POLITICS IN THE AGE OF AUSTERITY

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and Wolfgang Streeck

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1

Introduction: Politics in the Age of Austerity

Armin Schäfer and Wolfgang Streeck

Democracy depends on choice. Citizens must be able to influence the course of government through elections. If a change in government cannot translate into different policies, democracy is incapacitated. Many mature democracies may well be approaching such a situation as they confront fiscal crisis. For almost three decades, OECD countries have – in fits and starts – run deficits and accumulated debt. Rising interest payments and welfare-state maturation have meant that an ever smaller part of government revenue is available today for discretionary spending and social investment. Whichever party comes into office will find its hands tied by past decisions. The current financial and fiscal crisis has only exacerbated the long-term shrinking of the room governments have to manoeuvre. As a consequence, projects for policy change have lost credibility – at least if they imply the redistribution of resources from old purposes to new ones. This is clearly the situation in those countries that were hit hardest by the 'Second Great Contraction' (Reinhart and Rogoff 2009). In Ireland, Italy, Portugal, Spain and of course Greece, governments of any colour will for decades be forced to cut and hold down spending.

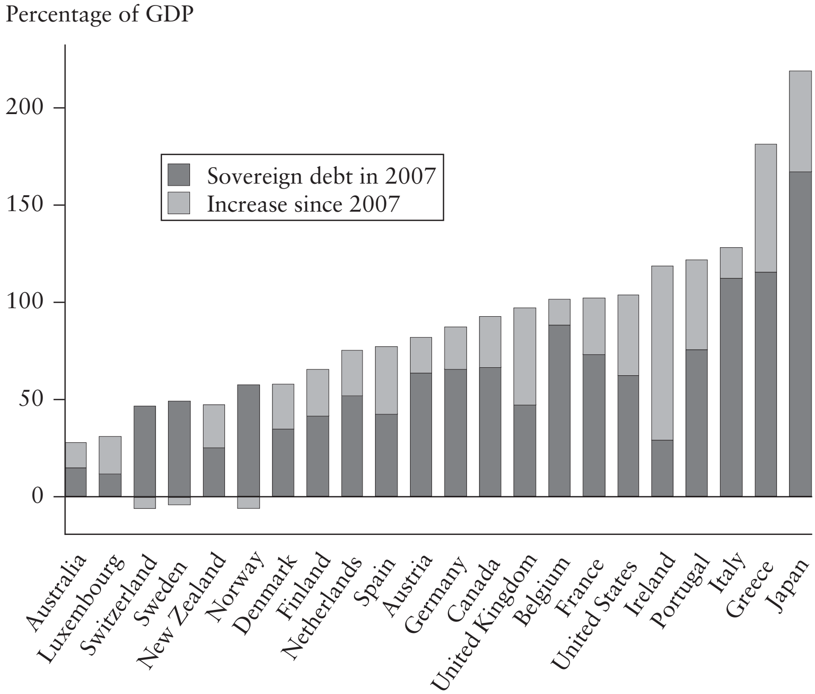
In a number of farsighted articles, Pierson has outlined what he calls a 'fiscal regime of austerity' (Pierson 2001a, 2001b). Permanent austerity, according to Pierson, results when the ability to generate revenues is limited while at the same time spending needs to increase. In the 1990s, three causes came together that were not present in the decades immediately following the Second World War: diminished growth rates, the maturation of welfare states and an aging population. The diminished growth rates had their start in the mid-1970s, and since then rates have been lower on average than during the *trente glorieuses*. After the 'easy financing era' (Steuerle 1996: 416) had come to an end, revenues increased more slowly and, with few exceptions, public expenditure since then has exceeded government receipts (Streeck and Mertens, chapter 2 in this volume). In principle, governments could have counteracted this tendency through higher taxes. However, growing international tax competition has rendered it more difficult to raise taxes on companies and top income earners (see Genschel and Schwarz, chapter 3 in this volume). At the same time, taxing ordinary citizens more heavily through higher indirect taxes and social security contributions has become politically more costly, since real wages have also grown more slowly, if at all, than in the past (Pierson 2001b: 62).

On the expenditure side, Pierson emphasizes the 'maturation' of the welfare state and demographic change, both of which he suggests are bound to keep expenditure at high levels. Welfare-state maturation means that today a much larger share of the population is entitled to receive pensions than when public pension programmes were created. In the beginning, a very limited number of people qualified for benefits, while the working population financed the welfare state through (payroll) taxes. This favourable demographic profile changes, however, once the first generation of contributors retires (Pierson 2001b: 59). What is more, in an aging society people will receive benefits for a longer period of time, whereas the number of contributors will stagnate or even shrink. In combination, these long-term trends lead to a mismatch of spending obligations and public revenue.

The financial and subsequent economic crisis of recent years has resulted in a vast deterioration in public finances. In all OECD countries except Norway, Sweden and Switzerland, the need to save banks and jobs has meant a sharp rise in public debt (figure 1.1). In some countries, it has more than doubled since the onset of the crisis, surpassing 100 per cent of GDP in eight countries in 2012 (Obinger 2012).[1] High levels of public debt make it even more difficult to allocate resources from old to new purposes, since mandatory expenditures will tend to consume almost the entire budget. This puts pressure on governments to make unpopular choices. 'Responsible' or, for that matter, fiscally prudent choices may be at odds with citizens' needs and demands, in effect rendering governments less responsive to their constituencies (Mair, chapter 6 in this volume).

In parallel with the faltering capacity for discretionary spending, public fatigue with democratic practice and core institutions has grown. Turnout in parliamentary elections has been declining almost everywhere (Franklin 2004); electoral volatility is rising (Mair 2006); trust in politicians, parties and parliaments is on the decline (Putnam et al. 2000); party membership is collapsing (Van Biezen et al. 2012); and there is a noticeable gap between democratic aspirations and satisfaction with the way democracy actually works (Norris 2011). As opposition parties in heavily indebted countries can no longer promise not to cut expenditure

Figure 1.1: Increase in sovereign debt during the financial crisis, 2008–2012



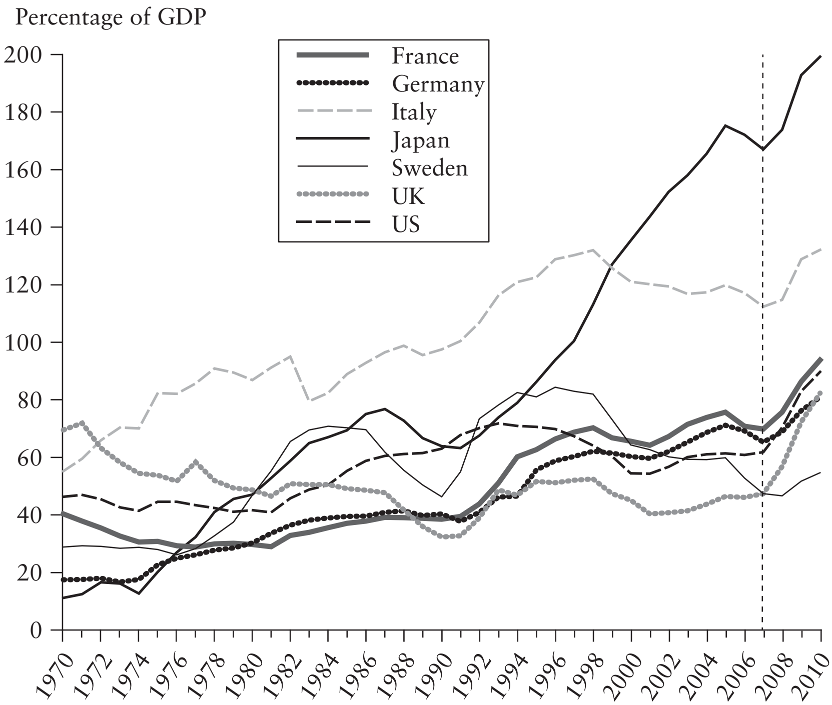
Source: OECD Economic Outlook No. 90.

in order to consolidate public finances, electoral choice becomes limited. At the same time, new anti-establishment parties have emerged or have gained new impetus in many countries (Norris 2005; Berezin, chapter 10 in this volume), and incumbent parties are finding it more difficult than in the past to stay in office. This book investigates what mechanisms may be at work to link rising debt and democratic disaffection. In this introduction, we focus more narrowly on the link between debt and falling turnout. After discussing each trend separately in the next two sections, we will discuss a number of direct and indirect pathways that seem to connect the two trends.

1 Rising debt

While the fiscal crisis of today's rich democracies became apparent only after 2008, it has long been in the making. Since the 1970s, almost all

Figure 1.2: Government debt as a percentage of GDP, seven countries, 1970–2010

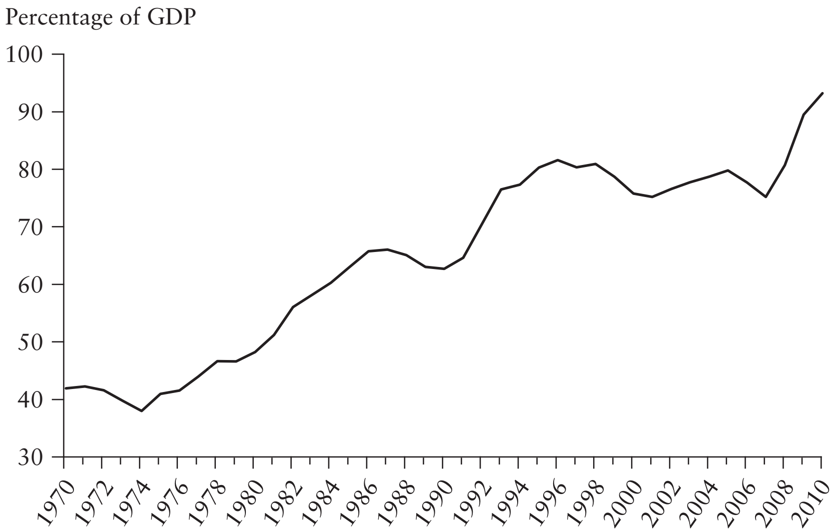


Source: OECD Economic Outlook No. 87.

OECD countries have had to borrow money to cover a chronic gap between public expenditure and public revenue, resulting in a steady increase in public debt. Like declining electoral participation, rising indebtedness was also observed throughout the OECD: in Social Democratic Sweden as well as in the Republican United States; in 'liberal market economies' such as the UK and in 'coordinated' ones such as Germany, Japan and Italy; in presidential as well as parliamentary democracies; under first-past-the-post systems and under proportional representation; and in competitive as much as in one-party democracies such as Japan.

Figure 1.2 shows the more or less steady rise of public debt as a percentage of GDP for seven selected countries over four decades, with the United States and the United Kingdom as the prototypical Anglo-American democracies, Japan as the leading capitalist democracy in Asia, France and Germany standing for the 'Rhineland capitalism' of continental Europe, Italy representing the Mediterranean pattern, and Sweden exemplifying the Scandinavian one. While there are differences between the seven curves,

Figure 1.3: Government debt as a percentage of GDP, OECD average, 1970–2010



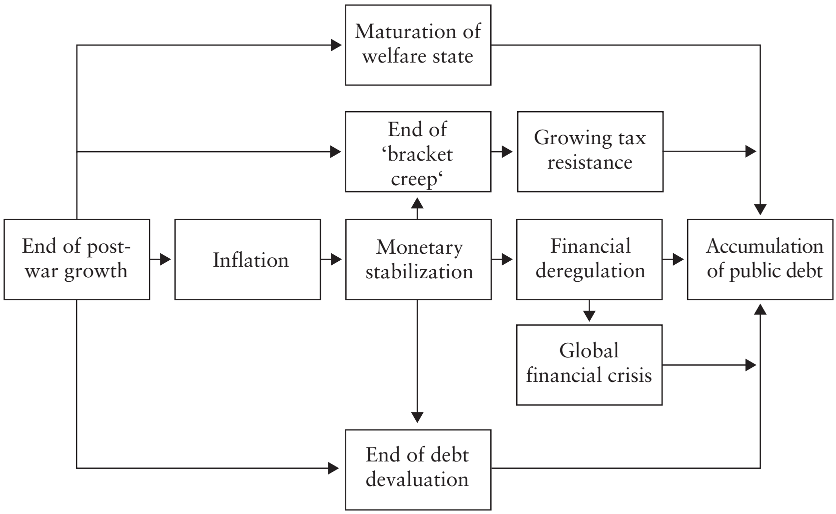
Note: Countries included in unweighted average: Austria, Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Norway, Sweden, UK, US.

Source: OECD Economic Outlook No. 90.

the overall trend is the same for all of them, and indeed for the OECD as a whole (figure 1.3). Initial questions as to whether rising debt levels were 'sustainable' in the longer term came up as early as the late 1970s in several countries, and there were various attempts by economists to determine a maximum level of debt beyond which macro-economic performance would suffer. In the meantime debt continued to increase, however, falsifying successive claims that the debt build-up had hit a ceiling.

In the 1990s, led by the United States under the Clinton administration, an OECD-wide attempt was made to consolidate public budgets, mostly through privatization and cuts in social welfare spending, with the hope of using the post-1989 'peace dividend' towards fiscal relief. It was at this time that Pierson saw a new age of permanent austerity on the horizon, one in which public spending would be cut back to match stagnant or even declining tax revenue. Much hope was placed by economists and political leaders, increasingly including those on the left, in institutional reforms of national parliaments' budgeting procedures, as strongly propagated by international organizations. Apart from Sweden, however, which went through a dramatic financial-cum-fiscal crisis in the mid-1990s (see Steinmo, chapter 4 in this volume), and the United States, which by the end of the century was running a budget surplus, not

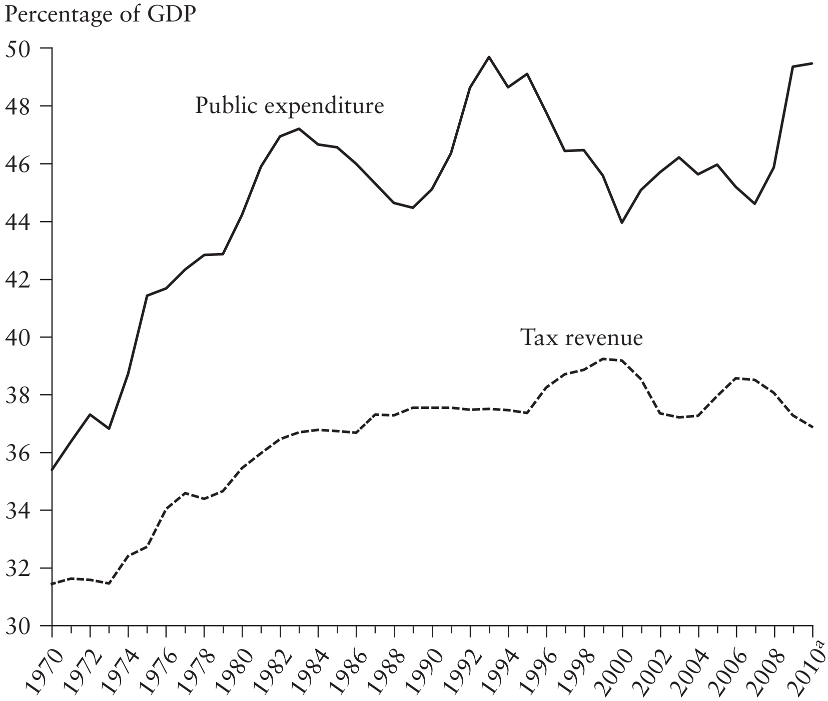
Figure 1.4: The causes of the fiscal crisis



much was achieved. It is important to keep in mind that the latest jump in public debt (which wiped out the gains of the – politically very costly – consolidation efforts of the 1990s and early 2000s almost completely) was caused by the financial crisis of 2008 turning into a fiscal crisis when governments needed to rescue financial institutions that had been allowed to become 'too big to fail' and had to reinflate the 'real economy' through 'Keynesian' deficit spending.

