

# The transformation of British politics: was it really caused by the 2008 crisis?



*The vote to leave the EU, the rise of the SNP, the demise of the Liberal Democrats, and Labour's turn to the left mean British politics looks very different now than it did in 2008. But these changes are not the product of the 2008 crash per se; rather they are the result of the intense politicisation of issues that were already evident as fault lines when the crisis happened, writes [Helen Thompson](#).*

A decade after the 2008 crash, British politics looks very different than it did. Britain is on course to leave the EU; the Union has been stretched to near breaking point by the ascendancy in Scotland of the Scottish National Party over the Labour Party; the Liberal Democrats have sunk into near irrelevance; and the Labour Party has moved radically to the left and back towards being a mass membership party. Yet this rapid political change has dovetailed with an economy that in most structural respects looks considerably as it did in 2007, even as average real wages remain below what they then were. Despite the promises of the Coalition government to rebalance the economy towards the manufacturing sector, Britain remains a service-dominated economy in which finance plays a significant part. The economy also remains characterised by low unemployment, sizeable consumer debt, quite high levels of net immigration, and a significant current account deficit.

What is striking about the political transformation of the past ten years is the way much of it has arisen from the intense politicisation of issues that were actually already evident as fault lines before 2008. This pattern begins with Brexit. Prior to 2008, Britain had a singular political economy in regard to EU membership. It was outside the euro and had eschewed transition arrangements on freedom of movement, in good part because the Blair government had seen high levels of immigration as an anti-inflationary discipline in an economy that was more prone to inflationary pressures than those in the euro-zone. British membership of the EU worked by keeping the question of Britain's participation in the European Single Market, including freedom of movement, separate from its non-membership of the euro.

What the fallout of the 2008 crash shattered was this compartmentalisation. It in part did so because British governments and the Bank of England could respond to the crash in macro-economic terms with policy tools that Britain retained in the 1990s and the eurozone states renounced. Under crisis conditions, the substantial differences between the macro political economy of British politics and those of the eurozone states could not be masked, and neither could the problems that London's position as the offshore financial centre of the eurozone posed for other states.

The ascendancy of the Scottish Nationalists over Labour in Edinburgh and later at Westminster is also hard to explain if the 2008 crash is seen as a primary cause. Labour did extremely well in Scotland in the 2010 general election. What changed Scottish politics was the manner in which the end of Gordon Brown's leadership of the Labour Party exposed the organisational hollowness of Scottish Labour and the inability of Ed Miliband to calibrate himself to Scottish politics at the time of the 2011 elections. The fact that under Jeremy Corbyn's leadership Labour has made little progress in recovering its position in Scotland suggests that the pre-Corbyn party's stance on fiscal austerity had a limited effect on this political change. Given the issues generated by the manner of Scottish devolution in 1999, including in relation to the governance of England, Scottish politics was always likely to be rendered unstable under conditions when Labour was no longer in power both in Westminster and Edinburgh.

Indeed, the issues caused by the rise of the Scottish Nationalists at the expense of Labour under conditions of asymmetrical devolution are also central to the demise of the Liberal Democrats. Certainly the Liberal Democrats lost credibility among their left-wing voters by entering into coalition with the Conservatives and supporting specific expenditure-cutting measures to reduce the budget deficit as well as for their U-turn on tuition fees. But what cost them their position as a necessary governing coalition partner for the Conservatives was their unwillingness to rule out a coalition with Labour in circumstances when such a coalition would, by necessity, also have to have included the Scottish Nationalists and their consequent electoral wipe-out in constituencies where their rival was the Conservatives.

Labour's move to the left under Corbyn is the clearest case where what has happened is almost certainly dependent on the deterioration of real average wages and the fiscal response to the 2008 crash, given the way Corbyn was able to use austerity as an issue of attack against his opponents for the leadership in 2015. The internal rebellion among Labour members against the cadre of former special advisors that came to dominate the upper echelons of the party after Blair and Brown's exit also arose in part from the inability of that group of politicians to respond to the wider political backlash triggered by the 2008 crash against the material corruption of parts of the political class by their relationship to the donor and influence-seeking class.

Nonetheless, a significant social basis of Labour's mass membership and an important constituency of its electoral support in 2017 have also arisen from structural changes that were already occurring before 2008, namely the falling rates of home ownership among millennials and younger generation Xers and the large expansion in the number of those going to university without anything like a concurrent increase in graduate level jobs. In taking control of the party, Corbyn also hugely benefitted from the ongoing political fallout of the Iraq war. Fifteen years later it is still not plausible that anyone who supported that war can secure the leadership.

Paradoxically, Corbyn's success as an insurgent politician takes us back to what 2008 revealed about the long-standing distinctive nature of Britain's macro political economy. Labour is one of the few European centre-left parties that has not had a dismal time since the 2008 crash. British politicians can sound plausible talking the language of anti-austerity and borrowing to invest because Britain is not bound by the fiscal rules of the euro. Moreover, the reason why bond markets are not such an obvious constraint on the Corbyn economic project is precisely because the British monetary response to 2008 that non-euro membership made possible demonstrated that the Bank of England can support government borrowing without necessarily igniting inflation. Whether the policy tools that appear to be available to the Labour government could be anything like sufficient to achieve economic outcomes that would benefit Labour's new electoral coalition must remain a very open question, even before the (at least short-term) difficulties of transitioning away from EU membership are considered. But even the experiment, if and when it comes, will speak to the political consequences of the rather singular long-term trajectory of Britain's macro political economy.

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