomes in a market society.

*Figure 1.4 Income quintile share ratio in Scandinavian countries, 2005–2018*

![Graph showing income quintile share ratio in Scandinavian countries, 2005–2018](image)

Source: Eurostat (2019)

The income quintile share ratio, sometimes referred to simply as S80/S20 ratio,
is widely used in economic statistics to represent income differences within the body social. It is calculated using the total income of the top-earning 20 per cent of the population and the lowest-earning 20 per cent of the same. Because it is a ratio, figures can be interpreted in terms of the number of years the lowest quintile requires to earn as much as the top quintile. In Figures 1.2–1.4, I graph data from Eurostat (2019) representing precisely that. During the years following the 2008 crisis, we can see a generalised upwards trend in virtually all selected countries, although this trend is neither unidirectional nor constant.

First, there is a geopolitical pattern that reflects historical experiences in the postwar development of the modern nation-state. When compared to the rest of the countries, the four Mediterranean countries (including Portugal) show noticeably higher ratios, ranging from 5.22 to 7. Portugal is the only country that remarkably shows a clear downward trend that starts at 7 and finishes at 5.22 years in the timeframe considered. The remaining countries in the Mediterranean area worsened over the last fourteen years, both pre- and post-crisis. In Italy, the ratio increased from 5.6 in 2005 to 6.09 in 2018; in Spain, it increased from 5.5 in 2005 to 6.03 in 2018; and in Greece, the ratio remained practically unchanged at the starting and finishing years (5.8 and 5.51) although it increased noticeably during the hardest years of the crisis as reflected in the graph.

In the Scandinavian geopolitical region, the ratio is considerably smaller than in the Mediterranean countries, ranging from a local minimum of 3.3 to a local maximum of 4.6. This can be explained by the stronger socio-political arrangements in terms of taxes and social security charges. Here, Sweden and Denmark are the countries with the most marked upward trend. The Danish ratio increased by a whole point in four years between 2005 and 2009. Finland, on the other hand, presents a very stable ratio over the last fourteen years remaining around 3.6. In Norway, the ratio actually decreased steadily during the hardest years of the crisis. However, it started growing once again from 2012 onwards coinciding with the arrival to power of the Conservative Party after eight years of a ruling coalition between the Labour Party, the Socialist Left Party, and the Centre Party.

The selected continental European countries also show ratios lower than those

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3 Equivalised disposable income, where equivalised means that differences in household size and composition are taken into account in order to allow comparisons.
found in their Mediterranean neighbours. The Netherlands presents the rosier picture, showing levels equal to or better than those found in the Scandinavian countries. For the entire period depicted in the graphs, the Dutch ratio virtually remained at or below the 4-year mark, although it appears that it is on a timid upwards path starting from 2015. Germany is the most unequal economy amongst the continental countries selected above with a clear overall increasing pattern rife with ups and downs (3.79 in 2005 and 5.07 in 2018). In comparison, France presents lower ratio levels and a more constant trend from the start of the crisis onwards. Included in the same graph are the two liberal polities of the European Union: Ireland and the United Kingdom. The latter shows levels relatively similar to those found in the Mediterranean area and a V-shaped trend which, in many regards, coincides inversely with the also V-shaped recovery pattern of economic recessions.

Nevertheless, economic inequality amidst the body social acquires a much sharper profile when we consider the top 1 per cent of earners instead of the top quintile—and even sharper when wider time frameworks are employed. Income inequality in the advanced economies of the world, especially in the US and the UK, has been markedly rising in the last four decades or so. The 1980s mark the starting point for this distinct pattern. In this decade, neoliberalism was realised as a parliamentary political force.

In the United States, one of the most unequal countries amongst the advanced capitalist economies, the Gini coefficient increased by 4.5 percentage points between 1977 and 1992, and 3 percentage points further ever since (Atkinson, 2015: 17). In Europe, the UK underwent a similar change (markedly increasing inequality after decades of constant levels) that also started in the 1980s. However, the British case presented a more drastic initial increase, 9 percentage points between 1977 and 1992, but then the Gini coefficient did not rise as much as it did in the United States, albeit remaining well above the levels in the 1960s and 1970s (ibid: 20). The rest of European countries also experienced an increase in income inequality from the 1980s onwards, although at different paces and levels of intensity. The financial and economic crises of 2008 and following years thus revealed an important element of advanced capitalism: They intensified a global process that had been operating for decades, i.e., inequality increasing within countries whilst decreasing between countries.
Body social’s resistance

When the financial crisis infected the real economy, the different bodies social of Europe defended themselves as best as they could. During the calamity’s aftermath, we witnessed a resurgence of political mobilisation fuelled by anger and frustration. Nevertheless, as the last decade has made clear, the many popular protests that agitated European streets have not been transformed into successful challenges to neoliberal market fundamentalism; the neoliberal capitalist regions of the world still operate in a business-as-usual fashion, although the last decade has highlighted that important segments of the body social are ready to resist. The cycle of contention opened by the 2008 crisis was in many regards global in nature—just as the crisis was.

Footage of thousands of Spaniards taking on the streets of Madrid and setting a multitudinous camp in the central square, Plaza del Sol inspired New Yorkers to ‘Occupy Wall Street’; violent riots on the streets of Athens ignited the fire of radical groups in northern Italy, which could also be seen on the streets of Toronto during the G20 summit in June 2010. However, although global in nature in terms of the interconnectedness of neoliberal marketplaces and their impacts on the body social, this cycle of contention is deeply characterised by national contexts and varying historical experiences.

In the UK, much of the contention took place within the sphere of higher education—a historically salient context in British popular mobilisation due to policy changes on university services and fees under the label of austerity (see for instance Shattock, 2012; Hillman, 2013). In Ukraine, popular anger was predominantly aimed at the democratisation of the country, culminating in the Maidan (square in Ukrainian) movement that ousted President Viktor Yanukovych who ended in exile in Russia (Zelinska, 2018). In Spain, los indignados (the indignant, the outraged) pointed a collective finger at bankers and financiers protected by the political establishment to the chants of “they don’t represent us!” and “they call it democracy, but it isn’t” (see for instance Roitman Rosenmann, 2012).

This cycle of contention that spans roughly 2008–2011 encompasses a myriad of protests, movements, and political actions that reflect the body social’s responses to an international climax of crisis and uncertainty. Themes, tactics, and values vary across national contexts, but all are ultimately connected via the same transnational channels—i.e., financial technology—that
contemporary capitalism utilises for its own purposes.

**Contentious politics**

As one could expect, a re-emergence of social movements and contentious politics literature ensued. Unlike now, research on such topics has not always been an established, recognised, academic field by its own merit. The emergence of “new social movements” in the 1960s marked the genesis of a lasting research tradition dedicated to the study of collective action and contentious politics.

The socio-economic context of the postwar era in Western societies, characterised by post-industrial capitalism and historically unprecedented levels of well-being, birthed a seemingly new form of collective politics. The working-class labour movements of old that once focused on economic and materialistic issues—and that had been so paramount to the advancement of democracy, fundamental rights, and the expansion of the political franchise—lacked a *raison d’être* in the era of postwar welfare capitalism. Instead, the new middle classes came to the fore with a set of postmaterial concerns that, for many, clearly reflected the deep changes in the West’s social structures. This new middle-class radicalism erupted in multitudinous protests across Europe and the United States, e.g., the student protests of France and Germany in 1968 and Italy in 1969; or the anti-war movement of the mid-1960s in the United States. Eco-activism, identity politics (e.g., LGBT rights), and anti-globalisation movements exemplify what many categorise as *new social movements*.

The New Social Movement paradigm is composed of several perspectives, ranging from resource mobilisation theory—which focuses on rational actors, instrumental action, and formal organisations (McCarthy and Zald, 1977), to social constructionism—concerned with cultural framing and processes from a symbolic interactionist perspective (Gamson, 1992). Yet all share the same core concepts, primarily the assumption that new social movements are the children of post-industrial capitalism, thus analytically distinctive and qualitatively different from previous movements of the industrial era. They are middle-class based and concerned with postmaterial issues that do not relate to the material reality of the body social per se.

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4 For a more comprehensive analysis of the different alternative perspectives that can be found in the New Social Movements paradigm see Buechler, 1995.
The ideological outlook of new social movements is what analytically differentiates them from previous movements. All remaining characteristic elements of new social movements emanate correspondingly from this viewpoint. At its core is an explicit emphasis on quality of life—which can be defined in a number of ways to suit the “new” movement’s goals. For instance, many new social movements challenge the political status quo in representative democratic polities, challenging existing political institutions and advocating alternative ways of organising the political processes that govern social life.

Recent examples of such movements are Los Indignados and Occupy; both movements engaged the body social in a public debate on direct democracy and autonomous ways of organising social life at more local levels than the central state. Identity, in turn, plays a key role in the deployment of new social movements’ ideologies. Following the same examples, participants in the anti-austerity movement in Spain identified as “indignados” (outraged), whereas Occupy spoke of the “99 per cent.” This is a common element of new social movements from the 1970s onwards, and is especially strong in feminist and LGBT organisations—where the “personal” became “political.” Furthermore, this reflects a new turn towards the body social; activists of new social movements do not only seek to change the processes of the body politic but also wish to transform the extra-statal relationships, which had not previously been politicised, that operate in social life. In other words, “identity politics express the principle that identity—be it individual or collective—should be central to both the vision and practice of radical politics” (Kauffman, 2001: 23).

New social movements’ structure, political strategies, and tactics coherently derive from their ideological outlook. Their focus on direct, autonomous democratic alternatives results in a decentralised form of organisation, often with rotating leadership figures and transparent decision-making processes. Identity politics also plays a role in the organisation of new social movements, for example in the creation of “safe spaces” for discussion and personal expression that are non-hierarchically administered by participants themselves. The goal of these structures is to cater for individual needs as much as to realise their values and beliefs at the margins of institutional channels and institutionalised politics (Offe, 1985).

In the years prior to the financial crisis of 2008, many of these movements were focused on global issues such as globalisation and environmental concerns. They
were organised by means of transnational activist networks and would come to the
general public’s attention whenever a G8 summit or similar forum happened, as
activists would organise counter-summits and protests that often ended in violent
clashes with the police. The Great Recession, however, triggered a noticeable change:
the focus became more national. Domestic, not global, issues and experiences
witnessed a revival, and movements established a more lasting presence in the public
eye—for instance, the multitudinous camps in Madrid or New York that protested
neoliberal policies and lasted for prolonged periods.

Political opportunity frameworks have often been used to analyse the strategic
decisions of contemporary social movements. Such theoretical approaches focus on
rational choices in the light of what social movements perceive as possible in a given
political context with particular barriers and opportunities. In the European context, the
shift from the transnational to the national is argued to be linked to the body social’s
understanding that the institutions of the European Union are not responsive to their
anti-austerity arguments (for example della Porta and Parks, 2015). Prior to the
financial crisis, they argue, social movements perceived more political opportunities in
the European Union and its institutions, especially in matters of social justice.
However, policy changes by the European body politic in response to the crisis
considerably narrowed these perspectives (della Porta and Parks, 2016). Two macro-
policy changes in the wake of the crisis stand out as having a greater impact on the
European Union’s functioning: the Sixpack from December 2011—a reform of the
Maastricht Treaty that sought to institutionally intervene in matters of economic and
monetary policy— and the 2012 Fiscal Compact—an even more binding treaty that,
by seeking to prevent another debt crisis forced member states to maintain strict levels
of budget deficit and public debt relative to GDP.

The body social, especially in the Mediterranean countries, saw these
measures as a flagrant attack on national sovereignty. Unaccountable institutions, like
the European Central Bank, and political actors beyond national borders were now in
charge of prescribing policy responses to the crisis—and national governments,
whether willingly or not, abided. This contraction of political opportunities at the
European level informed the sentiments behind the social movements of the 2010s; it
was felt as an attack on democratic rights and sovereignty. Correspondingly,
movements like los Indignados initiated a public debate on democratic accountability
and popular control of institutions by means of transparent processes. Nevertheless,
as I show in this thesis, neither political participation changed much nor the political options voted by European citizens posed a real systemic change, thus illustrating the strong positive feedback loops created at the critical juncture of 1970s (see discussion below on path dependence theory).

A note on new social movements

Despite the seemingly distinctive theoretical components of the New Social Movements paradigm, some have questioned such a label’s empirical and analytical utility. One critique that resonates strongly with contemporary affairs is that the New Social Movements paradigm does not focus on right-wing movements, thus describing only a portion of the whole spectrum of contentious politics at best (Pichardo, 1997: 413). While in some cases there might be analytical justifications for not including right-wing movements, for example when such movements are mere reactions to left-wing movements, many conservative movements of the last four decades are independent reactions to the same alienating effects of post-industrialism that spurred left-wing movements on.

This is especially salient in today’s world, which has witnessed the emergence of reinvigorated populist and nationalist right-wing movements that oppose some negative effects of neoliberal globalisation (e.g., immigration, unemployment, and cuts to public spending⁵). The disdain and distrust of European Union institutions are palpable in many left-wing movements and today’s right-wing movements too; the UK Independence Party and the National Front (now re-branded as National Rally) in France are good examples of this.

Another problematic element in New Social Movements theories is their emphasis on non-institutional political channels and tactics at the margin of the state and legal political parties. However, contemporary European history is rife with examples of the opposite. For instance, green movements and Non-Governmental Organisations are often consulted by governments on matters related to the environment. And vice versa, green movements might draft environmental policy ideas that they pitch to ruling governments, thus building a formal bridge between the two.

Furthermore, the grand social movements of today’s era of austerity have found

⁵ Albeit these movements criticise the retrenchment of social policies from a nationalistic, oftentimes ethno-centric too, position.
sympathetic allies in well-established political parties that have voiced the movements’ concerns in national parliaments and assemblies; and in some cases, the movements themselves have served as the genesis for new political parties, the two most notorious examples being Podemos in Spain and the Movimiento 5 Stelle in Italy. These two examples pose important challenges to core tenets of “classical” New Social Movements theories—although recently, important voices within the New Social Movements paradigm have re-explored the linkages between political parties and social movements (for example, McAdam and Tarrow, 2010; della Porta et al., 2017).

Yet another line of critique is directed at the adjective “new” in the New Social Movements paradigm, which has been a disputed label since the 1980s when the term grew in popularity amongst scholars of contentious politics (see Melucci, 1980; Offe, 1985; Touraine, 1981; and Tilly, 1988). Some researchers see no significant differences between the 19th and 20th centuries. For instance, Craig Calhoun (1993) contends that there are plenty of historical examples of “new” social movements in the early 19th century and that the supposed “materialistic” and “economistic” natures of earlier movements were, in fact, not so dominant. Employing a wider historical perspective, Calhoun (ibid: 392) proposes that social movements of the early 19th century are actually more similar to those of the late, not early, 20th century.

None of the above should subtract from the contributions of New Social Movement theorists to the field of contentious politics and, for that matter, to the interpretation of the statistical material in this thesi’s Chapter 6. Political and civic participation also follow historical paths rife with reinforcing elements that attend to particular alignments of the sources of social power (see section on Mann’s work below). For example, today’s contentious politics and movement parties in Greece and Spain cannot be explained without reference to their relatively recent military dictatorships and their relationship vis-a-vis the other economies in the continent; the relative stability of the Scandinavian body politic cannot be explained without acknowledging their deep historical experiences with corporatism, political coalitions, and state interventionism. Thus, the 2008 financial crisis and the crisis of the real economy that followed, via the responses of the body politic and body social, revealed important historical trajectories of European societies that can be overlooked when only class, culture, or values are examined.
Karl Polanyi: embedded markets and capitalism

Karl Polanyi’s *The Great Transformation* (1957) is perhaps the single most important historical-economic contribution of the 20th century to the wide field of social sciences. It analyses classical economic liberalism’s master plan for society; one that Polanyi deems simultaneously utopian and destructive. For the greatest part of human history, markets lay outside the boundaries of the core institutions that form a society; they operated under their own logic and were not considered a central part of human society. However, relatively recently markets (or “the market”) have come to the fore of intellectual debates as to their logic, processes, and dynamics that have permeated other elements of human society.

Starting from Adam Smith’s *The Wealth of Nations* ([1776] 2001), a long-lasting intellectual endeavour (i.e., economics) has studied the rational aspects of markets: production, distribution, and consumption of both goods and services. Economic sociologists prior to Polanyi, in turn, studied either the effects of capitalism on society or particular issues of economic nature such as the organisation of production. However, in his work, Polanyi is primarily concerned with the holistic relationship between markets and society. One theoretical element of paramount importance for his historical analysis, first proposed by Polanyi himself but subsequently developed in different ways by several others, is the concept of *embeddedness*.

Ironically, some theoretical concepts are not completely explicitly defined in their original works, yet the ideas that they convey permeate those works’ central theses. Embeddedness is one such elusive concept; Polanyi mentions it only a handful of times in one singular chapter, yet the intellectual reception derived from the different readings of *The Great Transformation* have placed embeddedness at the core of much of economic sociology and anthropology—and many of these readings define and use embeddedness in ways Polanyi himself did not consider (noticeably Granovetter, 1985).

The concept of embeddedness in *The Great Transformation* ultimately has a

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6 Understanding “market” here in its simplest, yet most effective, way: a chain of networks comprised of two elemental actions, i.e., selling and buying.

7 Although Smith spoke of political economy, “considered as a branch of the science of a statesman or legislator, proposes two distinct objects: first, to provide ... for the people ... and secondly, to supply the state or commonwealth ... for the public services” (Smith, [1776] 2001: 557).
deep moral component—a similar theme that we will see in Charles Taylor’s account of capitalism. For Polanyi, markets are always in some way limited by society’s institutions; regulations that tap into society’s moral configurations exert this control. All three historical types of economic exchange that Polanyi identifies, i.e., reciprocity, redistribution, and markets, are regulated by institutions (1957: Chapter 4).

Furthermore, for Polanyi markets ought to be regulated in order to prevent anomie. An example of regulation can be found in bartering. Historically, it has been rife with taboos and cultural norms that seek to avoid abuse and exploitation of the economic organisation (ibid.: 62). Equally, the European price-producing markets of the fifteenth and sixteenth centuries were restricted by sets of norms and laws: where the market was, which days the market was operational, and so on. Embeddedness thus is not solely an economic concept; it concerns society as a whole, for markets are integrated deeply into the institutions that sustain society. In this way, the concept also has an important institutional nature in Polanyi. Markets are more than networks of economic exchange; markets are themselves social institutions that operate under the direct influence of other societal elements such as culture, ideology, and politics.

When markets are left alone to self regulate, Polanyi argues, they create inhumane social conditions that feel more like pathology than organisation; free-market liberal capitalism’s attempt at the unrestricted commodification of labour, land, and money is what caused the human perils he witnessed: the First World War, the Great Depression, and the rise of National Socialism that made him leave Hungary for England. In his own words:

“That is the manner in which civilizations perish … The fascist solution of the impasse reached by liberal capitalism can be described as a reform of market economy achieved at the price of the extirpation of all democratic institutions, both in the industrial and in the political realm” (1957: 237).

Polanyi’s explanation of fascism (arguably a form of contentious politics) links the body social and its forced subjugation to the forces of free markets. However, he does so by taking into account a complex set of historical events that starts with the creation of isolated markets and ends with the implementation of self-regulating markets. The examination of historical processes and structural changes allow Polanyi to not only analyse how and why these occurred but also to derive explanations for
social and political phenomena that otherwise might appear unrelated.

Through the inspection of economic processes, Polanyi finds the intertwined connections between human spheres of activity. Polanyian embeddedness is thus subordination of markets to social, cultural, and political institutions. Markets themselves are not the problem, for economic exchange of one form or another is very much necessary in human society. However, when the market (or “market pattern” in Polanyi’s words) became the dominant form of economic exchange and started “fictitiously” commodifying labour and land the whole society changed: “it means no less than the running of society as an adjunct to the market” (Polanyi, 1957: 57). Social relations become embedded in the economic system, not the other way round. Polanyi identifies the historical turning point at the end of the eighteenth century when some believed that a self-regulating market economy was the natural evolution of previous isolated, regulated markets. Prior to the self-regulated market (singular), the historical progression of European markets (plural) had been one of tight control by central authorities that sought autarchy—such as under the mercantile system that had broken the regional trade barriers of privileged towns.

The Industrial Revolution increased the level of complexity of production-distribution chains in industrial life, and by the 19th century the three elements on which modern industry relies—labour, land, and money—were strongly commodified and solely served the economic system. For Polanyi, there is nothing natural in this process; neither labour, nor land, nor money are “natural” commodities; in fact, they are not commodities at all. In an industrial sense, everything is produced for sale and all that is produced is distributed through markets. Labour is simply a technical term for human activity, which is neither produced for sale nor exclusively follows an economic logic; land is yet another term for nature, which is also not produced by human beings; finally, money is an exchange token that signifies purchasing power, and like the other two, money is not produced but created through mechanisms such as banking or state finance (Polanyi, 1957: 72). Thus, the fictitious commodification of these three elemental aspects of industrial life as a result of the changes brought about by the Industrial Revolution created markets for each one of them. These markets,

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8 For Polanyi the most noticeable change was the introduction of the factory system in commercial society. Factories require all three fictitious commodities, and the only way to make them available in a commercial society is simply by “producing” them and making them available for sale, i.e., by commodifying new elements of human life (Polanyi, 1957: 75).
firmly tied to the industrial endeavours of the “new age”, inextricably linked production and prices via supply and demand mechanisms. The idea that self-regulation was not only natural (as shown by the linkages of production, prices, supply, and demand) but desirable was fostered by the rapid spread of market operating mechanisms across the globe.

The commodification of industrial elements by means of market mechanisms not only transformed the economic system but society as a whole. The self-regulated market system demands one important outcome: the institutional separation of society into two spheres, the economic and the political (ibid.: 71). The former had historically been integrated into social life, and was a function thereof. In Western Europe, the industrial 19th century changed this, creating an independent economic system with its own logic and motives. Furthermore, for this to be possible at all, society had to be subjugated to the economic system, which was achieved through the commodification of human life. In Polanyi’s own words, “all along the line, human society had become an accessory of the economic system” (ibid.: 75).

Polanyi’s masterpiece The Great Transformation (1957) was first published 75 years ago during the last years of the Second World War. It took several decades for his work to be fully appreciated in scholarly circles, but since the 1980s, Polanyi’s work has inspired a considerable corpus of theoretical and empirical research in the social sciences. Polanyi’s intellectual legacy is very important for understanding our own historical time. He analysed the historical collapse of the 19th-century order and the great social transformation it ushered in; our times also underwent an important transformation in the 1970s. Polanyi’s times suffered an enormous financial collapse and economic recession, the Great Depression; our times also experienced major financial and economic disruptions, the Great Recession. Polanyi was also concerned with the triumph of fascism in the interwar period, which he linked to the austerity resulting from reinstating the international gold standard, and the liberals’ obstruction of social reform (Polanyi, 1957: Chapter 21); our times have also witnessed the rise of ethnonationalist, far-right populist parties and movements (e.g., Golder, 2016; Van Hauwaert, 2019; Veugelers, 1999).

The retrieval of Polanyi’s work is intimately linked to contemporary analyses of
economic crisis and neoliberal politics (e.g., Block and Somers, 2014; Hann, 2019). Some have argued, however, that popular concepts such as globalisation and neoliberalism are simply descriptive labels for larger processes and, as such, can be too abstract and thus analytically problematic (e.g., Hearn, 2017: 16—17). Here I understand neoliberalism as a political project with clear, strong preferences for free-market economic policies, i.e., neoliberalism as the political projection of market fundamentalism and economic determinism. Under this conceptualisation, Polanyi’s work becomes, ironically, even more relevant. In his historical analysis, Polanyi (1957) theorised that the reign of the self-regulated market was over; three decades of prosperous Keynesian welfarism (embedded liberalism, see Ruggie, 1982) proved him very wrong.

Enter Reagan and Thatcher in the 1980s and, with them, transformative free-market policies that created a new international order (see Chapters 4 and 5 here). This was the triumph of Hayek and Friedman (market fundamentalism) over Keynes and Bretton Wood’s multilateralism. It was, I argue in this thesis, a new iteration of the double movement which had never been fully resolved. Subsequent decades up to, and including, the Great Recession have been characterised by increasing levels of income inequality (Atkinson, 2015; Piketty, 2007), liberalisation of markets and labour, “reregulation” (not deregulation) that has greatly empowered financial and economic institutions vis-à-vis society (Block and Sommers, 2017: 2019), and the whithering of welfare systems and dissolution of traditional forms of socio-political organisation such as trade unions in liberal and corporatist democracies (Kollmeyer, 2003: 383; Kollmeyer and Peters, 2019). All this makes Polanyi’s work extremely relevant today. From ‘false prophet’, Polanyi has become a ‘prime analyst’ of our times.

**Michael Mann: the sources of social power**

Michael Mann’s *The Sources of Social Power* (1986; 1993; 2012; 2013) is perhaps the most important contemporary contribution to the field of macro-historical sociology. Over four volumes, Mann develops a powerful theoretical framework that historicises the creation and development of bodies politic by means of an intricate interrelationship formed by four networks of social interaction, namely, ideological, economic, military, and political (or the so-called IEMP model of organised power). Although global in many respects, Mann predominantly focuses his work on Europe.
and the United States of America. The importance of Mann’s *Sources* stems from his skilful marriage of historiography and sociology. His meticulous use of historical evidence uniquely furthers our sociological understanding of social change and processes; the texture and complexity that historically grounded data provide are invaluable to the nomothetic goal of classical sociology. The result is a rich sociological account of our history that neither falls into reductionist analysis nor attempts to set universal laws of history in stone.

The core of his social theory is the conception of human society as “… constituted of multiple overlapping and intersecting sociospatial networks of power” (Mann, 1986: 1) or “… society is a network of social interaction at the boundaries of which is a certain level of interaction cleavage between it and its environment” (Mann, 1986: 13). This definition of society challenges many of the other conceptualisations that have dominated in the 20th century. As Mann argues, acknowledging some overstatement for effect (Mann, 1986: 2), human society is not unitary; it is not a totality from which we can derive the essence of social relations using systemic properties—because human society is not a system either.

From the above, the “sociospatial” aspect of the IEMP model and the way Mann defines “network” are of particular interest to me, as these two elements allow for a nuanced historical sociology. Because Mann does not see society as a unitary totality, his four networks of social interaction are conceived as organisations comprising institutional means that seek to attain specific human goals. In turn, they are sociospatial precisely due to his analytical focus on organisational means: “the central problems concern organization, control, logistics, communication—the capacity to organize and control people, materials, and territories, and the development of this capacity throughout history” (Mann, 1986: 2–3).

It follows that organisations and institutional means are not constant over time, i.e., the balance between the four networks shifts from period to period in history configuring society in varying fashions. For instance, Medieval Europe was characteristically dominated by ideology (Christendom); the European eighteenth century was dominated by the economic and the military; and in the 19th century, as capitalism advanced and modern nation-states absorbed many of the previously

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9 Mann (1983: 2) himself cites the following: Marxism, structuralism, structural functionalism, normative functionalism, multidimensional theory, evolutionism, diffusionism, and action theory.
dominant sources, the political and economic came to preponderate (Mann, 1993: 1–2). At no singular point is there an ultimate primacy of one source over the rest; rather, they influence one another changing their trajectories, intertwining and creating new interactions that bring about historical cumulative effects (like the conjoint emergence of nation-states and social classes).

In order to cope with the layers of complexity that a multidimensional social theory like Mann’s possesses, he approaches the four sources of social power as Weberian ideal types. The four sources, especially the economic, political, and ideological, due to their non-totalitarian properties described above, are well-suited devices to cope with the theoretical messiness that one would encounter when analysing the historical trajectories of different countries prior to and during the Great Recession.

Although Mann opens his Sources with a strong statement regarding the novelty of conceiving human history as an intricate concatenation of interactions between networks of power, his last two volumes—the ones tackling the contemporary world and its immediate historical antecedents—seem to forget that society was first conceived as overlapping and intersecting networks of power. Nevertheless, he does explicitly employ his IEMP model to address globalisation and the rise of neoliberalism in volume 4 of Sources. Much of what I have discussed in the first sections of this chapter has to do with both elements (globalisation and neoliberalism), and I believe Mann’s IEMP model can usefully complement the macro-historical deficiencies of contemporary research on contentious politics and political participation in general.

Mann defines “globalisation” as a global expansion of capitalism, the modern nation-state, and the only true empire remaining, i.e., the United States. In this rather orthodox definition, when read under Mann’s lens, one can easily see the four sources of social power “… congeal[ing] around the major macroinstitutions of society” (Mann, 2013: 1). In itself globalisation as a concept has little to nothing to provide us with despite the claims of fundamental societal change advocated by hyperglobalisers, he argues, for globalisation merely reflects the expansion of his four sources of power as a result of human groups seeking to spread their collective and distributive power (Mann, 2013: 3, 5).\(^\text{10}\) This makes Mann speak of multiple “globalisations”. The aspect

\(^{10}\) Albeit Mann acknowledges one transformative element of globalisation: “where human actions expand until they fill up the earth and rebound back on us” (Mann, 2013: 3). He gives two examples for this “boomerang effect”: nuclear weapons, and the climate crisis resulting from CO\(_2\) emissions—which he links to the expansion of capitalism.
of globalisation that I am interested in is the integration of western (and northern) Europe under a (seemingly) unifying umbrella that comprises Mann’s sources of power. Economically speaking, the countries I examine here are highly integrated not only by means of globalised chains of production and economic exchange, but also through the European Union—which is as much a political project as an economic, military, and ideological one. However, as warned by Mann himself, the integrating geographical expansion of the sources of power also produces disintegrating globalisations (like in much of the first half of the 20th century), as well as global crises (like the Great Recession).

In turn, and connected to globalisation in some respects, neoliberalism was a response to the deceleration of the formidable boom that followed the Second World War. Just like the previously dominant neo-Keynesian paradigm, neoliberalism is both a political economy and an ideology that many have addressed as “market fundamentalism” (e.g., Mann, 2013: 130). I will extensively chart the neoliberal turn in a subsequent chapter; here let us explore Mann’s IEMP elements in this important paradigm change. Neoliberalism for Mann is not really a global force, but rather semi-global: we see a true neoliberal turn only in the Anglophone countries with a previous liberal tradition. Furthermore, in other advanced countries, neoliberalism emerged through a resurgence of conservative politics reacting to decades of neo-Keynesianism.

Building on Talcott Parson’s theory of power, Mann’s Sources distinguish from the very beginning between collective and distributive power. Distributive power would be similar to the classical Weberian notion of power: actor A has power over actor B, and for the latter to increase their power A must lose some—ultimately a zero-sum game. On the other hand, collective power occurs when a group of people cooperate in order to increase their joint power over third parties (Mann employs and expands these concepts throughout his four volumes, but for these notions’ first introduction see Mann, 1986: 6). A third type of power that Mann uses throughout his work is infrastructural power, which is of special interest to the analysis of capitalist democracies. By infrastructural power, Mann means “the capacity of the state to actually penetrate civil society, and to implement logistically political decisions throughout the realm” (Mann, 1984: 189). Neoliberalism thus expanded mainly by means of distributive and infrastructural power, i.e., by the mobilisation of powerful classes and nations over the less powerful using both national institutions, such as
representative parliaments, or transnational organisations, like the International Monetary Fund, the World Bank, or the European Central Bank.

**Polanyi and Mann: better together**

I would like here to make two final notes on Polanyi’s and Mann’s works. The first is regarding the links between Polanyi’s idea of embeddedness and Mann’s concept of economic power. Throughout all four volumes of the *Sources*, Mann retains the same definition of economic power, which “… derives from the need to extract, transform, distribute, and consume the resources of nature” (Mann, 1993: 7). This is very close to Polanyi’s idea of economic exchange and economic production as intimately related to the environment in which humans are located (see Polanyi, 1957: Chapter 4). Furthermore, their similarities go further as neither restricts economic activity to market exchange; there is a strong connection between the economic and the social in both Polanyi and Mann, as explicitly noted in the concept of embeddedness.

Mann’s discussion of the postwar order (Mann, 2013: Chapter 2) defines neo-Keynesianism as a mixture of Keynesianism and classical market liberalism (*cf.*, Ruggie, 1982). In other words, Mann’s neo-Keynesianism can be understood as Polanyi’s socially embedded market, i.e., the body politic “taming” the forces of capitalist markets for the benefit of the body social. This implies a relatively high degree of control and regularisation, diametrically opposed to the neoliberal project. Thus from the late 1970s what the advanced countries have witnessed is a procedural deregulation (or “reregularisation” for some, e.g., Block and Somers, 2014) of the economic and productive life (the dis-embedding of capitalism). Nevertheless, capitalism and markets ultimately need the body politic to function, be it because they require a legal framework to operate with or because they need infrastructures that historically have been the body politic’s responsibility. The idea that capitalism cannot function without the body politic is very present in both authors (see Polanyi, 1957: Chapter 11; Mann, 2013: Chapter 6). After all, *laissez-faire* liberalism in the 19th century was neither a natural occurrence nor a logical evolution of the socially regulated market, but an imposition of the nation-state controlled by the powerful trading classes. This is more obvious in the case of neoliberalism in the 1970s and 1980s in countries like the UK.

The second (brief) note is regarding Polanyi’s concept of double movement.
For Polanyi, modern society was governed by two opposing movements: the continuous expansion of the self-regulated market and society’s countermovement to resist such expansion, which was seen as an attack on society’s very own fabric (Polanyi, 1957: 130). The concept of double movement is central to this thesis’ comparative historical examinations of the 20th century. However, it must be acknowledged that double movement can be too vague a concept. Mann’s sources of social power can remedy this because they historically contextualised the social actors and processes that are involved or subsumed within Polanyi’s double movement. In other words, Mann’s work is empirically useful to explain and complement the extrapolation of Polanyi’s concept of double movement to decades he did not analyse.

**Welfare regimes and morality: Esping-Andersen’s ideal types and Taylor’s philosophy**

The re-embedding of capitalist markets was achieved by the different welfare states that emerged after the Great Depression and the Second World War. Although it could be possible to speak of the welfare state (singular) as a general concept for a nation-state that intervenes in the economic life of its territories by means of regulating and supplying social services to the body social that requires them, empirical reality forces us to speak of welfare states (plural) due to the noticeable differences in size, structure, goals, and historical traditions. Gösta Esping-Andersen was not the first person to theorise the existence of different “families” of welfare states. However, his *Three Worlds of Welfare Capitalism* (1990) has arguably been the most influential work in the field.

*History matters: three regime-types of welfare states*

Esping-Andersen’s approach to the study of welfare states deviates from previous research that solely focused on social expenditure and social amelioration—what he calls “the narrow view” (Esping-Andersen, 1990: 1–2). For him, social expenditure is not the essential characteristic of welfare states; instead, issues regarding de-commodification, social stratification, and employment come to the fore in his re-theorisation of welfare states. All these elements relate to themes discussed in Polanyi and Mann: de-commodification refers to the degree to which the body social depends
on private markets for sustaining a livelihood; social stratification relates to issues of inequality created by asymmetrical income distributions; unemployment links to the interventionist agendas of welfare states. But perhaps what Esping-Andersen, Polanyi, and Mann most have in common is the explicit statement that “history matters.” This historical stress makes The Three Worlds care more about the “how” and “to whom” than the “what” _per se_. For example, social policy supposedly addresses stratification problems. However, the implementation of social policy is highly different from state to state, and it is through varying implementations that social policy also creates particular problems of social stratification (ibid: 3–4). In fact, he considers welfare states themselves as systems of social stratification (ibid: 23–26).

According to particular historical configurations and varying relationships with private markets, three types of regimes can be derived—what Mann (2013: 139) calls macro-regions of neighbouring and culturally similar countries that he re-labels Anglo, Nordic and Euro acknowledging direct influence from Esping-Andersen. The three types identified are liberalism (Anglos), social democracy (Nordics), and Christian democracy/conservative states (Euros). All three, just like Mann’s sources of social power, are explicitly considered as Weberian ideal types. Liberal welfare states (Esping-Andersen, 1990: 26–27) place greater importance on markets and private provision of goods and services, thus the state’s intervention in the economy is usually more limited and restricted to ameliorating problems of social structure (i.e., poverty). This type of welfare state operates with means-tested assistance, possesses rather modest universal transfers and social insurance, and entitlement rules are strict and oftentimes socially stigmatised. As a result, in liberal welfare states, the degree of de-commodification is comparatively lower, social rights are more contained, and the social structure is characterised by relatively equal poverty levels amongst those classes that depend on state welfare aid. All this derives from their historical liberal outlook that places greater emphasis on work-ethic norms and market dominance.

The social-democratic cluster is the smallest of the three, and it is characterised by broad principles of universalism (Esping-Andersen, 1990: 27). De-commodification of social rights in this cluster of countries is high and also includes the middle classes. The historical force behind this regime type was social democratic parties that pursued an egalitarian agenda and did not condone the liberal regime type’s dualism between body politic and markets. The consequences of this universalist solidarity are reflected in higher levels of employment, broader social rights that do not follow a logic of
minimal needs, and higher integration of social classes under the same umbrella of social provisions and rights.

The third regime type is the Christian democratic/conservative cluster of countries (ibid.). These countries are characterised by the historical importance of corporatist and statist traditions. Like in the social-democratic type, here also one does not find the dominance of private markets that characterises the liberal countries. As a result, the commodification of social rights is higher than the liberal cluster but considerably lower than the social-democratic regime-type. The corporatist, conservative welfare state took on the responsibility for providing welfare, but it did so by preserving status differentials—one of its main features. This means that social rights were entwined with social class and status, making redistribution rather negligible. Esping-Andersen highlights here the historical impact of the (Christian) Church, which has resulted in the comparative importance of the traditional family and subsidiarity, thus shaping at the same time social policy—for instance, family benefits tend to encourage motherhood. The state is meant to intervene only when family resources are insufficient to provide for its members.

*Different employment regimes, different social conflicts*

One of the theses in Esping-Andersen’s *Three Worlds* is that the three types of welfare capitalism coincide with distinctive employment regimes. Against the prevailing neo-classical view that labour markets are closed, autonomous systems in which discrete actors follow price signals\(^{11}\), Esping-Andersen believes that the welfare state is an active agent in shaping labour markets (Esping-Andersen, 1990: 144). For a long time, economic theory presumed that there exists a trade-off between equality and efficiency, i.e., state intervention hinders economic performance. This crystallised in a policy-dogma of sorts that prevented welfare policy from influencing the decisions of labour markets; policy-makers carried this belief well past the Second World War. For the greatest part of the 20\(^{th}\) century, social protection was restricted to those unable

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\(^{11}\) Although neo-classical economists do acknowledge the impact of capitalist welfare states, they often do so in a negative light—for instance, they analyse potential negative impacts of state interventionism on the self-sufficient balancing mechanisms of markets. Esping-Andersen contends that this belief that markets are autonomous and independent from politics is a myth based on ideology and antiquated theory (Esping-Andersen, 1990: 146). I explore this view in great detail in a subsequent chapter where I engage with neo-liberal literature.
to properly participate in the labour market—such as the unemployed, the sick, and the old (Hicks, 1999). Institutionally speaking, the postwar modern welfare states inherited the administrative tradition of keeping the social protection and labour market bureaucracies separate, reflecting the belief that labour markets are best left untouched for efficiency’s sake.

Nevertheless, three silent revolutions occurred that changed the consequences of welfare policies. Esping-Andersen thus identifies three main mechanisms (or “windows”) through which the state directly shaped the labour market: a) retirement benefits and their requirements, b) requirements for paid absence and c) the conditions under which people enter into employment (Esping-Andersen, 1990: 147–161). When *Three Worlds* was written, unemployment rates were noticeably increasing in the advanced western countries. Considered a relatively new phenomenon at the time, and coupled with increasing financial difficulties for the welfare, fundamental changes occurred that changed many of the old “classical” beliefs regarding the labour market.

Regarding retirement benefits, the needs of changing employment contexts forced welfare states—albeit differently across the three regime-types—to employ policies that promote early retirement, repatriation of foreign workers, and encouraging women to stay at home, all for the sake of maintaining full employment. In turn, paid work absence also transformed in unexpected ways. In western Europe, with cross-national differences, sickness benefits increased considerably, equalling normal working earnings. Pre-existing controls were eliminated or amply liberalised—for example by abolishing waiting days or by prolonging the period of time a worker can uphold benefits—thus impacting employers’ control capabilities over workers. Finally, the welfare state changed the conditions under which people become workers as public or state employment boomed in the 1970s. This includes training programmes, temporary employment, and wage subsidies at the state’s cost. However, it was the state’s role as an employer that most impacted the labour market.

In all three mechanisms or “windows” Esping-Andersen identifies distinctive clusters of countries that match this tripartite typology. This is of importance to my doctoral thesis because of the real consequences labour markets have for the body social and the way it reacts to crises and conflicts. For example, in the social-democratic countries, Esping-Andersen finds a high degree of professionalisation with a simultaneous diminishing of poor jobs, thus making less likely social conflicts related
to the proletarianisation of the social structure—albeit he identifies a potential conflict along gender lines as the public and private sectors are gender-segmented (Esping-Andersen, 1990: 227). Different welfare traditions attend to varying historical experiences, producing distinctive employment configurations that are better or worse at absorbing economic dislocations in crises such as the 2008 Great Recession. Benefit cuts and employment loss are two elements the body social is more likely to respond to, especially the latter in countries where job demand had been increasing due to the liberalisation of markets and diminishing interest rates. *The Three Worlds* does not directly provide the contentious political literature historical depth, because that was not Esping-Andersen’s aim. However, its three ideal types of welfare states based on historical evidence are helpful precisely because they provide us with a historical context much of the political participation/contentious politics literature lacks.

**Welfare states, market embeddedness, and morality**

I have noted that Polanyi’s *Great Transformation* conveys a deep moral message that speaks to us about the decline of civilisations and the emergence of authoritarian regimes that reduce human life to an inhumane existence of servitude. Charles Taylor (1960), albeit without referring explicitly to market embeddedness, also conveys a similar moral message: capitalism needs to be controlled. As I will show in Chapter 5, the political management of the Great Recession did not take such a moral dimension into account.

Taylor’s concern is directed at the dominance of profit and capitalist interests in welfare states, particularly the United Kingdom at the turn of the 1960s. He argues that all the social reforms achieved by the working class after the Second World War are rendered meaningless in a society where corporations and firms still operate under a logic of maximising profits (Taylor, 1960: 8). In order to survive, firms must turn over an increasing rate of profit that, more often than not, directly goes against the needs of the body social. In other words, capitalist priorities do not match the priorities of the body social; and the body politic on which Taylor wrote was still developing welfare programmes that, nevertheless, had a minimum-needs liberal logic as shown above in Esping-Andersen’s *Three Worlds*.

His critique is useful for assessing liberal regimes, where the dualism between market and state draws a fine line as to who is responsible for providing welfare
services to the community as a whole. However, the moral element that is infused in his critique resonates strongly in all European welfare states: what degree of embeddedness guarantees a moral, just society that benefits the whole body social? Taylor’s 1960’s piece also warns us about the consequences of allowing markets and corporations to operate freely; not only the material results of capitalist operations are potentially opposed to the needs of the body social—like the construction of office buildings instead of social housing and other community projects (Taylor, 1960: 6)—but also, if uncontrolled, markets take important decisions on behalf of society. This is for Taylor a major issue in the modern welfare state: who sets the society’s priorities? Here Taylor and Mann can be connected by means of ideological power. For the latter, ideology is one source of social power that, at points in human history, has markedly dominated over the others. For Taylor, the expansion of capitalism does not occur without advertising its priorities:

“It is not even that advertising has had the effect of creating a certain image of prosperity, and even sometimes of the Good Life. It is because the bombardment of the public consciousness with a certain kind of product inculcates an unspoken belief about what the progress of our civilisation has made possible, and what we just simply have to put up with as the best of a bad job.” (Taylor, 1960: 11).

Advertising thus plays a reproductive role that impacts on the body social’s will to imagine (and fight for) a different life. Furthermore, Taylor links the perpetuation of the profit-oriented logic in welfare states to institutions, not individuals (Taylor, 1960: 8). This is perhaps more particular to the British welfare state, where its historical liberal tradition adjudicates more importance to markets and private enterprise. However, even socially advanced political institutions are subject to perpetuate market-oriented ideas and practices. One example can be found in Esping-Andersen analysis of the Scandinavian postwar model of “People’s Home”, which fundamentally did not break with previous non-interventionist philosophy and was actually designed to maximise labour-market dependence (1990: 146–147).

**History as bifurcating railways: path dependency theory**

*Path dependency* explains how historical events, sociopolitical actors, and their
decisions can set a trajectory that influences and constrains outcomes in the future. A number of scholars have importantly contributed to the development of the concept, but in this thesis I pay greater attention to the historical institutionalist studies of Kathleen Thelen (2004), Paul Pierson (2004) and James Mahoney (2000).\textsuperscript{12}

The main idea is that the past shapes the range of choices available in the present, creating historical paths, which I see as railways, that self-reinforce over time via social, economic, political, and institutional mechanisms referred to as \textit{positive feedback} (Thelen, 2004). Once the tracks of a railway are set, reverting the course of history becomes harder, and the costs attached to social change increase the more we travel along the railway. In this way, the specific configuration of a path favours stability (for a smoother journey, following the analogy). The societal returns stemming from changing a path diminish as history progresses along the same railway. This is what Pierson (2004) calls \textit{lock-in} effects, by which the past becomes institutionally embedded in the present and constrains future change.

However, at some point the path might experience an important enough disruption as to change its course, or at least facilitate and increase the likelihood of change. These disruptive events could be of different nature, for instance, they could be major wars, political revolts, or economic crises. But all of them pose the threat of triggering institutional changes that might lead to a chain of events deterministic in nature (historically speaking). These moments, Mahoney (2000) says, are \textit{critical junctures} in the path that, once chosen, they can create change but also self-reinforcing processes in the future. Critical junctures are distinguished by significant changes that occur uniquely across various cases, thus yielding diverse historical outcomes (Collier and Collier, 1991; Thelen, 1999). They are usually characterized by a legitimacy crisis within existing institutional arrangements, escalating the degree of uncertainty and likelihood for change.

Nevertheless, the definition and usage of path dependence can vary considerably (Mahoney and Schensul, 2006). In this study, we adopt Mahoney’s definition of path dependence as “historical sequences in which contingent events set into motion institutional patterns or event chains that have deterministic properties” (Mahoney, 2000: 507).

Path dependence, in the context of this thesis, traces outcomes, such as the

\textsuperscript{12} Although I must also mentioned the influence of Goldstone’s (1998) and Somers’ (1998) works.
Great Recession, back to specific historical occurrences like the Great Depression and the Bretton Woods system. These occurrences may lead to positive feedback, which, as per Pierson (2004: 21), sparks "branching patterns of historical development." As discussed in Chapters 5 and 6, the re-election of political parties advocating liberalization epitomizes this positive feedback. This trend is further reinforced as Western societies continue to embrace credit-based lifestyles. Each iteration of positive feedback along a specific historical path makes it progressively challenging to divert to alternative paths or "critical junctures," thereby sustaining the initial trajectory. This phenomenon is exemplified in Chapter 5, where we observe Western political elites reverting to historical patterns post the initial neo-Keynesian response to the Great Recession.

This thesis perceives critical junctures as high-stake political turning points, which, under the right circumstances, can lead to profound societal transformations. As proposed in Chapter 4, the stagflation crises of the 1970s welfare state served as such a critical juncture, paving the way for neoliberal policies by reshuffling the foundations of social power. The ensuing credit-driven society, coupled with the financial sector's liberalization, generated enduring positive feedback dynamics. These dynamics consequently had prolonged impacts, such as the Great Recession, as they favored the progression along a particular historical path, namely neoliberalism.

**Historical theorisation of neoliberalism**

Neoliberalism is a term that acts as a catch-all concept, largely because of over-use. It is perhaps most often used in progressive or centre-left leaning media, whether as a means to describe the general framework of economic policies in the EU or as a ready pseudo-insult with which to disqualify political opponents. The problem with this, however, is that neoliberal political economics actually is, if not the strongest, one of the strongest forces in today's Western Europe. It dictated much of the European response to the Great Recession, as well as conditioning the political and social development of Western Europe from the late 1970s on. Making neoliberalism a catch-all concept does not help us in any way. In the following paragraphs, I analyse its history by going to the sources which, in an attempt to modernise capitalism, proposed the alternatives that today are often subsumed within the term neoliberal.
The late 1970s marked a clear departure from the ideological order established in the West after the Second World War. This is when the so-called “neoliberal revolution” crystallised into new policies that would change the economic, political, and social dynamics in the last decades of the 20th century and importantly shaped the 21st century. Neoliberalism is not as recent as many would think. We can find its first explicit roots in the early decades of the 20th century, when laissez-faire liberalism was clearly under threat, especially in the inter-war period that saw state interventionism rise and “freedom” being reformulated from both the right and the left. Its starting point is not marked by the formation of the Mont Pelerin Society in 1947, either.