Naturally there has been and continues to be discussion on the causes of the long-drawn build-up of public debt in an entire family of countries in the absence of major wars. On the surface, we may observe that indebtedness began to develop with the end of the postwar growth period in the late 1960s (figure 1.4). At this time public expenditure continued to increase, while the rising taxation that had accompanied it up to this point began to come to an end (figure 1.5). The 1970s was a period of high inflation throughout the industrialized capitalist world, which for a while served to devalue national debt burdens, just as growth had in the preceding period. When OECD countries, under the leadership of the Federal Reserve Bank of the United States, ended inflation in the early 1980s, however, three developments coincided to push up public debt. First, structural unemployment ensued almost everywhere, resulting in rising demand on the coffers of the welfare state. Second, the end of 'bracket creep' – the automatic advancement of taxpayers with nominally increasing incomes to higher tax rates under progressive taxation – made for rising tax resistance. And third, with lower nominal growth rates, in

Figure 1.5: Government expenditure and revenue, as a percentage of GDP, seven countries, 1970–2010



Note: [a] Estimate.

Source: OECD Economic Outlook No. 87.

addition now to continuously lower real growth, past debt was no longer devalued with time. At this point, monetary stability encouraged holders of financial assets to lend money to governments, while governments felt encouraged to borrow by the low interest rates that followed the victory over inflation. Expanding asymmetries in international trade contributed as well. As surplus countries, first in the Middle East and later also in Asia, were seeking safe havens for their export earnings, the United States deregulated its financial industry to attract and absorb foreign capital, in an effort to finance the country's double deficit. Financial deregulation then resulted in the crash of 2008, which led to further accumulation of public debt and became the proximate cause of the current fiscal crisis in most advanced capitalist countries.

Expectations of an impending 'fiscal crisis of the state' have been around for some time (O'Connor 1973; Bell 1976). In the public finance theory tradition, the anticipated problem was that the revenue the 'tax state', or *Steuerstaat* (Goldscheid 1926; Schumpeter 1991 [1918]), would over time be able to raise ('confiscate') in a democratic-capitalist society whose assets were mostly privately owned would not be enough to cover the growing collective needs that social and economic progress were expected to generate. One can easily recognize the background to this argument in nineteenth-century debates on the future of capitalism and industrialism, where bourgeois-conservative *Kathedersozialisten* such as Adolph Wagner (with his 'law of expanding state activity') agreed with the Marxian diagnosis of a growing 'socialization of production' (*Vergesellschaftung der Produktion*) that required more and more collective regulation and support.[2] It was only in the 1970s and 1980s that the fiscal problem of capitalist political economy was redefined by the theory of 'public choice'. Rather than declaring that the fiscal means made available by society to the state were lagging behind growing collective needs, public-choice theorists now attributed the crisis appearing on the horizon to collective demands on the public purse having frivolously exceeded what was necessary and sustainable in a market economy, the ostensible result of pressures from competition between office-seeking politicians. Where public finance saw a potential fiscal crisis resulting from society being unwilling to pay for what it needed, public-choice theorists blamed society and its politics for excessively extracting resources from a private economy that would do much better if left in peace and to its own devices.[3]

The latest version of the public-choice account of the fiscal crisis of the state is the *common pool theory*, which has become established as the received opinion of the so-called new institutional economics. In essence it is just another version of the 'tragedy of the commons' story, which in turn is the riposte of standard economics to the Marxian analysis of primitive accumulation (Marx 1967 [1867, 1887]), in particular the 'enclosure' of the common land of English villages by the landed gentry, which is presented as prudent economic policy in pursuit of higher overall economic efficiency (North and Thomas 1973). Just as common ownership and the absence of private – i.e., capitalist – property allegedly resulted in irresponsible 'overgrazing' of common farmland, requiring a forcible modernization of the property regime, it is now being claimed that the public nature of government finance causes individually rational actors to take more out of the 'common pool' of state resources than they can sustain. In the popular version of the theory, democracy is the leading culprit, with its central actors – voters, interest groups and political parties – portrayed as being fundamentally irresponsible and unable to resist the temptations inherent in the free access to collectively owned resources. Vulnerable as its institutions are to popular pressure, so the story goes, democracy will inevitably result in irrational economic decisions, including commitments to public spending in excess of public revenues and resulting in ever rising indebtedness. Obviously the theory of the common pool has a strong Hayekian flavour in that it supports the conclusion that economic policy-making must be protected from electoral pressure and political opportunism and be vested in politically sterilized institutions such as independent central banks or regulatory authorities such as the European Commission. With respect to public finance and the fiscal crisis of the state, it was thinking along these lines that inspired the institutional reforms of the national budgeting procedures that were promoted in the 1990s, as well as the 'fiscal pact' that is currently being negotiated among European nations.

It is not our intention here to debate common pool theory in detail, as the main interest of this volume is to trace the impact of deteriorating public finances on democracy rather than vice versa. We may, however, note that the build-up of public debt since the 1970s did not exactly coincide with a parallel build-up in political participation and popular pressure on governments and markets. It was not only, as we have indicated, voter turnout that declined rather than increased during the period in question – and as we will see, disproportionately so among those at the bottom of our societies, who would be most likely to make demands on government spending. Trade union membership fell as well throughout the world of democratic capitalism, and often enough as a result of successful efforts at union-breaking by governments and employers (Visser 2006). Collective bargaining declined as a consequence, and with it the wages at the lower end of the labour market, while the earnings of shareholders and, even more so, managers improved dramatically, making for a stunning and sustained rise in inequality inside democratic-capitalist societies (Salverda and Mayhew 2009; OECD 2011; Schäfer, chapter 7 in this volume). Needs for 'restructuring' under alleged pressures of 'globalization' were and continue to be invoked to justify the retreat by governments from politically guaranteed full employment, the growing individualization of the employment contract, increasingly precarious employment, the renewal of managerial prerogative, the privatization of government services, and 'reformed' – i.e., recommodifying – social policy – all of which can be observed almost everywhere in rich democracies. Public debt, that is to say, accumulated alongside a long-drawn-out, pervasive process of economic *liberalization* rather than during a time of growing state intervention. The effective result of this was that capitalism withdrew from the commitments extracted from and entered into by it at the end of the Second World War. However this process may be interpreted or explained, it cannot possibly be conceived as having been driven by a rising influence over policy by democratically organized citizens.[4]

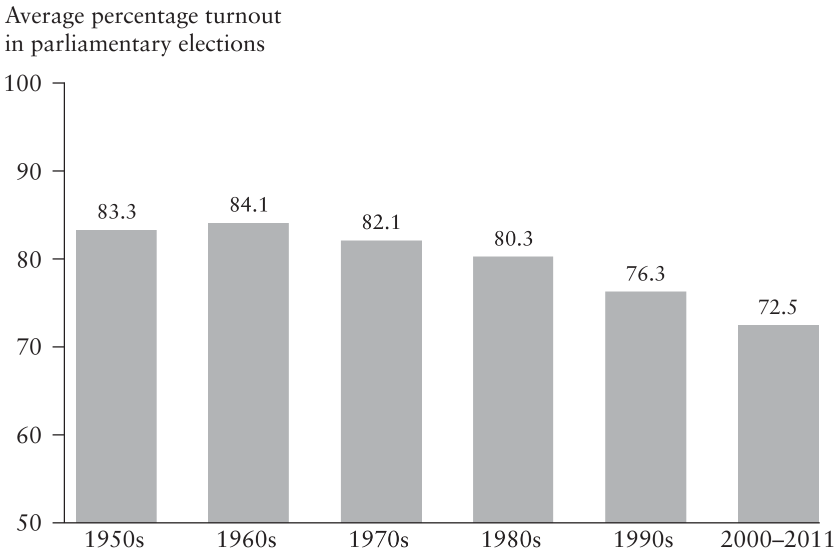
That the rise of public debt was not exactly due to a rise in the power of democracy may also be seen at present as governments, at the prodding of 'financial markets', jointly try to turn the tax and debt state that existed before 2008 into an *austerity* or *consolidation state* defined by balanced budgets and a (gradual) decline in public indebtedness. Everywhere the diagnosis is not that public revenue is too low relative to the functional needs of an advanced modern society, but that spending is too high on account of irrational collective or opportunistic individual behaviour. The cure, therefore, is more discipline in spending rather than in paying taxes – except perhaps for the taxes paid by ordinary people, such as social security or consumption taxes.[5] Consolidation is identified almost entirely with budget cuts. We know little as yet about how the austerity state of the future will work, and whether it will work at all – a few indications may be found in the following chapters. For example, according to Streeck and Mertens, chapter 2 in this volume, lower public spending will mean a higher proportion of it being devoted to more or less mandatory (non-discretionary) expenditure, resulting in less political choice and, probably, declining expectations in politics. Obviously spending cuts will affect mostly those who depend on public services and public assistance. They are also likely further to reduce public employment and depress the wages paid in the public sector, as a result of which the disparities in living conditions will continue to increase. Spending cuts will also set in motion further privatization and confirm the status of markets as the principal mechanism for the distribution of life chances.

In the next section we will look at the development of political participation, after which we will explore the possible influence that the determination of public finances and the rise of the austerity state may have had on the decline of citizen involvement in the public affairs of rich democracies.

2 Falling turnout

As debt has increased and the fiscal room for manoeuvre has diminished, electoral turnout has fallen. The declines have not always been dramatic, but they have occurred consistently across countries. With very few exceptions, electoral participation today is much lower than it was a few decades ago. As austerity has taken hold, it seems that many citizens now feel that electoral choices are limited and that turning out to vote is futile. This holds true for the less well-off in particular, as we will see. Average turnout rates rose for all Western democracies during the 1950s and 1960s. In the 1970s, a first slight decrease took place, which then accelerated considerably (figure 1.6). Each subsequent decade witnessed lower electoral participation. After 2000, voter turnout in parliamentary elec-

Figure 1.6: Electoral turnout in parliamentary elections, 1950–2011



Countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK, US.

Source: www.idea.int/vt.

tions declined to 72 per cent on average – almost 12 points lower than in the 1960s.[6] What is remarkable about falling turnout is the universality of the trend throughout the Western world (Mair 2006). With the exception of Luxembourg – a country with strictly enforced compulsory voting – and Spain, turnout fell in all countries between 1970 and 2010 (table 1.1). Usually the decline ranges from 10 to 20 points, and there are no signs of a reversal. In fact, more than half of the elections with the lowest turnout rates since 1950 occurred in the 2000s. The more recent an election, the more likely is an all-time low in electoral participation.

Looking at general elections probably underestimates turnout decline. Nationwide elections are the most salient ones for most citizens, with participation rates that are much higher than those in 'second-order' – regional or local – elections (Reif and Schmitt 1980). Unfortunately there are few comparative studies of regional elections. One recent study has shown that regional elections tend to have lower turnout than general elections in eight out of nine countries, although there is considerable regional variation within states (Henderson and McEwen 2010). A number of studies also look at local elections. For example, Hajnal (2010:

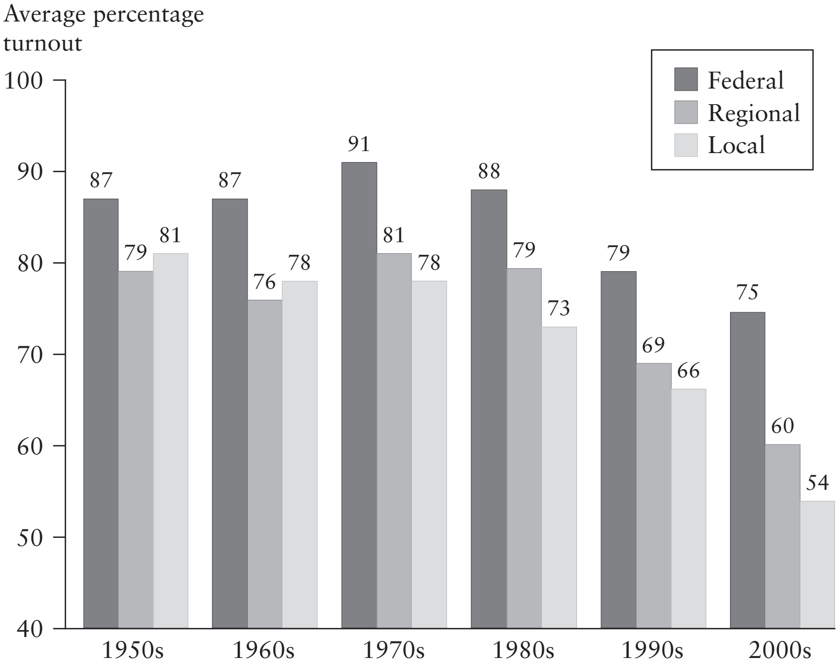
Table 1.1: Turnout change and record low turnout in twenty-two democracies, 1970–2010

	Yearly change in turnout (1970–2010)	Cumulative change	Years of lowest turnout	Frequency of record low turnouts		
Australia	–.02	–0.8	1954, 1955, 2010	*Period*	*No.*	%
Austria	–.37	–14.8	1999, 2006, 2008	1950s	8	12.1
Belgium	–.08	–3.2	1968, 1974, 2010	1960s	1	1.5
Canada	–.41	–16.4	2000, 2004, 2008	1970s	2	3.0
Denmark	–.08	–3.2	1950, 1953, 1990	1980s	3	4.5
Finland	–.39	–15.6	1999, 2003, 2007	1990s	15	22.7
France	–.54	–21.6	1988, 2002, 2007	2000s	37	56.1
Germany	–.50	–20.0	1990, 2005, 2009			
Greece (1974–)	–.27	–9.7	1956, 2007, 2009			
Ireland	–.30	–12.0	1997, 2002, 2007			
Italy	–.35	–14.0	1996, 2001, 2008			
Japan	–.24	–9.6	1996, 2000, 2003			
Luxembourg	.03	1.2	1989, 1994, 1999			
Netherlands	–.19	–7.6	1994, 1998, 2010			
New Zealand	–.26	–10.4	2002, 2005, 2008			
Norway	–.20	–8	1993, 2001, 2009			
Portugal (1975–)	–.86	–30.1	1999, 2002, 2011			
Spain (1977–)	.04	1.3	1979, 1989, 2000			
Sweden	–.26	–10.4	1952, 1956, 1958			
Switzerland	–.26	–10.4	1995, 1999, 2003			
United Kingdom	–.36	–14.4	2001, 2005, 2010			
United States	–.49	–19.6	2002, 2006, 2010			

Source: www.idea.int/vt. This table updates and expands Mair (2006: 13).

36) reports of the United States that turnout in local contests declined from 62 per cent of registered voters in 1936 to 39 per cent in 1986. For a random sample of fifty-seven American cities, Wood (2002) finds an average turnout rate of 34 per cent for local elections held between 1993 and 2000. Taking Germany as an example, figure 1.7 shows turnout rates for three kinds of elections for each decade since 1950. Until the 1970s, electoral participation was generally growing, surpassing 90 per cent in the general elections of 1972 and 1976. Regional (*Landtagswahlen*) and local (*Kommunalwahlen*) elections never quite reached these levels but still recorded turnout rates well above 75 per cent. Then, from the 1980s onwards, turnout began to falter for all types of elections, most dramatically at the local level. In comparison with the 1970s, electoral participation declined by more than 20 percentage points in local and regional elections. Today, turnout rates of around 60 per cent in regional elections and around 50 per cent in municipal elections are the norm.

