

## **Faith-retention and blame-displacement in the Great Recession: Palliating terminal social democratic decline at the EU-level?**

*Abstract.* The debate over the role that the European Union might play in providing social democratic parties with an opportunity for ‘re-social democratisation’ in the light of global socio-economic constraints has a long heritage. Such a process of re-social democratisation, the paper argues, would require a move towards a greater commitment to, *and* viable realisation of, measures securing political/economic redistribution or decommodification. This would contrast with the recent history of European social democracy, which has at least since the end of the 1970s been one of ‘de-social democratisation’, as social democratic parties have been unable to resolve the dilemma created by their historic pursuit of redistribution and decommodification within the constraints imposed by capitalism and parliamentary democracy. In the light of the present crisis faced by ‘western’ capitalism (in the form of the Great Recession) social democratic parties have entered a seemingly terminal stage of ideological decline, as the scope for redistribution and/or decommodification has become yet slimmer still. It is within this context that the paper identifies social democratic party actors call (again) for a European alternative, this time in the form of a supranational social democratic response to the Great Recession. Yet, as the paper outlines, the scope for such an ambition to be realised is fanciful at best – as witnessed with the ongoing difficulties in securing either a reflationary European-level stimulus package or a ‘social’ element to any mooted European economic (de)regulatory reforms. Rejecting the view that the European Union acts as a solution *or* constraint for social democratic alternatives, therefore, the paper instead explores and conceptualises the ambitions of EU-focused social democratic party elites in terms of their attempt to (seek to) retain the faith of remaining social democratic followers, as a coping mechanism employed during the terminal stage of social democratic decline.

The debate over the role that the European Union might play in providing social democratic parties with an opportunity for ‘re-social democratisation’, particularly in the light of ongoing ideological, organisational, electoral and programmatic decline, has a long heritage

(Featherstone 1988; Geyer 1993; Ladrech 1993; Aust 2004; Strange 2006; Bailey 2005, 2009). Indeed, both social democratic practitioners and academics have long debated the merits or otherwise of the European route to social democratic reinvigoration. As far back as 1973 the Socialist Parties of the European Community (the precursor to the present Party of European Socialists) adopted a policy statement, *Towards a Social Europe*, which included a commitment to European-level social policy, full employment, equality of opportunity, EC industrial policy, environmental regulation, worker participation and an EC incomes policy (Hix, 2002: 21). Similarly, writing in 1988, Featherstone (1988: 347) noted that,

in the present conditions of world capitalism, there is a *need* for Socialists in Europe to seek supranationalist means to some of their traditional goals. The nation-state no longer has the capacity to fulfil the requirements of democratic socialism; the wider political and economic forces constitute the terrain on which Socialists need to base their actions. Whatever the past predilections of European Socialists, if they are to more effectively achieve some of their substantive policy objectives, they now have *no realistic alternative* but to seek solutions at the supranational level [emphasis added].

Nevertheless, these ambitions have prompted a number of responses, including those adopting a more optimistic, pessimistic, or critical positions. This chapter explores each of these positions, arguing that, rather than side with either the optimists or pessimists within this debate, those critical perspectives which draw attention to the motives of social democratic party elites in heralding the supranational opportunities for re-social democratisation are more able to explain the current relationship between social democratic parties and the European Union.

## **In Pursuit of Supranational Re-Social Democratisation**

The question of whether, and to what extent, the European Union presents an opportunity for ‘re-social democratisation’ forms part of a wider debate over the extent to which such a process of ‘re-social democratisation’ is possible at *any* level, be it national or supranational (on which, see Bailey, forthcoming). Of course, in order to assess whether social democratic parties are adopting policy programmes that are more or less ‘social democratic’, we must first agree upon what the term ‘social democracy’ refers to. Yet such an attempt would

