Organizing Austerity: The Path Dependency of Social Democratic Support for Austerity

Max Kiefel

The Ash Center for Democratic Governance and Innovation, Harvard University

Abstract: Existing explanations for left party support for austerity have successfully identified the underpinning ideas through which this policy was justified. However we still lack a compelling explanation as to why support for austerity for sustained. In this paper I develop a conceptual framework that sees a party's organisational structure as a significant constraint on policy change. Left party support for austerity is a path dependent effect of organisational changes that these parties made in the construction of the Third Way. By centralising decision-making in key institutions inside the parliamentary party, increased influence was given to electoral-professional elites whose specific interpretations lead these parties to adopt competency as their key strategic imperative. A lack of organisational change in the wake of the crisis ensured that this strategic emphasis resulted in left party support for austerity. Through case analysis of the Australian Labor Party and the UK Labour Party, I demonstrate the validity of this framework. This analysis draws attention to the institutionalisation of intra-party power relations and the consequences this has for ideational development. This has implications for our understanding of the institutional and sociological influences that intra-party power relations have on party development.

Introduction

After the financial crises of the late 2000s and early 2010s, a subset of academic analyses questioned whether these events would act as a catalyst for paradigmatic change and move high-income democracies away from neoliberalism (Blyth 2013b; Hay 2011). The premise for this question was not without precedent, as crises of similar magnitude, like the Great Depression and stagflation crisis, are commonly identified as having driven previous episodes of ideational change (Blyth 2002; Hall 1993). However, after a brief flirtation with Keynesianism in the immediate aftermath of the 2008 meltdown, the default policy response quickly became austerity (Blyth 2013a; Stanley 2014). More specifically, monetary policy remained expansive, while "emergency" Keynesianism was highly limited, both temporally and in terms of discretionary spending, quickly giving way to fiscal consolidation (Mandelkern 2016; Mandelkern and Oren 2022; Raess and Pontusson 2015). By instituting cuts to budgets and the deregulation of labour markets, austerity synthesizes neoliberal and ordoliberal ideas, as the function of the state is to prevent the crowding out of the private market, which is the principle engine that drives a return to economic growth (Blyth 2013a; Bremer 2023).

In questioning why austerity was the default policy response in the short-to-medium aftermath of the crises, I provide a broader explanation as to why there was no paradigmatic change in the aftermath of the financial crises. This time period is important as it places emphasis on the way in which policy makers interpreted and responded to the crisis itself. After 2015, an array of anti-system political movements associated with the left and the right, such as Bernie Sanders, Donald Trump, Jeremy Corbyn, Podemos, Syriza and Marine Le Pen mobilized, at least in part, through their opposition to austerity. But these movements were "outsiders" that were responding to the deleterious effects of austerity, which does not necessarily help us to understand why "insider" or more mainstream policymakers did not implement an alternative policy when they had the capacity and authority to do so (Hopkin and Blyth 2018). Austerity was certainly

unquestioned, in both the UK and France, Ed Miliband and François Hollande both signalled an opposition before backing down.

In explaining the dominance of austerity, most analyses have focused on supranational organizations on the implicit assumption that they hold more power in contemporary policy development (Bailey 2014). Certainly, the experience of the PIIGS would reflect the power of the European Central Bank and the International Monetary Fund in influencing policymaking. An adjacent reading is that the ideas institutionalized in these supranational bodies reflect the interests of specific states (Streeck 2014), whose interests are in turn constructed through the domestic balance of forces, specifically the power of finance vis-à-vis workers and trade unions has also been identified (Pontusson and Raess 2012).

But within these analyses, it is unclear how ideational paradigms become embedded and resistant to change, despite exogenous pressures like a significant financial crisis. A recent turn has placed emphasis on the role that parties, as organizations, play in the development and transformation of political ideas (Berman 2006; Mudge 2018; Samuels 2004). However, these analyses have not been deployed with specific reference to austerity and the financial crises of the early twenty-first century. Indeed, the scholarship on austerity has broadly neglected the function of political parties, in part, because, parties are generally approached as aggregators, rather than influencers, of public opinion. Yet, while opinion polls might have shown support for fiscal consolidation, the public was not necessarily clamouring for austerity and indeed there were many calls for the parties to "do something" to respond to the increase in economic insecurity (Bremer 2023; Hopkin and Blyth 2018). Mainstream parties of the center-right and center-left, at the very least, framed austerity as a necessary poison.

The continued support for austerity is particularly puzzling for center-left parties. In the aftermath of the Great Recession and the stagflation crises, these parties fundamentally re-invented their underpinning ideologies and thus were significant actors in the construction of new paradigms (Mudge 2018). More pragmatically, voters have generally considered center-left parties

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to be the protectors of the welfare-state (Schwander and Manow 2017). Even prior to the crisis, center-left parties had begun to lose votes as a result of moderation (Karreth, Polk, and Allen 2013), and given the impact of the crisis on economic security, it was likely that the association between these parties' support for consolidation would have harmed their electoral support given their association, in the minds' of voters, with the welfare state (Schumacher 2015). While existing studies have demonstrated *how* left parties support austerity, in terms of the specific framing and policy ideas (Bremer 2023; Bremer and McDaniel 2019), and the *consequences* of their support for austerity (Horn 2021), there is less consideration of *why* they supported austerity.

Such a question requires us to get inside the decision-making processes of these parties. To this end, I develop a conceptual framework that emphasizes the institutionalization of ideas inside party organizations as a constraint on decision-making in the event of a crisis. I argue that the way in which the Third Way was embedded in left parties in the late twentieth century created a path dependent constraint on policy changes in the aftermath of the financial crises in the late 2000s. At the core of this framework is a sociological shift in the types of actors inside left parties, with the rise of "electoral-professional elites" and an institutional shift in the location of decision-making which centralized decision-making power in party executives. These new elites were sociologically and historically distinct in that their source of authority came from their careers outside of the party, which informed their technocratic interpretation that responsiveness and managerialism were the optimal strategy through which parties should respond to crises. This manifested in a supply-side Keynesian economic program with a particular emphasis on fiscal discipline. Displacing this interpretative logic would have required both a sociological shift in the type of influential actor and a shift in the institutional structure of the party. Absent these factors, this interpretive framework led left parties to support austerity. I argue that even if individual leaders or elites within the parliamentary wings of left parties sought to implement alternatives to austerity, the party organisational structure had been institutionalised around these ideas and was a constraint on any such action.

I deploy this framework in the analysis of two cases: the Australian Labor Party (ALP) and the UK Labour Party. While these are both mainstream left parties in majoritarian, Anglo-Saxon democracies and similarly structured liberal market economies, there are important differences in terms of the extent of the crisis and economic pressures for austerity, that provide space for consideration of potential alternative explanations. Ultimately, through this analysis I show that in both cases the locus of party decision-making in centralised institutions, particularly the Cabinet and the leader's office, increased the likelihood that similarly minded electoral-professional elites would influence key decisions. This stifled debate about alternative policy programs and ensured that these left parties would pursue austerity, namely as part of a strategic emphasis on competency.

This finding has implications for our understanding of decision-making in crises and the role that parties in the development and construction of economic ideas. Moreover, it reinforces the need to analyze parties as organizations and explore the myriad ways in which party institutions structure and influence the way in which the party engages with exogenous pressures beyond simply public opinion.