Rather, neoliberalism’s core tenets were proposed earlier in the American columnist Walter Lippmann’s book, *An Inquiry into the Principle of the Good Society* (1937). Over several days in 1938, a myriad of thinkers eager to stop what they saw as a threatening course for Western society, i.e., increasing interventionism and reformism since the late 19th century, gathered in Paris to attend to the Walter Lippmann Colloquium, the theoretical birthplace of neoliberalism (see Reinhoudt and Audier, 2018 for a comprehensive and fascinating recollection of the debates that took place in the 1938 colloquium). Amongst the distinguished participants in the conference, we can find Friedrich Hayek, Jacques Rueff (a prominent French member of the Mont Pelerin Society), and Alexander Rüstow (a German sociologist who coined the term “neoliberalism” during the colloquium).

Not all participants were proponents of the same “type” of neoliberalism. Some would speak of new-liberalism, others of social-liberalism, and yet other thinkers would speak of liberal socialism (Dardot and Laval, 2013: Chapter 2). For example, Rüstow was an avid supporter of ordo-liberalism in West Germany. Nevertheless, a common preoccupation existed: how can liberalism be reformulated in the face of rising liberal reformism (i.e., Keynesianism) and socialist collectivism? The colloquium, although obviously rife with intellectual disagreements, achieved its most important goal: it created an international network for those thinkers worried about the survival of private property and the free market.

At the core of this incipient neoliberalism was the conceptual importance of

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13 In this section I often refer to ordo-liberalism as a “type” of neoliberalism. I would like to establish that ordo-liberalism is not a market-fundamentalist school of thought. Ordo-liberalism, as I suggest below, strongly advocated for the economic intervention by the body politic. Nevertheless, ordo-liberalism rightfully belongs in the history of neoliberalism for it was the first attempt to modernise capitalism in the process of avoiding ‘worse alternatives’ such as communism or fascism.
collectivism as a “counter-revolution”: capitalism was the true revolution that defined Western society since the advent of industrialisation. Of paramount importance is the fact that neoliberals in the 1930s differed drastically from laissez-faire liberals in the conceptualisation of market regularisation. The latter believed that the market is a natural order, best left alone. The former in contrast believed that the state and policy-making had to be influenced and controlled in order to create the optimal framework for the survival of capitalist competition in a complex society. Institutional control was thus believed to be a central necessity and, as I will show in subsequent chapters, neoliberal politics already had a strong hold on international decision-making networks prior to the 2008 crisis and, what is more, fortified it during and after the recession.

Early neoliberals such as Lippmann acknowledged the growing complexity of modern capitalist societies. The solution they devised was the ‘expert management’ of capitalist complexity, which intimately interlinks intertwines with institutional control, especially in the form of increased public spending on mass education in order to create a managerial elite—later on called ‘technocrats’ in the media—that would act as an enlightened oligarchy (Lippmann, 1937: 103–4; see also Hayek, [1944]1991). It is crucial to keep in mind this element of neoliberalism as it helps explaining the events that led and followed the 2008 crisis: neoliberalism is both an economic theory and a political project.

However, it was intellectual heterogeneity, not homogeneity, that characterised neoliberal thinking early on. I will show that one strand, that of Hayek and Friedman, came to dominate how most present people think about neoliberalism. Here I primarily follow Thomas Biebricher (2015), who identifies three neoliberal themes or core arguments: those who advocate a restriction of democracy in favour of non-majoritarian governance, those who would replace democratic practices with market coordination, and those who prefer complementing representative democracy. Thus, restricting, replacing, and complementing are the three different ideas that have historically informed the different neoliberal agendas.

Restricting democracy was first formulated by German ordo-liberals14 Eucken, Rüstow, and Röpke. Their writings and suggestions influenced and underpinned Germany’s post-WWII ‘economic miracle.’ Their main fear was the irrational tyranny

14 More contemporary authors such as Albert (1993) and Hall and Soskice (2001) prefer the term sozialmarktwirtschaft (German social market economy) or ‘Rhine capitalism.’
of the masses\textsuperscript{15}, and accordingly, advocated for a “natural aristocracy” of elite experts that would protect society from its principal enemy: people themselves (Megay, 1970: 440; Biebricher, 2015: 258).

The Austrian-American school led by Hayek (more restrictive) and Friedman (less restrictive) also favoured restricting representative democracy, although they did not necessarily trust a technocratic aristocracy to manage capitalist complexity. Instead, they advocated for limiting greatly government intervention (Friedman, [1962] 2002: 22–36) by the \textit{rule of law}. By limiting governments’ discretion, particularly when pertaining to market and economic influence, they argued that free markets’ would have a better chance of remaining undisrupted (Biebricher, 2015: 259–260).

In between Hayek and Friedman in terms of how much state intervention ought to be restricted we find James McGill Buchanan (\textit{ibid.}, 2015: 259). At the core of Buchanan’s critique of democratic processes is the concept of \textit{rent-seeking activities} Buchanan and Tullock, 1999; Brennan and Buchanan, 2000: 40–41). Rent-seeking is a transaction that is asymmetrical in the levels of benefit the different parties involved obtain out of such transaction (e.g., lobbying, influencing, manipulating or bribing decision-makers). Buchanan’s solution, like Hayek’s and Friedman’s, is also legal, i.e., society needs strong constitutional rules that limit the role of government in economic matters whilst constraining democratic processes that, discretionarily, might enable legislators to maximise their self-welfare—and as I will show, this is what happened in the European Union after the 2008 Great Recession, especially in the form of the European Fiscal Compact signed in March 2012.

Replacing democracy was conceptualised in two ways. The first, favours \textit{market allocation}, i.e., ‘voting in the supermarket.’ When citizens are seen as \textit{consumers} voicing their preferences in a free market, the problems of conformity and co-opted decision-making disappear as supermarkets do not require majority agreements, thus enabling unanimity without conformity (Biebricher, 2015: 260). Preferences externalised in consumers’ patterns are, according to neoliberals like Friedman, more feasible than those needing parliamentary discussions (Smithers, 2019). The second way of replacing democracy is strengthening \textit{institutional competition}, with the idea of creating an ‘institutional market’ for capital, knowledge, 

\textsuperscript{15} Their concern must be understood in the context of Nazi Germany and Stalin’s Soviet Union, who Röpke would call ‘demagogues’ (1950: 19).

The third neoliberal core idea, complementing or refining representative democracy, is best exemplified in Buchanan’s and Frey’s texts (see Biebricher, 2015: 262). They, like Hayek and Friedman, also fear that political classes might manipulate economic and market processes that are best left alone. However, Buchanan proposes more direct democracy and popular referenda instead (Buchanan, 1979: 694–5), similar to Switzerland’s political and economic integration.

Despite their varying approaches to capitalist complexity, all neoliberal strands are linked by the same thread: a deep concern for individual freedom threatened by ineffective large governments and ‘suboptimal’ political parties. Their theories importantly informed Western politics in the decades prior to the 2008 crisis, especially under the internationally-influencing governments of Thatcher and Reagan in the UK and US respectively. I will analyse the British (Anglo) case more deeply in Chapters 4–6, but suffices to say here that Thatcher’s policies had a great impact on the future of Western Europe and the crisis that they will eventually experience.

**Final remarks**

The Great Recession revealed internal dynamics that might not have been obvious to the body social in times of prosperity. Inequality, unemployment, poverty, and homelessness are but some examples. The bodies social of a plethora of countries engaged in a rejuvenated cycle of contentious politics that was transnational in character but ultimately followed national cleavages and patterns. These have been studied under the light of social movement theory and contentious politics. However, I argue, there is a lack of macro-historical examination that takes into account the historical emergence and development of the very social structures studied in contemporary research.

Polanyi’s *Great Transformation* has become a bitter reminder of the consequences of unchecked markets. He wrote his masterpiece during the Second World War when the experiences of the Great Depression were still fresh. In this thesis, I seek to demonstrate that we could understand the 1970s in the so-called
Western world as a historical moment that opened a new Polanyian cycle; a defining critical juncture that cemented in our historical railway the tracks forged by neoliberal theorists during (and after) the turbulent years of the Great Depression and the Second World War. The consequences are crystallising now: the rise of the far-right, ethnonationalism, populist agendas, and so on. History and politics matter, here lies the importance of Mann’s IEMP model, which is useful for analysing the different trajectories of the three regime-types of welfare capitalism, and this ought to be done by looking at the degree of market embeddedness—which ultimately speaks of the moral quality of a society.

Furthermore, the significance of Mann’s work significantly escalates when carrying an extensive undertaking such as this comparative-historical thesis. I see the 2008 recession and its societal consequences as a (big) ‘bump’ on the railway set on the 1970s. However, instead of creating a new defining opportunity for change, it further reinforced the tracks already set. This makes sense under auspices of path dependence theory—which I also employ—, for positive feedback loops, not always, but have tended to shine during deep crises in the Western world. Nevertheless, in the same way the 2008 crises follows the 1970s, the neoliberal rise in the 1970s was only possible due to the tracks layered by the 1930s (Great Depression) and early 1940s (Second World War).

But the railway we are travelling along now is more complex than a succession of decades, for not all Western powers came out of a world war following the same precepts as demonstrated by Esping-Andersen. So, how can we examine such historical complexity without falling in the potential simplistic determinism of path dependencies and critical junctures? I argue that the answer lies in Mann’s multi-dimensional IEMP model. By examining the intersection of, and interaction between, distinct ideological, economic, military, and political powers, we can achieve a deeper understanding of the social and historical outcomes we came to face in 2008.

The following chapters show and analyse the historical development of capitalism and welfare policies throughout the 20th century.
3 Methodology

In this chapter, I describe and explain different methodological aspects of this thesis. We could approach the comparative study of Western European societies in several ways. Approaches often depend decisively on the theoretical framework in which the research is subsumed. Data availability is also a major element in the selection of particular methods and, more generally, methodology. Therefore, the methodological approach used in this thesis is by no means the only possible way to approach the subject; it is neither exhaustive nor does it pretend to be comprehensive. Instead, it focuses on and utilises some research elements that I consider pertinent to the historical and comparative study of societies.

The Great Recession fuelled and re-invigorated a research agenda focused on contentious politics, democratic theory, and institutional studies. At the time of writing, researchers have at their disposal a wide scope of datasets, ranging from macro-economic information to individual-level social attitudes. In this thesis, I make use of high-quality data that can be classified into two broad categories: historical and quantitative data (i.e., social survey). Both categories are, strictly speaking, secondary data sources because I did not participate in their collection. They are also a mixture of raw and compiled data, ranging from survey data to governmental economic and industrial reports. Therefore, in the following sections, I outline the main aspects of the methodology and methods employed herein. I first support the choice of historical-comparative analysis in examining the Great Recession. Subsequently, I summarise the different data sources I used in developing this thesis, as well as present the main research variables used in the analyses in Chapter 6.

A historical-comparative study of Western Europe

This thesis examines the historical development of, and the interplay between, different socio-spatial relationships that are primary in shaping societal processes. These relationships are Mann’s four sources of social power, i.e., ideological, economic, military, and political (Mann, 1983; 1993, 2012; 2013). My research focus spans a relatively long period of time, from the early 20th century up to the present day. Throughout this thesis, I also reference a number of earlier historical events that informed the development of important social processes in the 20th century. Within this
one hundred-and-twenty odd years, I dedicate special attention to two specific periods. First, the decades that saw the inception of the foundational elements of Western European welfare states. And second, the roughly two decades preceding the Great Recession and resultant crisis. I cover the welfare state’s inception in Chapter 4, whereas Chapters 5 and 6 focus more closely on the historical trajectories of the Great Recession in the UK, Spain, France, Germany, Sweden, and Norway.

There are several important advantages in focusing solely on Western Europe. First, Western European countries have a considerably high degree of uniformity. They are not only subsumed within the transnational structure of the European Union, sharing important legislation in economic and legal matters but more importantly, their historical trajectories are intimately intertwined due to cultural and geopolitical proximity. Furthermore, all are representative democratic polities with advanced, post-industrial, capitalist economies.

Since much of my research focus is on the recent financial crisis and its political responses and consequences, it makes sense to examine the source of the problem. Technically, the crisis originated in the United States and its subprime mortgage market. The disruption, however, shook the foundations of the global order in which Western European economies are embedded. Therefore, by way of an analogy, the chain broke at its weakest links, but the same high-risk practices were also common in Western Europe. Third, and finally, much of the data available on Western European countries are comparable and gathered under common methodological frameworks, thus facilitating comparative study of the region.

A comparative historical framework can identify macro-historical processes that might otherwise go unnoticed. This focus on examining socio-spatial relationships (i.e., Mann’s sources of social power) is suitable for my research purposes concerning the Great Recession and the political responses it spawned. My framework has two primary goals. First, historical-comparative analysis is useful for analysing long-run trends that are common across a myriad of polities and economies. For instance, the modern welfare state’s emergence in Western Europe derives from the region’s inter-war experiences with regards to particular combinations of ideological, economic, military, and economic relationships. Second, comparative historical analysis also to identify subtle differences within commonalities. For example, we find much of the modern welfare state’s genesis in the interwar period. However, geopolitical regions developed different paths (see Luebbert, 1991) from within the same common
historical framework (i.e., the First World War and the Great Depression).

Comparative historical analysis thus provides this thesis much-needed granularity in the study of social change and historical processes. In the absence of universal laws in human history, attention to historical detail becomes more important. Despite Alexis de Tocqueville, Karl Marx, Émile Durkheim, and Max Weber, i.e., the ‘founders’ of modern social sciences, having a clear historical sensibility, most social research during the 20th and 21st centuries has been carried out without regard to history per se (Skocpol, 1984: 2). There was, however, a renewed historical impetus in the late 1980s and 1990s (see Hobden, 1998: Chapter 2; Smith, 1991, 2016) which produced major scholarly works that have contributed greatly to the general corpus of social knowledge (e.g., Calhoun, 1997; Goodwin, 2001; Hicks, 1999; Luebbert, 1991; Rueschemeyer et al., 1992; Skocpol, 1979; Somers, 1995; Tilly, 2006). I place my thesis within this intellectual tradition.

The comparative historical approach is also well-suited for explaining substantively important outcomes, including the so-called ‘big questions’ such as the interplay between capitalist development, the body politic, and the body social (Mahoney and Rueschemeyer, 2003: 6). Although it has neither a unitary theoretical foundation nor a single empirical method, this thesis primarily draws on Mann’s (1983; 1993; 2012; 2013) structural analysis and Polanyi’s (1957) theorisation of social change. Like most other works in historical sociology, it does not seek universal knowledge. Instead, I limit my focus to Western Europe and, more precisely, a selection of key countries that are similar enough, yet sufficiently contrasting, as to make comparative analysis meaningful (see Norris, 2002; Landman, 2002). Similarly, I limit this thesis’ scope to that period of time most salient to the Great Recession. Historians often employ different periodisations for seemingly similar periods in human history—for example, compare Hobsbawm’s (1991) Short Twentieth Century and Arrighi’s Long Twentieth Century (2010). My primary historical focus is the 20th century because the social forces that resolved Polanyi’s double movement converged then. Additionally, a fundamental shift in the balance of sources of power occurred last century. That shift generated a new iteration of the double movement, in which I locate the Great Recession and political responses thereto.
Data sources

In this section, I outline the different, predominantly secondary data sources used in this thesis. There are a great number of advantages to using secondary data. One benefit is the availability of large quantities of information over long periods, as well as the potentially high granularity at the micro-level, especially in the case of social surveys (see McInnes, 2017; Marsh and Elliott, 2008). Another advantage is that secondary data, especially available historical data, are nonreactive in the sense that the researcher cannot unduly bias what the data tell us without statistical straightjackets. Reactive measurement can be a major issue in social research, for subjects’ awareness of being studied might negatively influence the quality of the data collected (Singleton and Straits, 2005: 227—255). Yet another advantage is that secondary data can facilitate cross-national (or cross-cultural) analysis.

This mix of historical, economic, and survey data provides my thesis with a balanced array of information. The different sources that I employ throughout this thesis complement one another in one crucial way; their joint use covers both the macro and micro levels. Furthermore, the joint use of such information reveals an interesting middle-range level of analysis—as in the interplay between the macro and the micro (e.g., Merton, 1968)—that can be operationalised with sufficient contextual information. I will show the sources of this thesis' historical data first. Subsequently, I explain the European Social Survey project, and finally conclude with the sources of macro-economic data.

Historical data

Throughout this thesis, I employ a wide range of historical sources. As outlined above, historical analysis focuses on detailed descriptions of complex sequences of events in order to achieve a more complete understanding of social processes and change. Exploring differences and regularities in human history is key here. The accurate description of past events that resulted in important outcomes is further complemented with the implementation of general social theory that serves several purposes such as the identification of causal paths, the understanding of contemporary phenomena, or the testing of hypotheses.

An important number of the historical sources I use in this thesis emerged from
my reading of Mann's Sources (Mann, 1983; 1993, 2012; 2013). Karl Polanyi's Great Transformation (Polanyi, 1957) also provides valuable historical information on the first decades of the 20th century. Eric Hobsbawn's (1994) social history of the 20th century further complements Mann and Polanyi with a more historiographic account. These three main sources provide valuable general historical information on the ideological, economic, political, and social development of Western Europe in the last hundred years. Furthermore, they comprise a considerable range of primary and secondary sources, from official documents to first-hand accounts of past events. Additionally, and where necessary, I use more specialised historical literature to illustrate particular cases such as the specific development of a set of policies in the Scandinavian countries, or the historical trajectory of trade liberalisation.

I also engage directly with primary sources, especially in the analysis of policy-making in the European Union and some of its member states. The European Union makes its policy records and drafts available to the public via their numerous official websites, thus allowing researchers to trace the historical unfolding of elements such as treaties, common law, and economic deals.

The European Social Survey

My main source of individual-level data is the European Social Survey (ESS). The ESS is designed as a cross-national resource. The Core Scientific Team directs its main operations, and is composed of seven academic institutions including amongst others City, University of London (holding the ESS Headquarters) and GESIS Leibniz Institute for the Social Sciences. The ESS is governed by a General Assembly that appoints the Director (currently Professor Rory Fitzgerald of City, University of London) to oversee the Core Scientific Team. At the time of writing, the ESS is a European Research Infrastructure Consortium16 with twenty-four members, one observing country, and six guest countries. All participating countries are required to contribute funds towards the ESS. Contributions are composed of a membership fee and an additional amount dependent on the country's GDP. National fieldwork is funded separately by each country.

16 The European Research Infrastructure Consortium or ERIC is a legal entity with full legal capacity recognised in all member states under European Union law. ERIC seeks to facilitate scientific collaboration on a non-economic basis amongst researchers in the European Union. Currently, only twenty-one such consortia exist, of which the ESS is one.
Table 3.1 Summary of ESS rounds. All years and countries.

<table>
<thead>
<tr>
<th>Year</th>
<th>Countries</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>Round 1</td>
<td>2002</td>
<td>22</td>
</tr>
<tr>
<td>Round 2</td>
<td>2004</td>
<td>26</td>
</tr>
<tr>
<td>Round 3</td>
<td>2006</td>
<td>25</td>
</tr>
<tr>
<td>Round 4</td>
<td>2008</td>
<td>31</td>
</tr>
<tr>
<td>Round 5</td>
<td>2010</td>
<td>27</td>
</tr>
<tr>
<td>Round 6</td>
<td>2012</td>
<td>29</td>
</tr>
<tr>
<td>Round 7</td>
<td>2014</td>
<td>21</td>
</tr>
<tr>
<td>Round 8</td>
<td>2016</td>
<td>23</td>
</tr>
<tr>
<td>Round 9</td>
<td>2018</td>
<td>30(^{17})</td>
</tr>
</tbody>
</table>


The ESS runs a biennial cross-national survey on attitudes and behaviours that uses cross-sectional, probability samples that achieve representation of all persons aged fifteen and over within private households in each participating country. The ESS survey has two components, a stable core of questions that do not change from round to round (ESS core module), and a number of thematic questions that rotate and change over time (ESS rotating modules). The rotating modules of questions follow a contextual logic that reflects the cross-national effort of the project itself. Leading multinational research teams can propose contemporarily salient issues for the next rotating modules via open calls.

Furthermore, these rotating modules can be unique or can also be proposed to be repeated in a future round of the ESS in order to examine its development over time. Some examples of rotating modules include social perceptions of immigration and asylum seekers (rounds 2002 and 2014), social evaluations of welfare policies (rounds 2008 and 2016), social satisfaction with democracy (round 2012), and social conceptualisations of economic morality in regards to market and consumerist economies (round 2004). In total, taking into account both core and rotating modules,

\(^{17}\) Only data for 19 countries have been released at the time of writing. Note that this thesis only employs rounds 1—8 and six key Western countries.

\(^{18}\) Observations for the 19 countries available at the time of writing.
there are over five hundred variables per ESS round covering an extraordinary number of themes.

Between 2002 and 2018, there were nine rounds of the ESS. In total, thirty-eight different countries have participated at least in one round since the ESS' first iteration. In order to achieve satisfactory statistical power, countries with populations over two million inhabitants are required to achieve sample sizes of at least 1,500 respondents, whereas smaller countries are required to achieve sample sizes of at least 800 respondents. Respondents are newly selected for each round using random probability sampling. The ESS explicitly does not make repeated contact with individuals because it is a periodical cross-sectional social survey. All participating countries must adhere to the methodology established centrally by the ESS, although some aspects are discretionary, e.g., the method of random probability sampling. Special effort is made to ensure high-quality comparable cross-national data.

**Macro-economic data**

The macro-economic data that I use in this thesis mainly come mainly from the World Bank’s World Development Indicators (WDI). The general public can access the WDI data for free on the World Bank’s Databank website. This dataset compiles high-quality statistics that take as their unit of analysis individual countries and economies. All WDI data are comparable across countries and cover a wide range of topics from economic development to the environment, from socio-demographic characteristics to poverty, inequality, and markets. In total, the WDI offers 1,600 time-series indicators across 217 economies in over 40 country groups. The periodicity of the WDI data is annual, updated quarterly, and covers a period of almost 60 years (from 1960 to 2019).

The WDI dataset is produced by the Development Data Group in close collaboration with the World Bank’s regions, the World Bank’s Global Practices, and other external partners such as Eurostat, the International Labour Organization, the Organisation for Economic Co-operation and Development (OECD), and the United Nations. From the WDI, I mainly use economic indicators ranging from macro-

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19 The World Bank operates in over 170 countries classified in 7 geographical regions.

20 The World Bank’s Global Practices refer to one of its organisational units. Global Practices comprises 15 thematic areas such as agriculture, education, poverty, and social protection.
economic performance to levels of consumption and expenditure. These indicators are standardised across countries to facilitate both international comparison and the assessment of change over time.

I also make use of economic data from the OECD and the International Monetary Fund (IMF). The latter is especially useful for financial and fiscal information on different countries. Like the World Bank’s WDI, the data provided by the OECD and the IMF also comprise time series of various economic and financial indicators for a wide range of countries. These data can be accessed via the organisations’ websites. Former Assistant Director of the OECD’s Economic and Development Department, Angus Maddison, compiled an extraordinary range of global economic trends using OECD data within *The World Economy* (Maddison, 1995). His work is especially useful for historical researchers because Maddison aggregated different, previously scattered economic and development indicators organised by countries and regions.

Finally, I also employ data from Eurostat, the European Statistical Office organised under the European Commission. From its inception as the Statistics Division for the European Coal and Steel Community in 1953, Eurostat has been collecting different statistical information that is harmonised across the European Union. Data provided by Eurostat is not compiled directly by them. Instead, information production is delegated to the different member states’ statistical authorities. Eurostat’s role in this data production chain is to consolidate, harmonise, and disseminate comparable statistics at the European level. Since my research focus is Western Europe, Eurostat statistics are especially useful and reach their full analytical potential when analysed with the other data sources.

### Statistical techniques

In Chapter 6, I employ several statistical techniques to analyse data from the sources specified above (the ESS, WDI, Eurostat, and so on). I have selected a range of statistical techniques appropriate to these sources. Like most empirical analyses of social surveys (Connelly, *et al.*, 2016: 4), this thesis also uses logistic regression as its modelling technique. Binary logistic regression is utilised due to the discrete dichotomous nature of the outcome variables, i.e., forms of political participation. Logistic regression is a special case of the generalised linear model (GLM); a generalisation of linear regression that facilitates the analysis of outcome variables
whose error distributions do not follow a normal distribution (see Dobson, 2002; McCullagh and Nelder, 1986; Nelder and Wedderburn, 1972). I use logistic regression to analyse political engagement of the body social in six key Western European countries (i.e., the UK, Spain, France, Germany, Sweden, and Norway) in regards to social class, two composite indexes of trust, and several common controls.

Moreover, two outcome variables (i.e., institutionalised and non-institutionalised political participation) and the two indexes of citizen trust are not directly measured by the ESS. Instead, I derive these variables by employing a series of Kaiser-Meyer-Olkin tests (Kaiser 1970, 1974) and factor analyses that identify latent variables and help reduce the dimensionality in my logistic models (see Bartholomew, 1980; Harman, 1967). I present these analyses in Chapter 6, where their results are used in the logistic regressions previously outlined. I now turn to present below some information about the variables taken for analysis from the European Social Survey.

**Individual-level variables**

*Table 3.2 Summary of all variables. All years and countries.*

<table>
<thead>
<tr>
<th>Variable</th>
<th>n</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vote</td>
<td>84,806</td>
<td>0.81</td>
<td>0.38</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Contact politician</td>
<td>84,806</td>
<td>0.17</td>
<td>0.37</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Work for party</td>
<td>84,806</td>
<td>0.04</td>
<td>0.21</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Work for org.</td>
<td>84,806</td>
<td>0.21</td>
<td>0.41</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Wear badge</td>
<td>84,806</td>
<td>0.11</td>
<td>0.32</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Sign petition</td>
<td>84,806</td>
<td>0.35</td>
<td>0.47</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Protest</td>
<td>84,806</td>
<td>0.10</td>
<td>0.30</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Boycott</td>
<td>84,806</td>
<td>0.27</td>
<td>0.44</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Trust parliament</td>
<td>84,806</td>
<td>4.77</td>
<td>2.46</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Trust legal system</td>
<td>84,806</td>
<td>5.45</td>
<td>2.49</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Trust police</td>
<td>84,806</td>
<td>6.45</td>
<td>2.23</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Trust politicians</td>
<td>84,806</td>
<td>3.67</td>
<td>2.26</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Trust parties</td>
<td>84,806</td>
<td>3.65</td>
<td>2.23</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Trust European Parliament</td>
<td>84,806</td>
<td>4.11</td>
<td>2.32</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>EGP class</td>
<td>84,806</td>
<td>4.5</td>
<td>3.25</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Union membership</td>
<td>84,806</td>
<td>2.28</td>
<td>0.82</td>
<td>21</td>
<td>3</td>
</tr>
<tr>
<td>Age</td>
<td>84,806</td>
<td>50.34</td>
<td>17.21</td>
<td>14</td>
<td>123</td>
</tr>
<tr>
<td>Citizen</td>
<td>84,806</td>
<td>0.98</td>
<td>0.12</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Gender</td>
<td>84,806</td>
<td>0.49</td>
<td>0.49</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Political participation

Political participation is the outcome or dependent variable in the logistic regressions presented in Chapter 6. Political participation represents the quintessential means through which the body social can influence important decision-making processes in Western European societies. This thesis theorises democracy and democratic processes as a bulwark against disembedding neoliberal policies; high levels of political participation are considered desirable and necessary (e.g., Dalton, 2004; Downs, 1957; Kriesi, 2008; Putnam, 2000; Riker and Ordeshook, 1968; Runciman, 2018; Svensson and Togeby, 1991). Thus, my logistic models focus on this political dimension.

The scholarly literature (e.g., Dalton, 2002; Hay, 2007; Stolle and Hooghe, 2011) identifies two forms of political participation in Western democracies, i.e., institutionalised and non-institutionalised.\footnote{This classification of political participation stems from an older conceptualisation of participation as conventional and non-conventional. These classifications, however, might be considered ‘artificial.’ For instance, consumer boycotts have been considered as one of the ‘new’ forms of political participation. However, as pointed by Monroe Friedman (1991; 1999) consumer boycotts (often closely related to food riots in Europe) with a clear political agenda have been taking place from as early as the eighteenth century. The tradition of distinguishing between conventional and unconventional forms of participation stems from Barnes, Kaase, and Allerback’s important work Political Action: Mass Participation in Five Western Democracies (Barnes et al., 1979), which influentially informed today’s institutionalised versus non-institutionalised classification.} The ESS does not provide users directly with measures of institutionalised and non-institutionalised political participation. In Chapter 6 I show the construction of such variables using the following dichotomous (i.e., 1 = Yes, 0 = No) items provided by the ESS:

- Contacting a politician or government official.
- Working in a political party or action group.
- Working in a political party of action group.
- Wearing or displaying campaign badges or stickers.
- Signing petitions.
- Taking part in lawful public demonstrations.
• Boycotting certain products.

Additionally, the ESS asks respondents whether they voted in their country’s last general election. Due to the normative and highly institutionalised nature of voting in Western societies, I keep this variable separate. Voting is also a dichotomous variable\textsuperscript{22} coded as:

• 1 = Voted.
• 0 = Did not vote.

\textit{Trust}

Positive, trusting attitudes towards democratic institutions are positively associated with active citizenries and higher levels of democratic satisfaction (e.g., Almond and Verba, 1989; Easton, 1979). Higher levels of citizen trust are desirable in democracy because they tend to lead to higher levels of civic engagement (Putnam, 2000). The ESS provides the following items related to trust:

• Trust in country’s parliament.
• Trust in the legal system.
• Trust in the police.
• Trust in politicians.
• Trust in political parties\textsuperscript{23}
• Trust in the European Parliament.

All six items are measured on a 0–10 Likert scale, being 0 = No trust at all and 10 = Complete trust. To reduce the dimensionality in my logistic regressions, I apply factor analysis to these items. I present this factor analysis in Chapter 6 alongside the factor analysis of political participation.

\textit{Social class}

Past research has found that political participation is stratified along social-class lines in Western societies (e.g., Beeghley, 1986; Carmo and Nunes, 2013). The Great

\textsuperscript{22} The ESS provides a third category, i.e., “not eligible to vote”, which I have omitted.

\textsuperscript{23} This item was not asked in ESS round 1 (2002). Therefore I do not use it in the logistic regressions in Chapter 6.
Recession’s impacts were, to important degrees, also stratified. Therefore my logistic regressions include a measure of social class that uses the Erikson-Goldthorpe-Portocarero (EGP) classification (Erikson and Goldthorpe, 1992; Goldthorpe, 1980). This classification is composed of four dimensions:

- Type of occupation (manual versus non-manual).
- Employment status (employed versus self-employed).
- Nature of occupation (agricultural versus non-agricultural).
- Responsibility (supervisors versus supervisees).

The ESS does not directly provide users with such class classification. However, it does provide enough information on these four dimensions to enable manual construction of the EGP classification.

### Table 3.3 EGP social classes. All countries and years.

<table>
<thead>
<tr>
<th>EGP classes</th>
<th>Frequency</th>
<th>Per cent</th>
<th>Cum.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher controllers</td>
<td>14,670</td>
<td>17.3</td>
<td>17.3</td>
</tr>
<tr>
<td>Lower controllers</td>
<td>20,716</td>
<td>24.43</td>
<td>41.73</td>
</tr>
<tr>
<td>Routine nonmanual</td>
<td>14,374</td>
<td>16.95</td>
<td>58.68</td>
</tr>
<tr>
<td>Self-employed with employees</td>
<td>3,558</td>
<td>4.2</td>
<td>62.87</td>
</tr>
<tr>
<td>Self-employed without employees</td>
<td>1,658</td>
<td>1.96</td>
<td>64.83</td>
</tr>
<tr>
<td>Manual supervisors</td>
<td>3,138</td>
<td>3.7</td>
<td>68.53</td>
</tr>
<tr>
<td>Skilled manual</td>
<td>6,507</td>
<td>7.67</td>
<td>76.2</td>
</tr>
<tr>
<td>Semi/unskilled manual</td>
<td>17,166</td>
<td>20.24</td>
<td>96.44</td>
</tr>
<tr>
<td>Farm labourers</td>
<td>1,417</td>
<td>1.67</td>
<td>98.11</td>
</tr>
<tr>
<td>Farmers</td>
<td>1,602</td>
<td>1.89</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>84,806</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>


**Trade union membership**

Trade unions have historically organised labour professionally and politically. Western democracies make available structural opportunities that facilitate the political mobilisation of trade union members both in institutionalised forms of participation (e.g., electoral campaigns) and non-institutionalised forms (e.g., contentious
protesting). Trade union members tend to have higher levels of political engagement in Western Europe, although union density in Western countries has been decreasing in the last decades (see D’Art and Turner, 2007; Kerrissey and Schofer, 2018; Kollmeyer, 2013). Trade union membership is coded as:

- 1 = Yes, currently.
- 2 = Yes, previously.
- 3 = No (never).

**Age**

Age has been identified in the literature as an important explanator of political participation (e.g., Dalton, 2002; Putnam, 1995). Middle-aged groups have been found more likely to actively engage with politics than younger and older groups. This is because middle-aged individuals tend to have greater levels of social integration, often being part of the active workforce, paying taxes, having mortgages, and generally having greater levels of social interaction with others (Parry et al., 1992). Political participation tends to increase as individuals approach middle-age and then declines as they become older. Due to the curvilinear relationship between age and political participation, my logistic models use a quadratic term for this variable. The ESS variable for age is a calculation of respondents’ ages using their year of birth.

**Citizenship**

Citizenship status plays an important role in political participation as it extensively defines the formal rights of individuals within national territories (see Tilly, 1974), e.g., non-nationals cannot vote in general elections. Moreover, their non-national status might influence their interest in politics and their willingness to engage in political dynamics that might endanger their status. As a result, non-nationals and their interests are underrepresented in Western European polities (e.g., Bousetta, 2010; Martiniello, 2006). I include citizenship in my models for institutionalised and non-institutionalised political participation, but omit it when analysing voting. Citizenship status is coded as:
• 1 = citizen of country.
• 0 = not citizen of country.

**Gender**

The highly institutionalised nature of voting in Western Europe makes gender a non-salient explanator of political participation. Gender might be salient, however, regarding other forms of political engagement. Pervasive gender roles that identify the public as ‘male’ and the domestic as ‘female’ have been proven to be salient in explaining some differences between men and women, e.g., women tend to have a smaller presence in political organisations and institutional roles (see Norris et al., 2004). In my logistic regressions, gender is coded as:

• 1 = male.
• 0 = female.

**Factor analyses of political participation and trust**

**Political participation**

In Chapter 6, I distinguish between institutionalised and non-institutionalised forms of political participation. The factorisation of political participation (and subsequently of civic trust) using ESS data stems directly from this thesis' interpretation of the literature on new social movements outlined in Chapter 2. Although the variables employed in those pieces of work are not exactly the same as the ones in the ESS data, they do refer to the similar, if not identical, underlying social questions.

In order to statistically test whether the ESS data conforms and follows the precepts of well-established social movement and political participation literature, below I present the results of a Kaiser-Meyer-Olkin (KMO) test, i.e., a measure of sampling adequacy, which examines the factorability of the different forms of political participation and citizen trust. Values over 0.6 are considered to be sufficient in order to proceed with factor analysis (Kaiser, 1970). Factor analysis is common in social
science research, but other latent variable models could also be used (Bartholomew, 2014).

As shown in Table 3.4, the overall KMO of the eight items of political participation introduced is above 0.8, which is considered a ‘meritorious’ figure (Kaiser, 1974). Individually, all variables present figures above 0.6, with all of them being well-above the cut-off point. Furthermore, this was complemented with a Bartlett’s test of sphericity (which tests whether or not we can treat the data matrix as an identity matrix). This test showed a satisfactorily positive result, i.e., \( p < 0.001 \).

Table 3.4 KMO test of sampling adequacy for items of political participation. All years and countries.

<table>
<thead>
<tr>
<th>KMO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contacted politician or government official last 12 months</td>
</tr>
<tr>
<td>Worked in political party or action group last 12 months</td>
</tr>
<tr>
<td>Worked in another organisation or association last 12 months</td>
</tr>
<tr>
<td>Worn or displayed campaign badge/sticker last 12 months</td>
</tr>
<tr>
<td>Signed petition last 12 months</td>
</tr>
<tr>
<td>Taken part in lawful public demonstration last 12 months</td>
</tr>
<tr>
<td>Boycotted certain products last 12 months</td>
</tr>
<tr>
<td>Overall</td>
</tr>
</tbody>
</table>


Table 3.5 Tetrachoric correlation matrix of political participation items. All years and countries.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cont. pol.</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work party</td>
<td>0.6</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work org.</td>
<td>0.48</td>
<td>0.57</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Badge</td>
<td>0.36</td>
<td>0.55</td>
<td>0.46</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petition</td>
<td>0.36</td>
<td>0.39</td>
<td>0.39</td>
<td>0.47</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Protest</td>
<td>0.3</td>
<td>0.51</td>
<td>0.38</td>
<td>0.52</td>
<td>0.51</td>
<td>1</td>
</tr>
<tr>
<td>Boycott</td>
<td>0.3</td>
<td>0.25</td>
<td>0.31</td>
<td>0.33</td>
<td>0.46</td>
<td>0.31</td>
</tr>
</tbody>
</table>

Given these results, I proceed to examine the underlying factor structure of political participation to empirically identifying a theoretical classification that distinguishes between institutionalised and non-institutionalised forms of participation. This would also help us to identify more parsimonious statistical models. Before proceeding with factor analysis, it must be noted that voting has not been included because it is the preferred form of political participation \textit{par excellence}. Voting in national elections is highly regulated and institutionalised, thus theoretically it falls into the same category as party membership and contacting local officials. However, empirically, voting overwhelms the rest of participation forms adding a considerable degree of noise to the construction of factors. Therefore, I will treat voting separately whilst fully acknowledging that theoretically speaking, it is part of the institutionalised family of political participation.

Standard techniques in factor analysis assume continuous variables that follow a multivariate Gaussian distribution. Due to the dichotomous nature of the seven items of political participation, I employ a tetrachoric correlation matrix (Gorsuch, 1983) instead. Tetrachoric correlations have proven to be superior to Pearson’s correlations when using categorical data (see e.g. Holgado Tello et al., 2008). Below, I present the results of an exploratory factor analysis using a promax rotation—which assumes that the components present a certain degree of correlation.

Table 3.6 Factor loadings of political participation after promax rotation. All years and countries.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Uniqueness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contacting pol.</td>
<td>0.69</td>
<td>-0.018</td>
<td>0.54</td>
</tr>
<tr>
<td>Working in party</td>
<td>0.78</td>
<td>0.05</td>
<td>0.34</td>
</tr>
<tr>
<td>Working in org.</td>
<td>0.58</td>
<td>0.14</td>
<td>0.53</td>
</tr>
<tr>
<td>Badge, sticker</td>
<td>0.29</td>
<td>0.46</td>
<td>0.51</td>
</tr>
<tr>
<td>Signing petition</td>
<td>0.032</td>
<td>0.69</td>
<td>0.50</td>
</tr>
<tr>
<td>Protesting</td>
<td>0.15</td>
<td>0.57</td>
<td>0.54</td>
</tr>
<tr>
<td>Boycotting</td>
<td>-0.008</td>
<td>0.54</td>
<td>0.71</td>
</tr>
</tbody>
</table>

As shown in Table 3.6, components load significantly in two factors. I established the cut-off point for factor loadings at 0.4. The two retained factors account for over 90 per cent of the variance. Factor 1 identifies institutionalised forms of political participation, whereas Factor 2 does so for non-institutionalised forms; these results are in line with available scholarly literature (e.g., Kern et al., 2015; Marien et al., 2010; Newton and Montero, 2007). “Having worn or displayed campaign badges or stickers” (denoted as “Badge, sticker” in Table 3), however, presents a case of what is referred to as complex variables. This item has factor loadings above (or very close to) the cut-off point of 0.3 in both factors, therefore I will omit this item in the creation of the composite variables that represent the underlying concepts of institutionalised and non-institutionalised political participation. The resulting outcome variables, i.e., institutionalised and non-institutionalised political participation, maintain the dichotomous nature of their original items (1 = “Yes, participated” and 0 = “No, did not participate”). This means that the outcome variables do not measure intensity but engagement.

Table 3.7 Summary of outcomes variables (percentages). All countries and years.

<table>
<thead>
<tr>
<th>Variable</th>
<th>1 = Yes</th>
<th>0 = No</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutionalised participation</td>
<td>28.28</td>
<td>71.72</td>
<td>84,806</td>
</tr>
<tr>
<td>Non-institutionalised participation</td>
<td>47.65</td>
<td>52.35</td>
<td>84,806</td>
</tr>
<tr>
<td>Voting</td>
<td>78.4</td>
<td>21.6</td>
<td>84,806</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>


Trust

Positive attitudes towards political institutions are fundamental in democratic societies (Easton, 1979; Hay, 2007; Putnam, 2000). Higher levels of trust generate confidence and legitimacy, and they can facilitate the implementation of policies and the continuation of social programmes. In its core module, the ESS asks respondents six

---

24 With a sample size of over 80,000 observations (see Chapter 3), loadings higher than 0.3 can be considered salient (Kline, 1994).
questions regarding their levels of trust in relation to different institutions that are key to a democratic society. Respondents were asked about how much they trust a number of institutions using a card to help them visualise the scale in which trust was measured (from 0 = “No trust at all” to 10 = “Complete trust”). These six items of trust are; trust in country’s parliament, trust in the legal system, trust in the police, trust in politicians, trust in political parties, and trust in the European Parliament (see Chapter 3).

To reduce the dimensionality in this chapter’s logistic regressions, below I also present a KMO test for the several ESS items of trust followed by a factor analysis of the same items. Additionally, a Barlett’s test of sphericity confirmed that the variables are related, i.e., $p < 0.001$.

Table 3.8 KMO test of sampling adequacy for items of trust. All years and countries.

<table>
<thead>
<tr>
<th></th>
<th>KMO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust in national parliament</td>
<td>0.8</td>
</tr>
<tr>
<td>Trust in the legal system</td>
<td>0.81</td>
</tr>
<tr>
<td>Trust in the police</td>
<td>0.8</td>
</tr>
<tr>
<td>Trust in politicians</td>
<td>0.8</td>
</tr>
<tr>
<td>Trust in the European Parliament</td>
<td>0.88</td>
</tr>
<tr>
<td>Overall</td>
<td>0.82</td>
</tr>
</tbody>
</table>


Table 3.9 Pearson correlations matrix of items of trust. All years and countries.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trst.par.</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trst.leg.</td>
<td>0.59</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trst.plc.</td>
<td>0.43</td>
<td>0.6</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trst.poltc.</td>
<td>0.71</td>
<td>0.57</td>
<td>0.43</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Trst.EUpar.</td>
<td>0.58</td>
<td>0.46</td>
<td>0.35</td>
<td>0.56</td>
<td>1</td>
</tr>
</tbody>
</table>


Trust in political parties was not asked in ESS round 1 (2002). Therefore, I do not include it in my analyses.
As shown in Table 3.8, all items of trust present figures above the cut-off point of 0.6, with an overall of 0.82 in the KMO test, i.e., a meritorious result (Kaiser, 1974). Table 3.10 shows that, after a promax rotation, two factors can be identified. They explain around 90 per cent of the variance. Trust in national parliament (0.72), politicians (0.74), and the European Parliament (0.66) all load significantly in Factor 1, which I call political trust. On the other hand, trust in the legal system (0.62) and police (0.65) load distinctively in Factor 2, which I referred to as legal trust. The two resulting indexes of trust also range from 0 = “No trust at all” to 10 = “Complete trust.” For a descriptive summary of the indexes, see Table 2 in Chapter 3.

Table 3.10 Factor loadings of trust after promax rotation. All years and countries.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Trust parliament</th>
<th>Trust legal system</th>
<th>Trust police</th>
<th>Trust politicians</th>
<th>Trust EU Parliament</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor 1</td>
<td>0.72</td>
<td>0.21</td>
<td>0.03</td>
<td>0.74</td>
<td>0.66</td>
</tr>
<tr>
<td>Factor 2</td>
<td>0.12</td>
<td>0.62</td>
<td>0.65</td>
<td>0.1</td>
<td>0.04</td>
</tr>
<tr>
<td>Uniqueness</td>
<td>0.36</td>
<td>0.4</td>
<td>0.55</td>
<td>0.34</td>
<td>0.53</td>
</tr>
</tbody>
</table>


Figure 3.1 Visual representation of factor loadings of political participation and trust.
Having outlined the methods of estimating measures of political participation and trust, I now turn to the analysis of the data for each of the three ideal-typical regimes.

**Missing data**

Missing information (i.e., item nonresponses, see Allison, 2001) is a vexing problem when analysing survey data. In Table 4 below, I have examined the extent of item nonresponse in the outcome variables and the explanatory variables. The overall sample size of all ESS rounds is \( n = 99,158 \). Apart from two special cases that I explain further below, all explanatory variables present less than 1 per cent missing data. This is the same for the outcome variables. Furthermore, the tables below show all variables derived from factor analysis in Chapter 6.

*Table 3.11 Missing data. All countries and years.*

<table>
<thead>
<tr>
<th>Variable</th>
<th>Missing</th>
<th>n</th>
<th>Percent Missing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vote</td>
<td>9,092</td>
<td>99,158</td>
<td>9.17</td>
</tr>
<tr>
<td>Inst. Participation</td>
<td>237</td>
<td>99,158</td>
<td>0.24</td>
</tr>
<tr>
<td>Non-instit. Participation</td>
<td>618</td>
<td>99,158</td>
<td>0.62</td>
</tr>
<tr>
<td>EGP social class</td>
<td>9,012</td>
<td>99,158</td>
<td>9.09</td>
</tr>
<tr>
<td>Union membership</td>
<td>305</td>
<td>99,158</td>
<td>0.31</td>
</tr>
<tr>
<td>Signing petitions</td>
<td>347</td>
<td>99,158</td>
<td>0.35</td>
</tr>
<tr>
<td>Protesting</td>
<td>105</td>
<td>99,158</td>
<td>0.11</td>
</tr>
<tr>
<td>Boycotting</td>
<td>287</td>
<td>99,158</td>
<td>0.29</td>
</tr>
<tr>
<td>Contacting politicians</td>
<td>133</td>
<td>99,158</td>
<td>0.13</td>
</tr>
<tr>
<td>Working in party</td>
<td>89</td>
<td>99,158</td>
<td>0.09</td>
</tr>
<tr>
<td>Working in organisation</td>
<td>121</td>
<td>99,158</td>
<td>0.12</td>
</tr>
<tr>
<td>Political trust</td>
<td>637</td>
<td>99,158</td>
<td>0.64</td>
</tr>
<tr>
<td>Legal trust</td>
<td>328</td>
<td>99,158</td>
<td>0.33</td>
</tr>
<tr>
<td>Age</td>
<td>387</td>
<td>99,158</td>
<td>0.39</td>
</tr>
<tr>
<td>Gender</td>
<td>19</td>
<td>99,158</td>
<td>0.02</td>
</tr>
<tr>
<td>Citizenship</td>
<td>28</td>
<td>99,158</td>
<td>0.03</td>
</tr>
</tbody>
</table>


Cursory investigations of the data lead me to conclude that it is unlikely that there are structured patterns of 'missingness' in the data. This is further supported by examinations of the scholarly literature on these variables. Therefore, following
Carpenter and Kenward (2013), I employ complete records analysis, though I am cognisant that further investigation using multiple imputation methods, for example, might have been fruitful.

Two variables need to be qualified. Around 9 per cent of cases are missing in both voting and social class, due to their intrinsic nature. As noted above, non-nationals are not allowed to vote in general elections, they, therefore, appear as ‘missing.’ The same applies to underaged individuals and others that, for various legal reasons, are not eligible to vote. This thesis is interested only in those individuals that can vote. Similarly, social class captures only those individuals who are, or have been, in the workforce. This automatically marks younger respondents with no labour experience as ‘missing’. Whereas parents’ social class can be used to classify younger people, this thesis is only interested in respondents with personal experience in the workforce. This is because they form the segment of the body social most affected by the Great Recession.

