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The Political Consequences of Crisis: Lessons learned from the Great Recession

Coronavirus and its Societal Impact - Highlights from WZB Research

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The Political Consequences of Crisis: Lessons learned from the Great Recession

By Swen Hutter, Endre Borbáth, Sophia Hunger

When the Great Recession hit Europe in 2008, commentators turned to the Great Depression of the 1930s in order to understand the political consequences of economic hardship. In the same vein, we now turn to the most recent economic crisis to draw three lessons about how it affected political conflict and party systems in Europe and to receive clues for what to expect from the political fallout of the ongoing coronavirus pandemic. We draw on insights gained from the ERC Project Political Conflict in the Great Recession in which we were involved from 2014 to 2019 (e.g., Conti et al. 2018; Hutter & Kriesi 2019; Kriesi et al. 2020).

Lesson 1: Economic hardship may reinforce cultural, not economic, divides

All economies contracted in the first wave of the financial crisis in 2008 and 2009. Given the bleak economic picture, observers expected a return of classic left-right conflicts over social welfare and economic liberalism (e.g., Bermeo and Bartels 2014). However, looking back at the decade, we see that our empirical results paint a different picture. The trend in Europe's party systems points to even stronger conflicts over so-called cultural or political issues. Immigration, European integration, and the way democracy works (or fails) have been increasingly contested in the aftermath of the Great Recession. The most polarizing objects of contestation have varied across Europe for two main reasons. On the one hand, some countries were not as affected as others by the economic crisis after the first shock period. On the other hand, the political consequences of the crisis reinforced long-term trends that had been underway long before the Great Recession. However, the key message is that the financial and economic shape of the immediate crisis by no means determined the shape of conflicts that followed in its wake.

Lesson 2: It takes time! The hour of the radicals is yet to come

In line with the expectation that economic conflicts would come back, observers also speculated about the return of a strong electoral competition between left and right mainstream parties and about the direction in which the pendulum might swing (e.g., Lindvall 2014). It turned out that citizens' responses to the Great Recession strongly diverged in the short and long term. At the first stage, the pendulum swung a little to the right, although the key factor was who held government responsibility when the crisis hit. However, the electoral fortunes of all mainstream parties worsened at the next stage. This is because the short-term logic of (dis-)trusting the government differs from the long-term logic of benchmarking the incumbent's performance against that of other governments in the region. When recovery was sluggish and Troika intervention was needed, voters first punished their government by voting for mainstream opposition parties. Only when their patience ran out with "all" mainstream parties did they turn towards radical parties, both left and right, again depending on the macro-region. Thus, the hour of radical parties came in the second or third crisis election when the voters' anger had peaked. The fortunes of the Greek parties are telling in this respect. Disappointed in the social-democratic PASOK government, Greek voters at first voted for the center-right New Democracy, and only voted the left-wing challenger, Syriza, into

office in the fourth crisis election in January 2015. While such sequences are far from automatic, they show that political responses to a crisis follow their own endogenous non-linear dynamic.

Lesson 3: Watch the streets! Movement politics as a source of renewal

Street protests made a broad impact on the political sphere in the Great Recession by drawing attention to new issues and providing a stepping stone for new actors, some of whom quickly gained institutional power (della Porta et al. 2017). The movement politics in the Great Recession have often been underestimated as the crisis did not spark one universal European wave of street protest, but rather waves with strong regional and national differences. However, what all their actors shared was that they experimented with new forms of protest. Most notable are the Occupy Wallstreet movement and the Indignados in Southern Europe for their reliance on protest camps, assemblies in central squares, and political strikes. These events became strong symbols of the grievances which the crisis had provoked and sparked global attention to economic and political claims. Slogans such as "We are the 99%" or demands for a basic universal income and financial transaction taxes reverberated around the world as did the calls for a complete renewal of democratic processes. Interestingly, these movements institutionalized and entered parliament at a speed rarely seen before. The most illustrative examples are the radical left challenger Podemos in Spain and the ideologically hybrid Movimento 5 Stelle in Italy. However, also the radical right in Germany and in other Northwestern European countries profited from street-level protest dynamics. These actors critically shaped the political consequences of the Great Recession but profited from an electoral logic which had been inconceivable when the protesters started to take it to the streets in 2010.

The Corona crisis differs from the Great Recession in many obvious respects, and it is too early to gauge the extent and form of the crises Europe will face in its wake. However, what should stand out from the lessons learned after the Great Recession is the need to remain careful when inferring the long-term political consequences of a crisis from its first shock period. Premature predictions about a return of traditional economic conflicts, about renewed electoral competition between the mainstream left and right as well as about a fundamental political renewal from below did not age well. The many more known unknowns in the current situation should make us even more cautious.

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