The paper proceeds as follows. In the next section I outline existing explanations and explain why they still leave open the puzzle of why left parties chose austerity. Second, I outline my conceptual framework, that links Third Way interpretations of governing competency to highly centralised organisational structures. Thirdly, I describe the research design that underpins this paper. I then apply my framework to the cases of the UK and Australia. Finally, I conclude through a discussion of the evidence presented and consider some implications of this analysis.

Explanations of left party support for austerity

Existing explanations of left party support for austerity either point to the structural power of pro-austerity actors; establish the dominance of specific political ideas through which austerity was justified from the left; or point to the role of pro-austerity narratives in public opinion.

The structural power set of explanations are premised on declining state sovereignty amidst globalization. In the wake of the stagflation crisis, structural reforms increased capital mobility and

thereby the power of market actors, which made Keynesian policy tools redundant (Bailey 2009). It follows that in the wake of the financial crises of the late 2000s, market actors pressured states to implement austerity by threatening capital flight or an increase in borrowing costs (Streck 2014). While this explanation could explain left party support for austerity in cases where the government debt to GDP ratio was extraordinarily high, like the PIIGS countries, austerity was more widely adopted (Bremer 2018), including in the cases of Australia and the UK, where this ratio remained below ten per cent and borrowing costs were relatively low. Relatedly, explanations that focus on states within the eurozone have shown that the EU was able to impose a 'disciplinary neoliberalism' on its member states, through mechanisms like the fiscal compact (Bailey 2014). Yet if we look at left parties outside of the eurozone, like in Australia and the UK, there were 'neoliberal' budgetary standards that pre-dated the crisis that the governments opted to exceed through 'emergency Keynesianism' (Fenna 2010; Raess and Pontusson 2015). It was only in late 2009 in the UK and early 2010 in Australia that these parties shifted to fiscal consolidation, and in both cases this occurred prior to a fully recovery, marked by a sustained return to growth, was assured. Thus, this leaves open the possibility that a policy shift towards austerity was a political decision.

An alternative explanation focuses on the ideas that were dominant at the time of the crisis (Blyth 2013a). In this vein, Bremer and McDaniel (2019) have convincingly shown that in France, Germany and the UK, left parties justified their support for austerity through 'supply-side Keynesianism', which posits that long-term growth requires state investment to generate the human and physical capital necessary to ensure productivity gains and strong labour markets. A critical assumption of supply-side Keynesianism is that the state must retain the capacity for intervention in the long-term, which can be threatened if the state's debt levels are high as it must devote a growing share of its budget to paying down this debt. Thus, austerity is justified as necessary for the state to regain long-term fiscal capacity. While this is a compelling account of the ideas that oriented left parties' response to the crisis, it is less clear *why* they continued to support

austerity given mounting evidence of its ineffectiveness and unpopularity (Hopkin and Blyth 2018; Horn 2021). Crises of the scale of the financial crises have historically been a source of paradigm change amongst political parties (Blyth 2002; Hall 1993). It is certainly the case that the crises repudiated the dominant Third Way logic that had come to prevail inside left parties (Gamble 2010; Giddens 2010), of which supply-side Keynesianism was the major macro-economic logic (Bremer 2023). In effect, governing parties of the left and center-right were widely punished as the crisis was a blow to their claims for competent government (Hernandez and Kriesi 2016). As the social effects of austerity became more pronounced, there was an increasing demand for governing parties to 'do something' (Hopkin and Blyth 2018), and yet left parties persisted with austerity for which they were punished (Bremer 2018; Horn 2021). The inability for these parties to develop new ideas compounds the puzzle, as the party change literature expects that, depending on the internal balance of power, electoral defeat would lead a party to shift policy or strategy (Harmel and Janda 1994; Schumacher, De Vries, and Vis 2013).

A potential mitigating factor is the role of public opinion, as when parties are dominated by office-seeking actors, as left parties of this period were (Bardi, Calossi, and Pizzimenti 2017), we expect them to follow the mean voter (Schumacher, De Vries, and Vis 2013). Bremer (2023) has demonstrated that while unidimensional polling from this period found overwhelming public support for austerity, however this becomes more muted when respondents are presented with trade-offs. One explanation, then, is that left parties continued to support austerity, despite its apparent ineffectiveness, because austerity had been established as the dominant narrative in public opinion (Blyth 2013a; Stanley 2014). Yet, an unestablished factor is that there was no firm counter-narrative from the left until the insurgent campaigns of actors like Jeremy Corbyn, Podemos and Syriza, whose popularity was, in-part, fueled through their articulation of the deleterious effects of austerity. This reveals an almost tautological logic where left parties failed to adopt an anti-austerity agenda because, despite latent support, it had not been articulated within public opinion. This is premised on the assumption that political parties, almost uniquely, function to engage in the

ideological development that is in turn articulated to mobilize distinct political cleavages (de Leon, Desai, and Tuğal 2015; Lipset and Rokkan 1967; Mudge 2018).

Party organization and ideological change

In this section, I argue that that left party support for austerity was a path dependent outcome of the way in which these parties constructed party organizations to underpin the Third Way paradigm. I develop a framework with three elements: firstly, that emergency Keynesianism and the supply-side Keynesianism invoked to justify austerity are part of a broader Third Way paradigmatic emphasis on competency; secondly, that 'competency' was itself constructed according to the sociologically constituted interests and interpretations of the specific actors that held influence inside left parties in the late twentieth century; and thirdly, that this became enshrined as a power relation dynamic and thus institutionalized across the party organization. Put in terms of a counterfactual, without organizational change, enabling the emergence of a new sociologically specific actor inside left parties, it was not possible for these parties to draw on alternative ideas to respond to the crisis. Each of these elements are outlined in detail.

Competency as a "modernizing" political idea

In the late twentieth century, left parties had to adapt to a series of interwoven structural changes including the decline in size of the manual working class, which eroded the core electoral constituency (Gingrich and Häusermann 2015; Kitschelt 1994); the success of the right in framing the stagflation crisis, ensuring the ideological triumph of monetarism over Keynesianism (Hay 1996); and the advance of new technologies, typically oriented around television, transforming the methodology of political campaigns (Blyth and Katz 2005). The Third Way emerged from calls for left parties to move beyond left and right; to "modernize" in the face of these new challenges.

The triumph of modernization is often identified as a victory for 'responsibility' over 'responsiveness', where responsiveness is the means by which a party connects voter preferences with policy outcomes and party responsibility is the rules and norms to which parties 'must abide';

put another way, responsiveness is what a party 'wants' to do and responsibility is what it 'must' do (Karremans and Damhuis 2020, 306). The prioritization of responsibility is a product of party cartelization as parties have retreated into the state and lost their connection to society (Mair 2009). A key mechanism was the de-politicization of policy-making, as through policy delegation to non-partisan institutions and by legislating fiscal spending limits, parties lost autonomous policy making capacity (Blyth and Katz 2005; Burnham 2001). In doing so, parties helped to construct a normative order through which their primary function was responsible governance.

