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# **The crisis of the social democratic movement**

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## **Abstract**

The financial collapse of 2007, the accompanying refugee crisis, the health crisis and the corona virus pandemic have all played their part in the current gloomy political climate. The left lacks a clear message or strategy to improve the lives of ordinary people. The emphasis on austerity and competitiveness brought about by the financial crisis has worsened people's social conditions. The need for a "new left" with a relevant narrative is undoubtedly important. The insecurity and instability currently facing the so-called social left is a direct cause of this desire. The demand for a "new left" with a relevant narrative is undoubtedly necessary. This demand arises directly from the current insecurity and instability that the so-called social left is facing. As part of a political program whose core is an effective welfare state, the democratic left needs a contemporary pragmatism in the form of realistic but substantive political goals and demands. The new left narrative must place the goal of social justice at the centre of a social realist framework that does not focus only on the need for economic competitiveness and financial balance. It is necessary to advocate a modern social "philosophy" of solidarity, progress and justice. This new agenda must be embedded in a long-term political reform strategy that can only be realized if the goals are clear to the public.

## 1. Introduction: The Problem of the Left

It is clear that the financial crisis of 2007, the subsequent refugee crisis, the health crisis and the corona virus pandemic have contributed to a bleak political environment. The conditions for achieving political consensus have changed, favoring various forms of populism, escalation of polarization and, above all, political upheavals (Kotroyannos;Mavrozacharakis, 2018:10-25). Neoliberalism has empirically failed, but ironically, in the years of economic crisis after 2008, its hegemonic and fundamental role as a political instrument was further strengthened throughout the structure (Crouch, 2011). In other words, macroeconomic constraints and demands from civil society do not seem to affect neoliberalism.

Nevertheless, the integration of politics into economics and the resulting "dethronement of politics", as foreseen by Hayek in 1973 (Hayek, 1973:149-152), are factors contributing to the systemic spread of neoliberalism. According to Read (2009), neoliberalism is accompanied by an "enormous expansion of the domain and reach of economics", a different kind of economism that assumes that social and political realities are inevitably reducible to economic factors (Hall, 2011). But it is precisely this development that poses great risks to the long-term viability of democracy. The private interests of politicians, among others, are openly exposed as a sign of the intertwining of business and politics. Governments of "technocrats", "bankers" or "experts" have been established without any democratic legitimacy, invoking the "survival" of nations (Mounk, 2018, 98-112).

Some experts mention quasi-institutionalized coups d'état, which meet little resistance as long as there is a risk of default. In particular, Keucheyan & Durand (2015, 25) notes that the general political dynamics within the EU since 2007 point to a decline in democracy, while a primordial element of "authoritarianism" is growing, which they call Bureaucratic Caesarism.

Where is the upper limit to which fear can actually create space for unchecked and unjustified power? It is clear from the question itself that democracy itself is at the centre..

It is inevitable that the civilian forces that strive to protect the democratic acquis and constitutional order will be discouraged as those entrusted with protecting democracy break its rules. Against this background, it is not unexpected that calls for weakening national parliaments and reducing their veto power and prospects for political participation are becoming louder and louder.

Similarly, as neoliberalism has become increasingly dominant, a structural trend towards the destruction of the democratic acquis has intensified in Europe. Parliaments are being transformed into voting, subservient machines. Important decisions are made in closed expert committees and ministries where the private sector has considerable influence. In fact, numerous studies have shown that there is a free flow of people between politics and business. Ministries allocate important posts to representatives of the business community. The number of people who have moved from political professions to wealthy economic positions is endless. Even during their political careers, some people continue to maintain their "privileged contacts with the private sector".

We have to assume that a significant political and economic paradigm shift will be a long time coming due to the institutionalization of neoliberal recipes on the one hand and the increasing link between market and politics on the other. Instead, a further escalation of the crisis is very likely. The likelihood of democracy functioning in the sense that rights and civil liberties are curtailed due to the crisis decreases as prosperity increases in the Western world. The various civil, political and social rights that have been historically won and codified are undoubtedly linked to modern European citizenship. However, the crisis restricts political rights and damages social rights, invalidating them. In this way, it undermines citizenship itself. So the crucial question is: what kind of democracy can we talk about with a crippled citizenship?