suggest that there is an essential ‘social democratic-ness’ that can be defined without direct reference to the policies that social democratic parties adopt. In contrast to the view that (to paraphrase Herbert Morrison) ‘social democracy is what social democratic parties do’, the present chapter works with a conceptualisation of ‘social democracy’ as a political ideal, and assumes that we are therefore able to evaluate the degree to which a particular political programme is social democratic or otherwise. Thus, the chapter adopts the view, outlined in more detail elsewhere (Bailey 2009a: ch. 2), that social democracy can be (and has been historically) defined as a commitment to three core goals: (i) the reform (rather than the replacement) of capitalist relations of production; (ii) the attempt to realise these reforms through an electoral and parliamentary political strategy; and (iii) that the reforms pursued will have a redistributive, levelling, egalitarian or decommodifying effect favouring social democratic parties’ core electoral constituency (which comprises a broad subaltern group including (but extending beyond) organised labour), *subject to the constraints arising from the two prior commitments* (Bailey, forthcoming). At least since the end of the First World War each of these ideals has been agreed to by all parties and party actors who have been considered to be, or considered themselves to be, ‘social democratic’ (Bailey 2009a: 4). Further, the *extent* to which such parties can be considered ‘social democratic’ can be understood in terms of the level and scope of redistribution (in an egalitarian direction) or the decommodification<sup>1</sup> that has been sought and/or achieved (Esping-Anderson 1990). As a result, the move since the early 1980s by social democratic parties across western Europe, to adopt a socio-economic programme that sought to encourage greater focus on the market as the mechanism underpinning resource allocation, has been viewed by many commentators as a process of ‘de-social democratisation’ as it reduced the redistributive and decommodifying effects present within social democratic party programmes (Moschonas 2002: 244). These ideological and policy transitions within social democratic parties have been largely portrayed by party elites in terms of their resulting from the necessitating effect of changes to the structure of the global economy (Watson and Hay, 2003), as well as the effect such changes have had upon the scope for *viable* social democratic policies due especially to problems of scale associated with unilateral action through individual nation-states (for a classic statement along these lines, see Gray 1996). As a result, much debate within social democratic parties since this transition has focused on potential opportunities through which to achieve a ‘re-social democratisation’ of social democratic party programmes, and

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<sup>1</sup> The term ‘decommodification’ is used here to describe the extent to which individuals are removed from the compulsion to sell their labour power on the labour market.

especially the opportunities (as afforded by an increase in scale) presented by the process of European integration (see, for instance, Strange 2006). Such debate within the literature has tended to divide over the question of whether the European Union might present a supranational vehicle through which social democratic policies that have become unviable at the national level can be once more rendered viable. This debate, moreover, provides us with an insight into the question of how we might understand social democratic parties' supranational-level responses to the current Great Recession, and the kinds of outcomes that have occurred as a result.

*The optimists: cosmopolitan social democrats*

As noted, for those optimistic about the prospects of a supranational re-social democratisation of European social democratic parties, European integration offers an important opportunity to circumvent the obstacles which have impinged upon the social democratic project (i.e. those processes which are typically referred to simply as 'globalization'). Thus, from this perspective, social democratic attempts to utilise the nation state as a means by which to promote redistributive and decommodifying public policies may have been hampered by problems associated with capital flight, increased international economic competition, and the conviction that state intervention results in less efficient decisions within the firm (and therefore ones which are unviable over the long term in a globally competitive environment). Nevertheless, such obstacles are largely viewed as a problem of both scale and intra-regional competition: the individual nation-state is disempowered when capital is able to relocate to neighbouring nation-states if the nation-state seeks to implement decommodifying policies that are unpopular with capital-holders. As such, the possibility of securing coordinated policies across supranational regions, most likely through economic policies adopted by the European Union, is believed to avoid intra-regional competition and increase the scale upon which such policies will be implemented, thereby re-enabling the adoption of social democratic policies *through supranational regional institutions* (see, for instance, Held 2003). As such, in the light of the Great Recession, cosmopolitan social democrats might be expected to support calls for greater supranational governance, as a means by which to resolve the global economic crisis and to do so in such a way that ensures more redistributive and/or decommodifying policies are implemented at the European level.

*The pessimists: opposing neoliberal Europe*

More pessimistic social democratic commentators have tended to note a number of obstacles to the realisation of ‘re-social democratisation’ at the supranational level. Thus, for supranational social democratic pessimists, the institutional and political obstacles internal to the European Union are such that the promise of re-social democratisation, purportedly to be achieved through coordinated supranational activity at the European level, is considered to be an unviable political project. Such sceptics point to the institutional barriers to social democratic outcomes being realised at the EU-level, including the high decision-making threshold that results from the need for EU legislation to be approved by large majorities within the Council, European Parliament and Commission, the absence of a substantive supranational political community (outside of the bureaucratic Brussels community), and the path dependence created by the EU’s historical focus on market liberalisation and economic (as opposed to social) integration (for more on these obstacles, see Bailey 2008: 233-4). Further, divisions within the social democratic party family itself tend to limit the adoption of a coherent and substantive social democratic agenda by social democratic party actors wishing to cooperate within the institutions of the European Union (Külahci, 2010). As a result of these obstacles, and in stark contrast to the claims of those more optimistic about the prospect for supranational re-social democratisation, critics have claimed that European integration has consisted disproportionately of the *removal and erosion* of opportunities for re-social democratisation, and in turn consolidated the process of de-social democratisation at the national level (Scharpf, 1999, 2010, has been one of the most consistent proponents of this view). Economic integration across the territory of the European Union precludes the adoption of national-level redistributive measures (as they would distort the free movement of goods, services, capital and labour), whilst the absence of opportunities for implementing redistributive or decommodifying measures at the supranational level ensures that the absence of a social democratic project is consolidated across the EU. For this reason, a number of social democrats have come to the conclusion that European integration is antithetical to social democratic ambitions and therefore seek a shift in sovereignty and decision-making capacity away from the supranational level and a(n) (re-)emboldening of national sovereignty, witnessing for instance the high level of Euroskepticism amongst Swedish social democrats fearing that European integration will erode the social democratic achievements secured within the Swedish state (Johansson and von Sydow 2011; Aylott 2008). As such, we might also anticipate a degree of antipathy towards any attempts to further integration as a form of social democratic response to the crisis. Similarly, if the claims of those pessimistic regarding the prospects for a supranational social democratic

