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Social Democracy in The Age of Austerity: The Cases of The UK Labour Party and France’s Parti Socialiste, 2010-17

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Thesis submitted in partial fulfilment of the requirements for the degree of Doctor of Philosophy in Politics and International Studies conducted in the Department of Politics and International Studies at the University of Warwick.

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List of abbreviations

Centre d'études, de recherches et d'éducation socialiste (CERES)
Christian Democratic Union (CDU)
Comparative Political Economy (CPE)
Constituency Labour Party (CLP)
Constructivist Institutionalism (CI)
Co-ordinated market economy (CME)
Crédit d’impôt pour la compétitivité et l’emploi (CICE)
Discursive Institutionalism (DI)
École nationale d'administration (ENA)
Economic and Monetary Union (EMU)
Economic Partnership Programmes (EPPs)
European Central Bank (ECB)
European Commission (EC)
European Constitution Treaty (ECT)
European Monetary System (EMS)
European Union (EU)
Everyday International Political Economy (EIPE)
Excessive Deficit Procedure (EDP)
Expansionary fiscal consolidation (EFC)
First Secretary (FS)
First-past-the-post (FPTP)
Fondation Jean-Jaurès (FJJ)
French National Institute of Statistics and Economic Studies (Insee)
Front national (FN)
German Social Democratic Party (SPD)
Global Economic Crisis (GEC)
Global financial crisis (GFC)
Greenberg Quinlan Rosner Research (GQRR)
Gross domestic product (GDP)
Historical institutionalism (HI)
Impôt de solidarité sur la fortune (ISF)
Independent Annual Growth Survey (IAGS)
Institute for Fiscal Studies (IFS)
Institute for Public Policy Research (IPPR)
La France insoumise (LFI)
Liberal market economy (LME)
Medium-Term Budgetary Objective (MTO)
Member of Parliament (MP)
Mixed market economy (MME)
National Executive Committee (NEC)
National Policy Forum (NPF)
New Constitutionalism (NC)
Observatoire français des conjonctures économiques (OFCE)
Office for Budget Responsibility (OBR)
Office for National Statistics (ONS)
Organisation for European Co-operation and Development (OECD)
Parliamentary Labour Party (PLP)
Parti communiste français (PCF)
Parti Socialiste (PS)
Quantitative easing (QE)
Rational Choice Institutionalism (RI)
Scottish National Party (SNP)
Section française de l’Internationale ouvrière (SFIO)
Single European Act (SEA)
Single European Market (SEM)
Social Democratic Party (SDP)
Sociological Institutionalism (SI)
Stability and Growth Pact (SGP)
Trades Union Congress (TUC)
Union pour la Démocratie Française (UDF)
Value added tax (VAT)
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Declarations

The work presented here is my own, except where specifically stated otherwise. This thesis has not been submitted for a degree at another university.

Please note that elements of this thesis have been published (or are due to be published) in an edited form in academic journals.

Elements of Chapters 6 and 7 appear in:


Elements of Chapter 8 appear in:

Thesis Abstract

This thesis’ core aim is to understand why the major social democratic parties in the UK and France – the Labour Party and the Parti Socialiste (PS), respectively – were unable and/or unwilling to articulate a social democratic economic alternative to austerity in the post-global financial crisis era. It engages with existing literatures that analytically prioritise either material economic (e.g. capital mobility) or institutional (e.g. European integration) constraints yet contends that these cannot sufficiently explain the absence of a social democratic alternative. Instead, this study advances a constructivist political economy perspective in order to develop a more dynamic conception of the relationship between interests, institutions and ideas. In doing so, it places crisis conceptualisations and the ‘post-crisis politics of austerity’ at the centre of its analysis.

Utilising ‘discursive institutionalism’ (Schmidt 2002; 2008a) as a tool to study the ideational foundations of Labour and the PS’s ‘statecraft’ (Bulpitt 1986), the research draws upon elite interviews and analysis of English and French language primary documentary material. I argue that we must view the failure of these parties to deliver a social democratic alternative, despite the fact that austerity was not a necessity post-crisis, as a consequence of their inability to challenge the dominant discourses concerning the crisis and ‘economic credibility’. Whilst recognising key material and institutional constraints across the two case, the thesis highlights the significance of three key political and ideational factors: weak ideational supply, the continued dominance of a ‘social liberal’ intellectual framework and organisational divisions within the parties. The absence of an alternative to austerity has, I argue, created a ‘crisis of social democratic party identity’. This, in turn, has significant implications for the wider ‘crisis of democratic representation’ in Europe (Mair 2006; 2009; 2013), which has enabled the rise of radical alternative parties and movements in recent years.
PART I
Chapter 1: Introduction

1.1 European social democracy since 2008

With the onset of the global financial crisis (GFC) in 2008, a crisis rooted in deregulated financial markets and liberalised economic growth models (see Blyth 2013a; Gamble 2009a; 2014; Hay 2013), there was growing optimism amongst some commentators that the political pendulum might swing back towards social democracy (see Berman 2016; Wood 2012a; Bailey 2016; Bailey et al. 2014). Yet today social democratic parties are on the back foot almost everywhere in Europe. Instead, it has been parties of the right, as well as emergent alternative parties, that have prospered post-crisis. Since 2010, furthermore, we have witnessed the widespread implementation of austerity policies in Europe, with the poorest and most vulnerable sections of society, the natural constituents of social democracy, experiencing the force of these policies most acutely (see Cavero and Poinasamy, 2013; Cribb et al., 2013). Despite this, Europe’s mainstream traditional social democratic parties have largely acquiesced to the austerity strategy (see Bremer and McDaniel 2019; Bremer 2018; McDaniel 2017; Kraft 2016).

This thesis’ core aim is to understand why the major social democratic parties of the UK and France – the Labour Party and the Parti Socialiste (PS), respectively – were unable and/or unwilling to articulate a social democratic economic alternative to austerity in the post-global financial crisis era. Its central contention is that, rather than creating the potential for a renewal of Europe’s social democratic parties, the economic crisis and what I define below as the ‘post-crisis politics of austerity’ have led to a rupture within social democratic politics; the absence of a social democratic alternative, I argue, has resulted in a crisis of social democratic party identity in the UK and France. As part of a wider ‘crisis of democratic representation’, these social democratic parties failed to reconcile the competing demands placed upon them to develop an alternative to austerity whilst simultaneously upholding their economic ‘credibility’ in a political economic environment marked by the dominance of fiscal consolidation programmes (see Mair 2006; 2009; 2011; 2013).
After decades of accommodation of the dominant neoliberal\(^1\) economic order, this failure has exposed ideological tensions within social democratic political economy and the ‘statecraft’ (Bulpitt 1986) of these parties. This has, in turn, created political space for the rise of radical left (and indeed centrist) alternative parties and movements.\(^2\) For instance, in the French context, after five years in power, the PS survives as a small rump party in the French parliament and has been displaced on the left by Jean-Luc Mélenchon’s radical leftist party, *La France insoumise* (LFI). In the UK, though the Labour Party continues to poll strongly, the election of Jeremy Corbyn as leader in September 2015 represents no less significant a rupture – rather than an outsider ‘radical left’\(^3\) party, Labour has experienced ‘a revolution from within’.

The thesis critically engages with and attempts to build upon the dominant existing literature (see Chapter 2), which points towards various material (e.g. global capital) and institutional factors (European Union, or EU, integration) to explain the failure of these social

---

\(^1\) Neoliberalism has already been conceptualised and defined in a vast number of different ways, and it is not the goal here to ‘reinvent the wheel’. Rather, this thesis draws upon commonalities between two important definitions of neoliberalism in order to arrive at a reasoned working definition (see Harvey 2005; Hay 2004a). Getting to the heart of Hay and Harvey’s overlapping insights, it is possible to determine three core elements of neoliberalism that capture its essence: a theoretical commitment to a ‘smaller’ state as a facilitator of markets (thus leading to a rejection of Keynesian macroeconomic policy), though an actual disposition towards strengthening the state’s capacity in order to facilitate ‘free’ markets (see Gamble 1988); an *a priori* belief in the rationality of free markets and their ability to work as efficient mechanisms for resource allocation; and, the enforcement of individual economic discipline (which leads to reductions in market distorting practices such as welfare benefit payments, etc.).

\(^2\) Whilst Jeremy Corbyn does not represent an *external* ‘alternative’ to the Labour Party, this term will be used to apply equally to the British case. This is because Corbyn’s leadership can be understood as competition posed to the mainstream of the Labour Party leadership as it has existed for the past three decades at least.

\(^3\) I use the term ‘radical left’ here to denote the wave of new left-wing parties and movements across Europe (e.g. SYRIZA, Podemos, *La France insoumise*, etc.) that pose a challenge to the continent’s ‘traditional’ mainstream social democratic parties. The use of the term ‘radical’ is not designed to denote any specific programmatic or ideological commitments on the part of these parties/movements. Rather, the term is used as a *relative* concept to distinguish between ‘traditional’ social democratic parties and these emergent parties/movements. Of course, there is an argument to be made that the insurgent alternatives referred to here as ‘radical left’ *alternatives*, in fact, simply represent the reassertion of a ‘true’ social democratic movement. Debating the specific definitions of such movements is not, however, the aim of this thesis. Rather more simply, it is to understand the failure of the two social democratic parties as *they were* when this analysis begins in the immediate post-crisis era and what it reveals to us about the emergence of these alternatives.
democratic parties to develop an alternative to austerity. In order to better grasp the developments within these social democratic parties that have contributed to this failure, this thesis seeks to bridge the analytical divide between the study of political economy and that of political parties and systems (Kitschelt 1999). I argue that this approach allows for a more dynamic conception of the relationship between structure and agency and thus the relationship between material, institutional and ideational factors than exists in much of the established literature.

Three strands of investigation thus emerge from the thesis’ research questions (set out fully below): first, I ask how the historical and institutional contexts of British and French social democracy shaped the development of a social democratic alternative; second, I ask whether an alternative to austerity post-crisis was economically viable or not; and, third, I ask how the post-crisis ideational environment shaped the development of this alternative.

Drawing upon a social constructivist theoretical framework, the thesis places crisis conceptualisations and the politics of austerity at the centre of its analysis of the statecraft of these social democratic parties (see Blyth 2002; 2013; Clift 2018; Hay 2016; Gamble 2009a). Whilst recognising the constraining influence of key material and institutional factors, I highlight three common political and ideational factors that undermined the statecraft of Labour and the PS/Socialist administration: weak ideational supply to the parties; an ideational path dependency that has seen the continued dominance of a ‘social liberal’ intellectual framework (defined in Section 1.8) amongst key actors; and organisational divisions within the parties (e.g. the role of ‘factions’, ‘tendencies’ or other groupings) (see Rose 1964; Boucek 2009).4 I argue that these factors are critical elements in the story of the failure of these actors to provide an alternative to post-crisis austerity and, by extension, the crisis of social democratic party identity we have witnessed since.

4 Indeed, both Labour and the PS can be characterised by factionalism, albeit to different extents. The Labour Party, in the words of Richard Rose (1964: 41) ‘has been since its foundation a party of factions’. Though this factionalism decreased considerably in the 1990s and 2000s, since 2015 the party has been marked by considerable factionalism once again (see Pemberton and Wickham-Jones 2015). The PS, on the other hand, was constructed as a party around an institutionalised factionalism by François Mitterrand during its foundational 1971 Épinay congress (see Bell and Criddle 2015: chapter 3).
1.2 The failure of social democratic parties post-crisis

The ‘crisis of social democracy’ is a long-run debate; for decades commentators have asked ‘what kind of movement will [social democracy] change into?’ if the parties representing it come increasingly to embrace the political economic status quo of liberal capitalism (Anderson 1994: 15-16). In many ways, this debate derives from the ‘ambiguity’ that lies at the heart of the political economy of social democracy, a political phenomenon defined by reference to a ‘middle way’ somewhere between market liberalism and revolutionary communism, whose parties have historically been torn between their more radical and more reformist ambitions (Wickham-Jones 1996: 6). These tensions may go largely unnoticed during periods of economic growth – which can readily support the traditional employment creating and redistributive ambitions of social democratic governments – but they get pushed to the fore during difficult economic periods, as in the post-crisis environment. For instance, for all of its critics (Moschonas 2002: 314; see also Hay 1999a; c.f. Diamond 2004), the Third Way model was sustained by a decade of ‘non-inflationary continuous expansion’ in the economy. The 2008 economic crisis has, however, shattered this economic foundation and, I argue, exposed a deep crisis of identity for Europe’s social democratic parties with significant political and electoral repercussions (see Chapter 3 for more discussion on this).

At the electoral level, not only has the post-crisis period seen social democratic parties lose votes on average (Bailey et al. 2014: 6; The Economist 2016), but as mentioned above, in the two cases discussed here (notwithstanding initial electoral successes in the French case), we have seen the displacement of traditional social democratic parties/actors by radical left alternative parties/intra-party movements. At the programmatic level, the post-crisis era did initially witness a period of ‘emergency Keynesianism’ (Hall 2013; see Skidelsky 2010), yet by and large Europe’s economies have resorted to regressive economic policies at odds with the core values of social democracy, such as fiscal austerity and liberalising reforms of financial and labour markets (see Blyth 2013a). At the broadest level, and perhaps most problematically for social democrats, the Global Economic Crisis (GEC)5 – a crisis seen by many as a crisis of the neoliberal growth model – has not led to the replacement of the

---

5 This term is borrowed from Bailey et al. (eds.) (2014). It is used to refer collectively to the GFC and the subsequent crisis in the eurozone from 2009.
neoliberal ‘paradigm’ with a ‘progressive’ alternative in line with social democratic values (see Hall 1993; Schmidt and Thatcher (eds.) 2014a; 2014b; Crouch 2011; Gamble 2014; Quiggin 2010).

1.3 The ‘post-crisis politics of austerity’

It is not the intention of this thesis to outline what social democrats could or indeed should have done post-crisis in order to develop a more successful programme. Rather, it sticks to the task of analysing how and why two of Europe’s major traditional social democratic parties failed to develop an alternative to austerity post-crisis. Before I can move on to develop my understanding of the absence a social democratic alternative, however, I must first set out what I mean by ‘the politics of austerity’.

Austerity is a contentious term, which has meant different things to different actors in different contexts. Here, I define ‘austerity’ or ‘austerity policies’ quite simply as policy measures designed to achieve consolidation of the public finances through reducing public expenditure and/or increasing taxation revenue (Konzelmann, 2014:703), which can be measured through ‘the average annual change in the cyclically adjusted primary surplus’ (Krugman 2015). It is important, however, to gain analytical purchase over the wider politics...
that comes attached to such policies.\(^9\) Whilst social democrats have been tasked with providing an alternative to austerity post-crisis, they have been forced to contend with a wider politics of austerity that has been critical in shaping the political economic environment in which they have operated.

Broadly, the ‘politics of austerity’ refers to the ideas and arguments that underpin the implementation of austerity and how this relates to the crisis environment. Although manifested differently across different cases, the politics of austerity has been central to the post-crisis European political economy (see Blyth 2013a; Bremer and McDaniel 2019). In particular, it has both served to (re-)define the crisis as one of public debt, thereby redirecting the attribution of blame, and to prescribe austerity as the central mechanism through which to resolve that crisis (Hay 2013; see also Blyth 2013a; Berry 2016; Matthijs and McNamara 2015). An integral part of this, moreover, has been the construction of notions of ‘economic credibility’ (amongst market actors, the EU and electorates) along fiscally conservative terms – a perennial issue for centre-left policymakers (see Clift and Tomlinson 2004; 2007; Kraft 2017; Hay 2001; Lordon 1998) – despite strong evidence to challenge such ideas (see Chapter 5). This has, in turn, shaped conceptions of what is politically and economically possible, desirable and economically ‘responsible’ at both the domestic and European levels in the post-crisis environment (see Mair 2009; 2011).\(^10\)

Beyond spending cuts and tax increases, this concept also recognises the way in which these policies are often tied up with a wider neoliberal mode of crisis governance involving a range of structural reforms to markets along liberalising lines designed to heighten the influence of the market as the most efficient mechanism for resource allocation (e.g. Rother et al. 2010). The politics of austerity, then, must be understood as a central component in and a product of the striking ‘resilience’ of neoliberalism we have witnessed in the post-crisis era (Schmidt and Thatcher (eds.) 2014a; see Chapter 5 for more on this).

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\(^9\) The above definition of ‘austerity’ is, moreover, rather economistic and ignores both the inherently distributional nature of how these choices are made (e.g. whether to cut spending rather than increase taxation, and by how much) and the wider political context in which such policies are utilised.