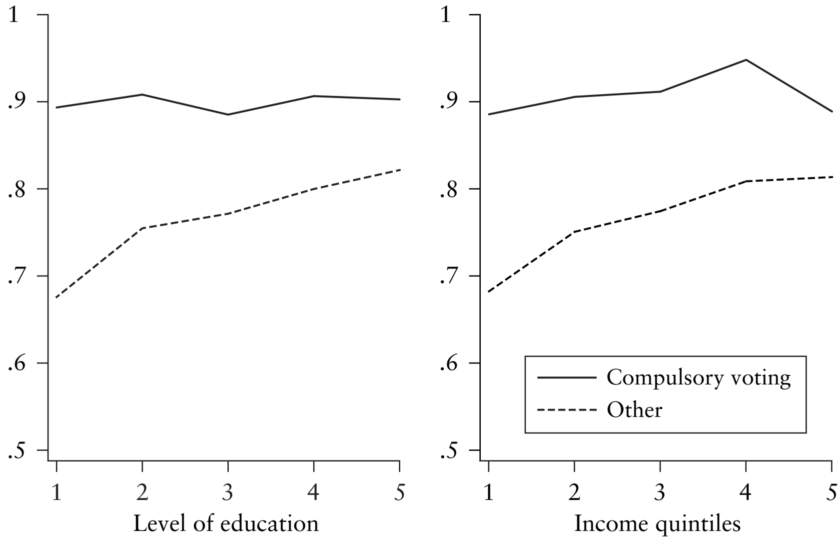
Figure 1.7: Turnout in Germany, 1950–2009



Source: Statistical office of Germany and of the federal states.

Although turnout decline is near universal *across* Western countries, it is by no means evenly distributed *within* them. Voters with more resources – education, income or social capital – participate much more frequently than the resource-poor. These differences tend to grow larger as turnout declines, because lower overall participation rates go along with more unequal participation. Given the regularity of this pattern, Tingsten (1975: 232) even speaks of a 'law of dispersion'. More recent studies have confirmed the basic pattern (Kohler 2006; Mahler 2008; Schäfer 2011). One way to show levels of dispersion is to compare countries with compulsory voting and those without. When the legal obligation to vote is strictly enforced, compulsory voting not only considerably increases electoral participation but also equalizes it. Figure 1.8 shows that, in four countries with mandatory voting (Australia, Belgium, Luxembourg and Greece), turnout rates are consistently higher across income and education groups. The effect is strongest at the lower end and less pronounced for those with high incomes or a high level of education. Without compulsory voting, the turnout of the less educated is more than

Figure 1.8: Voting probability of different social groups under voluntary and compulsory voting



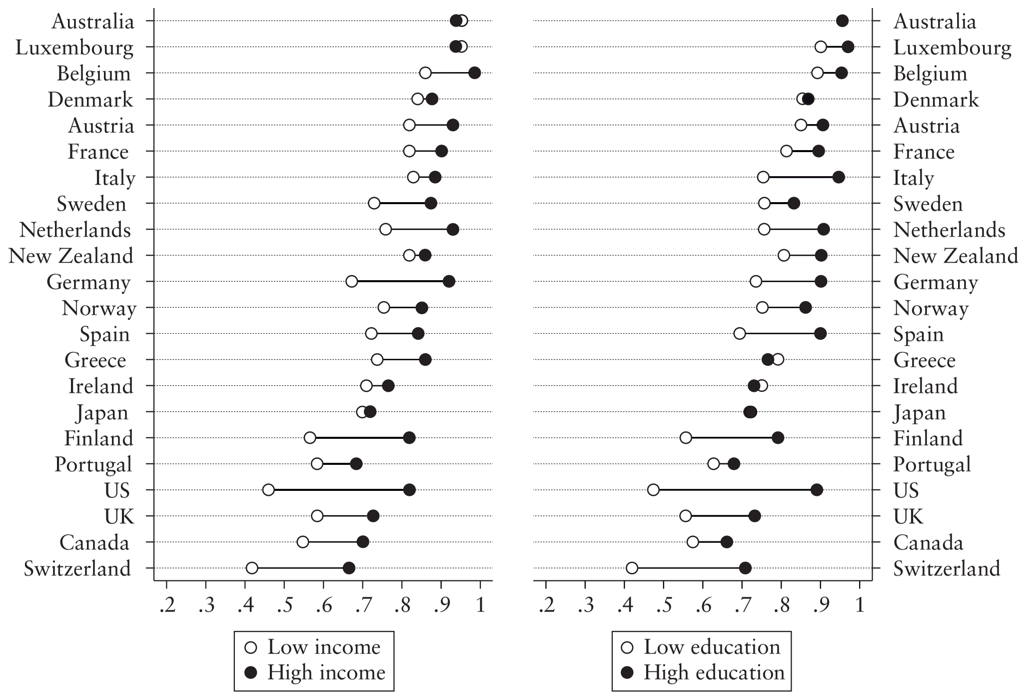
Note: For countries, see Figure 1.9. The figure shows predicted probabilities of voting calculated from a logistic regression (with robust standard errors) that controls for age, gender and political interest.

Source: International Social Survey Programme 2006 and European Social Survey, various years.

11 points lower than that of the highly educated. Exactly the same holds true for different income groups. Under mandatory voting, in contrast, nine out of ten people attend the polling booths across social groups.

In a more fine-grained analysis, figure 1.9 shows the difference in voting for different income and education groups in twenty-two countries that are ranked according to their overall turnout level. Not surprisingly, electoral participation is again highest in Australia, Luxembourg and Belgium, as these countries strictly enforce mandatory voting (which is not true for Greece). Turnout is particularly low in three Anglo-Saxon countries (the US, the UK and Canada) as well as in Switzerland. Almost without exception, people with higher levels of education or income have a higher probability of voting (controlling for age, gender and political interest). These differences are small in high-turnout countries, as we have seen before, and tend to be larger in low-turnout countries. Not all countries fit neatly into the overall pattern, however: Germany has a higher level of dispersion than one might expect, whereas Greece, Ireland and Japan have levels that are lower than expected.

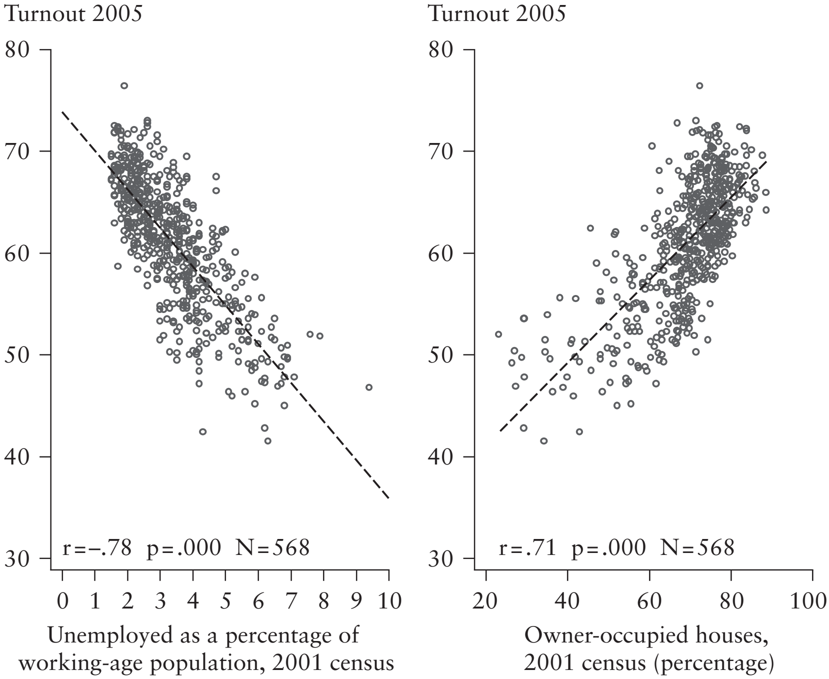
Figure 1.9: Participatory gap between income and education groups



Note: The figure shows predicted probabilities of voting calculated from a logistic regression (with robust standard errors) that controls for age, gender and political interest. It contrasts the voting probability of the lower and highest quintile.

Source: International Social Survey Programme 2006 and European Social Survey, various years.

Figure 1.10: Constituency turnout in the 2005 British general election



Source: Pippa Norris, The British Parliamentary Constituency Database, 1992–2005, Release 1.3.

Finally, there are large regional differences in turnout (Johnston and Pattie 2006). For example, in the British general election of 2010, turnout ranged from 44 to 77 per cent at the level of constituencies. High and low participation rates are by no means randomly distributed. Figure 1.10 shows a strongly negative correlation between the regional unemployment rate and electoral turnout in 2005 (census data for the 2010 constituencies are not yet available). In contrast, turnout rises with the number of people who live in their own houses. These patterns hold even if we control for the closeness of the electoral race in a constituency (a strong predictor of turnout), the number of pensioners and the proportion of manufacturing workers. Economic hardship clearly goes along with low participation rates. No matter what data source we look at, then, the basic pattern is clear: turnout is falling almost everywhere and at the same time is growing more unequal. As a result, the participatory gap between different social groups increases. To us, this suggests strongly that the less well-to-do have in the past two or three decades progressively lost faith in their political efficacy and have grown sceptical as to whether political participation serves their interests – and this view is not unfounded, as US studies show (Gilens 2005, 2012; Bartels 2008).

3 Debt and democracy

How could the deterioration of public finance in rich postwar democracies have undermined democratic participation and the democratic nature of politics in general? And how will the current transition from debt state to austerity state further affect democratic government? There is no simple answer to this, in particular because we have close to no historical precedents that could serve as guidelines.

Until the crisis, as Streeck argues in the concluding chapter to this volume, the build-up of debt, first public and then private, helped preserve liberal democracy by compensating citizens for low growth, structural unemployment, deregulation of labour markets, stagnant or declining wages, and rising inequality. The fiscal crisis of the state and the global economic crisis that followed it were the prices governments paid for their inability to prevent the advance of liberalization, or for their complicity with it. As governments increasingly gave up on democratic intervention in the capitalist economy, and the economy was extricated from the public duties it was promised it would perform when capitalist democracy was rebuilt after the war, it was through what came to be called the 'democratization of credit' that citizens were, temporarily, reconciled with the declining significance of democratic politics in their lives. This has now come to an end, as debt financing of public entitlements and private prosperity has reached a point where creditors are losing confidence that accumulated promises of repayment will ever actually be met.

With easy credit no longer available as a fix for liberalization and the associated democratic decline, the predominant theme of domestic as well as international politics in advanced capitalist democracies has become the consolidation of public finances through long-term institutionalized policies of austerity. How exactly the democratic austerity state of the future will work can only be guessed at. But some of its contours seem to be already visible. In the following we will summarize in nine short points what we regard to be the most likely future developments in the relationship between capitalism and democratic governance, and in particular between a tightening fiscal straightjacket for democratic politics, on the one hand, and the nature and extent of political participation, on the other.

1 Global liberalization, especially of capital markets, makes it highly unlikely that democratic countries will be able even partly to close the

gap between public expenditures and public revenues by setting higher taxes on corporate profits and high incomes. In the face of rampant tax competition, consolidation of public finances will have to be achieved overwhelmingly by spending cuts, apart from higher taxation of immobile assets – i.e., of consumers and low-income earners. As noted, spending cuts will tend to shift the structure of public expenditure in the direction of mandatory spending, at the expense of what has been called 'social investment' (Morel et al. 2012) in a more egalitarian distribution of the initial endowments of participants in market competition.

2 As liberalization-cum-fiscal discipline limits corrective intervention in the market, democracy will tend, even more than in the past two decades, towards 'post-democracy' (Crouch 2004), where public spectacles replace public action in pursuit of collective values and interests. With *panis* in increasingly short supply, more exciting *circenses* must be and will be provided in its place.

3 Institutionalized austerity will continue the privatization of government services that began in the 1980s and 1990s. Privatization forces or (as the case may be) allows citizens to rely on their own resources rather than on public provision, and to purchase in the market what they would otherwise have received from the state. The inevitable consequence is more inequality of access, for example to health care or education. Privatization should also reinforce tax resistance among the well-to-do, who are likely to be unwilling to pay both for the services they buy on their own for themselves and for the publicly funded services they do not use. It furthermore contributes to political apathy: among high-income earners, who, having effectively 'exited' from the community, no longer need 'voice' (Hirschman 1970), as well as among those at the lower end of the income distribution, who, in the presence of effective ceilings on public spending, cannot hope to get better services by voting for them.

4 Fiscal consolidation does not mean that democratic states will no longer need the confidence of financial investors, even under a regime of institutionalized austerity and with a primary budget that is balanced or in surplus. Given the huge amount of accumulated debt, governments will for a long time have to take up new debt to repay old debt. Buying sovereign debt will remain a lucrative investment for those with incomes high enough to allow them to save. As states finance public obligations by debt rather than taxes, therefore, they not only spare their well-to-do citizens from having their surplus funds confiscated but in addition offer them safe investment opportunities, paying them interest on assets that they continue to own rather than compelling them to contribute to the public purse. Since the financial capital invested in public debt can be passed on to the next generation, perhaps even with the interest it earns

in the meantime, the debt financing of democratic states contributes to preserving and reinforcing economic and social inequality in civil society.

5 As states will continue to need credit, financial markets will in turn continue to keep them under surveillance, even after the stable institutionalization of a firm political commitment to balanced budgets and debt reduction. The most important challenge for democratic theory in the coming years will be systematically to realize that the austerity state that has taken hold in democratic capitalism has two constituencies rather than just one: in addition to its people, it has to face 'the markets' and their specific demands on public policy (table 1.2). While it has long been known that the interests vested in a capitalist economy require special attention from governments if they are to be successful (Dahl 1969), the rise of financial markets in particular seems to have made market pressures equally if not more significant to citizen pressures when it comes to everyday political decision-making. Democratic theory may therefore be well advised to consider and experiment with a model of contemporary democratic-capitalist politics that provides for symmetry between peoples and markets as rivalling constituencies representing different 'logics' of action, perhaps best circumscribed provisionally as 'social justice' and 'market justice', respectively.[7]

People and markets are different in a number of respects, making it difficult and sometimes impossible for governments to do justice to both of them at the same time. Whereas a state's citizenry is nationally organized, financial markets are global (table 1.2). Citizens are resident in their country and typically cannot or will not switch their allegiance to a competing country, whereas investors can and do easily exit. Citizens 'give credit' to their government by voting in general elections, whereas creditors do or do not give money. Rights of citizenship are based in public law, whereas the claims of creditors are regulated in civil or commercial law. Citizens express approval or disapproval of their government in periodic elections, whereas 'markets' make themselves heard in auctions

Table 1.2: The two constituencies of the austerity state

The people	The markets
National	International
Citizens	Investors
Voters	Creditors
Rights of citizenship	Claims to assets
Elections (periodic)	Auctions (continual)
Public opinion	Interest rates
Loyalty	Confidence
Public services	Debt service

that are held almost continually. Whereas 'the people' articulate their views through public opinion, 'the markets' speak through the interest rates they charge. There is an expectation that citizens will be loyal to their country, in contrast to the mere hope that creditors will have 'confidence' in its government and the fear that they could withdraw this confidence if they were to become 'pessimistic' or to 'panic'. Finally, where citizens are expected to render public service and expect to receive public services, 'markets' want debt service.

The new kind of politics that is unfolding as states and governments try to reconcile the often conflicting demands of their two constituencies still awaits exploration. Faced with international investors who unrelentingly police sovereign commitments to austerity – and, if necessary, will make their discontent felt by raising the interest rate on new loans – states may perhaps best be compared to publicly traded firms in a world of 'shareholder value'. Like managers of joint stock companies, governments are under pressure to deliver what in their case one could call *bondholder* value to increasingly activist capital providers. For this to be possible, they have to turn their citizens into a disciplined quasi-workforce who willingly produce market-compatible returns on the capital that has been invested in them, both by moderating their demands on the 'social wage' accruing to them as citizens and by continuously improving their productivity, even as what they produce is a civic surplus to be turned over to those states providing the operational capital that their home government cannot extract from its more affluent citizens.

6 The new tensions between the social rights associated with citizenship and the commercial rights deriving from private ownership of financial assets evolve not just within national polities but also and increasingly at the international level. Here 'financial markets', globally organized as they are, are at a profound advantage compared to nationally constituted citizenries, not least because markets are much better able than citizens to capture international organizations and turn these into instruments of market interests. Foremost among these interests is to prevent individual governments from cutting their debt burden by unilateral restructuring or sovereign default. To this end creditors can enlist the help of the 'international community' of states with the credible threat that a 'credit event' in one country will, as a side effect, push up the interest rates to be paid by all others on their debt, not to mention potentially force them again to bail out affected financial firms that have remained 'too big to fail'. 'Financial markets' thus become the foremost proponents of 'international solidarity', in the sense of providing investors with the collective deposit insurance guaranteed by the family of capitalist states as a whole, called a 'firewall' or 'bazooka' by political PR specialists and reducing the *de facto* risk of lenders to zero.