In its most persistent and extreme form, neoliberalism as an economic and social system does not require democratic government. But because it is a system that stands for the economic elite, it only provides for profit and the expansion and institutionalization of the power of these elites. This everyday diagnosis explains the paradox above. According to Chantal Mouffe (2011, 4-5), the liberal component of current neoliberalism has become so dominant that the democratic component has almost disappeared.

The concept of popular sovereignty is now considered outdated and seems to have been abandoned in favor of a democracy that is interpreted only as the preservation of law and the protection of human rights. Those who insist on giving the people a voice and space for their needs while criticizing the rules of the elites are called "populists".

One of the fundamental features of our "post-democratic" environment is this displacement of the democratic heritage. Currently, the left faces the problem of not having a clear message or plan on how to improve the lives of ordinary people.

## **2. Europe in a political impasse**

The EU has split into creditor and debtor countries, each pursuing its own goals. This is the result of a neoliberal political-economic strategy to deal with global instability in the midst of the global economic crisis (Hall, 2012:357). The conflicts at the level of the European Council are a glaring expression of this division, which affects all community institutions, including ECB. Germany has been the main creditor from a purely national perspective since the beginning of the crisis, with the primary objective being to preserve the stability of the German banking system, especially the state-owned Landesbanken and savings banks (Steinberg, Vermeiren, 2015).

The first bailout in 2010 was intended to help Greece and other euro zone countries by reducing the multiplier effects of mistrust towards the stronger eurozone members that are creditors (Verney, Katsikas, 2021:251-264). In other words: If market confidence in Greece declines, it unexpectedly declines for other euro zone members such as Spain, Italy and possibly even France, increasing risk indefinitely. The euro's tarnished reputation stems from this breach - each country was responsible for its part of the bailout, but there was no bailout clause. This has made many people in wealthy northern countries skeptical about the euro (Collignon, 2012:2-14). It is clear that this stance would immediately meet with strong resistance from people in Northern Europe, especially the German population, who were unable to further understand the costs of the bailout and how they would be distributed.

Many people believe that indebted people are lazy and opportunistic and that they need to learn fiscal discipline to get out of debt. Greece was no exception and was treated as a "sinner", making it an "unworthy cause" for financial aid.

According to some authors, the German word for debt, Schuld, is the same as guilt (Sool, 2015) . Even German economists, who should be more concerned with statistics, believe that Greece needs to be taught a lesson about living in the past. According to Cohen (2013), "Growth is the reward for good behavior in the moral mentality. Such a virtue involves being frugal and not getting into debt. It goes without saying that it is unethical to increase the budget deficit in order to promote growth. There is a reason why this issue is known among economists as "moral hazard". In reality, there was no bailout clause and each state was responsible for its own debt.

The violation of this rule is precisely the reason why the euro has been discredited in the public opinion of the powerful countries of the North. It is obvious that this attitude would immediately meet with fierce resistance from the people of Northern Europe, especially the German people, who have not been able to further understand the costs of the bailouts and their distribution. The complaints of the German population mirror the reluctance of citizens in other EU countries as well. This hesitation should not be seen as an expression of nationalism, but rather as a sign of a democratic deficit within the European Union. The methods used to deal with the euro crisis not only contradicted applicable European law, but also repeatedly exceeded the powers of national parliaments.

Under the guise of a state of emergency, the responsible institutions of the euro zone, in particular the so-called Troika, enforced presidential decrees, ministerial decisions and parliamentary emergency procedures that violated both the institutional and legal framework of the EU and the democratically expressed will of the people. Against this background, it is reasonable to assume that the renewed return to the nation state is due to the weak European response to the crisis - an approach that has been pursued above all by the German government under Angela Merkel. This argument may be highly simplified, but it contains some grains of truth, especially if we look at the European crisis response strategy as a whole, which also includes the refugee and Ukraine issues.

The increasing public confrontation between heads of state also shows the tendency towards renationalization of European politics. The dysfunctional European political system, which lacks the necessary safeguards, repeatedly leads to divisions and makes consensus impossible. In the absence of a federal European welfare state that could regulate and normalize the many member states through common federal policies in both the fiscal and socio-economic spheres, European integration is consequently fragmented. While monetary union initially had the appearance of a political Endeavour, it now resembles a technocratic superstructure in which everything is regulated by open institutions that are subject to lobbying. Unfortunately, Maastricht did not achieve its intended goal, which was to lay the foundation for a European Political Union that would provide the necessary direction, stability and, in the long run, a set of safeguards.