Instead of approaching responsiveness and responsibility as mutually exclusive alternatives, the 'modernization' of leftism can be seen as the triumph of a specific interpretation of the electorate that assumes key voting constituencies *respond* to party responsibility. This is predicated on the belief that voters prioritize competency over ideology, which was at the heart or the "Third Way", as is argued by Tony Blair and Gerard Schröder (1998, 3), 'in this newly emerging world people want politicians who approach issues without ideological preconceptions and who, applying their values and principles, search for practical solutions to their problems through honest well-constructed and pragmatic policies. Voters who in their daily lives have to display initiative and adaptability in the face of economic and social change expect the same from their governments and their politicians.'

Thus, at the core of the Third Way, was a technocratic critique of politics and political economy. In a new, globalized economy the partisan contest for left versus right policy was redundant and both the "old" left and the mainstream right had demonstrated that they both no longer knew how to manage the economy. Indeed, partisan conflict only serves to introduce special interests into policymaking. Instead, the Third Way was premised on the assumption that an objectively correct policy does exist and can be identified through the function of experts. Depoliticization would enable competent government, which was in the popular interest (Bickerton and Accetti 2021, 47).

In practice, this emphasis on depoliticized decision-making to enable responsible policymaking both stages of left parties' response to the crisis. In the Emergency Keynesianism phase, discretionary stimulus spending was supported and often called for by the market, precisely because in both discourse and in execution these measures were limited in terms of both temporality and in the discretion available to politicians (Mandelkern 2016; Mandelkern and Oren 2022). Likewise, following the Toronto G20 meeting, fiscal consolidation was justified through 'supply-side Keynesianism' as governments were acting responsibly to ensure long-term fiscal capacity (Bremer and McDaniel 2019; Karremans and Damhuis 2020).

<u>The electoral-professional interpretation of competency</u>

Of course, what is competent policy-making to one actor may be deemed reckless by another. More to the point, while the Third Way may have, in practice, been enacted through de-politicized institutions, this was still a political decision that was formed on the basis of specific types of actors experiences and worldviews.

A political party is comprised of a range of different actors. In left parties these actors typically include politicians, trade union leaders, political advisors, party bureaucrats, political organizers and grassroots activists. Mudge (2018) demonstrates that the reinvention in left ideology after the Great Depression and then the stagflation crisis was contingent on a change in the type of expert that held influence in mainstream left parties. This is a significant intervention as it emphasises the sociological character of experts, whose interests are historically specific and formed according to their social relations extending outside of the party, inform the specific composition of the party's ideology.

In the 1980s and 1990s, there was a clear sociological change in the types of actors inside left parties as 'electoral-professional elites' emerged (Panebianco 1988). This catch-all label describes the rise of the spin doctors, policy wonks, marketing gurus and professional campaigners whose source of expertise came from their experience working outside of the party (Katz and Mair 2002; Mudge 2018; Panebianco 1988): spin doctors were typically former journalists, with

extensive work experience and continued social connections to the media; policy wonks often came from think tanks, universities and the civil service; marketing gurus in political and product marketing; and professional campaigners from non-government organizations and consumer advocacy groups. This was distinct from the types of advisors that they replaced, who typically performed either administrative functions or worked as organizers, whose source of authority came from their knowledge of party rules, long-standing membership and connection to party constituencies. The rise of the electoral-professional elite, coincided with a shift in the social backgrounds of MPs, who increasingly came from middle class backgrounds (Bardi, Calossi, and Pizzimenti 2017; O'Grady 2018). The sociological profile and occupationally specific source of knowledge production of these electoral-professional elites drove their emphasis on objectivity and managerial delivery as the basis for technocratic expertise. In this sense, left parties became the mixing pots for all these different technocratic inputs to inform the historically specific understanding of competency as a pragmatic alternative to ideology, determined by an iterated combination of public and market opinion.

The organizational construction of the Third Way

It was not pre-ordained that electoral-professional elites would come to dominate left parties in the late twentieth century. While Mudge (2018) has correctly identified that historical reinventions have been contingent on a change in the type of party expert, this potentially understates the way in which the expert's position of authority was premised on support from other types of actors inside the party. For instance, in the construction of 'economic leftism', trade union leaders exerted significantly more influence than Keynesian economists (Streeck and Hassel 2003), and Mudge (2018) acknowledges that it was the unions that provided employment opportunities to economists, granting them influence within the party. What was important then, was not just the sociological profile of economists in the 1930s, but so too the profile and specific interests of trade union leaders at the same point in time. Most importantly, the capacity of these actors to form an alliance insured that they held a mutually beneficial relationship in reinventing the parties' ideology.

This means that the development of alliances and the upending of power relations are critical to the development of ideas inside parties.

In the construction of the Third Way, the socio-structural shifts that had provided the impetus for modernization were interpreted differently according to the sociological profile of specific party actors: electoral-professional elites, typically entrenched in the parliamentary wing of the party, advocating for ideological and strategic modernization were pitted against the assortment of trade unionists, grassroots activists and party bureaucrats who retained a general Keynesian orientation. The victory of the former enabled the institutionalization of the Third Way through the transformation of the party organization.

This was a gradual and contingent process as there were successive intra-party interpretive battles that were won by electoral-professional elites. An observable feature of these debates was the gradual repurposing of left party institutions such that they were better oriented to perform the functions required of an emphasis on competency. For instance, party conferences or congresses had once been the critical decision-making institutions, where party delegates determine party policy and rules that bound the behavior of party elites, before becoming highly-stage managed affairs to strategically communicate with electorates (Katz and Mair 2018). Equally important was the change in party financing, which impacted staffing. As state subsidies to political parties increased they tended to flow directly to the parliamentary party, rather than the party bureaucracy, which empowered parliamentary elites to determine how these funds were directed and led to the decline of the bureaucracy as a site of significant independent authority (Nassmacher 2009, 333; Poguntke and Webb 2005). As staff increasingly worked across the party bureaucracy and the leader's office, the party tended to prioritize staff whose skillset could 'sell' the party, like spin doctors, rather than staff who could organize and mobilize members in the branches (Katz and Mair 2018, 60–61). This also resulted in the increased investment in resources such as opinion polling and focus groups, which were critical for the party to construct its conception of competency.

As this was a gradual process, each victory for the electoral-professional elite was important as it provided internal and external legitimacy in subsequent intra-party battles. The iterative nature of this process made it harder to change course when electoral-professional modernizers suffered some form of defeat as the institutional edifice that underpinned Third Way competency was solidified and internal opposition increasingly lacked recourse to influence.

Thus, I argue that left parties' support for austerity was a path dependent effect of this organizational restructuring. While the effect of the crisis was to make "the Third Way" categorically unpopular, its emphasis on competency clearly underpinned the left's justification for austerity. More to the point, my focus on organization emphasizes that this articulation of competency was baked into the institutional fabric of individual left parties so that it was the only possible interpretation available to party strategists and policy makers. If an individual actor, including even a party leader, sought to take their party in an alternative direction, there were too many organizational constraints, most importantly the opposition from their colleagues and the resources available to them. It would not be so simple as just moving the party away from a reliance on focus group, as such an action would require the formation of an internal coalition across key decision-making institutions. As highlighted above, Bremer (2023) has shown that public support for fiscal consolidation may have been overstated, especially when the public was confronted with trade-offs. Yet the reliance on unidimensional polling within left parties was a product of its organizational structure, and the belief in the value of polling and focus groups as resources in turn dictated the continuation of policy ideas.

