



Austerity from the Left

Explaining the Fiscal Policies of Social Democratic parties in Response to the Great Recession

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Abstract

Austerity has come to define the post-crisis European political economy as the predominant policy response to the Great Recession since 2010. After a brief period of “emergency Keynesianism” from 2008 to 2010, even social democratic parties abandoned plans for deficit-spending and accepted austerity as the dogma of the day. Most of the existing literature attempts to explain this outcome either by pressures from financial markets or by the influence of external institutions, for example the European Union or the International Monetary Fund. However, social democratic parties also accepted fiscal orthodoxy in countries where the pressures from financial markets and external institutions were weak or absent, and thus they are not a sufficient explanation to explain austerity from the left. This thesis instead shifts the focus towards the popular coalitions that underlie macroeconomic policy by examining the elite and the popular politics of austerity. It argues that social democratic parties had both electoral and ideational reasons to support orthodox fiscal policies during the crisis, as they were trapped by the legacy of the Third Way that they had embarked upon prior to the crisis. On the one hand, social democratic parties believed that there was a high public support for fiscal consolidation. Influenced by the differentiation of interests among their traditional constituencies, they attempted to increase their economic credibility in order to appeal to centre-left voters from the expanded middle class. On the other hand, social democratic parties were influenced by mainstream economic ideas. They drew on New Keynesianism, endogenous growth theory, and the social investment paradigm, which had become popular among social democrats at the end of the 20th century, to legitimize their support for the “austerity settlement” during the Great Recession. This combination of electoral and ideational forces created powerful pressures for social democrats to support orthodox economic policies over Keynesian deficit-spending which many failed to resist. To make this argument, this thesis combines qualitative and quantitative methods and draws on a wide range of empirical evidence. Among others, it uses evidence from quantitative content analysis, survey experiments as well as insights from over 40 elite interviews with leading social democratic politicians and policy-makers in Germany

and the UK. In this way, the thesis studies both the popular and the elite politics of austerity in Western Europe and provides a new account of social democratic austerity.



Jury: Hanspeter Kriesi (EUI) (Supervisor), Bjoern Bremer (Ph.D. candidate), Dorothee Bohle (EUI), Herbert Kitschelt (Duke University) (J. Pontusson participated over skype)

Bio

Björn Bremer has been a researcher in the Department of Social and Political Sciences at the European University Institute (EUI) in Florence and a Visiting Fellow at the Jacques Delors Institute at the Hertie School of Governance in Berlin. He is a member of the ERC research project "Political Conflict in Europe in the Shadow of the Great Recession" (POLCON) and he holds a BA in Philosophy, Politics, and Economics (PPE) from the University of Oxford and an MA in International Relations and International Economics from the School of Advanced International Studies (SAIS) at Johns Hopkins University. His main research interests lie at the intersection of political economy, comparative politics, and political behaviour. In his PhD dissertation he studied the fiscal policies of social democratic parties in response to the Great Recession.