

Book Review: The Legacy of the Crash: How the Financial Crisis Changed America and Britain

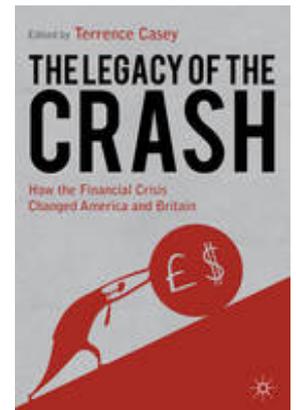
A new collection of articles and essays on the effects of the crisis attempts to explain recent political shifts in Britain and America, reviewed by [Matthew Partridge](#).

The Legacy of the Crash: How the Financial Crisis Changed America and Britain. Terrence Casey (ed.) [Palgrave](#). September 2011.

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Three years ago the world was gripped by the aftermath of the collapse of Lehman Brothers. As well as plunging stock market indices and soaring interbank leading spreads, word began circulating that major firms, such as McDonalds, were having their short-term credit lines terminated, threatening their ability to pay workers and suppliers. Although these rumours of corporate collapse would later be debunked, the rhetoric from President Bush at the time was scarcely more reassuring, warning that “major sectors of America’s financial system are at risk of shutting down” and claiming that failure to pass the \$700bn Troubled Asset Relief Program would cause an economic catastrophe.

Fast-forward to the present and the sense of crisis is no less imperative. However, instead of worries about government inaction, the primary fear is now that the various stimulus package and bailouts have increased the burden of sovereign debt around the world to unsustainable levels. Consequently, despite anaemic growth and high unemployment, the political barometer has moved rightwards in many countries. *The Legacy of the Crash: How the Financial Crisis Changed America and Britain*, a collection of articles and essays on the effects of the crisis edited by Terrence Casey, attempts to explain these recent political shifts.



Aside from the introductory and concluding chapters, *The Legacy of the Crash* is divided into twelve articles in three sections. The first section focuses on economic issues, including industrial policy, financial regulation and the size of the state. The second section looks at recent electoral trends, such as the rise of the “Tea-Party” movement in America and the problems of the European left. Finally, the third section looks at some of the most contentious public policy debates, like the controversial attempts on both sides of the Atlantic to reform their respective healthcare systems.

The strongest section, and the one that will be of most scholarly interest, is the middle part of the book. In particular, Michael Brogan’s comparative empirical analysis of the relative importance of “economic voting” in the 2010 British General Election and the US Mid-term elections the same year produces some very interesting conclusions. Brogan argues that in Britain economic factors were most important in influencing the vote of partisan voters, while in the decisions of swing voters were more likely to be influenced by the state of the economy. His conclusion, that economic dissatisfaction alone will only give opposition parties a limited and temporary popular mandate, represents a further challenge to economic determinism.

Also notable is Arthur Cyr’s study of third parties. His decision to treat the “Tea Party” wing of the Republicans as a third party, and to compare them to the British Liberal Democrats, may be unorthodox but it is certainly a creative approach. As Cyr point outs, like the Lib Dems in the 2010 election, the “Tea Party” generated a huge amount of publicity and attention, only to experience relative failure at the ballot box.

Less convincing are some of the arguments in some of the other sections. While Wyn Grant is broadly correct that British industrial policy (at least between 1945 and 1979) has been much more interventionist than that of America, he is incorrect to claim that British government intervention before 1945 was “stillborn” [p. 23]. Chapters 12 and 13, on foreign policy and terrorism, fail to mention the economic crisis at all, with only a passing mention of the fact that the British government has cut spending on defence. This is disappointing because there are some pertinent linkages between the economy and foreign affairs.

This is an uneven effort with some strong and insightful articles let down a small number of essays ill-suited to a work dealing with the political aftermath of the financial crisis. It would also have been interesting to see some more attention paid specifically to the on-going crises in global bond markets, though many of the

developments in that area were too recent to include. However, there are enough relevant articles to make it worthwhile for those interested in the subject given in the title, while those studying American and British politics more generally will find value in the rest of the collection.

Dr Matthew Partridge has recently completed a PhD in Economic History at the London School of Economics. Read more about Matthew on our [reviewers page](#).