response to the crisis are correct, we might also expect that any anticipated or sought-after re-social democratisation will fail to materialise.

*A critical perspective: palliating social democratic decline at the EU-level?*

Finally, scholars who are more critical of the social democratic strategy *per se* have tended to question the motives of social democratic party actors in seeking to promote a European-level social democratic agenda, especially given the apparently inimical institutional environment within which such an agenda is promoted. Rather than undertaking an evaluation of the prospects of the much hoped for resurrection of social democracy at the European level, such critics argue that we should instead be considering the motives held by social democratic party elites in promoting such an expectation (given the apparently overwhelming obstacles to its realisation). As Moschonas (2009: 177) has noted, European social democrats have tended to ‘take refuge in rhetoric’ by advocating a Social Europe despite its weak prospects for realisation. Thus, as argued elsewhere, rather than understanding the pro-European discourse deployed by social democratic party elites as part of an attempt to achieve re-social democratisation at the European level, we might instead view it as an attempt to conceal the apparently irremediable failure of social democracy from social democratic constituents and voters, in an attempt to ameliorate the negative effects such failure has (or might have) upon the legitimisation of social democratic parties and party elites themselves (Bailey, 2005, 2009a). From this perspective, therefore, the expectation that social democratic values might be rendered realisable through European integration is more noteworthy for the role such an expectation plays in legitimating the contemporary social democratic party project than it is for the likelihood of its actualisation. If this is the case, we might seek to highlight and understand the role of social democratic party elites’ statements on European integration, with regard to the Great Recession, in terms of any potential legitimating effects these statements have for party elites themselves.

Having outlined three different positions within the literature, what follows is an attempt to consider the extent to which each of these positions is able to provide insight into the current debates within social democratic parties regarding the role that the European Union might play in facilitating a social democratic response to the global economic crisis that began in 2007.

## **Social Democrats and the Great Recession: A Supranational Opportunity?**

In response to the Great Recession we have indeed witnessed a re-articulation, largely by social democratic party elites, of calls for a coordinated supranational response to the crisis, (ostensibly) seeking to instantiate a process of re-social democratisation, to be achieved through the institutions of the European Union. Thus, in March 2009 British Labour Party Prime Minister Gordon Brown gave a speech to the European Parliament in preparation for the forthcoming G20 Summit, in which he sought to set out a programme of financial regulation and stimulus that would be based on the model of supranational cooperation developed in the European Union:

Instead of heading for the rocks of isolation, let us together chart the course of cooperation. That is in all our national interests. That is why I propose that Europe take the lead in a bold plan to ensure that every continent now makes the changes in its banking system that will open the path to shared prosperity, that every country participate and cooperate in setting global standards for financial regulation, and that every continent inject the resources needed to secure economic growth and jobs.

(Brown 2009)

More substantively, a month later SPD vice-president Andrea Nahles co-wrote an article with Labour Party MP Jon Cruddas, in which they argued for a coordinated European programme, invoking traditional social democratic goals such as the prevention of unemployment, a more social Europe, public ownership/control of industry, a European minimum wage, and a return to collective bargaining and a stronger right to strike (Cruddas and Nahles, 2009). Such calls were echoed by Pierre Moscovici, National Secretary of the French *Parti Socialiste*, in discussing the opportunities for left parties within the European Union, in which he argued that in a context of high unemployment, ‘more than ever before, Europe appears as the only possible answer to assert power and identity in a globalized world’ (Moscovici 2011). Similarly, Olaf Cramme, director of the social democratic think-tank, *Policy Network*, argues that ‘[i]f social democracy is to rediscover its mission of marrying economic efficiency with social justice, it needs new means and vehicles for change. In this process, the EU could be its best ally.’ (Cramme 2011: 12).