Case selection and methodological considerations

The ideal case selection strategy would be to locate a case where a mainstream left parties, in the short-to-medium term aftermath of the financial crisis, adopted an anti-austerity framework and compare this with a prototypical mainstream left pro-austerity. However, as Bremer (2018) details, all mainstream left parties adopted austerity. While some parties like the UK Labour Party, under

the leadership of Jeremy Corbyn, made tentative steps away from austerity in the latter half of the decade, they were doing so from a different knowledge base to the parties that responded in the first half of the decade.

To this end, I have selected the Australian Labor Party (ALP) from 2007 to 2013 and the British Labour Party from 2008 to 2015. While these are both from Anglo-Saxon democracies from the labourist, rather than Social Democratic, tradition, the benefit of this strategy is actually the differences between the cases, which allows me to evaluate competing explanations, relative to my framework, as to why left parties may have continued to support austerity. The major point of difference is the extent of the financial crisis. Australia, in large part due to a sustained commodities boom during the period of analysis, avoided recession, and did not suffer a significant downturn. While the pace of economic growth slowed significantly and there was a marked increase in unemployment, these were relatively small relative to similarly sized economies, including the UK. As a result, there was less economic pressure to pursue fiscal consolidation. The Australian government did borrow significantly to fund its stimulus programs this was lower than most other countries. Prior to the crisis the country had been running a budgetary surplus, and during the crisis it never ran a deficit of more than 10%. It's government debt as a percentage of GDP increased from 18.39% in 2008 to 37.58% in 2013, when the ALP lost government. In comparison, during the crisis the UK Government repeatedly ran budget deficits as high as 18.15%, while its government debt as a percentage of GDP increased from 105.24% in 2008 to 130.69% in 2010, when Brown lost government, and to 147% in 2015 when Miliband failed to return Labour to power. In this sense, the economic indicators that may create pressure for austerity markedly differed. Politically, the ALP government was lauded for its handling of the crisis both domestically and internationally. This could mean that, compared to the British Labour party, the ALP did not suffer the same crisis of competency that may have driven it towards austerity.

Despite these differences, the ALP and the Labour party largely pursued similar policies where in the immediate crisis both governments invoked Keynes to justify significant discretionary

stimulus packages, (Darling 2011; Rudd 2009). However from 2009, in the case of the UK, and 2010 for the ALP, there was a turn to austerity, defined as a macroeconomic policy of fiscal consolidation before a sustained return to economic growth (Bremer 2023). The different economic conditions outlined help to justify an interpretation of these policies as political decisions, and evidence in favor or against this proposition is outlined in the case analyses to follow.

It is also worth stating that a large-n comparison would be ideal to test the conceptual framework that I developed in the previous section. However, given I emphasize the observation of the functioning of specific institutions to influence actor-decision making, this does not lend itself easily to such a comparative approach. Data-sets like the Political Party Database and, to a lesser extent, the Chapel Hill Expert Survey, do observe intra-party institutions and the structure of decision-making, but they do not observe the interaction of the sociological profile of actors with organizational factors. Indeed, this type of observation is hard to quantify, which is why I utilize process tracing to explore both the organizational development of the Third Way and the decision-making processes around the turn to austerity . Data was collected through interviews, archival material, newspaper articles, and party reports (see appendix for a more detailed discussion of data collection processes and interview techniques).

The United Kingdom

Background

For much of the twentieth century, intra-party power within the Labour party was shared between trade union and parliamentary leaders. The key institutions for mediating this relationship were the party conference and the National Executive Committee (NEC). Until the 1990s trade unions were allocated 90% of delegates to conference and each affiliated union received a bloc of delegates commensurate to the size of their financial contribution, which centralized power in the hands of trade union leaders (Quinn 2012). In theory, the Parliamentary Labour Party (PLP) was subordinated to the party conference, however in practice it remained relatively autonomous.

Rather than this provoking long-standing conflict, this organizational structure proved to be an efficient means for union and PLP leaders to strike deals (Quinn 2012, 212–18). However, from the late 1970s, this relationship became increasingly strained as these actors held conflicting interests over the party's response to the stagflation crises, specifically with regard to the imposition of wage restraint (Mudge 2018).

The organisational underpinnings of New Labour
In the aftermath of Labour's catastrophic 1983 election campaign, a small number of young MPs and advisors began to demand that Labour "modernise" by positioning itself in the 'centre ground' of politics (Minkin 2014, 135). These figures shared a perception that union militancy in the 1970s demonstrated that they could not be trusted to act as erstwhile partners (Kogan 2019, 62–63). In 1985, one of these advisors, Peter Mandelson, was appointed Director of Communications and used this position to ensure that opinion polling was a resource that the party relied on to guide policy formation (Kogan 2019, 62–63). After Labour lost the 1987 General Election, its leader, Neil Kinnock, launched a policy review that committed to employ market research to policy development and ensure that the trade unions would have minimal influence (Jones 1994; Quinn 2005, 76–79). In a sign of the modernisers' growing influence, Tony Blair and Gordon Brown, were elected to the Shadow Cabinet. Kinnock also engaged in organizational reform, most notably the promotion of One Member, One Votes in internal party elections, which saw prominent left-wing activists like Tony Benn and Ken Livingstone lose their seats on the NEC to Blair and Brown.

In 1994, Blair became leader and he began to institutionalize the modernisers' influence by reconfiguring the party's organisational structure. Philip Gould (2011, 240–42), a pro-modernisation party strategist, drafted a memo arguing that 'only a unitary system of command could give Labour the clarity and flexibility it needed to adapt and change at the pace required by modern politics' (see also Minkin's interviews with party strategists Minkin 2014, 665). This was achieved by subsuming the function of the party bureaucracy into the leader's office, by gaining authority over the General Secretary and thus control over staffing decisions (Minkin 2014; Russell

2005). Webb and Fisher's (2005, 8-9) survey of Labour's HQ finds that, compared to previous eras, party advisors were more likely to have experience outside the party, and more likely to seek non-party employment in the future. Notable examples include policy wonk Ed Balls, who had worked at the Harvard Kennedy School and *the Financial Times*; and spin doctors Charlie Whelan and Alastair Campbell, who had both worked for British tabloid papers and drove a rapprochement with the Murdoch owned-press (Mudge 2018, 346–47). A large number of staffers were appointed from newly created think tanks like Demos, the Institute for Public Policy Research, and the New Economics Foundation, which Mudge (2018, 345) describes as an 'utterly different' source of intellectual production compared to Labour's previous organisational structures. Primary and secondary accounts of the party machine in practice show that staff members were instructed to treat existing rules and institutions with 'flexibility', with the overriding need to 'deliver for Tony' paramount in the organizational culture (Cruddas and Harris 2006; Minkin 2014, 154–55; Russell 2005, 254; Webb and Fisher 2005, 12).