Table 3.12 Missing data without non-elegible to vote and respondents without assignable class. All years and countries.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Missing</th>
<th>n</th>
<th>Percent Missing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vote</td>
<td>597</td>
<td>84,806</td>
<td>0.7</td>
</tr>
<tr>
<td>Inst. Participation</td>
<td>237</td>
<td>84,806</td>
<td>0.24</td>
</tr>
<tr>
<td>Non-instit. Participation</td>
<td>618</td>
<td>84,806</td>
<td>0.62</td>
</tr>
<tr>
<td>EGP social class</td>
<td>0</td>
<td>84,806</td>
<td>0</td>
</tr>
<tr>
<td>Union membership</td>
<td>305</td>
<td>84,806</td>
<td>0.31</td>
</tr>
<tr>
<td>Signing petitions</td>
<td>347</td>
<td>84,806</td>
<td>0.35</td>
</tr>
<tr>
<td>Protesting</td>
<td>105</td>
<td>84,806</td>
<td>0.11</td>
</tr>
<tr>
<td>Boycotting</td>
<td>287</td>
<td>84,806</td>
<td>0.29</td>
</tr>
<tr>
<td>Contacting politicians</td>
<td>133</td>
<td>84,806</td>
<td>0.13</td>
</tr>
<tr>
<td>Working in party</td>
<td>89</td>
<td>84,806</td>
<td>0.09</td>
</tr>
<tr>
<td>Working in organisation</td>
<td>121</td>
<td>84,806</td>
<td>0.12</td>
</tr>
<tr>
<td>Political trust</td>
<td>637</td>
<td>84,806</td>
<td>0.64</td>
</tr>
<tr>
<td>Legal trust</td>
<td>328</td>
<td>84,806</td>
<td>0.33</td>
</tr>
<tr>
<td>Age</td>
<td>387</td>
<td>84,806</td>
<td>0.39</td>
</tr>
<tr>
<td>Gender</td>
<td>19</td>
<td>84,806</td>
<td>0.02</td>
</tr>
<tr>
<td>Citizenship</td>
<td>28</td>
<td>84,806</td>
<td>0.03</td>
</tr>
</tbody>
</table>

Having outlined the data sources and methodologies this thesis will use, we turn now to the comparative historical analysis of key economic and political developments in the short 20th century.
4 Western Europe in crisis

This chapter focuses on the more macro-level of this thesis’ analyses of the historical paths undertaken by the selected countries before and after the 2008 Great Recession. To do so, it comparatively explores key political and economic developments in Western Europe across the so-called Short Twentieth Century, 1914 to 1991 (Hobsbawm, 1994; cf. Arrighi, 2010), allowing an analytical and embedded historical sociology of the two major world economic crises. In this chapter, I seek to map the historical trajectories leading to the financial crisis of 2008 as experienced in key Western European countries. An important tool for my comparative historical mapping is Mann’s (1983; 1993; 2012; 2013) theorisation of the sources of social power, which allows me to multi-dimensionally examine the path dependencies and critical junctures posed by the Great Depression and the world wars—which, then, will also provide a better understanding of the processes that led to Esping-Andersen’s ideal-typical welfare regimes and, ultimately, to the Great Recession in 2008.

The chapter traces two entwined threads. Following Polanyi ([1944] 1957), I show, first and most generally, that a distinct pattern of social embedding of the economy emerged during the 1920s and 1930s, which managed to tame the classical forces of market liberalism that had decisively defined the politics of 19th-century Western Europe. This taming process variously crystallised into different political regimes, i.e., modern liberalism, fascism, and social democracy. Yet this embedding process was not merely contained within states; I therefore also consider international interactions between countries of different political types. Although this chapter emphasises the national development of key Western countries, it also highlights the importance of world-historical contexts. I show how most of the earlier embedding, and subsequent disembedding, resulted from both international agreements and national reactions to socio-political transformations in neighbouring states, e.g., the threat of working-class politics after the Russian Revolution and the emergence of strong international competitors in the Far East. The former encouraged an embedding wave in liberal Western countries whereas the latter helped political attempts to relax the embedding nature of the international economic and financial frameworks agreed on after the Second World War.
The second and related thread involves paying close attention to the advent of the modern European welfare state. It took a major financial and economic collapse and two world wars to socially harness the forces of markets via the collective dynamics of electoral politics. The establishment of social citizenship in the West solidified the long and arduous process of politically embedding markets into society’s fabric. Nevertheless, political, social, and economic crises in the 1960s and 1970s once again emboldened the most predatory market actors, thus leading to a new reign of financial markets that would lay the ground for the 2008 collapse. This disembedding process would not have been possible without the transformation of welfare states from within, and thus a varied range of ‘new politics’ emerged in a context of declining social support for the great pacts achieved after the Second World War. Here I emphasise the important interplay of Mann’s ideological and political sources of social power, concretely in the form of economic neoliberalism and its critical political influence in two financial centres of the world: the US and UK. In this way, neoliberalism and its electoral-political expression constitute the modern manifestation of the historical force opposing the embedment of capitalist markets.

The Great Recession and its surrounding politics are thus best understood in a Polanyian vein complemented by Mann’s IEMP model, illuminated by a wider history of the battle for political and social control over the market that created opportunities for critical junctures to arise. In 2008, not only did Europe’s political elites have the historical knowledge derived from the calamitous 1930s; but they now also operated under economic and political frameworks that were initially created to avoid new financial collapses but were crucially modified from the 1970s onwards to accommodate emerging financial markets’ needs. Therefore, the Great Recession is itself nested within a macro-historical process, meaning it cannot be fully understood without a wider examination of the social embedding processes initiated a century ago.

Today’s highly prevalent disembedding institutions and legal frameworks have been backed by democratic political parties, both before and after the Great Recession. Such support shows us that fundamental societal changes occurred in the 1970s when the process of embeddedment-disembeddedment underwent its first significant iteration since the 1930s. However, such changes do not merely attend to contemporary shifts in electoral preferences or fundamental changes in Western social structures; postwar shifting class compositions and improving material
conditions do not alone explain the context that led the world to a second major economic collapse. The Nordic countries exemplify this point: they present class compositions similar to their liberal and continental neighbours yet they have stronger embedding institutions. Thus, the re-emergence of increasingly self-regulated markets ought to be placed in the macro-historical world-context of Polanyian double movements, the Great Recession being its latest iteration. The crisis and its political navigations were not fortuitous; rather, both were contingent on the restructuring of dominant sources of power that successfully modified postwar welfare institutions following the critical juncture posed by the crises in the 1970s. This sees the 21st century as a comparatively path-dependent from at least the 1930s. In this way, 1929 and 2008 are not only two major economic collapses within 100 years; they are also constitutive features of the politics of trying to socially embed/disembed markets in modern capitalism.

The First World War and interwar contestations

In less than a century, the world entered a state of deep economic crisis twice: first the Great Depression of the 1930s, and then the late 2000s’ Great Recession. The consequences of these crises were not only economic, but also political and social. During the Great Depression, the tension between the political and economic spheres was palpable, producing violent strain in the fabric of society. Economic and financial mechanisms had to be reinvented. Policymakers had to learn from the perils of crisis to prevent future ones; governments had to negotiate a new social peace. The Great Depression marked the first financial dislocation of the 20th century.

The Great Depression was an economic phenomenon of unprecedented magnitude on several accounts, especially depth and longevity. Transnational in nature but half-global in scope, the crisis struck national economies across states and empires for almost a decade. As Michael Mann argues, this was part of a disintegrating globalisation (Mann, 2012: Chapter 7, cf. Hobsbawm, 1994: Chapter 3). After the First World War, both sides of the Atlantic were deeply interconnected via financial capital investments, a complex network of war debt, and a political imbroglio regarding the future of Germany and war reparation payments. At the same time, economic protectionism and nationalist sentiments grew strongly in both Europe and the US. When the crisis spread across the transatlantic financial network, states first
responded by retreating from the global economy. Politically, both left and right saw a critical point for the prevailing capitalist system in the Great Depression. In order to save capitalism, serious, unprecedented political compromises were agreed upon, decisively affecting the course of European and American societies.

The First World War and changing economic relationships

The immediate onset of the Great Depression is best placed in the last quarter of 1929. However, the world had previously been dislocated, decisively, in the form of violent destruction: the First World War. The war both precedes and closely relates to the inception of the economic depression in the 1930s and the subsequent political developments in the world scenario. Economically speaking and most visibly, the war brought the physical destruction of infrastructure across continental Europe. The human cost of the war meant a dramatic reduction in the national labour force and domestic demand of belligerent Europe. The material destruction of continental Europe was not really what would have the most pervasive effect. After all, Europe’s population recovered relatively quickly with a growth of around 53 million people between 1920 and 1940. This demographic growth was more acute in the south and east of the continent—partly due to tougher immigration laws in the US. Instead, the most pervasive consequence of the war in the future of Europe was the changes it impelled in politics, diplomatic relations, and basic economic dynamics such as supply and demand.

The war not only disrupted the existing supply and demand conditions in Europe but also changed the prevailing economic context in which they operated. In the international arena, two new actors, Japan and the US emerged energetically at the expense of the old continental powers. Both Japan and the US had a limited role in the war, which allowed their manufacturers to supply the countries invested in the war. Advancements in the chemical and shipbuilding industries allowed Japan to penetrate overseas markets that had previously been influenced by European metropoles (Kindleberger, 1973: 33).

The US, now the world’s first economy, exported important quantities of agricultural produce and industrial goods, but most importantly they invested an enormous amount of private capital in war-destroyed Europe, especially in Germany. The continent’s supply and demand dynamics were profoundly affected due to its
interconnected nature, sharing individual national vulnerabilities across the European economy as a whole. The dislocation that the First World War produced, as I show below, would strain diplomatic relations, thus affecting importantly the European economy.

Versailles, war debt and instability

Perhaps a less visible, yet more profound consequence of the war was the debt resulting from the conflict. War debt and reparations not only changed the course of European economies; the disagreement amongst the victorious nations regarding Germany’s future also generated (and exacerbated) nationalistic sentiments that would decisively impact the continent’s immediate future. Reparation settlements after the war played a key role in international relations between European countries and the US, soon to be the new world’s bank. Among the Triple Entente, France was the most eager to receive compensation from Germany. This became clear when drafting the Treaty of Versailles, which did not ultimately settle on a definite sum for Germany to pay.

After attending the Paris Peace Conference in 1919, John Maynard Keynes, who would also have a pivotal role after the Second World War, wrote that a “Carthaginian” peace had been imposed on Germany (Keynes, 1919). Like his contemporary neoliberal economists, Keynes’ main concern was a potential socialist uprising in Germany—which would not only spread an anti-liberal agenda on the continent but would also debilitate international trade. US President Woodrow Wilson would also attend the conference, but despite this important American influence, the US neither ratified the Treaty of Versailles nor joined the newly-created League of Nations due to several conflicts of interest. Wilson’s delegation made it clear that the US saw the treatment of Germany and their allies as unfair and disproportionate, which would only complicate international relations between the European victorious nations, especially France, and the world’s new first economy.

Therefore, in April 1921, because the Paris Peace Conference of 1919 had not agreed on a definite sum for the reparations and only basic principles for paying were established, the Reparation Commission announced the total liability to be 132,000 million gold marks—the gold-linked currency used in the German Empire at the time (Marks, 1978: 236). This sum had to be paid by the Central Powers, not only
Germany, and according to the allies of the Triple Entente, this sum would cover all damage done to the civilian population during the course of the war. Nevertheless, the payment of bonds A and B (i.e., the assessment of the Allies of what Germany could actually pay) put enormous pressure on the young Weimar Republic, which ended paying only a total of 20,000 million gold marks between 1921 and 1931 when reparation payments ceased (ibid.: 233). An important proportion of those 20,000 million gold marks paid was made possible by the heavy financial investment of American private capital in Germany.

The Treaty of Versailles meant that Germany would lose about 15 per cent of its arable land at a time when the country was experiencing a serious nutrition crisis. Additionally, unemployment was an increasing social issue as well as a new phenomenon. Germany lost important territories that accounted for 75 per cent and 26 per cent of its iron ore and coal resources respectively (Berghahn, 1987: 276). Despite the efforts made in the London Schedule of Payments, the Weimar Republic could not meet reparation payments either in kind or in foreign exchange, prompting a two-year occupation of the Ruhr in January 1923 by French and Belgian troops. The invasion was met by sizeable acts of passive resistance, including the sabotaging of production by both German industrialists and workers. In turn, the French troops met industrial action with violence, killing around 130 civilians in the occupation—which right-wing demagogues, such as Hitler, later used to foment nationalistic sentiments.

Inflationary pressures and increasing protectionism

Importantly, in this period of political instability, much of Europe was also engulfed in an increasing inflationary crisis that was especially pervasive in Germany. Inflation was so severe that people and every-day life business defaulted to barter trade. The main sources of runaway inflation across the continent were war-related expenditure, postwar reconstruction, accumulation of debt (and in some countries, payment of reparations), and poor agricultural and industrial yields. On the other hand and contrasting drastically, the European countries that remained neutral during the First World War emerged from it with a stronger economy: Spain, Switzerland, the Netherlands, and Norway’s GDPs per capita increased by 15, 9, 19, and 11 per cent respectively between the periods 1913–1914 and 1922–1924 (Berend, 2006: 52).
In Germany, reparation payments created an insurmountable debt, which inevitably impacted the country’s capability to deal with the Great Depression. Furthermore, the war had created a network of war debts from which the Allies were not exempt. The US, now a country seeking to protect their own industries, favoured reducing the pressure on Germany whilst making sure the inter-allied debt was honoured. This conundrum affected transatlantic relations as the UK was no longer the world’s bank (Clavin, 2000: 29). Now, US-led short-term credit became more regular than long-term credit following the trends of Wall Street, the world’s new financial centre. All this meant that capital movements across the Atlantic increased both in volume and frequency, thus inextricably connecting both ends of the ocean and spreading the risk of systemic catastrophe.

**American mediation: the Dawes Plan**

The Reparations Commission, seeing that Germany could not pay the sums established in 1921, created a new committee led by Charles Gates Dawes—the so-called ‘Dawes Committee.’ The committee’s main goal was to end the French and Belgian occupation of the Ruhr and resume the payment of reparations that had prompted the invasion in the first place. The committee came up with a plan, the ‘Dawes Plan’, agreed in August 1924.

The plan established the end of the occupation and the reinstatement of reparation payments. The Dawes Plan also envisioned a decisive element that would affect the subsequent economic future of Europe: Germany was to be financially aided by the US in the form of private bonds issued by Wall Street (Kindleberger, 1973: 28).

For the US, the Dawes Plan mainly consisted of making Europe a profitable market for American exports whilst also alleviating diplomatic strain. Despite pessimism in the US, the Dawes Plan proved to be rather successful: foreign troops vacated the Ruhr, Germany would resume reparation payments (now dependent on American *private* investors), and the social peace was kept in the region as German industrialists retained control over steel production.

An important contribution to the short-term success of the Dawes Plan was the *Reichsbank*’s restructuration, which was forced to default to the gold standard, amongst many other reforms. Generally favourable economic prospects in Germany attracted international investors, and thus German bonds were issued by the millions.
About 2,600 million US dollars were spent on German bonds, of which over 60 per cent went into American hands (Clavin, 2000: 38). Nevertheless, most of this financial capital landed in unproductive sectors that used their historical prestige rather than actual economic performance to attract investment.

Although Germany could now pay reparations in full, the Dawes Plan actually fomented the movement of uncontrolled private financial capital—thus fuelling speculation and a cycle of borrowing which did not help the inflationary crisis. Whereas strategic markets had been successfully embedded, the financial services sector was running pell-mell in the opposite direction. Financial markets across the Atlantic were now so intimately interconnected that foreign bonds accounted for about 20 per cent of the US capital market, thus strengthening the calamitous chain of events that would be unleashed with the crash of Wall Street in 1929 and the subsequent market-embedding social response in the form of fascism.

_Return of gold: deflation and overaccumulation_

The gold standard played a fundamental role in the Great Depression’s development. Having a bimetal system is prone to problems, for governments need to keep a constant parity equilibrium between the ‘bullion ratio’ and the ‘mint ratio.’ Not satisfying this equilibrium results in the serious risk of one metal overtaking the other.

In the early 19th century only one country, the UK, had a single gold standard, which was legalised in 1816. At this point, bimetallism was still the norm in the rest of Europe. Throughout most of the 19th century, the fluctuation in the production of both gold and silver created serious difficulties for those nations with a bimetal system. It was not until the last two decades of the century that the scale started tipping in favour of gold due to technological advancements in its production. Gold output went up from 19 million sterling pounds in 1883 to 24 million in 1890, to 96 million in 1915 (Birnie, 1957: 81). The 19th century concluded with most European powers having a single gold standard—or a system closely related to gold in which free coinage of silver had been banned.

The main advantage of adhering to the standard was that participating currencies were stabilised at a fixed rate. Because a gold-linked currency was convertible to gold, it could travel across national borders with relative ease, thus facilitating investment and international trade. This led to a significant increase in
international trade in the second half of the 19th century and early 20th century: from an estimated 800 million pounds sterling in 1850, to 2,800 million by the end of the 1870s, to a further 8,000 million by 1913 (Clavin, 2000: 42). The moving of capital across borders integrated and interconnected world economies in one global capitalist market. Nevertheless, this market could not have been sustained without the proactive political action of participating nation-states, who created a ‘sectarian faith’ of sorts in the gold standard. Furthermore, the possibility of exchanging currency for material gold was a guarantee that decreased the levels of uncertainty in an international trade order without a global regulating body.

Then, the abandonment of the gold standard in Europe when the First World War broke out had nefarious consequences in most countries, mainly in the form of inflation. European governments withdrew their gold coins and replaced them with inconvertible paper money, giving gold a premium that resulted in increasing prices of paper money. Deflation was first considered in order to deal with this issue, but the cure proved to be worse than the disease, for deflation created unemployment in turn. As a result, in an example of positive feedback, the UK decided to return to the gold standard in 1925. The rationale was that paper money could be used in every-day life retail transactions, whereas gold should be reserved for bigger trading (for instance, paying foreign debt).

Table 4.1 Unemployment as % of the workforce, 1921—1928. Selected countries.

<table>
<thead>
<tr>
<th></th>
<th>1921</th>
<th>1922</th>
<th>1923</th>
<th>1924</th>
<th>1925</th>
<th>1926</th>
<th>1927</th>
<th>1928</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>11.5</td>
<td>4.2</td>
<td>1.3</td>
<td>1.6</td>
<td>2.4</td>
<td>2</td>
<td>2.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Denmark</td>
<td>19.7</td>
<td>19.3</td>
<td>12.7</td>
<td>10.7</td>
<td>14.7</td>
<td>20.7</td>
<td>22.5</td>
<td>18.5</td>
</tr>
<tr>
<td>Germanya</td>
<td>2.8</td>
<td>1.5</td>
<td>9.6</td>
<td>13.5</td>
<td>6.7</td>
<td>18</td>
<td>8.8</td>
<td>8.4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>9</td>
<td>11</td>
<td>11.2</td>
<td>8.8</td>
<td>8.1</td>
<td>7.3</td>
<td>7.5</td>
<td>5.6</td>
</tr>
<tr>
<td>UK</td>
<td>18.8</td>
<td>15.2</td>
<td>11.3</td>
<td>10.9</td>
<td>11.2</td>
<td>12.7</td>
<td>10.6</td>
<td>11.2</td>
</tr>
</tbody>
</table>


Europe followed suit, and between 1923 and 1929 thirty nations re-adopted the gold standard (Birnie, 1957: 83). In the late 1920s, the so-called ‘reformed gold standard’ generated a short-lived economic boom in Europe, as American capital

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26 The re-insertion of gold, ironically, caused an important problem: that of overaccumulation—led by France and US who held 60 per cent of the global gold. The UK was forced to abandon the standard, and by 1933 only six nations would adhere to it. France would also abandon it by 1936.
flowed into the continent in great quantities. Encouraged by the reformed gold standard, capital investment rebooted industrial sectors that had been hit hard by the war. Nevertheless, this boom occurred in a context of increasing protectionism, growing nationalism, and relatively high rates of unemployment given by postwar reconfigurations of industrial sectors and the inability to migrate to the US (see Table 4.1). Ultimately, as predicted by Keynes, the reinstatement of the gold standard produced serious economic problems that led to deflation, unemployment, and ultimately the Great Depression.

*The crash of the world’s financial centre*

The Great Depression of the 1930s was caused by the 1929 Wall Street crash. New York’s financial market had been increasing spectacularly in previous years. Between 1925 and 1929 Wall Street saw a 250 per cent increase in the value of its stock (Clavin, 2000: 96). This resulted in the withdrawal of credit from Europe due to the American economy’s fantastic prospects. Daily turnover increased from 4 million shares in March 1928, to 6.9 million in November the same year, to 8.2 million in March 1929 (Kindleberger, 1973: 109).

In September 1929, New York’s stock market reached its peak. It started declining the following month, leading to the panic on the 24th of October commonly known as “Black Thursday”, when 16,400,000 shares were traded (*ibid.*: 118). The US Federal Reserve Board was aware of the systemic risks of massive financial speculation, however, the crisis was not contained and overspilt into Europe as international investment precipitously plummeted.

Therefore, without American investment coming into dependent Europe, and an unwarranted faith placed on the reformed gold standard now with deflationary pressures increasing rapidly, the prospects of depression were rather evident. Across the European political spectrum, the idea of incentivising public spending to increase consumption and employment was widely rejected for fear of destabilising national budgets and undermining the credibility of the exchange rate, on which so much faith had been placed. Likewise, central banks across Europe rejected the idea of decreasing discount rates for fear of losing national gold reserves. As a result, European banks increased their discount rates instead to match those given in the
US. Both sides of the Atlantic would enter a period of economic depression tightly linked together by the modus operandi of the gold standard.

The importance of the Great Depression for the future of Western Europe lies in the fact that it happened in a transformational context; economic, political, military, and ideological forces had been undergoing important reconfiguration processes that ultimately would create a new balance of powers. The first twenty years of the 20th century thus belongs more appropriately to the ‘liberal pathway’ of the 19th century than to the new era that would later emerge from the ashes of the Second World War.

Regime change: protectionism and state interventionism

State interventionism increased considerably during the Great Depression. But this was not a new formula, for not all countries had supported 19th-century laissez-faire ideas with the same fervour as the UK. For instance: in the newly formed US, Secretary of the Treasury Alexander Hamilton, argued before Congress for protective tariffs, industrial subsidies, and self-sufficiency. Similarly, in Germany, Johann Gottlieb Fichte also advocated for state interventionism in the form of a powerful, isolationist state that regulates every aspect of social and economic life. From fixing prices to restricting economic connections with foreign nations, Fichte sought self-sufficiency under state monopoly (Berend, 2006: 46).

Economic integration stagnated and even regressed. In Europe, after the First World War, new states were born, so it would not be surprising to expect an increase in international trade—as any trade crossing national borders is recorded as such. Yet, as I show in Figure 4.1, trade volume decreased in the years after the war relative to 1913, reflecting both the increasing influence of economic protectionism and the
recession’s impacts. World trade started increasing again from 1936 onwards, albeit very timidly.

*Figure 4.1 World trade volume, 1720—1971*

As noted before, the First World War had been a turning point for Western economics: the *laissez-faire* market economy, the fundamental core tenet of classical liberal economics, was under serious threat. The First World War accelerated the trend towards stricter protectionist policies, state interventionism, and ultimately the demise of *laissez-faire*. Economic nationalism and the pursuit of self-sufficiency became wide-spread goals in Europe, following Germany’s experimentation with state interventionism in an attempt to regulate their war economy.

Free trade was now being quickly replaced as nation-states increasingly caged themselves to protect their domestic economies. This economic change, however, was politically motivated by an ideological shift stemming from bodies social’s desire to protect themselves against private capital. The Great Depression further
accelerated the tendency towards state interventionism, which only kept increasing as Europe and the US moved towards a new world war. In fact, by the break-out of the Second World War, only the UK, Denmark, and the Netherlands had true free trade systems under *laissez-faire* ideals (Kenwood and Lougheed, 2002: 72). Moreover, protectionist policies were stronger in those countries where the body social had made greater political advances (Polanyi, 1957: 133), reflecting society’s defensive manoeuvre through organised labour, which had now attained parliamentary representation.

*Social outcomes: class struggle and legislation*

The economic context of Europe during the inter-war period deeply impacted the socio-political trajectory of western Europe. Capitalism, threatened by both Communism and Fascism (see Mann, 2012: 280), had to be rescued, thus resulting in a more social version of it. This is what Ruggie (1982: 392) calls “embedded liberalism”, although it would take yet another armed conflict to finalise the process. Class struggle played an important role in this transformation process. From the 19th century to the Second World War, organised labour (whether in unions or parliamentary parties) pressured prevailing political elites to broaden the horizons of representative democracy. However, the arena of class struggle was very much confined to the nation-state, as was the development of civil and social rights—explaining differences in timing across Europe. The final result would be the modern Western welfare state, which successfully balanced (at least initially) the interests of capitalists and workers.27

The most immediate antecedent of the modern welfare state is the bureaucratisation and expanding penetration of European states in the 19th century (Mann, 1993: Chapters 13 and 14). Growing wealth allowed for more public programmes, especially in education and public health. However, some of these social programmes had primarily the common good in mind, not the working class’ interests *per se*. For instance, industrialisation and urbanisation had increased the size of cities,

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27 The initial economic success of the Soviet Union should not be overlooked here, for their achievements would later influence social-democratic economists in the West. Under Lenin, the USSR became a central grain exporter (Abel, 1980: 289), whereas under Stalin the USSR increased their share of the world’s total manufactured products to 18 per cent (Hobsbawm, 1994: 96).
confining many thousands of lives in limited spaces. Thus, contagion had to be kept in check, leading to advancements in public health, for diseases do not discriminate by social class (Mann, 2012: 287–288). Similarly, by the end of the 1930s, 90 per cent of the population in Western countries possessed basic literacy thanks to national universal education systems (ibid.: 312), but education systems were also developed to supply the skills and knowledge necessary for the productive activities of industrial society.

Although by 1914 most of Western Europe already had at least a basic system of social protection in place (see Table 4.2), the post-WWI period certainly accelerated the transition to more inclusive polities with inter-country variation. This reflected the distinct ways in which Western countries blended the processes of organising the labour force via unionisation and the parliamentarisation of such labour organisations (Mann, 2012: 173). Then, the Great Depression further advanced Western Europe's progression towards welfare regimes as harsh economic conditions called for urgent change.

Table 4.2 Social policies across selected countries

<table>
<thead>
<tr>
<th>Pensions</th>
<th>Unempl.</th>
<th>Industrial accident insurance</th>
<th>Health insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-1914</td>
<td>Pre-1914</td>
<td>Pre-1900</td>
<td>1900-1914</td>
</tr>
<tr>
<td>Germany</td>
<td>Norway</td>
<td>Germany</td>
<td>Most other</td>
</tr>
<tr>
<td>UK</td>
<td>UK</td>
<td>CH</td>
<td>industrial</td>
</tr>
<tr>
<td>Italy</td>
<td>Denmark</td>
<td>Austria</td>
<td>countries</td>
</tr>
<tr>
<td>Denmark</td>
<td>France</td>
<td>Norway</td>
<td>except</td>
</tr>
<tr>
<td>France</td>
<td>Finland</td>
<td>Canada (1930),</td>
<td>Finland</td>
</tr>
<tr>
<td>NZ</td>
<td>GB</td>
<td>USA (1930),</td>
<td>Italy</td>
</tr>
<tr>
<td>Sweden</td>
<td>Italy</td>
<td>Portugal (1962)</td>
<td>Denmark</td>
</tr>
</tbody>
</table>

Health insurance was introduced between 1914 and 1945 in NZ, the Netherlands, Spain, Australia, and Finland; in Canada in 1971; in Portugal in 1984. NZ = New Zealand. CH = Switzerland. Source: Sassoon, 2013: 19.

By the end of the Great Depression, many Western polities had politically shifted leftwards (Hicks, 1999: 76). Coalitions between organised labour and centrists
dominated Western Europe’s political landscape. Parliamentary coalitions further advanced social rights, thus steering the working class away from the revolutionary path. In turn, in countries where neither social democracy nor fascism was possible, secular centrist parties took over the traditional conservative right.

During the short, yet intense, inter-war period western Europe witnessed three main trajectories towards the modern welfare state. Here, I follow Mann’s (2012: 293–309) characterisation of their experiences into three sets of nation-states; the Anglos (of which I will only focus on the UK), the Nordics, and the Euros (cf. Hicks, 1999). The trajectories examined below show the realignment of sources of social power in response to double-movement dynamics in times of crisis. More importantly, they also show how the regime-types distinctively introduced social changes whilst not breaking fully with their preceding historical paths.

**Anglos: the liberal path**

The Anglos emerged from both world wars victorious and, crucially, uninvaded. This allowed their political institutions to persist and deepen. Although there is historical variability amongst the socio-political experiences in the Anglo countries, they share important historical ties created by the British Empire, which provided these territories with the same language, and similar cultures and political institutions.

These countries did not experience critical social unrest in the form of revolutions, although the body social did mobilise in suffragette and civil rights movements. Communism never resonated strongly with the Anglos, partly because trade unions were sympathetic to social-democratic, reformist ideas. Organised labour was especially strong in the UK, where it already had parliamentary representation by 1900 thanks to Lib-Lab candidates. British organised labour further strengthened its parliamentary foothold as union membership reached 45 per cent of the labour force by 1920 (Mann, 2012: 294).

The First World War was fundamental to organised labour’s success in the UK. War effort fortified British institutions such as parliamentarism, uniting the body social under common national sentiments; it also required more taxes, further creating a socially shared notion that the body social was marching to the beat of the same drum. Nevertheless, this did not prevent organised labour from identifying the sacrifices made by the working class and exploiting them for political and social gains.
Most reforms achieved during the course of the war were further developed in the 1920s, although some were revoked. Therefore, after the war, real wages for full-time employment were 20 per cent higher; the average working week was shortened by 7 hours (from 55 hours to 48 hours a week); the number of taxpaying citizens increased six-fold; compulsory education was lengthened; hundreds of thousands of subsided homes were built; and most workers were included in the National Insurance structure (Marwick, 1991: 282–285, 314–317, 343). None of this, however, would have been possible without the Labour Party’s ample success.

Electorally, between 1918 and 1929, the Labour Party successively increased their share of votes, reaching about 35 per cent of the total vote. While less than the Conservatives’ 40–45 per cent, it was enough to oust the Liberals from second place (Mann, 2012: 295; Marwick, 1991: 351–352). New electoral dynamics forced the Liberal Party to shift leftwards to keep part of the working-class vote. Conversely, the Labour Party was forced to increasingly moderate their discourse. In turn, the Conservative Party now had to appeal to the whole adult population, including women, leading to Conservative support for a progressive income tax and extended benefits in the form of pensions and unemployment insurance. The party rather successfully redesigned itself to come across as the middle-class, patriotic party dedicated to the preservation of family, peace, and duty.

In spite of the changes in electoral dynamics, party preoccupations, and welfare programmes, the First World Ward left the UK with a changed society that now thought and felt about political, economic, and social issues differently—albeit operating within the same pre-war political institutions. The British State had not changed that much after all. The Ministry of Reconstruction was formed but never given any real authority, and the Ministry of Health was similarly restricted. The Liberal Party and the *laissez-faire* philosophy were clearly the losers in this story. Although the Labour Party successfully shifted the political agenda towards social reformism, the Conservative Party ended up asserting its supremacy, virtually uncontested, for several decades. For the State to take a substantively different trajectory, towards social citizenship and extensive welfare programmes, a major economic dislocation and another world war had to occur.
Nordics: the social-democratic path

The second group of countries that experienced a distinctive historical trajectory are the social-democratic Nordics (cf. Esping-Andersen, 1990: 28). Like the Anglos, the Nordics did not experience major domestic conflicts, helped by their remaining neutral during the First World War. A relatively peaceful social context enabled the continuation of political institutions and political competition.

In Norway, Sweden, and Finland, serfdom was never implemented to the same degree as in other European countries, which led to the creation of representative estates that ultimately would become modern parliaments (Mann, 2012: 300). Historically, the role of the state in the Nordic countries has been considerably stronger than that of the Anglos, which also led to earlier corporatist tendencies. In the 1930s, the three Scandinavian Nordics followed a social-democratic trajectory that successfully implemented Keynesian ideas, thus favouring economic stimulus and expansionary policy as responses to the Great Depression. A shared element amongst the Nordic countries is the early acceptance of counter-cyclical fiscal policy in intellectual circles and schools of economics (Lindvall, 2012: 234, 238–239).

The Nordics represented a pioneering change of direction in how the state manages economic and social problems. At its core, we find the institutionalisation of collective bargaining in the form of tripartite corporatism. Thus, as early as 1935, capital and labour had signed general agreements in Norway; 1938 in Sweden, and by the early years after the Second World War all Nordics had already established centralised pay bargaining agreements (Hagemann, 2018: 128–129). The result was that unions moderated their wage demands in return for full employment and social benefits.

The Nordic countries, although neutral during the First World War, received an economic blow when access to German markets was disrupted. Being importantly dependent on international exports, the Nordics now had to design and deploy new domestic macro-economic policies to compensate for a lack of international trade. Especially in Sweden, where the gold standard was abandoned, the Swedish Social

28 Excepting the 1918 Finnish civil war.
Democratic Party (SAP) was remarkably willing to implement new macroeconomic policies.\textsuperscript{29}

Increasing unemployment was a continuous concern for the Nordics in the 1920s. In Sweden, this decade was characterised by political instability. The SAP fell from power twice, in 1923 and 1926, due to confrontations with the conservative Unemployment Commission. However, it was during this unstable decade when the SAP drafted the party’s blueprint for future crisis-management: a direct result of the close relationship between party and trade unions (see Stephens, 1979: 129–140), as well as the party’s disposition to engage in dialogues with political opponents.

Similar events took place in other Nordic countries, although in some places Socialism played a more important role than in Sweden. Thus, the social-democratic vote started to increase in Denmark in 1921, more or less at the same time as in Sweden. In Norway, it did not increase significantly until 1927. In Denmark, the Social Democrats became the first party in 1924, dominating national politics until 2001 (Mann, 2012: 301). In Norway, the more radical Labour Party obtained power in 1927—although in the 1930s they had to moderate their stance due to capital flight.

Nordic social democrats’ ascent to power, however, was not achieved with parliamentary majorities. Instead, coalitions were (and are) the norm in Nordic politics. This reflected their corporatist tradition and institutional arrangements that facilitated the political integration of opposing forces. This predisposition to create dialogue would later prove crucial in the consensus-building processes that successfully implemented expansionary policies in the 1930s and 2000s.

\textit{Euros: the conservative-Christian path}

The Euros are the third ideal-typical regime and path towards the embedding of markets within the boundaries of the welfare state. Much of the economic composition of the continent has already been explained above. Thus, I will focus here mainly on the development of welfare programmes and class struggles in France and Germany—I analyse Spain in the following chapter. Regarding class struggle, the First World War had different impacts on belligerents: class struggle was biggest in

\textsuperscript{29} Sweden has historically been open to the incorporation of new policy ideas discussed in academic circles of expertise (Weir and Skocpol, 1985: 117–119).
the Russian Empire, Austria-Hungary, and Germany, three countries where defeat or war-induced destruction were palpable. Invigorated socialist actors had key roles in all three territories after the war.

The Great Depression would only exacerbate an already unstable political context. In Central Europe, the economic crisis strengthened radical right-wing movements that had already been reinforced by nationalistic sentiments after the war, thus spreading anti-liberal sentiments amongst the body social (Hobsbawm, 1994: 102). The triumph of the Russian Revolution also encouraged right-wing politics’ popular ascent. Nevertheless, the Comintern never saw the global revolution they had expected, for socialism in Western Europe had long turned reformist—only the French Communist Party had a significant presence (ibid.: 1994: 105).

Despite increasing anti-liberal sentiments, in the 1920s representative democracy was the norm. Yet the same decade witnessed the steady, and not always silent, emergence of the far-right; from Mussolini’s ‘March on Rome’ in 1922 to the invasion of Poland by Nazi Germany in 1939, liberal democracy was put against the wall from both the left and right of the political spectrum—union membership and the socialist vote both saw an upsurge in the 1910s, followed by a general decline in the 1920s coinciding with Fascism’s ascent.

Although social-democrats made great electoral advances in Western Europe, in France the centre-right comfortably ruled for most of the inter-war period. The country’s parliamentary left was relatively fragmented, so too trade unions, which were also split into socialists, communists, and Catholic federations (Mann, 2012: 304). Furthermore, during the inter-war period, inequality generally dropped in Western Europe partly due to more progressive policies. However, in France, inequality remained rather stable: if top capital incomes dropped, it was due to the volatile economic context of the period, not because of social policies that might have compressed the wage distribution30 (Piketty, 2007: 9–10).

What few welfare advances France saw in this period were motivated by a paternalistic, family-oriented, institutional ethos, not class or feminist struggles as those seen in the UK or among the Nordics. For instance, it was Catholic pro-natalist employers’ lobbying after the war that ultimately achieved social benefits for women

30 In contrast, in the UK, reflecting the electoral success of the Labour Party in the 1920s, income inequality fell steadily from the First World War until the late 1980s (Atkinson, 2007: 91–94).
The nefarious economic situation after the war fomented higher levels of coordination amongst private employers, who were the main force behind many of the social schemes available to the French working class. This, in turn, strengthened France’s ‘mutualist’ system of voluntary insurance schemes.

Later on, economic hardship and the spread of Fascism helped the Front Populaire attain power in 1936. The coalition brought reformist socialists and communists together, seeking to overcome the pervasive fragmentation of France’s parliamentary left. Their short-lived government, however, failed at realising their macroeconomic plans, thus becoming the only left-leaning government in Western Europe that did not enact new income security programmes—despite the country’s high levels of industrial militancy (Hicks, 1999: 89). Nevertheless, the Front Populaire initiated a wave of state interventionism that would be furthered in subsequent decades. Ultimately, the result would be a twofold system of universal social protection. On one hand, mutualism took care of maternity, disability, and illness. On the other hand, family welfare was enacted within the market and under employer control (Dutton, 2004: Chapters 1–2).

In Germany, the inter-war period comprises the interlude between the Second and Third Reich. These years saw a noticeable degree of progress in the arena of social rights, chiefly driven by the Social Democratic Party of Germany (SPD) during the Weimar Republic (Mann, 2012: 306), whose constitution, up until that point, comprised the most explicit advocacy of extensive civil rights ever drafted—including freedom of speech and other liberties that facilitated political expression (Lee, 1998: 119–120).

An important administrative change was the centralisation of the formerly regional social provision. Furthermore, some social provisions previously established during the Second Reich were developed further. Also, new provisions were introduced under scientific and rationalist premises (Mann, 2012: 306–307). Thus, social expenditure doubled between 1913 and 1930, including insurance for occupational accidents and diseases, unemployment assistance, and myriad provisions for children, young people, and disadvantaged households in general. Both the state and employer-workers consortia were responsible for the provision of these social benefits.
Despite the SPD’s active role during the Weimar Republic, especially in its early years, the body politic still had important conservative/Christian elements in its core—as reflected by the five Catholic Centre Party chancellors elected in the 1920s. German Christian-Democrats supported many of the social provisions established after the First World War. However, the various German churches predominantly supported capitalist and industrialists, whose interests, most of the time, were at odds with the social advances being made. This created a constant political tension characteristic of the period’s political instability (Crew, 1998: Chapter 1).

As Germany’s economy worsened in the late 1920s, politics radicalised considerably, instilling more instability. Thus, in the 1928 federal election, Hitler’s Nazi Party obtained only 2.6 per cent of the vote; 18 per cent in 1930; 37 per cent in 1932; and 33 per cent in 1933, the last multi-party election (e.g. Mommsen, 1996: Chapter 9). This ultimately resulted in the Weimar Republic’s dissolution, the beginning of the Third Reich, and the end of the inter-war period. Just half a decade later, the main global powers would be at total war once again.

**Postwar new order: the Bretton Woods system**

The Second World War in 1939 caused another major dislocation: the last inter-imperial war (Mann, 2012: Chapter 14). In this section, I will not discuss the causes and developments of the war itself. Instead, I will focus on the consequences of the war in terms of development in the economic, political, and state arenas. The outcomes of the war tested country’s historical paths and configurations, bringing about long-lasting changes that explain important elements of today’s society.

After the war, Western Europe integrated into a new international economic order that rearranged pre-existing political and economic advancements. The end of the war saw the demise of the European and Japanese empires. Therefore, a decolonisation process ensued. Only the US, “an empire without colonies” (Mann, 2013: 13), remained. With most of the world divided into two distinct ideological blocs, the US became the indisputable leader in the west, giving high priority to the reconstruction of Western Europe (Kaelble, 2013: 252). However, this would require enormous economic and financial efforts. Thus, a new political international agreement was sought.
In 1944, forty-four countries gathered in Bretton Woods, New Hampshire, seeking to avoid the inter-war period’s instability. As expected, the US played a leading role. John Maynard Keynes also played an important role in the resulting ‘Bretton Woods system’ (Steil, 2013: Chapter 4). The resulting order, ‘embedded liberalism’, “… ensured international economic stability through multilateral cooperation among nation-states under U.S. leadership. It was in effect a compromise of nation-states, American empire, and transnational capitalism” (Mann, 2013: 27).

Embedded liberalism conceives a market economy in which the state intervenes by means of monetary and fiscal policy, subsidies, and other social programmes but, most importantly, the state also plans and manages proactively through its own public sector (see Ruggie, 1982). This differed from previous state interventionism in that state-owned companies now would compete in the market economy, adhering to state targets that do not seek to disturb the market economy’s private nature but, rather, help its competitiveness (Berend, 2006: 190)—thus, clearly departing from previous inter-war autarkic interventionism.

The US delegation dismissed many of Keynes’ proposals (see Steil, 2013: Chapters 3). However, they enthusiastically agreed on aiding the Old Continent by providing important amounts of cash. Since the US economy no longer had to “press gangs” to industrially sustain a world-war effort, the reconstruction of Western Europe served the goal of creating an international market for American exports (Mann, 2013: 26). In return, Western Europe would obtain cheaper imports, financial aid, and a new framework that welcomed much needed foreign capital. More importantly perhaps, two crucial transnational institutions resulted from the Bretton Woods Conference: the IMF and the WB. The former adopted the role of a multilateral payments system with the important role of safeguarding the new international monetary order.

Therefore, aided by the Bretton Woods system, capitalism entered a golden age of unprecedented economic growth—roughly from the mid-1940s until the early-1970s. Unemployment, hyper-inflation, and generalised poverty seemed to be ghosts of the past. Welfare states, through their proactive role guided by Keynesian ideas, levelled the field for the body social vis-à-vis private markets. However, much of this unprecedented economic growth was due to technological innovation that
revolutionised both industrial production and consumer practices (Kaelble, 2013: 62–64).³¹

*The golden age of capitalism I: unprecedented economic growth*

The end of the Second World War left Western Europe in a chaotic state: land, livestock, infrastructure, and labour forces had all been importantly impacted by the war. Western markets had also decreased in size due to the expansion of the USSR in the east. Nevertheless, Western economies soon experienced unprecedented growth overseen by the new international order (Mann, 2012: 240). The US, now accounting for around 50 per cent of the world’s GDP (Maddison, 1995: 71), played a central role in Western Europe’s miraculous growth, chiefly through generous financial-aid programmes and later through private capital investment—reflecting the hegemon’s willingness to intervene economically in defence of liberal freedom (Mann, 2013: 25; see also political-realist accounts Waltz, 1979 and Morgenthau, 2006).

*Figure 4.2 GDP indices I, 1900—1970. UK and Nordics. Index: 1913 = 100.*

³¹ It was the advent of *mass consumption* (Hobsbawn, 1994: 267) which introduced new nuances to capitalist stratification—now it was not a matter of owning a car, but a matter of owning *what* car.
In Figures 4.2 and 4.3 I present GDP levels indexed to 1913. As can be seen, all selected countries experienced noticeable GDP increases. By 1970, Sweden and Norway’s GDP had increased sixfold (compared to 1913); and Germany and Spain’s GDPs increased fivefold. Overall, Western Europe’s GDP grew at an average rate of over 4 per cent per annum. This was a direct result of the Bretton Woods system, which had introduced explicit rules for economic behaviour—thus fostering liberal trading policies that facilitated procedural co-operation.

Figure 4.3 GDP indices II, 1900—1970. Euros. Index: 1913 = 100.

National policies in western Europe also re-adapted to the new international order, thus promoting high full-employment and high levels of domestic demand. It was a virtuous circle: state intervention strategically boosted those areas of the

32 Note that Spain was under Franco’s dictatorship at the time and was not part of the Marshall Plan until the late-1950s.
economy that needed help; economic growth increased living standards, which in turn translated into bigger tax revenues for the state. Growth rates were so high that they virtually erased the business cycle (Maddison, 1955: 73). International trade also increased drastically as a result of the new liberal order and its newly established IMF and WB. During the postwar golden age, international trade’s annual growth averaged 8.6 per cent in Western Europe. As previously shown, growth rates drastically increased during the postwar years, further expanding Western European economies and their societies’ living standards.

The importance of Western Europe’s impressive economic growth resides in the fact that it occurred symbiotically with the region’s social and political development—importantly due to resulting changes in social stratification (see Rueschemeyer, et al., 1992). Both markets and states benefited tremendously (and reciprocally) from the mixed economy’s high levels of embeddedness, bringing unprecedented levels of prosperity to the body social at large, but also creating the necessary socio-political conditions for the neoliberal turn of the 1970s.

*Figure 4.4 Merchandise exports (annual average compound growth rates), 1919–1992. Selected countries.*

Accompanying the unprecedented levels of economic growth, the postwar years also saw major advancements in social policy and civil rights.\textsuperscript{33} The result was a more humane capitalism where the vast majority of the body social enjoyed ample rights (Mann, 2013: 27). The new international order played an important role, for this time social-policy development was not limited to economic nationalism as in the 1930s. Instead, Bretton Woods’ multilateralism fomented well-balanced state interventionism, seeking to avoid the socio-political (class) instabilities that had afflicted the inter-war years (Ruggie, 1992: 393).

The importance of organised labour in the development of social programmes cannot be overstated. Whether trade unions or Social-Democratic parliamentary parties, organised labour exerted tremendous pressure for socio-political advancements—usually in the form of social security. In the inter-war period, the status quo had feared potential revolutions; thus, basic welfare programmes were implemented across the region aided by the social democrats’ nascent electoral success. However, whereas the First World War still belonged to the old 19\textsuperscript{th}-century world (Polanyi, 1944: 29), the Second World War, at last, finalised the diverging process initiated with the collapse of the international system in the 1930s—thus marking Polanyi’s great transformation.

Under the new postwar international order, organised labour could finally consolidate its social struggle. Therefore, by 1952\textsuperscript{34}, the UK, Sweden, and Norway had already consolidated all major types of income maintenance programmes\textsuperscript{35}: a reflection of organised labour’s power in these countries, where union density was 51 per cent in Sweden, 40 per cent in the UK, and 34 per cent in Norway in 1950 (Hicks, 1999: 115). The new international order ensured that organised labour’s goals translated to socio-political achievements within embedded liberalism’s institutional framework, thus resulting in the consolidation of social programmes, not social instability—which could have been problematic against the backdrop of the Cold War. Western states further consolidated embedded liberalism’s success by diffusing the

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\textsuperscript{33} However, it must be remembered that important first steps had already been made in the 1930s, when economic depression set the stage for the implementation of Keynesian deficit spending.

\textsuperscript{34} Germany in 1954; France, a laggard, in 1976.

\textsuperscript{35} These include programmes for the aged and retired, victims of work accidents, the sick, the unemployed, and child-rearing households (Hicks, 1999: 111).
fruits of economic growth: income was distributed more equally; income tax systems were reformed, thus resulting in a decrease of the Gini coefficient (Halperin, 2004: 237). This happened irrespective of who was in power, both social-democratic and centre-right governments implemented progressive social policies throughout the golden-age years.