Making the job of 'global governance' easier, international central banking has at its command an abundance of tools by which to make subsidies to financial speculators appear as assistance to poor states or their impoverished populations, if not to make them altogether invisible. Monetary policy remains a book with seven seals to the vast majority of people, in particular those who will ultimately have to pick up the bill. For example, hardly anyone understands the far-flung implications for European workers and taxpayers of the loans at 1 per cent interest dealt out to banks, and only banks, at the end of 2011 by the European Central Bank, whose president is the former Goldman Sachs executive Mario Draghi. The task of national governments, whose ministers are unlikely to understand what is going on either, is above all to sell their people on the machinations of international money technocrats and the compromises produced by financial diplomacy. If this is not certain to work, the preferred alternative is to enlist the help of financial 'experts' to hide, as much as possible, the extent of the potentially gigantic welfare losses that citizens are being asked to absorb for the benefit of capital owners and bonus-collecting money managers.

7 Popular agitation around the international politics of public debt tends to express itself in terms of nations versus nations, rather than people versus financial markets. In its leftist or, better said, its social-democratic version, the politics of public debt is framed as a debate over the duties of rich nations to come to the assistance of poorer ones – i.e., over solidaristic international redistribution. On the right, countries unable to service their debt are presented as collective sinners against economic reason and fiscal prudence, and as less hard-working than the deserving rich, making it necessary to teach them a lesson by letting them suffer. Both perspectives are fundamentally nationalist, in that countries are conceived as unitary communities with collective economic entitlements or obligations, regardless of differences and distributional conflicts between the sectors and classes within them. Moreover, the two perspectives converge in political practice in their demand for strict international controls over the domestic politics of debtor countries, in particular limitations on their economic and fiscal 'sovereignty', which is obviously in line with the demands of 'the markets'.

When the complexities of international fiscal and monetary policy are reduced to a conflict between more and less economically prudent nations, the stage is set for a rich repertoire of symbolic politics. Populist pseudo-debates on the relative economic and moral merits of 'the Greeks' and 'the Irish', not to mention 'the Germans', provide an opaque veil of sentiments and resentments behind which 'the markets' and their 'technocratic' henchmen, in central banks and public relations agencies, can do their work basically undisturbed by popular interference. Here as nowhere else, we may in the future be able to observe what it means when democratic politics runs dry and is replaced with more or less sophisticated social technologies for the procurement of mass acceptance of decisions for which 'There Is No Alternative', at least not under the auspices of the existing national and international distribution of power and privilege.

8 Further complications for the politics of consolidation result from the fact that some creditors are also citizens, especially since the 'reforms' of social security in the 2000s that introduced private pension insurance almost everywhere as a supplement to overburdened public pension systems. As insurance companies are heavily invested in public debt, those who now depend on them for part of their pensions have developed an interest in 'responsible' fiscal policies ensuring states' ability to live up to their financial obligations. At the same time, however, these citizen-creditors continue to need and insist on government services and citizen benefits, as well as low taxes on low or average incomes. More and more people thus find themselves on both sides of the defining front line of politics in the consolidation period of the debt state. On the one hand, this may expand the room of policy-makers to manoeuvre, potentially enabling them to mobilize support for austerity measures among citizens directly affected by them. On the other hand, paying for pension supplements with cuts to their pensions may not seem like too good a deal to a significant number of voters, and asking them to accept this may seriously detract from political support for privatization.

9 Perhaps most important of all, the interests not just of citizens but also of 'financial markets' seem to have deep internal contradictions. Holders of government bonds today require institutionalized austerity policies for reassurance that their claims to the assets of near-bankrupt, over-indebted states will enjoy priority over the claims of citizens. Austerity alone, however, is not likely to lower the public debt burden enough to make it reliably sustainable. There is wide agreement that what is also required is economic growth, although no one can say how this is to come about alongside deep cuts in public spending, higher taxes, a freeze on wages and rising unemployment, among other things. In fact, the fear is that austerity may drive countries under pressure to consolidate their public finances into a long-lasting recession or even depression, in effect increasing rather than reducing the size of their accumulated debt in relation to their economy, in spite and perhaps because of deep expenditure cuts.

How growth and austerity may be combined remains a mystery known only to the most faithful believers in supply-side economics, and clearly not to those social democratic politicians in Northern Europe who keep calling for 'a plan for growth', or even a 'Marshall Plan', for the

Mediterranean member states of European Monetary Union. Indications are, however, that a not insignificant number of those in 'the markets' and in international organizations subscribe to the Thatcherite belief that economic recovery requires two opposite sorts of 'work incentives': even higher profits and bonuses for the rich – investors and managers – and even lower wages and social security benefits for the poor. The far from unintended result will be a further increase in inequality between the top and the bottom in democratic societies. Whether this will be politically sustainable no one can say with any degree of certainty. We for our part refuse to rule out the possibility that the result will *not* be a further increase in political apathy, as in the last quarter century, but a reversal of this secular trend, in the direction of political radicalization.

We conclude this introduction by repeating that it is impossible to imagine what the politics of democracy-cum-austerity will be like – in (as yet still) rich democratic-capitalist countries co-governed by global capital markets – as there are no valid historical precedents. Balanced budgets have been or are presently being written into the fiscal constitutions of European democracies by international agreement or, as in the case of the UK, by national government policy. In a few years the United States may be the only country in the Western world that will still be adding to its national debt. What consequences this will have for international relations and the domestic politics and economics of both Europe and the US we cannot even speculate about at this point.

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9

From Markets versus States to Corporations versus Civil Society?

Colin Crouch

In most areas of public policy debate, both political and academic participants focus on a confrontation between states and markets. This is particularly true of controversies over the welfare state, since the so-called marketization of previous state monopolies over health services, other aspects of social care, pensions, education and several other fields has dominated policy for up to twenty years. It is part of the more general phenomenon of the triumph of ostensibly market-oriented neoliberal policy approaches over state-centred social democratic ones. However, as I have argued elsewhere (Crouch 2011), actually existing, as opposed to ideologically pure, neoliberalism is nothing like as devoted to free markets as is claimed. It is, rather, devoted to the dominance of public life by the giant corporation. The confrontation between the market and the state that seems to dominate political conflict in many societies conceals the existence of this third force, which is more potent than either and transforms the workings of both. The polarity is in fact a triangle. The politics of the early twenty-first century, continuing a trend started in the previous one and accentuated rather than weakened by the crisis, has ceased to be a confrontation at all, but a series of comfortable accommodations among all three forces. There is a challenge to democracy here, as political processes and decision-making retreat from public gaze into a realm where only economic and political elites operate. Democracy and the market may therefore sometimes even appear together as victims.

Particularly important is the way in which giant corporations go far further than being the powerful lobbies that they are generally recognized to be, and become major insider participants in the policy-making process. In this chapter I shall discuss why and how in general this has happened. I shall illustrate the general argument with examples, taken mainly from recent UK experience. Finally I shall consider the reshaped form of politics that emerges from the process. This is something that no economic or political theory defends or advocates in any way, but it is a central reality of our public life.

If neoliberalism stands for anything, it is for a strong separation of state power from commercial markets. If it can be shown that in fact neoliberalism has brought about a dense and opaque entanglement of private corporations with government, the dominant political ideology of our day emerges damaged below its waterline. It is of course routine for ideologies to be hypocritical. State socialism did not rescue workers from subordination to economic exploitation but rather put them further into it. And Christian democracy has little to do with the teachings of Jesus of Nazareth. Ideologies survive such problems, but it is useful to display hypocrisies, as they indicate vulnerabilities that are the starting point for the discussion of alternatives.

1 How corporations become policy-making insiders

In the neoclassical economic theory on which neoliberalism claims to be based, markets have to be kept free from state intervention, because this distorts their operation. By the same token, states need to be protected from opaque influence by corporate interests, as this influence is likely to be used to push governments to act precisely in the kind of distorting way that offends neoclassical theory. Contemporary neoliberalism, however, focuses overwhelmingly on the former and ignores the latter, as a result turning a blind eye to the distorting interventions that can take place when governments respond to corporate influence. I limit influence to 'opaque' influence here, because transparent influence is more vulnerable to challenge, including democratic challenge, particularly if it seeks privileges that either other corporations or other social interests cannot contest. Neoliberalism concentrates its criticism on government interventions of a welfare-state kind – that is, those that seek to address negative market externalities or economic inequalities. It tends to be silent about those that disregard externalities or strengthen inequalities by catering to the interests of large corporations.

The most obvious examples concern the use of large cash payments as part of corporate lobbying. This has long been central to political life in many countries, most notably the United States, as Jeffrey Sachs (2011) has recently explored in detail. In 2010 the International Monetary Fund (IMF) claimed that, during the previous four-year electoral cycle, US firms spent $4.2 billion on political activities, particularly prominent among them being firms in the high-risk end of the financial sector (IMF 2010).

In a number of advanced economies, particularly but by no means only in the US, lobbying has probably grown in scale as inequalities in wealth have risen. This makes it easier for large corporations, rather than small businesses or non-business interests, to lobby. But in this chapter we are concerned mainly with corporate activities that go beyond lobbying. In principle the 'lobby' is a place outside the decision-making chamber, where those not involved in the formal governmental process can make their case to those who are. In important respects corporations are today 'inside the chamber'. We can detect four processes whereby this happens: the power accorded to transnational corporations (TNCs) by their ability to transcend national jurisdictions; economic theories of competition that place the idea of consumer welfare above that of consumer choice; the new public management doctrine that government organizations should model themselves on private firms; and the contracting out of public services to private providers.

1.1 The power of transnational corporations

The first of these is the most obvious, but also perhaps the one whose importance has often been exaggerated. It has two aspects. First, global firms have some capacity to 'regime shop' – that is, to direct their investments to countries where they find the most favourable rules. Second, the global economy itself constitutes a space where governmental actors (compared to the national level within stable nation-states) are relatively weak and corporations therefore have more autonomy. A clear and unusually public example of this occurred in the UK in 2011, when the global bank HSBC threatened to move its headquarters to the Far East if the government persisted with a particular item of bank reregulation following the financial crisis. Government rapidly and equally publicly revised its proposals.

The first argument seems straightforward: if firms have a choice between two countries for maintaining their investments, they should be predicted to choose that which presents better opportunities for profit maximization, which will mean lower costs, and therefore lower levels of corporate taxation, of labour protection and social standards, and of environmental and other regulation. In the short run we should therefore expect a shift of investments from the more costly to the cheaper country. In the longer run the former should be expected to adjust its own standards downwards in order to be able to compete for investments with the cheaper country. The result would be a general lowering of standards to meet the preferences of multinational enterprises – a process often known as 'the race to the bottom' (Oates 1972).

In reality, matters are not always as clear-cut as this (Basinger and Hallenberg 2004). Existing investments in plant, distribution and supplier networks, as well as social links, are not so easily moved. Firms have sunk costs in their existing locations, and in order to move existing investments from one jurisdiction to another they need confidence that profits in the new location will be sufficient to outweigh these costs (Sutton 1991). The more likely threat is not a transfer of existing investments but a preference for the cheaper country for future new investments. Even here, there is not necessarily a consistent preference for the cheapest locations. Firms, especially those that are capable of strategy, choose in which market niches to locate themselves, and this does not always mean the lowest costs. The high quality of the goods or services being produced is often a criterion, and this may require highly paid staff with good working conditions, or a strong social infrastructure requiring high taxation. It is therefore not the case that high-wage, high-tax economies have always lost out in competition for direct inward investment.

However, the pressure still exists, as Genschel and Schwarz (chapter 3 in this volume) show. In any case, this argument still places the initiative with the firms: it is their market strategy that determines (or at least strongly affects) whether or not particular government policies will be 'rewarded' with investment and whether these are policies for making available a population to work at low wages or one with high skills and secure lives. Globalization does not necessarily mean a race to the bottom, but it does increase the power of global firms in setting the rules of the race.

The second argument maintains that, there being no government at global level, TNCs are left fairly free to make what rules they like there, including deals they make with other TNCs for setting standards or rules of trade. Since this is the level at which there is currently the most economic dynamism, this regulation determined by global firms feeds back into national levels, undermining government authority. A particularly important component of this shift from the historical position of private interests being the regulated rather than the regulators is the role of credit-ratings agencies. These comprise a small oligopoly of about three firms, all American, which rate the creditworthiness of both individual corporations and national governments. The ratings-agency model is prized by neoliberals as a form of market-driven regulation that they deem to be *a priori* superior to government regulation. In a market for regulation, the argument runs, agencies that provided guidance that proved to be inaccurate would be forced out of business, so they have a strong incentive to get things right. However, in the late 1990s they failed to notice anything amiss with the accounts of Enron, and the subsequent exposure of the scandal surrounding that company seemed to do nothing to dent their reputation (Hill 2003). Then in 2008 the agencies were all spectacularly wrong in not realizing that many, mainly Anglo-American banks had taken on excessive risks, but none of them has been driven from the market (Goodhart 2008). Instead they went on to take up strong and controversial positions undermining the credit ratings of European governments. In fact the market for ratings agencies is a very imperfect one, since there are only three major agencies that are all based in the US and share US perspectives. Their failures do not demonstrate that one could not have a market in regulation, but they do show that, at present, such a market does not exist in the financial sector.

The argument about the power of this kind of corporate regulation is also exaggerated, though not as much as that about an alleged 'race to the bottom'. Alongside the growth of the global economy has come an increase in regulatory activity by international agencies whose members comprise national governments and which therefore constitute delegated governmental authority. Since the postwar period, some (but not much) of the work of the United Nations and the activities of the World Bank and the IMF have had some authority of this kind. In recent years these bodies have interacted more with global civil-society movements to produce something resembling a pluralistic, if not democratic, global polity (Scholte 2011). The Organization for Economic Cooperation and Development (OECD), long mainly a source of data and statistics on national economies, has gradually acquired more of an international policy-coordinating role – for example, in the field of corruption in governments' business deals with TNCs. Most recently, the World Trade Organization (WTO) has begun to regulate terms of international trade – though its authority extends more over governments than over corporations, and its regulation is directed overwhelmingly at reducing barriers to trade. Its potential positive regulation to abate abuses such as child labour has not been used. Finally, between the nation-state level and the global level, there has been growth in intergovernmental organizations regulating economic affairs in a more detailed way across world regions, though only the European Union (EU) has developed extensive policies across a wide range of fields. Global economic space is therefore not entirely without public regulation, but individual giant firms clearly occupy a more directly regulatory role at this level than at national levels.

Even after we have put both these processes into perspective, we are left with a situation where the dominance of the economic over the political takes the form not of a dominance of markets but of corporations, often indeed using their power to limit markets – as occurs where a TNC uses its market dominance to develop standards that exclude its competitors.

1.2 Competition and consumer welfare

This last point brings us to an important argument in contemporary neoliberal thinking: that market competition means a process whereby the most successful firms either acquire their less successful rivals or drive them out of business. In other words, the end point of the competitive process is the abolition of competition. This contrasts with an earlier neoclassical view in economic and legal thought, that market competition meant the maintenance of market conditions in which a large number of firms was able to survive – that is, the end point of competition was the continuation of competition. The more recent view, which is associated with the law and economics school of the University of Chicago, contends that the pure neoclassical approach produces a less efficient economy, as firms that would have been taken over or wiped out through market forces are artificially kept alive (Bork 1993 [1978]; Posner 2001; for a critical overview of the whole debate, see Amato 1997). True, consumer choice is weakened through this reduction in competition, but, it is contended, it cannot be in consumers' interests to have a less efficient economy. Consumer welfare may therefore conflict with consumer choice, and in such a case the former is more important. Probably of more interest to contemporary neoliberals is that the strict neoclassical approach requires increasing state regulation to sustain competition; the primary concern of neoliberalism is the reduction of regulation, even at the expense of the market. The earlier approach, which is associated with both traditional US antitrust law and modern European competition law, both insisted on the importance of consumer choice and stressed the importance of limiting concentrations of economic power in the interests of democracy and pluralism. Chicago theory tends to ignore the latter argument, except to contend that, if the state disengages from the economy, it does not matter if corporations are politically powerful, as they cannot do anything with their power.