This machine had the dual function of providing the knowledge production behind "New" Labour, and minimizing the input of dissenting actors, especially trade union leaders. In the early 1990s, Blair's personally negotiated reforms through the NEC that would reduce the proportion of union delegates to the party conference, still the paramount body, by June 1995 (Minkin 2014, 128–30). But, perhaps more importantly, the function of the party conference in intra-party deliberations was removed as it was replaced by a new policymaking structure where the National Policy Forum (NPF) would follow a workshop format to develop policy documents, which would then be discussed by a Joint Policy Committee and the NEC, before being voted on by the annual conference. In practice, the NEC Policy Committee failed to regularly meet, which made the National Policy Forum merely advisory and thus functioned as a 'largely unaccountable leadership-dominated management tool' rubber stamped by the conference' (Minkin 2014, 672; see also Kogan 2019, 84; Russell 2005, 202–4; Seyd 1999, 391–92). This stymied union leaders' capacity to influence policy formation, as is evidenced by Paul Kenny, General Secretary of the GMB,

description of the NPF, 'you would sit there for two days and all the unions would put forward particular areas of policy. You'd get nothing' (in Kogan, 2019, 119; see also Ann Black, personal interview, February 2020).

The policy framework that underpinned New Labour has been outlined fully elsewhere, with a general agreement that, strategically, the party prioritized signaling credibility to financial markets by demonstrating economic competency to both finance and voters which, ideologically, required the party to firmly and fully re-orient around a pro-market policy consensus that, in particular, emphasized fiscal discipline (see for instance Hay 1997; Coates and Hay 2001; Gamble 2005; Wickham-Jones 2005; Hopkin and Alexander Shaw 2016; Bremer 2023). While trade unions were still the primary financiers of the party, the way that this provided influence was through the conference and the NEC, and as Blair's machine had effectively mitigated these as sites of influence, the unions were powerless to stop Labour's adoption of alternative policy frameworks.

A trade-off, that would prove to have important consequences for Blair's successors, was that instead of the leadership being directly accountable to trade unions or to the broader extra-parliamentary party, it is more accountable to the PLP (Russell, 2005, 278–81). This made the meetings of the PLP important. As the primary means through which MPs could rebel would be through voting against policy, each meeting of the PLP was a managed affair as advisors engaged in horse trading or strong arming to ensure that the leadership's line prevailed (Benedetto and Hix 2007). This was likely aided by the dramatic change in the demographic composition of the PLP, where under New Labour, MPs were far more likely to come from middle class backgrounds which O'Grady (2018) demonstrates was influential in their support for elements of the New Labour policy framework. All of this made the Cabinet a particularly important site, as key ministers were likely to have accrued their own place in patronage networks within the PLP and thus could influence important decisions.

The organisational imperative behind austerity

Labour's support for austerity from 2009 to 2015 is not in doubt (Bremer 2023; Gamble 2015), however I show that it was imposed through decision-making structures that prioritized the preferences of electoral-professional elites in the Cabinet and leader's office.

The contentious Darling plan

While Gordon Brown's Labour government was united behind the initial emergency Keynesian response to the crisis, intra-party debate emerged in 2009, when the size of the deficit grew close to 10 per cent of GDP, which prompted concern amongst significant elements of the press (Stanley 2014). Brown and his Chancellor Alistair Darling disagreed on how to respond. In what would become known as the Darling plan, Darling, with the support of Treasury officials, prioritised halving the deficit over a four-year period, although greater emphasis was placed on tax increases than spending cuts (Bremer 2023; Darling 2011). In contrast, Brown, supported by Balls, believed that this turn to deficit reduction was premature and was secondary to ensuring the country returned to sustained growth (Bremer 2023, 146). This tension went unresolved for much of 2009, as is evidenced by the budget which effectively fudged the issue by committing to deficit reduction without immediate measures to achieve it.

Bremer's (2023, 148) interviews with Darling, alongside statements made by Darling and other key figures like Mandelson, show that their support for deficit reduction was largely motivated by opinion polls and focus groups, as they argued that through fiscal consolidation Labour would regard voters' trust by demonstrating their commitment to tackle the deficit. By contrast, Brown's opposition to deficit reduction was premised on his own background as an economic historian which informed an historical reading of the Great Depression as worsened by a Labour government implementation of austerity; as well as his belief that New Labour's electoral success had come through a narrative of 'Labour investment against Tory cuts' (Bremer 2023, 146).

In 2009 Brown sought to replace Darling with Balls, yet he appears to have lacked support for such a move within the PLP as he was seen as widely unpopular (Bremer 2023; Rawnsley 2010;

Seldon 2011). While the unions strongly opposed deficit reduction, under the pre-existing organizational structure there was no means for them to influence policy. In September 2009 Brown gave a speech to the Trade Union Congress that, for the first time, described a need for cuts. According to secondary accounts, Brown was furious that he had needed to do this (Rawnsley 2010, 679), which is evidence to suggest that he was forced to support austerity by his own advisors and the structure of his Cabinet.

Austerity from the Opposition benches

This strategy was insufficient for Labour to retain power at the 2010 election. There is an argument that the Conservatives' victory helped to legitimize the narrative that Labour spending caused the crisis and deficit in the public consciousness, which forced the party to adopt austerity. Evidence for this argument is supported by consistent opinion polls throughout the 2010 to 2015 period as well as Labour's own focus groups. However, there was a significant intra-party debate over whether Labour should refute this argument and essentially re-litigate the crisis. However, opponents argued that such a strategy would crowd out campaigns and messages that would highlight Labour's future plans, and thus Labour would be better off debating the terms of fiscal consolidation.

Ed Miliband's close victory in the leadership selection contest was contingent on the support of the trade unions, who had supported Miliband on the basis that he would represent an alternative to New Labour (Kogan, 2019, 162). Under Miliband's leadership, each of the large individual unions developed political strategies where they would organize union members to join the party and encourage them to endorse union-backed candidates in parliamentary selection contests (Bale 2015, 117–19; McCluskey 2021, 137). However, Miliband and other members of the party establishment opposed the unions' efforts. This came to a head in the fallout over the parliamentary selection contest for the constituency of Falkirk, Miliband referred the matter to Police Scotland which heightened the animosity between him and the union leaders (McCluskey 2021, 142).

In seeking to curtail the trade unions' bid for influence, Miliband was pushed to work within pre-existing structures. Because Labour had lost, rather than gained seats at the previous election, there was no injection of new MPs such that the PLP tended to 'think the moral of 2010 is that you go from Blair to Brown and lose, then lets go back to Blair' (Stewart Wood, personal interview, February 2020). Most importantly, his Shadow Cabinet was dominated by powerful figures from the Blair and Brown governments who remained committed to the ideas and strategies that had underpinned the Darling Plan, including Douglas Alexander, Liam Byrne Jim Murphy and Alan Johnson. In early 2011, Johnson was replaced by Balls, who had previously advocated for the prioritization of growth over deficit reduction (Balls 2010), yet as Shadow Chancellor he believed that 'an argument about what happened in the past would take it onto [Conservative Chancellor] Osborne's ground, whereas an argument about what we would actually do in the future would be more fruitful for us' (quoted in Bremer 2023, 153). Interviews with several of Miliband advisers suggest that the structure of decision-making prevented an alternative from seriously being considered (personal interviews with Alex Smith, September 2019; Tim Livesey, January 2020; Stewart Wood, February 2020). As Tim Livesey, Miliband's Chief of Staff, explained, 'people like Alexander and Byrne would always be pressing the austerity button… they'd be saying "It's weak, you guys don't get it, this is what the people want… 'we weren't able to discuss ending austerity, because balancing the books, reducing the deficit, was like a major, immovable non-negotiable point of entry into the difference between credible and uncredible.'