The prosperous new order, however, did not rely solely on a stable framework for financial and monetary relations. There had also been a process of ‘learning’ from past mistakes, as reflected in the enactment of generous welfare programmes by conservative and centre-right governments. Furthermore, this was underpinned by a generalised sense of solidarity. Therefore, the idea of ‘social partnership’ took hold of Western Europe’s political mindset, thus establishing a co-operative equilibrium between employers and workers. This was a direct result of ‘embedding’ liberalism, although the Euros and Nordics already had experience with corporatist arrangements (Hicks, 1999: 139). As in the inter-war period, corporatism in the postwar decades also served as a means for managing class tensions.

Nevertheless, Western Europe’s rapid economic growth would not last forever. The postwar golden age had created unprecedented prosperity for most of the body social. However, by the early 1970s, there were already signs that Keynesian deficit spending, and more generally demand-side economics, could not keep up with increasing unemployment and inflation rates—thus leading Western Europe to a generalised process of neoliberal disembedding.

**Stagflation: prelude to a systemic shock**

After two decades of rapid economic growth, Western European economies noticeably decelerated. By the mid-1970s, Western Europe presented crippling economic difficulties, which ultimately led to an economic recession putting an end to the golden age. In 1973, Western Europe entered an economic recession that abruptly halted the golden age. It was the prelude to a paradigm shift. Keynesian economics had failed. In this section, I focus solely on Western Europe’s economic slowdown. However, the 1973 economic crisis was only part of a broader sociopolitical meltdown. As I note in subsequent sections, 1973 marked the beginning of the end for Keynesian economics.
One word dominated economic news cycles in the 1970s: \textit{stagflation}, a portmanteau of stagnation and inflation that described an economic context of high inflation, high unemployment, and slow economic growth. From a Keynesian viewpoint, stagflation was theoretically impossible, for the Phillips curve demonstrated that inflation and unemployment rates run in opposite directions (Phillips, 1958). Nevertheless, the insufferable stagflation of the 1970s proved that the trade-off between inflation and unemployment had shifted; but more importantly, it showed that neo-Keynesianism was not infallible. Below I inspect the three components of stagflation in no particular order.

\textit{Figure 4.5 Labour productivity growth rate (GDP per hour worked), 1870–1992. Selected countries.}

Regarding stagnant economic growth, the golden age’s rapid economic growth had brought important structural changes—especially in the composition of labour markets and industries. However, technological progress had been approaching a maximum, resulting in decelerating productivity and economic growth. \textit{Figure 4.5} presents evidence of this deceleration. As can be seen, labour productivity had
drastically increased in the postwar golden decades, reflecting the successful implementation of war-induced technological progress (Kuznets, 1966).

In turn, the period 1973–1992 experienced an equally drastic decrease in productivity performance, reflecting the fact that Western Europe had exhausted their technology-based productive possibilities. Regarding high levels of inflation, a major factor was the 1973 ‘oil crisis’, resulting from the Organisation of Arab Petroleum Exporting Countries retaliating against Western countries thought to be supporting Israel in the Yom Kippur War. This resulted in an embargo that quadrupled the price of oil, making Western European economies reach double-digit levels of inflation (Berend, 2012: 407). Furthermore, the 1971 collapse of the postwar fixed exchange rate system, and high current account deficits also contributed to the acceleration in inflation (Maier, 2010: 30)—as I note in subsequent sections, neoliberal economists chiefly blamed the welfare state’s easy-money policies, arguing that inflation is always a monetary phenomenon.

The reality was that Keynesian demand-side economics had become increasingly complex as living standards rose in Western Europe—and after a bloody war, the body social was not ready to give up such advances easily. This meant that economic setbacks, such as unemployment or inflation, that could potentially impact living standards were met with political resistance. Thus, throughout the golden years, organised labour across Western Europe (politically) managed to ameliorate negative impacts on workers’ wages. In many instances, this resulted in increased inflation, for the cost of stable wages were passed on to final prices.

In turn, unemployment had been satisfactorily dealt with in the golden age through full-employment policies and national subsidies that helped industries in need. However, as can be seen in Figure 4.6, unemployment increased in all selected countries from 1973 onwards, despite costly social programmes that promoted early retirement and work sharing. Two main factors account for this increase.

First, by 1973 Western government were no longer focused on full-employment, for increasing inflation took priority on the political agenda. Second, Western welfare states mitigated the social impacts of mass unemployment, but noticeably hindered re-employment as job security legislation made employers reluctant to hire new employees, especially if they had been in a situation of long-term unemployment (Maddison, 1995: 85).
Moreover, mass unemployment also had an exogenous cause. Prior to 1973, Western industries faced a problem of overproduction as demand declined in a context of increasing global competition (Cox, 1982: 4). In order to remain competitive in a shrinking market, Western manufacturers became increasingly dependent on more efficient machines that often were labour-replacing (Hobsbawm, 1994: 266), thus increasing unemployment rates. Furthermore, in the 1960s, there had also been a shift from labour-intensive to capital-intensive sectors, which also contributed to increasing unemployment.

*Figure 4.6 Unemployment as % of the workforce, 1950–1993. Selected countries.*

![Unemployment as % of the workforce, 1950–1993. Selected countries.](image)


All these elements exerted enormous political pressure on Keynesian demand-side policies—as well as the political actors that supported them. As I note in the next chapter, all Western European countries initiated a process of liberalisation and deregulation in the 1970s. This process sought to resolve domestic issues like stagflation but also tried to adapt national economies to the increasing globalisation of capitalism—which was inextricably linked to the rise of the financial services sector. Nevertheless, none of these economic changes would have been possible without
political and ideological forces. Thus, in the paragraphs below I analyse the political changes that saw the decline of demand-side economics.

**The Long 1970s: crisis and transition**

The ‘Long 1970s’—roughly 1968–1982—were a period of deep crisis; they were also a period of transition characterised by fundamental changes in international institutions, national policies, globalisation, and more broadly socio-cultural expressions (Villaume et al., 2016). The Long 1970s were also a period of social crisis and changing political identities, as reflected in the massive students’ riots of May 1968 in France, the violent *Autunno Caldo* strikes of 1969–1970 in Italy, and the miners’ strikes of 1969 and 1972 in England. Much of this social agitation occurred in traditional industries (Barkin, 1975; Kelly, 1997), which were under attack by international competition and national economic reorientation in the context of increasing capitalist globalisation.

In this context of generalised crisis, Western welfare states entered a process of retrenchment (Esping-Andersen, 1996). This ‘dismantling’ process responded to the atrophy of welfare programmes themselves, and a growing systemic context hostile to welfare programmes (Pierson, 1994). An important culprit was the dire economic context itself, for the crisis saw deceleration of social security outputs (e.g., health-care and pension benefits) and high sustained unemployment rates—which only exerted greater pressure on a struggling system (see Figure 7.2 in Hicks, 1999: 202).

It must be remembered that the retrenchment of welfare states occurred in an international context of increasing globalisation. As noted above, international competition from emerging economies exerted important pressure on Western Europe’s economies, especially in terms of competitiveness (Hicks, 1999: 205). This was an evident reality for all parties, whether left or right on the political spectrum.

However, the divide between Keynesian economists and their detractors—mainly market-oriented, monetarist economists—widened further as a result of...
interpretative discrepancies. The former argued that the crisis had to be controlled politically, to which the latter responded that the crisis, at least in regards to national inflation and unemployment rates, was a direct result of over-controlling market mechanisms (Maier, 2010: 34). Ultimately, the golden age’s demand-side economics could not cope with the situation, thus leading to an important paradigm change that would modify the rules of the game. It was not the end of capitalist democracy or welfare states per se; it was the rejection of Keynesian welfarism as ideological driving force.

The Long 1970s: the neoliberal turn

Crippling economic difficulties eroded the pillars of postwar welfarism. Economic recession showed that demand-side policies were no longer working. However, decline alone does not explain the transitional character of the Long 1970s. Thus, at the transition’s core what actually occurred was a political and ideological shift. The stagflationary crisis was the powerful catalyst that opened the doors to Keynesianism’s most fervent detractor: neoliberalism—more specifically the Austro-American variant exemplified in Friedrich Hayek and Milton Friedman’s works.

We ought to consider neoliberalism first as a political project often described as ‘market fundamentalism’ (Mann, 2013: 130; Block and Somers, 2014), and secondly as a political economy with distinct philosophical views on the relationships between individual liberty, state governance, and private markets. Neoliberalism posits that markets reach optimum equilibrium when they are free from political interference. Therefore, it follows that free markets increase efficiency through unhindered competition, leading in turn to generalised welfare as free trade would increase growth and reduce prices.

As noted previously, these views are importantly underpinned by moral considerations regarding economic freedom and individual liberty—Friedman ([1962] 2002) argued that political freedom cannot be attained without absolute economic freedom; Hayek ([1944] 1991) similarly posed that free competition was the only way towards true individual freedom, and political interference should be limited to safeguarding such competition.

The neoliberal turn was electorally realised with Margaret Thatcher and Ronald Reagan rising to power in 1979 and 1981 respectively. Nevertheless, during the
postwar golden age, the neoliberal monetarist theory had already formulated supply-side alternatives to Keynesian demand-side economics, heavily criticising public management of inflation in favour of full-employment and the Bretton Woods system’s restrictions on international capital flow. Thus, neoliberalism had already been influencing economic and political circles throughout the prosperous postwar decades, but the grand class-pacts that consolidated welfare regimes made sure that Keynesianism prevailed over free-market-ideology.

It was not until stagflation became insufferable that neoliberalism found its political opportunity. Conservatives and other centre-right parties had been growing distrustful of demand-side economics, especially when it became clear that high government deficits were not helping (Mann, 2013: 141). In this way, from Sweden to the UK, Western Europe turned to liberal deregulation—including the Social-Democratic parties of Germany and Sweden. One of the first victims of this paradigm shift was the postwar corporatist framework, which led to the decrease of trade union’s bargaining power—often blamed for increasing inflation (Halperin, 2004: 286; Maier, 2010: 33). The public sector was targeted next, with massive privatisation programmes accompanied by the financialisation of the economy, thus finally dismantling the postwar barriers to capital flow—which ultimately led to offshoring Western industries.

However, neoliberal agendas would not have succeeded without the body social’s electoral support. The prosperous golden age had facilitated upwards mobility, thus creating stronger middle-class and white-collar societies. This was accompanied by deep changes in social values: from increasing individualisation and secularisation to increasing concerns regarding property rights and living standards (see Kaelble, 2013: Chapter 4). Furthermore, important segments of the working class had also become property owners during the golden age—facilitated by increasing wages, but also importantly by increasing levels of private debt. But now in the stagflationary 1970s, two decades of prosperity were at risk, thus promoting political change as nobody was ready to lose the high living standards achieved in the mid-1940s.

37 As exemplified by the liberalisation of markets and deregulation of banking systems in the earlymid-1970s. I explain these changes in greater detail in the next chapter.
38 A second oil crisis in 1979 further worsened inflation in Western Europe (see Cox, 1982: 11).
Neoliberalism did not create new political parties; instead, it integrated into existent centre-right and Conservative parties—the only real parliamentary opposition to centre-left social-democrats. The electoral success of Western Europe’s right-wing parties was thus not a reflection of the body social’s acceptance of neoliberalism per se, as much as a generalised desire for change. For instance, the body social’s right-turn is exemplified by its demands for ‘law and order’, which had been steadily increasing since the 1960s riots and terrorist attacks—to the point that an “order hysteria” took hold in countries like Germany (Berend, 2010: 98).

Therefore, a wave of political change ensued in the Long 1970s’ last years: in the UK, the Tories rose to power in 1979; in Germany, Christian Democratic Union’s Helmut Kohl became chancellor in 1982 after five terms of SPD rule; in Norway, Kåre Willoch of the Conservative Party became prime minister in 1981; in Sweden, a centre-right coalition government was formed in 1976 after forty years of consecutive social-democratic governments. Only France would elect a left-wing president, socialist François Mitterrand in 1981, although in 1986 he was already forced to name a right-wing prime minister (Jacques Chirac).

These political changes carried important consequences for Western Europe’s political economies, which engaged in deep institutional realignments that saw the creation of today’s credit-based society. More importantly, society’s rightwards shift also had important impacts on Western European social democrats, for in the 1990s they had to redesign their political and economic priorities in a what was no longer a prosperous postwar society.

The neoliberal order: same game, new rules

If the 1973—1975 economic recession put an end to the unprecedented postwar prosperity, the neoliberal turn put an end to the politico-ideological dominance of Keynesian economics. Welfare states did not disappear—that had never been the goal (see Pierson, 1994). However, Western European societies did undergo socio-political reconfigurations as a result of new institutional and legal arrangements.

Following neoliberalism's belief that state intervention deters competition and investment, Western Europe’s public sector was reduced in consecutive waves of privatisation. Public services such as health-care and education were maintained, but with an increased presence of private providers—thus reducing expenditure rates and
deficits. Benefits and social transfers were also maintained, but welfare steadily transitioned to workfare\(^39\) (Mann, 2013: 160). Together with budget discipline, attaining low levels of inflation became a top priority. This happened to detriment of full-unemployment, which no longer was a goal.\(^40\) Therefore, although important changes did occur—i.e., privatisation and liberalisation—the size of Western Europe’s welfare state did not change all that much, for neoliberal cutbacks fell short of their original ambitions.

Ironically, when it came to implementing new policies, neoliberalism was (and is) heavily reliant on state institutions. However, neoliberalism’s state dependency was not purely pragmatic, it was programmatic too. Neoliberalism never was laissez-faire liberalism as defined in Polanyi ([1944] 1957: Chapter 6): a normative belief that separated market and state into independent domains. Instead, neoliberalism rejects the separation of state and market, thus creating and supporting free markets using state institutions (Peck, 2008: 39). This was best exemplified in the Thatcherite UK, where important reforms happened, yet the Tories maintained a powerful, centralised small state.

Therefore, neoliberalism re-imagines society using the concept of free-market as an orbital plane (e.g. Davies, 2014). It does not separate state and market; instead, it uses the latter to create a culture permissive of market-like behaviour, i.e., property rights, free competition, individual liberty, and so on. This involves harnessing the state’s capability to impact society by means of policy-making, thus re-organising social life around market principles. Once again, this is well-exemplified by Thatcher’s attempts to generate attitudinal shifts amongst the British body social by promoting what they framed as an ‘entrepreneurial culture.’\(^41\) However, neoliberalism’s attempts to create attitudinal changes also followed a pragmatic rationale, for the postwar welfare state had created its own constituencies that were initially disapproving of the new politics of retrenchment (Pierson, 1994: 15–17). Therefore, Thatcher’s political

\(^{39}\) Simply put, ‘workfare’ poses that citizens do not have rights other than the right to earn rights.

\(^{40}\) In fact, Friedman (1968) importantly argued that there is a ‘natural rate of unemployment’ which, if reduced, simply generates higher inflation levels.

\(^{41}\) Thatcher deeply trusted the entrepreneurial business class. This was manifest in her choice of advisers: Derek Rayner, chairman and chief executive of Marks & Spencer, was made the prime minister’s adviser on efficiency—playing an important role in the reduction of state bureaucracy. His successor, Robin Ibbs, was chief executive of Imperial Chemical Industries. Furthermore, Roy Griffith, managing director at Sainsbury’s, was ordered to review the efficiency of the National Health Service.
speeches were rife with moral connotations, often juxtaposing ideal types of citizens. In Thatcher’s own words:

I believe we should judge people on merit and not on background. I believe that person who is prepared to work hardest should get the greatest rewards and keep them after tax. That we should back the workers and not the shirkers: that it is not only permissible but praiseworthy to want to benefit your own family by your own efforts. (in Reitan, 2003: 18)

In general, neoliberal reforms had better results in those areas where welfare recipients and constituents could be undermined more easily. The attack on trade unions across Western Europe is exemplary of this, for a vast majority of the body social was not unionised and the grievances generated did not have major electoral impacts—on the other hand, in the UK, Thatcher could not successfully privatise the National Health Service due to strong popular disapproval, including a “cabinet riot” in 1982 (Travis, 2016). Thus, like in all past crises, the Long 1970s’ neoliberal turn also produced “winners” and “losers.” Indisputably, the winners were society’s better-off, as signified by consecutive increases in the Gini coefficient resulting from tax cuts and the deregulation of international capital flows. The middle-classes, who had experienced the strongest consolidation process in Western Europe since the 1920s (Luebbert, 1991), did not benefit as much from neoliberal reforms other than obtaining increasing market choices. In turn, it was those who needed the old welfare programmes the most who lost out. Despite the unequal distribution of socio-economic benefits, neoliberalism consolidated its programmatic goals electorally, election after election, in the form of centre-right governments first, and reformed social-democratic governments afterwards, as we see in the next chapter.

Conclusion

The Short Twentieth Century was a historical period characterised by general upheaval that, nonetheless, led to crucial transformations in the social, political, and economic spheres. Such changes, however, were nationally implemented under the auspice of preexisting historical trajectories that define the Anglos, Euros, and Nordics. Many of these changes followed a double-movement logic, first left-ward after the Second World War and, subsequently, right-ward in the 1970s. Both historical junctures, although resulting in different political outcomes, occurred in times
of crisis when historical paths were put to the test. Also on both occasions, the countries under examination kept core elements of their historical trajectories whilst converging slowly to common pathways, first in the form of welfarism and then neoliberalism.

The course of two world wars not only changed the region’s geopolitics but also made a decisive imprint in the fundamental fabric of society. The social structure of Western Europe was altered importantly as a result of the shifts in economic and productive relations that the war effort necessitated. The labour force was mobilised outwardly to the battlefields of mainland Europe, forcing yet another restructuration of the labour force—significantly along gender lines—that remained in the homelands of the belligerent nations. The so-called ‘war sacrifice’ made by millions involved a political price came that due at the time Western Europe had to be reconstructed from the ashes left behind by the combatants.

The state, not markets, initially took the reins of European development. This was as much a material necessity as a political decision. National parliaments became more representative as trade unions and labour movements significantly advanced the causes of the working men and women. It could be argued that there was also a significant dose of ‘liberal prudence’ under the serious concern that Western Europe might become another land of Soviets and Communism. This concern had already been voiced after the conclusion of the First World War, yet it took a fatal economic crash in the late 1920s and 1930s, and another global armed conflict for the body politic to de facto embrace the social reforms demanded by important sectors of the labour force.42

In many important regards, the market-embedding process initiated after the crash of 1929 culminated in the reinvigorating years that followed the Second World War. As shown in this chapter, this led to a general improvement of living standards and social restructuration. The body social of Western Europe was now more affluent, more educated, and had more opportunities than ever before in history. But, turning Marx’ famous quote around, ‘the welfare state produced its own gravedigger.’ After a few decades of prosperous social and economic development, the inability to cope with increasing levels of inflation under a framework that heavily favoured full-

42 Note that the First World War had already laid important foundations for the universal social security systems that characterise Western Europe.
employment reopened old debates on the role the state ought to have. Stagflation became an evident issue in the real economy in the 1970s, and the welfare state’s political enemies did not squander the opportunity.

The economic downturns of the 1970s certainly aided the market-oriented agendas of Reagan in the US and Thatcher in the UK. However, contentious ideas do not rise to institutional power without the support of a now universal franchise of voters. The great transformation brought about by welfare reforms was, perhaps most characteristically, one of upwards social mobility. The middle classes were now the main political audience to target, although working-class families that, for the first time in generations, became house owners during the prosperous years of welfare policies were important as well. So, in this regard, it is not difficult to imagine that when the great standards of living cherished by all started to be seriously threatened by complex economic processes that were both endemic and exogenous, many would turn to political alternatives and change.

Neoliberalism was not a completely new phenomenon by any historical standard, but the scope of reforms it achieved, and the popular support of important segments of the body social from the 1980s onwards were a first in history. In these years of *welfare retrenchment*, markets decisively advanced their interests and triumphed over the body social in the tug of war that is Polanyi’s ‘double movement.’ Markets underwent a disembedding process that required the dismantling—or serious reform—of many, decades-old social policies. Society had to change to accommodate the needs of market fundamentalism. Although Thatcher would claim that “there is no such thing as society”, in reality, voter support had to be sustained with enticing benefits. And thus, the altruism that once characterised postwar Western Europe gave way to an ethos of selfish individuality, one that pits the individual against society. This was certainly more marked in countries with a strong liberal past, such as the United Kingdom, where neoliberalism did not only change the relationship between markets and state but also forced political rivals to ‘adjust or perish in the attempt.’ Blair’s ‘New Labour’ in the 1990s was perhaps the most significant left-of-the-centre response to the new times. Thatcher had not only revolutionised her party but also obligated her opposition to change by shifting popular perceptions of the welfare state.

43 In this chapter, I have argued that international economic competition is of paramount importance in a world of capitalist markets, regardless of their degree of embeddedness.
However, as we see in the next chapter, some societies resisted neoliberalism to a greater degree; although even the Scandinavian economies have undergone important ‘liberalising’ political reforms during our short voyage into the 21st century. The legacy of the 1980s Anglo neoliberal drive was still utterly dominant during the first two decades of the current century—as exemplified by the stances of the European Commission and the European Central Bank during the harsh years of the Great Recession. Only in the most recent years, around the time of writing, does another iteration of Polanyi’s ‘tug of war’ appear to emerge, with contentious left-wing governments rising to power in places such as Spain and Finland after decades of Western European politics dominated by right-wing and centre coalitions. Nevertheless, using Polanyi’s vocabulary, society also seems to be ‘protecting itself’ from markets by shifting towards the right, with notorious examples of populist right-wing movements arising with relative strength all across Western Europe.
5 The politics of the Great Recession

In this chapter, I deepen the analytical historical account outlined in Chapter 4 to now focus on key European political responses to the 2008 financial crash and the following Great Recession. Here I adopt a narrower analytical lens, one more limited in time and covering the 1990s and the years of the Great Recession, roughly 2008 to the early 2010s. My examination is also limited to six countries: the UK, Spain, France, Germany, Norway, and Sweden. Following the typologies first used by Mann (2013) and Esping-Anderson (1990), I place these countries into three ideal-typical regime types in order to carefully trace both their distinctive historical paths to the economic crisis and the variations in their policy responses. These ideal types and the greater granularity allow me to explore each at the state level, complementing my analysis of the more macro-historical process which Polanyi characterised as a `double movement.'

Building on the varied historical experiences in terms of political regimes and socio-national sensibilities as a result of variations in European states’ liberal or illiberal politics (Luebert, 1991), this chapter positions them in three ideal-typical regimes: the Anglos (UK), the Nordics (Sweden and Norway) and the Euros (Spain, France, and Germany). Although the EU provides member states with a common framework, and hence similar political and economic constraints within which to respond to financial crises, there was nevertheless noticeable variation in responses. Such disparities result from differentiated national positions in relation to the degree in which markets ought to be embedded or disembedded. Divergences in applications of economic policy respond to differentiated national sensibilities deriving from the societal impacts these three ideal-type regimes have generated over the last six decades. Therefore, taking my comparative historical analysis to the state-level allows me to explore variations in nation-state response to a common financial collapse. This added granularity deepens the account against the backdrop of the macro-historical lens adopted in the previous chapter.

I first show how the initial response to the 2008 financial crisis was virtually unanimously of a Keynesian nature: expansionary measures were quickly adopted to bolster national demand. In the crisis’s immediate wake, this political consensus
around a key set of economic principles was remarkable, being shared by those with liberal economies as well as the social democracies across my three ideal-typical regimes. The welfare state had undergone serious reforms over the preceding decades in each state, but the crisis’s perceived character highlighted the need for centralised and all-encompassing measures. From bailouts to social assistance schemes, all three ideal-type sets of regimes deployed all the help state institutions could provide. Yet, around 2010, once the worst of the initial impact had passed, political elites in each state reverted to historical type, as encouraged by supranational and global financial institutions. That is, they continued the market disembedding process that had been underway in various forms since the 1970s.

I argue that the historical lessons of the Great Depression in the 1930s drove the initial moment of political and neo-Keynesian consensus. This was also partly due to the historical legacy, increasingly residual, provided by decades of strong market embeddedness. It informed the first wave of political control over the crisis economy in the 2010s. However, this time Europe’s political elites did not pursue longer term or lasting embedding strategies, and in the absence of a major international armed conflict, financial elites and markets remained relatively unscathed. The body social would end paying the consequences of disembeddedness in the form of important cuts to state-provided social aid, i.e., the so-called politics of austerity. This, however, was not a contingent measure adopted in the face of disproportionate state deficit: budget discipline is an effective tool in the pursuit of greater disembeddedness.

Nevertheless, although widespread, austerity was not imposed in equal measure across the three ideal-typical regimes. This reflects differentiated historical trajectories that created both welfare institutions of varying embedding strength and political constituencies with different sensibilities—thus offering greater resistance to disembedding in some countries. Such resistance found electoral support in countries like Sweden where the welfare ethos has an encompassing socio-institutional presence. In turn, Spanish forms of this resistance manifested in multitudinal protest movements. In the liberal UK, austerity found electoral support in the Conservative Party. At any rate, no state considered left the Great Recession with a stronger embedding of private markets, and in that sense, each reverted to historical trajectory and resumed lax economic and financial regulations. Historical patterns, in other words, had gravity, despite a brief wobble.
The economic and political development of Western European countries after the Second World War did not follow a single path; rather, macro-regional cultures and differentiated historical experiences dictated unique blends of sociospatial relationships—especially political—that shaped the bodies politic of Western Europe. Citizens thus became more “caged” within the structures of the nation-state, which took now on the provision of welfare services. In the UK, the 1942 Beveridge Report served as the basis of the welfare state. Crafted under the auspice of a simple premise, that of rewarding the body social for its war efforts, the Beveridge Report set the foundations for the development of the National Health Service and the expansion of National Insurance. These social reforms, as expected, became extremely popular amongst the body social, and created a long-lasting British tradition of cherishing public health services that would not have been possible without widespread social solidarity. Here we find that the ideological effect of the Second World War was quite important, for the generalised sentiment of nationhood resulting from the perils of war greatly aided the creation of social solidarity.

For almost three decades the British welfare state, operating under a clear market–state dualism, kept capitalism embedded—albeit at a comparatively lower level than the other regime-types. However, when in the late 1960s the neo-Keynesian model started to experience serious macro-economic difficulties—chiefly economic deceleration and increasing unemployment and inflation, the body politic reacted by shifting rightwards along the political and ideological axes. This can be seen in the crystallisation of neoliberal ideas in the Conservative cabinets of Margaret Thatcher. What followed was an aggressive process of privatisation and market deregularisation alongside a semi-global wave of financialisation. Ideologically speaking, the British social structure changed decisively as a result of welfare reforms. The decommodification process that the UK underwent after the war meant that the welfare and material security of the working-classes increased considerably. House ownership increased, employment rates were high, and for the first time in British history, many in the working-classes entered middling tax brackets (Mann, 2013: 141). With these improvements spread across most of the lower strata of society, we can say that the
British body social was ready to part ways with the postwar social solidarity that characterised previous decades—and after all, a few decades later Margaret Thatcher would win three consecutive national elections with relative ease in 1979, 1983, and 1987.

The eruption of neoliberalism in the United Kingdom can be partially explained by the country’s ideological and political history. De-commodification levels in the British welfare state had always been lower than in other macro-regions of the continent. However, from the late 1970s onwards, cross-national differences increased as neoliberal policies were implemented in the United Kingdom under the Thatcher cabinets. Politically and ideologically speaking, the British body politic was fertile ground for neoliberalism, more so than in any other European country. Its strong historical experiences with liberal philosophy explain why the British welfare state favoured means-tested policies; the idea that social protection creates morally corrupted, lazy individuals was as important as the belief that economic performance suffers when the body politic intervenes in the market. Furthermore, the British social structure had also been historically more dualistic than in other Western European countries due to the liberal ideology’s dominance — as it promotes competitive individualism via market mechanisms. This is reflected in the welfare policies the British body politic pursued after the Second World War. Education and more equal opportunity in life—what Esping-Andersen calls “help to self-help” (1990: 65)—were arguably two important flagships of the British effort to reform liberalism and increase embeddedness.44

Nevertheless, Thatcher’s rise to power did not abolish the welfare state. Instead, it started a long transformative process characterised by increasing market dis-embeddedness—i.e., less social control over the economic sphere—that arrived hand in hand with the privatisation of welfare services and an augmented state promotion of self-responsibility for the body social. The 1980s–mid-2000s thus witnessed an increase in income inequality and poverty levels as classes engaged in a zero-sum game in which redistributive policies were rendered ineffective. What this meant in real economic terms is that the average working-age household became a

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44 Nevertheless, as argued in Taylor (1960), the social issues related to higher levels of dis-embeddedness persisted after the Second World War, albeit in a democratic system where the working classes had considerably more political power than in previous decades.
net taxpayer, i.e., received cash benefits were significantly smaller than the average direct tax burden (Lammert, 2018: 110). This trend progressed across all Western European countries, and in a manner echoing Esping-Andersen’s regime-types, until 2008 when the financial crisis irrupted in the United States and spread to Europe. This implores us to ask how the body social, so affected by economic and social policies that did little to nothing to stop the widening gap between the poor and the rich, perceived the enabling institutions of the body politic.

In this section, I will examine the most recent historical trajectory of the United Kingdom of Great Britain and Northern Ireland. The UK belongs to a cluster of countries that Mann (2013: 139) calls the Anglos—which is equivalent to Esping-Andersen’s ‘liberal regime-type’ (1990: 26–27).45 I begin this chapter with a succinct summary of the UK’s political organisation to contextualise contemporary trajectories, events, and reactions observed in the body social. History has an important impact on a country’s politics, and this is especially so in the UK. The UK’s different political institutions enjoy a long history that, in some cases, can be traced to the first quarter of the first millennium. I would like to start this introduction there. Political, social, and economic institutions tend to leave enduring imprints in the fabric of society. They also tend to create influential legacies that oftentimes set baselines for future problems. I follow with an analysis of the changes that occurred in the period comprising from the rise to power of Margaret Thatcher (1979) to the years of the Great Recession (2008 onwards). I focus my analysis on compositional changes in power relations, highlighting that the financialisation that characterises today’s British neoliberalism required strong ideological and political pushes. However, continuity has been as important as change. I examine this through a case study of the successful years of Labour’s Third Way.

The withering of the British welfare state: the Thatcher cabinets

Margaret Thatcher’s rise to power in the late 1970s marked a clear route for the UK’s future. Perhaps the most important change would be the end of the postwar

45 The analytical utility and the historical evidence for grouping Western European countries into three distinct clusters has been discussed in Esping-Andersen’s Three Worlds of Welfare Capitalism (1990), which I have previously discussed in Chapter 2.
‘collectivist’ consensus, which had both immediate and long-lasting consequences. In the British social imaginary, Thatcher and her cabinets are often portrayed as the sole actors that brought down the postwar welfare state. However, as previously explored, the postwar solidarity welfare state was ‘killed’ by a complex network of interrelated factors, from economic stagflation to growing political polarisation, from a new upwardly mobile social structure to the weakening of traditional class politics. Thatcherism was as much a cause for the end of postwar collectivism as the result of the international expansion of capitalism during the Golden Age of the welfare state. The success—and then calamitous failure—of welfare policies aided Thatcher and neoliberalism in achieving electoral victories.

Stagflation became an unsustainable problem in most European countries from the mid 1970s. Part of the problem was the emergence of new, strong competitors in the global capitalist system. The United States was without doubt one of Europe’s main competitors, but emerging economies such as Japan and later South Korea would put Western European economies under enormous stress. This was no different in the United Kingdom, often named the “sick man of Europe” (Kesselman et al., 2019: 50). Nevertheless, while the Euros and Nordics reacted to the stagflation crisis with neo-corporatists policies, the United Kingdom opted instead for monetarist policies influenced by neoliberal economists—whose ideas were in vogue in the United States too. Although monetarist policies and neoliberal ideas would eventually come to dominate Western Europe, they achieved their first political victories in the UK. This was crucial for the future development of Western European politics: with virtually non-existent prospects for easy economic recovery amidst the stagflation crisis severely squeezing European consumers, the Keynesian and collectivist ideas of the previous thirty years were in free fall. Thatcher and Reagan seemed like two lights signalling the end of the tunnel.

Thatcherism was above all else a political and moral project with clear ideas about society: market supremacy, individualist values, and private property. It promoted traditionalist elements of European conservativism such as law and order, safety, and family values. However, it focused on developing an ‘entrepreneurial culture’ in a society ideally dominated by markets. Publicly, Thatcherist policies were aimed at reinvigorating the UK’s position in international markets by boosting competitiveness (Magone, 2019: 62). Socially, they meant the disembedding of
markets through the destruction of public ownership and trade unions’ bargaining power, and by the atomisation of social life—“there’s no such thing as society.”\textsuperscript{46} Furthermore, to achieve this the state’s role also had to be limited, so privatisation became the Thatcher cabinets’ flagship policy.

British Conservative politics in the 1980s was thus characterised by a constant attack on public institutions, the Labour Party, and the networks that supported them (e.g., trade unions). Thatcher’s neoliberal project sought to reinstate the UK as an international power, and thus she would speak of “commanding respect abroad” and making the UK a “property-owning democracy”, not really of citizens but of “consumers” (Raines, 1987). Amongst her achievements, Thatcher would recall herself, were making “every earner an owner”, realising “people’s capitalism”, and bringing about “an England free of socialism” (Hutton, 1987). The political context of the 1970s had to culminate in a contentious climax at the General Election of 1979, as revealed by both parties’ election manifestos. Such manifestos are analytically useful in that they represent not only a party’s ‘general ethos’ but also its stance at more specific historical junctures. They must cater for a wide range of social groups without altogether abandoning the party’s traditional values. Nevertheless, there are moments in history when party values change decisively and roundly: the 1970s being a critical moment of change for the Conservative Party, with the 1990s equally decisive for Labour, as I will show later on.

Election manifestos also represent internal disputes within parties. The General Election of 1979 is important in that the Conservative Party finally tilted the balance towards a candidate willing to fully challenge the postwar collectivist consensus. On one hand, the Labour Party led by James Callaghan was rather conscious that in 1974 they had obtained their worst electoral result in the postwar era. Callaghan knew that the Labour manifesto had to appeal to moderate voters in order to have a fighting chance against the Tories. Labour’s National Executive Committee was then dominated by the party’s left wing, which had shifted to views more radical than those of the average Labour voter (Butler and Kavanagh, 1980: 145). In the end, Callaghan’s Labour Party obtained 36.9 per cent of the vote (269 MPs) with a manifesto focused

\textsuperscript{46} Margaret Thatcher made this comment during a 1987 interview with weekly magazine, Woman’s Own. The context of the quote is Thatcher’s belief that the individual is ultimately responsible for their own prosperity, not the government or state. A transcript of the interview can be found at https://www.margaretthatcher.org/document/106689.
on reasserting “Labour’s traditional values of co-operation, social justice, and fairness” (Dale, 2000: 217). Labour’s manifesto acknowledged the changing nature of international economics, mentioning explicitly the challenge of “new industrial nations” and the negative effects they posed on the British real economy. It also listed five top priorities. They were, in order:

1. Curbing inflation because it “hit[s] most hardly at the pensioner, the low paid and the housewife.”
2. Improving industrial relations between employers and employees.
3. Achieving full employment because “a good job is a basic human right.”
4. Returning power to individuals, “away from the bureaucrat of town hall, company board, room, the health service and Whitehall.”
5. Using Britain’s international position to encourage world peace and, 6. defeat world poverty (ibid.: 218–219).

The Conservative manifesto of 1979 also enumerated five top priorities. Using the original titles, they were:

- “Restoring the balance”, including inflation, trade union and pay bargaining reforms, and better control on labour strikes.
- “A more prosperous country”, which contemplated amongst other things cutting income tax, reverting nationalisation, and creating a “property-owning democracy.”
- “The rule of law”, with special focus on fighting crime, immigration, and violence in Northern Ireland.
- “Helping the family”, emphasising home ownership via the sale of council houses.
- “A strong Britain in a free world”, which asserted that Britain needs to cooperate with “their partners” in the European Community, and reinstated the need of increasing military spending before the threat of the Communist bloc and its nuclear weapons (Margaret Thatcher Foundation, n.d.).
Both political parties addressed the time’s pressing challenges, yet placed the emphasis as to how best achieve solutions very differently. The Conservative Party opted for a simplified formula that saw the wordage and electoral promises considerably reduced compared to their 1974 manifesto—whereas Labour did the opposite, increasing their manifesto promises and doubling their wordage (Butler and Kavanagh, 1980: 144). The messages in both manifestos were also very different, clearly demarcating the political schism over the state’s social role—a rift that remains very pertinent in today’s politics. Labour’s proposal to tackle the stagflation crisis involved ‘socialising’ factors: full employment, social spending, co-operation, and reforming industrial relations. The Conservatives advocated for the opposite: individual responsibility, market competition, and reduction of public assets.

At the time, Thatcher’s manifesto was considered radical. The electorate thought it was what the United Kingdom needed: new ideas, innovative formulae—even if it involved breaking the postwar grand social pact, although Thatcher’s project was never presented in those terms. Keynesian ‘deficit spending’ had been a positive force in the last three decades, but the British body social of the 1970s was simply suffering the perils of stagflation too harshly. People were ready for big change. However, as I will elaborate below, Thatcher’s Conservative Party simply achieved the political impetus needed to drive forwards the societal change required for neoliberalism to come to fruition. David Cameron later on would further the project more “radically” compared to Thatcher’s time at Number 10. After all, privatisation did not become a reality until Thatcher’s second and especially third terms. And even then the dismantling of welfare state institutions was far from finished; the British state would have to wait until the late 1990s and 2000s to witness neoliberalism fully unleashed.

Nevertheless, although Thatcher’s manifestos did not realise Hayek’s and Friedman’s dreams overnight, they did cement a stable and firm path. The Conservative manifesto of 1979 presented, perhaps, one of the biggest societal changes in British modern history: renters became homeowners. This was specially targeted at council tenants under the ‘right to buy’ initiative, yet another push towards privatisation. However, not everyone ended up owning their home. The different Thatcher’s cabinet tried virtually every trick in the economic policy-book to foment and encourage homeownership. Here I would like to direct attention to two elements
related to economic policy whose consequences are, in reality, felt more strongly socially. One of the first steps to encourage homeownership is making mortgages attractive and affordable. This can be achieved by lowering interest rates—and so they did during the fight against inflation. Socially, however, this cemented a strong foundation for today’s credit-based society. The role of banking and other financial services thus became central, and the body social embarked on a “journey of debt” following the dream of becoming a homeowner.

However, credit needs to be repaid or the existence of banks would not make sense. British households were increasingly encouraged to take on more credit (i.e., private debt), so the solution had to be institutionally crafted. Tax cuts killed two birds with one stone. On the one hand cutting taxes favoured traditionally better-off Tory voters that might have also supported reducing state intervention in economic affairs. On the other hand, tax cuts help everyone save money —albeit to varying degrees, which could then be used to pay banks back or take on more credit. Thatcher’s homeownership policy proved extremely successful. And those voters that bought in Thatcher’s ‘property-owning democracy’ would later find themselves voting Tory again in the 1980s and 1990s.

None of these sizeable steps would have been possible without a change in the composition of sociospatial relationships. The ideological shift from the postwar collectivist consensus to a private market-oriented society made the body social more favourable to credit-based life. This is embodied in the successive electoral success of Margaret Thatcher. Nevertheless, Thatcher’s victories would not have been possible without a critical deterioration of Keynesian welfarism and the majority party that supported it. The political battles fought in the 1980s had an important ideological component; but it was political power that ultimately mattered. For the party occupying Number 10 drafts the economic policies that affect the body social as a whole, political power was instrumental in tilting the balance in favour of the economic, i.e., private markets and the financial sector.

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47 I will discuss later the political events that facilitated the spectacular rise of the financial sector—which, really, should be seen as a longer historical trend and not so much a new phenomenon started by Reagan and Thatcher.
Today’s Conservative Party keeps the same core values as those seen in the late 1970s.48 A few items have disappeared from their political agenda, mainly because the historical juncture does not favour focusing on them. Inflation is no longer the phantom that everyone is afraid of; instead the conservative media and political actors focus on immigration. Trade unions too have been cast away, firstly because of Thatcher’s efforts to diminish their power, and secondly because they are neither as radical nor as involved in Labour politics. With the hindsight of 40 years, we can see how the General Election of 1979 has a special historical importance. The Labour Party would go on to be cast away in the opposition for nearly 20 years, only returning to Number 10 after fully reforming their policies and values. The Conservative Party not only dominated British politics for five consecutive Governments, they also changed British politics—their own and that of their adversaries—forever. In the following section I analyse the transformation of Labour during the 20th century’s last decades and the rise to power of New Labour’s Third Way.

New Labour and the Third Way

Contemporary British politics49 cannot be understood without the new course that Tony Blair’s Labour Party adopted in the 1990s. The changes responded to both: 1) the neoliberal policies of the Conservative Party from 1979 to 1997, and 2) the changed social structure that resulted from such policies as well as societal shifts, e.g., a lifestyle more dependent on credit. In this section I consider New Labour in its canonical form, i.e., the period comprising the election of Tony Blair as leader of the party in 1994, to the electoral defeat of Gordon Brown in 2010.

New Labour won three general elections, in 1997, 2001, and 2005, giving them a total of 13 years in power—prior to Blair, the longest Labour had been in power was around 6.5 years. One could say these were the “golden years” of Labour; never

48 For instance, one clear continuity can be seen in the party’s approach to housing—which favours private ownership and private renting. David Cameron’s manifesto in 2015 offered a new ‘right to buy’ to 1.3 million families (Wintour, 2015).

49 Including the election of Jeremy Corbyn as leader of the Labour Party in 2015. This happened in a context of high polarisation both along the left–right political spectrum and within Labour itself. Grassroots organisation/movement Momentum’s creation — which was instrumentally critical to Corbyn’s leadership years—highlights the gap between a younger, more left-wing electorate and the more moderate, continuation of the ‘third-way’ Labour “status quo” personified by the Miliband brothers, for instance.
before in its entire history had the party ruled for two full, consecutive Parliaments. These years comprise the comfortable economic bonanza of the new millennium, but they are also the years of the Iraq War\textsuperscript{50} and the financial crash of 2008. It is commonplace, as I have done in this thesis, to use the 1970s as the boundary to delineate the ‘Keynesian’ and ‘post-Keynesian’ eras in British history. New Labour shows that this is only partially true. It is a useful historical signpost. However, New Labour shows that Keynesianism did not totally disappear from British politics. Instead, it mutated. This is what the Third Way refers to as ‘modernisation of the welfare state’, which we could consider as an attempt to re-embed market forces in a socially remoralised fashion—although without eliminating the basic principles of Thatcher’s neoliberalism.

Labour’s transformation did not begin with Tony Blair in 1994 (see Giddens, 2000). It started in 1987 after their third consecutive electoral defeat. The reformation process known as ‘the Policy Review’ involved seven policy groups tasked with the revision of Labour’s policies (for a more comprehensive account of this reforming process see Garner, 1990). The review dealt with some core Labour values such as collectivism, ownership, and nationalisations—the latter were removed from the Party’s constitution in 1995 with Blair already as leader. The process would eventually result in a reformed Labour manifesto that, in 1997, would prove extremely successful. The first electoral victory of New Labour was a historical landslide only comparable to that of Clement R. Attlee in 1945.

Perhaps the most central element in Blair’s 1997 manifesto is the welfare state. New Labour presents themselves as a “party of the future”, an old formula reworked to “meet the challenges of a different world” (Labour Party, n.d.). This was to say that the only way to save social democracy was by making compromises against some traditional values of “Old Labour.” The manifesto of 1997 explicitly addresses a concern featuring heavily in my analyses below: growing distrust of politics and politicians in the body social. According to the Labour Party, one reason for this was the political dishonesty of the Tories who would not keep their electoral promises—for

\textsuperscript{50} Blair’s decision to join the US and Spain and send British troops to Iraq proved to be a harsh blow on the already fragile relationship between the prime minister and Gordon Brown—arguably the second most powerful Labour figure at the time. See Andrew Gamble (2012) for a micro-analysis based on personal testimonies (political memoirs) of New Labour’s main actors and the tense personal relationships in the party.
instance, when John Major promised in 1992 not to raise taxes yet his cabinet did so anyway in the first Budget. Another problem identified by New Labour was the “old” conception of politics as “left” versus “right.” As stated in the 1997 manifesto: “Many of these conflicts have no relevance whatsoever to the modern world—public versus private, bosses versus workers, middle class versus working class. It is time for this country to move on and move forward” (ibid.).

The proposed ‘Third Way’ thus entailed a mixture of private and public, but at any rate it involved the ‘modernisation’ of the welfare state (Burden et al., 2000). It sought to break with the aggressive marketisation of society carried by the Conservatives and the state-centric bureaucratisation of previous Labour manifestos. Efficiency in delivering results and increasing accountability were other key elements of Blair’s first term, during which the government’s Annual Reports\(^\text{51}\) and various Public Service Agreements (PSAs)\(^\text{52}\) via the Prime Minister’s Delivery Unit were introduced (Powell, 2002: 6–10). These exemplified the new formula at play, a mixture of efficiency, quality, and reactivity in an institutionally collaborative context that also includes private and third-sector agents—what Bevir calls ‘join-up governance’ (Bevir, 2005:1–5).

New Labour’s policy making was thus highly strategic. Their macroeconomic plan notoriously relied on fiscal tools, i.e., the Budget, expenditure, public debt, public works, and taxes. It was strategic in that Blair’s cabinet had to balance: 1) their social democratic pledges to the electorate—especially when one key promise was political credibility—and 2) the confidence of private markets and investors. Stock markets are particularly sensitive to changes in government, and investors tend to pay attention to the “colour” of the person in charge\(^\text{53}\) (although sometimes the effect is exaggerated). Tony Blair, thus, made clear whenever possible that inflation would be kept low, and that fiscal deficits would be comfortable. In order to cast no doubts about New Labour’s commitment to ‘run business as usual’, a whole set of new fiscal rules was established in the Code for Fiscal Stability of 1998, where it was clearly stated that “…the key

\(^{51}\) These are papers reporting on the progress made by the government in working towards realising their manifesto pledges.

\(^{52}\) These are aims, objectives, and performance targets applied to the necessary department.

\(^{53}\) A recent example is the series of articles in the British media about the negative effect that a Corbyn victory would have on markets. See for example Brennan (2019) writhing for The Telegraph.
principles [when applying fiscal policy] are transparency, stability, responsibility, fairness and efficiency” (HM Treasury, 1998). Additionally, Blair’s government—with Gordon Brown as Chancellor of the Exchequer—gave the Bank of England independence in setting the interest rate. The measure was more than welcome in the City of London.

Amongst some of the measures introduced by New Labour that were popular amongst vast segments of the body social, we find the national minimum wage (first introduced in April 1999), pumping investment into education and health, and the expansion of gay rights (from the introduction of civil partnerships to the improvements of trans people’s rights). However, Blair was no Attlee. And although his New Labour did bring important social reforms, ultimately New Labour continued many trends set by the Conservatives in the 1980s and 1990s. From the beginning Blair and Brown agreed on maintaining the public spending targets set by John Major’s Conservative government. This meant a fall in public spending as a share of GDP and very slow expenditure growth. So although New Labour spoke of using fiscal instruments to change the UK, the new government simply perpetuated the pre-existing fiscal tightening. Luckily, New Labour inherited a positive economic outlook overall due to the UK’s favourable international competitiveness. The structural context was economic bonanza, which added to a tight fiscal position produced an overall fiscal surplus.54 It only was the fifth fiscal surplus since the 1950s (Tomlinson, 2007: 434). And so New Labour had won the markets’ recognition.

The new millennium, however, proved to be a “slippery slope” for New Labour, whose support dwindled steadily from the Iraq War until 2010 when Gordon Brown was defeated by David Cameron. At the 2001 general election Labour lost 5 parliamentary seats (a negative electoral swing of 2.5 per cent); in 2005 they further lost 48 seats (a 5.5. per cent negative swing).55 One challenge was the rather delicate electoral balance that New Labour required. Their fiscal and monetary positions—a continuation (or light reformulation) of the previous Conservative cabinets—clearly aligned New Labour with the urban middle classes—at the expense of their traditional

54 In the early 2000s New Labour increased public spending. This time around the economic context was not as positive as at the turn of the millennium, thus producing noticeable deficits.

55 The Conservatives did progressively better, electorally speaking, yet without a consolidated leadership. William Hague led the Tories in 2001 whilst Michael Howard did so in 2005.
“red heartland.” Nevertheless, despite Blair’s and Brown’s decision to maintain fiscal elements of previous Conservative policies, the 21st century was also a partial return to some positions more easily identifiable as “Labour.”