1.3 New public management

Systems of public management that developed under the influence of nineteenth-century liberal concepts insisted on rules that governed and limited relations between ministers and senior civil servants, on the one hand, and businesspeople, on the other. The rationale for this was to avoid the corruption that might occur if individual businesspeople or firms tried to gain favours from the state. This was partly to protect the autonomy of the capitalist economy and its markets, and partly to protect the state from corruption. In many countries the rules did not at all prevent corruption, but the concept certainly existed that such separations were necessary. This approach was reinforced by twentieth-century social democracy, which was suspicious of the mutual entanglements of business and politics. The desire of liberals to protect the market from politicians, and the desire of social democrats to protect the polity from businessmen, produced an unusual but powerful alliance. Late twentieth- and early twenty-first-century neoliberalism departs radically from this consensus, as it criticizes the division between business and politics for having produced a political and public administrative class that has become remote from private business and out of touch with its market-driven incentives, and therefore unlikely to innovate or achieve efficiencies.

This criticism has been part of the doctrine of new public management (NPM), a branch of neoliberalism that concentrates on remedying alleged inefficiencies of government organizations by modelling them more closely on corporations (Hood 1991; Christensen and Lægreid 2002; Osborne 2006). As part of this doctrine, governments have been encouraged to employ private-sector consultants, to appoint senior managers from private business, and to allow easier passage into senior positions with private firms by ministers and civil servants when they leave public life, even into firms connected with areas where they had earlier had responsibilities. This has opened up important opportunities to corporations to influence governments. Some of the strongest examples come from the US, where many of the key public officials engaged in the deregulation of investment banking – a deregulation that was directly responsible for the financial crash of 2008 – either had worked for investment banks before moving into government or moved from government to banks after office, or did both. Some of these individuals became important figures in the Obama administration (Sachs 2011).

A related development is the employment by government of private-sector consultants and seconded staff from corporations within the government machinery, working to advise governments on public policy within areas where they were conducting business and seeking contracts.

A curious example of a private firm being enabled to penetrate deeply into government and the police force, as well as both the country's main political parties, has taken place in recent years in the UK. Throughout the summer of 2011 there were revelations of illegal telephone hacking by at least one of the newspapers owned by News International, the British branch of News Corp, the US media corporation owned by the former Australian – and now US – magnate Rupert Murdoch. At the time of writing the revelations have not yet ended, and the full facts of the case are not known. We do, however, know that journalists from the newspaper the *News of the World* were hacking the phones of a wide range of celebrities, politicians and other newsworthy people. Since this was an illegal activity, it necessitated collaboration with 'private detectives' with criminal links. Phone-hacking could reveal secrets about individuals' private lives that could provide material for newspaper stories, but there was also the possibility of blackmail. While this story had been developing for several years, two coincidental events brought it to a crisis in July 2011. First, during that month it was expected that the Conservative–Liberal Democrat coalition government would grant News International a highly controversial monopoly control over the UK's major satellite television service. Second, it was discovered that among the mobile phones that had been hacked by *News of the World* journalists were one belonging to a murdered girl and others belonging to the families of British soldiers killed in Iraq and Afghanistan. There was a widespread expression of public disgust at this behaviour, especially in the case of the murdered girl, as the activity on her phone produced by the hacking had led her parents to believe she was still alive.

It became impossible (at least temporarily) for the government to grant the satellite television monopoly to News International, but the earlier government support for it rendered the whole issue of the firm's behaviour of central political interest. Newspapers and politicians began to devote serious resources to the case. It was already known that the prime minister had appointed a former editor of the *News of the World* to be the government's senior communications officer; this official had already had to resign. But it now became clear that both major political parties, Conservative and Labour, had several former employees of News International in senior positions in their press offices. More surprising, the corporation had developed similar links with the Metropolitan Police, the UK's main police force. Following inquiries five years before the phone-hacking scandal, the Metropolitan Police had declared that very few instances of hacking had occurred. This was now known to be untrue. During the summer of 2011 the head of the police force and one other senior officer were required to resign their posts.

What exactly News International has been doing in British public life is difficult to determine, but even if we set the phone-hacking aside we still have a major example of a corporation embedding itself in government, political parties and the police through the placement of personnel. It may be in part related to contract-winning, as in the satellite television case. It was surprising that a government in principle devoted to market competition wanted to grant an unnecessary monopoly over satellite television to a corporation that already owned several national newspapers.

A second example concerns the UK government's current proposed changes to British planning laws to make it easier for developers to erect new buildings in rural areas and towns considered to have landscape or architectural value, areas currently protected by planning legislation. Several major property companies bought land at low prices – low because the sites were protected by existing legislation – in anticipation that the planning laws would be changed, enabling them to build. A number of these firms had made large donations to the Conservative Party. It also emerged that personnel from house-building firms had drafted some of the legislation that would introduce the changes.

The News International and planning law cases may simply be examples of old-fashioned graft rather than the product of NPM. However, NPM has helped to create a climate in which this behaviour was considered reasonable. If neoliberalism meant an exposure to market forces and the clear separation of government from economic interests, as required by market economics, then a neoliberal government should have been particularly averse to such conduct. In fact it willingly embraced it. The plan to grant satellite television monopoly to News International was disrupted not by devotion to the competitive market, but only through the coincidental revelations about phone-hacking in a separate part of the firm's holdings. The relationship between property companies and the UK planning law changes came to light mainly because certain other interests close to the Conservative Party were offended. This aspect will be pursued further below.

These have all been cases where 'making government more like business' has not meant what economists understand as a true introduction of markets, but rather has been their possible distortion, and certainly a growing political power for firms.

1.4 Contracting out public services

Finally, in the welfare state a compromise between a drive for privatization of services and a continuing commitment to provision of services on the basis of need and not ability to pay has had some similar effects. What happens here is a privatization of supply but not of demand and a separation of the user from the purchaser (Crouch 2011). Typically, a public authority offers contracts to provide a public service, possibly in certain geographical areas. It is therefore the purchaser, because it pays for the service through taxation revenues rather than requiring service users to pay, except on a token basis. This latter case is consistent with social democratic welfare-state principles. The users continue to be the members of the public who avail themselves of the service, but they have no customer or user relationship with the firms that win the contracts.

Therefore, in these contracts there is no market on the demand side;

there is a monopoly purchaser, or possibly a small number of purchasers among different public authorities. The supply side potentially has a market, but in practice the contracting business is dominated by a small number of contractors. Interestingly, these are often firms who engage in public-service contracts across a wide range of activities. A road-construction firm might provide local government back-office services; a defence contractor might provide school education. Road construction and defence have long been almost entirely areas of public contract work; from there firms have extended to other areas of public service as the welfare state has been opened up to private contractors. The core business of these firms is not therefore the substantive activity; providing defence equipment does not have much to do with educating children. This is entirely logical. The core business is the art of winning government contracts. The government is the customer, not the service users, and government is not directly buying the substance of a service but a contract to provide it. The process of winning contracts from government is clearly a specialized business, or more firms would engage in it; the techniques it requires are not identical to those of winning a contract in the market.

The number of providers is made smaller by the fact that in many of these welfare-state areas there has been no history of mass private provision. Before it can offer contracts, government therefore has to engage in what is called 'market making', which is essentially the process of persuading firms to let government be their customers. The 'markets' that result are usually small, and relations between purchaser and provider do not follow economists' rules.

This process overlaps with the previous discussion both of private consultants and staff seconded from firms to work in government and of the passage of individuals between government and corporations. The work of these persons is often to enable their firms to help 'make a market'. Once again, what they in fact make are corporate insiders to government rather than markets. As we know from the literature on contract performance within the private sector itself, the abstract distinction between principals and agents does not really work (Williamson 1975; Williamson and Masten 1995). In theory, the principal decides policy and the agent merely implements. But this is unrealistic for any complex contract performance; the agent becomes involved in proposing ways of working or even objectives that are more suited to its preferences or which reflect its expert assessment. When this happens in the contracting out of public services, corporations start to share in determining public policy. This is happening across a range of activities, from care to military services.

It is notable that the countries with the largest welfare states, the

Nordics and especially Sweden, have moved a long way towards this form of contracting out (Tritter 2011). Such contracting played a major role in the eventual negotiation of health-care reform by the Obama administration in the US; the president was able to achieve an increase in public funding of health care, provided that private firms gained a major share of the delivery. This may be the emerging new social contract of the twenty-first century: populations can keep their welfare states, provided they become an arena for corporate profit-making. As Freedland has argued (1998), there is a distinct democratic deficit in the process, as the relationship between government and citizens is replaced by that between government and contractor, while the citizens' only relation to the contractor is that of user – a more passive one than that of customer. If the European Union policy of opening up public services provision to international competition becomes generalized, the service providers will become international firms even further beyond citizens' reach.

2 Corporate social responsibility

As more areas of life are brought within the scope of neoliberal reasoning, there is a strong trend towards amorality in public life. Fields such as health and education, which in the past were seen as having their own sets of values, have been brought within the market. Not only is profit maximization the sole goal of corporations as such, but it seems that nothing else in society should try to establish alternative goals. Meanwhile globalization has increasingly been separating corporate activity from the values of specific human communities.

We see this process particularly clearly in the growing dominance in corporate law of the Anglo-American model of the firm. This presents the firm with a single goal: the maximization of shareholder value. This focuses managers' attention on making their activities as efficient as possible, maximizing profits and therefore making society richer. It should be noted that there is a claimed general good here: in principle shareholder maximization is not an appeal to selfishness *tout court*, but the usual claim on behalf of the market that it turns selfish motivations into benign pursuit of general welfare. But this rules out any criticisms of the intermediate consequences of maximizing behaviour and argues that ultimate ends justify both means and intermediate implications. This Anglo-American approach to the firm is contrasted favourably by economists with traditional German corporate law, which saw a firm as having several stakeholders in addition to shareholders, including employees, whose interests must be reconciled with one another. It is argued that the traditional German system results in a confusion of goals, in lower profits, and therefore in lower wealth creation. The justification of this 'demoralization' of social life is that, in the market, people are free to choose. But, as we have seen, many contemporary markets are dominated by large corporations, where judgements are made by lawyers in commercial courts as to what constitutes consumer welfare, rather than the ideologically promoted concept of 'freedom of choice'.

There is, however, an important twist to this story. The years during which the Anglo-American concept was coming to dominate the world were also the years when the idea of corporate social responsibility (CSR), which meant having regard for goals other than profit, was being strongly promoted – and proclaimed by some major enterprises, including Anglo-American ones. The CSR movement has been asserting that corporations cannot escape having a moral personality – and at a level short of the general argument that profit maximization automatically guarantees the public interest. The case for CSR has been developed as a response to increasingly intense criticism of the morality of many aspects of corporate behaviour. Arguments about the total priority of shareholder value have completely failed to put an end to controversies over a mass of issues, ranging from the treatment of labour in global supply chains, to the responsibility of Western firms in Africa for the spread of HIV/AIDS, to the conduct of investment banks in derivative markets, to very many questions around pollution and environmental damage (Crouch and Maclean 2011). Many corporate leaders have found it necessary to declare that their businesses pursue goals in these areas, alongside profit maximization.

Much of this may be just public-relations talk without much substance. Also, there are arguments that CSR can be reconciled with profit maximization. (In their most sophisticated form, these arguments claim that firms that listen to changing public moods in their CSR practices are also likely to be sensitive to new market opportunities.) But neither of these very different objections to seeing CSR as a challenge to profit maximization can refute the main point: some firms are being required to respond to important ethical challenges. This new emphasis on CSR works mainly with firms to whom brand names and reputation in mass markets matter, above all to fashion-sensitive industries such as clothing, domestic petroleum products and food. Firms whose customers are mainly other corporations, such as investment banks, are less likely to be challenged.

But something happens as we slip from ethical practices embedded in law (as was the most likely outcome of such challenges in the recent past) to those chosen by business leaders themselves. The initiative in formulating a moral agenda has passed from political and legal elites to corporate ones, and from a broadly democratic arena to a private and often secretive one. There is an interesting dialectic at work: the price of the triumph of the corporation over the state – and, as we have seen, to some extent over the market – as society's leading institution has been an end to the claim that firms just need to pursue private profit and ignore public issues. The process resembles that whereby medieval monarchs had to start providing some public goods (such as a system of law courts) once they had made strong claims to sovereignty.

Both politico-legal and corporate elites can claim some democratic legitimacy, and both of these claims are vulnerable. Politics has all formal democratic legitimacy on its side, but can be accused of manipulating the people's voice through the tricks of the political trade. Corporate leaders can make no formal democratic claims, but they can argue that they are in touch with the preferences of masses of consumers through the market. It can then be counter-argued that consumers have no voice with which they can articulate their demands; they can simply purchase or not; control over marketing strategy, including any CSR components of it, rests with corporate leaders.

These debates over CSR, and the wider debates over the ethics of corporate behaviour to which it relates, enable us to reach two important conclusions. First, despite globalization, despite the dominance of the profit-maximization model, disputes over the ethical quality of the economic system have not gone away. If anything, they are stronger and more diverse now than at many times in the past. Second, the very triumph of neoliberal arguments over the earlier model of the active state has landed corporations in the middle of the controversy. Corporate leaders find it increasingly difficult to argue that their job is just to maximize profits and that, if we want limits imposed on them, we should look to politics and the state. This has become difficult precisely because neoliberalism has taught us that states are inefficient and that we should look to corporations for effective action. The very ideology that proclaimed the autonomy and superiority of economic motivations has produced complications for those same motivations.

3 Enter civil society

As I have argued elsewhere (Crouch 2011), once corporations have accepted, and sometimes indeed boasted of, a commitment to pursue social responsibility, they are vulnerable to criticism and challenge if they seek to keep this activity at the level of PR exercises. Thanks partly to the unmanageable communications possibilities of the Internet, almost every major corporation now has attached to it a critical campaigning group that draws attention to any negative externalities associated with its activities and any perceived hypocrisy in its CSR claims. This has not resulted from the uncoordinated responses of millions of consumers. As John Campbell (2007) has argued, pressure comes from several elements in a firm's social and political context. At one level, it has had to be organized. Groups campaigning around environmental issues, fair trade with developing countries and labour conditions in supply chains have worked hard to mobilize customers, drawing attention to unethical and environmentally damaging – and occasionally to good – behaviour. This marks a shift from CSR as an agenda framed and controlled by firms themselves to corporate social accountability framed by groups of citizens. As Néron (2010) and Vogel (2008) have both pointed out, this in turn creates a genuinely new political arena. Critics of corporate behaviour target firms directly, as well as indirectly via parties and governments – though the existence of laws and regulations often provides a vital springboard for campaigning action. As the corporation operates in both markets and politics, so its critics operate through market pressure as well as through direct political action.

It is even possible that – only sometimes and in only some cases – firms may be more responsive than governments to pressures of this kind. There are two reasons for this. First, governments may become so obsessed with ensuring they provide no impediments to enterprise that they establish a general strategy of leaving firms alone as much as possible. Meanwhile, some firms are becoming sensitive to the market opportunities offered by subtle nuances of taste changes among consumers.

A further advantage of campaigns directed at giant corporations rather than at governments is that these usually have an important built-in international component, as the firms themselves are transnational. Consumers and campaigners can organize internationally, and the objects of concern are often in a number of developing countries. These campaigns therefore constitute the early germination of the seeds of a transnational civil society (Brix et al. 2010). Meanwhile, governments, parties and political systems remain doggedly national; they are defined by the nation-state and are dedicated to pursuing the interests of that nation-state, any solidary action being of very marginal importance and existing mainly at very formal diplomatic levels, remote from civil society.