\(^10\) Of course, it could be argued that ‘fiscal credibility’ is always defined (by markets, political institutions, electorates, etc.) in terms of fiscal conservatism. The key argument made here is that this conception of ‘credible’ fiscal policy has been upheld even in a context where looser fiscal policy, designed to stimulate demand, could have been more effective given the nature of recession that hit Europe following the GFC.
1.4 Developing alternative programmes

In order to understand the development of alternative programmes, I follow Erik Olin Wright’s (2010) conception of ‘social alternatives’ and suggest that the successful development of alternative programmes requires three key elements.\(^{11}\) First, the alternative proposed must resonate with the core values and objectives of the actors seeking change. In this case, these are social democratic values and objectives (defined in Section 1.8). Second, economic alternatives must be economically viable – that is, ‘if implemented, they would actually generate in a sustainable, robust manner’ the consequences intended (Wright 2010: 14). In the context of this study, we need to therefore investigate whether or not an economic alternative to austerity could feasibly be implemented without, for example, inducing levels of capital flight, inflation or EU-level sanctions that could undermine the economic basis and rationale of that alternative. To put it another way, in contrast to the maxim ‘there is no alternative’, the concept of ‘economic viability’ pushes us to assess the question: \emph{is there an alternative?}\(^{12}\)

That is not to say, however, that even if there is a viable alternative it can be easily implemented in practice. The third element of the successful development of an alternative programme thus assesses the various political factors associated with its development and articulation in order to understand the reasons for its success or failure. Jim Bulpitt’s (1986) concept of ‘statecraft’ sets out a valuable framework for doing so.\(^{12}\) In Bulpitt’s (1986: 21) concept of ‘statecraft’ sets out a valuable framework for doing so.\(^{12}\) In Bulpitt’s (1986: 21)

\(^{11}\) Wright (2010: 13-17) contends that ‘social alternatives can be elaborated and evaluated in terms of three different criteria: desirability, viability, and achievability’. Desirability concerns the domain of normative political philosophy (Wright 2010: 14). For an economic programme to be viable, it must be practically feasible in the social world; however, even if the conditions of desirability and viability are met in principle, social alternatives must be what Wright terms ‘politically achievable’, referring to the capacity of actors to formulate strategies that can ‘mobilize the necessary social forces’ around the alternative (Wright 2010: 14-17).

\(^{12}\) Bulpitt (1986) developed the concept of statecraft as an alternative perspective on Thatcher’s Conservative administration focused on ‘the art of winning elections’ and governing competence, which would move beyond existing accounts which had focused on ideas/ideology or policy. It is in this sense that Bulpitt (1986: 21) describes statecraft as ‘concerned as much with the “how” as the “what” of politics’. The concept’s employment in this thesis is, however, based upon the assumption that we can recognise the mutual significance of and relationship between the ideational realm and what might be considered the political-electoral realm of statecraft. As will be detailed further in Chapter Four, this thesis builds an analytical framework which seeks to assess the ‘ideational foundations’ of statecraft, whilst simultaneously considering how issues of statecraft come to impinge upon the development of new ideas and policies.
schema, effective statecraft is ‘the art of winning elections and achieving some necessary
degree of governing competence in office’. This is comprised of four key elements: party
management, involving managing relations between the various components or wings of a
party; a winning electoral strategy, which involves ‘the manufacturing of a policy package
and image capable of being sold successfully to the electorate’ and mobilising and enthusing
the party base; establishing political argument hegemony in debate regarding the political
issues of the day, both in opposition and government; and, when in government, establishing
governing competence, seen as a ‘function of policy implementation, and the relationship
between external problems and forces and the domestic scene’ (Bulpitt 1986: 21).

Thus, in light of the failure or absence of a social democratic alternative to austerity
post-crisis, the purpose of this study will be to analyse whether a (specifically) social
democratic alternative was i) economically viable and ii) which elements of Labour and the
PS/Socialist administration’s statecraft mitigated against the successful development and
articulation of that alternative. Chapter 4 expounds upon these questions by developing the
case for why Vivien Schmidt’s (2002; 2008a) particular form of ‘discursive institutionalism’
is utilised as a tool for analysing the ‘ideational foundations’ of statecraft (that is, the ideas
and discourse that underpin statecraft strategies) in the two cases.

1.5 The existing literature

Faced with the significant changes brought by the collapse of the post-War Keynesian
settlement, from the early 1980s scholars began to grapple with the various impediments to
effective social democratic economic governance (see Przeworski and Sprague 1986; Scharpf
1991 [1987]; Kitschelt 1994; Moschonas 2002). Whilst there are many valuable contributions
to the study of social democracy, I contend that much of the most relevant literature is
somewhat restricted by virtue of its analytical prioritisation of either material
economic/institutional constraints or political agency, at the expense of a more dynamic view
of the relationship between the two.

The former approach tends to view social democratic failure as the product of certain
electoral dilemmas (e.g. Przeworski and Sprague 1986), material economic pressures
associated with economic globalisation and capital mobility (e.g. Streeck 2014) and/or the
institutional constraints posed by EU integration (e.g. Bailey 2009). Each of these factors
clearly impinges upon social democratic parties today and this thesis’ empirical analysis
highlights how the constraints of capital mobility and EU integration have shaped actors’
behaviours, particularly in the case of the French Socialist Party. At the same time, however, I suggest that these literatures cannot sufficiently understand or explain the failure of social democrats to provide an alternative to austerity. I contend that they lack a necessary sense of political agency and overlook continuing political and economic diversity across cases and the political logic that has underpinned the shift towards austerity in post-crisis Europe. In particular, in Chapter 5 I seek to demonstrate that Wolfgang Streeck’s (2011; 2014) thesis of the ‘death of democratic capitalism’ is underpinned by several claims that do not appear sufficiently strong in the cases of the UK and France.

A key limitation of these literatures is, moreover, their failure to respond fully to the specificities of the post-crisis conjuncture. Whilst they recognise that the crisis has exacerbated trends that mitigate against social democracy, these works point fundamentally to secular trends in the character of global capital and European integration ‘identified prior to 2007’ (Bailey 2012: 114; see Streeck 2014). As such, they rest upon an implicit conception of the 2008 crisis as simply the latest event in a long history of decline and thus tell us less than they might about the particular problems faced by social democratic parties since 2008. In response, this thesis develops a more in-depth examination of social democratic parties in the post-crisis period. Furthermore, by drawing upon a secondary literature on the ‘crisis of democratic representation’ (see Mair 2006; 2009; 2011; 2013; Hay 2007; Lupu 2016; Roberts 2017), I bring fresh insights to bear on the post-crisis social democracy scholarship by tying the failure or absence of a social democratic alternative to austerity to the rise of radical left alternative movements and parties over the past several years.

In seeking to build upon to this literature, my starting point is Kitschelt’s (1999: 318; 1994) argument that ‘the study of social democratic party strategy calls for a bridge across the familiar divide between students of comparative political economy and parties and elections.’ Yet I also seek to avoid the pitfalls of some of the more ‘agential’ accounts of this period which, I argue, overlook some of the very real material and institutional pressures discussed in the literature cited above as a consequence of their analytical focus on the everyday cut-and-thrust of parliamentary politics (e.g. Gaffney 2015; 2017; Bale 2015a). Instead, I ground my analysis in a constructivist Political Economy literature that has demonstrated the power of a set of neoliberal ideas in shaping the contemporary political economic environment (see Blyth 2013a; Schmidt and Thatcher (eds.) 2014a; Hay 2016; Gamble 2013b). This research importantly draws our attention to the somewhat counter-intuitive reality that – despite the nature of the GFC – neoliberal economic ideas have
remained remarkably ‘resilient’ in the post-crisis period (see Schmidt and Thatcher (eds.) 2014a; Quiggin 2010; Crouch 2011), serving to shape the post-crisis political economy and legitimise the politics of austerity.

Echoing Berman (1998: 4, emphasis added), I argue that ‘neither structural nor institutional variables can sufficiently account for the choices made by these parties during this period’. As such, this study positions itself between the dominant (material/institutional and agential) approaches, building upon these literatures through the development of a framework to assess the relationship between the various material, institutional and ideational factors that lay behind the failure of social democratic parties to develop an alternative to austerity post-crisis. This approach, I suggest, best serves this thesis’ core research questions.

1.6 Research questions

The overriding purpose of this thesis, then, is to consider why the Labour Party and the PS/Socialist administration were unable and/or unwilling to articulate a social democratic economic alternative to austerity in the post-GFC era. The thesis explores this topic through the two cases of the UK Labour Party under Ed Miliband (2010-2015) and France’s PS/the Socialist administration of François Hollande (2011-2017).

Following the understanding of the successful development of alternative programmes set out above (Section 1.4), this thesis’ research questions are designed to explore two key aspects that could explain the absence of a social democratic economic alternative. On the one hand, I consider whether austerity was really ‘the only game in town’, or if an alternative to it was (in theory at least) economically viable in the UK and France (see Chapter 5). On the other hand, as per the social constructivist logic that underpins this thesis (Hacking 1999; see Section 4.2.2), I ask: if a social democratic alternative to austerity was indeed viable, which factors (political, institutional, ideational, etc.) have shaped the development (or lack thereof) of that alternative in both cases (see Chapters 3, 6, 7 and 8). The thesis’ three research questions are as follows:

1) How have the historical and institutional contexts of British and French social democracy shaped the development of a social democratic alternative to austerity in the UK and France since 2010?

2) Was an alternative to austerity economically viable in the UK and France post-crisis?
3) How has the post-crisis ideational environment shaped the development of a social democratic alternative to austerity in the UK and France since 2010?

1.7 Methodological approach

1.7.1 Case selection and comparative approach

This thesis’ analysis is based upon a small-n comparative study of two Western European social democratic parties: Labour and the PS.\(^\text{13}\) The purpose of this approach is to develop a detailed understanding of causality within the two cases, illuminating wider issues through rigorous empirical exploration, though it is clear that there is a trade-off with the generalisability of the study’s findings (Clift 2014a: 299). Nevertheless, as Clift (2014a: 300) notes, although the goal cannot be ‘full-blown generalizations’, there is still room for the ‘limited portability’ of the study’s findings to inform my understanding of other cases. This ambition of limited portability is supported is by the study’s use of a ‘most different systems’ comparison (Przeworski and Teune (1982 [1970]): see chapter 2; Mill 2009 [1843]: see chapter 8; Collier 1993: 108-12). The premise of this type of comparison is that:

> If two or more instances of the phenomenon under investigation have only one circumstance in common, the circumstance in which alone all the instances agree, is the cause (or effect) of the given phenomenon. (Mill 2009 [1843]: 482)

This approach allows me to search for shared factors across the two cases, despite their different contexts, that can help us to understand and explain the shared absence of a social democratic alternative to austerity post-crisis. This aspect of my comparative analysis serves to bolster the significance of the findings herein (Gerring 2007: 89, 97–100).

Although Labour and the PS operate within ostensibly similar environments (Western Europe, developed economies, large welfare states, etc.), within the confines of this environment the two cases make up a ‘most different systems’ comparison for several reasons (explored in more detail in Chapter 3). At the macro-level, whilst the UK is a liberal market economy, the French political economy is characterised by its ongoing statist tendencies and is better characterised today as ‘post-dirigiste’ (see Hall and Soskice 2001;

\(^\text{13}\) Although a study of social democracy within Europe more widely, and indeed globally, would be desirable, such focusing on the UK and France means focusing on two of Western Europe’s largest and most important political economies in a region where the political impact of social democracy has historically been most significant.
Levy 1999; Clift 2016). Moreover, at the regional level, these two economies are differently enmeshed in the EU and operate with different economic toolkits: whilst France is a eurozone country, and thus has ceded monetary policy authority to the European Central Bank (ECB) and must follow the EU’s various fiscal rules, the UK, as a non-eurozone country, has retained its own central bank in charge of monetary policy and remained comparatively free from the pressures of EU fiscal rules, including not being subject to sanctions under the EU’s Stability and Growth Pact (SGP) (HM Treasury 2017: 5).

At the party level, moreover, the two cases represent maximum variation within the spectrum of European social democratic parties. The UK Labour Party is a traditional ‘labourist’ party associated with the trade union movement, has never been imbued by Marxist doctrinal purity and more recently has been a key actor in the ‘social liberalisation’ of social democracy (see Section 1.8 for full definition of social liberalism). The PS, on the other hand, has always defined itself as a ‘Socialist’ party and largely rejected the label ‘social democratic’ (a term used only by its right fringe), whilst its competing factional courants have traditionally been dominated by left-wing groups who have sought to uphold socialist doctrinal orthodoxy. Most significantly, however, there is the issue of incumbency. The contexts are significantly different between the two cases. The Labour Party were in power during the financial crisis and so Miliband’s Labour had to deal with this ‘incumbency’ legacy, whilst Hollande’s Socialist administration came to power in 2012 after ten years in opposition.14

1.7.2 Data collection and analysis

The analysis utilises two overlapping timeframes – 2010-2015 in the UK case and 2011-2017 in the French case. Whilst the immediate post-crisis period (2008-2011) is covered in Chapter 5, the decision to study the period from 2010/11 is designed to focus my analysis on the period wherein the politics of austerity had become entrenched in Europe – a process that began in earnest in spring 2010, ‘just as the Greek crisis became newsworthy’ (Blyth 2013a:

14 Clearly this renders the comparison inexact in that the Socialist administration faced pressures in government that a party of opposition simply does not face. This analysis, however, seeks to utilise this comparison of differing governing contexts in order to home in on the shared factors across the two cases. In doing so, I can simultaneously appreciate the impact of case-specific factors, whilst pointing to the most important factors that help to explain the failure of these two social democratic actors to develop and deliver an alternative to austerity post-crisis.
I also do not engage extensively with the most contemporary developments in each case, except when considering the rise of Jeremy Corbyn as Labour Party leader and the electoral collapse of the PS in 2017 as part of my analysis in Chapter 8. The reasons for this are twofold. Methodologically, selecting the two periods I have allows for in-case cohesion by focusing on the Labour Party under Ed Miliband and France’s PS/Socialist administration. Perhaps more importantly, however, the decision to restrict my core analysis to this period holds an analytical value; in each case, the account developed seeks to advance our understanding of how and why these developments came about (see Chapter 8). The central claims advanced in this thesis suggest that this period has been a critical one in the story of European social democratic parties. Focusing in on and seeking to understand this period in particular detail is, therefore, of the upmost importance.

In order to carry out the analysis of these two parties’ statecraft (Bulpitt 1986), I utilise Vivien Schmidt’s (2002; 2008a) particular form of ‘discursive institutionalism’ (DI) as the thesis’ analytical framework. As I argue in more detail in Chapter 4, Bulpitt’s (1986) statecraft concept provides a valuable framework for understanding the core elements of effective political strategy. However, it does not provide the requisite analytical traction to fully assess the reasons why certain ideas and arguments are able to, for example, provide a winning electoral strategy or help establish political argument hegemony. DI, which involves the analysis of the ideas and discourse utilised by actors at a ‘coordinative’ stage amongst policy actors and a ‘communicative’ stage by political actors engaging with the public, enables me to do this. It allows my analysis to drill down into how these actors sought to navigate the post-crisis environment through the development of their ideas, discourse and policy programmes (see Chapter 4).

The data upon which the analysis is based comes from both semi-structured elite interviews and primary documentary material. Thirty-two interviews were conducted with Labour Party and PS parliamentarians, party officials and advisors between December 2015...

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15 From a practical perspective, also, developing the study beyond these periods would not have been possible in the French case, given that the 2017 elections came after the data collection phase of my research. On the other hand, if I had chosen to expand the study to include a focus on Jeremy Corbyn’s Labour Party (effectively a third case), this would have rendered the case comparison somewhat lopsided.

16 Indeed, given the remarkable nature of the rise of Jeremy Corbyn in 2015 and the near total collapse of the PS in 2017, there will likely be a tendency within the future literature to overlook the intervening years under Miliband and Hollande respectively.
and April 2017 in the UK and France [listed in Appendix A]. This interview data is triangulated with analysis of over 300 English and French language documents, including key economic speeches by leading party figures, published external material such as policy programmes and manifestos and unpublished internal advisory documents provided by party insiders during the research phase. For more information on the process of data collection, its analysis in NVivo, as well as informed consent and the secure management of confidential material, please see the Methodological Appendix. In addition to this qualitative analysis, aspects of the research (including much of the empirical testing of certain theories in Chapter 5) are achieved through analysis of statistical material on macroeconomic issues such as debt-to-GDP ratios, historical interest rate trends, debt obligations, and taxation revenues. This material comes from international, British and French research organisations, including the Organisation for European Co-operation and Development (OECD), Eurostat, the Institute for Fiscal Studies (IFS), the UK Office for Budget Responsibility (OBR), the French National Institute of Statistics and Economic Studies (Insee), as well as various French and British government reports.

1.8 Theorising social democracy

The analytical focus in this thesis is placed upon two social democratic parties. However, social democracy cannot of course simply be equated to the programmes of parties who have traditionally labelled themselves as such. This is an important distinction to make. For instance, the economic crises of the 1970s, which saw rising inflation alongside slowing growth and growing unemployment, challenged the basis of the Keynesian doctrine upon which Europe’s social democratic parties relied (see Sassoon 1997: 4, also chapter 16; Hall (ed.) 1989). In this context, those who view social democracy in rigid institutional terms, as a distinct set of Keynesian and corporatist institutions and policies, have tended to be rather unduly pessimistic about the fortunes of social democracy (see Moene and Wallerstein 1995: 186; Gray 1996: 16-17; Moses 1994: 133; Moschonas 2002: 7-8; Blyth 2005).

