

The Political Consequences of the Crisis

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1. Introduction

Economic crises tend to have important political consequences. The Great Depression in the 1930s led to political realignments in many democracies (such as Sweden and the United States), and even to the breakdown of democracy in some European countries (such as Austria and Germany). More recently, the deep economic downturns in the aftermaths of the first and second oil shocks in 1973 and 1979 marked the beginning of a period of “permanent austerity” in economic and social affairs (Pierson, 2001).

The economic crises of the 1930s and the 1970s have been studied by generations of social scientists, and the literature on the political consequences of these two crises has generated important theoretical developments in political science. These events were not only exceptionally important in their own right; studying politics in periods when countries confront international economic crises also has methodological advantages, for when countries are exposed to common shocks, it becomes possible to examine the impact of institutions, party politics, and other factors that political scientists are concerned with (Gourevitch, 1986, 221).

The current economic crisis, which began in 2007–2008, provides political scientists with a rare opportunity to study

the political consequences of a deep economic crisis in real time.

My research project, which will be carried out in the period 2010–2013, covers four of the five Nordic countries (Denmark, Finland, Norway and Sweden), paying particular attention to Sweden, since the extensive literature on Swedish policy responses to the 1930s and 1970s crises allows for useful historical comparisons (single-country case studies include Lewin, 1967; Jonung, 1999; and Lindvall, 2004; influential comparative studies where Sweden is one of the cases include Weir and Skocpol, 1985; Gourevitch, 1986; Mjøset, 1987; Scharpf, 1991; Berman, 1998; Iversen, 1999; and Blyth, 2002, to name but a few).

The first research question is why policy responses to economic crises vary among countries and over time. The second research question concerns the effects of economic crises on electoral politics and mass political behavior.

2. Theory

This project relies on, and engages, three different theoretical literatures. The first and most obvious source of inspiration is the comparative literature on domestic policy responses to past global economic crises, particularly the crises of the 1930s and 1970s. Among the most well-known contributions to this literature in political science are Peter Katzenstein’s *Between Power and Plenty* (1978), which examined the mid-1970s crisis, and Peter Gourevitch’s *Politics in Hard Times* (1986), which compared policy responses to the economic crises of the 1870s, 1930s, and 1970s in five countries: Britain, France, Germany, Sweden, and the United States. The theoretical impact of these studies has been significant. Katzenstein’s book

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was an important impetus for the literature on “historical institutionalism,” one of the dominant theoretical trends in comparative politics ever since the 1980s (cf. Thelen and Steinmo, 1992, 5 and 30). Gourevitch’s book is widely regarded as a seminal contribution to the literature on the political consequences of economic crises.

In his book, Gourevitch (1986, 54–67) identifies five sets of factors that have been used to explain responses to economic crises in past: a country’s production profile (both domestically and with respect to its position in the international division of labor); intermediate political associations such as parties and interest organizations; formal political institutions; economic ideologies; and a country’s role in the international political system. For Gourevitch, these factors have contributed to the formation of different social and political coalitions in different countries, explaining why governments have adopted different policies. My project will assess the relevance and explanatory power of these factors in the current crisis.

Second, the project engages with theories of “varieties of capitalism” (Amable, 2003; Hall and Soskice, 2001; Kitschelt et al., 1999; Pontusson, 2005). The main claim of this literature, which goes back to the seminal work of Shonfield (1969) and is closely related to the literature on “welfare regimes” (Esping-Andersen, 1990), is that the advanced market economies cluster around a limited number of political economy regimes, with their own economic and political logics and patterns of policymaking. Comparing the Nordic countries with each other as well as with countries in other parts of the world (through collaboration with other scholars), my project will help to assess wheth-

er policy responses to the global economic crisis vary systematically across varieties of capitalism or whether – to the contrary – the global economic crisis leads countries to behave in unexpected ways.

The third theoretical reference point is the recent literature about the “dualization” of labor markets, which emphasizes an increasingly important and consequential distinction between “insiders” and “outsiders,” where insiders are “incumbent employees whose positions are protected by various job-preserving measures that make it costly for firms to fire them and hire someone else in their place,” while outsiders “are either unemployed or work at jobs in the ‘informal sector,’ which offer little, if any, job security” (Lindbeck and Snower, 1988: 1). According to the dualization literature, the distinction between insiders and outsiders has become an increasingly salient economic, social, and political distinction in advanced economies from the 1970s onwards, not least because this change in the labor market has had important effects on the strategies of political parties (see especially Rueda, 2007). It is also well-known that the labor market situation of individuals may matter to their political attitudes and behavior (Adman, 2004; Schlozman and Verba, 1979; Skocpol and Fiorina, 1999).

The effects of the current economic crisis on the political behavior of labor market “insiders” and labor market “outsiders” (and associated effects on the strategies of political parties) is not only an important topic in its own right; paying attention to these sorts of dynamics also helps to integrate theories of public policymaking on the one hand and theories of political competition and mass political behavior on the other (cf. Mettler and Soss, 2004). As I noted above, the com-

parative literature on economic crises suggests that different crisis responses have been determined by the formation of different social and political coalitions in different countries and over time. Given the development of the labor market in advanced market economies from the 1970s onwards, it is natural to hypothesize that the distinction between labor market insiders and labor market outsiders will influence mass political behavior and political competition – and therefore also policymaking.

The Nordic countries are particularly interesting cases in the context of the literature on dualization. Some authors, notably King and Rueda (2008), argue that the emergence of “cheap labor” is a trend that characterizes all advanced economies. Other authors, notably Pontusson (2009), have suggested that the Nordic countries are an exception since the “dualization” of the labor market has not gone as far as in other advanced countries.

3. Research design

The project has two aims. The first aim is to examine the policy responses of the Nordic countries (except Iceland) to the current global economic crisis. It is already clear that the crisis has led to important policy initiatives in many advanced economies, not only in the specific domain of financial regulation, but also in economic and social policy in general. I will examine these policy responses in detail. The second aim is to study the effects of the economic crisis on election campaigns and mass political behavior. The investigation of electoral politics – which is of special interest given the obvious effects of the economic crisis on the 2008 U.S. presidential election campaign – will center around the first post-crisis elec-

tions in the four project countries, held in the autumn of 2009 in Norway, the autumn of 2010 in Sweden, the spring of 2011 in Finland, and the autumn of 2011 (at the latest) in Denmark. The investigation of public opinion effects will concentrate on the Swedish case, at least initially.

This project is based on cross-country comparisons, but also on the idea that many of the most influential studies of political responses to the economic crises in the 1930s and 1970s succeeded because they were based on a thorough understanding of particular political systems and cultures.

One of the main points of the comparison between Denmark, Finland, Norway, and Sweden is that in spite of their many similarities, they have chosen different economic policy strategies in recent decades, which makes this sample of countries an interesting laboratory for scholars who wish to examine the political consequences of the variables that are discussed in the literature about economic policymaking in crises: Finland is a member of both EU and the EMU. Norway is not a member of either. Denmark and Sweden are EU members but EMU “outsiders,” yet their economic policies are very different: Denmark has a fixed exchange rate vis-à-vis the euro, whereas Sweden has a floating exchange rate.

Another reason to compare these four countries is that they have pursued different labor market policies in the 1990s and 2000s. For example, whereas Denmark has become famous for a series of “flexicurity”-oriented social and labor market reforms in the 1990s and 2000s, Swedish labor market policy has been more stable, at least until the last third of the 2000s (cf. Lindvall, Forthcoming, Chapter 4).

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