These views have perhaps been most fully fleshed out, however, in documents produced by the *Party of European Socialists* (PES), which typically takes responsibility for (seeking) the

adoption of a coherent supranational social democratic policy agenda (Lightfoot 2005; Hertner 2011). For instance, in the wake of the Lehman Brothers collapse the PES Leaders adopted a ‘plan of action’, *Taking Europe out of financial and economic crisis*, which depicted the crisis as one of neoliberalism - ‘[t]his crisis is the great defeat of neo-liberal capitalism’ – and aspired to use the opportunity to promote a social democratic alternative through ‘energetic and coordinated action from the EU and its Member States’ (PES 2008). A year later the 8<sup>th</sup> PES Congress adopted a resolution, *People First: A Progressive European Agenda*, in which European social democrats again echoed their support for a *supranational* social democratic resolution to the Great Recession, claiming, ‘[i]n today’s globalised world, no single nation can shape the future for its people. We believe that through cooperation and democratically shared sovereignty, the European Union can give our countries and our people the power we have lost to global forces’. This resolution went on to make a number of proposals, each of which would seek to promote a more redistributive and decommodifying agenda to be realised at the European level, including: a European recovery plan that would focus on job creation and social cohesion; financial market regulation that would end tax havens, prohibit excessive risk-taking, protect workers’ interests and pursue a financial transaction tax; the promotion of a welfare state to ensure ‘high social standards and protection in the long term’ (in the form of ‘needs-based social welfare benefits for all those who are retired, unemployed or unable to work’, and the promotion of decent minimum wages, improved worker participation and more substantive employment legislation); and improved gender equality (PES 2009). These proposals which, if realised, would amount to a substantive process of supranational re-social democratisation, were firmed up further still in 2010 with the PES’ document ‘A European Mechanism for Financial Stability’, which called for the forthcoming EU bailout fund to avoid an excessively disciplinary approach and to take into account the need for social cohesion amongst other factors, whilst (in contrast to the centre-right agenda) focusing explicitly on increasing tax revenues (of capital rather than labour) rather than reducing expenditure (PES 2010). Similarly, in 2011 the PES Presidency sought to oppose ‘a culture of sanctions and punishment’ which it claimed was being promoted by the centre-right, instead advocating a focus on jobs, growth, democratic accountability and the role of social partners (PES 2011a, 2011b). The PES has, therefore, consistently set out an agenda for supranational ‘re-social democratisation’, in the light of the Great Recession, to be achieved through coordinated EU-level activity that utilises the expanded scale and therefore opportunities afforded at that level (in contrast to the constraints experienced at the national level).

In sum, social democratic party actors have throughout the Great Recession sought to advocate a coordinated supranational response that would consist of a reflationary programme focused on jobs, growth, protecting the vulnerable, achieving financial market and remuneration regulation, a tax on financial transactions and a form of economic governance that would ensure social cohesion and jobs were not forfeited by any attempt to limit public debt and deficits. Finally, any move to balance public finances should, social democrats focused on the EU-level have argued, include an increase in tax revenues (secured from capital rather than labour), rather than reducing expenditure. Many of these proposed policies, therefore, would potentially have a redistributive and/or decommodifying effect (and therefore represent a form of supranational ‘re-social democratisation’), in that they would seek to curtail the wealth-accumulating opportunities of financial capital whilst securing the improved economic circumstances of the poor, vulnerable and workers. This focus on social cohesion and jobs, if achieved, would have the potential to remove elements of economic coercion upon those on lower incomes. In short, we witness social democratic party actors continue to adopt an optimistic, cosmopolitan social democratic position as outlined above, viewing the Great Recession as a crisis-*cum*-opportunity through which to realise such an agenda. These initiatives have subsequently been promoted within the institutions of the European Union, witnessing for instance the PES Leaders’ tabling of its ‘declaration on strengthening the eurozone and preparing the EU2020 Strategy’ at the European Council meeting of March 2010 (PES 2010).

### **EU-Level Developments: Prospects for Re-Social Democratisation?**

In contrast to the proclaimed social democratic (and especially PES) ambitions, however, the outcomes witnessed at the EU-level have been less promising for those seeking a supranational re-social democratisation, and in that sense tend to confirm both the pessimists and more critical scholars sceptical about the possibilities available for re-constructing a social democratic alternative at the supranational level. Thus, a brief overview of the key social and economic policies that have emerged at the European level since the onset of the Great Recession highlights the absence of substantive redistributive and/or decommodifying policies achieved through supranational-level coordination, with the obstacles discussed by those pessimistic about the prospects for EU-level re-social democratisation continuing to play a role in hampering a more substantive social agenda from coming to fruition.