Through the euro crisis, Europe is currently paying the price for Germany's delayed reunification. After all, a significant transaction between Germany and France produced the euro as a hard currency. France committed itself to advancing and integrating German reunification, which it did, while Germany showed its willingness to abandon its own extremely hard mark and actively participate in the soft currency euro adventure. However, Germany insisted that the European Central Bank (ECB) be established according to strict German standards and have its headquarters in Frankfurt. Despite the severe impact of the European financial crisis, it is now widely believed that the separation of political union and monetary union was a historic mistake.

All euro zone countries have shown their willingness to take political integration a step further. The risk of executive autonomy must be avoided if the EU is to recover democratically from its crisis of legitimacy and confidence. The crucial sovereign right of budgetary approval can only be transferred to the European level if the European Parliament is able to control national governments as effectively as national parliaments.

### 3. Traditional political legitimacy is disputed

In summary, the once stringent requirements for achieving political legitimacy are now essentially a moving target. Obvious limits have been placed on traditional political forces, but at the same time a dynamic front has emerged that challenges assumptions of democratic sovereignty in Europe (Habermas, 2014:89-93). This change can be partly attributed to the way democratic and progressive forces acted during the crisis. In particular, social democrats and the dominant left failed to actively oppose neoliberalism, remaining silent while it played out in Europe and failing to stand up for growth and against unemployment, especially in the South. The short-sighted risks of fiscal austerity measures imposed by Germany to create a competitive Europe have not really been questioned by the centre-left.

According to Schmidt & Thacher (2013) « *neoliberal ideas have generally been more successful in policy debates and political discourse, winning in the 'battle of ideas' against weaker alternatives. In some cases, that strength may come from the seemingly common sense nature of neoliberal arguments. For example, appeals to the 'virtue' of sound finances using the metaphor of the household economy—extrapolating from the need to balance one's household budget to the need to do the same for the state budget—may resonate better with ordinary citizens than the Keynesian counter-intuitive proposition to spend more at a time of high deficits and debts. In other cases, neoliberal success can be attributed to the re-framing of current problems—say, as a crisis of public debt rather than of the banks; to the narratives—about public profligacy being the problem, belt-tightening the solution; and to the myths—for the Germans, that belt-tightening is the only way to avoid the risks of hyperinflation of the early 1920s, thereby ignoring the risks of deflation and unemployment of the early 1930s that led to the rise of Hitler. Equally importantly, it may be that neoliberals are not so strong but their opponents are weak. Where, after all, have the center-left parties been in all of this, in particular in Europe throughout the Eurozone crisis? Notably, only very recently have European social democratic leaders called for growth, even as they continue to dole out austerity*».

All the political forces have made the political and social components of the crisis, which often have a dark flavor, secondary.



Even the centre-left accepted priority of competitiveness achieved by reducing consumption while cutting salaries, pensions and public spending (Freeden, 2013:42-44; Mavrozacharakis; Tsagkarakis, 2018). Based on this perspective, Berman and Snegovaya (2019, 6) emphasize that the main cause of the collapse of the left is *«the left's shift to the center on economic issues, and in particular its acceptance of "neoliberal" reforms such as privatization of parts of the public sector, cuts to taxes and the welfare state, and deregulation of the business and financial sectors»*.

This change has had damaging, perhaps even fatal, consequences in the long run. Berman & Snegovaya (2019, 6) point out that the shift to the right of the left *«watered down the left's distinctive historical profile; rendered socialist and social-democratic parties unable to take advantage of widespread discontent over the fallout from neoliberal reforms and the 2008 financial crisis; created incentives for parties to emphasize cultural and social rather than economic or class appeals; and undermined the representative nature of democracy. The shift in the left's economic profile, in short, deserves center stage in any account of its decline. Moreover, this shift and its consequences have been crucial to the rise of a nativist, populist right and to the broader problems facing democracy today in Western and Eastern Europe, as well as other parts of the world»*.