The role of corporations in politics can be seen as part of the non-democratic component of the constitution of modern societies. So too is the oppositional politics around the corporation. The vitality of campaigns and cause groups is evidence of a lively, pluralistic civil society, but it is not democracy in the formal sense of electoral processes within which all adults have a right to participate. At the outset of this chapter I said that political discussion should replace its polarity of state and market by the triangle of state, market and corporation. But the political rise of the corporation and the often comfortable accommodation among all members of the triangle has stimulated a fourth force in the shape of this non-parliamentary, non-party but clearly political activity by campaigning groups, or what in German have long been known as *Bürgerinitiativen* – citizens' initiatives. In general, it is what is often called 'civil society'. The politics of advanced societies therefore sometimes takes the form of a quadrilateral of forces rather than a triangle, though one where the fourth limb is clearly weaker than the others.

I have written elsewhere about this phenomenon and have depicted civil-society activity as comprising relatively small groups – politically important but demographically probably limited (Crouch 2011; see also Della Porta 2003). There may, however, be a further twist still to this unfolding of a new politics.

The rise of neoliberalism, the emergence of a global financial sector rooted in derivatives markets, and the general rise of corporate oligopolies have been accompanied by the growth in inequality referred to above. One aspect of this inequality is often discussed: a growing gap between the great majority of the population and the bottom 10 to 15 per cent of the income distribution. But the gap at the other end also merits consideration. The top 1 per cent is moving away from everyone else, and within that an even smaller group further extends a lead. The gap that separates the bottom 10 to 15 per cent brings major social problems; the gap at the top brings political ones, in the form of the concentration of political influence in large corporations under consideration here. This influence is restricted to the most powerful transnational corporations. There is little here for small and medium-sized firms. There is also little here for interests outside the corporate sector. This growing inequality of power creates uneasiness across large sections of the public, social tensions that are not the same as those of the now declining class divisions on which our party systems are still largely based.

The two British cases – News International and proposed changes in the planning laws – discussed above illustrate the point. The News International incident produced a profound sense of unease in the British public. At its heart was apprehensiveness over the use of economic power, including its morality. Values were involved here, not just economic interests. In responding to criticisms of hacking the phones of a murdered girl and relatives of dead soldiers, News International did not dare to use the usual defence of dubious media activities – that its actions might bring a story that would sell newspapers and make more profits.

They simply apologized. Profit maximization had for once lost its ability to be the trump card.

The planning law case raised very different substantive issues from News International, but it also attracted criticism for its attack on values other than those of profit maximization – criticism from defenders of the countryside and of historic urban centres. The national newspaper the *Daily Telegraph*, which would normally be totally reliably sympathetic to a Conservative-led government, gave prominent attention to the role played by party donations and the insider role of property companies in drafting policy. Several of the groups that campaign for Britain's rural heritage and traditions, and which opposed the change in the law, are also groups that would normally share many values with the Conservative Party. As in the News International case, a small but economically powerful set of corporate interests used its resources successfully at the level of the political elite, but found itself opposed by large sections of public opinion – including many of those that would normally ally themselves politically with the economically powerful.

Historically, in the UK and elsewhere, wealthy interests and corporate elites have been able to persuade large numbers of middle-income or middle-class groups to share a political identity with them, against the perceived threat of the organized manual working class. Their ability to do this was originally a condition of these elites' participation in democracy: when and where they felt themselves to be isolated against the potentially combined ranks of middle and working classes, they opposed democracy; when and where they succeeded in building that link to the middle class, they participated in a general democratic conservative bloc that has, around the advanced world, been extraordinarily successful.

There may be some change to that pattern today, in response to several factors. On the one hand, wealthy and corporate elites have become 'denationalized'; wealthy individuals have holdings all around the world, the big corporations are global enterprises. These elites are not particularly interested in the internal politics of any country, except perhaps the US. Their lobbying power is largely independent of electoral politics and generally more powerful; alliances with any particular national *Mittelstand* are not important to them. On the other hand, the old threat to middle-class interests presented by organized labour has considerably diminished as the workforce of manufacturing industry has declined in size, while the lower-income groups of the services economy have not yet created a political identity.

The dominant, largely financial elite has little need for the support of the middle class, while the latter has little need to fear the working class. This can create considerable tension between the elite and the middle class, when the conduct of the former undermines the values and interests of the latter. It is unlikely that this will lead, at least in the short term, to a party-political realignment of classes. Modern parties do not have strong identities; they try to avoid them and appeal to as many voters as possible. Therefore party allegiances have decreasing meaning, except as historical cultural symbols, which are fairly proof against disturbance by events. But outside the formal and increasingly ritual arena of electoral competition, new patterns of shifting alliances are forming for specific campaigns. One cannot really say that politics is becoming fluid and increasingly pluralistic, as the dominance of wealthy elites is rather stable; with the financial sector at their heart, they can still define the general interest of our societies. But there are interesting changes. Depending on the issue, the fourth limb of the quadrilateral may not be so weak as first appears, and it may have wider implications than challenging disconnected elements in the behaviour of individual corporations. It is unlikely that the politics of post-industrial societies will form the large blocs of alliances typical of industrialism and the world of mass parties. More fluid structures and fragmented organizations, overlapping boundaries between polity, economy and society may well be characteristic. One must not, however, be carried away by images of fluidity. The concentrations of capital typical of this kind of society may be fluid in that the financial markets on which they concentrate are fast-moving and unstable, but the concentrations of wealth themselves are very solid.

4 Conclusions

Along with some others, I have described contemporary advanced societies as being on a path towards ‘post-democracy’, which I define as a polity within which, while all democratic institutions continue to function, the energy of political action has moved elsewhere, in particular into a small, combined political and economic elite (Crouch 2004). The trends towards corporate political dominance discussed above constitute the major evidence for such a claim. The decline in democratic capacity described is not what neoliberals could see as a necessary withdrawal of the polity into its ‘real’ terrain as it stops trying to overreach itself in the regulatory, Keynesian and welfare state. The decline that we perceive is one that should have been anathema to neoliberals themselves: the use of strong corporate power within politics. The tendency will not be easily reversed, because the two major forces behind it – the growing scale of corporations in several major sectors and economic globalization – are too important to economic growth for any serious political movement to seek their reversal. The two counter-trends considered here – civil society and CSR – are far too weak to impose any major change of direction. Indeed, to the extent that the latter represents a disappearance of public policy into the private chambers of giant firms, it is more part of the problem of democratic decline than part of its solution.

In the above discussion, the state has been depicted as increasingly the close ally of corporate power. It remains, however, the main channel for challenging that power. CSR and corporate philanthropy are the nearest that firms can get to dealing with their own negative externalities, and these are both minor aspects of corporate life and removed from democratic reach. Charitable, religious and other bodies making primarily moral claims to authority can act in relation to externalities, but except in societies united by strong moral integration – which is not the case of contemporary advanced societies – these are weak. Even if civil-society actions often target corporations, or act directly to tackle a problem, they still address many, perhaps most, of their demands to political authorities, whether national or transnational. This cannot change, as only such authorities can tackle fully the issues raised by market externalities. Meanwhile, market externalities necessarily increase precisely as profit-making and market-making activities expand into further areas of life as neoliberalism enables and requires them to do. In this way, neoliberalism creates a need for the very market-limiting measures to which it is opposed.

Only the body that monopolizes the legitimate means of collective violence – the Weberian state – has the capacity fully to tackle major negative market externalities, though this does not mean that the possibilities of using civil-society actions as supplementary forces should be neglected. When the state's reach is inadequate (for example, because it is trapped at the level of historical nations) or it is thoroughly penetrated by corporate power anxious to evade regulation, then the damage caused by those externalities will go largely unchecked. This will probably be the fate of measures to arrest man-made climate change.

Climate change and other aspects of environmental damage demonstrate particularly strongly the inadequacies of geographically based entities like nation-states, especially when such entities need to confront deterritorialized private economic power. The idea of state 'sovereignty' is predicated on the assumption that the state is the most powerful institution operating over its geographical space. So long as democracy has its primary expression at this level, it will be unable to check corporate power. The idea of the state, including very prominently the welfare state, has to reach out to more inclusive levels. For Europeans the major first steps in this process are the construction of stronger European institutions, including citizenship. Both here and more obviously in any attempts to strengthen global governance, democracy has to take some steps back in order to take others forward. Clearly, democracy and citizenship weaken in quality as they try to operate across large numbers of people, even more so when they operate through bodies that are only indirectly democratic – as must be the case with any global governance (Scholte 2011). But if the national level is simply unable to tackle issues, it is better to have a diluted democracy with reach than a stronger one that is ineffective. In practice, this means, for example, surrendering some elements of socially embedded and valued national welfare states and regulatory regimes to a weaker European social policy. But without that step there will only be an overall and unresolvable weakening.

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10

The Normalization of the Right in Post-Security Europe[1]

Mabel Berezin

1 What is normalization?

European right-wing parties and right-wing ideas have gained increased political traction in recent years. As the global financial crisis unfolded in the autumn of 2008 and a fully fledged European sovereign debt crisis hit in spring 2010, parties on the right began to accumulate significant electoral successes. Parties such as the Sweden Democrats that were marginal political players in their respective nation-states have won seats in parliaments, and in some instances have become part of governing coalitions. In the April 2011 Finnish legislative elections, the right-nationalist True Finn Party came in third place and achieved the same percentage of votes as the Finnish Social Democrats.

During this period, nationalist rhetoric and policy proposals that are usually the purview of the European populist right have become part of the centre-right and, in some instances, left political discourse. For example, in October 2010 the German chancellor, Angela Merkel, told a gathering of young members of the Christian Democratic Union Party that Germany's attempt to build a multicultural society had 'failed, utterly failed'. Although Merkel went on to say that immigrants were still welcome in Germany, the phrase 'failed, utterly failed' resonated in Germany and across Europe. David Cameron, the British prime minister, seconded Merkel's assessment of multiculturalism in a lecture on Islamist extremism delivered at the Munich Security Conference in early February 2011. A week later, the French president, Nicolas Sarkozy, declared during a television interview that 'clearly, yes' – multiculturalism was a failure. Nationalist appeals to identities and practices are not new, but for the most part they have remained in the interstices of the European project. Whereas cultural conflict in the past arose from below, it now appears to be descending from above. Until recently, heads of state, especially heads of state that are committed to the European project, have not led the national identity charge. The events of 9/11 in the United States and subsequent terrorist activities in Europe have rendered it legitimate to argue that unassimilated immigrants, and specifically Muslims, are dangerous.

The economic events that began in the United States in autumn 2008 and soon travelled to Europe also made it legitimate to argue that Europe was a dangerous economic and political project. The European financial crisis trailed that in the United States by a few months. The struggle between national interest and the plans to preserve the European Monetary Union (EMU) began in spring 2009 with the Hungarian debt crisis. The conflict between national and European interests continues to plague attempts to adjudicate the full-blown European sovereign debt crisis that emerged in 2010, when Greece began to head towards default. In the spring of 2009, pundits and politicians spoke of a weakening European project and a potential failure of the eurozone. Editorials with titles such as 'Europe's gone missing' (Ash 2009), 'Eastern crisis that could wreck the eurozone' (Munchau 2009) and 'A continent adrift' (Krugman 2009) were common in major international newspapers. As early as January 2009, the French supply-side economist Éloi Laurent (2009) warned that the euro could not be allowed to fail and that member states needed to take action soon.

In spring 2009, policy-makers and politicians did not view the eurozone as being in danger. Public commentary had little effect upon them. The democratic deficit and the lack of accountability to ordinary citizens of EU institutions had long been a subject of discussion in EU academic debates. Yet no one seriously thought that the EU challenged democracy.[2] When faced with fiscal deficits and potential defaults, neither politicians nor commentators saw a serious challenge to European democratic practices or sentiments. Ideas that were inconceivable in spring 2009 are conceivable today.

When, a week before the summit in Brussels on 21 July 2011, the news emerged that Italy was on the verge of default, the cover of *The Economist* (16–22 July 2011) captured the shift in public perception. A gold 1 euro coin teetered on the edge of a black cliff, the edge shaped as the Italian boot against a background of bold red. The caption read: 'On the edge: why the euro crisis has just got a lot worse'. A week later, in *The Guardian*, Nobel Prize-winning economist Amartya Sen (2011) linked the preservation of the eurozone to the preservation of European democracy, and argued: 'It is . . . worrying that the dangers to democratic governance today, coming through the back door of financial priority, are not receiving the attention they should.' Two weeks after the Brussels summit, with global equity markets crashing, politicians as well as pundits began to view Europe as a threat not only to itself but also to others. Robert Samuelson (2011), writing in the *Washington Post*, warned: 'The big danger is Europe'. Walter Russell Mead (2011), in the *Wall Street Journal*, argued that maybe it was time for Europe to consider downsizing back to the national level. A recent *New York Times* (2011) 'Room for debate' feature, devoted to 'A Europe divided?', revealed that even some 'experts' remain divided on the future of Europe.

The *normalization of the right* is the analytical term that I developed to capture the twin phenomena of the electoral surge of the European right and the mainstreaming of nationalist ideas and practices. The *normalization of the right* has evolved in tandem with two global processes – the diffusion of terrorism and the onset of financial crisis. In *Illiberal Politics in Neoliberal Times* (Berezin 2009), I argued that the accelerated pace of Europeanization, including the creation of the EMU, fostered the emergence of a revitalized European right and ultimately promoted centre-right political coalitions. But *Illiberal Politics* did not anticipate the 2008 financial crisis, which by spring 2010 had become a full-blown European sovereign debt crisis. Since 2008, visions of a united, economically competitive and socially cosmopolitan Europe have blurred in the wake of the financial crisis. The sovereign debt crisis underscores the connection between the *normalization of the right* and the European project and also points to the fragility of that project.

Building upon Berezin (2009), this chapter argues that the global financial crisis has exacerbated economic fissures and cultural fault lines in the European project and has brought institutional problems into focus that were formerly adjudicated by nations. The sovereign debt crisis is forcing Europe to recalibrate itself as a *post-security polity*. Nation-states, the bedrock of pre-EU Europe, institutionalized a form of 'practical security' that lent collective emotional security to citizens. Political security was located in citizenship laws and internal and external defence ministries. National social welfare systems produced economic security and social solidarity as a by-product. Linguistic, educational and even religious policies created cultural security because they enforced assumptions, if not realities, of similarity and identity. In contrast to the 'old' Europe, where security, solidarity and identity were guaranteed, the *post-security polity* privileges markets, fosters austerity that threatens solidarity, and supports multicultural inclusion at the expense of nationalist exclusion.

This chapter develops a historical approach to the study of the right and argues that the breakdown of the institutions of 'practical security', driven by expanding European integration and exacerbated by the financial crisis, has provided a political climate in which right-wing solutions to political issues appear *normal*. It explores the relation between the rise of the nationalist right and the weakening, if not outright imploding, of the European project. It describes and theorizes the effect of the financial crisis and the ensuing austerity measures on the flourishing of non-democratic political sentiments in contemporary Europe. Sentiments, rather than practices, more accurately capture events in contemporary Europe, since all European nation-states, with the exception of the European Union, are procedurally democratic.

The analysis in this chapter is two-pronged. First, it explores the developing political salience of the European right that began in the early 1990s. The political trajectory of the French National Front (*Front National*) – one of the oldest and most continually relevant European right-wing parties – is a core component of this story. The chapter then situates the French right and the right more generally within the current European context.

2 Analysing the right

Extremist political parties and movements have been a constituent feature of European politics since the early twentieth century. With the exception of the 1920s and 1930s, these parties and movements have remained for the most part extreme and at the margins of normal politics. The spectacular disaster of the Second World War overshadowed the fact that, even in the 1920s and 1930s, the Italian fascist regime was tepid. Mussolini met his downfall through his alliance with Hitler; and in Spain Franco prudently avoided war and alliances (Berezin 2009: 17–22). The right was outlawed in various European countries after the war, but it did not disappear. Former fascist parties regrouped, changed their names and generally existed in the interstices of European political life. In 1988, the journal *West European Politics* published a special issue devoted to 'Right-wing extremism in Western Europe'. With the exception of the French National Front, the parties and movements that it discussed were not meaningful political actors even as few as ten years after its publication.