Within Miliband's office there was division amongst his advisors, with some such as Marc Stears, advocating that Labour should adopt an alternative. Stears was supported by Jon Cruddas, a relatively independent thinker (Katwala 2012), who Miliband had appointed as his policy co-ordinator. However, in mid-2013 a change was made as Douglas Alexander was appointed the Party's Chair of General Election Strategy and Spencer Livermore, a New Labour spin doctor, was appointed Campaign Director. At this point Labour held a lead in opinion polls, and there is an impression that Alexander and Livermore promoted a view that an emphasis on credibility would

enable the party to maintain this lead (interviews with Tim Livesey, January 2020; Stewart Wood, February 2020, Anon B., February 2020). Jon Cruddas (interview, February 2020) shares this sentiment, '[Miliband] became captive to the campaign professionals, the pollsters, the data people in head office who all said that this is yours to lose now, don't rock the boat, don't pick fights, turbulence is not good… I can see the attractiveness of that but at the time we were arguing that that won't work.'

Unlike the suggestion that Brown was strongly disinclined to pursue austerity, there is no evidence that Miliband was similarly forced. Upon becoming leader, Ed Miliband stated 'the era of New Labour has passed. A new generation has taken over' (Miliband 2010). Initially, it appeared that opposition to austerity would be part of this new approach, as he argued that 'what we should not do… is make a bad situation worse by embarking on deficit reduction at a pace and in a way that endangers our recovery' (Miliband 2010). However, According to Livesey (personal interview, January 2020), the vocal opposition from the Shadow Cabinet set the terms of the debate, 'it wasn't even about – do you end austerity, it was about how far and how fast.' Indeed, by mid-2012, it was clear that Labour's strategy would predominantly focus on critiquing the way in which the Conservatives were implementing austerity rather than the substance of the policy. Nevertheless, Miliband did outline a range of, relatively, radical initiatives include price caps, stricter regulation of the banking sector, increases to the minimum wage and skills investment. While this was framed in a rhetorical contrast of 'responsible capitalism' against 'predatory capitalism', there was still an incoherence as it was immediately difficult to square Labour's commitment to balance the books within the lifetime of the 2015 Parliament while simultaneously funding its plans to build a high wage, high skill and ultimately fairer economy.

Australia

Background
The ALP is a federated party, meaning that each of the Australian states had greater organizational capacity than the national party because, in many cases, they had been founded prior to the creation

of the Australian state in 1901. As a result the party was structured around these state parties: individual members join their state party; trade unions affiliate to their state party; it is the state party that determines the rules for preselection for MPs, including to the Federal Parliamentary Labor Party (FPLP); and the state parties elect delegates to the national conference.

The 1980s: integration of trade union leaders into the ALP's factional system
This began to change in the 1970s as while the state parties formally remained all-powerful, under the leadership of Gough Whitlam (1967-1977), the powers of the Federal Secretariat were increased and it steadily intervened in state parties to change their organizational structure (Lloyd 1983). This was formalized at the 1981 national party conference, where it was mandated that all delegates to the national conference would be elected through Proportional Representation (PR). In theory, this would decrease the influence that individual state party bosses had on the national executive (Lloyd 1983), in practice it institutionalized a national factional system. Nationally, there were three factions: the Right, the Left and the Centre-Left. The weight of each faction varied in each state, which meant that under the old system the most powerful faction would generally represent the state at both national conference and on the national executive, however the adoption of PR meant that each of the factions could be assured at least some representation from each state delegation.

In the ALP, factions were highly formalized as they would hold meetings with recorded minutes and elect convenors to negotiate with other factions. As internal democracy expanded, positions from Cabinet Minister to policy advisor to local branch secretary were appointed through factional patronage (Jaensch 2006; Leigh 2000; Lloyd and Swan 1987). Thus, the power of state parties had been reduced, as the national factions, their caucuses and their convenors, held significant influence over the composition of the National Executive, the FPLP and the Cabinet (Lloyd and Swan 1987, 104).

The effect of these reforms cannot be separated from the changes to the relationship between the ALP and the union movement in the same period. During the 1970s industrial

militancy had resisted attempts made by both the ALP and the Liberals to achieve wage suppression and limit inflation (Humphrys 2019, 86–93). This changed with the Price and Income Accord, signed between the ALP and the Australian Council of Trade Unions (ACTU) months ahead of the 1983 election, where the unions agreed to wage suppression in exchange for an expansion of the social wage. An effect of this was the centralization of power within unions, and the ACTU more broadly, as unions shifted from a militant strategy to negotiation with the government (Archer 1988). Party because of this strategic shift, during the 1980s the ACTU pursued a policy of union amalgamation as there were 84 amalgamations between 1980 and 1996. Whereas, in their more militant period, union strategy had often been made at the shop-level, amalgamation centralized this within the growing union bureaucracies (Humphrys 2019, 172). These bureaucracies were expanding as the centralizing tendencies led to the recruitment of more full-time staff, many of whom had no background in the union's rank-and-file, and instead were recruited out of universities (Humphrys 2019, 172).

As a result, the interests of union leaders were increasingly divorced from the interests of rank-and-file members. It was the union leaders who were most involved in the ALP as, over the course of the 1980s and 1990s, union membership was less closely correlated with ALP support. The relative strength of each faction was contingent on the number of delegates that it held, and as unions provided the bulk of delegates their affiliation to each faction was highly significant (Jaensch 2006, 38). It also afforded the leaders of the bigger unions significant influence within each faction. As Paul Howes (personal interview, May 2023), the former National Secretary of the Australian Workers Union (AWU), at the time the biggest affiliated union in the party, described, 'I spent most of my time in my seven years (2007-2014) as national secretary really focused on the maintenance of our power bases.' The tight relationship between unions and the party was described by the former Senator and former convenor of the Centre-Left, John Button (2002),

'factional leaders intervene to get their man or woman into a key position in the

union. Success is followed by payback: the union, under its factional management,

> delivers bloc votes at state ALP conferences, strengthening the faction's position in ballots for internal party positions and in pre-selections for parliamentary seats.
>
> A union controlled by a faction is able to provide staff jobs to aspirants for parliamentary selection. It is a closed and sometimes vicious circle.

This highly centralized factional system helped to reshape the types of actors that were promoted inside both the ALP and the trade union movement. As was outlined above, the increasing bureaucratization of unions promoted a new type of staffer who was less likely to have any connection to the rank-and-file or the shop floor, a similar trend was observed in the ALP. Due to the fluidity between affiliated trade unions and the ALP and the disciplining effect of the factional system, it was common for a single individual to bounce between jobs in a union and in the party as they were promoted through their faction's patronage system. This was widely acknowledged by a number of senior party personnel (Wayne Swan, personal interview, May 2023; Button 2002; Jaensch 2006), for instance Barry Jones, a former National President of the ALP, noted that amongst the make-up of the FPLP it was hard to identify someone 'who has not been either a trade union official, party office official, ministerial staffer, parliamentary staffer, factional organiser or has strong family or sub-factional alliances' (in Jaensch 2006, 38). As one National Secretary of a smaller affiliated union more bluntly put it, 'why – beyond serving the careerist interests of an elite of labour movement professionals – do unions affiliate to the ALP at all in the modern Australian context? (in Jaensch 2006, 38)'.