Of course, such policies are characteristically social democratic. Yet these definitions emphasise the means, rather than the ends of social democracy, reflecting a propensity to focus on the traditional corporatist institutions and Keynesian economic policies of social democrats in the Nordic enclave, especially during the three decades following 1945 (Clift, 2005a: 4; Keman 1993; 2017: 11; see Huber and Stephens 1998). Such definitions also ‘offer little insight’ into social democracy in national contexts where, for instance, corporatist
institutions and encompassing trade unions are traditionally weak or even non-existent, such as in the UK or France (Clift 2002: 470, see footnote 11). Social democracy is, as Pierson (2001: 17) contends, ‘a much more diverse … tradition than both its detractors and many of its admirers have imagined.’

On the other hand, the development of the Third Way ideology in the mid-1990s (see Giddens 1994; 1998) saw the rapid cross-fertilisation of ‘social liberalism’ and ‘social democracy’. I use the term ‘social liberalism’ in this thesis in a quite specific way to refer to the ideas and arguments developed in the 1990s and 2000s in many social democratic parties, predominantly (though not exclusively) under the banner of the Third Way. Broadly, social liberalism embraces a liberal ontology, ethical framework and economic perspective, but attempts to infuse this with more recognisably social democratic ambitions concerning the maintenance of ‘justice’ and ‘fairness’ in society, involving some forms of redistribution and the maintenance of equality of opportunity.

Support for the Third Way movement underpinned the development in some quarters of what can be seen as overly loose definitions of social democracy (Pierson 2001: 18-9). For instance, Gamble and Wright (1999: 2, emphasis added) argued that social democracy’s ‘only fixed point is its constant search to build and sustain political majorities for reforms of economic and social institutions which counter injustice and reduce inequality.’ Since 2008, however, the social liberalism of the Third Way has been deeply problematised by the nature of the unfolding financial crisis, and no longer seems capable of providing an adequate

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17 For instance, particularly under the influence of the Third Way, in the 1990s and 2000s many European social democratic parties came to embrace social liberal ideas on the inexorable nature of economic globalisation and the more limited role of the state (see Hay 1999, for a detail exploration of the political economy of New Labour).

18 It is, of course, important to recognise that the ‘Third Way’ and ‘social liberalism’ have expressed themselves differently across the two cases and that the terms take on a slightly different meanings in the UK and France and more detailed is provided in each case to demonstrate how this is so. However, there are universal elements of social liberalism which can help us to understand the similarities across the two cases, which is important as these ideas have had a clear influence in many social democratic/socialist parties in Europe especially since the 1990s (Vincent 2009: 54). Programmatically, in the 1990s and 2000s, this saw many social democratic actors accept the fundamental tenets of the neoliberal economic order, as well as move away from traditional Keynesian economic arguments in favour of the New Keynesian synthesis and supply-side ideas premised upon Paul Romer’s (1994) work on endogenous or ‘new growth theory’. 
‘social democratic’ vision of the contemporary political economy (see Diamond and Cramme (eds.) 2013; Ryner 2010; 2014; Bailey et al. (eds.) 2014).

As such, it is particularly important in the post-Third Way, post-GEC environment to consider the enduring values and objectives (or ends) of social democracy rather than specific policy strategies (Keman 1993: 309). To do so, we can build upon Hirst’s (1999: 87) suggestion that there are three ‘essential and enduring’ elements in the social democratic project that hold throughout time and across national contexts. First, social democracy ‘attempts to minimise the cost of capitalism for individuals’ through employment and welfare policies. Second, it ‘attempts to tackle and reduce major unjustifiable inequalities in power and wealth’. Third, it does so ‘within the limits set by parliamentary democracy on the one hand, and private property and the market economy on the other’ (Hirst 1999: 87).

It is argued, here, however, that one additional core tenet of social democracy must be included. Hay (1999a: 57) usefully underlines the importance of the principle that ‘the market, left to its own devices, can only generate outcomes which are inefficient, inequitable and unacceptable and that, accordingly, the state must take responsibility’ (Hay 1999a: 57). This inherent scepticism of the utility of unregulated markets is an important feature of social democracy that distinguishes it from liberalism and conservatism, and one that recognises the

19 However, see Diamond (2004) for a fuller discussion of the ideological and intellectual continuities between New Labour and revisionist figures within Labour Party history going back to the inter-war period. Diamond (2004: 9) makes a strong case that, intellectually speaking, New Labour should not be viewed as having discarded the basic tenets of social democracy nor as evolving an entirely distinct ideology in the mid-1990s. Nevertheless, the argument here is maintained that New Labour’s approach and the Third Way era in general did permit the development of conception of social democracy that were too vague. In light of the seeming failures of this political and economic model in the post-crisis period, there is a clear need to redress this approach to understanding social democracy in order to adequately conceptualise the pitfalls of the Third Way era.

20 This values-led definitional approach is particularly important when comparing cases such as those of Labour and the PS, for whilst the Labour Party is and always has been part of the mainstream European social democratic left, the PS has a slightly more awkward relationship with the term. As Clift (2005a: 19) notes, the PS has historically been very reluctant to define itself as ‘social democratic’, preferring the term ‘socialist’. Indeed, ‘social democracy’ has been largely a term of abuse on the Socialist Party left (Bell and Criddle 1988: 152). Yet, as Chapter 3 makes clear, the PS has de facto been part of the European social democratic mainstream since 1983 and can been incorporated under the banner of being a ‘social democratic’ for our purposes.
ability of governments to do more than simply ‘mop up’ the problems of a market system – an important lesson following the GFC (see Martell 2012: 39, 42; Hacker 2008; 2013).\(^{21}\)

Leaving aside the constraints of parliamentary democracy and the market economy (which are assumed in the two cases studied here) for the moment, I thus discern three principles of social democracy and their corresponding core values and objectives, detailed below in Table 1. These core values and objectives are used throughout this thesis to underpin the analysis of the programmes and discourse utilised by Labour and the PS/Socialist administration.

<table>
<thead>
<tr>
<th>Principle</th>
<th>Core Value</th>
<th>Objective</th>
</tr>
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<tbody>
<tr>
<td>1. Market regulation</td>
<td>An inherent scepticism of the ability of unregulated markets to operate suitably for the benefit of the majority of people</td>
<td>To regulate market forces with the intention to secure market outcomes favourable to the majority of people</td>
</tr>
<tr>
<td>2. Employment and Welfare</td>
<td>That each individual citizen deserves a respectable standard of wellbeing, irrespective of their labour market position</td>
<td>To secure full employment whilst reducing the ‘costs’ of market exigencies for those both within and outside of the labour market through employment and welfare policies</td>
</tr>
<tr>
<td>3. Equality</td>
<td>Inequalities in society, whether economic, social or political, are unjustifiable and harmful to society as a whole</td>
<td>To reduce both relative and absolute inequalities in wealth and power through government policy</td>
</tr>
</tbody>
</table>

\(^{21}\) This scepticism of the market might have been challenged by Third Way theorists, such as Giddens (1998), who argued that the means of social democratic action required alteration in order to render them appropriate to the contemporary economic context. In the context of economic globalisation, it was argued, governments were required and best advised to facilitate or guide markets, rather than manage or control them per se. Yet since 2008, it has been made abundantly clear that this interpretation of social democracy allowed for an overly liberal approach to, for example, financial markets and that this deregulatory approach was economically and politically damaging. This argument will be developed and made clearer throughout the thesis.
1.9 Summary of key findings and contribution to knowledge

This thesis contributes to our understanding of developments within European social democratic parties in the post-GEC environment by developing insights at the theoretical, conceptual and empirical levels. It builds upon the dominant materially and institutionally focused accounts of social democracy post-crisis by bridging the analytical divide between the study of Comparative Political Economy (CPE) and Party Politics. Theoretically, it develops a framework capable of appreciating the interaction of interests, institutions and ideas in shaping social democratic responses to the crisis. This allows for a dynamic conception of the structure-agency relationship that remains alive to the importance of material and institutional constraints or pressures, whilst simultaneously remaining attuned to the importance of ideational and contingent political phenomena in the social world. At the same time, however, it avoids the pitfalls of more agential accounts focused purely on party politics by situating its account within the political economic and historical institutional contexts of British and French capitalism and social democracy.

In order to achieve these aims, I draw upon the explanatory power of constructivist political economy, which allows for the simultaneous analysis of a range of material, institutional and ideational factors. In particular I utilise ‘discursive institutionalism’ in order to more effectively assess the types of ideas and arguments underpinning the statecraft (Bulpitt 1986) of Labour and the PS/Socialist administration. As such, the thesis contributes to a body of literature that highlights the critical role of ideational factors in shaping the post-crisis political economy of Europe. It demonstrates the way in which a set of ‘resilient’ neoliberal ideas have shaped the contemporary political economic environment and most importantly how ‘the politics of austerity’ has shaped notions of ‘economic credibility’ across the two cases.

In placing conceptions of the economic crisis and the attendant politics of austerity at the centre of this analysis, I highlight key political and ideational factors that have created fundamental divisions within the parties over how to conceptualise the nature of the economic crisis and the steps necessary to develop a social democratic economic alternative to austerity. These tensions have, in turn, come to undermine the statecraft of Labour and the PS/Socialist administration, and thus their ability/or willingness to develop and deliver a social democratic alternative post-crisis. Conceptually, the thesis links this constructivist approach to the literature on the ‘crisis of democratic representation’ and party identities (see
Mair 2006; 2009; 2011; 2013; Lupu 2016), developing novel insights on the way in which the politics of austerity has contributed to a crisis of social democratic party identity that has, in turn, created space for the rise of radical left alternative parties and movements.

Empirically, the thesis provides a rich new source of qualitative empirical data on the statecraft of the Labour Party and the PS in the post-crisis era derived from 32 elite interviews with stakeholders in both the British and French cases, as well as analysis of hundreds of documents including public speeches, policy documents and internal advisory memos. Schmidt’s (2002; 2008a) ‘discursive institutionalism’ enabled me to analyse this statecraft, and in particular the way in which these social democrats have engaged with the politics of austerity, unearthing information on the discursive processes both internal to the parties themselves and how these social democratic actors have sought to publicly communicate their ideas about austerity (see Chapters 6 and 7).

Finally, to return to a point made above, my analytical focus in this thesis is on two particular social democratic parties. In providing a small-n two-case comparative account, this thesis cannot provide a general theory of social democratic failure post-crisis; its conclusions have limited portability outside of the British and French party contexts. However, in designing the research agenda so as to compare ‘most different’ cases, it is hoped that the findings will contain elements of commonality that transcends social democratic experiences across Europe. Further research on those cases would, of course, be required to corroborate the findings herein.

1.10 Thesis structure

This thesis has been divided into three parts. Part one sets up the analysis of the thesis. It contains: this introductory chapter (Chapter 1); a review of the existing literature on the ‘crisis of social democracy’ pre- and post-crisis (Chapter 2); an account of the historical and institutional context of British and French social democracy (Chapter 3); and, the study’s theoretical and analytical framework (Chapter 4). Furthermore, Chapter 3 develops an account of these contexts that underpins my analysis in later chapters and, in doing so, provides a partial response to Research Question 1, by asking how the historical and institutional contexts of British and French social democracy have shaped the development of a social democratic alternative to austerity in these countries since 2010. It focuses on several interconnected political economic, electoral and organisational dilemmas facing both parties in their attempts to develop a successful statecraft in the post-crisis era.
Chapter 4 begins by setting out a social constructivist ontological stance, then puts forward the case for a ‘constructivist institutionalist’ framework, which views crises as moments of potential political economic change open to political contestation. It therefore justifies a focus on the parties’ ‘crisis conceptualisations’ and macroeconomic programmes, as the two core subjects of analysis for understanding the (in)ability of Labour and the PS to successfully articulate a social democratic economic alternative to austerity post-crisis. In particular, the latter part of the chapter sets out in more detail the analytical framework utilised, demonstrating how Schmidt’s (2002; 2008a) discursive institutionalism can help to assess the ideational foundations of statecraft (Bulpitt 1986).

Part Two of the thesis contains its chief empirical chapters. Chapter 5 seeks to provide an answer to Research Question 2 by asking whether an economic alternative to austerity was viable or not in the UK or France post-crisis. It finds that austerity measures have not been rendered inevitable or necessary post-crisis and that, in fact, an economic strategy focused on maintaining demand would have been more effective in boosting economic growth in the immediate post-crisis environment. Consequently, I argue that we must appreciate the way in which a wider ‘politics of austerity’ in both the UK and France has come to both define the crisis as one of public debt and prescribe fiscal consolidation as the most appropriate and ‘credible’ means through which to resolve that crisis. This, I argue, has been integral to the context in which social democrats have operated since 2010.

Chapters 6 and 7 represent the discursive study of the two parties, which answers Research Questions 1 and 3, looking at how both the historical and institutional contexts of British and French social democracy, as well as the post-crisis ideational environment, have shaped the development of a social democratic alternative to austerity post-crisis in the UK and France. In particular, this analysis is focused on two thematic aspects of their programmes and discourse: conceptualising the crisis environment itself and the politics of austerity. Chapter 6 is focused upon the backstage ‘coordinative’ discourse used by the two parties as part of their development of their policy programmes. The data in this chapter comes predominantly from the interview material gathered from party/government insiders and is supported through the further analysis of various documents, including interviews given and books written by these individuals, as well as private internal documents given to me in the course of my research. Analysing these sources, the chapter provides a detailed account of the ideational landscape both within and immediately around the party, as well as
a sociological account of the groups and individuals, both internal and external, that have contributed most significantly to the development of the parties’ programmes.

Chapter 7 represents the attendant second part of the analysis and is focused on the public-facing ‘communicative’ side of the two parties’ discourses and the wider political landscapes of the UK and France. The sources for analysis are published discourse and speeches made by key actors with economic portfolios, whilst interview material is used to supplement the analysis by providing insight into why particular communicative strategies were adopted and the meaning behind them. The purpose of the chapter is to detail how the two parties have sought to publicly conceptualise their respective crisis environments, as well as their attendant engagement with the politics of austerity. This allows us to compare and contrast the communicative strategies taken with the range of ideas that existed around the party at the coordinative stage. Such analysis therefore helps us to get a deeper understanding of how the politics of the crisis, and indeed the attendant politics of austerity, have shaped the two parties’ actions in the post-crisis environment.

Part Three of the thesis contains Chapters 8 and 9. Chapter 8 presents the thesis’ core comparative analysis of the two cases, pulling together the main arguments presented within the preceding two chapters and synthesising my response to Research Questions 1 and 3. Whilst recognising the role played by material economic pressures and the constraining influence of EU treaties, particularly in the French case, my analysis draws particular attention to key common political and ideational factors that have served to undermine the statecraft of Labour and the PS/Socialist administration and thus their attempts to develop a social democratic alternative to austerity. Chapter 9 concludes, drawing together the arguments presented within, demonstrating how these arguments contribute to the literature and how future research can build upon this study.
Chapter 2: Social democracy and democratic capitalism: A review of the literature

2.1 Introduction

More ink has been spilled describing or seeking to explain the ‘death’ of social democracy than any other political ideology. From the early 1980s on, faced with the significant changes brought by the collapse of the post-War Keynesian settlement, scholars have grappled with the various impediments to effective social democratic economic governance (see Przeworski and Sprague 1986; Scharpf 1991 [1987]; Kitschelt 1994; Moschonas 2002; Callaghan 2000). This chapter seeks to cover some of the main aspects of this literature, and in doing so, outline the reasons why the extant literature cannot help us to sufficiently understand or explain the current predicament faced by social democratic parties in Western Europe.

Responding to the core requirements of this study of contemporary social democratic failure and this thesis’ research questions, I interrogate the existing literature on (and structure the chapter according to) several of the most important electoral, economic and institutional ‘dilemmas’ facing social democracy and social democratic parties.\(^2^2\)

The core contention of this literature review is that the two chief approaches to understanding social democracy in the post-crisis period are both restricted by their analytical prioritisation of what we might see as material (e.g. global capital) or institutional (e.g. EU integration) constraints on social democracy on the one hand (e.g. Streeck 2014; Bailey 2009), or more ‘agential’ factors concerned with issues such as political leadership, on the other (see Gaffney 2015; 2017; Bale 2015a). As for the former approach, these literatures point to important electoral, economic and institutional pressures and constraints on social democratic parties. While these accounts are powerful in the abstract, however, they contain a number of blind spots that render their analyses somewhat deficient in terms of the sense of political contingency necessary for understanding the social world. In turn, I argue, these works tell us less about the specificities of the post-crisis conjuncture than they might. On the other hand, whilst more agential accounts provide a valuable level of empirical detail, their

\(^{22}\) For lack of space, this review of the literature is unable to fully explore emergent social and political issues, such as growing individualism in society or the impact of mass migration, on social democrats. However, see the edited collections of Diamond and Cramme (eds.) 2012, Cramme et al. (eds.) 2013 and Meyer and Rutherford (eds.) 2012 for wide-ranging discussions of such issues.
analytical focus is placed too narrowly at the level of political agency and thus lack consideration of how the wider political economic environment has shaped the strategies and capacity of these social democratic actors post-crisis.