## *Financial Regulation*

The financial crisis of 2008 was viewed by many to have resulted from an over-liberalisation of the global financial industry (Seebrooke and Tsingou 2010). As a result, and as we have seen above, many actors (including social democratic party actors) looked to supranational and global regulation of the financial industry as a necessary development in order to avoid a repeat of the financial crisis. The European Union moved towards the adoption of such measures in agreeing to a system of EU-wide financial regulation at the June 2009 European Council. These measures included: a European Systemic Risk Board (ESRB) and a European System of Financial Supervisors (ESFS) to regulate and oversee the financial system; the Alternative Investment Fund Managers Directive (AIFMD) to regulate hedge fund managers, private equity firms and real estate funds; and the Capital Requirements Directive (which came to be known as CRD3) that required the capitalisation of banks and included a ban on multi-year guaranteed bonuses and instead seeking to defer large bonuses over 3 years with the possibility of claw-back if profits declined. Each of these initiatives, however, experienced significant opposition from member states within the Council (largely centred around the UK) and centre-right parties within the European Parliament opposed to tight regulation. As a result, the ESRB and ESFS were both limited to the coordination of *national* supervisors and systems of regulation, rather than the creation of substantively new supranational regulations, thereby enabling the initiative to be agreed to by those member states such as the UK that favoured ‘light-touch’ regulation (Buckley and Howarth, 2010: 120, 125-7; 2011: 125). Further, in order to appease member states’ concerns over the potential relinquishing of national sovereignty associated with this new system of financial regulation, it was decided that the ESRB would have 37 voting members. This has significantly impeded its ability to undertake a firm and coherent supervisory role, reflecting a commonplace tendency for ‘soft’ governance at the EU-level (Hodson 2011). Opposition from (particularly) the UK government therefore ensured that the new ‘European Supervisory Authorities’ would not impinge too greatly upon domestic regulations<sup>2</sup>.

In the case of the AIFMD, divisions within both the Council and the European Parliament, between those favouring greater regulation (Germany, France, and the Socialists and Democrats in the European Parliament) and those seeking a lighter touch (especially the UK),

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<sup>2</sup> <http://euobserver.com/19/30749>

resulted in the legislation being watered down so that initial attempts to prohibit excessive speculation were essentially avoided. As Buckley and Howarth (2011: 139-40) put it,

AIFMD can be seen very much as a British government victory in the Council and a lobbying victory for industry. The most controversial proposals, including plans to impose fixed caps on leverage and capital requirements, were either removed or watered down significantly. ... Even in the post-financial crisis world of politicized financial regulation, the industry lobby and its allies were able to shift EU policy on AIFM significantly.

Finally, with regard to CRD3, the European Parliament sought (unsuccessfully) to introduce a cap on bonuses at 100% of salaries. Further proposals were mooted but as yet have been stalled as a result of member state opposition or Commission hesitancy, including an EU-level tax on financial transactions (Buckley and Howarth, 2010: 132-4) and a plan for Eurobonds<sup>3</sup>. Thus, whilst an EU financial transaction tax has recently been mooted once again by Commission President Barroso, the immediate opposition of the UK Government to the proposal, combined with the existence of a national veto on EU taxation legislation, means that it is unlikely that the proposal will be realised.

In sum, therefore, whilst a number of financial regulation measures have been introduced at the European level, opposition (especially from the UK) has been sufficient to ensure that any regulations adopted are sufficiently 'light-touch' to avoid the imposition of measures that would have a significantly detrimental or redistributive effect, and in many cases will not exceed already-existing measures existent at the national level.

### *Economic Governance*

In response to the collapse of Lehman Brothers in September 2008 the EU member states agreed the following month (albeit following a period of damaging unilateral policy announcements by member states) to a €2 trillion pledge to, in the words of Hodson and Quaglia, 'recapitalize and, if necessary, take shares in European banks'. Whilst acting to stabilise the EU economy in the short term, this rescue package did so in such a way that

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<sup>3</sup> Eurobonds were rejected by the German Chancellor, who claimed, 'Eurobonds are an absolute mistake. To have common interest rates, you need similar levels of competitiveness and similar budgetary situations'. See: <http://euobserver.com/1016/113641>

focused support on savers. This stimulus measure was agreed in late 2008 and arguably presented opportunities to introduce measures targeted specifically at lower-income groups. However, the actual stimulus agreed contained little opportunity for inter-member state redistribution (Hodson and Quaglia, 2009: 942-3), and was anyway predominantly an aggregate of already-existing spending pledges by member states (Barber, 2008). Indeed, redistributive policy mechanisms already in place at the European level, particularly the structural funds and the globalisation adjustment fund, have been largely viewed as ineffective on the grounds that they are both too small to have an impact upon the effects of the post-2007 crisis<sup>4</sup>, and that applicant member states and regions face excessively difficult technical barriers to accessing the funds<sup>5</sup>.