Starting in 2001, New Labour expanded social spending compared to previous years whilst viewing the capitalist blueprint inherited from Thatcherism rather benignly. Social spending as a percentage of GDP expanded to 17 per cent in 2001, experiencing minor declines only in 2005 and 2006 to then increase markedly during the first years after the crash of 2008. They also returned to advocating full employment, which had been abandoned early in the 1990s in order to favour lower levels of inflation. A number of factors explain this decision. On one hand, the economic context at the turn of the millennium was relatively positive with long periods of growth expected. On the other hand, promoting employment could had a twofold benefit. Firstly, employment helps on the fiscal side of governance, for a greater number of people get off benefits. This works towards the inherited position of fiscal prudence. Secondly, employment furthers the creation of national wealth which then could be redirected into welfare programmes. And thirdly, New Labour used employment as a moral element (Tomlinson, 2007: 435), promoting an ‘ethical socialism’ that acknowledged both responsibilities and rights. Health and education were the two areas where New Labour spent important sums obtained from the buoyant economic context via tax transfers. The National Health Service, in particular, experienced noticeable levels of public investment with annual average, real increases of 6.3 per cent from 1997 to 2008 (Crawford et al., 2009: 18–21).

New Labour’s macroeconomic performance was, for the most part, rather positive. Initially, the British economy grew continually under the rule of New Labour until the dark days of 2008–2010. The average GDP year on year growth for the period 2000–2007 was of 2.85 per cent, considerably higher than the average (1.9 per cent) of the eight years prior to New Labour (ONS, 2020a). Furthermore, inflation

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56 The transformational process of traditional working-class support for the Labour Party topped, arguably, in the “Brexit” referendum in 2016 and the following general election in 2017.

57 As defined by the OECD, social expenditure ”... comprises benefits, direct in-kind provision of goods and services, and tax breaks with social purposes” (OECD, 2020).

58 It is commonplace to accept that a GDP growth rate between 2 and 3 per cent is a healthy one.
remained low and consistently met the target of 2 per cent, whereas unemployment on the claimant count decreased to a minimum of 2.6 per cent in February 2005 and retained an overall flat rate from 2000 to late 2006 (Sawyer, 2007: 886; Wilkinson, 2007: 832).

Nevertheless, following the neoliberal prescription of maintaining low inflation rates comes at a cost—usually social. During New Labour’s term of office the regional divide between North and South increased as manufacturing kept declining in favour of a knowledge-economy focused around high technology and the service and financial sectors. This followed an international trend witnessed in all advanced capitalist democracies. But the loss of jobs in manufacturing and the acceleration of deindustrialisation were comparatively higher during the years of New Labour than in other economies (Coutts et al., 2007: 847). The return to full employment discussed in the previous paragraph entailed a structural change that came with the destruction of traditional industries, increase in the service sector, and a growing number of part-time and temporary workers. For the structural change favoured specific economic activities and educational curricula, the impact was extremely localised. For instance, at the turn of the millennium prime-age men in the North East of England were about 20 per cent less likely to be employed than their counterparts in the South East (Erdem and Glyn, 2001).

Yet perhaps one of the greatest disappointments for many was New Labour’s inaction towards inequality, which kept increasing following the trends initiated in the late 1970s. The gap between the poor and rich increased under New Labour, reflecting the transnational reality of neoliberal policies then clearly embodied by institutions such as the International Monetary Fund (IMF), the World Bank (WB), and the European Central Bank (ECB). What is more, New Labour never addressed this issue as a goal in their socio-democratic make-over of Thatcher’s neoliberal order (Kitson and Wilkinson, 2007: 813). Average incomes had grown noticeably during the Conservative years, but they were not equally distributed. Between Margaret Thatcher’s election in 1979 and John Major’s defeat in 1997, the median income of the tenth percentile rose only by 11 per cent—actually a decrease of 13 per cent if measured after housing costs. On the other hand, however, the median income of the top 10 per cent increased by 60 per cent (Sefton and Sutherland, 2005: 231).
This trend is unique neither to the UK nor to the years of Conservative rule. New Labour’s approach to growing inequality was non-existent at best. From the very beginning, Blair pledged to the upper echelons of society that his government would not rise the income tax in the higher brackets. For Blair it was a matter of giving ‘opportunities’ to the poorest; it was never about stopping the widening divide. This is clear when examining the Third Way in practice. Fiscal and monetary policies were very similar to those of the Conservatives, thus the social tension had to be released by means of ‘equalising instruments’, i.e., better educational attainment, easier access to higher education, and so on. Nevertheless, creating opportunities for the disadvantaged never translated into a longer-term solution to increasing inequality, and any progress made would then be hard hit by the Great Recession.

Additional to the strategy of “lifting the floor” for the more disadvantaged, New Labour worked to develop an economic model that makes more active use of the third sector and the resulting social economy. Once again, this strategy served a twofold goal: 1) the traditional Labour value of ‘community’ can be appealed to by revitalising the third sector, and 2) the third sector can provide with much needed services that would otherwise require the use of public funds. Traditionally the economy had been conceptualised into two sectors: private and public. The former drives the self-interest of companies and entrepreneurs that look for niches to exploit and make a profit. The latter provides services and goods that private enterprises otherwise would not due to lack of profitability—for instance, extending broadband capabilities to rural areas.

Throughout the years of New Labour’s Third Way the number of social enterprises increased noticeably. Social enterprises are similar to other non-profit organisations, but they are not fully dependent on grants and donations. Instead, they engage with the state via contracts granted by the public sector and reinvest their profits to benefit the individuals or communities they provide for (Haugh and Kitson, 2007: 975). The number of general charities in the UK went from 121,000 in 1995 to 169,249 in 2004 (Wilding et al., 2006: 9 in Haugh and Kitson, 2007: 978). The figure has seen some fluctuation since then, but the New Labour years ended with 163,392 registered charities, having peaked in 2007–2008 at 171,074 charities (NCVO, 2020).

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59 By ‘social economy’, I mean the network of goods and services provided by organisations that are neither state-owned nor privately motivated to create a material profit. Nevertheless, their sociospatial boundaries can be fuzzy, making it difficult to distinguish between community, state, and market (see e.g. Brandsen et al., 2005).
The increase of social enterprises responds to a number of factors, but perhaps the two most important are the deterioration of public services and the retrenchment of the welfare state, and the inadequacy and unwillingness of private markets to provide in a context of no profitability. New Labour’s policies incorporated social enterprises in the Third Way’s modernisation of the welfare state—for instance, the Social Enterprise Unit was created in 2002 within the Department of Trade and Industry, thus reflecting the interest of New Labour to work with enterprises seeking to provide public services.

Furthermore, an Office of the Third Sector and Minister of the Third Sector were created in 2006. However, this strategy came at a cost willingly accepted by New Labour. In the first place, the role that social enterprises took during the Blair and Brown governments highlights the deterioration and retrenchment of the state’s own public services. Embracing the social economy was as much an ethical decision as a conscious choice to keep the Conservatives’ budget and spending discipline. Ironically, the increase of the third sector is detrimental to the existence of public services, for not only has the public sector tended to retreat when social enterprises operate between the fuzzy boundaries of the private and public, but it also accentuates inequalities across geographical regions—especially between North and South, urban and rural areas.

Ultimately, although certain Keynesian ideas were not eliminated from New Labour’s macroeconomic agenda, the neoliberal playbook of the Thatcher-Major years was importantly maintained and furthered. Third Way’s ‘modernisation’ of the welfare state carried on the privatisation, deregulation, and liberalisation processes started by previous Conservative cabinets—for instance, in 2006 Blair announced that independent providers could soon “… provide up to 40 per cent of NHS operations” and thus he was welcoming eleven private healthcare providers “… into the NHS family” (Mulholland, 2006). As discussed in previous paragraphs, New Labour fought social exclusion and inequality mainly by providing better opportunities in terms of access to higher educational attainments and by creating a stronger social economy dependent on social enterprises. This facilitated further the privatisation of public services and the widening of the gap between regions and social groups. As Jessop (2007) wrote, New Labour in many important ways normalised and routinised neoliberalism.
David Cameron was elected prime minister after the general election of 2010. New Labour lost 97 parliamentary seats whereas the Conservatives won 96 (see Giddens, 2010 on the fall of New Labour). However, this was not enough, and the result was a hung parliament—the first since Harold Wilson’s heated campaign against incumbent Edward Heath in 1974. The previous hung parliament took place in 1929. The UK saw, for the first time in over 50 years, the creation of a coalition government which partnered Cameron’s Conservatives and Nick Clegg’s Liberal Democrats. In British politics, coalition governments are extremely rare; they usually arise in times of deep crisis, such as the two World Wars in the first half of the 20th century. This time the ‘Great Recession’ exerted enough pressure to destabilise a political system prone to majority governments. In this section I will focus on the initial unfolding of the Great Recession in the UK and the primary policies implemented at the time. Further analyses of the crisis are provided in later sections.

The Great Recession first hit the UK when New Labour was in power. Tony Blair’s ten-year premiership had been recession-free. However, by June 2007, when Gordon Brown became prime minister, the economic context had already started to show worrying signs. In September 2007, now defunct bank Northern Rock had to ask the Bank of England for liquidity support. Just a couple days later, scared customers queued outside Northern Rock’s branches to withdraw their savings. It was estimated that around one billion pounds were withdrawn on that first day of queuing alone (BBC, 2007b). The bank, which had been suffering since the previous summer when money markets seized up, had to be nationalised in February 2008. By mid 2008 the Bank of England had loaned Northern Rock 27 billion pounds, and more taxpayers’ money

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60 One characteristic of first-past-the-post systems is that they tend to produce governments with comfortable legislative majorities, allowing governments to more easily implement their policies. This however does not necessarily reflect the total share of popular vote obtained by a party. A recent example is the UK general election of 2019, where the Conservative Party gained a strong parliamentary majority with just 43.6 per cent of the vote.

61 Gordon Brown took a different approach for his cabinet. Soon after becoming prime minister, he announced that he would form a “Government of All the Talents” or “GOATs.” This had the goal of diffusing internal tensions in the Labour Party—i.e., Blairites versus Brownites—but it also represented Brown’s commitment to make use of the best specialists outside politics to face the hard challenges awaiting ahead.
was expected to keep the bank in business (Winnett, 2008). Gordon Brown and Alistair Darling—Chancellor of the Exchequer from 2007 to 2010—reiterated from the beginning that the British Government would safeguard the money of thousands of savers. The Bank of England also had to join the Government in guaranteeing the bank’s deposits. Within a matter of months, the new premiership was already under heavy pressure.

Despite the UK’s extraordinary economic growth during the previous decade, the US subprime mortgage crisis came down like a wrecking ball. The British economy had been growing at an annual rate always above 2.4 per cent (ONS, 2020a), the fastest growing G7 economy at the time. In the run-up to the Great Recession the UK had a budget deficit, that by any international standard could be considered worrying—the net borrowing was 2.6 and 2.9 per cent of GDP in 2007 and 2008 respectively (ibid.). However, New Labour’s public finances depended importantly on tax revenues, especially those from the booming financial sector. About 12 per cent of total tax receipts and 25 per cent of total corporate taxes came from the financial services industry, some 553 billion pounds in 2007–2008 alone (Burton, 2016: 67). The Conservatives were not worried either, for every indicator suggested that the British economy had positive prospects and the levels of spending were justified by big revenues stemming from the City. Nevertheless, when the financial crisis hit this side of the Atlantic, it was already too late. No political party was expecting even a fraction of the severity of the crash.

The last years of New Labour were marked by rapid economic deterioration. As the US financial sector declined, so did their counterparts in Western Europe. The City was especially affected after decades of neoliberal policies that had promoted financial internationalisation. It did not take very long for the financial crisis to impact on the real economy—highlighting how much the British economy and state depend on the financial sector.62 The increase in unemployment meant a decrease in tax revenues, both value-added and income tax. The housing market collapsed spectacularly in just over a year; homes were being repossessed, meanwhile the number of speculators trying to take advantage of low prices soared in the capital. With the slowdown of the

62 The World Economic Outlook (IMF, 2008) listed the UK as the economy facing the worst slump amongst the advanced capitalist economies of the world, precisely due to Britain’s heavy dependence on the financial services sector.
economy, overall consumption fell, and the credit-based society entered a state of shock when inter-bank loans ceased amidst the panic and fear that then characterised the banking sector.

Perhaps ironically, the first policy responses to the new crisis were Keynesian in nature. Gordon Brown's and Alistair Darling’s plan did not envisage reducing public spending. This was accepted broadly across the whole political spectrum. Fiscally speaking, policy sought to stimulate the economy; whilst financially the priority was to stabilise the problematic banking sector. Both types of responses were intended to work together with the goal of ameliorating the hit on the two pillars of the UK’s neoliberal economy: private credit and domestic demand. Similar formulae were used widely across Western Europe; only the Republic of Ireland, another liberal-type country, applied ‘austerity’ measures at the crisis’s onset. In the UK, temporary measures seeking to energise the economy were quickly introduced, including the decrease of VAT by 2.5 per cent and the increase of the basic income tax allowance.

As mentioned above, fixing the banking sector took priority. This involved the nationalisation of the Royal Bank of Scotland, Lloyds, and Northern Rock. It is estimated that the Government injected about 6 per cent of the GDP into these banks, whereas the British bailout it is estimated to have cost a total around 27 per cent of GDP (Barnes and Wren, 2012: 291–292). With tax revenues decreasing rapidly but public spending keeping its programmed trajectory, the ratio of debt to GDP increased noticeably. Alistair Darling would publicly defend Labour’s public spending, arguing that the Government was borrowing safely with a long-term plan in mind. However, with the real economy deteriorating rapidly, the Conservatives would start accumulating electoral momentum as much as Labour would steadily lose social support. The general election of 2010 was not the landslide one could have expected given the severity of the crisis. Since 2009, opinion polls were relatively favourable to the Tories. However, the body social remembered the improvements that had come with New Labour—especially in the education and health systems. The Conservative Party thus never convinced the body social that they were better prepared to deal with

63 The Conservatives strategically used the levels of public spending to attack Labour and further their own electoral campaign. For years, the Labour Party would be reminded that public spending was too high—an exercise in collective amnesia, since most Tories initially supported Labour’s plan, but also the inception of what would become a neoliberal mantra during the Cameron years.
the crisis. Yet it was clear that the British electorate wanted New Labour out. The economic downturn was being blamed on Labour's public expenditure. Gordon Brown never achieved Blair's levels of popularity, which was duly reflected in the polls after the first-ever televised debates in British history. 2010 was, politically speaking, an extraordinary year. After confirming a hung parliament, the Conservatives and the Liberal Democrats formed a coalition government—despite their differences regarding how to manage the existing structural deficit. The former wanted to deal with the deficit right away, whereas the latter was of the opinion of waiting until the economic outlook were more positive. In the end deficit-reduction measures started immediately, thus commencing the years of ‘austerity’ in the UK.

Just like New Labour had their Third Way, the Conservatives publicly presented their ‘Big Society’ project in July 2010 at a Prime Minister speech in Liverpool (the full transcript of the speech can be found on Gov.uk, 2010). Big Society was above all a reassertion of some old (neo)liberal tenets, especially those of individual responsibility and individual freedom. Cameron spoke of re-designing the “...top-down, top-heavy, controlling...” (ibid.) governing style of Labour; he also stressed that this was only possible with “community empowerment”—which in the speech is equated to citizens being independent from central or local authorities. But most importantly the prime minister also linked rights with economic sobriety or a societal sense of fiscal responsibility, clearly alluding to the cuts that were waiting ahead. Big Society was really a social, but also moral, blueprint for austerity à l’Anglaise—despite the party avoiding the word “austerity” at all costs. However, this was not a new project.

Since 2005, when David Cameron was elected leader of the Conservatives, the new prime minister had been reiterating that the party had to fundamentally change. The process had to involve modernising Thatcher’s neoliberal project by including a sense of social belonging (Evans, 2008; 2010). Attracting the younger electorate was fundamental, so was wooing the working and middle classes that supported Tony Blair but were now facing the negative prospects of a hard recession. The coalition with the Liberal Democrats aided Cameron’s attempt to redefine the ‘political centre-ground’, no longer occupied by New Labour (Heppell, 2013). Nevertheless, the Conservative Party never fully completed this transformation. Despite Cameron trying to publicly distance his party from the “Old Conservativism” of Thatcher and Major, in the end the new government focused more heavily on implementing austerity and neoliberal
policies. When the harshest months of the crisis had passed, Cameron’s Conservatives did not turn to Big Society (Dommett, 2015). Instead, they continued privatising the welfare state and implemented tougher immigration policies, thus neglecting issues such as child poverty and the environment presented in Cameron’s original modernising plan.

The Euros: The Kingdom of Spain, the French Republic, and the Federal Republic of Germany

The European Union’s troublesome historical inheritance

The financial crash of 2008 put under great stress one of the central pillars of the European Union (EU): the Economic and Monetary Union (EMU). Across the continent, but especially in the south, the crisis importantly deteriorated public trust in European institutions that, on paper, exist for the promotion and advancement of citizen welfare. Moreover, the crisis also fostered a socio-political juncture rife with hostility towards established European political elites and neighbouring nation-states. However, this was not completely new; the EU from its very inception has always posed a degree of difficulty both politically and economically; within and across countries.

Consider the historical treatment of southern Europe. Since the inclusion of Greece (1981), Portugal (1986), and Spain (1986) to the then European Economic Community (ECC), there has existed a negative sentiment—patronising most of the time but openly hostile at times—towards the “peripheral late-comers.” For instance, the derogative term PIGS (Portugal, Italy, Greece, Spain) was coined in the 1970s to refer to the ‘underperforming’ southern economies. The moniker had a strong social and racist connotation, one that could be used in political bureaus as well as by ordinary citizens north of the Alps and Pyrenees. Furthermore, when the southern states were accepted to the borderless Europe of the Schengen Agreement in March

64 Although Italy was a founding member of the ECC (1957) and signer of the Treaty of Rome, ironically they never truly enjoyed the same political status as the rest of signers.
of 1995\textsuperscript{65}, the term started to resonate again in the northern media. The 20\textsuperscript{th} century’s last years witnessed a considerable economic boom, and the moniker was seemingly abandoned. Nevertheless, the term PIGS made a final comeback during the Great Recession and was used rather profusely in northern financial media outlets—although now the moniker had evolved to adopt an extra l for Ireland.

Regardless of the good intentions behind European unification after the Second World War, the conceptual maps with which the social bodies of the continent operated on a daily basis remained largely unchallenged. Perhaps the theoretical genesis of such negative European stereotypes can be traced all the way to the eighteenth century, when Montesquieu published his famous \textit{The Spirit of the Laws} ([1748] 1989). Montesquieu argued that the “spirit” of a population was conditioned by geography and climate, impacting on human culture and thus making different peoples more prone to specific socio-political arrangements. It was his scientific treatment of the human condition what would ultimately influence future generations of intellectuals, despite the lack of empirical evidence for his hypotheses. Nevertheless, one does not have to travel to the origins of naturalistic social research to find the echoes of Montesquieu’s climatologist thesis. Edward C. Banfield, an American political scientist who was in contact with neo-conservatives such as Milton Friedman during his time at the University of Chicago, published \textit{The Moral Basis of a Backward Society} in 1958. Banfield’s research in southern Italy, whilst not relying on climate, came to assert the defining elements of the southern “amoral familism”, typical of a family-oriented society that favours self-interest and nepotism, thus hindering the creation of the social institutions that are necessary for a society that values the pursuit of common good.

Neither Montesquieu’s nor Banfield’s writings are likely to have significantly influenced the attitudes of common citizens north of the Alps and Pyrenees; however, similar negative conceptions of the “southern ethos” exist and operate in every-day life as represented by media reports on the expansion of the Schengen Agreement (Dainotto, 2007:3). The “two-speed” Europe, north and south, is often acknowledged in political debates, whether references to “spirit” or “ethos” are made or not. Does it then make sense to speak of “Europe” beyond a mere geographical concept? How do

\textsuperscript{65} Free movement of individuals was an important idea already considered at the time of the Treaty of Rome. However, only five of the then ten member states in the EEC abolished border controls in 1985.
different historical experiences integrate in a communitarian framework that, ultimately, seeks to surpass the nation-state? In this section, I examine the specific historical experiences in terms of crisis and politics of three Continental European countries: France, Germany, and Spain. These countries would fall under Esping-Andersen’s (1990: 27) conservative welfare-state regime, however I also follow here Michael Mann’s (2012: 303–309) historical classification. The shock of the 2008 crisis was experienced differently in the Euros, creating different responses from their social bodies as well as highlighting the historical and institutional differences that distinguish them. This section opens with a historical analysis of the financial crisis in these three selected countries as a means of furthering the historical narrative of Chapter 4.

The financial crisis of 2008 and the following debt crisis struck a heavy blow to the EU and one of its central pillars: the single-currency market (the EMU). Nonetheless, the bigger historical picture shows an integrated Eurozone that operates through complex legal and institutional networks—although room remains to discuss whether “integration” is not, in fact, “imposition” on the weaker member states. The geographical proximity of France, Germany, and Spain provides us with an opportunity to assess how their bodies social experienced the crisis and the following reforms under the light of distinct, yet intertwined, welfare-state developments after the Second World War. Therefore, in this section I focus on three Continental European countries, Spain, France, and Germany, that play a key role in the political and economic affairs of the EU.

The Euros in crisis

The crisis in continental Europe underwent different stages that involved varying levels of complexity and requiring different policy responses. The initial financial crash of 2008 and the economic recession that followed had both regional and transnational effects that deeply affected the core of the EU. The crisis inevitably exacerbated already-existing endemic problems that were not fully unknown to EMU member states. Although member states were hit and coped with the crisis differently, the so-called Eurozone crisis and the debt crises in some member states rippled across the whole Union. By the winter of 2008–2009, twenty-five of the twenty-seven member states were in recession—measured as two consecutive quarters of negative growth.
Subsequently, European economies grew very slowly, with some member states falling into a second recession that was characterised by a reduction in the rate of inflation.

After the initial crash, a number of European institutions were reinforced in order to tackle the problems located at the core of the European financial services sector. Amongst the most important European responses was the creation of an institutional and legislative framework to exert control over all banks in the EU. This framework, the *Single Supervisory Mechanism* was created in 2013 and grants the ECB exclusive licensing authority over all banks—except for banks from outside the European Economic Area (EEA). Policy-wise, the mutating economic context forced the EU to adapt and re-adapt its priorities a number of times. However, monetary policy was, without a doubt, one of the most important tools employed in dealing with the crisis. Thus, one of the first responses came from the European Commission (EC), which drafted a recovery plan for 2009–2010, mainly pursuing economic stimulus and amounting to a total of two hundred billion euros—about 1.5 per cent of the EU’s GDP (Cameron, 2012: 91). Moreover, the ECB’s policy scope had already expanded in 2008 in order to include the provision of liquidity on demand at a fixed rate, long-term refinancing plans to aid banks, the employment of negative interest rates, and a series of large-scale programmes that sought to purchase both private and public assets (Mongelli and Camba-Mendez, 2018:532).

In the following sections I will focus on the development of the Great Recession in the three Euro countries under consideration. I would like to direct attention to national specificities that derive from both longer historical trends and more recent historical developments singular to each of the three countries. For instance, Spain’s great economic boom in the early 21st century attends to a very specific logic based on speculation in the real estate market—very much like the Irish case during their Celtic Tiger years. The nature of Spain’s economic growth thus importantly dictated the contours of the following economic crisis. Nevertheless, beyond national singularities, I would also like to direct attention to the transnationally interconnected complexity of the Great Recession at the (continental) core of the EU. For example, the management of the crises in Southern Europe closely followed a logic of American neoliberalism and German ordo-liberalism, which via economic (and political)
conditionality brought austerity measures to countries such as Spain bypassing the sovereignty of national parliaments.

*Spain: the perils of the housing bubble*

When the crisis arrived in Spain, social-democrat José Luís Rodríguez Zapatero had been in office since 2004. Zapatero’s first premiership (2004–2008) was one of relative economic boom and notable social advancements. His cabinet legalised same-sex marriage and adoption by same-sex couples, increased the national minimum wage, furthered measures to tackle gender discrimination, and—perhaps his most popular decision—withdrawed the Spanish army from Iraqi soil. His second term (2008–2011), however, was rife with economic problems and policy decisions that did not align with his previous socialist agenda.

Therefore, as in the UK, it was a social-democrat government who first introduced neoliberal austerity in Spain. The exorbitant unemployment rates and increasing budget deficit forced Zapatero to publicly commit to cutting state spending in order to meet EU thresholds. The main political parties of Spain, including PSOE, in spite of the harsh austerity guidelines ‘recommended’ by the EC, IMF, and ECB, remained firm believers in the EU as a communitarian project. However, as I will show later in this chapter, the body social was not so pleased with the supra-national policies that felt more like “impositions” than “guidelines.” In this section I would like to focus on two main problems in the Spanish case: unemployment and private debt, both of which had dire impacts on the body social.

Like in many other European countries, the first policy responses to the crisis in 2008 and 2009 were aimed at stimulating domestic consumption—as initially recommended by the IMF (2008b). Zapatero’s second cabinet deployed a number of ‘anti-crisis’ measures such as tax rebates, help for families who could not pay their mortgages, the elimination of taxes on wealth, and a twenty-thousand-million euros plan that sought to re-stimulate the real state sector (Coller and Ramirez de Luis, 2020:

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66 As leader of the Spanish Socialist Workers’ Party (PSOE), Zapatero served as prime minister for two terms (2004–2011). As moderate social-democrat, Zapatero’s policies are rather close to Tony Blair’s ‘Third Way’, i.e., limited state intervention, social rights, and emphasis on positive balance of payments.
PSOE’s initial expansionary response was thus Keynesian in nature and served a variety of functions. On the one hand, it followed the mainstream trend, agreed upon at the G-20 summits of 2008 and 2009. On the other hand, it fit with the party’s Social-Democratic nature and supported Zapatero’s 2008 re-election. Eighteen billion euros were thus initially spent in Spain, including six billion euros in terms of tax refunds and a further 8 billion euros for regional investment (Salmon, 2017: 241).

Nevertheless, Zapatero’s expansionary policies ultimately did not work. Unemployment, the budget deficit, and private debt kept deteriorating as simultaneously social spending increased due to the stimulus policies and public revenue diminished due to tax cuts included in the stimulus packages. In 2009, Spain’s increasing deficit (around 11 per cent of GDP) made the EC react using the existing mechanisms, chiefly following the ‘Stability and Growth Pact’ which limits government deficits to 3 per cent of GDP. Therefore, austerity measures were officially introduced from January 2010 onwards—despite the Spanish private, not public, sector being the main culprit in the country’s financial collapse (Stein, 2014).

The economic recessions of southern Europe were especially pervasive due to regional imbalances—many of which were closely connected to the implementation of the euro as single currency. Spain is illustrative of this. At the beginning of the 21st century, the Spanish economy was considered a modern day Cinderella story. Spain witnessed strong GDP growth rates of 4.5 and 5.2 per cent in 1999 and 2000 respectively; whereas the years preceding the financial crash saw growth rates of of 4.2 per cent (2006) and 3.6 per cent (2007). The main driving force behind the so-called “Spanish miracle” was its construction sector, especially residential construction. Therefore, about five million new houses were built between 2000 and 2009, and close to two million mortgages were granted in 2006 alone (Coller and Ramirez de Luis, 2020: 134). However, the initial financial turmoil of 2007 brought the bankruptcy of several large building firms. Then, once the crisis hit Spain in full, the country’s leading sector inevitably slowed down first, then collapsed, thus creating a domino effect that rippled and sent waves of distress across the rest of the economy. Thousands upon thousands of jobs were lost; mortgages could no longer be honoured; and families being evicted from their homes dominated the news cycle. As I show in Table 5.1, Spain is the only Euro country considered here that presents a total of four years of negative growth.
The construction sector’s collapse and its aftershocks created extremely high levels of unemployment, which increased year by year to exorbitant levels: from 14.8 per cent of the labour force in 2008 to 26.1 per cent in 2013. It was not until 2015 that Spain would experience the first consecutive decrease in unemployment. The unemployment rate was still a comparatively high 22.1 per cent in 2015, although from that year on it would decrease until 2017 when it reached (still a high) 17.4 per cent (Eurostat, 2020).

Recovery in terms of unemployment came with a great cost to the body social, for an important component in the set of neoliberal policies implemented in Spain was the further liberalisation of the labour market. As noted above, this was first done under the second government of José Luís Rodríguez Zapatero, whose ‘structural reforms’ were seen by the body social as external impositions coming from international agencies. The liberalisation of Spain’s labour market thus resulted in lower levels of regulation and protection as prescribed by international agencies such as the IMF. Although, publicly, the government’s aim was to reduce market dualism, this was nonetheless achieved by making the conditions of those employed on permanent contracts ‘more flexible’ (Horwitz and Myant, 2015). i.e., temporary contracts were officially discouraged but the incentive given to employers to sign more permanent contracts included reduced termination costs and lower social security payments (Aguirregabiria and Alonso-Borrego, 2014).

The erosion of collective-bargaining dynamics and systematic reduction of wages continued under the Conservative government of Mariano Rajoy—who won a landslide victory in the early general election of 2011. Tough economic policies introduced by Zapatero thus carried a heavy electoral price. Table 5 clearly shows the negative impact of neoliberal policies on public perceptions amongst the body social.
Levels of trust before the crisis were not all that high, yet trust in politicians dropped noticeably from 3.5 in 2006 to 1.91 in 2012; whereas trust in political parties dropped from 6.46 in 2006 to 1.88 in 2012.

Furthermore, high unemployment meant that private debt (primarily mortgages) could not be honoured—and what started as an issue of private debt of not only families, but also firms and banks, soon became an issue of public debt as the Spanish state was forced to take over the problem. High unemployment rates also meant that the Spanish state was not receiving as much income from taxes as it used to, thus negatively impacting the provision and quality of public services whose budgets were now ‘justifiably’ cut. Alongside unemployment, private debt presented itself as the main economic issue for Spain. The Spanish state enjoyed a comfortable fiscal surplus prior to the crisis; the problem ultimately was with the way banks operated.

Similarly to other credit-based economies, money was cheap at the turn of the new century, encouraging households to borrow from banks—especially from saving banks, or cajas. Easy-to-get mortgages fuelled the construction sector, which coupled with high levels of employment at the time meant that households had enough incentive to increasingly invest in real state under the false belief that it was a safe move. Central to the private debt catastrophe in Spain was the country’s private banks borrowing money abroad at low interest rates; borrowed funds would then be loaned at home to construction firms expecting the usual marginal product of capital plus additional capital gains. The Spanish economic context was so positive that this dynamic continued for well over a decade with investors expecting capital gains superior to the mean rate of interest (Stein, 2014: 37).

Therefore, the prevailing logic during the ‘Spanish miracle’ years was that since the construction sector was in full boom, house prices would not depreciate. Therefore, in 2004 Spain ranked first in homeownership amongst OECD countries with a noticeable 83 per cent, followed by Belgium with 71.7 per cent, and the UK with 70.7 per cent (Andrews and Sánchez Caldera, 2011: 212). Media outlets in northern Europe would often report that southern Europeans “lived well beyond their means”—a rhetoric also used by Spain’s Conservative party, Partido Popular, when blaming the incumbent socialist government. Yet since the full liberalisation of Spain in the late 1990s, the country featured amongst the most successful economies on the whole continent. Not only the country was doing great, but it also was a model to follow.
Thus, Spain’s spectacular economic performance (sustained for almost fifteen years) attracted important sums of European capital, which inevitably brought higher levels of speculation into the mix, fuelling the real estate bubble. Both national and international factors contributed decisively to the country’s deep recession.

**France: dirigisme against neoliberal Europe**

The impacts of the 2008 financial crash and following economic recession were comparatively milder in France. As shown in Table 5.1, France’s GDP did not suffer as much in the period 2008–2010. In fact, France reported almost half the decrease in GDP growth compared to Germany in 2009. The institutional configuration of the French welfare state is greatly responsible for this, especially their well-developed system of social protection which noticeably mitigated the initial shock of the crisis. Furthermore, amongst the different member states of the EU, the French state is notoriously prone to intervention due to both a historical tendency to do so, as well as possessing the means for conducting and intervening where necessary—the so-called French *dirigisme*.67 This capability for intervention meant that the unregulated financial services sector’s lavishness could be better contained than in other countries. Nevertheless, this does not mean that France was not deeply affected by the Great Recession. It was; and the course of the recession highlighted structural imbalances calling into question France’s way of governance. In this section I would like to direct attention to the juncture between French welfare policies and two historical processes: the liberalisation of France’s labour market, and changing dynamics in the French banking system.

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67 *Dirigisme* derives from *diriger*, to direct, and is thus antithetical to *laissez-faire*. This, however, is not to say that France did not employ neoliberal policies that sought the de-regulation of the economy. President Jacques Chirac and prime minister Alain Juppé in the second half of the 1990s in fact introduced important market-oriented policies, despite being Chirac a strong advocate of state interventionism and overtly against British neoliberalism, which he referred to as “the new communism” (*The Economist*, 2007).

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To understand France at the time of the Great Recession, we must go back to the 1990s, when important welfare reforms occurred. Like Spain’s liberalisation towards the end of the century, France too underwent a process that deregulated the labour market. This trend, however, was not specific to either Spain or France. After the economic crisis of the early 1990s, when most Western economies entered a recession, a neoliberal wave of labour market deregularisation followed in many places. The underlying logic was that social protection and termination costs were considered problematic obstacles to job creation. In France as elsewhere, advocates of market liberalisation argued that welfare payments were in fact a disincentive for the unemployed, as well as that labour costs were too high for firms to hire new workers. The result was a set of supply-side policies that sought to activate the unemployed and lower labour costs (Hassenteufel and Palier, 2016: 184). Moreover, this was supplemented by additional reforms to the French system of private pensions, which increased the necessary number of contributing years for employees to be entitled to full pensions. Then, at the turn of the new century, Conservative President Jacques Chirac made reforming public pensions a central goal of his second term in the presidency.

During Chirac’s first presidential term (1995–2002), prime minister Alain Juppé had already tried to introduce an extensive sets of cuts to the public sector after honouring some electoral pledges like increasing the statutory minimum wage by 4 per cent (Bonoli, 2000: 142). This was met, however, by the biggest strikes France had seen since May 1968 (Howard, 1998), forcing the government to retreat and ultimately causing Juppé’s fall from the premiership in 1997.
After Chirac’s re-election in 2002, now with Jean-Pierre Raffarin as prime minister, the government did obtain enough support from both employers and trade unions—despite facing intense workers’ strikes in May 2003 (see Sciolino, 2003). After obtaining the necessary support from employers’ organisations and trade unions, a parliamentary majority passed the reform which matched public pensions to their private counterparts. In many ways this hinted that dirigiste France was “falling in line” with the wider EU’s liberal stance on economic organisation. However, France at the same time did not liberalise important segments of its economy as much as the EC would have liked.

As I show in Table 5.2, France had a persistent deficit (measured as percentage of GDP) throughout the whole 2007–2018 period. These years include both the presidencies of Conservative Nicolas Sarkozy (2007–2012) and Socialist François Hollande (2012–2017). President Sarkozy defended France’s social model before the EC on numerous occasions (Hassenteufel and Palier, 2016: 189). However, when the country’s finances worsened noticeably in 2010, France introduced yet another pension reform for fear of losing bargaining power when refinancing their debt. This time around trade unions were not consulted, and the contentious French body social once again went on strike in full force—obtaining some small concessions like the reduction of the age of retirement for women with care duties. This was seen as an EC victory over France, but after the presidential election of 2012, Socialist François Hollande reverted the age of retirement to sixty years as pledged during his presidential campaign. Yet the EC, once again, by threatening France with an Excessive Deficit Procedure, “convinced” Hollande that further reforms were necessary—resulting in another pension reform in late 2013. Nonetheless, despite all the EC’s efforts, France did not achieve a general government deficit below 3 per cent of GDP until 2017 (OECD, 2020).

France has a relatively large and sophisticated banking system. At the time of the crisis, French banks accounted for ten per cent of the global banking system, five per cent of global capital markets, and hosted the second-largest mutual fund industry in the world (Xiao, 2009: 3). Therefore, the French banking system was also a major source of concern during the management of the crisis, both within and outwith the country’s borders. Historically, the French state has played an important interventionist role in the country’s banking system. After the Second World War, the state took over
the major banks. Then, in the early 1980s, the Socialist government of François Mitterrand nationalised most of the privately-owned banking sector for a mixture of political (electoral) and economic reasons (Cobham, 1984).

Nevertheless, just like the tug of war between the French state and the EC shown in previous paragraphs, important deregularisation in the banking system occurred later in the same decade under the same Socialist president. The Banking Act of 1984 is significant here, which paved the road to financial liberalisation—for it allowed the French banking system to break with a long tradition of specialisation. Historically, French banks have been divided into two specialised categories: investment and retail banks. The state, through legal regulatory frameworks, kept a tight control over the different financial services the two groups provided the population with. For instance, retail banks were allowed to collect deposits from people, but they were not allowed to hold stocks.

The Banking Act of 1984 changed the legal framework by importantly allowing the creation of universal banks, thus abolishing the specialised distinction between banks and ending state-regulation over financial and banking services. Additionally, the government actively promoted expansion of the financial markets. This in turn led to an increase of 383 per cent in stock and bond market capitalisation in the period 1980–1990 (Jeffers, 2013: 491). The outcome was a context of increasing competition between banks and financial institutions, which resulted in the industry’s concentration.

The French banking system experienced further convergence in the late 1990s as foreign investors started to take over larger shares of French firms—resulting in take-overs and mergers that increased the concentration of the sector (Milner, 2011: 184). Furthermore, as concentrated competition increased, the remaining banks not only grew in size but they also grew in terms of the number of financial products they could provide the population with. Deregularisation allowed universal banks to compete in products outside their previous legal reach, and thus universal banks started to favour investment over retail—putting the population’s savings at risk, albeit less so than investment banks in other Western economies. The financial crash of 2008 exposed the risky portfolios held by French banks; it also hinted importantly at the dangers of universal banks, founded on assumptions that their greater diversification acts as a safeguard in times of crisis. Nevertheless, after the collapse
of the US subprime mortgage market it became clear how deeply in trouble the French banking system was—for instance, Société Générale (one of France’s biggest banks) was the world’s number one bank in profiteering from speculative equity derivatives (Jeffers, 2013: 495).

In total, the French banking system lost over thirty billion US dollars as a direct result of the crisis (Hoang-Ngoc, 2009 in Milner, 2011: 185). Yet comparatively speaking, French banks were not affected by the crash as much as their British or German counterparts. The explanation lies in France’s *dirigisme*, which despite heavy deregulating waves of policies from the 1980s to the 2000s remained in the form of a traditional soft protectionist safeguard. The French government could, and did, react very quickly with a series of measures including a multi-billion fund for interbank loans, and direct injections of liquidity into the weakest banks (Howarth, 2013). Moreover, throughout the different G-20 summits and other EU member states forums, President Sarkozy presented himself as a strong advocate of re-regularising the financial services sector, which Germany did not especially like and again highlighting France’s peculiar admixture of interventionism and liberalisation.

*Germany: liberalisation and central role in crisis management*

As previously noted, the financial crash exposed serious vulnerabilities amongst Western European banks. German banks, which at the beginning of the crisis presented the highest leverage ratios in the OECD, were particularly compromised. As soon as 2007, the German government had to aid the first banks due to their heavy involvement in the US sub-prime mortgage market—including private deals issued via the Cayman Islands. It was estimated that at the end of 2009 European banks held over one trillion US dollars in toxic assets; more than two-thirds of these assets were in the hands of German banks (Cafruny, 2010: 126).

The history of the disembedding financialisation process links both sides of the Atlantic very closely, with Germany notoriously in the thick of it. In this section, I would like to direct attention to the important consequences of Germany’s financial deregularisation in the development of the Great Recession in continental Europe. The German financial sector features as one of the hardest hit by the crisis, yet due to an
advantageous international position, Germany’s own interests dictated important political decisions at the EU level.

Historically, the modern German economy has been classified as ‘social capitalism’ (see e.g. Albert, 1993). So-called ‘Rhine capitalism’, heavily influenced by the country’s ordo-liberal and Christian-democratic traditions, features a capitalist free market alongside a relatively strong welfare state. The German welfare state thus ensures a ‘social balance’, emphasising political responsibility over economic affairs. Nevertheless, the German model underwent important reforms that, whilst maintaining some distinct features, furthered the liberalisation à l’américaine of its financial services sector and labour market. This chiefly entailed the (incomplete) transformation of Germany’s financial system from a bank-based system to a market-based one (Sablowski, 2008). As in the French case, Germany also witnessed the return of universal banking, and with it the introduction of financial deregularisation.

Prior to the crisis, the German economy experienced a rise in top income shares as well as a decline in the wage share, i.e., income inequality increased following similar trends in other Western economies. The pre-crisis decrease in the German wage share has been correlated to the rise in financial overheads (Detzer et al., 2017: 175–184), although it is also linked to the significant decline in workers’ bargaining power (Hein et al., 2017: 153–156).

The German public sector was importantly downsized in the 1990s in an attempt to achieve balanced public budgets. This was accompanied by a macroeconomic logic that sought to keep inflation low and international competitiveness high—as Germany is an exporting economy. These changes, coupled with the progressive financialisation of the German banking system and the labour market’s liberalisation, resulted in comparatively low economic growth, increasing unemployment, and crucially, the weakening of German trade unions. The latter was furthered in the 21st century by the so-called Hartz reforms (part of Schröder’s Agenda 2010). The labour market reforms successfully diminished workers’ bargaining power by introducing reforms that reduced employment protection, by drastically reducing unemployment benefits, and by creating a lower-paid sector that de facto created a dual labour market (see Hein and Truger, 2005). The reforms primarily sought to decrease unemployment by increasing economic growth—as pledged by Gerhard Schröder and the SPD-Greens coalition government.
However, this was achieved by transforming the German social security system and introducing a vast array of social cuts. For instance, the Hartz reforms (2002–2005) proposed that in order to re-activate the unemployed, benefits and compensations ought to be cut.

It was also considered an option to force the unemployed to pick up any available job. When the proposals went public, they were therefore met with strong protests, especially in the East where the unemployment rate was considerably higher (Orlow, 2018: 371–372). Nevertheless, despite the deep structural changes being made to Germany’s social security system, survey data showed that the body social as a whole remained largely complacent. As I will show below, levels of trust in Germany remained virtually unchanged, and even increasing ever so slightly, during the time of these reforms.

In this way, when the crisis hit the German economy the country had already undergone important changes that saw increasing liberalisation of the labour market and financialisation of the banking system—making it more vulnerable. However, Germany has historically enjoyed a privileged position in modern European politics. It could be argued that the EMU is actually a political outcome of Franco-German diplomatic relations, which after the postwar reconstruction of Europe gave monetary policy a central place in their deliberations. Both France and Germany thus engaged in a political game, seeking to make their national interests prevail over the rest (Story, 2014: 110). On the one hand, France was worried about the Deutsche Mark’s rise to the second global reserve currency, so after the Rome Treaty (1957), the French sought to contain Germany’s rising influence by creating a European monetary regime tuned to France’s preferences—first proposed in October 1970 in the Werner Report. On the other hand, Germany took advantage of the weaker French Franc by tying their currency to it in order to protect German exporters internationally.

By the start of the crisis, however, the German economy had clearly surpassed the French dirigiste model, and Angela Merkel (Germany’s chancellor for over fifteen years at the time of writing) commanded a significant level of authority in European affairs. This became clear, for instance, throughout the management of Greece’s debt crisis—during which Germany emphasised that neither defaulting nor issuing

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68 Prior to the reform, the unemployed received 70 per cent of their final paycheck with no time limit.
‘Eurobonds’ were acceptable options. Germany’s insistence on punishing member states with excessive government deficits reflects, in many ways, the country’s historical experiences with federalist management.

At home, Merkel’s grand-coalition federal government practised tight budget discipline. Germany did not launch stimulus packages like some of their continental neighbours did, although the state had to bail out several banks using taxpayers’ money. The German body social was not all that happy with having to bail out private commercial banks (Orlow, 2018: 393), but at least they did not have the same housing problems experienced in the US, Spain, or Ireland—for the vast majority of Germans rent their homes. Unemployment was another priority of the coalition government, but once again the problem was tackled with further flexibilisation of working conditions as well as with sponsored shorter working weeks. On the other hand, internationally, Merkel’s Germany projected the same ‘aseptic, responsible rationality’ exercised domestically. This ultimately resulted in the creation in 2011 of the European Fiscal Compact.

This new framework for growth and stability envisioned an EU based on responsibility demonstrated via budget discipline, and not on the ‘solidarity’ of richer members—unequivocally reflecting Germany’s preference for a neoliberal Europe, diametrically opposed to the more Keynesian proposals of Sarkozy’s France. Yet the regulation of ‘fiscal responsibility’ also had a practical goal from Germany’s point of view: at the start of the crisis, German banks held a large number of risky assets and sovereign bonds, many of which were located in the southern periphery and Ireland; it was in the country’s interests to bail out countries such as Greece.

The dominant narrative in the northern media would portray the bailouts as sacrifices, but in reality, Germany was in desperate need of making debtors honour their creditors (see Thompson, 2015). Germany’s insistence on making debtors pay also followed the country’s historical ordo-liberal tradition, one based around strict rules and automatic stabilisers, not discretionary policy. From an ordo-liberal point of view, strong governments must employ legal frameworks in order to regulate capitalist markets—not only so they can be efficient but also beneficial to society. In this way, Germany strongly unites markets and society both conceptually and legally, thus creating the German concept, ‘social market economy.’ This is an embedded institution that, via social policy, seeks to impart justice and fairness to capitalist
dynamics—for instance, Germany’s political economy is strongly against monopoly and overly-powerful trusts.

An integral part of Germany’s political economy is budget balancing, aiming towards budget surpluses to which austerity measures might be contextually critical (Young, 2014: 132). The influence of the country’s historical experiences during the Great Depression and Nazism on today’s German fiscal fixation are clear: budget deficits in the first quarter of the 20th century caused dire hyperinflation in the country, whilst the Third Reich established an absolute monopoly that did not end well. Therefore, it is understandable that Merkel’s government blamed individual governments for the debt crisis.

However, how did Germany’s supply-side, monetary policy-based model dominate the management of the crisis when most Continental economies traditionally favoured Keynesian demand-side discretionary policies? The first factor is Germany’s sheer geopolitical power in the region. Germany is the largest economy in Europe (World Bank, 2020). It alone accounts for 28 per cent of the Eurozone economy (IMF, 2017), and 21.3 per cent of GDP in the whole EU (Eurostat, 2017). This economic advantage certainly helped Angela Merkel in convincing the other heads of the Eurozone to manage the crisis at the margins of the EC, thus bypassing European institutions (Young, 2014: 135). This ensured that negotiations on matters such as bail-outs took place directly between European governments.

Secondly, the instrumental ECB was originally modelled after Germany’s Bundesbank. The ECB is, not coincidentally, located in Frankfurt am Main, and since its creation it has always had a German economist sitting on its executive board.69 Although the ECB is certainly not under direct German control—as exemplified by executive member Jürgen Stark’s resignation in 2011 protesting the bank’s purchase of sovereign bonds in stock markets, the country does assert a comparatively high degree of influence through a history of stable, credible politics backed by economic prowess. The result, as we know, was the introduction of austerity measures based on identifiable rules, monetary policies targeting inflation, and the reduction of national

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69 The ECB is formed by a president, a vice-president, and only four executive members—who are nominated and agreed on by the Eurozone’s prime ministers. Although there is a non-written rule that as the biggest economies in the Eurozone, Spain, France, Italy, and Germany should always have a person in the ECB, it is still significant that the monetary management of the whole EMU depends on the most powerful countries’ political appointees.
budgets in times of economic recession. Yet Germany’s influence went well beyond the arena of EU policy. In 2009, Germany introduced the figure of the so-called ‘debt break’, i.e., a legal measure that strictly limits the size of structural deficits to GDP—and after much political insistence, countries such as Spain also modified their constitutions to introduce the ‘German debt-break’ (Coller and Ramirez de Luis, 2020: 142).