Social scientists developed an analytical response to the right that emerged in the 1990s. Political scientists (for example, Eatwell 2003; Mudde 2007; Rydgren 2007) tend to divide the available literature on the contemporary right along the analytical axes of *supply* and *demand*. *Supply* variables describe the availability of a right-wing party, and *demand* variables speak to voter characteristics and preferences. Berezin (2009: 40–5) develops an alternative framework that uses *institutions* and *culture* as analytical axes. This framework captures nuances and contextual complexities that *supply* and *demand* tend to miss. Institutional approaches assume rational calculation. The legal system underlies institutional approaches. The cultural classification encompasses meaning in the broadest sense. *Organizations*, *agenda setting* and *labour markets* provide further specification of the institutional category. In contrast to institutional approaches, cultural approaches to the right assume non-rationality – that is, to borrow from Max Weber, actions oriented towards values and beliefs – and include theories based upon *post-materialist values*, *ressentiment* and *legacies*.

Organization theories have an implicit notion of efficiency built into them because they prioritize party strategy. The choice theoretic versions of these theories assume that marginality is a mark of strength and not weakness (Givens 2005; Norris 2005; Meguid 2008). Political scientists examine the logic of right-wing party coalitions and focus upon the right's ability to become a strategic player in electoral politics. *Organization* theories do a good job of explaining the regional success of right-wing parties because they can point to the intersection of local-level bargaining and political strategy. They are less able to explain right-wing success and failure in national elections.

Agenda-setting approaches assume political rationality and posit that the right garners political legitimacy by bringing marginal issues into the electoral arena ahead of mainstream political parties (Schain 1987). They confuse issues of perception and timing and conflate causes with effects. For example, the French state placed immigration on its agenda before the National Front identified it as a political issue (Schor 1985).

Labour-market explanations of the rise of the right assume that inefficiencies in the post-industrial labour market and subsequent unemployment due to structural obsolescence lead to the propensity to vote for a right-wing party. Kitschelt's (1995) influential political economy model of right-wing success argues that the new occupational structure of post-industrial society has pushed traditional left/right parties towards an undifferentiated centre and has left an ideological void that 'extremists' fill. He assumes that the right is a proponent of free-market capitalism – an assumption that, as Ivarsflaten (2005) has pointed out, does not fit the French case.[3]

Labour-market theories assume economic rationality; *ressentiment* theories assume emotional rationality – i.e., a fear of immigrants leads to support for the right (Betz 1993). *Ressentiment* posits that losers in the competition over scarce social goods and material resources respond in frustration with diffuse emotions of anger, fear and, in the extreme case, hatred. While *labour-market* theories are structural and *ressentiment* theories are psychological and emotional, they share the assumption that an observed correlation between unemployment and immigration is causal with respect to right-wing ascendance.

The relation between xenophobia and immigration policy has dominated *labour-market* and *ressentiment* approaches to the European right (for example, Schain 1996). The riots in the *banlieues* of Paris in autumn 2005 and 2007 demonstrated that increased numbers of unemployed and disenfranchised second- and third-generation immigrants are genuinely problematic (Mucchielli 2009). Xenophobia is a contingent but not a necessary response to the social problems that immigrants pose. *Labour-market* theories establish a correlation between the presence of the right and unemployment. They fail to account for why a hypernationalist movement should be the outcome of the fear of unemployment. Widespread unemployment could as easily trigger a reinvigorated European left as an emergent European right.

Cultural approaches draw inspiration from Inglehardt's (1977) concept of 'post-materialist values' and from new social movements theory. These theories describe the right as comprised of protest parties and movements with anti-system goals that are not easily identified as left or right (for example, Kriesi 1999). Cultural theories sometimes echo mass society theory from the 1940s, since they focus on persons who, because of the dislocation of advanced capitalism, have become anomic and now feel an attraction to political parties and movements that offer certainty.

Organization and *agenda-setting* approaches, based on different forms of means/end rationality, are formal theories that fail to capture the content of politics as they are equally applicable to left, right or centre parties. *Labour-market* and *ressentiment* approaches identify correlations among social phenomena but fall short of explaining the social mechanisms behind those correlations. Post-materialism describes the instability of political preferences but does not account for left/right variation or answer well for extreme nationalism.

3 Legacies that matter: situating the right in the new Europe

Legacy theories that suggest that the past will repeat itself are empirically weak, as contemporary right-wing parties and movements do not map neatly onto interwar right-wing parties and movements.[4] Yet legacies do have analytical power if properly deployed. A robust account of the *normalization of the right* requires a historical approach – meaning an account that situates the right in broad patterns of social, economic and political change. The legacy that matters is not the legacy of whether a country had a fascist party or regime in the past but the legacy of the particular national iteration of the relation between people and polity. The institutional matrix that embeds a people in a national polity includes the legal system, the structure of the welfare state, citizenship prerequisites, education, the labour market and even the location of religion. Institutional configurations vary from nation-state to nation-state across the European continent, but they share an important similarity: European nation-states in the postwar period were secure states, in that the relation between people and polity, although different across Europe, was stable within national states (Eichengreen 2007).

The social science literature on the contemporary European right is party-centric and assumes deep party commitment. Analysts focus on variables, defined either as actor preferences or as structural factors, and pay less attention to national and international context. For this reason, the social science literature illuminates only partially the transient commitments that drove the right in the 1990s and does not account well for the current *normalization of the right*.

Illiberal Politics in Neoliberal Times (Berezin 2009) located the emergence of right-wing populism in the accelerated process of Europeanization that included political, economic and cultural integration and failed to account for the conflict between culture and institutional realignment. Market liberalism – the Archimedean principle of the new European project – challenged the social safety nets that had been firmly put in place during the postwar period. This social and political fact is behind the cultural strife and broad-based national yearnings that are emerging across contemporary Europe. If right-wing populism was simply a response to economic liberalization in various national states, then Europeanization should have provided an opening to the left. The opposite has occurred: the traditional European left has weakened in the years since 1992.[5]

Theories that overlook the historical legacy of postwar trans-European security miss the relation between Europeanization and the right of the 1990s. If analysts fail to grasp this prior relation, the current normalization of the right appears puzzling. Yet the normalization process is an extension of what preceded it in the period between 1990 and the current financial crisis.

Right-wing populism, its more respectable cousin national affirmation, and European integration gained momentum during the 1990s – a temporal coincidence that matters. The accelerated pace of European integration disequilibrated the existing mix of national cultures and legal norms that governed nation-states. An unintended consequence of disequilibration was a weakening of national social contracts, which threatened to make the national space unfamiliar to many of its citizens. Unfamiliarity has practical consequences: it produces insecurity in feeling and in fact. Right-wing populist parties and movements – a label of classificatory convenience rather than strict analytic precision, as these parties and movements have as many differences as commonalities – thrived in the European climate of insecurity. Until the European financial crisis began, the right had been singularly effective in foregrounding fear in the political discourse.

4 France and the National Front: a paradigmatic case of the normalization of the right

4.1 Winning the battle of ideas

The political trajectory of the French National Front provides insight into the current ethnocentric turn in European politics and political rhetoric. In the years between 1997 and 2007, the period during which the National Front appeared to be a political threat, its political positions and those of its leader, Jean-Marie Le Pen, often intersected with public opinion and mainstream policy. Events of that period provide context for the current French attitudes towards Islam, national identity and globalization. They also suggest a model of how social scientists might view other national iterations of similar processes.

In the early 1980s, when the French media establishment was vociferously criticizing Le Pen for his anti-immigration positions, the French state was quietly designing laws that restricted immigration. The right publicized the issue of immigration, but the immigration policy practices in France, and in European states more generally, did not map onto whether a government was left or right. In June 1993, the French state revised the French Code of Nationality to rescind automatic citizenship for the French-born children of immigrants and to require new citizens to assimilate to French culture (Weil 2002). In March 1998, Jean-Marie Le Pen's National Front shocked the French public and political establishment when it gained 15 per cent of the votes in the French regional elections (Perrineau and Reynié 1999).

A year later, the National Front split in two and analysts predicted the end of the party. The downward trajectory applied only to the National Front's electoral possibilities – not to its ideas, which were gaining wide acceptance. The National Front's issues were becoming increasingly French issues even though the party appeared to be in decline.

Europeanization as an iteration of the globalization that Le Pen had once labelled the 'new slavery of today' became a particularly salient French issue during this period.

The first round of the 2002 French presidential elections temporarily revived Le Pen, who came in second place, with 16.86 per cent of the vote. His presence on the ballot shocked the nation and returned Jacques Chirac, the sitting president, to office, with 82 per cent of the vote. Just about everyone who took note of such things in France – the media, the political science community and the candidates themselves – failed to observe in 2002 that Le Pen's ideas, if not his person, had been gaining strength, particularly his attacks on Europeanization and globalization and his defence of social solidarity and increased public security. The events of 21 April 2002 showed that his ideas and problems were French issues, not National Front issues – because ordinary citizens, and not only cadres of party militants, voted for him in the first round of the presidential election.

The French fears and anxieties around the issues of Europeanization and globalization that Le Pen had articulated reached their climactic moment on 29 May 2005, when French citizens rejected the European constitution. Between the 2002 and 2007 presidential elections in France, Le Pen's ideas on crime, immigration and national identity, as well as Europe, became a normal component of French public discussion. In 2003, the then minister of the interior, Nicolas Sarkozy, pushed a domestic security law through the National Assembly that vastly increased the powers of the French police. Sarkozy would reinforce this tough image during the 2005 riots in the poor suburbs on the outskirts of Paris, when he called the rioters 'thugs' and threatened to 'clean the neighbourhoods with a Kärcher' (a high-speed German water hose). Later in 2003, the Stasi Commission published a report recommending that the wearing of religious symbols be banned in public, which for all practical purposes meant the Islamic headscarf.

Sarkozy continued to capitalize on Le Pen's narrative in his 2007 presidential campaign. On 22 April, Le Pen received only 11 per cent of the vote in the first round of the presidential election. This was the lowest percentage he had received since he first ran for president in 1974. Once again, Le Pen and the National Front's political efficacy seemed to have evaporated. But Le Pen's issues (globalization, Europe, and the need to develop viable policies that integrate second- and sometimes third-generation immigrants into French society) did not disappear. As he proclaimed on the evening of his defeat, 'We have won the battle of ideas: nation and patriotism, immigration and insecurity were put at the heart of the campaign of my adversaries.' In the French case, the ramifications of European integration moved the right's issues into the mainstream of French politics and diminished the political capacity of the extreme right.

4.2 Looking towards 2012: a post-crisis presidential election

In June 2007, as the newly elected president of France, Sarkozy went to Brussels to renegotiate the European constitution that his party had supported in 2005. Upon his return to France, he proclaimed that he had succeeded in eliminating a clause in the new treaty that supported 'free and undistorted competition' and that this signalled 'the end of competition as an ideology and dogma' (*The Economist* 2007: 59). Sarkozy's comments, uttered from a place of political expediency rather than conviction, reflected the ambivalence towards Europe and globalization that characterizes all segments of French society.

In anticipation of his presidency of the EU in the second half of 2008, Sarkozy commissioned Laurent Cohen-Tanugi, a lawyer specializing in international mergers and acquisitions, to draw up a plan that would 'convey our vision of a Europe that is capable of combining economic growth, innovation and a high level of social protection and employment' (Cohen-Tanugi 2008: 205). Cohen-Tanugi's *Euromonde 2015: une stratégie européene pour la mondialisation* (published in English in 2008 as *Beyond Lisbon: A European Strategy for Globalisation*) included a survey on 'Perceptions of globalisation and France's relative specificity'. Respondents were asked whether they viewed globalization as a 'good opportunity' or as a 'threat to employment and companies in (OUR COUNTRY) [*sic*]'. Sixty-four per cent of the French respondents viewed globalization as a threat – the highest percentage among all of the national respondents sampled. French attitudes have shifted little since then. In a recent survey (Fondapol 2011) on European sentiment among the French (*Le sentiment européen chez les Français*), 52 per cent of respondents viewed 'globalization as a menace'. In the same poll, 62 per cent of respondents associated 'unemployment' with Europe, as opposed to 40 per cent who associated 'prosperity' with Europe.

The 2007 presidential election was the high point of Sarkozy's popularity in France. Support for his presidency among French citizens began a downward slide less than four months after he took office and did not rise above 41 per cent after 2008. In response to his growing unpopularity, he initiated a conversation on French national identity. In a joint address to Parliament and Congress, Sarkozy (2009) began with the financial crisis and government response to it, but then quickly moved on to France's favourite *bête noire*: globalization. He was soon peppering the speech with phrases such as 'our common values' and 'our common heritage', and eventually arrived at the importance of upholding *laïcité*

– the French version of the separation of church and state. The national identity debate had no appreciable effect on Sarkozy's approval ratings and unleashed a barrage of criticism from the left.[6] Critics from the left and within his own party accused him of fanning the flames of cultural conflict and of providing an opportunity for the National Front to re-emerge as a force in French politics.[7]

In preparation for the spring 2010 regional elections, the National Front launched a 'No to Islamification!' campaign that echoed the government discussion. The Socialist Party was the big winner in the regional elections, but the National Front did better than expected. In the second round, the Socialist Party came in first, with 49 per cent of the vote, and Sarkozy's Union for a Popular Movement party (Union pour un Movement Populaire, or UMP) came in second, with 33 per cent of the vote. The National Front came in third, with 9 per cent of the vote. The Socialist Party's position was somewhat weaker than its numbers suggested because its voting share came not only from socialists but also from members of Europe Écologie, a coalition of Greens and environmentalists. The National Front's position was somewhat stronger than its numbers suggested.

National identity was not the foremost preoccupation among the French in 2010. According to a TNS Sofres (2011b) poll (see table 10.1) that mapped the concerns of the French in 2010, 74 per cent of the respondents listed 'unemployment' as their principal worry. The figure remains constant even when the data is disaggregated for gender and age. The second concern was 'retirement', and the third was 'health'. Gender and age did affect what came in second and third place, with women placing health ahead of retirement and men placing 'buying power'. From age eighteen to thirty-four, 'buying power', 'school' and the 'environment' figured in the list. Among those aged thirty-five and older, 'health' and 'retirement' remained in second or third place, depending

Table 10.1: Preoccupations of the French in rank order for 2010

	All	Gender		Age				
		Men	Women	18–24	25–34	35–49	50–64	>65
Unemployment	1	1	1	1	1	1	1	1
Retirement	2	2	3	–	–	3	2	2
Health	3	–	2	–	–	2	3	3
Buying power	–	3	–	–	2	–	–	–
Environment	–	–	–	2	–	–	–	–
School	–	–	–	3	3	–	–	–

Source: TNS Sofres (2011b).

on birth cohort. In July 2011, the Ministry of Labour announced that unemployment in France had reached a high of 9.5 per cent (S. Laurent 2011). Both the Socialist Party and the National Front immediately and publicly blamed Sarkozy's failed policies for the rise in unemployment.

The unemployment statistics suggest that Sarkozy miscalculated the current priorities of the French (TNS Sofres 2011c). In addition to the unemployment rate, Sarkozy's role in negotiating the European sovereign debt crisis combined with his long-standing association with European Union politics and globalization contributed to his weakening political position. In the five years between the 2002 and 2007 presidential elections, events occurred in France, Europe and the world to move the National Front's positions closer to mainstream public opinion and official politics than they had been in the past. While this benefited Sarkozy in 2007, it worked against him in the 2012 French presidential election.

4.3 Marine Le Pen: seizing the economic moment

In January 2011, the French National Front elected Marine Le Pen to replace her father, Jean-Marie Le Pen, as head of the party. A lawyer who has held several local elected offices, Marine Le Pen is articulate and a frequent commentator on French national television. In December 2010, she set off a fury in the French and international media when she claimed that Muslims who knelt to say their daily prayers on the street in certain neighbourhoods of Paris evoked a 'state of occupation'. The word 'occupation' used in the political sphere always suggests the German occupation of France during the Second World War. The press and public officials widely accused Marine Le Pen of equating French Muslims to Nazis. Accusations aside, Marine Le Pen's goal is to make the National Front sufficiently respectable so as to attain national, rather than simply local, offices. She made this objective clear in her inaugural speech on 16 January 2011 (my translation): 'Dear friends, this is the moment that will date the irresistible rise to power of our movement. From this Congress [forward] will begin an unprecedented effort to transform the National Front.'