Further, the immediate moves at the beginning of the global crisis, to shore up the Eurozone have now clearly led to sovereign debt crises in a number of the Eurozone's peripheral countries. These were initially responded to in the form of the European Financial Stability Fund (€440b), which sought to secure member governments against potential sovereign debt crises, and which it was agreed would be replaced by the permanent European Stability Mechanism (€500b) from 2014. In May 2010 an initial bail out for the Greek debt crisis was agreed that would provide €110b (funded by both the EU and the IMF). This was combined with the introduction in May 2010 of the ECB's Securities Markets Programme (purchase of private and public debt) (c. €77b by May 2011), although this led to strained relations within the ECB, with Axel Weber (Bundesbank President) opposing the policy and also largely being held to explain the exit of Juergen Stark as the ECB's chief economist in September 2011 (Hodson 2011: 237). The experience of adopting supranational-level bail-outs, therefore, has witnessed member state reluctance inhibiting the potential for anything beyond the bare minimum required for the particular national economy receiving the bail-out to become bankrupt (and arguably not even enough to avoid that). This, we might conclude, potentially rules out more redistributive measures between member states being agreed. Indeed, the difficulty experienced in gaining approval for the minimal scheme agreed for Greece in summer 2011 – including a tense vote in the German Bundestag, the need for a German Constitutional Court ruling, and opposition from Slovakia, Austria and Finland. As a result, and in contrast to social democratic ambitions, therefore, the implementation of bail-outs for Greece and the attempt to resolve the Eurozone debt crisis have been accompanied

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<sup>4</sup> <http://euobserver.com/886/29806>

<sup>5</sup> <http://www.ft.com/cms/s/0/8cd8016c-b9d3-11df-8804-00144feabdc0.html>

by austerity measures which sought to reduce government expenditure and public service provision. For instance, the Article 126(9) recommendations to Greece in February and May 2010 under the terms of the Stability and Growth Pact were increasingly prescriptive on the need for austerity measures (Hodson 2011: 240-1). This focus on austerity measures and fiscal surveillance appeared to be further echoed by both the introduction of the ‘European semester’ system and the subsequent ‘euro-plus pact’ that was agreed by Sarkozy and Merkel (albeit eventually sidelined by inaction)<sup>6</sup>. Similarly, the second major Greek debt bail-out, agreed to by the European Council in June 2011, included an agreement by the Greek Government to cut public sector employment by 20%<sup>7</sup>. It would appear, therefore, that any newly-adopted EU-level fiscal or monetary policies are highly unlikely to result in the formation of a redistributive supranational economic governance regime.

### *Social Policy*

EU social policy developments during the Great Recession fall into three key areas: labour market regulations, pro-employment policies, and anti-poverty initiatives. Each of these, however, have witnessed similar trends to those outlined above, with weak EU-level governance undermining the capacity for more substantive measures that might otherwise have a redistributive or decommodifying effect.

In the area of labour market regulations, divisions between member states have continued to limit the extent to which supranational labour market regulations could be used to increase protection for employees. For instance, in April 2009 the Council and European Parliament failed again to agree on a resolution to the long-running dispute over attempts to revise the Working Time Directive and remove the national opt-out that has significantly hampered the impact of the Directive<sup>8</sup>, with commentators continuing to believe that the prospects of a resolution were low two years later<sup>9</sup>. Similarly, in June 2011 the Pregnant Workers Directive was blocked after two years of negotiations due to opposition from the UK and Germany in the Council<sup>10</sup>. Opposition within the Council, therefore, continued to hamper the scope for

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<sup>6</sup> <http://www.ft.com/cms/s/0/453e91a4-cbf7-11e0-9176-00144feabdc0.html#axzz1XrPxLqgB>

<sup>7</sup> <http://www.ft.com/cms/s/0/1a1df098-d942-11e0-884e-00144feabdc0.html#axzz1XONWpoi6>

<sup>8</sup> <http://ec.europa.eu/social/main.jsp?catId=157&langId=en&newsId=498&furtherNews=yes>

<sup>9</sup> <http://www.euractiv.com/socialeurope/gloomy-prospects-working-time-directive-talks-news-504242>

<sup>10</sup> <http://www.euractiv.com/socialeurope/ministers-shelve-maternity-leave-directive-news-505646>

more substantive labour market regulation to be introduced throughout the period of the Great Recession.