In any case, the emphasis on austerity and competitiveness in the wake of the financial crisis has worsened the social situation of citizens. Greece, a country with long-term deficits, is perhaps the best example of how the race to implement austerity measures has led to surpluses in foreign trade. But all this contributed to a severe social and political crisis, followed by a long period of political and social unrest. Moreover, the social democrats handled the refugee crisis recklessly, supporting a rhetorical open borders policy that once again disproportionately affected the South. They also showed a reckless unwillingness to dynamically confront the pandemic by strengthening the welfare state.

The compromises and solutions proposed by the centre-left to solve the problems are therefore unconvincing, even though Europe has been in crisis since 2007 and the heads of state and prime ministers of the countries are slipping from one emergency to the next (Andor, 2020: 642-654).

Due to rising unemployment, the German stabilization program has not been able to find the necessary counterbalances. According to Fisoussi & Sacareno (2013:7)« ... *Germany and EU institutions blamed the crisis on public finances excesses, imposing austerity and the signature of the fiscal compact to introduce in member countries' constitutions the balanced budget requirement*».

If the democratic component of politics is to be revived in Europe, left-wing parties must resist attempts to undermine the basic institutions of the welfare state, privatise all aspects of social life and subject them to market principles. Right-wing populist parties may attempt to occupy this space if the political left fails to respond to the public's desires for a more just and egalitarian society (Mouffe, 2011: 5)

#### **4. The lack of options, German politics and the democratic left**

The assumption that public policies, state injections of liquidity to revive the economy and programs to strengthen the welfare state to deal with the pandemic and the refugee problem are necessary to find a way out of the crisis has not been adequately defended by progressive forces and the centre-left over the last decade. In sum, the democratic left insists on some mitigation of social impacts through adequate social transfers, but has not redefined the state in a progressive and modern way (Wang, 2020: 59-60). Nevertheless, Rodrik (2011; 2012) notes that effective economic policies have always relied on the state to promote growth and accelerate structural change, notwithstanding neoliberal economists' criticisms of the state's functions. In particular, national governments were responsible for bailing out major companies, stimulating financial markets and rescuing banks during the financial crisis, as has been shown. They also provided a social safety net (Rodrik, 2012).

According to research by the Legatum Institute (Alfaiate, et al. 2014), nations with a relatively strong regulatory role of the state and the ability to provide high levels of social welfare, education and individual freedoms while integrating immigrants and minorities into the real economy, such as New Zealand, Norway, Sweden, Denmark, Canada, Australia and Finland, have the best economic indicators from 2009 to 2014.

Social cohesion thus has a positive impact on the real economy. Most empirical research supports the link between welfare and income security and a broad institutional framework, which includes a range of legal and regulatory frameworks that result from the degree of government influence on the economy (Rodrik, 2004; Zattler, 2004: 19-25).

Previous studies, notably by the IMF (IMF, 2003), the World Bank (WorldBank, 2002) and a number of respected scholars (Hall & Jones, 1999; Acemoglu, Johnson & Robinson, 2001; Rodrik, Subramanian & Trebbi, 2002), emphasize the critical importance of the institutional role of the state in economic growth. The establishment of a sound institutional structure at the national level contributes to the smooth functioning of society and prevents political, economic and social unrest typically associated with weak, unstable and inefficient states (Fukuyama, 2004; Zattler, 2004). Market economies require robust state institutions at the economic and fiscal levels to ensure macroeconomic and fiscal stability as well as legal certainty in transactions, efficient market operations and social cohesion. With the help of appropriate incentives and regulations that promote confidence, transaction certainty and efficiency, a reliable state institutional framework can create the general conditions for investment and growth. In this situation, it is obvious that the role of the state is essential for the proper regulation of labor, financial and product markets. Acemoglu et al. (2019) go as far as to say that democratization often leads to a 20 per cent increase in GDP per capita over time.

However, an appropriate institutional structure (institution building) for adequate political regulation of the economy could not develop due to the rise of neoliberalism in the 1980s and the social democratic compromise at the national and international levels. Instead, market liberalization, deregulation and privatization were the focus of economic reforms. The escalation of austerity policies recommended by the German political leadership and their simultaneous adoption in several EU countries led to a complete political stalemate among all democratic political groups because there was no new social democratic narrative about the state. However, only gullible people could believe that the German political establishment was unaware of the serious impact that the policy of extreme and persistent austerity would have on political systems, leading to the fall of governments, the deterioration of political morale and parliamentary life, and even collapses.