The Nordics: the Kingdom of Sweden and the Kingdom of Norway

The Nordic countries are renowned for widely adopting Keynesian measures during the Great Depression (Weir and Skocpol, 1995). Operating under a corporatist framework, the Nordics achieved economies of full employment, high levels of equality, and thus they became some of the most prosperous nations in the world after the Second World War. An important component in this success story is the strong organised labour movements that effectively dominated the political landscape. The comparatively high ethnic and cultural homogeneity of Nordic societies facilitated the creation of progressive identities based around strong class-lines (Steinmo, 2010: 47).

By the end of the 1910s, Nordic trade unions were strong political forces that, most importantly, had abandoned the ‘revolutionary path to Socialism.’ Instead, Nordic organised labour argued that the state was an object to be contested, not overthrown, for meaningful societal change could be achieved by harnessing the structures of power (Blyth, 2002: 98). The reformist turn of Nordic unions thus pushed them to seek electoral gains within the ‘rules of the game’, first by obtaining universal suffrage and then by dominating national politics for decades. The struggle for electoral democracy—by their reckoning, the means to achieve social democracy—also made organised labour co-operate closely with other political formations opposed to Conservative forces, such as Liberals and Agrarians. These multiparty political dynamics born out of necessity cemented the tenets of the future Nordic welfare model.

The Nordic model has often been praised for its high levels of education, standards of living, and equality. Comparatively, they are small countries, yet they rank
amongst the richest nations in the world. Although their model is highly dependent on historical junctures unique to the northern periphery, the Nordic societies have shown that liberal institutions can be successfully embedded for the greater benefit of society. Yet starting in the 1970s, the characteristic, consensus-based, co-operative Nordic politics started to falter. Looming economic downturns, nationally and internationally, urged immediate changes. Liberalisation of the labour market and financialisation of banking systems were introduced under Social-Democratic governments, thus initiating a long process of transformation that is still ongoing today. In this section, I will analyse the most recent historical trajectories of two Nordic countries: Sweden and Norway. My main focus is placed on the structural transformations derived from policy changes initiated in the 1970s and 1980s. While it could be argued that the Nordic welfare state is on its way out, a closer look at Sweden’s and Norway’s electoral dynamics show that a high degree of ‘welfare continuity’ still exists.

The Great Recession notably affected both countries, although they managed to better ameliorate the worst impacts of the crisis than most countries in Western Europe. This is partly due to the capacity of the Nordic states to react swiftly whilst generating higher degrees of consensus and co-operation across the political spectrum. Nevertheless, the Great Recession has also shown that the Social-Democratic adaptation of neoliberal tenets to Nordic principles is not without issues. It is true that today’s Sweden and Norway are highly integrated in the international economy; they possess some of the most educated labour forces in the world, and some of their companies are global leaders in fields such as information and energy technologies. However, with increasing international integration also comes an increasing need for adaptation to different models of political economy—and if international competitiveness is to be maintained, fiscal balance and liberal policies might become necessary. That is certainly the case for the Nordics post-2010.

Nordic politics: challenges, transformation, and continuity

There is much to admire about the way Sweden and Norway have tamed the forces of free markets. And there is much more to admire if we take into account that just over a hundred years ago both countries were chiefly underdeveloped agrarian
economies based around a small number of trading urban centres and a vast rural community.

The Nordics industrialised late and integrated even later into the world economy. This aided in the creation of the ideal political and institutional arrangements for a full social take-over of the economy during the Great Depression in the 1930s. Today’s Norway and Sweden rank amongst the world’s leaders in terms of social and public spending (as percentage of GDP), which also makes them rank high in taxing their citizens. They also do extremely well in terms of employment rates, income inequality, social rights, and education (World Bank, 2020).

Nevertheless, since the great processes of liberalisation and financialisation occurred in the 1980s and 1990s the Scandinavian model has been under increasing pressure. As a result, the Nordics’ welfare system is falling more and more into line—which, arguably, was an inevitable outcome after their economies fully integrated in the global capitalist system and ceased to be isolated parts of the northern periphery.

*Sweden: the electoral importance of welfare politics*

Sweden has a strong and relatively stable multiparty system historically composed of five political parties organised into two blocs. The left-wing (‘socialist’) bloc is formed by the Social Democrats and the Left Party (former Communist Party); whereas the right-wing (‘bourgeois’) bloc is formed by the Moderate Party (the Conservatives), the Centre Party (the old Agrarian Party), and the Liberal Party. Electorally, the Social Democrats and the Moderates are the two biggest parties, but the former tends to obtain by far the best electoral results in terms of the share in total popular vote—the Social Democrats regularly obtain around 35 per cent of the vote, compared to 20 per cent for the Moderates. Nevertheless, electoral data show that in the last election-years, the Social Democrats’ share has considerably dropped to around 30 per cent, with the Swedish Democrats (a nationalist, conservative populist party) being the clear winners, going from just over 1 per cent of the popular vote in 2002 to 17.5 per cent in 2018 (SCB, 2020).

Similar to other Scandinavian countries, the Social Democrats in Sweden have historically dominated national politics since the introduction of universal suffrage in
the 1920s. They were incumbent from the early 1930s until 1976, with the exception of a coalition government during the Second World War. Majority coalition governments are not strange in contemporary Swedish politics, although they have historically been limited due to the strong and continuous political dominance of the Social Democrats (Ruin, 2000). Swedish politics changed drastically in the 1970s, when the first disruption to the five-fold multiparty stability happened as a result of the introduction of a new constitutional framework.

The new constitution facilitated more centre-right minority coalition governments, specifically from 1976–1982 and 1991—1994. The right-wing cabinet that managed the Great Recession in Sweden was a majority coalition government resulting from the 2006 general election. Similarly, in Norway, new political cleavages developed, creating new electoral affinities. Furthermore, the 1990s and 2000s also witnessed the inclusion of new parties to the Riksdag, for instance, the Green Party and the Christian Democratic Party, thus further facilitating the formation of coalition governments.

One of the characteristics of Swedish politics is the comparatively high degree of cross-party co-operation that stems from the predominance of minority governments (Strömbäck and Nord, 2008: 106). This, in turn, is closely related to the corporatist nature of the Swedish state, which has historically tended to generate higher levels of political consensus across the political spectrum. Also known as folkhem, this political culture of co-operation carries a vision of government as a paternalistic protector of the nation’s people that, in turn, helps diffuse potential political conflict (see Åsard and Bennet, 1997: 86–114). The result in the Swedish case has been a wide acceptance of social welfare programmes amongst both left- and right-wing parties. More importantly, the Swedish body social at large values strong welfare policies.

This preference for welfare policies was electorally manifested in the general elections of 2002 and 2006 (Strömbäck and Nord, 2008: 107). In 2002, prime minister Göran Persson (Social Democrat) achieved a third consecutive term in office after securing the support for a minority government from the Left and Green Parties. The Social Democrats obtained almost 40 per cent of the popular vote, a greater than 3 per cent upswing from the 1998 election (SCB, 2020). However, the important change occurred in the right-wing bloc, which witnessed the electoral defeat of its main party,
the Moderates, who lost almost 8 percentage points, shrinking to a 15 per cent share of the vote.

On the other hand, the Liberals of Lars Leijonborg made a massive electoral advancement, doubling the number of parliamentary seats in an unprecedented turn of events and thus becoming a party to reckon with. What happened next can be perhaps equated to Tony Blair’s ‘New Labour’ re-branding of the party. In the same fashion, in 2005, Fredrik Reinfeldt of the Moderates announced the arrival of the ‘New Moderates’, thus acknowledging that his party had been too focused on reducing taxes and social programmes in the past. Despite the party’s ambiguous political agenda (Bruhn, 2019), Reinfeldt successfully ousted the Social Democrats in the general election of 2006 with an electoral improvement of 11 percentage points compared to 2002, thus forming the first-ever right-wing majority coalition government in Swedish history with the support of the Centre Party (almost 8 per cent of the vote), the Liberals (7.5 per cent), and the Christian Democrats (6.5 per cent, SCB, 2020).

Norway: Labour dominance in negative parliamentarism

Similarly to other Nordic countries, Norway’s multiparty system is prone to lengthy government-formation processes. In the last five decades, Norwegian politics has seen a disproportionate number of minority governments that clearly reflect the country’s negative parliamentarism—i.e., governments do not require an investiture vote by parliament nor they need an active majority support in parliament (see Bergman, 1993). In recent times, the country has witnessed the formation of majority governments only twice, and both times they were coalition governments. The first majority coalition government happened in 1983 between centrist and right-wing parties70. The second time was the Red-Green coalition71 of 2005 that managed the Great Recession. The country’s political cleavages (Rokkan, 1966) can be broadly divided between urban centres and rural regions. The Conservatives have traditionally dominated in the cities, especially in Oslo, where they attract the votes of the middle class. With the advent of socialism in the late 19th century, the Conservatives’ main

70 Coalition government between the Conservative Party, the Christian Democratic Party, and the Centre Party.
71 Coalition government between the Labour Party, the Socialist Left Party, and the Centre Party.
opponents, the Liberals, were relegated to the background as they lost the support of urban working classes and rural small landowners and farm labourers. Today’s social Liberals are rather secondary, receiving only marginal electoral support in both urban centres and rural areas (Østbye and Aalberg, 2008: 86).

Therefore, Norway’s main political forces today are the Conservatives of the Conservative Party of Norway and the Social-Democrats of the Norwegian Labour Party, though the latter dominated for most of the 20th century, injecting a strong element of stability into Norwegian parliamentary politics. Labour’s electoral might started to decline in the 1960s when internal struggles divided the party regarding NATO membership and foreign policy in general—ultimately resulting in the formation of the Socialist Left Party in the 1970s. Nevertheless, the Labour Party has maintained a strong electoral presence, never dropping below 24 per cent of the total popular vote in the last three decades and usually obtaining around 30 per cent of the vote in the last decade (SSB, 2020). Despite Labour’s electoral strength, the Conservative Party leader Erna Solberg has been Norway’s prime minister since 2013, supported by a parliamentary majority of the centre-right parties—including the support of the populist anti-immigration Progress Party between 2013 and 2019.

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Like in many other Western societies, Norwegian politics today has lost most of its class component (Knutsen, 2004 in Østbye and Aalberg, 2008: 88; cf. Pettersen and Rose, 1996), making issue voting more important to electoral dynamics. It might seem that the Norwegian electorate is overly fragmented, thus resulting in minority and coalition governments. However, contemporary data show that there is a comparatively high degree of party affinity and identification. In the period 2002–2016, an average of 64.5 per cent of respondents in Norway reported they felt close to a particular party, compared to 53 per cent in France, 50 per cent in the UK, and 49 per
cent in Germany and Spain in the same period of time (ESS, 2020). Only Sweden presents a higher degree of party identification with over 68 per cent of respondents stating they feel close to a particular party (see Table 5.3).

The Nordics in crisis: now and then

Before the 2008 Great Recession, most Western economies had already utilised Keynesian expansionary measures, especially after the Second World War. However, when the 2007 financial crisis spread from the US sub-prime mortgage market, the Nordic countries had far more experience than the rest of European countries in socially organising the responses to such crises. Furthermore, the Nordic countries were also supported by the very important political tradition of long-lasting corporatist institutional arrangements. Therefore, when the financial crash transformed into a dire crisis in the real economy, Sweden and Norway swiftly introduced expansionary fiscal policies without much political doubt.

In Sweden, the Liberal-Conservative coalition government of Fredrik Reinfeldt was in power at the time of the Great Recession, whereas in Norway the Red-Green coalition led by Jens Stoltenberg held office. Although the sociospatial configurations of the 1930s and 2000s were very different (especially economically and politically), the origins of both crises are strikingly similar, i.e., a US-based financial crash followed by dire macroeconomic impacts. The Nordic case shows that same problems can be met with same responses regardless of the political party in power’s ideology—for instance, the 2009 Swedish Liberal-Conservative coalition government employed more expansionary policies than the centre-left governments of the 1930s.

Although the first policy responses to the crisis were expansionary in most Western economies, the Nordic countries proceeded with comparative parliamentary ease. Further hinting at the unique character of the Nordic countries is the fact that both Sweden and Norway launched comparatively large discretionary stimulus measures, despite possessing the biggest automatic stabilisers in the EU (e.g., notable progressive corporate and personal income taxes, unemployment benefits, and so on). The large discretionary stimulus programmes of Sweden and Norway
reached an estimated maximum of 2.7 per cent of GDP during the recession’s hardest years (Lindvall, 2012: 241).

Yet not only the 1930s informed the Nordics’ response to the Great Recession; the financial crisis of the early 1990s is a much closer event in time that, arguably, equally helped determine the Nordics’ ‘policy-making style.’ At the beginning of the 1990s, Western economies experienced a serious economic recession linked to, amongst other things, the restrictive monetary policies employed by the central banks—who were trying to fight increasing inflation rates. Credit had to be limited in order to stop the inflation rate. However, this contradicted the previous dominant logic of the 1980s, which saw important deregularisation in the financial services sector throughout all Western Europe.

The crisis was particularly hard in the northern periphery, especially in Sweden and Finland. Prior to the early-1990s crisis, the Nordic countries had undergone a formidable economic boom in the 1980s, which went hand in hand with the liberalisation of their economies and the financial integration of the Scandinavian region into the global market (Jonung et al., 2009b: 187). In Sweden, the 1985 reform on quantitative controls on commercial banks’ lending marked a “new era” in which households and firms were heavily encouraged to borrow more credit at existing interest rates. This not only caused a credit problem that would bust in 1992, but it also forced banks to compete more fiercely for market shares (Jonung, et al., 2009a: 34). Sweden’s GDP had also been growing at high rates, but when the crisis arrived GDP received a full-blown hit: 0.75 per cent growth rate in 1990, -1.146 per cent in 1991, -1.159 per cent in 1992, and a further -2 per cent in 1993.

Inflation and unemployment were particularly bad in Sweden; the former peaked in 1990 at 10.36 per cent (consumer prices annual percentage), whereas the latter reached a local maximum of 9.58 per cent of the labour force in 1994 (World Bank, 2020). A banking crisis had created an economic calamity. Norway fared comparatively better with the early1990s banking bubble despite having undergone a similar deregularisation process and lending boom in the 1980s. The main difference was that Norway successfully used taxpayers’ money to bail out the afflicted banks, although it must also be acknowledged that Norway considerably increased its oil production in 1989 (Steigum, 2009). Another crucial difference was that Norway’s banking system arrived in the late 1980s amidst a cyclical downturn—compared to the
crisis in Sweden which arrived in the midst of an economic recession. Norway’s GDP thus grew at high rates of 4 per cent (1983), 6 per cent (1984), and 5.5 per cent (1985), to then decrease by only 0.25 at the turn of the new decade (World Bank, 2020). Both Nordic countries learned valuables lessons from their respective banking woes, especially regarding the political management of weaker banks.

The combination of historical experience and corporatist institutional arrangements thus facilitated a prompt political response to the sub-prime mortgage crisis once it started spreading internationally in 2007. Consequentially, this further strengthened the Nordics’ ability to meet the economic crisis in 2009. In Sweden, Reinfeltd’s Liberal-Conservative government had predicted a manageable economic downturn. The government’s official position was that Sweden had enough strong automatic stabilisers to deal with the difficulties, therefore monetary policy should suffice (Lindvall, 2012: 242). When in 2008 it became absolutely clear that the recession was going to be much bigger, they immediately developed an extensive expansionary programme as early as late-2008 and introduced mainly in the course of 2009, including tax credits for house repairs (aimed at safeguarding the construction sector), direct aid to the Swedish auto-mobile sector, and increasing investments on a variety of items such as the labour market, education, and infrastructure.

Later in 2010, the Swedish central government increased the funding for local administrations, as well as introducing the fourth consecutive income tax reduction, aiming to expand domestic demand. In opposition, the Social-Democrats welcomed the increase in regional funding, yet they would surely have preferred a bigger increase. They did criticise the tax cuts, arguing that increased household transfers could also increase domestic demand, but this was never implemented by the Liberal-Conservative coalition.

In Norway, Stoltenberg’s Red-Green coalition government introduced the first expansionary measures early in 2009. Like Sweden, Norway also increased investment in infrastructure as well as transfers to local administrations. However, instead of decreasing income taxes, the Norwegian government focused on increasing public spending. This inevitably swelled the government deficit, but the move ultimately reflected the ruling coalition’s political ideology. Furthermore, the Norwegian government decided to devote a larger share of the country’s oil-revenue, usually set at 4 per cent, thereby increasing current spending (Lindvall, 2012: 251).
On the monetary side, Norway’s central bank (Norges Bank) was forced to act swiftly after the summer of 2007 made it clear that Norwegian banks had liquidity problems—not because they held toxic assets, as in the French and German cases, but because of the global collapse of money and capital markets. Like many other central banks, Norges Bank has traditionally followed flexible inflation targeting as their main monetary policy strategy (see Berg and Eitrheim, 2013). In the last decades, this has had the primary role of managing aggregate demand, and it was (and still is) a popular monetary strategy around the globe.

Nevertheless, the Great Recession made clear that price stability might not be enough in order to achieve general financial stability. Prior to the crisis, Norges Bank happily employed expansionary monetary policy to shift the aggregate demand curve; by 2007 the domestic demand had increased and the central bank’s monetary stance had to be tightened. As a result, interest rates were cut and Norges Bank injected liquidity into the country’s banking system. Nonetheless, these adjustments enjoyed a

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Flexible inflation targeting is a monetary policy strategy used by many central banks. It focuses on stabilising both the real economy (resource utilisation) and inflation (set at a target). It relies on forecasting as an inevitable time-lag exists between the implementation of policy and its effects on the real world.
comfortable leeway, for Norway had previously experienced prolonged years of good revenues from its oil reserves.

Despite the comparatively smaller political effort needed in the Nordic countries to pass expansionary bills that effectively ameliorated the crisis’s first impacts, the Swedish and Norwegian economies were not left untouched. Unemployment increased during the years of the recession, and in neither country has it yet returned to pre-crisis levels. In Sweden the unemployment rate went from 6.2 per cent in 2008 to 8.3 per cent in 2009, peaking in 2009 at 8.6 per cent (World Bank, 2020). In Norway, the effect of the crisis has been more pervasive: unemployment increased just by one percentage point between 2008 and 2010; however, unlike the Swedish case, Norway’s unemployment rate kept increasing steadily, reaching a maximum of 4.7 per cent in 2016. These figures are considerably lower than the unemployment rates registered in the Euros, but are still rather high for the Nordic context.

Figure 5.2 Nordics’ unemployment rate (% labour force), 1991–2016.

Moreover, in Sweden the increase in unemployment was accompanied by a decrease in union density, bargaining coverage, unemployment benefits, and employment protection for those on temporary contracts (Hein et al., 2017: 160). In turn, the wage share, which was on the rise prior to the crisis, stabilised during the
Great Recession. However, income inequality measured in terms of the Gini index seems to be increasing steadily. In Norway inequality decreased from 2007 to 2011 almost two points in the Gini index, but it kept increasing thereafter until 2016 when it reached a local maximum of 28.5. In Sweden, the trend presents more ups and downs, but the period of the Great Recession is fairly flat with figures oscillating around 27.5 points—then it started increasing from 2013 onwards.

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Conclusion

The financial crash of 2008 and subsequent Great Recession substantially shook all examined countries, making positive feedback loops work at their fullest to preserve institutional continuity. With the Eurozone debt crisis, the European Union achieved a new record low in terms of popularity, thus successfully fuelling right-wing populist parties like Vox in Spain, Alternative für Deutschland in Germany, Rassemblement National in France, or the UK Independence Party in the UK. The rise of populism in these countries must be seen as a reaction of bodies social to disembedding neoliberalism, an attempt by societies to fight impersonal market forces.

Yet another element souring Western European mainstream politics was government budgets. As I have noted, the first responses to the crisis were expansionary in nature. One thought behind this was that running budget deficits can be beneficial under specific circumstances—a historical lesson with strong roots in the 1930s. Under the prevailing economic logic, in times of downturn budget deficits facilitate economic stabilisation by keeping the levels of aggregate demand afloat—for unemployment and households’ incomes fall in times of recession, lowering taxes and spending public funds on transfers are a first logical automatic stabilising mechanism. Nevertheless, sustained budget deficits are a serious source of concern, for governments must incur in the borrowing and selling of bonds.
In the UK, when New Labour came to power after a landslide victory in 1997, the neoliberal agenda of previous Conservative cabinets was maintained and in many regards furthered in a clear example of historical continuity. Although social expenditure increased on many accounts with Tony Blair and Gordon Brown, the Labour Party continued the trends of increasing privatisation, labour market liberalisation, and financialisation of the economy. The latter not only was a by-product of market-oriented policies but also a crucial requirement for the succeeding in the race for international specialisation, proving that the critical juncture posed by the Long 1970s have imposed long-lasting constraints.

Gordon Brown’s first responses to the financial crash followed a Keynesian logic. At first, expansionary measures were employed in an attempt to protect domestic demand with only the Republic of Ireland implementing austerity measures from the get-go. But saving the banks with tax-payers’ money was initially the top priority—as some were deemed “too big to fail.” Like other liberal regimes in the world, in the pre-crisis UK taxation, regulation, and oversight of private financial activity were rather lax. There is no doubt that this model, initially at least, benefited the body social at large. During the 1990s, under Conservative governments, the UK’s employment rate dropped almost 14 percentage points; under Blair and Brown employment rates increased by around 17 percentage points (Barnes and Wren, 2012: 306). This, of course, is correlated with New Labour’s social-democratic ideas. However, the massive revenues the state obtained from an unregulated City of London supported most of New Labour’s public programmes.

Greater state intervention is, theoretically, desired by the lower strata of the body social, for their disadvantaged socio-economic position makes them more reliant on aid and social programmes. Nevertheless, the UK oversaw an aggressive economic liberalisation with great electoral support from all segments of the body social. The liberal model was supported by the middle and upper classes, who undoubtedly benefited the most from deindustrialisation processes and the subsequent move towards an economy of advanced services sectors. But the working class also supported neoliberal liberalisation/financialisation: first by electing Thatcher in the late 1970s; then by voting for Blair’s New Labour. As previously noted, one key element that made the working class electorally supportive of policies that, on paper, contradict their material interests was the fact that social housing was put for sale in
the market—and thus many low-income households became home-owners without leaving (near) poverty levels. It is estimated that about half the poor in the UK are homeowners (Burrows, 2003). And as electoral years passed by, the credit-fuelled liberal model became essential to many, for mortgages had to be repaid.

In continental Europe, the new economic reality imposed by the Great Recession forced the Euro governments to sell a larger number of bonds in order to to keep their deficits under control whilst maintaining the confidence of investors in the bond markets. Spain had the largest deficit over the hardest years of the crisis, reaching a maximum of 11.3 per cent of GDP in 2009. Germany incurred in a deficit of only around 3.5 per cent of GDP during the initial years of the crisis—which is not an unusual figure in many other advanced economies. France’s deficit sat in the middle between Spain and Germany, but unlike the latter France maintained a more or less constant deficit after the worst of the crisis; albeit, as I have already noted, the French model is always in deficit. Germany reached a comfortable balance in 2011, and from that year onwards the government started cashing in more taxes than what it spent: strict neoliberal discipline (austerity) had arrived.

Since budget deficits across the continent rose noticeably after the initial shock of the crisis, drives and measures to reduce both government deficit and debt were introduced as step two, following agreement at the transnational level in the EU. The term “austerity” was never properly part of the official technical jargon; instead, international agencies such as the OECD and the IMF preferred the terms “fiscal consolidation” and “budgetary discipline.” In the Eurozone, member states took the first decisive step towards fiscal consolidation in December 2011 with the agreement on the European Fiscal Compact—officially part of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. The main idea was to impose stricter rules on national fiscal policy by making structural budgets the main target of balancing efforts. The problem with this approach is that, as exemplified by the Spanish case, the structural position does not consider cyclical fluctuations of output and employment (Sawyer, 2017: 80). In times of economic downturn, the automatic stabilisers of fiscal policy tend to suffice to ameliorate the

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73 The structural, as defined by the OECD (2020), “… represents what government revenues and expenditure would be if output were at its potential level.”
impacts of the recession, and this inevitably results in actual (not structural) budget deficits. The Fiscal Compact, guided by neoliberal principles of fiscal consolidation, thus imposed a “one-size-fits-all” rule without considering that some member states required expansionary policies instead. Of course, the body social in those member states suffered the grievous consequences of austerity, i.e., decreasing social benefits, increasing unemployment, widening income-gaps, and so on.

In turn, Sweden and Norway were not exempt from the generalised neoliberal turn across the 1970s and 1980s. They too underwent liberalisation and financialisation processes that, to varying degrees, mimicked the prevailing Anglo model of the US and the UK. The Scandinavian welfare state model of full employment, high levels of equality, and generous social programmes, thus started to fundamentally change in the 1980s. Perhaps ironically, these structural changes came from the very Social Democrats that had been politically and socially dominant for decades.

The Nordic neoliberal turn occurred in an unstable international context: inflation was on the rise, as was unemployment in vast parts of the Western world. Due to the pressure of international economic newcomers (e.g., Japan and Korea), exporting economies such as Sweden lost competitiveness. Profitability and investment decreased, and the balance of payments reached critical levels. The financialisation of the Scandinavian banking system introduced new volatile elements, fundamentally in the form of higher speculation in stock markets. In Sweden, the stock exchange went from being 12 per cent of GNP in 1980 to 68 per cent just nine years later and 128 per cent in 2012 (Therborn, 2018: 8). As we know, this resulted in one of the direst banking crisis in Western Europe, first in Norway and soon after in Sweden. Unemployment soared, income inequality rose, workers’ bargaining power diminished, and the centre-left parties lost electoral support. These trends were, to some degree, balanced over the course of the 1990s after the Scandinavian banking crises abated, but Sweden and Norway were no longer the same model examples of egalitarian welfarism. By the time of the Great Recession, it had become clear that the body social in Sweden and Norway were more concerned about immigration and stock markets than about workers’ rights and social equality (ibid.: 13). This is electorally manifest in the massive increase in the support given to the populist Swedish
Democrats since 2012, and the last seven consecutive years of Conservative cabinets in Norway.

The political management of the Great Recession in the three ideal-typical regimes thus followed similar patterns demonstrating the powerful converging force of neoliberalism, yet they also did so with noticeable differences in line with historical feedback loops. Such differences are best explained by the deep social imprint of national historical institutions. As shown in this chapter, the European Union provided a common legal framework that was more optimal for some (e.g., the UK and Germany) but rather detrimental for others (Spain). The initial expansionary thrust echoed the 1930s but was extremely short-lived, as this time around the composition of sources of social power had positioned the neoliberal ethos at the centre of international decision-making institutions. Neoliberalism’s economic success had also permeated national institutions and governments, thus making the re-embedding of markets an electoral feat of almost insurmountable odds.

Despite the many similarities between the junctures of 1929 and 2008, the latter served market forces to strengthen their political footing in electoral dynamics, showing that the neoliberal institutional legacy initiated in the 1970s set powerful self-reinforcing mechanisms. Amongst these mechanisms, I have highlighted the importance of global financial integration, not only by means of institutional cooperation but also by pulling citizens into the sphere of impersonal financial markets. Private debt in the form of mortgages and loans made life better for many, but they also tied them to system-perpetuating policies: “if they fall, we fall.”

The very statement that some banks and companies are “too big to fail” points both to the social and political success of neoliberalism as well as to the deep societal transformations it achieved in prior decades. But “big” does not actually refer to the size of a company but its disembedded influence over the social economy. For the vast majority of the body social, the collapse of financial institutions did not pose a prime concern. Multitudinary popular mobilisations protested against the bankers and financiers’ greed. However, the body social’s increasing private debt did in fact matter to citizens, but this was inextricably entwined with the fate of the very same actors that had brought economic collapse and misery upon society. In this way, the Great Recession led to a new wave of liberalising national governments with noticeable electoral support, making 2008 the political antithesis of the 1930s. Western Europe
thus continued the trajectory of the 1970s, but at the same time, the recession cemented the gravity of the historical patterns observed in previous decades. The politics of disembedding was now not a mere matter of socio-political preferences, of “big states versus small states.” In a Polanyian vein, the Great Recession made it clear that the profound societal changes of past decades make it very hard for society to defend itself.
6 The civil society responses: trust and political participation

The current chapter complements my analysis of political responses to the crisis with an examination of how publics reacted. I adopt a third analytical lens that helps me analyse a different phase of the financial crisis, that of civic responses in times of economic recession. Individuals’ political engagement measured as voting and institutionalised and non-institutionalised participation are taken into consideration. I do this by analysing data from the European Social Survey (ESS) rounds 1–8, which cover the period 2002–2016, both the affluent years before the Great Recession and the years of hardship and institutional reform. The theoretically-informed, detailed historical analyses in the previous chapters have highlighted that the examined nations can reasonably be partitioned into three distinctive ideal-typical types, i.e., the Anglos (typified by the UK), the Euros (Spain, France and Germany), and the Nordics (Sweden and Norway). These three ideal types inform the empirical analyses of the ESS presented in this chapter.

The previous major financial/economic disruption in the 1930s caused waves of political mobilisation, leading to reforms in terms of social and civil rights across many European states (Hobsbawm, 1994; Luebert, 1991). Those waves were subsumed within society’s protective reaction against financial markets (Polanyi, 1957) and pragmatic class coalitions that sought to preserve the liberal order (Halperin, 2004: Chapter 7; Mann, 2012: Chapter 9). Recent decades, however, have witnessed a noticeable decrease in citizens’ political participation, e.g., voter turnout is now lower, and so are party and trade union memberships (Kollmeyer and Peters, 2019; Putnam, 2000). The Great Recession led to some institutional reforms aimed at more efficiently controlling financial institutions (see Bermeo and Pontusson, 2012), but these reforms and previous neoliberal “reregulations” of financial institutions ultimately maintained the financial status quo (Block and Somers, 2014: Chapter 4) that generated the 2008 financial crash.

In this chapter, I offer an analysis of political participation in relation to individuals’ social class and two composite indexes that reflect respondents’ trust in core democratic institutions. As explained in Chapter 3, I have constructed a measure
of social class that operationalises Erikson-Goldthorpe-Portocarero’s neo-Weberian class classification (Erikson and Goldthorpe, 1992; Goldthorpe, 1980). Drawing on social survey data covering both the pre-crisis and post-crisis years, my aim in this chapter is to take the comparative historical analysis of the politics of economic recession to the individual level, i.e., the micro-level of the participatory politics of the people that lived through it. My aim is not to be fully exhaustive in the analysis of social predictors of political participation in Western European countries. This chapter, instead, seeks to complement previous chapters’ historical analyses with more contemporary, higher-granularity information. I have thus limited my analysis of the ESS to one dimension, political participation. The importance of political participation in democratic societies has been widely acknowledged in the scholarly literature (e.g., Dalton, 2004; Kriesi, 2008; Putnam, 2000; Runciman, 2018; Verba et al., 1995). I have also highlighted in previous chapters the importance of politics (and by extension political participation) for society’s defence against self-regulated markets, showing that embedding democratic practices can effectively fight for the political and social control of financial and economic markets.

On the basis of this data, I argue that the differences in political engagement across the three ideal-typical regimes can be characterised according to these countries’ historical pathways, as analysed in previous chapters. Individual, less-involving participation is stronger in the liberal UK. More voluntaristic, time and effort-consuming engagement is stronger in the Euros. In the Nordics, political participation importantly adopted an electoral form given the highly socialised nature of their (corporatist) welfare regime. Yet, at the same time, today’s picture across the six examined Western European societies also shows that citizens are profoundly mistrusting of the core institutions of democracy. This reasserts with contemporary data Mann’s (1970) classical argument that liberal democracy importantly depends on the lack of value commitment and apathy of subordinated classes—who, in my analyses, are shown to engage politically less relative to their more privileged counterparts. This suggests that the pressure for a new socially embedding momentum might not come from the forces of civil society as it partially did in the 1930s.

Integral to the analyses of the micro-level data provided by the ESS are the theoretical conceptions of political participation and trust. As already noted, these
concepts are not measured directly in the ESS but can be estimated through the analysis of a set of indicator variables. As showed in Chapter 3, I devised a factor analysis which provides a multivariate method for reducing dimensionality of survey data items, where the information contained in the interrelationships of many variables can be conveyed, to a good approximation, by a much smaller set (Bartholomew et al., 2011).

**Trust in Western Europe**

An important element in a democratic society is the levels of trust that its different institutions, which regulate and condition citizens' lives, are capable of generating (e.g., Almond and Verba, 1989; Crozier et al., 1975). In recent decades, scholarly works have identified a declining trend in trust and civic engagement in liberal democracies (e.g., Dalton, 2004; Hay, 2007, Puntam, 2000; Stoker, 2006). Contemporary data from the ESS show that Western European publics are mistrusting, with very small variation over time that suggests mistrust is a consolidated feature of Western European societies. I begin my examination of trust in Western Europe with an examination of the UK, followed by the Euros (Spain, France, and Germany) and the Nordics (Sweden and Norway).

*The Anglo: the United Kingdom*

In this section, I examine a snapshot of the UK in the 21st century. The UK is archetypical of the liberal family of welfare regimes (Esping-Andersen, 1990: 26–27). The critical historical junctures arising and developing from the late 1970s (see previous chapters) form the backdrop of this section and subsequent ones.

*Table 6.1* shows levels of trust in the UK for the period 2002–2016. 74 The column “GA” (average for the period 2002–2016) shows that respondents in the UK have, on average, rather low levels of trust across the board. The European Parliament presents the lowest levels of trust in the UK. This can be explained by the

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74 I have included trust in political parties in this table and subsequent ones to show its levels of trust across countries and over time. However, this item is still omitted from the logistic regressions as explained in Chapter 3.
country’s historical relation with the European continent. The British electorate voted in 1973 to join the European Economic Community (EEC). This happened under the Conservative government of Edward Heath. The country’s party system, however, has always had an active Euro-sceptic component (Lubbers and Scheepers, 2005; Rowinski, 2017), be it amidst the Conservative Party, the left-wing of the Labour Party, or smaller parties, such as UKIP, whose sole raison d’être was the exit of the UK from the European Union.

Table 6.1 Levels of trust in the UK (averages). All years.

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Figures for the remaining liberal democratic institutions do not present better prospects. Most scores are below the middling five-point mark. Trust in the police, however, never dropped below six points. The police constitute a central democratic institution, for it is the prime public body legitimately authorised to employ force in order to guarantee and preserve public order under the rule of law. The underlying social contract regarding the existence of a police force is rather simple: law-abiding citizens in democratic societies accept that their rights might be restricted in accordance with the authority of the state embodied in the enforcers of the rule of law. In return, the state compromises by safeguarding all citizens’ welfare, which involves restricting other potentially non-law-abiding citizens.

Research in legal studies argues that citizens’ trust in the police force is importantly conditioned by their perceptions of how effectively police officers ensure public order (e.g. Gau, 2010; Maguire and Devon, 2010). This also corresponds with
homonymous views in management and political theory, where the transparency of the inner-workings of public institutions, as well as the existence of channels for communicating with the citizenry, are key elements that condition people’s trust and satisfaction. In the UK, trust in the police shows an overall increasing trend in the period 2002–2016 by over half a point (0.62). This is despite severe budget cuts to the British police force in recent years (which exerts pressure on the police’s main duty of safekeeping public order).

The police’s higher levels of trust can be explained in relation to the other institutions. It is not unusual for political parties to pledge to maintain the social order—in the UK, especially by the Conservative Party (Blake, 2011). In the last decades, the Labour Party has also pledged to increase police funding, not speaking directly of “law and order”, but linking them to an essential social service (Tham, 2001: 410). Furthermore, the police force is often portrayed to the public as another victim of austerity. Reports on criminals going unpunished, failing the public because of cuts, or even the deterioration of officers’ mental health have been discussed outside and inside Parliament in recent years (e.g., BBC, 2018; Dodd, 2019; Weaver, 2019). However, cuts to the police budget do not dominate the news cycle when compared to other current affairs. Reports on political parties, politicians, and parliamentary affairs appear more frequently in media outlets. As a result of different media exposure and media portrayals of institutions, we could expect a higher trust in the police force than in those who are restricting the flow of resources (i.e., parties and politicians). Trust in the legal system arguably follows a similar logic. Despite the lack of assertive legal action against financiers and bankers in the UK after the 2008 financial crisis, trust in the legal system is the other item that scores higher than five points across the board.

Trust in parliament, trust in politicians, and trust in political parties all present low scores throughout the whole period. Trust in politicians presents a negligible net decrease over time (-0.04), whereas trust in the country’s parliament remained virtually at the same level. Following the media-exposure explanation outlined above, professional politicians and political parties present the lowest levels of trust because they are the representative system’s most palpable embodiment. They are visible; they can be held accountable more easily. General publics can (and have) questioned the legitimacy of parliaments in the past (e.g. Gamson, 1968). Nevertheless, parliaments
present a higher level of complexity that the general public might not fully appreciate, i.e., mistrust is more likely to be directed at the personification of political representation (politicians and parties) rather than parliaments, which entail higher levels of abstraction and understanding of political systems.

As shown in Table 6.1, trust in parliament reached its nadir in 2010, when David Cameron was first elected prime minister after 13 years of New Labour. The austerity measures introduced by the new Tory government constricted public budgets in an attempt to tame deficit levels. By technical economic standards, the UK was already out of the recession in 2010. The UK’s GDP grew 1.9 per cent in 2010 and a further 1.5 per cent in 2011 and 2012 consecutively (World Bank, 2020).75 This is likely reflected in the increase in trust in politicians from 2010 to 2012. The change of political party in power is also likely to have influenced the 2010–2012 increase in trust in both politicians and parties. During their last years in office, the Labour Party had experienced a considerable decrease in popular support. Gordon Brown’s term had been nothing like Tony Blair’s first terms (Kettell and Kerr, 2008).

Cameron’s government took great pride in this economic achievement, which they saw as resolving years of Labour negligence. Nevertheless, the UK’s economic situation was far from settled. The Great Recession initially levelled the ground in terms of economic inequality, mainly by hitting the middle and working classes. The UK’s Gini coefficient thus dropped to 32.3 points in 2012 from 35.7 points in 200776, but it bounced back up (i.e., worsened) to 34 points at Cameron’s second electoral victory in 2014 (World Bank, 2020). Furthermore, during the first years of the new Tory government, the UK’s equivalised household disposable median income decreased noticeably until 2014, whereas simultaneously the richest 5 per cent’s income kept increasing and widening the inequality gap. By 2018, the income of the UK’s richest grew by 4.7 per cent, compared to a decrease of 1.6 per cent amongst the poorest 5 per cent (ONS, 2020c).

The decline of trust levels against the backdrop of worsening material conditions was accompanied by increases in popular support for alternative political

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75 Seasonally-adjusted unemployment, however, was at 7.9 per cent in 2010. It remained around 8 per cent until 2014 when it finally dropped to 6.2 per cent (ONS, 2020b).

76 A Gini coefficient of 0 indicates perfect equality; 1 indicates perfect inequality. As a comparison, the UK had a Gini coefficient of 36 points in 2014, whereas Sweden’s Gini was 26.1 and Denmark’s 24.9 in the same year.
discourses.\textsuperscript{77} The UK Independence Party (UKIP), with an overtly anti-immigrant, anti-Muslim, and anti-EU discourse, noticeably gained popularity in elections, especially in the European Parliament election of 2014—when Nigel Farage’s UKIP was the most voted for party with 26.6 per cent of the total share. The last European Parliament election in 2019 also saw massive support for Farage (now in the Brexit Party), whose party was again the most voted for with 30.5 per cent of the total share (House of Commons, 2019). ESS data also reflect this trend. In 2006, only 0.46 per cent of UK respondents had voted for UKIP; this figure jumped to 8.10 per cent by 2016 (ESS, 2006–2016).

UKIP’s popularity gains amidst sustained low levels of political trust over a decade of survey data reflect more than citizen mistrust towards parties and politicians of the status quo, or a general trend in democratic-virtue decline. The rise of anti-European sentiments and white racism in the UK (Flemmen and Savage, 2017) hints at the irruption of a Polanyian defensive movement reacting to the aftermath of the Great Recession—which, as shown in Chapter 5, saw the reinforcement of neoliberal positive feedback in the form of institutional continuation. A similar socially defensive move could be seen in the British centre-left when Jeremy Corbyn (a more left-leaning backbencher) rose to the Labour Party’s leadership in 2015, supported by grassroots movement Momentum.

However, and despite the emergence of social reactions to the institutional status quo, given the sustained, generalised low levels of political trust in the UK and the powerful international cooperation of political elites and transnational financial institutions in 2008/9, it is unlikely that we will see the creation of a meaningful critical juncture soon. Although UKIP’s rise in popularity has not produced a parliamentary presence thus far, it nonetheless poses a serious threat as it introduces illiberal elements into mainstream political discourses that are bound to create reactions in the rest of the parties. Theresa May’s Conservatives toughened their tone on matters such as undocumented migration. The Labour Party returned to the centre by reinstating a moderated leadership after Boris Johnson won the general election of 2019.

\textsuperscript{77} From 2002 to 2016, UK respondents sustained relatively constant levels of party attachment. On average, 58.56 per cent of respondents reported that they felt “quite close” to a political party, 27.73 per cent that they were “not close”, 8.98 per cent “very close”, and 4.73 per cent “not at all close” (ESS, 2002–2016).
The Euros: Spain, France, and Germany

Now I examine levels of trust in the three Euros (i.e., Spain, France, and Germany). Like in the UK, the publics in the Euros also present a general picture of rooted mistrust that is rather negative. There is some noticeable variation across countries that can be explained by country-specific pathways, but they share important commonalities as can be seen in Tables 6.2, 6.3, and 6.4. When analysing the Euros, it is important to bear their closer historical connection to the European project in mind—which suffered important declines in popular support during the Great Recession (Armingeon and Ceka, 2014; Armingeon and Guthmann, 2014).

Table 6.2 Levels of trust in France (averages). All years.

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Table 6.3 Levels of trust in Germany (averages). All years.

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Like the UK, trust in the police shows the highest scores of trust with a net-increasing trend across all three Euros. The Spanish public not only presents the highest average trust in the police amongst the Euros (6.05 points), but it also shows the highest net increase (1.14 points). This is a considerable increase given the sustained low levels of trust over time. Trust in the Spanish police dropped only between 2010 and 2012, i.e., the hardest years of neoliberal austerity measures that created a wave of house evictions carried out by the police (Barbero, 2015). Moreover, trust in the police is the only item that presents a positive net difference in Spain in the period 2002–2016. All five other items decreased over time, some noticeably so. In France and Germany, trust in the police increased, overall, by 0.52 and 0.39 points respectively. Trust in the police, when considered year-by-year, was considerably higher in Germany than in France and Spain. When compared to other items of trust, higher levels of trust in the police suggest that respondents favour institutions that more clearly work for the continuation of the institutional order. This can be seen further in France and Germany, where the legal system presents the second-highest scores of trust averaging 4.97 and 5.8 points respectively. In Spain, the average trust in the legal system is lower (4.29). Spain is the only country where the public is (slightly) more mistrusting of the legal system than parliament (4.4 points) or, even, the European Parliament (4.54 points). This likely reflects the Spanish legal system’s inaction against the comparatively higher levels of political corruption that have
historically characterised the country (see González-Fernández and González-Velasco, 2014; Parrado et al., 2018).

Germany, a country comparatively less affected by the crisis, shows the most positive attitudes although they can still be considered low. Unlike in France and Spain, all items except one present net increases over time. The only item that presents a net decline in Germany is trust in the European Parliament (-0.12 points), which likely reflects the rise of right-wing nationalism, anti-immigration sentiments, and the perceived burden posed by less-developed economies in the South of Europe (e.g., Dennison and Geddes, 2019; Tzogopoulos, 2016: Chapter 1). The decrease in trust in the European Parliament was larger in France (-0.67 points) and Spain (-0.6 points). Trust in the Bundestag increased a net 0.87 points, almost the opposite of what occurred in Spain (-0.92 points). This difference is probably linked to the strong, assertive political intervention of Germany in the affairs of the European Union during the Great Recession (see Chapter 5).

The political systems in France and Spain suffered a noticeable loss in public trust over the period 2002–2016. In Germany, however, none of the three national political items (i.e., trust in parliament, politicians, and political parties) experienced a decline in trust. This further supports the idea that Germany’s role in managing the Eurozone crisis was portrayed as one of responsible, strong leadership. On the other hand, the picture in France and Spain is rather different. In France, trust in politicians dropped by 0.75 points reaching a low of 2.88 points in 2016. In Spain, trust in politicians decreased almost by a whole unit (-0.97 points), whereas trust in political parties did so by well over a unit (-1.25 points).

Taking the year of the financial crisis as a reference point, we can see two emergent trends. One trend shows that political trust in France and Spain declined once the crisis was settled in 2010, to then follow a declining trend towards 2016. In Spain, trust in politicians (1.91 points) and political parties (1.88 points) were both at their lowest in 2012. This coincides with the hardest years of neoliberal austerity, exorbitant unemployment, and home evictions after the collapse of the housing bubble and banking sector. In France, the minimums in political trust were achieved during the following ESS round (2014), also coinciding with an increase of austerity measures during Hollande’s (Parti Socialiste) second year in the presidency. Similar to the British case, in France we can also observe a protective (and reactionary) social move
towards heightened Eurosceptic, nationalist sentiment. 2014 was the year in which the French far-right National Front won 25 per cent of the popular vote in the European Parliament elections with an anti-establishment, “French first” agenda (Reynié, 2016; Treib, 2014).

The other trend is exemplified by Germany, where minimums in political trust are to be found in the pre-crisis years. As outlined in Chapter 5, Germany underwent important structural reforms in the first years of the 21st century, when the SPD-Greens coalition led by Schröeder (elected in 1998 and re-elected in 2002 until 2005) introduced the Hartz reform and more generally the so-called Agenda 2010 in 2003 (i.e., the political blueprint for Germany’s liberalisation process within the broader European context of the Lisbon Strategy of 2000). Agenda 2010 enacted several highly unpopular measures that sought to liberalise Germany’s welfare system (Braunthal, 2003; Camera-Rowe, 2004). This helps to explain the lower levels of trust before the crisis in 2008. Furthermore, the fact that levels of trust increased during and after the crisis suggests that the German public favoured Merkel’s institutional continuation of liberalising reforms. This further hints at the strong social effects of positive feedback, especially at times when the body social displays generalised levels of mistrust and apathy towards the political institutions of liberal democracy.

*The Nordics: Sweden and Norway*

Although affected by the Great Recession in some important ways, Sweden and Norway dealt with the crisis comparatively better than the rest of Western European countries. Nordic banks were hit by the international collapse of capital markets, but they were not directly affected by the US subprime mortgage market’s toxic assets. The great stimulus packages and expansionary policies enacted by the Nordics ameliorated, importantly, the first impacts of the crisis (see Chapter 5). From 2009 onward, Norway’s GDP annual growth rate registered only positive figures, reaching a maximum of 2.7 per cent annual growth in 2012 (World Bank, 2020). Sweden’s GDP also grew considerably and at higher rates than in Norway, achieving a spectacular 5.9 per cent annual growth in 2010 and 4.5 per cent in 2015 (*ibid*).
Table 6.5 Levels of trust in Sweden (averages). All years.

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Table 6.6 Levels of trust in Norway (averages). All years.

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Tables 6.5 and 6.6 presents average levels of trust in Sweden and Norway.

Like the other Western European countries, levels of trust in the two Nordics do not present a very positive picture. On average, however, Nordic respondents show noticeably higher levels of trust than their Anglo and Euro counterparts. Different trends can also be observed in the Nordics. Norway does not present any negative net difference between the starting levels of trust in 2002 and the final levels in 2016. Trust in parliament, the legal system, and political parties all show considerable net increases. This is in stark contrast with France and Spain where levels of political trust were noticeably lower in 2016 than in 2002. Political and legal trust in Sweden, on the

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78 It must be acknowledged that Norway is not part of the European Union after Norwegians voting against membership in the 1994 referendum. However, the increasing trend over the surveyed years suggests a (very timid) change in attitudes.
other hand, did not increase as much as in Norway, with most items of trust remaining fairly constant over the period 2002–2016. Trust in parliament, for instance, presents a negligible net increase of 0.03 points, whereas trust in politicians presents the same levels in 2002 and 2016.