With regards to pro-employment and anti-poverty policies, the most headline-grabbing developments were the two flagship initiatives included within the EU's 10-year strategy, *Europe 2020*, which was adopted in June 2010 - *An agenda for new skills and jobs* and the *European platform against poverty and social exclusion*. Whilst much of *Europe 2020* was given a wary reception by those seeking a more substantive 'social Europe', on the grounds that for many it consolidated a model focused solely on a market-based model of growth, the inclusion of the two social initiatives did at least represent a formal reincorporation of headline social targets following their removal from EU economic strategy in the 2005 review of the Lisbon Process (Vanhercke 2011: 155-7). That said, neither of these initiatives appear particularly focused on securing a 're-social democratisation' agenda. Thus, the 'Agenda for new skills and jobs' is focused on increasing the proportion of the working-age population in work to 75%, largely through greater flexibility and incentivisation within the labour market, and improving information available to people with regard to the skills needed for employment<sup>11</sup>. As such they represent the continued focus on labour market participation as the means by which social policy is to be achieved at the European level; hardly, therefore, a process of labour decommodification.

With regard to anti-poverty policies, the European platform against poverty and social exclusion, which aims to lift at least 20 million people out of the risk of poverty and exclusion, has been criticised on the grounds that it resulted from a downscaling of ambitions at the EU-level following the inability of member states to agree on ways in which to measure poverty, with the end result being a compromise whereby member states can choose for themselves between one of three ways in which poverty is measured<sup>12</sup>. Further still, it remains unclear how the Commission will be able to enforce these commitments (Vanhercke 2011: 150).

In sum, the record of EU-level policymaking in response to the Great Recession does not suggest that divisions within the Council and between the Council and European Parliament have abated to any visible extent, resulting in the ongoing inability to agree policies at the

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<sup>11</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52010DC0682:EN:NOT>

<sup>12</sup> <http://www.euractiv.com/priorities/eu-set-lower-poverty-reduction-ambitions-news-494871>

European level that go beyond a minimal commitment to market-building. As such, and as a number of scholars have noted for a considerable time, European integration appears destined for the foreseeable future to continue to promote market liberalization without being able to adopt some form of more substantive redistributive or decommodifying measures to complement market liberalization at the supranational level, as pursued by social democratic parties.

### **Conceptualising Social Democratic Responses: Faith-retention and blame-displacement**

As the critical perspective on supranational re-social democratisation outlined above suggested, the continued absence of a substantive ‘Social Europe’ raises the question of why social democratic party actors continue to focus on the prospects for re-social democratisation at the European level. It is the claim of this chapter that in order to understand the EU-level response of social democratic party actors to the Great Recession, we need to situate social democratic parties historically. In particular, we should view social democratic parties in terms of the inherent tension that we might consider to be constitutive of them. Thus, on the one hand, and as already discussed, social democratic parties have been historically constructed around the pursuit of policies that will have a decommodifying effect upon their electoral constituency. On the other hand, however, in moving to a position marked by accommodation with capitalism, especially since 1945, social democratic party actors also need to adopt policies that are able to secure continued capital accumulation in order to reproduce the society over which they govern. This in turn tends to require intensified exploitation, or what might be termed ‘re-commodification’, in order to create new opportunities for growth (Bailey, 2009a: 35; Harvey 2006, 183-203). Social democratic party actors must, therefore, simultaneously achieve visible gains in terms of decommodification for their constituents *and* oversee the recommodification of many workers who form the same group of people within their core constituency (Bailey 2009a: 36). If we consider the Great Recession to represent the growth to limits of the most recent model of capital accumulation (Harvey, 2011; Crouch, 2011; Kotz 2008), therefore, those seeking to reproduce capitalist relations must identify new opportunities for intensified exploitation. Thus, as Carlin (2011) puts it, in language markedly different from the neo-Marxist tone deployed here, but nevertheless providing the same message, ‘[t]he focus of supply-side

reforms must be on the twin objectives of measures that raise productivity growth and that allow the growth of nominal wages to be controlled'. Indeed, such measures have already begun (Clark et al. 2011: 12). In such a context, social democratic parties arguably face a process of terminal decline, as they are unable to realistically identify opportunities for substantively decommodifying public policies or be associated with attempts to mobilise popular demands for such policies, due to their necessarily overriding concern with identifying opportunities for recommodification<sup>13</sup>. Social democratic party elites therefore face further disillusion and disaffection within their core constituency, echoing the defeat of the PES in the 2009 European Parliament elections.