Whilst these existing accounts offer important insights into the nature of contemporary social democracy and social democratic parties, they can neither sufficiently explain the current conjuncture nor respond to this thesis’ core research questions. In order to do so more effectively, it is necessary to build upon these literatures by situating this thesis’ analytical focus between the two approaches. In doing so, I argue that we can develop a better understanding of the constant interaction of structural and agential features of the political economy, expressed in terms of interests, institutions and ideas. I draw upon a constructivist Political Economy literature that outlines the way in which a set of neoliberal ideas have come to shape the contemporary political economic environment (e.g. Hay 2013; Blyth 2013). This approach, I suggest, permits a more intricate exploration of the forces that lie behind the failure of social democratic actors to develop a post-crisis alternative.

The chapter begins by studying the most important materialist and institutionalist literatures, before looking at the key literature on social democracy published since 2008, including more agential accounts. The final sections draw upon the constructivist Political Economy literature, highlighting how this approach most effectively serves the requirements of this study.

2.2 The ‘electoral dilemma’

Some see the electoral collapse of social democracy as inevitable. Building upon Przeworski’s (1985) earlier work on capitalism and social democracy, Przeworski and Sprague’s (1986) idea of an inherent social democratic ‘electoral dilemma’ remains a prominent thesis of social democratic decline. This dilemma emerges from the contention that the working class is and will remain in the minority in society and, as such, social democrats require the support of the middle class. Yet, as social democratic parties pursue middle-class voters by more directly appealing to their interests, they lose the working class support they need. Such an account thus dismisses the potential for balance between the interests of these different constituencies. The impact of this ‘electoral dilemma’ has,

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23 This ‘balance’ represents a form of what Wright (2010: 261) describes as a ‘social democratic utopia’ of ‘optimal cooperation between capital and labor for mutual benefit’.
according to such accounts, only increased as the traditional core working class constituency of social democracy has diminished with the end of Fordism and its attendant impact upon the class structure and trade unionism and the decline of electoral solidarity that came with these institutions (Gray 1996: 12; Rennwald and Pontusson 2017; cf. Callaghan and Tunney 2000). More recently, Przeworski and Sprague’s work has been revisited, with Rennwald and Pontusson (2017) suggesting that its core conclusions largely hold true (though admitting that trade union strength is an important mitigating factor in the electoral decline of the mainstream left).

These changes or fragmentations in the class structure are clearly a major political obstacle facing all of Europe’s social democratic parties. There are, however, a number of awkward assumptions underpinning this thesis that need to be addressed. First, these arguments are ‘too rigidly focused on class formation in early twentieth-century capitalism and institutionally too narrowly concerned with class compromises emerging in the aftermath of World War II’ (Kitschelt 1999: 320). Such accounts hold a narrow definition of the ‘working class’ (i.e. manual labourers working in traditional ‘smokestack’ industries) and fail to recognise that a number of Europe’s social democratic parties, including France’s PS, have never been able to rely upon the working-class vote to a significant extent (Clift 2005a: 5-7; see also Bell and Criddle 2015: 24-9; Callaghan and Tunney 2000: 59). 24 The upshot of this, as Callaghan (2000: 209) recognises, is that if Przeworski and Sprague’s thesis was straightforwardly correct, Sweden – which remains a bastion of support for social democracy – would have seen one of the most spectacular collapses in social democratic party vote share in Europe since the 1960s.

Such theories also ignore the electoral and programmatic success that some social democratic parties have forged from cross-class strategies and cannot account for the continued success of Europe’s social democratic parties in the post-‘Golden Age’ era since the 1970s, particularly in the 1990s (Clift 2005a: 5-7; see also Sassoon 1996: 461-8, 648). As Keman’s (2017: 97; see chapter 4) comparative study illustrates, a range of issues including the emergence of alternative new parties, the rise of identity politics and populist groups and the changing landscape of the traditional left-right cleavage have reduced the dominance of all established parties over the past three decades. This does render the social democratic

24 On the other hand, as Callaghan and Tunney (2000: 59) observe, ‘working-class conservatism was often very much stronger in the recent past than the decline thesis implies’.
cross-class strategy more difficult (Keman 2017: 97), yet there are reasons to suggest that we should not hold a static conception of the ‘social democratic strategy’.

First, recalling Esping-Anderson’s (1985: 26) retort to Przeworski that the class structure does not evolve by itself but rather ‘depends on the impact of state policies’, we can see the way the conditions of contemporary British capitalism are potentially reshaping support for centre-left parties and political movements. Manifestly, there has been a massive reduction in the size of the manual (male) working class – in England and Wales today, for example, manufacturing accounts for less than one tenth of jobs, compared to one third in the 1950s and 1960s (ONS 2013). Yet, in the post-crisis environment, the average British worker has experienced a decade-long pay squeeze (D’Arcy 2017) and precarious employment contracts have grown by 2 million (Booth 2016). Furthermore, Crouch (2017: 204) picks up on an important gendered dynamic to these changes, finding that these labour market adjustments disproportionately negatively impact upon women, who now ‘constitute the majority of people working in middle and lower positions in the services sectors’.

The static conception of class within such accounts renders them unable to appreciate the way in which changes in the class structure may also be beneficial to social democratic parties. As Sassoon (1996: 656) argues, ‘On their own, changes [to the class structure] do not necessarily militate against the fortunes of the Left. The key variable is the ability of the Left to exploit them’. For instance, the Labour Party under Corbyn gained its largest swing in the vote share since 1945 (Travis 2017); a major aspect of its success was the support the party gained ‘among a particular lower strata of social class—those who are particularly vulnerable in the modern economy’, that is ‘the precariat’ and emergent service workers (Jennings and Stoker 2017: 367). At the same time, however, the party is increasingly attracting younger, better-educated voters who work in ‘cosmopolitan’ sectors and live in urban areas (Jennings and Stoker 2017: 364). The condition of post-crisis capitalism, therefore, appears to be

\[25\] Since the 1970s, academic sociological and official UK government accounts of class have been dominated by a seven-tier class schema, which today includes categories such as emergent service workers and the ‘precariat’ amongst other more traditional class categories (Savage et al. 2013: 230). This is significant because, as research on the UK’s most recent General Election (at the time of writing) in June 2017 shows, ‘Patterns of voting in the 2017 general election confirm the relevance of these new categories’ (Jennings and Stoker 2017: 363).
creating potential new constituencies, such as precarious service sector workers, and mobilising women in ways that benefit centre-left parties today.

Second, social democracy (as defined in Chapter 1) should not be rendered synonymous with social democratic parties. These trends, which cut across traditionally working-class and middle-class occupations, demonstrate as facile the idea that a viable constituency of working people for social democratic or other progressive, centre-left parties has decomposed. As Pippa Norris (2013: 109) suggests in her analysis of voting patterns in developed economies since 1945, ‘the wisest conclusion…is to be extremely cautious in assuming any steady and uniform erosion of support for parties on the centre-left’. The collapse of parties such as PASOK in Greece may have just as much to do with their being unlike ‘traditional’ social democrats in the eyes of voters – such as, for example, by converging programmatically with centre-right rivals or implementing measures such as austerity that go against the interests of working-class constituents (see Lupu 2016; Roberts 2017). Their replacement by radical left alternatives can, therefore, be seen as a kind of restorative act – a desire by electorates to support an ‘authentic’ progressive movement. From such a perspective, it is thus more accurate to view the ‘crisis of social democracy’ as an existential crisis of social democratic parties, rather than the political ideology of social democracy for which they purport to act as a vehicle. My purpose is, therefore, to understand and explain the post-crisis failures and weaknesses of two such parties, rather than work on the underlying assumption that all forms of social democracy are electorally moribund.

2.3 Governing the domestic economy

The second key ‘dilemma’ emerges from a materialist perspective focused on analysing how certain imperatives of the global economy come to bear on the strategies of domestic political actors. The core assumption of this type of argument – which appealed to both Marxists and free market liberals – is that the state is ‘structurally dependent’ on capital, which can rapidly punish governments seeking to implement inflation-raising tax-and-spend policies (see Przeworski and Wallerstein 1988). Some contend, for instance, that the collapse of the Bretton Woods system, the subsequent 1973 oil crisis and the end of the post-War economic boom that accompanied it have effectively killed off social democracy by ‘removing its economic base’, forcing social democratic parties to accept pro-capitalist policies against their constituents’ interests (Lavelle 2008: 1-11; see Panitch and Leys 2001:107; Bailey 2009: 606). Others point to the rise of globalised capital markets in the 1980s as ‘the political life-
or-death question of social democracy’ (Scharpf 1987: 335 translated by Merkel et al., 2008: 253; Scharpf 1991 [1987]). This argument gained significance particularly from the early 1990s, with the rise of the economic globalisation thesis (see Kurzer 1993; Moses 1994; Gray 1997; Ohmae 1995).

At the sharp end of this type of argument, some argue that the global freedom of capital ‘effectively demolishes the economic foundations of social democracy’ (Gray 1997: 23; see also Moses 1994; Kurzer 1993: 252). Other, more nuanced accounts sought to demonstrate the way in which global capital mobility, in tension with the national character of policymaking authority, forced left-wing governments into adopting ‘depoliticisation’ strategies in order to push through policies that deviated from their electoral mandates in order to maintain conditions for profitable accumulation (Rogers 2009: 638, 648). From this perspective, the maintenance of economic credibility in light of capital mobility becomes an increasingly large obstacle for left-wing governments seeking to pursue a progressive economic programme.

Within the second wave literature on this issue, two separate lines of critique emerged. Building upon comparative capitalisms debates, the first demonstrated that capitalist convergence on a single neoliberal economic model simply had not occurred (Hall and Soskice 2001; Garrett 1998a; 1998b; Boix 1998). Left-wing governments and encompassing labour market institutions could, it was argued, adequately serve the needs of even impatient capital by reducing inefficiencies and instability within national economies (Garrett 1999a: 9). This permitted more nuanced accounts of the way in which state actors can mediate external market pressures through domestic institutional frameworks, thus retaining at least some ‘room to manoeuvre’ (see Clift 2002; Clift and Tomlinson, 2004; 2007; Mosley 2003; Merkel and Petring, 2007; Merkel et al., 2008; Swank, 2005; Schmidt 2002). In many ways, these arguments presented a similar approach to that of scholars such as Rogers (2009) in viewing the construction of economic credibility in the context of global capital mobility as a serious constraint on social democratic actors, albeit with perhaps a more open conception of how notions of credibility are socially constructed (see Clift and Tomlinson 2004; 2007).

26 This is also reflected in the way that governments, such as the British Labour governments of 1974-79, were able to pragmatically adjust to the ‘monetarily constrained’ environment of post-Bretton Woods without sacrificing all elements of their Keynesian programme (see Hay 1999b: 209-12; Crook 2018).
Yet, whilst Garrett (1998a: 791) made clear that his intention was ‘not to debate the merits of calling markets “global”’; Hay (2000) and others directly challenged this theoretical starting point (see also Hay and Watson 1999; Watson and Hay 2003; Watson 2001; Rosamond 1999; 2003; Varghese 2001). This study is not the place to debate the empirical accuracy of the globalisation thesis. Nevertheless, such arguments are revealing, testifying to the fact that, as Hay and Rosamond (2002: 148) put it, a ‘rigorous empirical exercise in demystification’ alone is not enough to reshape the policy environment. In the absence of significant evidence for economic globalisation, Hay (2000: 151) suggests that it is, therefore, the way in which policy actors understand globalisation and its attendant impact, and thus ‘internalize the preferences of capital’, that can serve to delimit actors’ understandings of ‘the possible’, causing policymakers to sacrifice their social democracy ‘on the altar of globalization’ (see also Hay 2004a; Hay and Rosamond 2002; Hay and Watson 1999; Rosamond 1999; 2003; Watson and Hay 2003). These works thus point us towards analysis of the social construction of economic credibility – an important theme to which we shall return.

Clearly, the second-wave literatures did not settle the debate surrounding social democratic capacity once and for all. Rather, we have been left with a more nuanced conception of the ongoing capacity of the state and actors such as social democrats to govern the domestic economy (see, for instance, the debate between Clift and Tomlinson 2007; and Hay 2007a). Such works demonstrate that the interaction between actors and their ideas, institutions and interests (whether ‘real’ or ‘perceived’) is crucial to understanding the position of social democracy within the contemporary political economy. In turn, they divert empirical focus back towards social democratic actors themselves and their interaction with the political economic environment (see also Kitschelt 1994; Berman 1998; Callaghan and Tunney 2000).

Predictions of ‘the end of the nation state’ have clearly proven somewhat overenthusiastic. Nevertheless, the GEC presented a new set of economic issues for the left. Most fundamentally, we have witnessed the imposition of austerity measures as the dominant

27 A sizeable body of research undermined the empirical veracity of the thesis of economic globalisation itself, by refuting the historical significance of contemporary capital mobility (Hirst, 1997; Hirst, 1999; Hirst and Thompson, 1996) and by showing regionalisation to be more significant than globalisation (Hay 2002a; Kleinknecht and ter Wengel 1998; Vandenbroucke 1998; 1999).
crisis recovery mechanism around Europe since 2010 (see Blyth 2013a). How we view the imposition of austerity is crucial to our understanding of contemporary social democratic capacity to govern the economy effectively. Are social democrats (and all other governing parties) forced to impose the same austerity measures on their populaces? Are we to believe that ‘there is no alternative’ to austerity? These questions are at the heart of the debate around the capacity of social democracy in the post-crisis period, for, if we are to believe that there is no alternative to austerity, it would seem that social democracy really is doomed this time.

Wolfgang Streeck (see Streeck 2011; 2014; Streeck and Mertens 2013; Streeck and Schäfer (eds.) 2013) has been the most avid proponent of this thesis in the post-GEC period, suggesting that most developed economies have reached a point of fiscal saturation, an argument that resonates with earlier theses of the ‘permanent austerity’ and the fiscal overload of the state (see Pierson 1998; 2002; King 1975). Streeck’s conception of the ‘austerity state’ is founded upon the argument that from the late 1960s, public expenditure across OECD countries began to rise, whilst taxation revenues continued to fall and most economies experienced lower nominal growth rates, thus resulting in a ‘steady increase in public debt’ (Streeck and Schäfer 2013: 3-7). Increased debt levels have in turn forced governments to devote an increasing share of their budgets to paying debt interest, which diminishes their actual fiscal discretionary capacity and increases the power of creditors who can force a government to ‘impose sacrifices on its population’ via austerity measures (Streeck 2011: 26; Streeck and Mertens 2013: 28; see also Streeck and Schäfer 2013). This secular trend has only been exacerbated by the rise in public debt post-crisis, which though designed to support the financial sector, has ultimately led those same financial market actors to punish national governments that over-extended themselves (Streeck 2011: 20-2).

The upshot of this analysis, then, is that we have reached the ‘death of democratic capitalism’ at the hands of financial markets and have been left with ‘the democratic austerity state’ (Streeck and Schäfer 2013: 17). The implications of this thesis for social democracy are clear. As the authors argue, ‘Declining fiscal discretion has distributional as well as functional consequences’; that is, alongside obligatory welfare expenditure (which tends to favour certain ‘insiders’ like pensioners), governments must service their debt obligations, thus investing in those with enough capital to buy bonds, to the exclusion of newer and potentially more vulnerable groups within the system (Streeck and Mertens 2013: 28-9). The ability of social democrats to regulate or modify market outcomes in order to achieve better distributional outcomes is, therefore, compromised. The authors cannot but arrive at ‘dire
predictions concerning the future capacities of governments to assist their societies in coping with changed conditions of prosperity and equality’ (Streeck and Mertens 2013: 55).

Streeck’s analysis powerfully combines a thesis of secular decline with the particular dynamics of the financial crisis to demonstrate the way in which the contemporary crisis has severely exacerbated negative long-run trends. In doing so, it provides perhaps the central challenge to the social democratic movement within the post-crisis Political Economy literature. Yet, whilst compelling in its macro form, when studying these claims in relation to the cases of the UK and France (see Chapter 5), I find that they cannot sufficiently explain the absence of a social democratic alternative to post-crisis austerity. In applying this more granular approach, the intention is not to attempt to debunk Streeck’s claims in totality. Rather, it is to highlight the need to embrace a greater level of political contingency than is present in Streeck’s thesis. Through demonstrating that post-crisis austerity was not, in fact, an economic necessity or an inevitability in either the UK or France in the short run, I intend to open up a discussion around the politics of that austerity post-crisis, including the social construction of ‘economic credibility’, and the capacity of social democratic actors to provide an alternative to it.