Marine Le Pen's inaugural speech focused squarely on economic issues. She argued that 'the Europe of Brussels . . . bypasses or goes against the will of the people' and was unleashing the 'destructive principles of ultraliberalism and free exchange' that made France's miserable economic growth, the worst in twenty years, seem less extreme given current economic realities. Instead of more Europe, Le Pen advocated 'economic patriotism and social patrimony'. She posed a 'grand alternative' for 2012, rather than the 'monitoring and patching of a system that is collapsing before our eyes': 'For the French, the choice in 2012 will be simple, clear and even binary: the choice will be globalization that is deregulation, alignment with the lowest social bidder, demographic submersion, the dilution of the values of our civilization . . . [or] the choice will be the nation.'

Current European financial realities lend cogency to Marine Le Pen's economic ideas. Even politicians on the left acknowledge that 'economic protectionism' is popular among the French and that the euro is not (Schwartz 2011). On 10 March 2011, Angela Merkel and Nicolas Sarkozy outlined a 'Euro pact' (quickly retitled from its original designation, the 'competitiveness pact') that was one of their proposed long-term solutions to the European debt crisis. Marine Le Pen responded to their proposal immediately on her website. She advocated replacing the Euro pact with the 'People's Pact' and argued that her proposal had two 'simple objectives': first, that 'the people and social politics should not be sacrificed on the altar of the euro'; and, second, that the economy would be relaunched with an effective monetary policy – which for Le Pen meant leaving the EMU. The Euro pact that Merkel and Sarkozy had proposed in February advocated the abolition of wage indexation and the adjustment of the pension system to account for changing demographics. In another political world, it would be the classic left, and not the classic right, that would be arguing against this pact.

As of yet, no analyst or politician, and perhaps not even Marine Le Pen herself, believes that France can exit the eurozone and revert to the franc, but the political resonance of her arguments is apparent. In April 2011, the National Front posted its 'economic project' on its website (Front National 2011). The core proposal of this project is 'free money' in the face of the 'failure of the euro'. The document begins by invoking Martin Feldstein, an economics professor at Harvard who as early as 1999 described the euro as a 'risk'. The National Front ascribes many economic ills to the euro, from unemployment to national debt to declining purchasing power. It argues that Sarkozy's decision to save the euro 'at all costs' is ideological and represents nothing more than 'social rampage'. In contrast, the National Front's position on the euro is 'pragmatic' and requires a 'gradual exit' from the EMU.

On 21 July 2011, Sarkozy went to Brussels for a European summit and entered into a pact to save the euro. This meant a second bailout for Greece. Upon his return, he wrote a public letter to members of the French Parliament to explain his decision (Sarkozy 2011). The letter reminded French deputies and citizens that the European Union was born out of the wars and disasters of 'old Europe' and that France, as a founding member of Europe, should view Europe as one of its children. Sarkozy argued that he was certain that the Europe that would emerge from the financial crisis would carry on 'the dream of those who, after surviving the totalitarian nightmare of the last century, wanted to leave us [the French] a heritage of peace and prosperity'. Sarkozy called the prospect of a Greek bailout 'our common responsibility in the face of History [capitalization in original]'. Marine Le Pen denounced Sarkozy's letter immediately on the National Front website.

The current National Front party slogan is 'With Marine, it is the moment!' Sarkozy's personal unpopularity, his association with the European bailouts and his neoliberalism, coupled with the vagueness of the French left, provided Marine Le Pen and the National Front with a political opening. But this is an excessively parsimonious explanation of a broader and deeper political and social phenomenon. The fault lines that make Marine Le Pen a viable political candidate were present in 2005, when French citizens voted against the European constitutional referendum (Berezin 2006). The significance of the 2005 referendum was not lost on Le Pen, who commemorated its fifth anniversary on her website in a post entitled 'The spirit of 29 May'. Sarkozy and his UMP party were not celebrating, nor was any other French political party. Commemoration was a savvy political move on Le Pen's part. In May 2010, the bailout of Greece was foremost in the French mind: at that moment, the 2005 vote against the European constitution could hardly have seemed like a bad idea.

4.4 Financial crisis and austerity across the French political spectrum

In 1985 the Socialist prime minister Laurent Fabius made the frequently cited remark 'M. [Jean-Marie] Le Pen raises real problems, but gives bad answers'. The polling firm TNS Sofres regularly tests public opinion on the National Front. A poll in 2011 (TNS Sofres 2011a) revealed several trends that are favourable to the National Front, suggesting that the valence between the 'real problems' and 'bad answers' was shifting. Between January 2010 and 2011, there was an upward trend in popular agreement with several classic positions of the right, including the defence of traditional values, the presence of too many immigrants in France, the fact that Islam was being granted too many rights in France, and that the police did not have enough power.

When respondents were asked if they agreed with the National Front's social criticisms but not the solutions that they proposed, 32 per cent of the sample agreed, while 55 per cent supported neither the NF's criticisms nor its solutions (TNS Sofres 2011a; table 10.2). The more disturbing figure emerges when the polling sample is disaggregated. Among 'right sympathizers' the agreement rate was 45 per cent, and this figure jumped to 48 per cent among members of Sarkozy's party, the UMP. Public perception of Marine Le Pen follows a similar trajectory (TNS Sofres 2011a;

Table 10.2: Attitudes towards the French National Front (percentages)

Question: Regarding the National Front, do you agree with:	*All*	*Right*	*UMP*	*FN*
1) **neither** their social criticism **nor** their solutions	55	34	45	16
2) their social criticism **and** their solutions	7	16	6	58
3) their social criticism **but not** their solutions	32	45	48	32

Source: TNS Sofres (2011a).

Table 10.3: Attitudes towards the French National Front leader (percentages)

Question: How do you perceive Marine Le Pen today?	All	Left	Right	UMP	FN
1) as an extreme-right xenophobe and nationalist	46	61	32	39	3
2) as a patriot of the right attached to traditional values	37	28	56	46	94
3) no opinion	17	11	12	15	3

Source: TNS Sofres (2011a).

table 10.3): when asked whether she is a ‘patriot of the right attached to traditional values’ or an ‘extremist nationalist xenophobe’, 37 per cent of the entire sample chose the ‘patriot’ option. When the sample is disaggregated, the figures changed in ways that favoured Le Pen: 56 per cent of the right and 46 per cent of the UMP saw her as a ‘patriot’.

Even a cursory perusal of the National Front’s website reveals that the majority of their recent political tracts and posters emphasize economic issues. A sampling of poster and brochure titles demonstrate this point: ‘France in permanent insecurity!’; ‘With Sarkozy, it is a new tax every month!’; ‘Euro: the winning countries are those that leave’. A flyer entitled ‘Financial crisis: the French victims of globalization!’ attributes increased unemployment, precarious employment, housing shortages, increased national debt and the tightening of credit to Sarkozy’s failure to abandon the ‘ideological straightjacket’ of globalization. The 2012 presidential election was the first major French election since the financial crisis and the sovereign debt crisis. During the campaign and the months leading up to it, Marine Le Pen seized the economic moment. The National Front shifted the focus of its public discourse from cultural issues to economic issues just as national leaders were discussing multiculturalism while negotiating trans-European austerity measures.

During the first day of the October 2010 strikes to protest the raising of the retirement age, the French Socialist Party organized a grand march through the centre of Paris. The official party organizers gave out stickers with sayings such as 'Retirement is life, not survival' and '60 years is freedom'. Plastered through the streets of central Paris were posters designed and distributed by a group calling itself the New Anticapitalist Party. The poster displayed a picture of Sarkozy and François Hollande, the Socialist Party candidate for president, on a €500 note. Referring to the politicians and the banknote, the poster proclaimed in bold letters 'GET OUT! [*Dehors*!]: Because they are worth nothing'. While many political analysts speak of an electoral alliance among parties of the right, Marine Le Pen's future may include co-opting fringe parties of the left. The National Front has always been popular among the French working classes (Viard 1997). Marine Le Pen is increasingly the preferred presidential candidate among French workers who feel abandoned by the Socialists and the centre-right (Piquard 2011), though it is unlikely that she would actually win a presidential election. In the months before the election in spring 2012, analysts began to talk about a repeat of 2002, when her father, Jean-Marie Le Pen, was runner up to Jacques Chirac in the first round (Fressoz and Wider 2011). On 22 April 2012, Marine Le Pen won by losing: she came in third place behind Sarkozy, with 17.9 per cent of the first-round vote, receiving a higher percentage of votes than her father did in 2002. The future is before her.

5 Timing matters: France in the European context

Animus towards Europe became a National Front issue in the late 1990s. The vote to reject the European constitution in 2005 made it apparent that antipathy towards Europe at worst, or ambivalence at best, was widespread among the French. The European sovereign debt crisis confirmed that anti-Europe sentiment was more widespread than public opinion polls suggested (Berezin 2011). When national leaders asked European citizens to support bailouts of financially troubled eurozone members, collective popular resistance emerged. Euro enthusiasm was restricted to the governing elite – and even the elite are far from united in this project. The first stage of the European crisis occurred in March 2009, when Hungary seemed on the verge of financial collapse. Politicians discussed the resistance to bailing out Hungary as an issue of national 'protectionism'. The more severe and ongoing debt crisis began in May 2010, when Spain, Ireland and Portugal followed in Greece's footsteps. Angela Merkel baulked at bailing out less solvent EMU members, and the German public supported her decision. PIGS was the unfortunate acronym used to describe Portugal, Italy, Greece and Spain – all of which were getting dangerously close to state bankruptcy.

The European sovereign debt crisis fanned the flames of cultural conflict, legitimizing nationalism by making it appear to be a rational response to potential economic disaster. The European Parliament election in spring 2009 was an important harbinger of political direction. The centre-right dominated, the left did extremely poorly and far-right politicians won seats.

The extreme right is not the only political faction now questioning a commitment to a neoliberal Europe and urging a retreat into the nation. Between July 2009 and April 2011, there were fourteen parliamentary elections and one presidential election in EMU member states.[8] There were identifiable trends in the results across Europe. First, voters tended to desert parties that had previously led in voting. For example, in Ireland, the Fine Gael party overturned the dominance of Fianna Fáil, a long-standing conservative party. The left performed better in countries such as Greece and Portugal, which had required bailouts and austerity measures and had been sites of mass protest. The trends present in these elections suggest that France is not alone in its retreat into national identity and in the presence of a revitalized right. The two most salient features of European elections since the spring of 2009 have been a tendency to overthrow parties that had been in power for some time, and a gain in electoral spoils for the nationalist right.

On 9 June 2010, Geert Wilder's Party of Freedom came in third place in the Dutch parliamentary elections. Much of Wilder's agenda focuses upon free-market liberalism – as long as it remains Dutch and not European. Wilders and his party were, until September 2012, minority partners in the Dutch coalition government. Four days after the Dutch election, a Flemish nationalist party that wanted to secede from French-speaking Belgium captured the largest share of the votes in a parliamentary election there. On 19 September 2010, the Swedish right-wing populist party the Sweden Democrats received 5.7 per cent of the vote, which made the party eligible for a seat in Congress. The party's leader, 31-year-old Jimmie Åkesson, is now a member of the Sweden Parliament. The Sweden Democrats decorated their campaign mailings with blue and yellow flowers – the colours of the Swedish flag. 'Safety and tradition' was their motto. 'Give us Sweden back!' was their *cri de coeur*.

The Finnish election of April 2011 is perhaps the most startling: here a nationalist right-wing party replaced an entrenched socialist party.[9] The populist party True Finns received 19 per cent of the vote in the parliamentary election. This percentage provides a sharp contrast to the 4.1 per cent that they received in the 2007 election. In 2011, the True

Finns received the same percentage of votes as the Social Democrats (19 per cent) and 1 percentage point less than the Liberal Conservatives (20 per cent). Writing in the *Wall Street Journal*, Timo Soini (2011), head of the True Finns, explained why he did not support bailing out Europe:

> At the risk of being accused of populism, we'll begin with the obvious: it is not the little guy who benefits. He is being milked and lied to in order to keep the insolvent system running . . .. I was raised to know that genocidal war must never again be visited on our continent and I came to understand the values and principles that originally motivated the establishment of what became the European Union. This Europe, this vision, was one that offered the people of Finland and all of Europe the gift of peace founded on democracy, freedom and justice. This is a Europe worth having, so it is with great distress that I see this project being put in jeopardy by a political elite who would sacrifice the interests of Europe's ordinary people in order to protect certain corporate interests.

6 The political power of exogenous events: scarcity and insecurity

Since the Maastricht Treaty became operational in 1992, two visions of Europe have dominated social science analysis, European policy initiatives and public discussion. The first vision is primarily institutional: that Europe and its expansion encompassing ever more countries is a technical solution to competition from global markets.[10] In practice, this vision captures the neoliberal dimension of the European project. The second vision is primarily cultural: it focuses upon the creation of a European identity.[11] Public opinion polls such as the Eurobarometer continually attempt to measure European identity. Much empirical research has suggested that ordinary Europeans tend to think in national rather than European terms (for example, Díez-Medrano 2003; Favell 2008; Fligstein 2008).

The European sovereign debt crisis and the European public's response to it challenge both visions of Europe. If the European project was perceived simply as an improved set of institutional arrangements, then the bailouts of member nations would not be problematic. If the citizens of EU member states identified themselves as European, then one would expect a willingness to bail out fellow Europeans in financial difficulty. But exactly the opposite has occurred. Even in nation-states such as Finland, which formally agreed to the bailouts, the nationalist opposition is strong. National attachment and sentiment has never been absent from European public opinion, but analysts and policy-makers have chosen not to emphasize it or have argued that it was not consequential. Nationalist sentiment was behind the widespread resistance to a European constitution. In contrast to national elections, voter turnout for European Parliament elections is historically low and declines at every election period.

The European Union, as conceived in the early 1990s, was a project of plenty – more nations, more people, more money, more regulations – not a project of scarcity. This current global crisis, especially in European iterations, is a crisis of scarcity and contraction. The potential consequences of scarcity are multiple, but they highlight one of the central contradictions in the European project as it expanded in the last twenty years – a contradiction for which theories and practices of Europeanization, globalization, post-nationalism and 'new world order' ideas have failed to account.

The European right was the first to label immigrants, market liberalism and Europeanization as security threats. In the presence of plenty, the right seemed recidivist at best and racist at worse. But exogenous security shocks made it possible for even mainstream politicians to resort to language and policies that previously had been the exclusive domain of the right. The combined shocks of the 2008–9 financial crisis and the 2010 sovereign debt crisis made it easier to argue that some nations were less virtuous than others and undeserving of financial aid. It also made it possible for the right plausibly to argue, as Marine Le Pen does in France and Timo Soini does in Finland, that Europe as a concept *and* the European Union as an institution are dangerous.

The European sovereign debt crisis expedited the *normalization of the right* that had begun to gain ground in the late 1990s. It pushed mainstream politicians to the centre right, as opposed to being comfortably in the centre. Politicians, to borrow from Mair (chapter 6 in this volume), were 'responsive' rather than 'responsible'. It is difficult to imagine that the EU as a political institution will disappear. Yet its future trajectory, particularly monetary union, is uncertain. Instead of the optimistic dream of a multicultural, united Europe, we can expect nostalgia politics and cultural conflict coupled improbably with enthusiasm for the free market. If the familiar sources of social, economic and cultural security not only seem tenuous but actually become so, fear and pessimism will become dominant political emotions. A collective sense of insecurity weakens the social largesse and empathy that lie at the core of democratic sentiment and normalizes ideas that many Europeans previously viewed as unacceptable and right-wing. How this will play out politically remains to be seen.

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