Sweden and Norway, overall, have rather similar levels of trust across the board when compared to the other Western European countries, but the Norwegian public constantly presents higher levels of trust than their Swedish counterpart. Within the Nordics, the most noticeable difference is to be found in the difference between levels of trust in 2002 and 2016. The Norwegian case shows the most accentuated, positive net increase in trust from all six Western European countries. Sweden, in contrast, shows a rather static development even when compared to the Anglo and Euros. Furthermore, it must be noted that these net differences within the Nordics do not stem from disparities in the starting levels of trust. In 2002, all items in both Sweden and Norway were fairly similar. Instead, the Nordics started to diverge after the first years of the Great Recession, when the Norwegian public started to report considerably higher levels of trust.

When considering the whole period, trust in parliament presents the biggest difference between Sweden and Norway (net gains of 0.03 points and 1.09 points respectively). This is followed by trust in the legal system (0.16 points versus 1.02 points), and trust in politicians (0 points versus 0.81 points). Like in the Anglo and Euros, the Nordics’ legal trust also presents consistently higher levels than political trust. This further cements the idea that legal institutions are not as visible or conceived as responsible as political actors, despite the generalised lack of legal action against greedy bankers and politicians in Western Europe.

When considering the years of the Great Recession, we observe that in both Nordics all three items that form my index of political trust increased. The opposite occurred in the UK and Euros. From 2008 to 2010, trust in parliament increased 0.54 points and 0.24 points in Sweden and Norway respectively. Trust in politicians did so by 0.42 points and 0.31 points respectively. Trust in political parties also increased 0.34 points in Sweden and 0.17 points in Norway. This shows that increases in political trust were bigger in Sweden than in Norway during the immediate years of the 2008 financial crash.
Political trust, however, kept increasing in Norway thereafter, whereas in Sweden all three items of political trust decreased in 2012. This was not fortuitous. In 2012, Sweden experienced an economic contraction of -0.6 per cent in GDP growth after two years of significant economic expansion in 2010 (5.9 per cent) and 2011 (3.2 per cent, World Bank, 2020). This also coincided with Sweden’s renewed political push to outsource the procurement of social services. This political move has since increased importantly the opportunities for private commercial actors in the provision of formerly state-provided services (Hagemann, 2018: 140–141).

Yet, as shown in Chapter 5, the liberalising critical juncture in Sweden occurred in the 1980s and 1990s (Palme, 2019), and thus new liberalising reforms like those enacted after 2008 are better interpreted as reinforcing positive feedback that benefits from low levels of citizen trust. The management of the crisis and further expansions of liberalising policies in Sweden were carried by Reinfeldt’s centre-right coalition government. This coalition ruled from 2006, when Reinfeldt’s ‘New Moderates’ ousted the Social Democrats, until September 2014, when Stefan Löfven of the Social Democratic Party assumed office in a minority coalition with the Green Party.

Reinfeldt’s coalition lost its parliamentary majority in the previous 2010 general election, thus requiring for the first time in history the aid of Swedish Democrats (a populist anti-immigration party in Sweden), who managed to score an incredible vote upswing of 7.2 percentage points (29 parliamentary seats) whilst the New Moderates lost 23 seats (SCB, 2020). Yet again, in Sweden, we also see a protective/reactionary social move towards right-wing populism that seeks to punish status quo political parties. ESS data for Sweden show an increase in political trust between 2012 and 2014, which coincides with the electoral increase of Swedish Democrats. On the other hand, in 2016, we can see the opposite after two years of the centre-left minority government, i.e., a decrease in trust.

In Norway, the Great Recession was managed by Stoltenberg’s Red-Green coalition, which ruled from 2005 until 2013—when the Conservative Party led by Erna Solberg gained 18 parliamentary seats with an upswing of 9.6 percentage points compared to the previous election in 2009 (SSB, 2020). Norway’s Labour Party, in turn, lost 9 seats and 4.5 percentage points in the share of popular vote (ibid.). Solberg’s minority centre-right coalition managed to survive after the 2017 general election, despite the two main parties losing seats in the Storting. Although two
consecutive Solberg cabinets introduced numerous cuts and tax reforms, ESS data report increases in all items of political trust from 2012 to 2016.

**Social stratification and trust: Anglo, Euros, and Nordics**

In this section, I examine levels of political and legal trust in the Anglo, Euros, and Nordics by using the Erikson-Goldthorpe-Portocarero (EGP) social class classification (see Chapter 3; c.f. Lambert and Bihagen, 2012). The importance of social stratification in the development of historical pathways and critical junctures in the 20th century has been studied extensively (e.g., Halperin, 2004; Luebbert, 1991; Mann, 2012; Polanyi, 1957). From an institutional viewpoint, it is also important to acknowledge the significant impact that social policies and markets, whether more or less socially embedded, have on shaping society's class structure. This was comprehensively illustrated by Esping-Andersen in his analysis of welfare-state manipulation (or “windows”) of national labour markets (Esping-Andersen, 1990: Chapter 6).

An example of how welfare states can actively shape society's stratification would be the creation of public demand for labour, i.e., the public sector. This sector can be seen as a market, though it only marginally behaves like a conventional market. Different ideal-typical regimes create varying degrees of demand for labour. They also focus differently on various public services that might be more encompassing (e.g., the Nordics) or more integrated with the private sector (e.g. the Anglos, see Esping-Andersen, 1990: 157–158). The liberalising critical juncture that Western Europe took in the 1980s, and continuing neoliberal policies throughout the 1990s and 2000s, have similarly informed today's social stratification. In a global context of intense international competition, Western European economies have predominantly been mobilised towards the service sector and more advanced technology/research sectors that require high skills and knowledge (Berend, 2006: Chapter 6). *Tables 6.8–13 below show the social structures of all six countries examined in this chapter.*
As shown in these tables, and as one would expect, in all six countries the agricultural sector is the least populated. Spain is the country that employs the largest number of people in the agricultural sector, although it shows a clear downward trend (from 7.8 per cent farm labourers in 2002 to 4.2 per cent in 2016). The UK has the smallest number of people employed in the agricultural sector.

### Table 6.9 Social stratification in France (percentages). EGP classes. All years.

<table>
<thead>
<tr>
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<td>22.4</td>
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<td>21.7</td>
<td>23.9</td>
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<td>1.4</td>
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<td>1.7</td>
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<td>1.5</td>
<td>1.7</td>
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</tbody>
</table>
Lower controllers are, by a considerable margin, the predominant social class in all countries but Spain. This class is formed by the lower salariat, i.e., lower grade professional, administrative and managerial occupations. It also includes higher grade
technicians and supervisors. In Spain, the predominant social class is semiskilled and unskilled manual workers, reflecting the less-developed nature of the country’s economy. Higher controllers (i.e., higher grade professionals and managerial occupations) also present a sizeable proportion (lower in Spain), reflecting these countries’ international positions in competitive global markets.

Table 6.12 Social stratification in Sweden (percentages). EGP classes. All years.

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<td>1.27</td>
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<td>1.29</td>
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<td>1.61</td>
<td>1.51</td>
<td>1.41</td>
<td>1.32</td>
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<td>0.81</td>
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</tbody>
</table>


Table 6.13 Social stratification in Norway (percentages). EGP classes. All years.

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<td>1.36</td>
<td>1.63</td>
<td>1.11</td>
<td>1.46</td>
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<td>4.15</td>
<td>3.89</td>
<td>3.84</td>
<td>3.39</td>
<td>4.68</td>
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<td>Skilled manual</td>
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<td>7.66</td>
<td>7.76</td>
<td>8.29</td>
<td>6.61</td>
<td>6.73</td>
<td>5.53</td>
<td>7.28</td>
</tr>
<tr>
<td>Semi/unskilled manual</td>
<td>22.55</td>
<td>20.93</td>
<td>19.44</td>
<td>18.81</td>
<td>18.22</td>
<td>17.43</td>
<td>16.11</td>
<td>15.56</td>
<td>18.8</td>
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<tr>
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<td>1.65</td>
<td>1.26</td>
<td>0.47</td>
<td>0.68</td>
<td>1.62</td>
<td>1.11</td>
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<td>2.21</td>
<td>1.81</td>
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</tbody>
</table>

Now, Tables 6.14–19 present levels of trust in all six countries by EGP social class. The information has been simplified to averages of all ESS rounds included (2002–2016). As can be seen in these tables, the generalised levels of mistrust examined in previous sections are not socially stratified, i.e., all EGP social classes present virtually identical low levels of trust within each country. As previously noted, the Nordics still present higher levels of trust when compared to the UK and the Euros.

Table 6.14 Levels of trust by social class in the UK (averages). All years.

<table>
<thead>
<tr>
<th>Social Class</th>
<th>Parliament</th>
<th>Legal system</th>
<th>Police</th>
<th>Politicians</th>
<th>Pol. parties</th>
<th>European Parliament</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher controllers</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Lower controllers</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Routine nonmanual</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
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<tr>
<td>Manual supervisors</td>
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<td>Skilled manual</td>
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<td>5</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Semi/unskilled manual</td>
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</tr>
</tbody>
</table>


In the UK, higher and lower controllers never present lower levels of trust compared to the other social classes. Although the UK’s historical pathway since the 1980s has particularly benefited the upper classes (e.g., relaxed taxation at higher income brackets, asymmetrical income distribution), they still have virtually the same levels of trust as those social classes less benefited by liberalising policies and harder impacted by the Great Recession.

In the Euros (Tables 6.21–23), we can also observe a generalised lack of variation across EGP social classes. The upper social classes in Germany present, like their UK counterparts, marginally higher levels of political trust. However, this is not the case in France and Spain, where all the social classes show the same low levels of trust (3 points) in politicians and political parties.
Table 6.15 Levels of trust by social class in France (averages). All years.

<table>
<thead>
<tr>
<th>Social Class</th>
<th>Parliament</th>
<th>Legal system</th>
<th>Police</th>
<th>Politicians</th>
<th>Pol. parties</th>
<th>European Parliament</th>
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<td>Manual supervisors</td>
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<td>4</td>
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Table 6.16 Levels of trust by social class in Germany (averages). All years.

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<tr>
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<td>4</td>
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<td>7</td>
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<tr>
<td>Farm labourers</td>
<td>4</td>
<td>5</td>
<td>7</td>
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<td>3</td>
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</tr>
<tr>
<td>Farmers</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>4</td>
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</tr>
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</table>

Table 6.17 Levels of trust by social class in Spain (averages). All years.

<table>
<thead>
<tr>
<th>Social Class</th>
<th>Parliament</th>
<th>Legal system</th>
<th>Police</th>
<th>Politicians</th>
<th>Pol. parties</th>
<th>European Parliament</th>
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<tbody>
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<td>Higher controllers</td>
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<td>4</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Lower controllers</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>3</td>
<td>3</td>
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<td>Routine nonmanual</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>5</td>
</tr>
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<td>4</td>
<td>6</td>
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<td>3</td>
<td>4</td>
</tr>
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<td>Selfemp w/o empl</td>
<td>4</td>
<td>4</td>
<td>6</td>
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<td>3</td>
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<tr>
<td>Manual supervisors</td>
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<td>4</td>
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<td>3</td>
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<td>6</td>
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<td>6</td>
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<td>Farm labourers</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>3</td>
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Table 6.18 Levels of trust by social class in Sweden (averages). All years.

<table>
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<tr>
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<th>Police</th>
<th>Politicians</th>
<th>Pol. parties</th>
<th>European Parliament</th>
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<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Lower controllers</td>
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<td>6</td>
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<td>5</td>
<td>5</td>
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<tr>
<td>Routine nonmanual</td>
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<td>6</td>
<td>7</td>
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<td>5</td>
</tr>
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<td>Selfemp w/ empl</td>
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<td>6</td>
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<td>6</td>
<td>6</td>
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<td>4</td>
<td>4</td>
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<td>Manual supervisors</td>
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<td>Farm labourers</td>
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<td>7</td>
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<td>Farmers</td>
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</table>

Table 6.19 Levels of trust by social class in Norway (averages). All years.

<table>
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<th>Legal system</th>
<th>Police</th>
<th>Politicians</th>
<th>Pol. parties</th>
<th>European Parliament</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher controllers</td>
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<td>7</td>
<td>7</td>
<td>5</td>
<td>5</td>
<td>5</td>
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<td>Lower controllers</td>
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<td>5</td>
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<tr>
<td>Routine nonmanual</td>
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<td>7</td>
<td>7</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Selfemp w/ empl</td>
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<td>6</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>4</td>
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<tr>
<td>Selfemp w/o empl</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>4</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Manual supervisors</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Skilled manual</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Semi/unskilled manual</td>
<td>5</td>
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<td>7</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Farm labourers</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>5</td>
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<td>Farmers</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>5</td>
<td>5</td>
<td>4</td>
</tr>
</tbody>
</table>


The Nordics are no different from the Anglo and Euros; they do not show important variation in levels of trust across social classes. However, they do present considerably higher levels of trust relative to the other countries. The lack of variation across social classes further depicts Western Europe in a negative light. At its core, political trust represents the body social’s support for political institutions. In past research, high levels of trust were considered essential to democracy (e.g., Almond and Verba, 1989). A potential result of low levels of political trust is an anomic democracy. This is a society without political purpose, apathetic, dissatisfied and lacking support for the very institutions that are integral to the functioning of democracy. Sustained low levels of political trust thus may signal a serious democratic crisis (e.g., Newton, 2001). Declining levels of political trust, however, have been reported since the 1970s (e.g., Crozier et al., 1975), yet Western European societies have always maintained relatively high levels of political stability and sustained economic growth since then. Are, then, low levels of trust all that bad for liberal democracy?

For Western political elites, trust is certainly an important matter. They often speak of “recovering people’s trust”, provided they are voted for. Such a crisis of trust
might create political opportunities for institutional reform. The historical pathways examined in Chapter 5, however, showed the institutional resilience of the prevailing neoliberal order subsumed in Western liberal democracy. Cumulative positive feedback allowed Western European elites to revert to historical form after an initial wave of neo-Keynesian responses. This might have occurred in a generalised context of low levels of trust, but ultimately political elites went largely unpunished. In the UK and Spain, David Cameron and Mariano Rajoy both won two consecutive elections; and Angela Merkel has been the chancellor of Germany since 2005! In all six countries examined, the body social elected political representatives with more or less liberalising economic agendas during the Great Recession. Levels of trust were low in all these cases. This section, of course, cannot present a causal explanation, as the evidence is rather circumstantial. Political trust might be a desirable pro-democratic value, but it seems to be unnecessary for the institutional stability of liberal democracy.

Now, in the sections below, I further examine civic responses in terms of political participation, social stratification, and levels of trust.

**Political participation in Western Europe, 2002–2016**

Very much like political trust, political participation (or civic engagement) has also been conceptualised as a pro-democratic value that lends legitimacy to political systems and aids in the function of democracy itself (e.g., Dalton, 2002; Hay, 2007; Kriesi, 2008, Putnam, 2000; Svensson and Togeby, 1991). In this section, I examine the political engagement of the public in the Anglo (the UK), the Euros (Spain, France, and Germany), and the Nordics (Sweden and Norway). First, I provide a descriptive analysis of political participation in each country. Then, I present a series of binary logistic regressions that use political participation (measured as voting, institutionalised participation, and non-institutionalised participation) as their outcome variable. The results, in line with past scholarly research (see Chapter 3) show that higher levels of political trust are associated with higher levels of political participation. The results also show that lower social classes are less likely to engage politically than the upper classes.
**Political engagement: the Anglo**

*Table 6.26* shows levels of political engagement in the UK for all ESS rounds (i.e., 2002–2016) considered in this chapter. Figures in *Table 6.20* are percentages of positive engagement (i.e., 1 = “Yes”). It must be noted that one item of participation, party membership, was dropped from the ESS in 2012 (therefore I only examine party membership in this first descriptive section but do not include it in subsequent logistic regression models).

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vote</td>
<td>67.34</td>
<td>62.41</td>
<td>66.93</td>
<td>64.14</td>
<td>67.53</td>
<td>66.33</td>
<td>65.86</td>
<td>72.06</td>
<td>66.57</td>
</tr>
<tr>
<td>Party member</td>
<td>2.71</td>
<td>2.4</td>
<td>2.6</td>
<td>2.41</td>
<td>1.88</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>2.4</td>
</tr>
<tr>
<td>Contact pol.</td>
<td>18.15</td>
<td>14.95</td>
<td>16.65</td>
<td>16.93</td>
<td>14.84</td>
<td>15.17</td>
<td>19.35</td>
<td>17.51</td>
<td>16.69</td>
</tr>
<tr>
<td>Work in party</td>
<td>3.38</td>
<td>2.23</td>
<td>2.51</td>
<td>2.19</td>
<td>1.73</td>
<td>1.95</td>
<td>3.05</td>
<td>3.25</td>
<td>2.54</td>
</tr>
<tr>
<td>Work in org.</td>
<td>9.22</td>
<td>7.99</td>
<td>9.13</td>
<td>6.56</td>
<td>6.1</td>
<td>7.7</td>
<td>8.57</td>
<td>7.48</td>
<td>7.84</td>
</tr>
<tr>
<td>Badge sticker</td>
<td>9.83</td>
<td>7.49</td>
<td>9.3</td>
<td>5.58</td>
<td>6.19</td>
<td>6.03</td>
<td>8.86</td>
<td>9.66</td>
<td>7.87</td>
</tr>
<tr>
<td>Sign petition</td>
<td>40.03</td>
<td>35.54</td>
<td>40.57</td>
<td>38.23</td>
<td>28.54</td>
<td>32.06</td>
<td>40.1</td>
<td>43.55</td>
<td>37.33</td>
</tr>
<tr>
<td>Protest demo.</td>
<td>4.42</td>
<td>3.72</td>
<td>4.36</td>
<td>3.8</td>
<td>2.38</td>
<td>3.14</td>
<td>5.71</td>
<td>5.39</td>
<td>4.11</td>
</tr>
<tr>
<td>Boycott</td>
<td>26.11</td>
<td>20.57</td>
<td>23.69</td>
<td>24.18</td>
<td>19.29</td>
<td>18.48</td>
<td>24.02</td>
<td>21</td>
<td>22.17</td>
</tr>
</tbody>
</table>


As shown above, there is considerable variation across forms of political participation in the UK. Voting in national elections is, as expected, the most popular form of political participation, reflecting its highly institutionalised and even normative character. We see a total average of 66.57 per cent with relatively stable levels year by year. The figure for 2016 (72.06 per cent) refers to the crucial vote of May 2015 when David Cameron was elected prime minister for a second term—this time without the need for a coalition with the Liberal Democrats, as the Conservative Party obtained a parliamentary majority of 12 seats. The general election of 2015 was a crucial moment in the political life of the UK because, on one hand, it legitimised the
continuation of neoliberal austerity and, on the other hand, it opened the door to the 2016 Brexit referendum.

Party membership is the least popular form of political involvement with a 5-ESS-round average of 2.4 per cent. The Labour-dominated (Blair and Brown) period of 2002–2008 presents stable levels of party membership, around 2.5 per cent. We can identify, however, a noticeably decrease in 2010 when party membership dropped well below 2 per cent. Although the UK had technically left the recession by then, the decline in party membership coincides with the election of David Cameron and the implementation of harsher neoliberal economic prescriptions. Moreover, it also coincides with the deterioration of New Labour’s political legitimacy (e.g. Giddens, 2010; Rawnsley, 2010), which had always been linked to the economic soundness of the Third Way. The financial crash of 2008 undermined New Labour’s credibility despite Gordon Brown being one of the first international leaders to act convincingly against the crisis. New Labour, nevertheless, had also been carrying other political burdens such as the involvement in the Iraq War (which in 2003 fuelled some of the biggest protests in British history), and the usual media reports of internal skirmishes between ‘Blairites’ and ‘Brownites.’ All this pressure ultimately led to a Conservative-LibDem coalition with a joint majority of 78 parliamentary seats in 2010.

Signing political petitions appears as the second most frequent form of political participation in the UK, with a total average of 37.33 per cent. Three years are of special interest here. 2002 marked the early involvement of the British Army in the invasion of Afghanistan, a very unpopular decision after which Tony Blair was heavily criticised by wide segments of the body social. 2006 was the run-up year to Blair’s resignation from the premiership after ten years in power. 2016 was the year of the Brexit Referendum. All three years show higher levels of petition signing in the UK.

Boycotting also presents relatively high levels of engagement (average of 22.17 per cent). This is in line with the idea that liberal historical legacies (like that of the UK) tend to create political consumers, i.e., forms of market-oriented civic engagement that favour individual and private participation (Stolle and Micheletti, 2013).

The rest of the items of political participation show, noticeably, lower levels of engagement. Participation in lawful demonstrations is rather low (an average of only 4.11 per cent) despite the numerous social, political, and economic issues the country
underwent in the period 2002–2016. The year 2010 saw a minimum of protesters (2.38 per cent) which coincides with the lowest levels of trust in parliament, politicians, and political parties in the UK. Working in organisations and associations that are not registered as political parties is a more popular option than working in political parties (7.48 per cent versus 3.25 per cent). Wearing political badges and stickers shows a total average of 9.66 per cent, with maximums in 2002 and 2016 (9.83 per cent and 9.66 per cent respectively) coinciding, as already mentioned, with the years of the invasion of Afghanistan and the UK’s EU membership referendum.

Examination of these figures supports the idea that the British body social prefers forms of political participation that are more individualistic, i.e., forms that are less binding in the sense that they require less personal commitment over prolonged periods of time and favour private action (e.g., signing petitions and boycotting products). This hints at the country’s historical affinity with liberalism and corresponding liberal notions of citizenship and civic engagement (Lipset, 1963; Schuck, 2003).

I now turn to the analysis of political participation in the UK with a binary logistic regression that takes into consideration social class and political trust. Table 6.27 presents logistic regression coefficients (i.e., the log of the odds ratio) and standard errors in round brackets. It also presents three models, they are: Model 1 (M1) for voting, Model 2 (M2) for institutionalised political participation, and Model 3 (M3) for non-institutionalised participation. I maintain this nomenclature in the rest of the chapter, i.e., M1 always refers to voting and so on.

Starting with EGP social classes, Table 21 shows that all social classes are less likely to have politically participated when compared to the baseline (reference group) of higher controllers (ceteris paribus). Lower controllers do not have statistically significant coefficients in M1 and M3, signifying that the models cannot ascertain whether their political participation (voting and non-institutionalised engagement) is different from the reference group. In M2 (institutionalised participation), however, lower controllers are predicted to have engaged less than higher controllers.
Table 6.21 Logistic regressions of political participation on social class, trust, and controls in the UK. All years.

<table>
<thead>
<tr>
<th>EGP class</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
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<td>Vote</td>
<td>Inst. par.</td>
<td>Non-inst. par.</td>
</tr>
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<td>Ref.</td>
<td>Ref.</td>
<td>Ref.</td>
</tr>
<tr>
<td>Lower controllers</td>
<td>-0.094 (0.066)</td>
<td>-0.23*** (0.05)</td>
<td>-0.06 (0.05)</td>
</tr>
<tr>
<td>Routine nonmanual</td>
<td>-0.44*** (0.068)</td>
<td>-0.68*** (0.064)</td>
<td>-0.48*** (0.05)</td>
</tr>
<tr>
<td>Selfemp w/ empl</td>
<td>-0.61*** (0.11)</td>
<td>-0.26** (0.1)</td>
<td>-0.34*** (0.09)</td>
</tr>
<tr>
<td>Selfemp w/o empl</td>
<td>-0.65*** (0.11)</td>
<td>-0.79*** (0.12)</td>
<td>-0.66*** (0.09)</td>
</tr>
<tr>
<td>Manual supervisors</td>
<td>-0.67*** (0.12)</td>
<td>-0.79*** (0.12)</td>
<td>-0.72*** (0.1)</td>
</tr>
<tr>
<td>Skilled manual</td>
<td>-0.89*** (0.09)</td>
<td>-1.27*** (0.11)</td>
<td>-1.08*** (0.08)</td>
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<td>Semi/unskilled manual</td>
<td>-0.80*** (0.06)</td>
<td>-1.07*** (0.06)</td>
<td>-1*** (0.05)</td>
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<td>Farm labourers</td>
<td>-0.67** (0.25)</td>
<td>-1.38*** (0.34)</td>
<td>-1.08*** (0.23)</td>
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<td>-0.26 (0.2)</td>
<td>-0.66*** (0.19)</td>
<td>-0.57*** (0.16)</td>
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<td>Union member</td>
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<td></td>
<td></td>
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<td>Yes, previously</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Yes</td>
<td>-0.29*** (0.07)</td>
<td>-0.13* (0.06)</td>
<td>-0.13* (0.05)</td>
</tr>
<tr>
<td>No</td>
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<td>-0.54*** (0.05)</td>
<td>-0.55*** (0.04)</td>
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<td>Political trust</td>
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<td>0.03** (0.01)</td>
<td>-0.01 (0.01)</td>
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<td>Legal trust</td>
<td>0.075*** (0.01)</td>
<td>-0.04*** (0.01)</td>
<td>0.0015 (0.01)</td>
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<td>Age</td>
<td>0.089*** (0.01)</td>
<td>0.07*** (0.007)</td>
<td>0.05*** (0.005)</td>
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<tr>
<td>Age2</td>
<td>-0.0005*** (0.00)</td>
<td>-0.0005*** (0.00)</td>
<td>-0.0005*** (0.00)</td>
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<td>Citizen</td>
<td>0.0009 (0.1)</td>
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<td>Gender</td>
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<td>-0.16*** (0.03)</td>
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</tr>
<tr>
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<td></td>
</tr>
<tr>
<td>2</td>
<td>-0.054 (0.08)</td>
<td>-0.11 (0.08)</td>
<td>-0.2** (0.07)</td>
</tr>
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<td>3</td>
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<td>-0.003 (0.07)</td>
<td>0.006 (0.06)</td>
</tr>
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<td>-0.15* (0.07)</td>
<td>-0.13* (0.64)</td>
</tr>
<tr>
<td>5</td>
<td>0.04 (0.07)</td>
<td>-0.28*** (0.07)</td>
<td>-0.53*** (0.06)</td>
</tr>
<tr>
<td>6</td>
<td>-0.07 (0.07)</td>
<td>-0.18* (0.07)</td>
<td>-0.44*** (0.06)</td>
</tr>
<tr>
<td>7</td>
<td>-0.21** (0.07)</td>
<td>-0.01 (0.07)</td>
<td>-0.05 (0.06)</td>
</tr>
<tr>
<td>8</td>
<td>0.17* (0.08)</td>
<td>-0.1 (0.08)</td>
<td>-0.03 (0.06)</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.9*** (0.19)</td>
<td>-2.02*** (0.23)</td>
<td>-0.6*** (0.18)</td>
</tr>
<tr>
<td>n</td>
<td>15755</td>
<td>16339</td>
<td>16303</td>
</tr>
<tr>
<td>McFadden's Adj R2</td>
<td>0.12</td>
<td>0.05</td>
<td>0.06</td>
</tr>
<tr>
<td>McKelvey &amp; Zavoina's R2</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Cragg-Uhler R2</td>
<td>0.19</td>
<td>0.08</td>
<td>0.1</td>
</tr>
<tr>
<td>BIC null model</td>
<td>19752.64</td>
<td>18272.28</td>
<td>24123.81</td>
</tr>
<tr>
<td>BIC full model</td>
<td>16173.598</td>
<td>16505.471</td>
<td>21267.421</td>
</tr>
</tbody>
</table>

Log odds. Standard errors in round brackets. EGP: Erikson-Goldthorpe-Portocarero class classification. BIC: Bayesian Information criterion. Data weighted with post-stratification weights. * p < 0.05, ** p < 0.01, *** p < 0.001. Source: ESS (2002—2016).
The lower classes show the biggest differences from the reference group in all three forms of political participation. For voting (M1), skilled manual workers are predicted to decrease the log-odds by 0.89; and semiskilled and unskilled manual workers are predicted to do so by 0.8 (net of other variables). Farm labourers show a decrease in the log-odds of voting (-0.67) that is very similar to that of other social classes. This might reflect that political candidates are more visible (and potentially closer) to their constituencies in smaller and countryside populations. Farm labourers, however, show the biggest decrease in the log-odds of institutionalised participation (-1.38) and non-institutionalised participation (-1.08) compared to higher controllers (ceteris paribus).

**Table 6.2** Marginal effects of EGP social class (at means). All models.

<table>
<thead>
<tr>
<th></th>
<th>M1 (Vote)</th>
<th>M2 (Instit.)</th>
<th>M3 (Noninstit.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>dy/dx (Std. Err.)</td>
<td>dy/dx (Std. Err.)</td>
<td>dy/dx (Std. Err.)</td>
</tr>
<tr>
<td>Lower controllers</td>
<td>-0.012 (0.009)</td>
<td>-0.05*** (0.01)</td>
<td>-0.015 (0.01)</td>
</tr>
<tr>
<td>Routine nonmanual</td>
<td>-0.06*** (0.01)</td>
<td>-0.14*** (0.01)</td>
<td>-0.12*** (0.01)</td>
</tr>
<tr>
<td>Selfemp w/ empl</td>
<td>-0.09*** (0.01)</td>
<td>-0.06** (0.02)</td>
<td>-0.08*** (0.02)</td>
</tr>
<tr>
<td>Selfemp w/o empl</td>
<td>-0.1*** (0.02)</td>
<td>-0.15*** (0.02)</td>
<td>-0.16*** (0.02)</td>
</tr>
<tr>
<td>Manual supervisors</td>
<td>-0.11*** (0.02)</td>
<td>-0.16*** (0.02)</td>
<td>-0.18*** (0.02)</td>
</tr>
<tr>
<td>Skilled manual</td>
<td>-0.15*** (0.02)</td>
<td>-0.22*** (0.01)</td>
<td>-0.26*** (0.02)</td>
</tr>
<tr>
<td>Semi/unskilled manual</td>
<td>-0.13*** (0.01)</td>
<td>-0.19*** (0.01)</td>
<td>-0.24*** (0.01)</td>
</tr>
<tr>
<td>Farm labourers</td>
<td>-0.11* (0.05)</td>
<td>-0.23*** (0.03)</td>
<td>-0.26*** (0.05)</td>
</tr>
<tr>
<td>Farmers</td>
<td>-0.04 (0.03)</td>
<td>-0.13*** (0.03)</td>
<td>-0.14*** (0.04)</td>
</tr>
</tbody>
</table>


The effect of social class on political participation is further summarised in Table 6.22. This table shows marginal effects (at means) for EGP social classes compared to the reference group of higher controllers. As shown, all social classes are predicted to be less likely to have participated politically than higher controllers (holding the rest of the variables at their mean), but the difference is noticeably bigger amongst the lower classes (who were the hardest hit by the Great Recession and neoliberal austerity measures). Table 6.22 tells us that, having two otherwise-average
individuals, skilled manuals workers’ probability of having engaged in non-institutionalised participation (M3) is 24 percentage points lower than that of higher controllers. Overall, manual workers and farm labourers clearly show lower levels of political engagement than the social elite of the UK. Predicted differences between lower and upper classes are smaller in M1 (voting), perhaps reflecting the potentially normative nature of electoral participation. These differences, however, become considerably bigger in M2 (institutionalised participation) and M3 (non-institutionalised participation).

Political trust shows a positive association with political participation in M1 and M2. This is in line with previous scholarly research that theorises higher levels of civic engagement among citizens that are more trusting of political institutions (e.g., Almond and Verba, 1989). For voting, a one-unit increase in the index of political trust corresponds to an increase of 0.1 in the log-odds of having voted (ceteris paribus). For institutionalised participation, political trust is predicted to increase the log-odds by 0.03. On the other hand, legal trust shows a positive effect on voting (0.075 increase in the log-odds) but a negative effect on institutionalised participation, meaning that respondents with higher levels of legal trust are predicted to engage in this form of civic participation less. Neither political or legal trust show statistically significant effects on non-institutionalised participation (i.e., signing petitions, protesting in lawful demonstrations, and boycotting products).

Trade union members are predicted to participate politically more often than respondents who are not currently members or have never been in a trade union. This is the case in all three models of political participation. Former union members (decreases in the log-odds of 0.29, 0.13, and 0.13 in M1–M3 models respectively) are more similar to the reference group than respondents with no trade-union experience (predicted to decrease the log-odds of voting by 0.66, institutionalised participation by 0.54, and non-institutionalised participation by 0.55). These results are in line with previous scholarly research (e.g., D’Art and Turner, 2007; Wallace and Jenkins, 1995).

The effects of age on political participation also follow previous research (e.g., Parry et al., 1992). In all three models, age is predicted to have a positive increase in the log-odds of participation (net of other variables). For each one-unit increase in age, the variable is predicted to increase the log-odds of voting by about 0.09, and by 0.07 and 0.05 for institutionalised and non-institutionalised participation respectively. Age’s
quadratic term that accounts for curvilinear relationships shows statistically significant (negative) coefficients, confirming that the effect of age on political engagement diminishes as respondents become older.

Citizenship status and gender do not show statistically significant effects for voting and institutionalised participation, but both are predicted to affect the log-odds of non-institutionalised participation. In the case of citizenship (1 = “Citizen”, 0 = “Not citizen”), it is predicted that being a UK citizen increases the log-odds of non-institutionalised participation (see Rooij, 2012). For gender (1 = “Male”, 0 = “Female”), Table 6.21 shows that being a man decreases the log-odds of non-institutional engagement by -0.16 (ceteris paribus).

Finally, models M1–M3 also include a year-variable to control for survey round (time). In most cases, this is not statistically significant, but Table 6.21 does show that UK respondents were less likely to have voted in 2014 (round 7) than in 2002 (round 1, reference group), but more likely to have voted in 2016 (round 8) than in 2002. Regarding institutionalised and non-institutionalised participation, this time variable (when significant) presents decreases in the log-odds during the years of the financial crisis and Great Recession, i.e., the years 2008 (round 4), 2010 (round 5) and 2012 (round 6).

**Political engagement: the Euros**

In this section, I also present data of political participation in the three Euros, i.e., France, Germany, and Spain. Like the previous section, I first examine cross-tabulations (Tables 6.23–28) of different items of political participation presented year by year. Then, I proceed with logistic regression models (Tables 6.32–34) of political participation, social class, trust, and other covariates.

**Table 6.29 Political participation in France (percentages). All years.**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vote</td>
<td>74.85</td>
<td>78.02</td>
<td>78</td>
<td>77.6</td>
<td>72.47</td>
<td>79.09</td>
<td>66.58</td>
<td>69.56</td>
<td>74.52</td>
</tr>
<tr>
<td>Party member</td>
<td>2.35</td>
<td>1.92</td>
<td>2.11</td>
<td>2.2</td>
<td>2.55</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>2.23</td>
</tr>
<tr>
<td>Contact pol.</td>
<td>17.6</td>
<td>15.17</td>
<td>15.07</td>
<td>15.44</td>
<td>13.61</td>
<td>11.07</td>
<td>17.1</td>
<td>13.54</td>
<td>14.82</td>
</tr>
<tr>
<td>Work in party</td>
<td>4.9</td>
<td>4.53</td>
<td>3.47</td>
<td>3.79</td>
<td>3.08</td>
<td>3.15</td>
<td>4.35</td>
<td>3.23</td>
<td>3.81</td>
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<tr>
<td>Badge sticker</td>
<td>11.45</td>
<td>12.9</td>
<td>12.38</td>
<td>11.16</td>
<td>9.76</td>
<td>6.94</td>
<td>12.21</td>
<td>10.12</td>
<td>10.86</td>
</tr>
</tbody>
</table>
Table 6.23 Political participation in Germany (percentages). All years.

<table>
<thead>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vote</td>
<td>78.09</td>
<td>72.51</td>
<td>73.65</td>
<td>76.21</td>
<td>72.71</td>
<td>72.91</td>
<td>76.49</td>
<td>74.63</td>
<td>74.65</td>
</tr>
<tr>
<td>Party member</td>
<td>3.59</td>
<td>2.96</td>
<td>4.16</td>
<td>3.39</td>
<td>3.52</td>
<td>NA</td>
<td>NA</td>
<td>3.52</td>
<td>3.52</td>
</tr>
<tr>
<td>Contact pol.</td>
<td>12.85</td>
<td>10.9</td>
<td>12.3</td>
<td>16.83</td>
<td>15.38</td>
<td>15.91</td>
<td>17.77</td>
<td>18.06</td>
<td>15</td>
</tr>
<tr>
<td>Work in party</td>
<td>3.9</td>
<td>3.17</td>
<td>3.81</td>
<td>3.81</td>
<td>3.97</td>
<td>4.82</td>
<td>4.52</td>
<td>4.78</td>
<td>4.1</td>
</tr>
<tr>
<td>Work in org.</td>
<td>17.81</td>
<td>20.53</td>
<td>20.24</td>
<td>25.86</td>
<td>25.75</td>
<td>32.67</td>
<td>30.81</td>
<td>31.18</td>
<td>25.6</td>
</tr>
<tr>
<td>Badge sticker</td>
<td>5.79</td>
<td>4.37</td>
<td>4.47</td>
<td>5.16</td>
<td>5.1</td>
<td>6.16</td>
<td>6.29</td>
<td>6.11</td>
<td>5.43</td>
</tr>
<tr>
<td>Sign petition</td>
<td>30.45</td>
<td>32.42</td>
<td>27.5</td>
<td>30.82</td>
<td>30.63</td>
<td>34.88</td>
<td>36.42</td>
<td>38.02</td>
<td>32.64</td>
</tr>
<tr>
<td>Boycott</td>
<td>26.07</td>
<td>21.91</td>
<td>23.35</td>
<td>31.06</td>
<td>30</td>
<td>35.82</td>
<td>36.57</td>
<td>35.83</td>
<td>30.07</td>
</tr>
</tbody>
</table>


Table 6.24 Political participation in Spain (percentages). All years.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vote</td>
<td>72.2</td>
<td>77.1</td>
<td>71.95</td>
<td>72.26</td>
<td>71.61</td>
<td>72.32</td>
<td>70.16</td>
<td>76.44</td>
<td>73</td>
</tr>
<tr>
<td>Party member</td>
<td>3.2</td>
<td>4.07</td>
<td>2.48</td>
<td>1.26</td>
<td>1.96</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>2.6</td>
</tr>
<tr>
<td>Contact pol.</td>
<td>12.04</td>
<td>12.63</td>
<td>12.06</td>
<td>10.04</td>
<td>13.4</td>
<td>13.3</td>
<td>16.4</td>
<td>16.53</td>
<td>13.3</td>
</tr>
<tr>
<td>Work in party</td>
<td>6.14</td>
<td>7.42</td>
<td>5.13</td>
<td>2.91</td>
<td>6.85</td>
<td>7.85</td>
<td>8.38</td>
<td>8.5</td>
<td>6.64</td>
</tr>
<tr>
<td>Work in org.</td>
<td>16.66</td>
<td>17.72</td>
<td>13.96</td>
<td>9.53</td>
<td>17.58</td>
<td>22.12</td>
<td>22.04</td>
<td>23.15</td>
<td>17.84</td>
</tr>
<tr>
<td>Sign petition</td>
<td>24.23</td>
<td>24.73</td>
<td>22.5</td>
<td>17.01</td>
<td>26.45</td>
<td>33.24</td>
<td>32.52</td>
<td>31.2</td>
<td>26.5</td>
</tr>
<tr>
<td>Protest demo.</td>
<td>17.48</td>
<td>34</td>
<td>17.79</td>
<td>15.95</td>
<td>18.3</td>
<td>25.85</td>
<td>23.24</td>
<td>18.92</td>
<td>21.44</td>
</tr>
<tr>
<td>Boycott</td>
<td>7.96</td>
<td>13.98</td>
<td>10.14</td>
<td>7.89</td>
<td>11.59</td>
<td>17.45</td>
<td>17.28</td>
<td>17.53</td>
<td>12.97</td>
</tr>
</tbody>
</table>


As shown in Tables 6.29–28, the different items of political participation present some variation between the three Euros but, also, show differences between the Euros and the Anglo (the UK, Table 6.21). In some respects, France and Spain are more similar to one another than to Germany. Voting is, as expected, the most popular form of political participation. In France, however, respondents reporting having voted in elections dropped, considerably, in the last two ESS rounds (years 2014 and 2016).

Unlike liberal Britain, the Euros present higher levels of engagement with more collectivist forms of political participation. For instance, taking part in lawful
demonstrations is considerably more frequent in France (2002–2016 average of 14.97 per cent), Germany (9 per cent), and Spain (21.44 per cent) than in the UK (4 per cent). This also shows that France’s and Spain’s levels of protesting were much higher than Germany’s. High levels of protesting in France and Spain reflect directly the various anti-austerity and anti-neoliberal movements that took a strong hold in both countries (e.g., the *Nuit debout* movement in France and *los Indignados* in Spain). The presence of much lower levels of protesting in Germany also reflects the fact that the Great Recession in Germany was not as hard as in the rest of Euros (see Chapter 5).

The years of the Great Recession saw an increase in protesting in all three Euros, but the most contentious year was 2004 in Spain (with a remarkable 34 per cent reporting having protested). This year reflects two things important events in the contemporary history of the country. One is the popular anti-war movement against Spain’s involvement in Iraq. The other is the popular reaction against the terrorist attacks in Madrid on the morning of 11 March 2004, just three days before general elections in Spain, a series of coordinated terrorist attacks exploded four commuter trains at rush hour. A total of 193 people lost their life, and thousands were injured. As ESS data reflect, this created one of the biggest social reactions in the modern history of Spain. The incumbent Conservative government of José María Aznar tried to deflect attention towards Basque separatist terrorist group ETA, knowing that if the attacks were linked to radical Islamic terrorism they would surely lose the coming general election—because the Conservatives, against the public opinion, joined the Iraq War. It soon became clear that Aznar’s cabinet tried to misinform the public, thus resulting in an unexpected electoral victory of the Socialists with 42.6 per cent of the total vote (El País, 2004).

Party membership in the Euros is rather low, more closely resembling the UK than in the other forms of participation. In France, 2.23 per cent (average) of respondents were part of a political party; 3.52 per cent in Germany; and 2.6 per cent in Spain. On the other hand, the proportion of respondents working in organisations and associations is rather high: 14.82 per cent in France, 25.60 per cent in Germany, and 17.84 per cent in Spain—compared to just 7.84 per cent in the UK. Working in political parties shows rather low levels of engagement, 3.8 per cent in France, 4.1 per cent in Germany, and 6.6 per cent in Spain, although these are higher than the UK’s 2.5 per cent.

Signing petitions is the second most popular option in the Euros, around 32 per cent in both France and Germany, but only 21 per cent in Spain. The popularity of petition-signing probably reflects the comparative ease of such a form of participation, which does not require nearly as much commitment as protesting, especially if we take

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79 On the morning of 11 March 2004, just three days before general elections in Spain, a series of coordinated terrorist attacks exploded four commuter trains at rush hour. A total of 193 people lost their life, and thousands were injured. As ESS data reflect, this created one of the biggest social reactions in the modern history of Spain. The incumbent Conservative government of José María Aznar tried to deflect attention towards Basque separatist terrorist group ETA, knowing that if the attacks were linked to radical Islamic terrorism they would surely lose the coming general election—because the Conservatives, against the public opinion, joined the Iraq War. It soon became clear that Aznar’s cabinet tried to misinform the public, thus resulting in an unexpected electoral victory of the Socialists with 42.6 per cent of the total vote (El País, 2004).

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into consideration today’s proliferation of online petitions. Wearing political badges and stickers presents rather low levels of engagement: almost 11 per cent in France, 9.5 per cent in Spain, but only 5.4 per cent in Germany.

Turning now to Tables 6.25–27, where I present logistic regressions for the three Euros, it can be seen that all Euro social classes are predicted to politically participate less than the reference group of higher controllers, very much like in the UK. Overall, the effects of political and legal trust, trade union membership, citizenship status, age, and gender present the same associations with the different forms of political participation as seen for the UK in the previous section. There are, however, some noticeable differences between France, Germany, and Spain.

In France, the lower social classes show the biggest reductions in the log-odds of voting (M1), institutionalised participation (M2), and non-institutionalised participation (M3). Compared to higher controllers, both manual classes decrease the log-odds of protesting, signing petitions, or boycotting by around 0.9 (ceteris paribus). The same trend can be seen for institutionalised participation, although manual supervisors also show a considerable reduction of the log-odds (0.91). The difference between higher controllers and the rest of social classes is smaller when it comes to voting, although the upper classes are noticeably more similar to the references group. For instance, lower controllers reduce the log-odds of voting by only 0.15, compared to semiskilled and unskilled manual workers who reduce it by 0.72 (net of other variables).

In Germany, we can observe the same trend; lower social classes are predicted to participate less than higher controllers across M1–M3. Nevertheless, here we can observe that the difference between lower social classes and the reference group is considerably larger than in the other two Euros, especially with voting. For instance, German skilled manual workers (compared to higher controllers) reduce the log-odds of voting by 1.56 (holding the other variables constant). The same social class reduces the log-odds of voting by 0.66 in France, and by 0.69 in Spain. German farm labourers present the largest reductions in the log-odds of voting (-1.56) and non-institutionalised political participation (-1.2) when compared to higher controllers. In all three models, and not surprisingly, German lower controllers (French and Spanish too) are shown to be the most similar class to the reference group.
<table>
<thead>
<tr>
<th>EGP class</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher controllers</td>
<td>Ref.</td>
<td>Ref.</td>
<td>Ref.</td>
</tr>
<tr>
<td>Lower controllers</td>
<td>-0.15*</td>
<td>-0.29***</td>
<td>-0.06</td>
</tr>
<tr>
<td>Routine nonmanual</td>
<td>-0.2***</td>
<td>-0.56***</td>
<td>-0.42***</td>
</tr>
<tr>
<td>Selfemp w/ empl</td>
<td>-0.46***</td>
<td>-0.18</td>
<td>-0.31**</td>
</tr>
<tr>
<td>Selfemp w/o empl</td>
<td>-0.56*</td>
<td>-0.75***</td>
<td>-0.53**</td>
</tr>
<tr>
<td>Manual supervisors</td>
<td>-0.39*</td>
<td>-0.91***</td>
<td>-0.54**</td>
</tr>
<tr>
<td>Skilled manual</td>
<td>-0.66***</td>
<td>-1.1***</td>
<td>-0.93***</td>
</tr>
<tr>
<td>Semi/unskilled manual</td>
<td>-0.72***</td>
<td>-0.84***</td>
<td>-0.9***</td>
</tr>
<tr>
<td>Farm labourers</td>
<td>-0.7***</td>
<td>-0.85***</td>
<td>-0.78***</td>
</tr>
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<td>Farmers</td>
<td>-0.1</td>
<td>-0.36**</td>
<td>-0.73***</td>
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</table>

<table>
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<th>Model 2</th>
<th>Model 3</th>
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<td>Ref.</td>
<td>Ref.</td>
</tr>
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<td>-1.27***</td>
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<td>-0.03**</td>
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<td>0.04***</td>
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<td>-0.0005***</td>
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<td>0.38***</td>
<td>0.38***</td>
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<tr>
<td>Gender</td>
<td>0.08</td>
<td>0.21***</td>
<td>-0.1**</td>
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<thead>
<tr>
<th>ESS round</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ref.</td>
<td>Ref.</td>
<td>Ref.</td>
</tr>
<tr>
<td>2</td>
<td>0.03</td>
<td>-0.12</td>
<td>-0.06</td>
</tr>
<tr>
<td>3</td>
<td>0.09</td>
<td>-0.16*</td>
<td>-0.0</td>
</tr>
<tr>
<td>4</td>
<td>0.1</td>
<td>-0.12</td>
<td>-0.003</td>
</tr>
<tr>
<td>5</td>
<td>-0.26*</td>
<td>-0.11</td>
<td>0.068</td>
</tr>
<tr>
<td>6</td>
<td>0.09</td>
<td>-0.3***</td>
<td>0.11</td>
</tr>
<tr>
<td>7</td>
<td>-0.4***</td>
<td>0.05</td>
<td>0.47***</td>
</tr>
<tr>
<td>8</td>
<td>-0.6***</td>
<td>-0.27***</td>
<td>0.01</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.34***</td>
<td>-0.84**</td>
<td>0.71***</td>
</tr>
</tbody>
</table>

| n                 | 12344   | 13615   | 13579   |
| McFadden’s Adj R2 | 0.09    | 0.06    | 0.06    |
| McKelvey & Zavoina’s R2 | 0.17   | 0.1    | 0.12    |
| Cragg-Uhler R2    | 0.16    | 0.1    | 0.12    |
| BIC null model    | 14998.45| 16952.07| 20771.71|
| BIC full model    | 12732.56| 14755.26| 17776.97|

Log odds. Standard errors in round brackets. EGP: Erikson-Goldthorpe-Portocarero class classification. BIC: Bayesian Information criterion. Data weighted with post-stratification weights. * p < 0.05, ** p < 0.01, *** p < 0.001. Source: ESS (2002—2016).
Table 6.26 Logistic regressions of political participation on social class, trust, and controls in Germany. All years.

