

The Ideational Foundations of Social Democratic Austerity in the Context of the Great Recession

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Abstract

The ‘austerity settlement’ has come to define the post-crisis European political economy. Since 2010, parties from across Europe’s political mainstream have implemented austerity and despite the apparent conflict with the interests of their traditional constituents, even social democratic parties have acquiesced to this settlement. However, within the existing literature ‘social democratic austerity’ is currently under-theorised as it is assumed to involve a rather straightforward adaptation of social democrats to neo- and/or ordoliberal ideas. Utilising rich and original evidence from over 60 elite interviews with key social democratic stakeholders in France, Germany, and the UK, this article contests this view. It demonstrates instead that a distinct set of ideas based on New Keynesianism, supply-side economics, and the social investment paradigm provide the ideational foundations for social democratic austerity post-crisis. Understanding this, it is argued, is critical in order to fully appreciate how and why austerity has become dominant in post-crisis Europe.

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