2.4 European integration and disciplinary neoliberalism

The second major literature on the capacity of social democrats to govern the domestic economy focuses on a third key dilemma: the issue of EU integration, particularly in the period since the signing of the Single European Act (SEA) in 1986 (Ladrech 2000; Bailey 2009; Dyson 1999; 2008; Scharpf 1999; 2002; Aylott 1999). Scharpf’s (1999: 43; 1997; 2002) classic text shows how ‘negative’ integrative processes, which reduce ‘the capacity of democratic politics at the national level to impose market-correcting regulations’, are asymmetrically promoted over ‘positive’ integrative processes ‘which would reconstruct a capacity for market-correcting regulations at the European level’.

Focusing on social democratic parties in particular, Ladrech (2000: 41-5, see chapter 3) argues that key moments of integration – the creation of the SEA, the Single European Market (SEM), the 1992 Maastricht Treaty, the establishment of the SGP in 1997 – have all served to negatively and asymmetrically impinge upon social democrats because of the privileged role they have historically given to the state (see also Escalona and Viera 2014: 25; Dyson 1999; Aylott 1999). There is evidence, moreover, that in the post-GEC period this issue has only become more severe. As described by de la Porte and Heins (2015: 8, 22-4),
through the institutional ‘layering’ of the ‘Six Pack’, the ‘Fiscal Compact’ and the ‘Two Pack’, the Economic and Monetary Union (EMU) has heightened its benchmarks for fiscal restraints and increased its surveillance and enforcement programmes, leading to increased pressure on member states to curtail expenditure. These measures are seen to particularly hurt social democrats, as they pressure governments to curtail expenditure and ‘have a significant impact on welfare states, as tight budgetary criteria will make expansionary public spending difficult even in healthy economies, let alone in crisis-ridden countries’ (de la Porte and Heins 2015: 24).

That the EU and the architecture of the eurozone impose constraints on the economic policymaking programmes of member states cannot be doubted. The impact of these pressures, including most prominently the post-crisis development of the Treaty on Stability, Coordination and Governance (Fiscal Compact), is a recurrent theme in the empirical sections of this thesis, particularly in relation to the French case (see Chapters 5, 6 and 7). That said, it is important to recognise the way in which aspects of the EU integration literature have at times overstated and framed in too narrow terms the impact of European integration on national capitalisms. In doing so, they underplay the ongoing policymaking capacity of domestic state actors, including the role that they play in shaping EU integration, as well as the way in which EU-level policies come to be mediated at the nation-state level.

The critical ‘new constitutionalist’ (NC) literature, for instance, sees EU integration as the product of the EU’s necessary adaptation to the ‘hegemonic US-centred finance-led accumulation regime’ (see Ryner 2012; Cafruny and Ryner (eds.) 2003; Gill 2003). This has seen ‘disciplinary neoliberalism’ emerge at the core of EU integration, which actively shuts out alternatives including social democracy through the development of legal frameworks such as the SEA and the Maastricht Treaty (Gill 2003: 65-7). Bailey’s (2008; 2009) critical realist approach is complementary to the NC perspective. He argues, à la Scharpf, that the institutional obstacles to EU-level social policymaking are a product of the ‘nationally oriented and divergent political relations that characterize the EU’, which themselves are ‘generated by the capitalist relations of production and the relations of representative democracy that constitute EU-wide social relations’ (Bailey 2008: 237).

NC theory, however, tends to overlook alternative models of European integration at the heart of this process. Clearly, as NC theory would predict, Germany’s economic power has given it a privileged voice within the EU over the past decade or so and as such German
influence has been significant (Clift and Ryner 2014; Johnston and Regan 2016; 2018). There can be little doubt, moreover, that the project of European integration has posed significant challenges for social democrats and has moved significantly away from the vision of ‘L’Europe sociale’ pledged by progressive politicians, such as François Mitterrand, in the 1980s and 1990s. Nevertheless, it is important to remember that EMU was constructed as a political response to rising US power and counters the dominance of neoliberalism in certain areas (such as the regulation of goods markets) (Strange 2012; Rosamond 2012). It is also important to reflect on how competing models of integration vie for influence within the European project. For instance, the ‘French model’ of integration promotes a broader strategic orientation of the EMU, the strengthening of ECOFIN vis-à-vis the ECB and the European Council vis-à-vis the Commission, as well as ‘the efficacy of politicised governmental control over monetary and fiscal policy’ (Strange 2012: 65). This has been influential in the post-crisis era; for instance, the EU utilised this French model of decision-making when constructing the European Financial Stabilisation Facility worth €750 billion, discussing the potential for Eurobonds and when introducing quantitative easing (QE) in 2015 (Strange 2012: 67-8).

Within the broader CPE literature, EU integration is seen to promote convergence amongst member states on a particular neoliberal ‘Anglo-Saxon model of capitalism’ (Höpner and Schäfer 2010) or a more German ordo-liberal export-led model of growth (Johnston and Regan 2018). Yet, there are aspects of this literature that require redressing. As McDaniel and Clift (2018) highlight, the contributors to this literature somewhat problematically point to opposite conclusions. Rather than simply accepting one account and dismissing the other, it may be more appropriate to recognise the ‘institutional fuzziness’ of the EMU (Dyson 2008: 3) and concede that EU integration produces a varied range of pressures and that these theses likely overstate the power and influence of the EU as a convergence-inducing force (McDaniel and Clift 2018).

Whilst there is evidence that the EU does pose a significant constraining influence on member states, there remain good reasons to appreciate the ongoing role of nation states in shaping or mediating this influence. Chapter 5 makes this point in more detail, utilising the case of the Fiscal Compact in the post-crisis period and its impact upon France to show that greater fiscal leeway is permitted than is admitted de jure by European treaties. Indeed, it also draws attention to the fact that the UK, despite not being in the eurozone and not being subject to the EU’s fiscal rules in the same way as eurozone members, has imposed severe
fiscal austerity since 2010. Furthermore, it underlines a wider trend over the past two or three decades wherein social democratic parties in countries such as Australia and New Zealand have faced criticism of their apparent internalisation of neoliberalism whilst not being subject to the EU’s integrative pressures and constraints (see Kennedy and Manwaring 2017: 14). That is not to undermine the clear role EU integrative pressures play. Rather, the distinction made here is to claim that EU integration does not rule out social democracy, nor does it explain the turn to austerity in Europe since 2010 per se.

A final issue with much of this EU integration literature is the fact that, beyond the further institutional layering of fiscal rules, it does not offer a particular viewpoint on the significance of the crisis, instead suggesting that the ‘obstacles to social Europe identified prior to 2007 have continued to hamper any attempts to move towards a more redistributive response following the onset of the economic crisis’ (Bailey 2012: 114, emphasis added; see also 2014; 2016). The crisis is, therefore, something of an addendum to this theory. That said, Ryner’s (2010; 2012; 2014) theory does provide an exception to this argument; he contends that the crisis, in exposing the failures of the US-centred finance-led accumulation regime, has revealed the weakness of the Third Way social democratic model of growth, which has in turn undermined the possibility of a social democratic response to the crisis. This is a strong claim and one that my thesis supports. Yet, Ryner’s theory – which, from a NC perspective, suggests there is a near universal social democratic adaptation to US-led neoliberal hegemony – overlooks case specificities that are critical to the story of social democratic parties in the UK and France.

Ryner’s conception of the social democratic party family, for instance, fails to acknowledge the fact that France’s PS never embraced the Third Way in the same way that New Labour did in the UK (see Clift 2000; 2005a), or indeed that it had not been in power during the decade before the crisis. Ryner’s (2010: 555, emphasis added) view that ‘ephemeral factors such as uninspiring leadership or the cumulative effect of incumbency’ are irrelevant to the story of social democratic failure post-crisis also poses a dual problem.

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28 This is evidenced in the volume edited by Bailey et al. (eds., 2014), one of the key contributions to the post-crisis literature on social democracy. The book sets out to evaluate the response of social democrats to the economic crisis along the three interrelated dimensions of electoral performance, programmatic change, and the experience of office and/or opposition. However, its key conclusions are derived not from its national case studies, but rather the more substantial contributions by its editors which focus on social democracy’s historical EU problem (see Bailey 2014; Escalona and Viera 2014).
First, without incorporating factors such as party leadership and organisation, the ideas held by social democratic party leaders or dynamics of incumbency, we are unable to explain the differential adaptation of social democratic parties to neoliberal ideas in the preceding two decades or so, which is central to Ryner’s thesis (see Hay 1994; 1999a; Schumacher 2012). Second, without taking such an approach, we cannot fully understand or explain the position and actions of such parties in the post-crisis period – a stance which, in many senses, lets social democrats ‘off the hook’.

European integration clearly plays a significant role in shaping the behaviour of policymakers. Yet, I intend to build upon the EU integration literature by developing a more dynamic picture of this period, which incorporates institutional, ideational and interests-based factors. In doing so, I intend to highlight the often political and thus contingent aspects of these integrative dynamics and how they come into play within the arena of party politics. To do so, in the next section I look at what some of the wider post-crisis literature on social democracy, the European political economy and party politics can tell us about the current predicament of social democrats.

2.5 Social democracy in the post-crisis environment

In large part, there has been a dearth of literature since 2008 that could provide an alternative perspective to the accounts outlined above. That which does exist, moreover, contains a number of limitations for the purpose of our study. First, beyond the aforementioned material and institutional accounts, a significant component of the post-crisis literature on social democracy has been policy-focused, written by and for social democrats seeking to respond to various dilemmas both old and new, including deindustrialisation, the class structure and voting patterns, as well as issues like post-materialism and immigration (see Diamond and Cramme (eds.), 2012; Cramme et al., 2013; Meyer and Rutherford, 2011). Whilst playing an important role in shaping the post-crisis policy debates, the focus of such literatures is on addressing particular ‘supply-side’ electoral issues through new programmatic initiatives; as such, it is simply too narrow to respond to the wider crisis of social democratic party identity outlined above or to explain why it is happening at this time (Keating and McCrone, 2013a: 229).

Second, whilst there are a handful of important and revealing comparative volumes within the wider literature on social democracy and social democratic parties post-crisis, they are each restricted in their own way in their capacity to respond to the core research questions
of this thesis. Kennedy and Manwaring’s (eds., 2017) ambitious volume looks beyond the Western European core to the wider Anglosphere and sets out a framework for its contributing authors designed to embrace institutions, individuals and ideas as equally valuable explanatory variables. This is all to the good; however, the volume contains two key limitations. First, the volume does not develop a sufficiently clear or coherent overall thesis. On the one hand, its editors recognise the value of the varied epistemological standpoints of its contributors (Kennedy and Manwaring 2017a: 15-18). Yet on the other hand, these different perspectives pull the volume’s framework in numerous directions, leaving the book with a somewhat imprecise and underdeveloped thesis of social democratic failure post-crisis. Second, whilst its case-specific chapters provide useful overviews, the very brief cases do not advance any substantial new empirical material to support the arguments made; the book thus operates at a broad level of abstraction.

Like Kennedy and Manwaring’s book, Keating and McCrone’s (2013) edited volume seeks to articulate an account that embraces a range of ideational, institutional and interests-based factors in order to answer the puzzle of why, given neoliberalism’s failings, social democracy has not been triumphant post-crisis. The book provides one of the most significant contributions to the post-crisis debate on the ‘crisis of social democracy’; its chapters provide insight into the challenges faced by social democracy as a movement from a range of issues, such as mass migration, expensive welfare states and the decline of class politics. The volume is, however, somewhat limited by virtue of its analytical focus on social democracy as a movement or ‘a philosophy’, rather than social democratic parties (Keating and McCrone 2013a: 230). This definitional distinction is fully supported by this thesis. Yet, in placing its empirical focus at the more abstract level of social democracy as a political philosophy or ideology, the volume lacks the requisite granularity to explain the failures of Europe’s traditional social democratic parties post-crisis, which is the intention of this thesis. Moreover, Keating and McCrone appear fully aware that the major challenges for such parties may yet, at the time of writing, still lay ahead, noting that:

It remains to be seen how the reaction to ‘austerity politics’ in Western Europe will express itself, for shifts to the radical right or left are possible, as well as government from the centre. The challenge for social democracy is to be a key part of Europe’s future rather than an episode of its history. (Keating and McCrone 2013a: 232)
Whilst Keating and McCrone’s contribution came several years too early to be able to fully capture the issues facing social democratic parties in Europe, Hans Keman’s (2017) more recent comparative volume on the social democratic ‘party family’ is a largely retrospective account, concerned with elucidating key elements of ‘when, where, how and why Social Democracy developed within established democracies’ (Keman 2017). Whilst Keman’s (2017) account is an impressive and richly detailed work that utilises a mixture of quantitative and qualitative analysis to study social democratic parties in 21 countries, in and outside of Europe, it does not tackle the questions most pertinent in the post-crisis conjuncture. Thus, this thesis engages more intimately with the crisis faced by social democratic parties over the past half-decade as the post-crisis politics of austerity has developed and embedded itself within the European political economy.

There is also a third grouping within the post-crisis literature that requires addressing. There have been several valuable contributions to the academic literature focused on the UK Labour Party under Miliband (see Gaffney 2017; Bale 2015a; 2015b; Goes 2016; Cowley and Kavanagh 2016; Manwaring and Beech 2017) and Hollande’s Socialist administration (see Gaffney 2015; Wall 2014; Kuhn 2014; Di Francesco-Mayot 2017). Each account furnishes our understanding of the two cases with a level of political detail that is hard to attain in a comparative study, even a two-case comparison such as this one. For instance, Goes (2016) provides an excellent account of the failure of Miliband’s leadership to provide ideational renewal within the Labour Party that resonates with a number of the findings in this thesis. Yet, in general, the analytical focus in these volumes is placed too readily and too narrowly on political agency. Thus, in contrast to the material and institutional literatures cited above, these works give us a tremendous insight into the ups-and-downs of front-line politics, but often lack a deeper consideration of how the wider political economic environment has shaped the strategies and capacity of social democratic actors post-crisis. In consequence, such works have tended to engage with concepts such as ‘economic credibility’ on relatively uncritical terms as non-negotiable constraints (see Bale 2015a; 2015b; Goes 2016), rather than interrogate the foundations upon which such concepts are built and the dynamics through which they come to shape actors’ behaviours.

This thesis thus situates itself between the primarily material and institutional accounts and the more agential approaches. Through the situation of its comparative analysis of two distinct cases within a wider political economic context, it intends to render itself open to consideration of both structural and agential features of the political landscape,
highlighting the interaction of various material and institutional constraints and political and ideational factors. In doing so, this comparative analysis will enable me to theorise the post-crisis failure of social democratic parties in terms of common underlying issues that can provide a new explanatory framework, one which complements but ultimately transcends the existing literature.

2.6 **Constructivist political economy and the social constitution of ‘economic credibility’**

In order to develop this analytical approach, I return to the explanatory power of constructivist political economy. As with the economic globalisation debates in the 1990s and 2000s (e.g. Hay and Rosamond 2002; Watson and Hay 2003), this literature demonstrates the enduring influence of neoliberal ideas in shaping crisis responses at both regional and national levels (see Blyth 2013a; Dellepiane-Avellaneda 2014; Gamble 2013a; 2013b; 2015; Konzelmann 2014). Such works highlight how, after a brief period of ‘emergency Keynesianism’ (Hall 2013), the post-crisis political economy has been dominated by ‘the austerity delusion’ (Blyth 2013b). These texts underscore the significance of the crisis as a distinctly political juncture; whilst the GFC began as a crisis of a financialised neoliberal growth paradigm (see Hay 2013), since 2008 we have not witnessed the end of this paradigm, but the ‘resilience’ or ‘strange non-death’ of neoliberalism (see Schmidt and Thatcher (eds.) 2014a; 2014b; Crouch 2011; Gamble 2014). Whilst, in the face of the ongoing crisis of liberal finance, we might have expected particular liberal economic assumptions to disappear, Quiggin (2010: 1) reflects upon the fact that they simply ‘keep on coming back … they are undead, or zombie, ideas’. The post-crisis politics of austerity, as defined in Chapter 1, has to be understood both as a product of this neoliberal paradigm, and a necessary component in upholding it since 2010 (see Blyth 2013b; Berry 2016).