Moreover, the operation of the factional system negated the function of the national conference. Theoretically, the national conference sets the party platform which the FPLP executes. In practice, because the conference meets only every three years it merely sets guidelines. More to the point, because almost every delegate and official is elected through the factional system, many of the outcomes of the conference are pre-determined through negotiation between factional leaders, who themselves are typically union leaders and Senators. Thus, the decision to reduce the number of delegates from the unions in 2002 had no practical effect.

It was the operation of this system that allowed the Hawke and Keating ALP governments (1983-1996) to fully re-orient the party platform such that it abandoned the more ideological inclinations of their predecessors and adopted a Third Way interpretation of competency to justify their adoption of 'economic rationalism'. Keating justified this as necessary to ensure Australia did not become 'an economic museum', as he later argued 'the Labor government embraced rational economic solutions and market-oriented policies because they were the best way of getting growth and therefore the best way of ensuring the future of ordinary Australians. We could see clearly that in a rapidly changing global environment this was the only choice we had that did not leave us condemned to slump into irrelevance and decline, that increasingly seemed our lot' (Keating 1999). More to the point, while individual union leaders expressed concern at some of these policies, and a concerted though futile effort was made to stop the government's privatization in the late 1980s, opposition to this re-orientation was highly limited largely due to the centralized nature of decision-making ensured by the factional system.

Austerity as a by-product of a factional flex
There is little evidence that the factional system transformed much between the 1980s and the late 2000s (Button 2002; Jaensch 2006; Leigh 2000). Yet, once elected in 2007, Kevin Rudd did take steps to reduce its influence. He overturned historical precedent by personally appointed his Cabinet, rather than allowing the factions this authority, as he explained 'in terms of overturning 100 years worth of tradition, I think it's time the Labor Party modernizes the way in which it does these things' (in Worsley 2007). This was particularly interesting timing as industrial relations had been one of the most important issues in the election and the unions' Your Rights At Work campaign was widely credited as boosting the ALP's primary vote by over 2% (Wilson and Spies-Butcher 2011). Rudd's repudiation of the unions and factions, acknowledged by both him and his opponents, created an antagonistic relationship. As Paul Howes (personal interview, May 2023), described 'we didn't spend all that capital to have nice cups of tea in the Lodge. The union

movement mortgaged ourselves to the hilt… and we didn't expect to get everything we wanted, but we expected to be heard.'

Yet, almost paradoxically, the onset of the GFC prevented the antagonism between Rudd and the factions from constraining the party's immediate response. Rudd effectively centralized policymaking into the Strategic Priorities Budget Committee (SPBC) (Kefford 2013), whose membership was comprised of Rudd, Deputy Prime Minister Julia Gillard, Treasurer Wayne Swan, and the Finance Minister Lindsay Tanner. Cabinet effectively became a rubber stamp on the policies that emerged from the SPBC. However, while this proved successful in responding to the charged nature of the crisis, and indeed enabled Australia to implement discretionary stimulus at greater proportions and much faster than many of their peers. Significantly, Rudd and Swan repeatedly invoked Keynes and argued that they were moving the ALP and the country away from economic rationalism (eg. Rudd 2009; Swan 2011).

However, this highly centralized decision-making structure proved less successful once the immediate crisis had abated. The proximate cause of its breakdown appears to be a policy logjam that was created as a result of Rudd's difficulty in delegation, perhaps motivated by a concern over his factional opponents. While data is not available on the backgrounds of MPs elected in 2007, there is data for MPs elected in the 2010 parliament, which shows that 64% of ALP MPs' previous occupation were either state MPs, party or union officials, political consultants or advisers (Lumb 2013). This is indicative of the basis for the factional system remaining in place, and Paul Howes (personal interview, May 2023 says that as AWU National Secretary) says he could 'ring up thirty members of the House of Representatives and tell them which way to vote'.

The fracturing of Rudd's centralized decision-making process had significant implications for the ALP's shift to deficit consolidation, particularly in the failure to implement its envisaged Resource Super Profit Tax (RSPT). This would have taxed Australia's considerable extractive industry at 40% of their profits. However, the resources sector was firmly opposed and ran a highly successful public relations campaign in opposition (Bell and Hindmoor 2014). While Rudd blames

the RSPT's failure on Swan's personal inability as Treasurer (Rudd 2018, 266), others argue that the logjam prevented the ALP from being sufficiently prepared for the inevitable industry opposition (Wayne Swan, personal interview, May 2023; Paul Howes, personal interview, May 2023; The Killing Season 2015). The failure to pass the RSPT was the proximate issue that Gillard, with the support of all major factional leaders, used to justify the FPLP's removal of Rudd as Prime Minister. Gillard quickly negotiated a far more limited Mining Resources Rent Tax with the industry, which collected significantly less revenue (Bell and Hindmoor 2014; Swan 2014, 333).

The sequencing is important as the projected revenue from the RSPT had helped the government to shift from stimulus to consolidation in early 2010. In announcing the budget that year, Swan announced a projection that Australia would return to surplus in the 2012-3 financial year, 'three years ahead of schedule and ahead of every major advanced economy' (Swan 2011). In explaining this decision, Swan argued that, 'if we are going to be Keynesians in the downturn, we have to be Keynesians on the way up again. That means a speedy return to [budgetary] surplus.' The shift from stimulus to consolidation is important, and the emphasis on ensuring long-term fiscal capacity is evidence of supply-side Keynesian thinking. But there is good evidence that this economic commitment was also framed in terms of economic competency, as Julia Gillard, Rudd's successor, explained, 'my commitment to a surplus in 2012-13 was a promise made and it will be honored. But this political commitment was given and will be honored because that's what prudent economic management now demands' (in Walter and Uhr 2013, 436) Likewise, the finance minister, Penny Wong, explained that 'responsible economic management is also about making room within the budget for important investments that reflect the economic challenges we face, and improve the long-term prosperity of the nation' (in Walter and Uhr 2013, 435)

The problem is that Swan's announcement was made before the European sovereign debt crisis and, critically, before the failure to introduce the RSPT. The worldwide effects of the crisis, combined with declining revenue projects from the commodities sector, made it significantly harder to achieve the return to surplus along the projected timeline (Swan 2014, 331). Yet rather

than shift course, the ALP government engaged in deeper spending cuts than it originally intended (Battin 2017; Swan 2014), which it justified through competency. Between 2010 and 2013, leading ALP figures repeatedly claimed that they were making 'tough choices' in order to ensure a return to budgetary surplus, which consciously links the economic imperatives of austerity measures with political competency (Walter and Uhr 2013).

