



Netherlands Institute at Athens

ΑΚΑΔΗΜΙΑ



ΑΘΗΝΩΝ

Concepts of Crisis

Session 2 “Considering Democracy”

For better or worse? The impact of the economic crisis on democracy

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In the aftermath of the 2008 economic crisis many observers drew parallels to Weimar Germany's breakdown of democracy following the Great Depression. Contrary to this expectation -and indeed contrary to most research on the relationship between economic recessions and democracy- this did not happen.

The traditional expectation that economic recessions yield democratic recessions only seems to work for poor democracies. Some affluent democracies affected by severe economic recessions did experience democratic recessions (65% of the changes), yet -surprisingly- others experienced democratic improvements (35%). Surely, as case studies suggest, in countries such as Greece and Italy, elected politicians were set aside and replaced by technocratic governments, while the freedom of the press has been reduced in Latvia, Hungary and Italy. However, in other countries, such as Iceland, Ireland and Estonia, the economic crisis actually triggered reforms that improve democracy. Such improvements are hard to square with the traditional expectation that economic recessions can only have a negative impact. What is going on? Under which circumstances do severe economic recessions improve rather than erode democracies?

In this presentation I will begin by contrasting two perspectives on the impact of the Great Depression on democracy. *First*, the Weimar perspective where economic recessions lead to a rise in populist voters and subsequently result in populist governments eroding democratic institutions. *Second*, the Jeffersonian perspective based on the logic of the American Progressive era that ‘the cure for ills of democracy is more democracy’ (democratic improvements). Both are illustrated empirically.

Afterwards, I will briefly discuss the notion of a democratic crisis now that the economic crisis has been a thing of the past in many (though not all) countries. After all, and interestingly, even though economic growth has returned, talk of a crisis of democracy has not waned. I explore two explanations for this: longer term economic trends and cynical manoeuvres by political elites trying to preserve their dominance in an ever more fragmented political landscape.



Does European democracy have a future?

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In 1939 Friedrich Hayek argued that ‘liberals’---in contemporary parlance: right-libertarians, or ‘neoliberals’---should support the creation of a European Union. His argument was simple: European states would find it easy to place contractual and business prerogatives at the heart of the European project. In the absence of an overarching European state, however, they would find it more difficult to put democratic and welfare rights on the agenda (Hayek 1939, p. 256). The enforcement of such rights would remain the obligation of individual states. It followed that markets, profits, and contract would be at the heart of the EU project, whereas democracy and social equality would not.

Economists and political scientists, in their overwhelming majority, agree that the contemporary EU strongly resembles Hayek’s vision (see, for example, Anderson 2009, Hopner and Schafer 2012). The creation of the Eurozone exacerbated this undemocratic process, by removing policy instruments from the toolkit of democratically-elected national governments. There are two democratic alternatives to the Hayekian vision. The first alternative is democratization through *disintegration*. The disintegration strategy bolsters popular sovereignty at the *national* level by emasculating EU institutions at the transnational level (Zielonka 2014). The second alternative is democratization through integration. The integration strategy bolsters popular sovereignty at the *transnational* level by making EU institutions more democratic.

This paper discusses variants of the integration alternative, including proposals (by Bellamy 2016, De Grauwe and Ji 2012, Parijs 2014, among many others) for the creation of a pan-European electoral constituency that selects state representatives---the EU’s *de facto* state is the European Commission. The paper concludes by discussing the desirability and feasibility of democratic integration, in light of the Hayekian and disintegration alternatives.

References

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