In the post-crisis period, the fate of social democratic parties has been intimately bound up with the emergence of this politics of austerity (see Gamble 2012; 2013a; McDaniel 2014; 2017; Bremer 2018; Kraft 2017). Governments on the left have produced fiscal consolidation policies as harsh as those on the right (see Armingeon et al. 2016; Kraft 2017; Bremer 2018). Beyond viewing this as a necessary adaptation to market forces or EU pressures, however, the literature is scarce. Kraft (2017) finds evidence, using quantitative data from 21 countries between 1980 and 2006, that social democratic parties have implemented austerity measures in order to demonstrate their ‘fiscal competence’ to the
electorate. This important work is alive to the role that ideational contexts can play, arguing that ‘left-wing governments are pressured by changes in the political agenda, which is not necessarily the same as actual economic developments’ (Kraft 2017: 7, emphasis added). Kraft’s analysis is thus open to acknowledging the way in which ‘economic credibility’ can be differently constructed and may bear little or no relation to the actual state of the economy and the attendant need to consolidate fiscally. However, his analysis extends only as far as 2006 and so does not cover the post-crisis period. Moreover, whilst Kraft’s data demonstrate that the ‘issue ownership’ thesis is significant across cases, it is important to drill down in to individual cases in order to understand both how this issue impacts upon social democrats differently across Europe and how fiscal reputation interacts with other potentially constraining factors, including European integration.

The social construction of ‘economic credibility’ as a constraint on social democratic actors in the context of the post-crisis politics of austerity is, therefore, an important concept and one I shall develop further in Chapter 4. The development of this concept gets to the heart of the distinctive approach taken in this thesis. As Herbert Kitschelt (1999: 318) has argued, whilst many political economy accounts have too readily suggested that social democratic policy preferences and state capacities can be inferred from the interests of global capital and have ignored the competitive political-electoral context, accounts of the electoral and organisational fortunes of social democratic parties, on the other hand, have too often ignored the wider political economic context that conditions social democratic capacity. I seek to build upon Kitschelt’s (1999) insight by drawing an analytical distinction between the economic viability of social democratic economic alternatives and the success of the statecraft underpinning the development and articulation of those alternatives (Bulpitt 1986). This framework allows us to interrogate the way in which, for example, contextually-specific notions of economic credibility may interact with and shape the strategies of social democratic actors in their attempts to navigate electoral competition, manage internal party dynamics and establish governing competence.

2.7 The crisis of (social) democratic representation

In considering the failure of social democrats to develop and articulate an alternative to austerity post-crisis, we must also consider what implications the absence of this alternative had for these parties. To do so, I incorporate into my analysis the literature on political parties and the crisis of democratic representation, which has flourished in the post-crisis period (see
Mair 2006; 2009; 2011; 2013; Hay 2007; Lupu 2016; Roberts 2017). Mair’s (2000; 2002; 2006; 2009; 2011; 2013) work on representative democracy and the emerging tension between parties of government and their electorates, in particular, is critical to understanding what is happening to social democracy in the post-crisis period. Mair’s (2009: 5) thesis recognises the centrality of political parties in the development and organisation of modern democracies as actors with distinct social identities that can articulate interests and aggregate demands into distinct policy options (see Müller 2014: 35). He contends that all parties of government must always seek to maintain a balance between demands for ‘responsiveness’ to their constituents’ interests, on the one hand, and demands for ‘responsibility’ in government on the other (e.g. the requirements of external institutions such as the EU for ‘prudence’ and ‘accountability’ in economic policy) (Mair 2006; 2009; 2011). Today, however, as a result of fragmenting class structures, growing external constraints, inherited policy legacies and the decline of party loyalty, ‘the demands for responsiveness and the demands for responsibility [are] increasingly at odds with one another’ (Mair 2009: 10, 13-15).

There is clearly cross-over between Mair’s development of the ‘responsive-responsive’ conundrum at the heart of contemporary democracies and the dilemmas facing social democratic parties post-crisis in the context of attempts to develop an alternative to austerity (see Pearce 2015). ‘The growing gap between responsiveness and responsibility – or between what citizens might like governments to do and what governments are obliged to do – and the declining capacity of parties to bridge or manage that gap lies at the heart of the disaffection and malaise that now suffuses democracy’, Mair (2011: 14-15) argues.

Mair’s framework thus offers potentially valuable insights and will help to inform my understanding of the issues social democratic parties face today. However, it is not my intention to apply Mair’s framework precisely, nor to assess the impact of the four factors he highlights, but rather to invoke a particular inflection of his ‘responsive-responsive’ conundrum. In large part, this reluctance emerges from a critical limitation in Mair’s framework: the assumption of rational choice and an uncritical view of the nature of perceived economic constraints. For instance, in Mair’s (2009: 14-15) view, it is the rational

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29 Mair uses ‘representativeness’ and ‘responsiveness’ somewhat interchangeably. In his initial outline of this framework (Mair 2009), he utilises ‘representativeness’, whilst in later formulations he appears to have settled on the term ‘responsiveness’ (Mair 2011).
adaptation of governments to certain external constraints (e.g. market imperatives to consolidate) that ‘provokes tensions’ amongst electorates who seek a more representative government. As described above (and explored further in Chapter 4), a critical aspect of the success of any economic programme is not simply its economic viability, but perceptions of its economic viability in the context of socially constructed, context-specific notions of economic credibility (see Watson and Hay 2003; Hay 1999a). Thus, missing from Mair’s framework is a conception of the contingent way in which governing parties behave (perhaps strategically, or even irrationally) when engaging with notions of their governing capacity (see for example Hay 1999a; Hay and Rosamond 2002; Hay and Watson 2003).

In this thesis, I therefore utilise Mair’s ‘responsive-responsible’ dilemma in a more restricted fashion. I contend that we can view ‘responsiveness’ to constituents’ interests in relation to the rejection of austerity and development of a social democratic alternative. On the other hand, we must consider the issue of ‘responsibility’ in terms of the social construction of ‘economic credibility’ (vis-à-vis financial markets, the EU and electorates) in the context of the politics of austerity.

Importantly, although Mair does not use the concept himself, the failure of mainstream parties to reconcile the competing demands of ‘responsiveness’ and ‘responsibility’ should be viewed as a failure of statecraft (Bulpitt 1986). Mair’s (2006; 2009; 2013) stylised depiction of the tension between parties’ representation of constituents’ interests and the desire to demonstrate responsibility in government cuts across the various elements of statecraft: for instance, a winning electoral strategy may involve high levels of ‘responsiveness’ to voters, but in order to maintain governing competence, all governments must be seen to exercise responsibility over the public finances. The tension between these two may, however, make it more difficult to establish effective management of the party or wider political argument hegemony.

Furthermore, in light of more recent events wherein social democratic parties have been electorally decimated and in a number of cases replaced by radical left alternatives, it is

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30 From a more critical perspective, for instance, Hay’s (2007) intervention on the growth of ‘anti-politics’ points towards deficiencies on the ‘supply-side’ of politics. Hay’s (2007: 55-58) account points towards the way in which political elites have come to internalise a set of economic theories based around rational choice and economic globalisation – representative of a wider neoliberal ideology – which have come to delimit their perceptions of what it is politically and practically feasible for governments.
important to explore the consequences of the tension inherent in the governing dilemma facing social democrats. Mair (2009: 17; 2006; 2013) suggests that ‘there is a growing bifurcation in European party systems between parties which claim to represent but don’t govern and those which govern but no longer represent’; that is, the inability of mainstream parties to bridge the gap between ‘responsiveness’ and ‘responsibility’ has helped to fuel ‘populist mobilization’ (Mair 2006: 49). This insight, I suggest, will help us understand the issues faced by contemporary social democrats in the age of austerity and the rise of radical left alternatives. Indeed, Lupu’s (2016; 2014) research on party ‘brand dilution’ in Latin America looks particularly at those parties of the left that implemented austerity measures following the Latin American debt crisis of the 1980s. He finds evidence that, ‘When a party’s brand is clear, voters form strong attachments to it, attachments that are resistant to retrospective evaluations. Once the brand is diluted, however, voter attachments erode and the party’s performance becomes more determinative of vote choice’ (Lupu 2016: 11).

Rather than superficial monikers, party ‘brands’ are understood in terms of partisan identity, which is itself ‘determined partly by the resemblance, or fit, between the voter’s self-image and her image of the party prototype’ (Lupu 2016: 12). The social construction of this identity is, therefore, susceptible to change and dilution through two mechanisms: ‘inconsistency’ in the party programme or signs of internal conflict and ‘convergence’ with other rival parties, which leads voters to become less able to distinguish one party brand from another (Lupu 2016: 12). In the short term, if a government is performing well in office, some loss of party brand identity will go relatively unpunished; however, if brand dilution is met with poor governing performance (that is, ineffective statecraft), the door is left open to party collapse (Lupu 2016: 14). Roberts (2017) builds upon Lupu’s analytical framework in order to link the Latin American experience to the post-GEC period in Southern Europe. His analysis highlights how austerity policies can reinforce the left-right programmatic structuring of a party system when introduced by a pro-market conservative party but have the opposite effect when introduced by a left-wing party (Roberts 2017: 223-4). The result in Southern Europe, he argues, matches that of Latin America: voters’ abandonment en masse of social democratic and centre-left parties and the creation of radical left and populist outsider movements (Roberts 2017: 224-7).

Clearly, this ‘partisan party identification’ thesis (see Heffernan 2003) flies in the face of Downsian models of electoral politics (see Downs 1957) which see parties racing to attract the ‘median voter’ and in doing so converging on the centre ground, or at least ‘constructing’
the centre ground (Hindmoor 2004). Yet, there are solid grounds on which to challenge the veracity of this model, which can provide further insight into the current predicament of social democratic parties. As Hay (1999a: 102, see chapter 3) outlined shortly after New Labour’s historic landslide General Election victory in 1997, Downsian theory produces a number of pitfalls within political strategy, including that it tends towards a programmatic defensiveness, ‘which may serve to validate and thereby legitimate the policies of the incumbent administration’. In New Labour’s case, Hay (1999a: 66-7) argues that the party’s attempt to play ‘the politics of catch-up’ with the incumbent Conservative administration established ‘a new common sense’ around Thatcherite principles, serving to minimise the gap between the two parties.

On the other hand, Hindmoor’s (2004) alternative perspective suggests that, rather than converging upon a given ‘centre ground’, New Labour actively constructed a new sense of ‘the political centre’. However, with the benefit of hindsight it is apparent that Hay’s argument, centred on a concern that in diminishing the partisan nature of politics ‘the cost of Labour’s chosen strategy for securing electability may well have been its social democratic credentials’ (Hay 1999a: 150), upholds significant analytical value. In line with Lupu’s (2016) framework, in the long run such actions serve to undermine the party’s identity (see also Karreth et al. 2012; Arndt 2013). Arndt (2013) finds, for example, that whilst ‘blame avoidance’ strategies (see Pierson 1994) may work temporarily, Third Way welfare reforms have been at odds with the perceived interests of social democracy’s core constituency and thus, ultimately, come to be punished by such voters.31 Karreth et al.’s (2012: 802, 811-15; see also Arndt 2013: 197) research compounds this image of diminishing returns, producing evidence to show that whilst the Third Way era produced positive electoral outcomes in the short run, it has had negative consequences in the long run by accelerating the attrition of the link between left parties and their traditional constituents.32 New Labour, then, hedged their

31 The impact of this is somewhat mediated by the role of party competition and the electoral system. Under proportional representation systems, Arndt (2013: 28) argues, Third Way welfare state reforms mean social democrats will be challenged by competitor parties and there will be a realignment of their core constituency with other parties. In majoritarian systems, however, this is less likely, although a decline in turnout among the core social democratic constituency is found.

32 In New Labour’s case, by the 2010 General Election, the party was gaining almost no voters from the right or centre, whilst overall votes decreased and ‘new’ voters were less attached to the party – even when controlling for incumbency effects and general trends towards partisan dealignment (Karreth et al. 2012: 802, 811-15; Arndt 2013: 197).
bets on a ‘fuzzy’ part of the electorate with less partisan loyalty, whilst their moves to the political centre negatively affected the party’s traditional core voters (Karreth et al. 2012).

The value of this literature on party identity and the tensions underlying the abilities of parties to represent their constituents thus lies in its ability to help us tie wider issues within the political economy to micro-level issues of party politics. This thesis’ framework focuses on the interconnected issues of the political economy and statecraft in order to understand the difficulties faced by Labour and the PS in developing an alternative to austerity post-crisis. In Chapter 8, I draw upon the partisan identification literature outlined here to help us explore in more detail the issue of the crisis of identity that these social democratic parties currently face.

2.8 Conclusion

To summarise, I have argued that much of the literature on social democracy is restricted by virtue of its analytical prioritisation of either material economic and institutional or agential factors. Whilst powerful in the abstract, the dominant existing accounts suffer from certain limitations that inhibit their ability to sufficiently explain or understand the failure of social democratic parties to develop an alternative to austerity post-crisis.

The first-wave materialist literature focused on economic globalisation has been ably discredited by important second-wave literatures, which demonstrated that economic globalisation has not led to the end of the nation state. In the post-crisis era, Streeck’s thesis of the ‘death of democratic capitalism’ and the non-negotiable imposition of permanent austerity is viewed as something of a reformulation of the earlier globalisation thesis. This poses perhaps the most significant account of post-crisis failure of social democracy. In order to respond fully to these claims, a fuller interrogation is conducted in Chapter 5. The powerful constraints emanating from ‘negative’ EU integrative processes must also be considered as an essential part of the story of social democracy’s struggles. Nevertheless, the extant literature to some extent glosses over the divergent impact of such institutional pressures on non-eurozone countries and masks the ‘institutional fuzziness’ of the EU and power relations within it.

Whilst recognising the way in which the crisis has exacerbated trends that mitigate against social democracy (see Streeck 2014; Bailey 2012), such theses of secular social democratic decline reveal less about the specific dynamics of the post-crisis conjuncture than
they might hope. On the other hand, whilst there has been a set of valuable empirical accounts of the two cases considered in this thesis, these accounts tend to focus their analysis too narrowly at the level of political agency and thus miss a stronger conception of how the wider political economic environment has shaped the capacity and strategies of these social democratic actors post-crisis (see Gaffney 2015; 2017; Bale 2015a; 2015b; Goes 2016; Wall 2014).

Following Kitschelt’s (1999) call for a bridge across the literatures on political economy and parties and elections, the approach taken in this thesis is thus situated between the more structural and more agential approaches within the existing literature. The intention of this approach is to highlight the interaction of interests, institutions and ideas and how these factors have shaped the statecraft of social democratic actors post-crisis. To do so, I first draw upon a constructivist literature that outlines the way in which a set of ‘resilient’ neoliberal ideas have shaped the contemporary political economic environment, and in particular notions of ‘economic credibility’ in the context of an emergent post-crisis politics of austerity. In turn, I suggest, I can better understand the ongoing crisis of social democratic party identities in the post-crisis era and the rise of rise of radical left alternatives (see Mair 2006; 2009; 2011; 2013; Hay 2007; Lupu 2016; Roberts 2017). Before I am able to begin my analysis of the post-crisis period, however, the following chapter seeks to develop an account of the historical and institutional contexts within which the two parties under consideration in this thesis, the UK Labour Party and France’s PS, operated.
Chapter 3: The historical and institutional contexts of British and French social democracy

3.1 Introduction

This thesis seeks to understand the failure of the Labour Party and the PS/Socialist administration to develop an alternative to austerity post-crisis. Before I can start to develop my account of the post-crisis period, however, it is essential to consider the historical and institutional contexts within which these two social democratic parties have developed and operate (see Berman 1998). This chapter develops an account of this context, which will underpin my analysis in later chapters and, in doing so, provides a partial response to Research Question 1, which asks: how have the historical and institutional contexts of British and French social democracy shaped the development of a social democratic alternative to austerity in the UK and France since 2010? Given space constraints, the chapter limits itself to a stylised account of the most important political and institutional features of each case essential to helping us better understand the parties’ differing interaction with the crisis and the politics of austerity post-GEC.

The chapter demonstrates how the historical and institutional contexts of British and French social democracy left both Labour and the PS ill-equipped to engage with the economic crisis and the emerging politics of austerity, albeit in different ways. It shows how differences in the political economic make-up of British and French capitalism, the political-institutional settings and the ideological traditions of the parties have seen the two social democratic parties develop distinct party models, ideologies and programmatic visions. In the two decades or so before the GEC began, New Labour’s argued that its social liberal Third Way approach was a ‘radical yet credible’ governing project for the post-Thatcherite era. Yet, with the crisis came the abrupt end of New Labour’s model for growth and redistribution – something Miliband’s Labour Party had to contend with in the post-crisis era. The PS, on the other hand, was left ideologically, organisationally and electorally fractured by Mitterrand’s presidency from 1981 to 1995. Managing tensions and rivalries in the party thereafter served to constrain doctrinal reflection in the decade before the crisis. The political economic reforms and ideological legacies of the neoliberal era and the way in which Labour and the PS have responded to this have thus been critical in shaping the operation of the parties in the context of the crisis from 2008. In particular, for this pre-crisis period, I frame the two cases
This chapter’s analysis thus provides insight into the structural context within which Labour and the PS have operated post-crisis, before later chapters bring this perspective to bear on the post-crisis period itself. This account is primarily developed through analysis of the most important insights from the detailed and voluminous existing literature. First, it takes a brief look at how the CPE literature has understood the British and French varieties of capitalism and in particular the neoliberal paradigm shift of the early 1980s, under the administrations of Margaret Thatcher and François Mitterrand respectively (see Hall 1993; Schmidt and Thatcher 2014a; Carstensen and Matthijs 2018). It complements this macro political economy picture with a meso-level comparative analysis of the systems of government as well as the party and electoral systems of the UK and France. These sections provide context for a subsequent micro-level analysis of the two parties as organisations in historical context, and a comparison of the way in which they reacted to the neoliberal paradigm from the mid-1990s until the crisis in 2008.