In parallel with these misleading changes, the extreme political poles on the right and left are growing stronger. The centre left is failing to convince people of an alternative course, while people across Europe doubt the legitimacy of their governments and Eurobarometer polls show that a significant proportion of Europeans are gloomy about the future of the EU.

Social democracy seems stuck in the past, unable to leave behind or even move beyond the Third Way era, instead of adequately addressing the issues of the day. During this period, the democratic left has strongly adapted to the neoliberal market model. The Schroeder-Blair manifesto, published 10 years ago on 13 June 1999, which provided the framework for subsequent changes to the Third Way agenda, was perhaps the point at which this development was most noticeable in Britain and Germany. It has since become clear that social democracy's turn towards the New Centre was a form of political marginalization.

#### **5. The rise of the right, the need to re-engage the working class, new issues and outdated demands**

Ironically, the worsening crises have forced all political forces - including those on the right - to accept the need for an active state to perform social patronage functions. Obviously, because of this paradox, the electorate harbors the greatest distrust of the established political forces of parliamentary democracy, especially social democracy (Dalton, 2004: 157). However, it is undeniable that the right has spread throughout Europe in all its forms, while the left has not consolidated its position. A crisis of left politics, indeed of left ideology as a whole, is at the root of this downturn. In order to create a new progressive multi-party movement dedicated to redistribution, the modern centre-left must develop a new social alliance. This involves building a diversified movement of many socio-economic groups, splitting their votes between liberal parties, environmentalists, socialists and the left. To build a comprehensive agenda that addresses this complex new multiracial social movement, the new social democracy should identify social groups that support a new economic model, a new welfare state and the expansion of social rights.

Inadvertently, most social democratic parties in several European countries have as their "reference subject" a white, middle-aged man employed in industry whose voice needs to be "reclaimed". The working class as we know it today does not correspond to this image. There are low-wage workers of all stripes in a variety of productive industries. The key question is therefore: what kind of policies can be changed to accommodate the different interests within this huge and diverse social group? It is obvious that one party cannot represent all these interests.

A new perspective and forward-looking demands are needed that take into account the modern composition of society and at the same time prioritize the most dynamic and forward-looking sections of the population. The demand for a redistribution of wealth between generations should be at the forefront. Younger voters face a number of challenges, including a far more competitive labor market, higher housing costs, frequent payments of education allowances, increased social risks and much more.

So what policies should the new social democracy adopt to create a generational contract? Clearly, there is no reason to equate this goal with the nationalization of significant parts of the economy or with a particularly interventionist socialist strategy. Nowhere is it written that if the left wants to win over younger voters, it must always stick to the antiquated political instruments of the 1970s. Many progressive middle-class groups are afraid of the centre-left because it is often tainted with extreme political baggage. These groups advocate a fair distribution of wealth and believe that a radical political agenda is not the best way to achieve these goals. However, policies that include significant investment in tuition-free education, solutions to problems such as housing, an expansion of public housing, an essentially guaranteed income, higher health care costs, moderate rather than irrational tax increases on higher incomes, environmental policies, gender equality, minority rights, investment in new technologies, innovation and green energy, investment in the public telework sector, etc. are undoubtedly attractive policies.

People who support initiatives to revitalize the Left as a whole should not ignore the fact that fundamental aspects of human dignity and the sanctity and indivisibility of basic human rights, which serve as the cornerstone of any democratic politics, are being violated today even in the developed Western world (Flood & MacDonnell & Thomas, & Wilson, 2020).

There can be no social justice and peace if human rights are not respected and upheld, and there can be no sustainable economic growth. Is it any wonder that the "new centre-left" prioritizes reforms instead of asking all European and supranational institutions whether they believe that rigid austerity policies are compatible with the idea of human rights, and whether they believe that the social warfare that Europe as a whole is currently undergoing is compatible with the idea of human dignity? The call for a "new left" with a relevant narrative is undoubtedly necessary. This call is a direct consequence of the current insecurity and instability experienced by the so-called social left in general.