That was little internal dissent to this strategy was limited to a small number of left leaning union leaders and a handful of backbenchers. The most significant confrontation occurred at the 2011 national conference when the left-wing senator and former National Secretary of the Australian Manufacturing Workers Union (AMWU), Doug Cameron, moved a motion for the party to enter budget deficit 'if necessary to support growth and jobs' (in 9News 2011). Cameron argued that 'we should never have a fetish for a surprlus', which was a claim he would repeat to the media over the next six months. While Cameron's motion was supported by a handful of union leaders and at least one other MP, it was easily defeated through the Right factions control of the conference. Moreover there was little to no opposition from this strategy raised in the two main institutions of ALP decision-making, the Federal Parliamentary Labor Party (FPLP) caucus or the Cabinet (Wayne Swan, personal interview, May 2023; Andrew Leigh, personal interview, May 2023; Swan 2014). While the ALP enacted the landmark National Disability Insurance Scheme and promised a $5bn education program, funding for these measures had to come from cuts to other programs. This is evidence that, while the commitment may have been made following Keynesian prescriptions, the political imperative appears to have become more important to ALP decision-makers and thus they reverted to a more orthodox understanding of economic credibility. Nevertheless, a year later, Swan was forced to abandon plans for a budgetary surplus. This appears to have damaged perceptions of the party's economic credibility and is likely one of many factors in their defeat at the 2013 federal election.

The lack of internal opposition to sustained fiscal consolidation is curious. Swan (personal interview, May 2023) explains that this was because 'we were still doing a lot of Labor things… it

wasn't as if to consolidate meant we had to junk the rest of our progressive agenda. Far from it. But we were doing it within that budgetary framework and funding a lot of it in that responsible frame.' Slightly differently, Howes reflects that 'the machine is a all-consuming thing and it's very difficult to actually have ideas generation within the machine because you spend so much time actually just focusing on its operations and the maintenance, the creation and maintenance of power... We didn't have the forums available to us to be able to ventilate new policy ideas without it being shut down immediately based on factional lines.' Ultimately, during the crisis, the ALP had consciously attempted to reshape the notion of economic competency, however in its virulent pursuit of budgetary surplus, largely unchecked because of a factional system, effectively reverted to a more orthodox understanding of public opinion.

Discussion and conclusion

At the heart of the framework that I have developed in this paper is the concomitant institutional and sociological shift that occurred inside left parties in the late twentieth century. The case analyses of left parties in the UK and Australia broadly confirm the validity of this conceptual framework. In both cases there is strong evidence that the organizational structure helped to impose austerity as the default policy option across the period of analysis. In the UK case, under both Brown and Miliband, there was sustained intra-party debate over austerity and in the conjuncture when Brown was leader, there is evidence that the leader was actively forced to adopt austerity despite their alternative interpretation of the optimal policy. By contrast, in Australia, there is little evidence of sustained intra-party debate over whether the government should shift and sustain its policy of fiscal consolidation, despite contextual changes in domestic politics and the international economy making the timeline commitment of a return to budgetary surplus harder to achieve. Yet, the evidence presented points to a lack of ideational contestation as a result of the cultural effects of the rigid factional system. By ensuring that the same types of elites are

promoted through the party, it makes it significantly harder for ideological debate to occur in the central institutions of party decision-making.

Thus in both cases, the locus of decision-making being in the Cabinet and the leader's office increased the likelihood that electoral-professional elites whose sociological background led them to interpret political and economic developments in a similar way led to these parties pursuing austerity. It should be acknowledged that both of these parties operate in parliamentary contexts. The findings do not suggest that this effect would not carry to other parties, however it may be that power is centralized in the party headquarters rather than the Cabinet or the leader's office, depending on the specific political system in which the party under analysis functions.

It is worth considering that in Australia, trade union leaders remained a part of the decision-making apparatus, whereas in the UK they were pushed out. Yet this appears to have had no effect on the outcome. In the UK case, trade union leaders had largely opposed fiscal consolidation but their inability to access levers of power due to organisational structure was an important element in the party's support for austerity. By contrast, in Australia, in the 1980s trade union leaders were integrated into the factional structure and, in effect, shifted their interests to those of the predominant electoral-professional elites. This was because, with some exceptions, union leaders came from increasingly different sociological backgrounds to their rank-and-file and, at the same time, had increased power at a national level within the ALP. While they did not necessarily support austerity per se, the evidence presented shows that they were not ideologically motivated to oppose it. In part, what my analysis shows is that the alignment of union leaders' interests with electoral-professional elites in the Australian case occurred because of organizational transformations inside trade unions that were similar to the left party. The implications of such changes in other cases for the party-union relationship is a potential avenue of further inquiry.

This analysis suggests that organizational structure has a significant influence on the decision-making processes of political parties. This emphasis on internal party constraints as an explanation for the perpetuation of ineffective ideas is distinct from the focus on exogenous

constraints, including international and supra-national institutions like the G20 and the EU (Mair 2011); as well as on the success of market actors and the political right in mobilizing popular support for austerity (Blyth 2013a). While these may have been real constraints, the subjective way in which they were interpreted by key actors inside left parties is significant and has been underspecified in the literature.

The implications of this analysis suggest that we need to pay closer attention to the intra-party institutions and organizational structure to better understand ideational development. More broadly, this research suggests that the, while parties may have been "hollowed out", they remain critical actors in the formation of public policy. Indeed, the process of hollowing out continues to have effects on party policy and the potential for parties to engage different constituencies. This study continues the call for parties to be analyzed as organizations and to understand the potential effect of organizational structure on a range of political economy outcomes.

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Appendix A: Interview approach and list of interviewees

Interviewees were selected through an initial purposive selection of key party elites, MPs and advisors in the British and Australian parties. In identifying and contacting respondents, I operated under the belief that high-ranking politicians would be unlikely to provide me with information that they had not already provided in their interviews with existing secondary accounts (Cowley 2021; Richards 1996). On this basis, I focused my interview selection on advisors and individuals that would be able to supplement the information and evidence that had been selected from my documentary analysis (Cowley, 2021). Individuals were purposively selected according to their position within the party hierarchy and their relationship with the party leadership in the period of study. My interviewees included advisors who could provide new perspectives and accounts of actor decision-making, as well as backbench MPs who could provide different accounts of political campaigns and insights into meetings of the parliamentary Labour caucus. All participants voluntarily consented to have their information collected and to the recording and transcription of interviews. These interviews also provided me with additional data collection, in particular confidential internal party reports and memos that had not been made publicly available. Based on this combination of purposive and snow-balling interview techniques, I interviewed the following individuals:

UK Labour Party:

Darren Rodwell	Leader of Barking and Dagenham Council
Stephen Houghton	Leader of Barnsley Council
Lloyd Russell-Moyle	MP for Brighton Kempton 2017-
Caroline Flint	MP for Don Valley 1997-2019
Julie Lawrence	Director of Labour General Secretary's Office 1998-2018

Jon Cruddas	MP for Dagenham, 2001-
Andrew Adonis	Labour Member House of Lords 2005-
Ann Black	NEC Member 2000-2018
Alex Smith	Media Adviser, Ed Miliband Leader's Office 2010-2011
Tim Livesey	Chief of Staff, Ed Miliband Leader's Office, 2012-2015
Stewart Wood	Labour Member House of Lords 2011- ; Adviser to Ed Miliband 2011-2015; Shadow Cabinet 2011-2015

<u>Australian Labor Party:</u>

Wayne Swan	Treasurer and Deputy Prime Minister, 2007-2013
Paul Howes	National Secretary, Australian Workers Union
Andrew Leigh	MP 2010-present
Dr Andrew Charlton	Economic Advisor, Office of the Prime Minister 2007-201

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