3.2 The British and French political economies

3.2.1 The UK political economy and Thatcherism

The British economy has traditionally been characterised as a ‘liberal market economy’ (LME) or ‘market-oriented’ within the CPE literature, rather than a ‘coordinated market economy’ (CME) such as Germany (Hall and Soskice 2001; Coates 2006 [2000]). LMEs are defined by liberalised markets for labour and finance; firms coordinate their market activity through competitive dynamics rather than ‘non-market relations’ and ‘strategic interaction’ with other firms and/or the state (as in CMEs), whilst high capital mobility helps to sustain a ‘shareholder value’ form of organisational governance focused on short-term profit making (Hall and Soskice 2001: 8-9, 27-30). In the post-War era, whilst most continental European

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33 As a reminder, Mair’s (2009: 10) argument begins with the simple assumption that democratic governments always seek to maintain a balance between demands for ‘responsiveness’ to their constituents’ interests, on the one hand, and demands for ‘responsibility’, on the other. Today, however, as a result of various material economic, institutional and ideational factors, governing parties find it increasingly difficult to balance the competing demands placed upon them for ‘representation’ and ‘responsibility’ (Mair 2009).
economies were seen to prosper from the effects of effective central planning, the British economy remained weakly organised – the result of both governmental short-termism and the domination of a liberal small state ideology within the Treasury, wider civil service and Conservative government cabinets – and reliant upon more limited Keynesian demand-management techniques (Shonfield 1965).

In this context, Britain has continued to be marked by a tradition of a highly liberal political economy. Margaret Thatcher’s reign as Prime Minister (1979-1990) heralded what some have seen as a ‘paradigmatic’ break with the post-War Keynesian settlement in Britain (Hall 1993; see also Matthijs 2011: chapter 5; c.f. Bulpitt 1986; Tomlinson 2007; 2009). The epistemic authority of the Keynesian model was challenged by growing social and political-industrial unrest in the early 1970s and successive governments’ inability to deal with rising inflation in the context of the oil crises of 1973 and 1979, which led in turn to the 1978-79 ‘Winter of Discontent’ (Hall 1993: 285-6; Gamble 1988: 19). Furthermore, in the context of growing arguments in both the UK and US concerning the apparent ‘fiscal overload’ of the central state in the post-War period (see King 1975; Birch 1985), the promotion of monetarism as an economic strategy had a particular political appeal to Conservatives. It brought with it a critique of Keynesian fiscal activism, and thus the idea that the role of the state should be reduced, as well as the argument that trade union influence needed to be reduced in order to facilitate employment growth (Hall 1993: 286).

This accelerated the emergence of a new era of state-market relations in the UK along more recognisably ‘neoliberal’ lines. As Andrew Gamble (1988: 223) chronicles, the premise of the new Thatcherite vision promoted ‘a free economy’ – interpreted within the Conservative Party ‘to mean lower taxes, lower public expenditure, less nationalisation, weaker trade unions, less government regulation and control, and more inequality’. In reality, however, it also saw the active deployment of state powers in order to ‘to impose, nurture and stimulate the business values, attitudes and practices necessary to relaunch Britain as a

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34 Post-hoc descriptions of the Thatcher governments implementing a ‘neoliberal’ form of governance may apply greater strategic cohesiveness to the period than is merited (see Tomlinson 2007). Yet, the term usefully captures the overall character of an economic programme – whether strategic or ‘poorly thought out’ (Tomlinson 2007: 4) – that sought (initially at least) to institutionalise monetarism by replacing full employment with inflation control as its de facto major policy objective and prioritising deficit reduction over employment creating demand stimulus programmes (Hall 1993: 284).
successful capitalist economy’ (Gamble 1988: 232). Thatcherism left an indelible mark not just on the nature of the British political economy and Conservative Party, but also on how the Labour Party has functioned in relation to this new economic and political context.

The manifest failure of Thatcher’s monetarist experiment by 1983 (see Kaldor 1985: 10-11)\(^{35}\), however, saw the emergence of the financialisation\(^{36}\) of the economy as the ends rather than the means of the Conservative government’s economic project (see Oren and Blyth 2018: 6-8). This process, symbolised by the financial deregulation associated with the City of London’s ‘Big Bang’ in 1986, began as early as the mid-1970s but was greatly enhanced by the Thatcher government’s dependence upon the existence of ‘yet-to-be-constructed liberalised financial markets’ in order to support many of its flagship social and economic policies, including popular shareholding schemes and the Right to Buy (Oren and Blyth 2018: 4-6).

The growing financialisation of the British economy from the 1980s up to the 2008 crisis saw an explosion in ‘credit markets for poor and middle-income people, and of derivatives and futures markets among the very wealthy’ (Crouch 2009: 390; see Davis and Walsh 2016: 667). This process was not, however, simply the ‘consequence of natural global economic trends’, but was actively facilitated by the British state and in particular a powerful Treasury with a long history of anti-statism and a disposition towards free trade and the opening up of financial markets (see Davis and Walsh 2016: 670). Throughout the subsequent three decades, financial markets and financial-led growth became increasingly central to the British economic model – a model which New Labour ultimately embraced (see Oren and Blyth 2018: 12-13; Davis and Walsh 2016).

\(^{35}\) Indeed, as Kaldor (1985: 11) makes clear, the first year of Thatcher’s monetarist programme was a disaster: ‘both the money supply and the price level rose twice as fast under the new monetarist regime than they did under the give years of the previous Labour government’. Not much changed on this front until the revenues from North Sea Oil brought a large current account surplus by 1983, which bore down on inflation – a trend which was further supported by a large fall in the size of wage settlements caused by growing unemployment (Kaldor 1985: 11).

\(^{36}\) Put simply, financialisation ‘is about the growth of financial markets relative to both the state and the real (productive) economy of goods and services’ (Davis and Walsh 2016: 667). It is a process whereby financial markets, financial institutions and financial elites gain greater influence over economic policy and economic outcomes. Financialization transforms the functioning of economic systems at both the macro and micro levels’ (Palley 2007: 2).
In the context of attempts by governments to balance market deregulation and their anti-inflationary inclinations with the economic demands of the electorate, successive British governments came to rely increasingly upon a system of ‘privatised Keynesianism’: ‘instead of governments taking on debt to stimulate the economy, individuals did so’ (Crouch 2009: 390). New Labour’s approach to an ‘asset-based welfare’ system in the late 1990s and early 2000s, for instance, was about turning workers into ‘active worker-saver-investors’, through enmeshing ordinary citizens in a web of financial products (private pensions, stocks, mortgages, etc.) whilst simultaneously reducing the welfare burden on the state (Watson 2013: 6; see also 2008). As a result of such policies, the UK economy has been dependent upon the accumulation of household debt supported by foreign financial capital inflows (as well as rising real wages) to achieve economic growth (Baccaro and Pontusson 2016: 186, 191-4; see Oren and Blyth 2018). As I explore later in this chapter (Section 3.3.2), New Labour’s relationship to this model of growth ultimately came to pose serious problems for the party post-crisis.

3.2.2 The UK’s system of government, elections and parties

Alongside the wider political economy, it is important to recognise how the British political and electoral systems shape the nature of party politics in the UK. The central institutions of British government are ‘a machinery at the disposal of the parliamentary majority’, with the Prime Minister, the Cabinet and the civil service forming an executive that, though independent in important ways, is subject to parliamentary scrutiny (Gamble 1990a: 407). Governments are generally formed by the party with the majority or largest number of seats, with the leader of the party heading up the new government as Prime Minister – a system which positions parties at the front and centre of the British political system. Duverger’s law (1959) contends that the a ‘first-past-the-post’ (FPTP) electoral system generates a centripetal political dynamic that favours a two-party political system and this is broadly reflected in the UK case. The Labour Party and the Conservative Party have, by and large, dominated national electoral politics over the past century – although the Conservative Party have been

37 This is evidenced by a huge rise in mortgage debt in the liberal market economies of the UK and USA; by 2006, for example, mortgages as a percentage of disposable income in the UK was at 129.2 per cent, compared with 70.9 per cent in Germany and 39.4 per cent in Italy (Crouch 2009: 391, see Table 1).
much more successful electorally, and arguably this two-party dominance is currently eroding somewhat.\(^{38}\)

Notwithstanding the critiques of Downsian theory set out in Chapter 2, it is clear that this perspective on electoral competition – which sees the two major parties of the centre-left and centre-right focus on the political ‘centre ground’ in order to capture the ‘median voter’ (Downs 1957) – has shaped the nature of political competition in the UK. As is common in single-member constituency electoral systems, where party support is spatially polarised, certain areas of the UK electoral map are dominated by one party – traditionally the North of England, Wales and Scotland for the Labour Party and the South of England (except parts of London) for the Conservatives. As a consequence, campaigning focus is often placed on important marginal or ‘swing seats’, where a change in outcome is possible (The British Academy 2010: 43-5). The upshot of this has been the increasing convergence of the UK’s two main political parties, particularly in the post-Thatcher era, fuelling growing voter disenchantment (Hay 1999a: see chapter 3; Hay 2007b: see chapter 2; cf. Hindmoor 2004).\(^{39}\) This has particularly negatively impacted Labour, which asymmetrically gains from perceived electoral competition and suffers from perceived electoral proximity between itself and the Conservative Party (Green 2015: 93).

Nevertheless, despite the seeming importance of the Downsian perspective in UK political strategy, the British political system facilitated the construction of Thatcher’s distinctly right-wing (and thus non-centrist) programme, which prioritised fiscal consolidation, inflation reduction and labour market deregulation and resulted in a significant spike in unemployment. In particular, the geographical concentration of manufacturing jobs in traditional Labour heartlands meant that the electoral costs of this strategy ‘were disproportionately concentrated in safe Labour seats’, whilst ‘the harmful effects on total vote

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\(^{38}\) Rotation between the two main parties is weak (historically the Conservative Party has dominated electorally) and ‘on only four occasions since the mid-1880s has an incoming government actually won a majority of votes’ in a General Election (Ingle 2008: 19). Moreover, given the influence of parties such as the Liberal Democrats, and the United Kingdom Independence Party (UKIP) and the Scottish Nationalist Party (SNP) have grown significantly over the past decade, the UK is today better characterised as possessing a ‘two-party-plus’ system (Heffernan 2003: 121).

\(^{39}\) This is reflected in a sharp decline in voter turnout at the 2001 General Election to 59.2 per cent, from an average of 74.6 per cent in the previous five General Elections between 1979 and 1997. The 2017 level had still not recovered and remained at 70 per cent (Dempsey 2017: see Appendix 1).
were translated into a proportionately smaller effect on total seats won’ (King and Wood 1999: 382). The Thatcherite regime was thus built upon a divisive yet nonetheless effective statecraft strategy, which reveals the ability of political parties in the UK to develop non-centrist political strategies. Later, I return to consider the legacy of Thatcher’s governing project and its impact on New Labour, but first I will discuss the political economy of the Mitterrand administration in France.

3.2.3 The French political economy and Mitterrand’s U-turn

Unlike the UK’s liberal market economy, France has been historically characterised as possessing a distinctly statist or dirigiste political economic model (see Shonfield 1969; Hayward 1983; Zysman 1983; Hall 1986; Levy 1994). This model relied upon three key interconnected economic levers, the use of which went beyond what was commonly found elsewhere in Western Europe at the time: significant controls over prices and finance for industry; a network of supervision and close connections between public officials and industry leaders; and, a programme of active economic and industrial planning and interventionism (see Clift 2008: 391; Hall 2006: 5).

Mitterrand came to power in May 1981 as the first Socialist President of the Fifth Republic on ‘a pledge to take dirigisme to new heights’ (Levy 2008: 421), after famously calling for a ‘rupture … with capitalist society’ at the PS’s 1971 Congrès d’Épinay.42 His Programme commun consisted of greater redistribution, boosting social benefits, pensions and wages, as well as a large nationalisation programme, which by 1982 had led to 13 of the largest 20 French corporations being under state control (see Lordon 1998: 96-7; Sassoon

40 Dirigisme is rooted, as Clift (2008: 391) notes, in ‘state traditions and policy practices of directive interventionism in the economy’ that can be traced back to the policies of Jean-Baptiste Colbert, minister under Louis XIV between 1661 and 1683, and the post-Revolution Jacobin and Republican ideal of France’s ‘one and indivisible Republic’. The étatiste political tradition in France posits the state as a cohesive unit largely separate from society, with not only a strong ability to act and implement policy but to do so according to a volonté générale, or public interest (Hall 1986: 164-65).

41 Whilst each of these aspects are found across a range of other developed economies in the post-War era, the French dirigiste state was marked out by the high degree of their utilisation and the nature of state-led coordination of such activities. These capacities were, moreover, complimented by the institutions of the École nationale d’administration (ENA), an elite civil service school, and a national planning system for industrial renewal (Le Commissariat général du Plan, or CGP), which ‘imbued French bureaucrats with the willingness to use those capacities’ (Hall 1986: 140).

42 Indeed, he even suggested anyone who disagreed could not be a member of the Socialist Party.
In the absence of an upturn in global growth, however, the French government experienced a significant balance of payments crisis and growing pressure on the franc, rendering the Mitterrand programme incompatible with continued membership of the European Monetary System (EMS).

Leaving the EMS would have been ‘a symbolic repudiation of European integration’ (Hall 2006: 6). Mitterrand, a committed European, took the decision to remain and thus ‘reorient French economic policy in order to strengthen the franc by fighting inflation’ (Hancke 2001: 315). Mitterrand’s U-turn in 1983 saw unemployment and inequality replaced as the government’s chief goals with ‘monetary stabilization, the diminution of the budget deficit, and productivity growth rather than wage rises’ (Sassoon 1996: 561). This involved the pursuit of ‘competitive disinflation’, that is stabilisation of the franc through wage restraint (via inflation targets on wage negotiations), emulation of a German-style hard currency environment, and public deficit reduction (see Lordon 1998 for an overview; Bell and Criddle 1988: 160-2). This policy programme was followed up with a series of privatisations and other liberalising measures which contributed to the transformation of the French model over the course of the following three decades, including France’s own financial market ‘mini Big Bang’ in 1986 (Cerny 1989). From this point on, Mitterrand, and indeed subsequent Socialist party leaders and administrations, looked to the nascent union forming in Europe as a ‘vehicle for affirming French national interests’ and a new arena in which to recreate the Keynesian social democratic economic activism that had seemingly been displaced at the domestic level (Ross 1996: 40; Clift 2003: 174-75; see also Clift 2005a: 135).

Manifestly, the French state does not operate with anything like the control over the economy it once used to and Mitterrand’s U-turn reflects, to some extent, the constraints under which all social democratic governments operate today (see Hall 1986: 225; Lordon 1998: 101). The U-turn was, and remains, a symbolic moment in the political economy of France and also European social democracy in this regard. Yet, it remains important to recognise the political aspects of the U-turn; as Clift (2003: 173) notes, it must be seen in the context of an emerging neoliberal ‘deconstructive project’ which ‘sought to explain problems

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43 Mitterrand’s attempts to ‘import’ both Germany’s anti-inflationary credibility and its ordo-liberal norms of sound money, wage restraint and budget discipline presented ‘a fundamental departure from the traditional French model’ (Clift 2003: 182; Clift 2004: 94).
facing the French model in terms of a neoliberal analytical and prescriptive framework whose a priori superiority was asserted over both Keynesian and dirigiste paradigms.' Levy (2008: 422) further reminds us both that ‘Mitterrand was not compelled to remain within the EMS; he chose to do so’, and that his austerity policies through the 1980s went well beyond what was necessary to defend the franc and maintain good standing within the EMS (Levy 2008: 422). Mitterrand’s adaptation to the neoliberal paradigm must also be understood in relation to his desire to promote European integration, which ‘rapidly appeared as a guideline for a new global political project to be substituted for the Programme commun of 1981’ (Lordon 1998: 101; see Clift 2005a: 126).

The nature of the change within France’s political economy has also somewhat divided the literature. Aspects of the ‘varieties of capitalism’ (VoC) literature argue that ‘French exceptionalism’ has all but eroded (see Hall 2006; Culpepper 2006), whilst others designate France a ‘mixed market economy’ (MME) between the two ‘pure’ LME/CME models (Hall and Soskice 2001; Hancké et al. 2008; Molina and Rhodes 2008). For some, France is still better characterised as possessing a third kind of ‘state capitalism’ (Schmidt 2003), whilst others apply the concept of ‘post-dirigisme’ to best explain the contemporary nature of France’s political economy (see Levy 1999; 2017; Clift 2012; 2016; Schmidt 2003; McDaniel and Clift 2018). Whilst recognising the constraining influence of economic globalisation and European integration, the concept of post-dirigisme highlights the continued relevance of some dirigiste norms and institutions in shaping French capitalism. For instance, even today French state actors continue to be ‘less focused on the level playing field’ and ‘more open to state intervention to promote such market dominance’ than their British and Germans neighbours (Schmidt 2016: 623). As we shall see, this post-dirigiste legacy continues to play an influence in shaping the ambitions (or at least the public discourse) of French Socialist Party actors.

