

# How the handling of the financial after-crisis fuels populism

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Ten years after the collapse of Lehman Brothers people are frequently asking themselves why the crisis has done so much to strengthen populism and nationalism everywhere you go. However, economically and socially, the process that lies behind this development is, unfortunately, all too easy to describe.

## **Governments to the rescue of finance...**

In this type of crisis, the financial system is at risk of collapse. This threatens to cripple the entire real economy. To avoid such a disaster, governments and central banks must come to the aid of the financial sector (and they cannot be reproached for this). The problem is that this hands a lifeline to the very bankers and speculators who drove the economy onto the rocks.

During the aftermath of the 2008 crisis, central banks' rescue of finance continued on an unprecedented scale for ten years with what is called *Quantitative easing* (QE). The striking effect of this was to send prices of financial assets sky-high and thereby substantially enrich the bankers, speculators and the already rich holders of these assets at levels that are much higher than before the crisis.

At the same time, ordinary people found themselves lastingly out of work on a huge scale. Governments whose own finances deteriorated steeply – not least because of their aid to the financial sector – rushed to cut back on their spending, especially on welfare. Everywhere, classic right-wing governments but also social-liberal left ones as in France adopted deflationary policies to cut the cost of labor and loosen up the labor market rules, thus making ordinary people's working and living conditions far worse. While cutting again the

taxes on the super-rich and corporate earnings to preserve the country's « attractiveness. »

These public policies – that have put all European countries permanently on the edge of recession and deflation – are also the main reason for the pursuit of the above-mentioned monetary policy that has so significantly increased inequalities. To put it another way: it's because governments were running excessively tight fiscal policies and deflationary labor market policies that QE became necessary...

## **Turning in on oneself**

In these conditions it is scarcely surprising that both classic right-wing and left-wing parties are utterly discredited in working class eyes all over the world. The remedy to the crisis should have been to fight these deflationary tendencies by creating public sector jobs and providing support for infrastructure and human capital (education/skills training/R&D et al) investment projects, strengthening regulation of the labor market and wage-earners' social security, returning to progressive taxes and redistribution of wealth...

Everywhere, the classic right-wing and left in government have explained, however, that such policies were completely impossible to undertake because of EU integration and globalization. The working classes drew their own conclusion, completely logical alas, that it's time to give up on such plans since they fail to stem inequality and they prefer to retreat into national policies.

So, that's where we are. And, without any powerful reaction, especially on the part of those sections of the former workers' movement that have got lost in social liberalism, there's a strong risk that the

xenophobic nationalists all over Europe will pick up the pieces of the enormous stupidities committed in the past ten years. In France, Emmanuel Macron so far has done nothing but

continue to make and aggravate the same mistakes that, since 2008, have brought about this political disaster.