In this context, this chapter argues, we should understand claims by social democratic party elites to be seeking a supranational re-social democratisation, in terms of the opportunities that such claims have to conceal or obfuscate what is arguably a process of terminal social democratic decline. First, the call for supranational re-social democratisation enables a process of blame displacement, whereby social democratic party actors are able to conceal the notion that the Great Recession in part poses the failure of social democracy, and instead allows those actors to point towards the demands made by, and/or policy omissions existent at, the EU-level in seeking to explain problems experienced by social democratic parties. For instance, in adopting austerity measures in line with EU and IMF demands, the Greek PASOK Government repeatedly focused on the necessity of adopting such measures in order to remain within the Eurozone, witnessing Papandreou implore the Greek parliament (including his own PASOK party members) to put aside their objections to the austerity measures and vote in favour, in order 'to avoid bankruptcy and keep Greece in the euro core'<sup>14</sup>. Acting to remind the electorate of these demands, moreover, the Government was quick to highlight (and oppose) EU-IMF demands for privatisation, with government spokesman George Petalotis reported as saying '[t]he behaviour of the European Union, International Monetary Fund and European Central Bank representatives... was unacceptable, ... We asked them to help and are fully meeting our obligations. But we did not ask anybody

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<sup>13</sup> Of course, whilst it is in principle possible that social democratic party actors faced with a dilemmatic choice between economic growth and redistributive/decommodifying public policies could choose the latter, the structure of incentives for the party elite, and patterns of behaviour inculcated amongst the broader party membership, are such that its prospects are remote (Bailey 2009b).

<sup>14</sup>

[http://www.google.com/hostednews/afp/article/ALeqM5gJcWI\\_TleLuu0QCPDI9iwwetD\\_Q?docId=CNG.c1e72a9456fe6e1c703359a8bc630844.c1](http://www.google.com/hostednews/afp/article/ALeqM5gJcWI_TleLuu0QCPDI9iwwetD_Q?docId=CNG.c1e72a9456fe6e1c703359a8bc630844.c1)

to meddle in the internal matters of the country.<sup>15</sup> Similarly, as Donadio and Kitsantonis pointed out with regard to the impact of the crisis on Greece, Greek Prime Minister George Papandreou ‘said the European Union was also to blame for failing to call the previous government on its dubious statistics’.

Second, and more importantly, the voicing of ambitions for re-social democratisation at the supranational level presents the possibility of social democratic faith retention, whereby social democratic party actors seek to retain the conviction of remaining social democratic constituents that, despite the apparent failure of social democracy *in the short-term*, provided social democrats are able to coordinate their activity *at the supranational level* then the social democratic project will continue to be pertinent and feasible. The virtue of the European Union in terms of faith retention, moreover, is that any failure to realise such initiatives can be portrayed as a problem relating to the institutional difficulties and obstacles already noted – and not related to the more fundamental problems associated with the need for recommodification and the failure this represents for social democracy more generally. Witness, for instance, German Socialist MEP Mechtild Rothe’s (who chaired the parliament’s delegation in the relevant talks) response to the failure to reach a deal on the Working Time Directive in April 2009 - thus, whilst noting that the parliament had come forward with proposals, she claimed, ‘it was not possible to agree with the Council. There was nothing forthcoming from the Council, we were bitterly disappointed by that’.<sup>16</sup>

## Conclusion

This chapter argues that social democratic parties’ European response to the global economic crisis is in keeping with a course of events that we have witnessed social democratic parties following since at least the mid-1970s and the breakdown of the Keynesian consensus and Bretton Wood system. Social democratic parties have struggled to adapt to the economic, political and ideological terrain that they have been faced with since the mid-1970s. This was (partly) resolved for many West European social democratic parties through the move to ‘new’ social democracy in the 1990s, involving a process of ideological moderation and abandonment of much of the traditional commitment to decommodification, compensated in

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<sup>15</sup> <http://www.athenswire.com/eu-imf-regret-greek-furore-over-asset-sale-call/>

<sup>16</sup> <http://euobserver.com/851/27898>

part by reference to the (unrealisable) promise of more substantial traditional social democratic policy outputs at the European level (Bailey 2009). The restructuring of global capitalism associated with the collapse of the 'privatised Keynesianism' model (Crouch 2011: ch.5) in 2007-8 places greater pressure upon social democratic party elites to abandon their commitment to decommodification. As such, we see a continuation of preceding social democratic party strategy vis-à-vis European integration. In exploring this strategy, the chapter suggests that support for European integration, in a context of heightened pressure to accede to the economic necessity of welfare retrenchment, offers social democratic parties the opportunity to both (a) displace blame away from the limits to social democracy and project it instead onto the (less fundamental) limits of the European Union, and (b) seek to retain the faith of those who remain social democratic members, supporters or voters, *with the promise of supranational-level social democratic achievements to come at some point in the future*, despite the increasingly apparent inability of social democratic parties to realise such goals (at either the national or supranational level) or to reconcile the contradictory goals that constitute social democracy.

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