<table>
<thead>
<tr>
<th>EGP class</th>
<th>Model 1 Vote</th>
<th>Model 2 Inst. par.</th>
<th>Model 3 Non-inst. par.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher controllers</td>
<td>Ref.</td>
<td>Ref.</td>
<td>Ref.</td>
</tr>
<tr>
<td>Lower controllers</td>
<td>-0.19*** (0.08)</td>
<td>-0.20*** (0.05)</td>
<td>-0.13*** (0.05)</td>
</tr>
<tr>
<td>Routine nonmanual</td>
<td>-0.67*** (0.08)</td>
<td>-0.64*** (0.05)</td>
<td>-0.6*** (0.05)</td>
</tr>
<tr>
<td>Selfemp w/ empl</td>
<td>-0.46*** (0.13)</td>
<td>-0.07 (0.07)</td>
<td>-0.3** (0.08)</td>
</tr>
<tr>
<td>Selfemp w/o empl</td>
<td>-0.6** (0.2)</td>
<td>-0.63*** (0.15)</td>
<td>-0.4** (0.14)</td>
</tr>
<tr>
<td>Manual supervisors</td>
<td>-0.9*** (0.11)</td>
<td>-0.62*** (0.08)</td>
<td>-0.6*** (0.08)</td>
</tr>
<tr>
<td>Skilled manual</td>
<td>-1.2*** (0.09)</td>
<td>-1.08*** (0.07)</td>
<td>-1.07*** (0.06)</td>
</tr>
<tr>
<td>Semi/unskilled manual</td>
<td>-1.4*** (0.08)</td>
<td>-0.97*** (0.06)</td>
<td>-1.03*** (0.05)</td>
</tr>
<tr>
<td>Farm labourers</td>
<td>-1.56*** (0.13)</td>
<td>-0.96*** (0.14)</td>
<td>-1.2*** (0.13)</td>
</tr>
<tr>
<td>Farmers</td>
<td>-0.73*** (0.19)</td>
<td>-0.13 (0.13)</td>
<td>-0.48*** (0.14)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Union member</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Ref.</td>
<td>Ref.</td>
<td>Ref.</td>
</tr>
<tr>
<td>Yes, previously</td>
<td>-0.47*** (0.07)</td>
<td>-0.36*** (0.05)</td>
<td>-0.29*** (0.05)</td>
</tr>
<tr>
<td>No</td>
<td>-0.42*** (0.07)</td>
<td>-0.44*** (0.05)</td>
<td>-0.46*** (0.05)</td>
</tr>
<tr>
<td>Political trust</td>
<td>0.2*** (0.01)</td>
<td>0.05*** (0.01)</td>
<td>0.02** (0.008)</td>
</tr>
<tr>
<td>Legal trust</td>
<td>0.06*** (0.01)</td>
<td>0.012 (0.001)</td>
<td>0.003 (0.008)</td>
</tr>
<tr>
<td>Age</td>
<td>0.07*** (0.01)</td>
<td>0.019** (0.01)</td>
<td>0.04*** (0.01)</td>
</tr>
<tr>
<td>Age2</td>
<td>-0.0005*** (0.00)</td>
<td>-0.0002*** (0.00)</td>
<td>-0.0005*** (0.00)</td>
</tr>
<tr>
<td>Citizen</td>
<td></td>
<td>0.66*** (0.1)</td>
<td>0.59*** (0.07)</td>
</tr>
<tr>
<td>Gender</td>
<td>0.20*** (0.04)</td>
<td>0.39*** (0.04)</td>
<td>-0.09*** (0.03)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ESS round</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ref.</td>
<td>Ref.</td>
<td>Ref.</td>
</tr>
<tr>
<td>2</td>
<td>-0.27*** (0.08)</td>
<td>0.09 (0.07)</td>
<td>-0.01 (0.06)</td>
</tr>
<tr>
<td>3</td>
<td>-0.35*** (0.09)</td>
<td>0.11 (0.07)</td>
<td>-0.15* (0.06)</td>
</tr>
<tr>
<td>4</td>
<td>-0.32*** (0.09)</td>
<td>0.36*** (0.07)</td>
<td>0.06 (0.05)</td>
</tr>
<tr>
<td>5</td>
<td>-0.3*** (0.09)</td>
<td>0.38*** (0.07)</td>
<td>0.08 (0.05)</td>
</tr>
<tr>
<td>6</td>
<td>-0.47*** (0.09)</td>
<td>0.54*** (0.06)</td>
<td>0.36*** (0.05)</td>
</tr>
<tr>
<td>7</td>
<td>-0.37*** (0.09)</td>
<td>0.50*** (0.06)</td>
<td>0.36*** (0.05)</td>
</tr>
<tr>
<td>8</td>
<td>-0.34*** (0.09)</td>
<td>0.49*** (0.06)</td>
<td>0.35*** (0.05)</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.45* (0.2)</td>
<td>-1.7*** (1.58)</td>
<td>-0.6*** (1.51)</td>
</tr>
<tr>
<td>n</td>
<td>19637</td>
<td>20855</td>
<td>20785</td>
</tr>
<tr>
<td>McFadden’s Adj R2</td>
<td>0.1</td>
<td>0.05</td>
<td>0.05</td>
</tr>
<tr>
<td>McKelvey &amp; Zavoina’s R2</td>
<td>0.19</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Cragg-Uhler R2</td>
<td>0.15</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>BIC null model</td>
<td>19722.71</td>
<td>29297.12</td>
<td>302171.2</td>
</tr>
<tr>
<td>BIC full model</td>
<td>16094.16</td>
<td>25259.22</td>
<td>27417.24</td>
</tr>
</tbody>
</table>

Log odds. Standard errors in round brackets. EGP: Erikson-Goldthorpe-Portocarero class classification. BIC: Bayesian Information criterion. Data weighted with post-stratification weights. * p < 0.05, ** p < 0.01, *** p < 0.001. Source: ESS (2002—2016).
Table 6.27 Logistic regressions of political participation on social class, trust, and controls in Spain. All years.

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Vote</td>
<td>Inst. par.</td>
<td>Non-inst. par.</td>
</tr>
<tr>
<td>EGP class</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher controllers</td>
<td>Ref.</td>
<td>Ref.</td>
<td>Ref.</td>
</tr>
<tr>
<td>Lower controllers</td>
<td>-0.27* (0.11)</td>
<td>-0.33*** (0.07)</td>
<td>-0.14 (0.07)</td>
</tr>
<tr>
<td>Routine nonmanual</td>
<td>-0.51*** (0.11)</td>
<td>-0.71*** (0.09)</td>
<td>-0.51*** (0.08)</td>
</tr>
<tr>
<td>Selfemp w/ empl</td>
<td>-0.46*** (0.13)</td>
<td>-0.49*** (0.1)</td>
<td>-0.83*** (0.1)</td>
</tr>
<tr>
<td>Selfemp w/o empl</td>
<td>-0.68*** (0.16)</td>
<td>-0.98*** (0.14)</td>
<td>-1.03*** (0.14)</td>
</tr>
<tr>
<td>Manual supervisors</td>
<td>-0.47** (0.17)</td>
<td>-0.78*** (0.14)</td>
<td>-0.55*** (0.13)</td>
</tr>
<tr>
<td>Skilled manual</td>
<td>-0.69*** (0.12)</td>
<td>-1.12*** (0.1)</td>
<td>-0.87*** (0.09)</td>
</tr>
<tr>
<td>Semi/unskilled manual</td>
<td>-0.8*** (0.11)</td>
<td>-1.05*** (0.07)</td>
<td>-0.96*** (0.07)</td>
</tr>
<tr>
<td>Farm labourers</td>
<td>-0.92*** (0.16)</td>
<td>-1.25*** (0.14)</td>
<td>-1.2*** (0.12)</td>
</tr>
<tr>
<td>Farmers</td>
<td>-0.68*** (0.17)</td>
<td>-1.04*** (0.15)</td>
<td>-1.41*** (0.15)</td>
</tr>
<tr>
<td>Union member</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes, previously</td>
<td>Ref.</td>
<td>Ref.</td>
<td>Ref.</td>
</tr>
<tr>
<td>Yes</td>
<td>-0.22 (0.11)</td>
<td>-0.36*** (0.08)</td>
<td>-0.2* (0.08)</td>
</tr>
<tr>
<td>No</td>
<td>-0.44*** (0.1)</td>
<td>-0.79*** (0.07)</td>
<td>-0.78*** (0.07)</td>
</tr>
<tr>
<td>Political trust</td>
<td>0.14*** (0.02)</td>
<td>0.08*** (0.01)</td>
<td>0.05* (0.01)</td>
</tr>
<tr>
<td>Legal trust</td>
<td>0.03* (0.02)</td>
<td>-0.05*** (0.01)</td>
<td>-0.07*** (0.01)</td>
</tr>
<tr>
<td>Age</td>
<td>0.09*** (0.01)</td>
<td>0.04*** (0.01)</td>
<td>0.05*** (0.01)</td>
</tr>
<tr>
<td>Age2</td>
<td>-0.0007*** (0.00)</td>
<td>-0.0005*** (0.00)</td>
<td>-0.0006*** (0.00)</td>
</tr>
<tr>
<td>Citizen</td>
<td>0.52*** (0.1)</td>
<td>0.72*** (0.09)</td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>0.02 (0.05)</td>
<td>0.17*** (0.04)</td>
<td>-0.14*** (0.04)</td>
</tr>
<tr>
<td>ESS round</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Ref.</td>
<td>Ref.</td>
<td>Ref.</td>
</tr>
<tr>
<td>2</td>
<td>0.17 (0.11)</td>
<td>0.11 (0.09)</td>
<td>0.73*** (0.1)</td>
</tr>
<tr>
<td>3</td>
<td>-0.04 (0.1)</td>
<td>-0.16 (0.09)</td>
<td>0.17* (0.08)</td>
</tr>
<tr>
<td>4</td>
<td>0.24** (0.09)</td>
<td>-0.42*** (0.09)</td>
<td>-0.08 (0.08)</td>
</tr>
<tr>
<td>5</td>
<td>0.23* (0.1)</td>
<td>0.09 (0.09)</td>
<td>0.34*** (0.08)</td>
</tr>
<tr>
<td>6</td>
<td>-0.16 (0.1)</td>
<td>0.14 (0.09)</td>
<td>0.58*** (0.09)</td>
</tr>
<tr>
<td>7</td>
<td>0.05 (0.1)</td>
<td>0.38*** (0.09)</td>
<td>0.64*** (0.08)</td>
</tr>
<tr>
<td>8</td>
<td>0.35*** (0.1)</td>
<td>0.42*** (0.09)</td>
<td>0.55*** (0.08)</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.91*** (0.25)</td>
<td>-1.1*** (0.24)</td>
<td>-0.46* (0.23)</td>
</tr>
<tr>
<td>n</td>
<td>11643</td>
<td>12440</td>
<td>12416</td>
</tr>
<tr>
<td>McFadden’s Adj R2</td>
<td>0.06</td>
<td>0.07</td>
<td>0.1</td>
</tr>
<tr>
<td>McKelvey &amp; Zavoina’s R2</td>
<td>0.11</td>
<td>0.13</td>
<td>0.18</td>
</tr>
<tr>
<td>Cragg-Uhler R2</td>
<td>0.09</td>
<td>0.12</td>
<td>0.17</td>
</tr>
<tr>
<td>BIC null model</td>
<td>13637.17</td>
<td>17309.64</td>
<td>20348.08</td>
</tr>
<tr>
<td>BIC full model</td>
<td>10520.59</td>
<td>13748.69</td>
<td>15204.33</td>
</tr>
</tbody>
</table>

Log odds. Standard errors in round brackets. EGP: Erikson-Goldthorpe-Portocarero class classification. BIC: Bayesian Information criterion. Data weighted with post-stratification weights. * p < 0.05, ** p < 0.01, *** p < 0.001. Source: ESS (2002—2016).
Spanish social classes show the same trends described above, although the lower classes’ reduction in the log-odds of institutionalised political participation (M2) is bigger than in the other two countries. Spanish farm labourers are predicted to decrease the log-odds of institutional participation by 1.25 (compared to higher controllers and ceteris paribus). Skilled manual workers and semiskilled/unskilled manual workers do so too by 1.12 and 1.05 respectively. In turn, Spanish farm labourers (-1.2) and farmers (about -1.4) are predicted to be the two classes that engage the least with non-institutionalised political activities. This very likely reflects social and political differences between urban and rural regions. In France, however, the manual social classes present the biggest reductions in the log-odds of non-institutionalised participation. In Germany, this is true only for farmers (-0.48).

Table 6.28 (marginal effects of social class on political participation) illustrates further existing differences between social classes in the Euros. Farm labourers and farmers show some of the starkest differences. When compared to higher controllers, Spanish farm labourers’ probability of engaging with non-institutionalised political participation is 33 percentage points lower (18 percentage points in France, and only 12 percentage points in Germany). Within the Euros, Spanish farm labourers and farmers show the biggest discrete changes from the reference group in models M2 and M3. The opposite, however, happens in model M1 (voting).

Across the Euros, social classes participate more similarly when it comes to voting (M1), especially in Spain. German manual classes, comparatively, present lower predicted probabilities of voting. For example, German unskilled workers’ probability of voting is 16 percentage points lower than German higher controllers, whereas this is 12 percentage points lower in France, and only 9 percentage points lower in Spain. Table 6.28 shows a clear concentration of higher (negative) percentages at the bottom of models M2 (institutionalised participation) and M3 (non-institutionalised participation), although, as previously noted, some differences up to 21 percentage points can be found between countries.
Changing to political trust, Tables 6.25–27 show that this variable has a positive, statistically significant effect in all forms of political participation with the only exception being France’s M3. Political trust seems to be more strongly associated with voting than with the other two forms of participation. In Germany, a one-unit increase in political trust increases the log-odds of voting by 0.2 (holding the other variables constant). It does so by 0.12 in France, and 0.14 in Spain. Political trust coefficients are much smaller for non-institutionalised participation (M3). In Germany, a one-unit increase in political trust is predicted to result in a 0.02 increase in the log-odds of non-institutionalised participation (0.05 increase in Spain).

Legal trust presents a more nuanced effect. In Germany, legal trust is statistically significant only for voting, increasing the log-odds of voting by 0.06 (ceteris
paribus). In France, legal trust is not significant for voting, but for each one-unit increase it decreases the log-odds of institutionalised and non-institutionalised participation by 0.03: namely, higher levels of legal trust are predicted to result in less engagement with these forms of participation. In Spain, legal trust also behaves in this way, decreasing the log-odds of institutionalised participation by 0.05, and the log-odds of non-institutionalised participation by 0.07.

The remaining covariates are predicted to impact political participation as expected and as shown in the previous model for the UK. Trade union membership presents a positive association in all models and countries. In France and Spain, respondents with previous experience with trade unions versus respondents with no experience are predicted to engage considerably more with institutionalised and non-institutionalised forms of participation. In Germany, however, this difference is noticeably smaller, and when it comes to voting German respondents with no union experience are predicted to be more likely to vote than respondents with previous experience (see Table 6.26: M1).

Age increases the likelihood of participation in all countries and models of participation, but the association diminishes over time as indicated by the quadratic term. In all countries and models, national citizens are also predicted to participate politically more than non-nationals. Moreover, male respondents are predicted to vote more than women only in Germany. Female respondents, on the other hand, are predicted to engage more than men with non-institutionalised forms of participation. Finally, we can observe some trends over time that vary from country to country. In Germany, there is a clear decreasing trend in voting (M1) from 2002 to 2016. In France, the trend is less clear, but the years 2010 (round 5), 2014 (round 7) and 2016 (round 8) show lower levels of electoral participation (i.e., decreases in the log-odds of voting). In Spain, there is no clear trend either, although two years (2008 and 2016) show higher levels of electoral participation compared to the reference year (2002). The trend of non-institutionalised participation in Spain, however, is rather clear: all ESS rounds but round 4 (2008) show increases in the log-odds of non-institutionalised participation compared to 2002 (see Table 6.37: M3). This trend markedly intensifies from round 5 (2010), when the Great Recession was hitting the Mediterranean country hard, and los indignados movement was gathering great momentum.
Political engagement: the Nordics

Having examined the Anglo and Euros, I now turn to the Nordics, Sweden and Norway. As shown in Chapter 5, the Great Recession did not hit the Nordics as hard. Their historical pathway, one of strong corporatist, social democracy, made them more resilient to the crisis’s pervasive effects. Tables 6.29 and 6.30 first present levels of political engagement with all items of political participation. Subsequently, Tables 6.31 and 6.32 show the binary logistic regressions of political participation on social class, trust, and controls in the Nordic countries.

Table 6.29 Political participation in Sweden (percentages). All years.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vote</td>
<td>81.47</td>
<td>80.83</td>
<td>83.08</td>
<td>81.59</td>
<td>86.97</td>
<td>82.07</td>
<td>85.85</td>
<td>87.95</td>
<td>83.51</td>
</tr>
<tr>
<td>Party member</td>
<td>8.22</td>
<td>6.78</td>
<td>6.35</td>
<td>6.67</td>
<td>7.29</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>7.07</td>
</tr>
<tr>
<td>Work in party</td>
<td>5</td>
<td>3.34</td>
<td>4.99</td>
<td>4.43</td>
<td>3.61</td>
<td>4.44</td>
<td>6.26</td>
<td>4.91</td>
<td>4.63</td>
</tr>
<tr>
<td>Work in org.</td>
<td>24.61</td>
<td>24.28</td>
<td>26.84</td>
<td>26.95</td>
<td>28.28</td>
<td>34.34</td>
<td>36.02</td>
<td>38.53</td>
<td>29.71</td>
</tr>
<tr>
<td>Badge sticker</td>
<td>10.72</td>
<td>12.75</td>
<td>16.34</td>
<td>18.37</td>
<td>19.51</td>
<td>20</td>
<td>19.2</td>
<td>18.55</td>
<td>16.73</td>
</tr>
<tr>
<td>Sign petition</td>
<td>40.76</td>
<td>48.66</td>
<td>44.32</td>
<td>47.19</td>
<td>37.2</td>
<td>43.62</td>
<td>43.55</td>
<td>47.26</td>
<td>44.17</td>
</tr>
<tr>
<td>Protest demo.</td>
<td>6.41</td>
<td>7.55</td>
<td>4.83</td>
<td>6.45</td>
<td>4.88</td>
<td>7.31</td>
<td>10.96</td>
<td>10.68</td>
<td>7.34</td>
</tr>
<tr>
<td>Boycott</td>
<td>32.48</td>
<td>34.75</td>
<td>30.64</td>
<td>37.26</td>
<td>35.61</td>
<td>42.84</td>
<td>47.47</td>
<td>47.75</td>
<td>38.3</td>
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</table>


Table 6.30 Political participation in Norway (percentages). All years.

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<td>78.03</td>
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<td>9.03</td>
<td>7.24</td>
<td>7.54</td>
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<td>6.97</td>
<td>8.41</td>
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<td>34.31</td>
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<td>24.59</td>
<td>26.03</td>
<td>28.23</td>
<td>29.73</td>
<td>32.01</td>
<td>35.78</td>
<td>27.46</td>
</tr>
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<td>Sign petition</td>
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<td>38.65</td>
<td>37.59</td>
<td>37.75</td>
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<td>35.43</td>
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<td>38.87</td>
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<td>Boycott</td>
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<td>23.49</td>
<td>25.29</td>
<td>22.48</td>
<td>19.72</td>
<td>24.03</td>
<td>25.79</td>
<td>26.64</td>
<td>23.36</td>
</tr>
</tbody>
</table>

Compared to the other four countries examined in previous sections, the Nordics present very high levels of political engagement. Both Sweden and Norway show higher percentages of engagement in almost all forms of political participation. Electoral participation is noticeably higher in these countries compared to the Anglo and Euros (Sweden averaging of 83.5 per cent, and Norway having an average of almost 78 per cent). In Sweden, we can observe an increase of about 2.25 percentage points in 2006, the successful year for Reinfeldt’s New Moderates. A further increase can also be seen in 2014 when the Social Democrats returned to power with a minority government. This was also the year when the anti-immigration Swedish Democrats achieved a historical increase in popular votes. In Norway, however, voting declined during the years of the Great Recession.

The second most popular form of political participation among the Nordics is signing petitions, roughly 44.2 per cent in Sweden and 37 per cent in Norway. Boycotting products is also a very popular form of participation in both countries, especially in Sweden where this practice averages at 38 per cent (versus 23 per cent in Norway).

Associationist and voluntaristic forms of political engagement are remarkably popular in both Sweden and Norway, reflecting these countries’ corporatist institutional order. Working in organisations and associations shows an average of 29.7 per cent in Sweden and 28.9 per cent in Norway (compared to the liberal UK where this form averages at a humble 7.8 per cent). Working in political parties presents lower levels of engagement, but still higher than in the other countries (4.6 per cent in Sweden and 7.5 per cent in Norway). Party membership is also considerably higher, 7 per cent in Sweden and 8 per cent in Norway.

Participation in lawful demonstrations is noticeably lower in the Nordics, especially when compared to France and Spain. Protesting averages in Sweden at 7.3 per cent, and 9.2 per cent in Norway. It increased in Norway during and after the years of the Great Recession, from 7 per cent in 2008 to almost 10 per cent two years later. In Sweden, we see an increase in protesting after 2012, when Sweden’s economy contracted for a second time after 2009. Lower levels of protesting in the

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80 Higher levels of electoral participation in Nordics, however, is partially explained by the fact that these countries hold fewer general elections compared to the Euro countries.
Nordics could be explained by their more stable social order, where contentious matters can potentially be resolved via corporatist channels.

Now, Tables 6.3.1 and 6.3.2 further examine political participation in Sweden and Norway. In both countries, all social classes are predicted to decrease the log-odds of political participation. Here we find a similar trend as that found in the Euros; lower social classes, overall, show lower levels of political engagement compared to their more-privileged national counterparts. However, there is a noticeable difference. Nordic social classes do not seem to differ from their reference group as much as the Euros or the Anglo do. This means that several of the dummy variables for social class do not present statistically significant coefficients (i.e., their confidence intervals overlap 0 = “No difference from the baseline”), although some effects can still be observed.

In Sweden, the manual classes show persistently lower levels of political participation across models M1–M3 (compared to higher controllers). Semiskilled and unskilled workers decrease the log-odds of voting by 0.85 (holding the other variables constant). They also decrease the log-odds of institutionalised participation by 0.7 and the log-odds of non-institutionalised participation by 0.35. Skilled manual workers, however, decrease even further the log-odds of participation; -0.92 in M2 and -0.46 in M3.

The Swedish self-employed and manual classes present similar reductions in the log-odds of voting; whereas in the Euros, especially in Germany, there was a clear difference between these groups. Being self-employed with employees thus decreases the log-odds of voting by 0.85 compared to higher controllers. This is the same reduction as that of the unskilled manual workers. They also present (virtually) the same reductions in the log-odds of non-institutionalised political participation. Swedish social classes show more differentiated effects on political engagement when measured as institutionalised participation (M2).
Table 6.31 Logistic regressions of political participation on social class, trust, and controls in Sweden. All years.

<table>
<thead>
<tr>
<th>EGP class</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
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<td>Non-inst. par.</td>
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<tr>
<td>Higher controllers</td>
<td>Ref.</td>
<td>Ref.</td>
<td>Ref.</td>
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<tr>
<td>Lower controllers</td>
<td>-0.013 (0.12)</td>
<td>-0.17** (0.06)</td>
<td>0.11 (0.06)</td>
</tr>
<tr>
<td>Routine nonmanual</td>
<td>-0.49*** (0.13)</td>
<td>-0.58*** (0.07)</td>
<td>-0.23*** (0.06)</td>
</tr>
<tr>
<td>Selfemp w/ empl</td>
<td>-0.85*** (0.17)</td>
<td>-0.28** (0.11)</td>
<td>-0.33** (0.1)</td>
</tr>
<tr>
<td>Selfemp w/o empl</td>
<td>-0.99*** (0.23)</td>
<td>-0.58*** (0.16)</td>
<td>-0.19 (0.15)</td>
</tr>
<tr>
<td>Manual supervisors</td>
<td>-0.29 (0.23)</td>
<td>-0.41*** (0.12)</td>
<td>-0.13 (0.12)</td>
</tr>
<tr>
<td>Skilled manual</td>
<td>-0.81*** (0.15)</td>
<td>-0.92*** (0.09)</td>
<td>-0.46*** (0.06)</td>
</tr>
<tr>
<td>Semi/unskilled manual</td>
<td>-0.85*** (0.11)</td>
<td>-0.71*** (0.06)</td>
<td>-0.35*** (0.06)</td>
</tr>
<tr>
<td>Farm labourers</td>
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<td>-0.57** (0.18)</td>
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<td>-0.3 (0.15)</td>
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<td>Ref.</td>
<td>Ref.</td>
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<td>-0.04 (0.05)</td>
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<td>0.08*** (0.01)</td>
<td>-0.004 (0.01)</td>
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<td>-0.0002*** (0.00)</td>
<td>-0.0003*** (0.00)</td>
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<td>0.37** (0.1)</td>
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<td>Gender</td>
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<td>0.03</td>
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<tr>
<td>McKelvey &amp; Zavoina’s R2</td>
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<td>0.06</td>
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<td>Cragg-Uhler R2</td>
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Log odds. Standard errors in round brackets. EGP: Erikson-Goldthorpe-Portocarero class classification. BIC: Bayesian Information criterion. Data weighted with post-stratification weights. * p < 0.05, ** p < 0.01, *** p < 0.001. Source: ESS (2002—2016).
Table 6.32 Logistic regression of political participation on social class, trust, and controls in Norway. All years.

<table>
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<th>EGP class</th>
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<th>Model 2</th>
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<td>0.07</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cragg-Uhler R2</td>
<td>0.15</td>
<td>0.07</td>
<td>0.07</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BIC null model</td>
<td>9587.1</td>
<td>17956.41</td>
<td>18287.89</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BIC full model</td>
<td>8179.85</td>
<td>16380.85</td>
<td>16678.22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Log odds. Standard errors in round brackets. EGP: Erikson-Goldthorpe-Portocarero class classification. BIC: Bayesian Information criterion. Data weighted with post-stratification weights. * p < 0.05, ** p < 0.01, *** p < 0.001. Source: ESS (2002—2016).
Table 6.33 Marginal effects of EGP social classes (at means). All models and Nordics.

<table>
<thead>
<tr>
<th></th>
<th>M1 (Vote)</th>
<th>M2 (Instit.)</th>
<th>M3 (Noninstit.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>dy/dx (Std. Err.)</td>
<td>dy/dx (Std. Err.)</td>
<td>dy/dx (Std. Err.)</td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower controllers</td>
<td>-0.0005 (0.00)</td>
<td>-0.04** (0.01)</td>
<td>0.02 (0.01)</td>
</tr>
<tr>
<td>Routine nonmanual</td>
<td>-0.02*** (0.01)</td>
<td>-0.14*** (0.01)</td>
<td>-0.05*** (0.01)</td>
</tr>
<tr>
<td>Selfemp w/ empl</td>
<td>-0.05*** (0.01)</td>
<td>-0.07** (0.02)</td>
<td>-0.07** (0.02)</td>
</tr>
<tr>
<td>Selfemp w/o empl</td>
<td>-0.06*** (0.01)</td>
<td>-0.14*** (0.03)</td>
<td>-0.04 (0.03)</td>
</tr>
<tr>
<td>Manual supervisors</td>
<td>-0.01 (0.01)</td>
<td>-0.1*** (0.02)</td>
<td>-0.03 (0.02)</td>
</tr>
<tr>
<td>Skilled manual</td>
<td>-0.05*** (0.01)</td>
<td>-0.22*** (0.02)</td>
<td>-0.1*** (0.02)</td>
</tr>
<tr>
<td>Semi/unskilled manual</td>
<td>-0.05*** (0.01)</td>
<td>-0.17*** (0.01)</td>
<td>-0.1*** (0.01)</td>
</tr>
<tr>
<td>Farm labourers</td>
<td>-0.07** (0.02)</td>
<td>-0.14*** (0.03)</td>
<td>-0.06 (0.04)</td>
</tr>
<tr>
<td>Farmers</td>
<td>-0.003 (0.010)</td>
<td>-0.08* (0.04)</td>
<td>-0.07 (0.03)</td>
</tr>
<tr>
<td>Norway</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower controllers</td>
<td>-0.003 (0.01)</td>
<td>-0.03 (0.01)</td>
<td>-0.02 (0.01)</td>
</tr>
<tr>
<td>Routine nonmanual</td>
<td>-0.04*** (0.01)</td>
<td>-0.11*** (0.01)</td>
<td>-0.08*** (0.02)</td>
</tr>
<tr>
<td>Selfemp w/ empl</td>
<td>-0.03* (0.02)</td>
<td>-0.03 (0.03)</td>
<td>-0.04 (0.03)</td>
</tr>
<tr>
<td>Selfemp w/o empl</td>
<td>-0.03 (0.02)</td>
<td>-0.13*** (0.03)</td>
<td>-0.06 (0.04)</td>
</tr>
<tr>
<td>Manual supervisors</td>
<td>-0.06*** (0.01)</td>
<td>-0.1*** (0.02)</td>
<td>-0.12*** (0.02)</td>
</tr>
<tr>
<td>Skilled manual</td>
<td>-0.08*** (0.01)</td>
<td>-0.22*** (0.02)</td>
<td>-0.18*** (0.02)</td>
</tr>
<tr>
<td>Semi/unskilled manual</td>
<td>-0.06*** (0.01)</td>
<td>-0.15*** (0.01)</td>
<td>-0.14*** (0.01)</td>
</tr>
<tr>
<td>Farm labourers</td>
<td>-0.07** (0.03)</td>
<td>-0.16*** (0.04)</td>
<td>-0.2** (0.04)</td>
</tr>
<tr>
<td>Farmers</td>
<td>-0.06** (0.02)</td>
<td>0.04 (0.04)</td>
<td>-0.11** (0.04)</td>
</tr>
</tbody>
</table>


In Norway, we can also observe that lower social classes are predicted to participate less than the upper classes. Differences in the magnitudes of coefficients are, as in Sweden, noticeably smaller when compared to magnitudes in the UK and the Euros. However, lower social classes in Norway present more differentiated associations. Norwegian skilled manual workers show the biggest reductions in the log-odds of two forms of participation, i.e., voting (-0.94) and institutionalised participation (-0.95). For non-institutionalised participation, farm labourers show the largest reduction in the log-odds (-0.83 versus -0.74 for skilled manual workers). Routine nonmanual employees consistently place among the classes with the smallest deviations from the reference group, i.e., they present smaller reductions in the log-odds than the manual classes.
This information can be further observed in Table 6.33, which presents the marginal effects at means for all Nordic social classes. When looking at the discrete changes from the baseline, it can be observed more clearly how similar Nordic classes behave in terms of voting – especially when compared to the Euros. Semiskilled and unskilled manual workers’ probability of having voted is just 5 percentage points lower than higher controllers in Sweden, and 6 percentage points lower in Norway; this was 12 percentage points lower in France, 16 percentage points in Germany, and 13 percentage points in the UK. Manual classes present lower predicted probabilities in models M2–M3, but still, the difference from the baseline is considerably smaller than that observed in the Euro countries. This is especially true for non-institutionalised participation.

Political trust, as expected, shows a positive effect in both Nordics, increasing the log-odds of voting (0.2 in Sweden; 0.15 in Norway) and the log-odds of institutionalised participation (0.08 in Sweden; 0.06 in Norway). Political trust does not seem to have a significant effect on non-institutionalised participation. Legal trust, in turn, is positively associated with non-institutionalised participation in Sweden, but negatively so in Norway.

Union density has historically been high in the Nordic countries. As expected, union membership also shows positive associations with political participation, i.e., respondents with experience with trade unions are predicted to engage politically more than respondents with no experience. However, in Sweden, the difference between current and previous members is not statistically different in models M2 and M3. The other controls (age, citizen, and gender) also behave similarly to the Anglo and Euros, i.e., age presents a positive association with the log-odds of political participation, as does citizenship status. Male respondents are predicted to be more likely to engage with institutionalised participation, but less with non-institutionalised participation.

**Discussion**

Almond and Verba (1989) famously argued that liberal democracy is successful when its citizens trust each other and the institutions that make democracy possible. In other words, the stability of the political and institutional order depends on some degree of consensus. Mann (1970), however, posed that this might not be the case, as shown
by the lower levels of political trust amongst the least educated in the well-established democracies that he examined. He concluded that a lack of consistent value commitment (but some undefined level of commitment, *ibid.*: 432) and the pragmatic subordination of lower social classes (and not a positive normative commitment to the order, *ibid.*: 435) are what perpetuates successful liberal democracies. Mann’s classical argument helps to explain the different tables presented in this chapter, which must also be read in the light of the critical juncture and institutional reinforcements analysed in Chapter 5.

This chapter has presented a general picture of Western Europe that does not look very positive. All countries, irrespective of their ideal-typical regime type, show rather low levels of political trust. Moreover, political mistrust in the six countries examined is not linked with individuals’ social class as one might have assumed by the asymmetrical effects of the Great Recession and the policy responses it generated. Instead, all social classes in all countries show extremely similar levels of mistrust, especially towards the political institutions and actors of liberal democracy. Perhaps ironically, the same Western publics clearly show higher levels of legal trust, despite the fact that most bankers – and corrupt politicians in the South – escaped the crisis without any real punishment.

Existing literature identifies a positive association between political trust and political participation, i.e., trusting citizens tend, on average, to be more engaged with the different participatory mechanisms in liberal democracy. The different logistic regressions in this chapter have shown that this association still holds. However, these days, very few trust politicians and political parties. The logistic regressions also share an important insight about political participation: society’s less privileged tend to engage with political activities less frequently than their more privileged counterparts. This is not new, however. For many decades, important voices in the scholarly literature have argued that higher levels of political engagement can be expected amongst the higher socio-economic groups, for they have the necessary cognitive skills and material resources to better see their interests represented in national politics (see e.g. Verba and Nie, 1972; Verba et al., 1978). Nevertheless, asymmetries in political participation are, in theory, undesirable as pro-democratic values.

Asymmetries in democratic participation become even more urgent to address in turbulent times. In times of economic crisis, the lower strata are comparatively more
exposed to harm due to structural factors, such as the less stable nature of their jobs, lower average household incomes, and their higher dependency on social services. The latter are very likely to be axed in times of recession, especially if the international order favours the prescription of liberalising economic policies. Therefore, not participating politically at the same levels as society’s upper strata means that the interests of those most in need will not be equally represented. This, however, has been importantly limited by the generalisation of liberalising political agendas both in the centre-left and centre-right of Western Europe. The dominance of such economic-liberal agendas throughout the 2000s and 2010s clearly shows that the critical junctures taken in the late 1970s created strong positive feedback that strengthened the position of markets vis-à-vis society.

For example, after New Labour rose to power in a 1997 landslide victory, the neoliberal agenda of previous Conservative cabinets was maintained and furthered in many important regards. Although social expenditure increased with Blair and Brown, the UK Labour Party continued the trend of increasing privatisation, liberalisation of the labour market, and financialisation of the economy. The latter not only was a by-product of market-oriented policies but also a crucial requirement for the successful international specialisation of advanced countries such as the UK (Vercelli, 2017: 96). Therefore, the financialisation of the economy was fundamental in the implementation of advanced technologies, especially in the information and communication field, in which the UK invested great economic, political and human capital. This pathway was followed amidst low levels of trust; however, mistrust did not generate meaningful political alternatives and so the UK entered the Great Recession under a Labour government.

The Nordics were not exempt from the neoliberal turn that swept across Western Europe in the 1970s and 1980s. They too underwent liberalisation and financialisation processes that, to varying degrees, mimicked the prevailing Anglo models of the US and the UK. The neoliberal turn in the Nordics occurred in an unstable international context: inflation was on the rise, as was unemployment in vast parts of the Western world. Due to the pressure of international economic newcomers (e.g., Japan and Korea), exporting economies such as Sweden’s lost in competitiveness; profitability and investment decreased, and the balance of payments entered critical levels. The Nordic welfare state, one of full employment, high levels of
equality, and generous social programmes, thus started to change at a very fundamental level in the 1980s. Perhaps ironically, these structural changes came from the very Social Democrats that had been politically and socially dominant for decades, especially in Sweden.

The financialisation of the Nordic banking system introduced volatile new elements, fundamentally in the form of higher speculation in stock markets. In Sweden, the stock exchange went from being 12 per cent of GNP in 1980 to 68 per cent just nine years later and 128 per cent in 2012 (Therborn, 2018: 8). This resulted in one of the grimmest banking crisis in Western Europe, first in Norway and soon after in Sweden. Unemployment soared, income inequality rose, workers’ bargaining power diminished, and the centre-left parties lost electoral support. These trends were, to some degree, balanced over the course of the 1990s after the Scandinavian banking crises abated, but Sweden and Norway were no longer the same countries. By the time of the Great Recession, the bodies social of Sweden and Norway were more concerned about immigration and stock markets than about workers’ rights and social equality (ibid.: 13).

In the Euros, the crisis was also political and institutional due to their deeper integration with the structures of the European Union. In terms of integration and popularity, the Eurozone debt crisis made the Union achieved a record low, electorally fuelling right-wing populist parties like Vox in Spain, Alternative für Deutschland in Germany, or Rassemblement National in France. This is closely related to the low levels of political trust that characterised the Euros, therefore much of the vote for these parties can be fairly classified as protest votes against mainstream parties.

Time, measured in the form of ESS rounds, was not amply discussed due to their inconsistent statistically significant effects on political participation across all three ideal-typical regimes. Only Germany and (Nordic) Sweden show more clearly a decreasing trend over the years, but only for voting. The lack of time-trends, however, is in line with what has been argued throughout this thesis: the critical juncture of the Long 1970s and the changes it created successfully reinforces themselves by means of integrating citizens’ existence into impersonal, disembedding financial markets.

Another element that worsened mainstream politics in the Euros was government budgets. As I outlined in the previous chapter, the first responses to the
crisis were expansionary and neo-Keynesian in nature. The logic behind this was that running budget deficits can be beneficial under specific circumstances. In times of economic downturn, budget deficits facilitate the stabilisation of the economy by keeping levels of aggregate demand at bay from plummeting. In other words, because unemployment and household income fall in times of economic recession, lowering taxes and spending public funds on social transfers are a logical automatic stabilising mechanism. Nevertheless, these expansionary measures did not generate increases in public trust, as shown in this chapter. When public deficits became too big, political elites reverted to historical form following internationally accepted liberalising policies.

The Eurozone crisis was often referred to as a crisis of sovereign debt. Yet what the media and European politicians seemingly forgot is that the problem with sovereign debt started originally as a matter of private debt in the banking system. It became sovereign only when the body social was forced to bail-out private banks with public money. The sustained low levels of political trust in the Euros certainly reflect the frustration generated by these socially disembedded economic institutions having to be rescued with public funds.

Yet perhaps most appalling is the fact that most of all these changes were introduced in the Eurozone without democratic and public debate (Schmidt, 2015), and thus vast segments of the body social would subsequently suffer the perils of increasing unemployment and inequality (e.g., Clasen and Clegg, 2011), the liberalisation of labour markets; the weakening of organised labour (Erne, 2015), and the commodification of life in general without having had a say in any of the decisions that would go on to condition their lives so importantly. However, given the low levels of political trust and the lower levels of political participation of those who are most affected by socially disembedded institutions, it is only fair to ask whether things would have been any different with a more active body social.
7 Conclusion

Historians can’t answer this question. For me the twentieth century is only the ever-renewed effort to understand it. (Franco Venturi in Hobsbawm, 1994: 1)

In this thesis, I have sought to elaborate a path-dependent historical sociology, marked by key critical junctures, between the Depression of the 1930s and the financial crises and resulting recession of 2008. I began by asking what might be gained by analysing the political responses to the 2008 financial crisis in Western Europe using a comparative historical lens, and in particular by focusing on its relationship to the economic crisis of the 1930s, and tracing from there key historical developments and junctures. Three questions have controlled the research: is it possible to explore how and why Western Europe’s major economies responded to the 2008/9 financial crisis as they did, whilst also being mindful of their longer economic lineages across the 20th century? How did the character of their political and economic responses converge or diverge comparatively throughout the 2008–2011 crisis period? And how did the Western European publics or civil societies politically react to their states’ responses to the financial collapse?

To answer these, I adopted a three-lens or three-dimension approach, with each exploring a distinct political dimension of the financial crisis – the macro-historical, the meso-level comparative response to 2008/9, and the political response of the publics. Through these I sought to show how key critical historical junctures – the Second World War and the 1970s, for instance - might be useful in better understanding how and why key Western European economies variously responded to 2008 as they did. I have tried to develop, through these three lenses, a narrative that has privileged the political dimensions of economic crisis. In the most macro sense, I focused on the examination of a historical tug of war between market-embedding and market-disembedding social forces in the historical long-run between 1929 and the 1980s. This was what Polanyi described as a ‘double movement’. Then in a meso-level analysis, I examined political responses in six Western European countries organized within three ideal-typical regimes: the Anglo, the Euros, and the Nordics. And finally, in a more fine-grained comparative statistical analysis, I
comparatively examined the publics’ political responses using survey measures of political participation and trust in political institutions as proxy measures. Each chapter therefore drew on distinct primary and secondary historical sources and survey data. On the basis of these data, I offer three substantive findings.

First, and in a Polanyian vein, I showed that the politics of the 2008 crisis and recession was perhaps the result of another iteration of Polanyi’s double movement (1957: 130, 144) in the late 1970s—thereby challenging Polanyi’s predictions. In other words, financial institutions and corporations finally regained control over the market that they had once lost during the Depression in the 1930s. This was only made possible, however, when Bretton Woods’ embedded liberalism had entered a stagflationary terminal state in the late 1970s, opening the path to a new critical juncture. Furthermore, regaining control over the market was ultimately a social and political enterprise, and as such the economic actors that compose the historical camp of market-disembedding forces necessitated the aid of ideologically aligned political allies. This saw, for the first time since the demise of the 19th-century order, the forces of the self-regulated market successfully adopt concrete and unified political form. It follows that a reconfiguration of the sources of social power and their actors had to occur in order to fully realise the politics desired by the economic actors behind the self-regulated market. In this way, ideological power, previously dominated by neo-Keynesianism, gave way to neoliberal market fundamentalism. Equally, political power, previously dominated by the postwar ethos of class solidarity and multilateral cooperation, gave way to technocratic parties, both left and right. Moreover, if under embedded liberalism the economic source of social power had been successfully subsumed within the social control of the political, the new critical juncture that emerged in the late 1970s saw the levelling, if not reversion, of the relationship between the economic and political sources of power.

Second, and relatedly, I have argued that we can identify two political phases in the Great Recession. First, and despite differentiated historical pathways leading from the 1970s to the crisis, all Western European countries (except for the Republic of Ireland) responded initially with neo-Keynesian policies between 2008 and 2009. This first wave of expansionary responses was the result of extremely high levels of international cooperation, perhaps unseen since Bretton Woods in the 1940s. The second phase, or roughly from 2010 to 2012, was that of returning to historical form,
which witnessed the implementation of austerity measures that sought to address budget deficits. This second phase was also accompanied by a ‘reregulation’ (not deregulation, see Block and Somers, 2014: 9–10, 19–21) of financial institutions that, ultimately, left them largely unreformed. These two political phases of the Great Recession shed important light on the politics of economic collapse. On the one hand, and very importantly, both phases happened in a context of extremely high levels of international cooperation. This is especially evident in the case of the European Union and its euro area. The prescription of both expansionary and austerity measures followed an international, technocratic logic led by neoliberal-dominated transnational institutions such as the IMF and the ECB. On the other hand, the national application of such prescriptions reflected the historical pathways of the different countries, with the Nordics, for example, exerting restrictive measures to a comparatively lower degree than their continental counterparts. These findings highlight the powerful importance of positive feedback in neoliberalism’s pathway from the 1970s. The financial crisis thus presented a great opportunity for a deeper embedding of financial and capitalist markets, yet despite the historical differences among the Nordics, the Anglo and the Euros, political elites did not meaningfully realise this in a way that would be sustained.

And finally, I comparatively explored the European public’s response to the political handling of the financial crisis and its fallout across the three regime types using ESS data between 2002 and 2016. These years bracket the crisis on either side, allowing me to comparatively take the publics’ political temperature, as it were, before and after 2008. I argued that the public is an important social actor in Mann’s sense, and it is one that can exert political pressure in favour of greater market-embeddedness or social and political control of capitalism’s excesses—or alternatively, the public’s withdrawal from this can enable political and economic actors to move in a less constrained way. On the basis of this assumption, and while there were some nuanced variations and single exceptions within regime-type, my findings suggested that overall civic responses to the crisis and its political management were decidedly muted. Survey data on measures of political participation and social or political trust show that political participation is stratified, with the lower classes consistently engaging politically less than more privileged social classes. Furthermore, levels of civic engagement across nine different items of political participation show
patterns that closely align with the three regime-type’s historical pathways. For instance, the liberal public of the UK favoured individualistic and consumerist political practices, whereas the corporatist Nordics favoured, comparatively, collectivist forms of participation. Nevertheless, the same data show that, barring a couple of exceptions (e.g., protesting in Spain), levels of civic engagement remained rather stagnant over the period 2002–2016, suggesting that the political handling of the financial crisis by political elites did not create generalised responses. In this political phase of the crisis, we also saw that political trust was at very low levels across all social classes – and that did not change significantly pre and post crisis. Contextualising historically such low levels of trust, I suggested that Mann’s (1970) classic argument about the social cohesion of liberal democracy was right. He theorised that lack of consistent value commitment (e.g., low levels of political trust) and the pragmatic subordination or acceptance of the working class (e.g., stratified political participation) works in favour of liberal democracy’s stability. In other words, liberal democracy requires freedom to dissent but not revolutionaries. This is precisely what we can observe in six key Western European countries where, despite a devastating economic recession, European publics pragmatically accepted both initial neo-Keynesian measures in the immediate aftermath of the financial collapse, as well as the subsequent austerity measures enacted to varying degrees in all countries in the second phase. This pragmatic acceptance might also be seen as a form of politics of economic crisis.

On the basis of these key findings, I tried to show how Polanyi’s insights around those historical movements and counter-movements that compete to increase or decrease the degree to which social and political actors control or embed and regulate capitalist markets can be usefully combined with Mann’s four sources of social power in an comparative, historical analytic framework. I suggest that together they offer a potential conceptual framework with which think about the Great Depression in the 1930s, the Great Recession in the 2000s, and the decades in between, allowing us to see not only the deeper contestations but also which social, political or economic actors are shaping events at which critical junctures.

More specifically, this conceptual framework allows me to detail the central arguments of this thesis. The political handling of the Great Depression in the 1930s facilitated market-embedding policies that produced a change of order as a result of the powerful alignment of the political and ideological sources of power in the form of
interventionist reformism and social class coalitions respectively. Then the Second World War marked a critical juncture, whereby the resulting global order of embedded liberalism cemented and greatly expanded those market-embedding practices of previous decades by strengthening key social classes’ political compromises to liberal democracy. This happened in the context of differentiated historical legacies that crystallised in three ideal-typical welfare regimes across Europe. Subsequently, a new critical juncture was reached when this postwar liberal settlement effectively collapsed in the late 1970s. This, once again, saw the alignment of the ideological and political sources of social power but with new dominant actors: neoliberal commitments and technocratically reformed political parties worked together to increase the power of the market, and thus market-embeddedness gave way to greater liberalisation in virtue of the political reregulation of Bretton Woods’ international rules. This was a new iteration of Polanyi’s seemingly resolved double movement. Finally, the Great Recession in the late 2000s did not see a meaningful realignment of the sources of social power but rather a political legitimisation of the prevailing neoliberal order. Despite an initial collective exercise of historical memory that created expansionary responses to the crisis, Western European elites reverted to historical form soon thereafter. This time, Europe’s mistrusting publics effectively assented by their lack of political participation and social trust. Both ends of this historical narrative, the Great Depression and the Great Recession, might appear to have merely been economic crises; in reality they were struggles for and crises of the political and social control over the market. Economic crises, I have argued, are fundamentally political crises.
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