It is evident that the left is divided along ideological and organizational lines, much like a broken mirror (Mueller- Hennig, 2018:7-9). Accordingly, terms such as "reform" or "modernization" cannot be interpreted uniformly in the in the conceptual toolkit of the left and even have a negative connotation because they are perceived as a troubling social dynamic that requires active resistance. Left politics today is often about protecting the gains of the past. We must at least preserve the status quo, because we cannot turn back the wheel of history to create a glorious past. This raises the question: Is the left the new conservatism?

The "postmodern centre left" answers this question with a supposedly realistic vision, but also invokes a hollow rhetoric of modernization through the failed traditions of the so-called third way and the new centre. This new worldview is dominated by the idea of reform. The centre left and social democracy in Europe have not yet been able to recover from the unpleasant experience of the new centre and modernization, a fact that its proponents conveniently ignore. The goal of social justice is not present at all within the framework of extreme realism, which primarily refers to the need for fiscal consolidation. The political undercurrent and supporting "story" of a contemporary social "philosophy" of solidarity, progress and justice is completely absent.

Pragmatism, however, is only a virtue if it can be measured against certain legal standards and political goals. Realistic but substantial demands are part of politics. Long-term political change only takes place if the goals are understandable and recognizable to the public. In difficult times, the "hard management" side typically coexists with the "populist and vigilante" camp.

Both have a distinct political core, expressed in extensive but understandable political abstractions. On one side is the overthrow of the existing order, on the other budget cuts and poverty. As befits a social democratic or centre-left party, no tangible and clear concept for "social peace and justice" and "social reconciliation of interests" has yet been developed.

## **6 Instead of a conclusion**

The challenge for social democracy is to reduce inequalities in all spheres of life. It must therefore do everything in its power to transform political equality into potential material equality that affects labor relations, security issues, family, culture, leisure, health, education and safe ageing. Of course, it is often the case that the right to social equality can compete with the right to freedom. However, the role of social democracy has been and continues to be to bridge the gap between the relationship between equality and freedom.

In particular, bridging the tension that seems to exist today between diversity as expressed through the phenomenon of immigration is a challenge that the Third Way recognized but could not solve. Social democracy is still confronted with this challenge today. The politics of integration aims at the social and political participation of all people, regardless of gender, skin color or country of origin. Integration aims to eliminate, as far as possible, almost all forms of exclusion and marginalization. Respect for diversity recognizes multiculturalism and does not seek assimilation, but elaborates a universal concept of rights to social and cultural diversity. Public policy is thus the instrument for achieving social inclusion, which is a prerequisite for active participation in political, economic and social life. However, the logic of social inclusion requires a lot of work and attention, because the intervention of the welfare state with the aim of social inclusion of marginalized social groups is not the only way to achieve it. Rather, initiatives should focus on developing skills and knowledge that enable active integration into the real economy.

The principles of democracy as a means of addressing the new problems arising from the crisis are extremely timely and necessary. Social justice, solidarity and equality as values that characterize democratic socialism are the only way to achieve the necessary new balance between capital and labor.

However, the present task of social democracy is to offer new forms of resolution of the opposition, but also new policies of reconciliation between capital and labor. In the context of modern societies characterized by a strong depoliticization, social democracy can make a decisive contribution to re-entering politics and will be able to express itself in this way in the future.

Social democracy will thus become multi-faceted again and form a political front of broader social groups. Social democracy must base its claim to power on broader social groups. It must also recognize that the politics of redistribution and integration are necessary in the society of the future, especially in times when economic and environmental crises threaten the well-being of societies. For one thing, racial, racial or religious discrimination is often the cause of poverty, and poverty itself leads to poverty leads to forms of social exclusion.

To respond to the diversity of today's societies, social democracy should update its basic principles of solidarity and internationalism, in a world where exploitation no longer takes place only in factories, but in all workplaces and even on the internet. Social democracy is one of the political forces that have shaped today's political reality and therefore needs to adapt its ideology to the new historical conditions.

Since its beginnings, social democracy has claimed to a combination of freedom, equality, universal social democracy and universal security. Whether it fought for the introduction of universal suffrage or for the introduction of eight-hour work, for free social security and the right to free education, free health care, social security, protection of the family, social democracy has always been the driving force for improving the social situation of citizens. Its specific ideological identity is still the basis for its demands today. The question is whether it is able to respond to the difficult circumstances.



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