Post-dirigisme also stresses the influence of French conceptions of the market and the state being embedded ‘within a social context characterised by the interpenetration of public and private elitist networks … which remains substantially intact’ (Clift 2012: 565). France’s system of grandes écoles and the École nationale d'administration (ENA), in particular, has served since 1945 to supply the French state with a well-trained, yet rather homogenous, set of technocratic administrators equipped ‘with the skills and attitudes appropriate to the task
of directing the French economy’ (Hall 1986: 140; see Cole 2017: 113). ENA’s graduates, les énarques, have historically played a central role in shaping the Fifth Republic and their influence continues to be profound within the top echelons of the French state, including within Hollande’s Socialist administration (see Elgie and Grossman 2016: 186; Cole 2017: 116). The ideational and institutional legacies of dirigisme and étatisme, therefore, continue to play a role in shaping the behaviour of political actors such as the PS in the post-crisis era.

3.2.4 France’s system of government, elections and parties

Alongside the peculiarities of the post-dirigiste state, however, it is also important to recognise the role that France’s system of government and elections has in upholding a strong executive, and what impact this has on the French political environment, including on the PS directly. France has a semi-presidential system of government (see Elgie 2009; Parodi 1997) marked by the dominance of the executive, particularly the President, over a weak legislature (Clift 2005c: 230; Costa 2016). The ‘Presidentialisation’ of the French political system has only been further enhanced in recent decades, including through the inversion of the electoral calendar in 2002 (Grossman and Sauger 2009: 433; Lewis-Beck and Nadeau 2016: 362) and the ‘increasing professionalization of leader-centred campaigning and polling’ (Clift 2005c: 239). The ‘principle of presidential initiative’ is the major organising factor in French party-political life today (Charlot 1983: 28). The impetus to win presidential elections sees French

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44 ENA is the most important element of a wider network of France’s famous grandes écoles, higher education institutions created in the post-War dirigiste heyday to train the country’s top future administrators in the art of civil service (Shonfield 1969: 140; Hayward 1983: 217-222).

45 The 1958 constitution of the Fifth Republic was not always intended to support the supreme power of the President – indeed, for then-Prime Minister Michel Debré the constitution was intended to create a ‘British-style system of rationalised parliamentary government’ (Cole 2017: 68; Grossman and Sauger 2009). Yet, beginning with de Gaulle’s imposition of the direct election of presidents in 1962 we have seen a growing ‘presidentialisation’ of the French political system. Indeed, the French Parliament has been variously described as ‘an emasculated legislature’ (Cole 2017:96) and a ‘loyal workhorse, poor watchdog’ (Frears 1990; though see Lazardeux 2009 for a revisionist perspective on this issue).

46 Following the inversion of the electoral calendar in 2002, the legislative elections have followed the presidential elections and now serve largely to reinforce the position of the president through endowing him or her with a ‘governing majority’. Prior to this, a period of ‘cohabitation’ was more likely to occur than it is today. Cohabitation refers to a period wherein the President and Prime Minister hail from different parties. Under such circumstances, the Prime Minister gains effective ownership over the executive and the President steps back from direct involvement in policy (Clift 2005c: 230; Portelli 2008: 66-7; Parodi 1997: 300-306).
political parties operate as ‘presidential machines, whose primary function is to act as a
springboard for a presidential candidacy, and subsequently to act as an organizational
resource for the president’ (Clift 2005c: 225).

Somewhat paradoxically, however, French presidents and presidential candidates
must continue to portray themselves in Gaullist fashion as ‘the supra-partisan embodiment of
national unity … the president of all the French’ (Cole 2017: 72; Grossman and Sauger
2009). This tends to create a tension between parties and the institution of the presidency,
which can in turn create issues in terms of party management and perceived governing
competence for governing administrations. As later chapters reveal, this has been a
particularly difficult relationship for Socialist candidates to manage.

France’s major national elections – the presidential and legislative – are majoritarian
and both operate using a ‘two rounds’ mechanism designed to produce an absolute majority
(Farrell 1997: 41; Blais and Loewen 2009).47 The two stages of the presidential election
produce different dynamics at each stage. Whilst in the first round, the dynamic is centrifugal
– as candidates of the major parties are forced to compete with their more radical rivals on
the left or right in order to produce a rassemblement of voters sufficiently large to progress to
the next round – in the second round run-off, it is centripetal. These dynamics encourage
candidates to broker deals between rounds, producing a somewhat idiosyncratic changing
political scene during the election campaign (Farrell 1997: 44). This pattern is critical to
understanding how presidential candidates develop and disseminate their proposed governing
programme, and in particular how electoral logics can come to problematise or complicate
the nature of that programme.

For several decades, up until the most recent elections in 2017, the binary nature of
the presidential election system brought a relatively stable bipolarity to the French political
system (Bartolini 1984: 118-120; Farrell 1997: 50). Initially, from the 1970s, this produced a
four-party bipolarisation – with two leftist parties (the Parti communiste français, or PCF,
and the PS) and two rightist parties (Union pour la Démocratie Française, or UDF, and the

47 In the case of the presidential election, only the top two candidates from the first round progress to the second
– resulting in a definite majority for the victor. The legislative elections operate on a slightly different basis,
wherein candidates with a minimum of 12.5 per cent of total registered voters can progress to the second round.
This does not guarantee a majoritarian result, but cases with more than two second round candidates are rare
(Farrell 1997: 41).
neo-Gaullists) (Cole 2017: 164-5; Sauger 2010), eventually to be replaced by a two-party bipolarisation. In more recent times, however, we have seen the basis of this bipolarisation challenged and France has witnessed increasing atomisation of its party system, facilitated by the proportional representation electoral systems used in local and European elections (see Parodi 1997: 299). Grunberg (2006) has also argued that the PS’s adaptation to the political ‘mainstream’ after 1983 in particular opened the door to new social movements and parties, such as the Front national (FN), ecologists and radical leftist splinters from the Socialist Party. Indeed, the fracturing that Grunberg highlighted over a decade ago appears to have matured in 2017 with the rise of Emmanuel Macron’s centrist movement, *En Marche!* This is something I shall return to later in the thesis.

### 3.3 The Labour Party and the Third Way

#### 3.3.1 The Nature of the Labour Party

Before setting out an account of how Labour responded to the post-Thatcherite political economic environment, it is essential to develop an understanding of the party and some of its key internal machinations. Beginning life in 1900 as the Labour Representation Committee, Labour was founded with the purpose of representing the labour interest in Parliament (Thorpe 1997: 5; Gamble 2017: 136; Marquand 1991). Organisationally, this has meant that the party has a closer institutional relationship with the trade union movement compared with most other socialist or social democratic parties, including the PS. The Trade Union and Labour Party Liaison Organisation continues to manage the link between the Party and the trade union movement, which still plays a significant (though much diminished) role in the party. For instance, even after Miliband reformed party rules in 2014 to establish a ‘one-member, one-vote’ system for leadership elections, unions retained 50 per cent of votes at

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48 This was the product of the electoral decline of the PCF in the mid-1980s, leading to effective domination of the left by the PS from this point on, as well as the merger of the two parties of the right, which was formalised with the creation of the *Union pour un mouvement Populaire* (UMP) in 2002.

49 This was a process ignited by the controversy over candidate selection for the Falkirk constituency following Erik Joyce’s decision to step down at the 2015 General Election. Labour traditionally operated with an internal electoral college system with trade union affiliates, Labour MPs and party members each holding a third of the votes in Labour leadership elections – giving unions substantial influence over who led the party. In Falkirk, there were allegations of corruption on the part of Unite trade union officials in the constituency, which was accused of abusing its power in order to get its preferred candidate selected as Labour’s parliamentary
the party’s Annual Conference, whilst between May 2010 and December 2014 the union movement contributed £48.6m to the party, nearly half of all of its donations (Wintour 2015a).

Alongside the absence of revolution in British history, this relationship to the trade union movement and the centripetal dynamics of the UK’s FPTP electoral system have imbued the party with both political pragmatism and intellectual conservativism. In anchoring itself to labourism, the party has ‘deliberately chosen to identify itself as the instrument of the labour interest rather than as the vehicle for any ideology’ (Marquand 1991: 17). This absence of doctrinal orthodoxy has given the party a ‘broad church’ ethos, with labourism providing a banner under which numerous strands of British progressives could traditionally unite (Foote 1997: 5-6; Desai 1994: 3). As a result of its labourist roots, however, the party has traditionally been split between an industrial wing and a political wing, with the party’s progressive intellectuals, such as the Fabian Society, clustered in the latter (Gamble 2017: 137). David Marquand has described this as Labour’s ‘progressive dilemma’, arguing that the party’s programme has historically been too narrowly defined around a conservative labour interest, at the expense of a deeper intellectual engagement with progressive ideology (Marquand 1991). From a more critical Marxist perspective, Ralph Miliband (2009 [1961]: 13, 345) similarly lamented Labour’s inability to engage with a more clearly defined socialist ideology, suggesting that the party became ‘deeply imbued by parliamentarism’ and the institutions of the British state, enabling ‘the predominance of the policies favoured by a revisionist leadership’.

At the national level, the Labour Party consists of the Leader’s Office, the Shadow Cabinet when in opposition, the wider Parliamentary Labour Party (PLP), the National Executive Committee (NEC) and the National Policy Forum (NPF). In much of the pre-New Labour period, the NEC was able to exercise significant influence over the party’s candidate. Thus, in 2014 Miliband made changes to the party constitution to establish a "one-member, one-vote" system.

50 The party has certainly never engaged with Marxist thought in the way some of its sister parties on the continent, including the PS, have done.

51 The NEC is the party’s governing body and is in charge of the party’s various functions, including organising campaigns and employing staff. It is made up of 33 representatives from across the party, including the leader, trade union officials, front bench MPs, youth representatives and local councillors.
policymaking, especially when in opposition (Wickham-Jones 1996: 199-203). However, reforms under Neil Kinnock as party leader and during the New Labour era brought about significant changes to the party’s internal structure, including the creation of the NPF in 1997, which have seen policymaking become much more centralised (see Shaw 2002; Coates 2000; Mair 2000; Leys 1997). The NPF, which is made up of over 200 elected officials from across the party, produces policy reports that are presented and voted on at the party’s Annual Conference. This guides the broad thrust of policy but does not represent party democracy on individual policies. Party leaders can, furthermore, set in motion various policymaking processes of varying degrees of autonomy from the party’s official policy channels. The changes made to the party’s internal policymaking process represent just one aspect of the reforms brought in under New Labour in its attempts to revitalise the party after almost two decades of opposition. In the section below, I consider the wider political economy of New Labour.

3.3.2 ‘Credible radicals’? New Labour’s political economy

As we have seen, by embedding a new neoliberal political economic model for the UK, the Thatcher government represented a significant break with the post-war Keynesian settlement. Yet, as Gamble (1988: 236) wrote at the time, ‘Thatcherism should be seen as an attempt to clear the way for a new hegemony, not as that new hegemony itself’. The construction of a new and stable hegemony, he argued, is ‘rarely the work of a single party’ (Gamble 1988: 238). Indeed, Gamble’s argument has proven somewhat prophetic in foretelling the debate around the impact of the Thatcher years on the Labour Party and Labour’s adaptation to the Thatcherite policy regime under Tony Blair from 1994 in particular (see the debate between Coates, 2001; Wickham-Jones, 2002; Hay, 2002a, for instance).

Anthony Giddens’ (1994; 1998) vision of the Third Way served as the intellectual foundation for Tony Blair and Gordon Brown’s New Labour project, endowing the party with a strong social liberal disposition and a novel conception of how to reconcile the competing demands of ‘representation’ and ‘responsibility’ along these lines. For instance, Giddens (1998: see chapter 2) contended that economic globalisation, the popular appeal of Thatcherism and rise of individualism had fundamentally collapsed the economic, social and

52 Though, as Wickham-Jones details, there has been considerable disagreement within the literature historically over whether the leadership of the PLP or the NEC controls the party and who dominates its policymaking process (see Wickham-Jones 1996: 26-33 for an overview of these debates).
political foundations of traditional social democracy in Europe. The Third Way promoted a message that governments of the centre-left neither could nor should continue to utilise the state to provide equality of outcome; rather, their goal was to embrace and manage the forces of free markets and economic globalisation to ‘help citizens pilot their way through the major revolutions of our time’ (Giddens 1998: 31-32).

From a policymaking perspective, New Labour accelerated a trend towards centralisation of power within the leader’s office, which saw the role of the NEC, members and unions curtailed in favour of a more streamlined, ‘top down’ approach to policy (Shaw 2002; Coates 2000: 3-5; Hay 1999a: 96; Merkel et al. 2008: 40-42; Mair 2000). This allowed the party leadership to direct a more ‘professionalised’ policymaking and communication strategy, including through the employment of dedicated market research specialists led by Phillip Gould, designed to more effectively target the elusive ‘floating voters’ of key marginal constituencies (Hay 1999a: 96). Under Brown’s economic stewardship, New Labour’s leaders sought to portray themselves as the ‘credible radicals for the twenty-first century’ (Brown 1999).

In terms of economic policy, the party attempted above all else to secure economic credibility with both voters and financial markets and made macroeconomic stability the cornerstone of its economic policy (see Watson 2008). This was institutionalised in monetary policy terms through granting the Bank of England independence in 1997, whilst in fiscal policy terms the establishment of Brown’s two ‘golden rules’ – which pledged to borrow only to invest and that net debt would be stable over the economic cycle – served this purpose (Glyn and Wood 2001: 50-1). Alongside this, from a supply-side perspective, Blair’s governments rejected corporatism and instead embraced ‘new growth theory’, which views economic growth as endogenously generated through investment in human capital, as evidenced by New Labour’s New Deal programme of active labour market policies alongside increased investment in education and training (see Glyn and Wood 2001: 53-7; Krieger 2007: 424-5; Thompson 1996).

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53 In order to present a programme befitting of this perceived new economic, political and social context, New Labour led a significant shift away from the programmes of previous Labour governments and, indeed, other European social democratic governments, instead looking across the Atlantic towards Bill Clinton’s Democratic Party.
Whether or not New Labour were worthy of the ‘credible radicals’ label is, of course, hotly debated. Eric Shaw (2007) provides a neat analysis of whether Labour ‘lost its soul’ under New Labour by dividing the ‘British social democratic tradition’ into two elements: redistributive social democracy and ethical socialism. Whilst New Labour retained a commitment to redistribution, he finds, it replaced socialist ideals of fellowship, co-operation and service with the neoliberal values of competition, individual self-assertion and entrepreneurialism (Shaw 2007) – thereby assuming a more social liberal character. That said, for more critical scholars such as Colin Hay (1999a: 22; see also Moschonas 2002), New Labour fundamentally accepted ‘a “post-Thatcher” yet basically Thatcherite consensus’; by internalising a thesis of the state’s structural dependence on capital in an era of apparently rapidly globalising capital markets, New Labour pushed the idea that the ‘modernisation’ of the party required accepting the basic parameters of ‘neo-liberal economic orthodoxy’ (Hay 1999a: 42; see Watson and Hay 2003; Matthijs 2011). New Labour largely ignored its duty to represent its traditional constituents, closing itself off to more recognisably social democratic economic policy tools and objectives, including Keynesianism, industrial strategy or even a programme of ‘supply-side socialism’ (Hay 1999a: 20). From such a perspective, then, both elements of Labour’s soul had been lost.

On the other hand, more sympathetic accounts of New Labour’s political economy viewed the shift as indicative of the party’s adaptation to the constraints posed by global financial markets, which had ultimately necessitated the need for governments to signal their macroeconomic credibility, whilst nevertheless maintaining a distinctly social democratic character (see Smith 1994; Gamble and Kelly 2001; Clift and Tomlinson 2007; Huo 2009; Strange 2014; Hindmoor 2018). From such a perspective, New Labour resolved the ‘responsive-responsible’ dilemma by earning economic credibility whilst remaining loyal to its social democratic roots through a macroeconomic programme of Keynesian ‘coarse tuning’ (Clift and Tomlinson 2007; Strange 2014). Ideologically, such accounts contend, New Labour did not deliver a true break with the Labour of old, nor did it reflect a capitulation to capitalism and the loss of the party’s soul, but rather it represented the latest iteration of the revisionist social democratic tradition in Britain (see Diamond 2004).

New Labour’s model represented a particular conception of how to appear ‘responsible’ in government whilst responding to the needs of Labour’s traditional constituents through, for example, significant expansions in public expenditure (see Smith 2014). Yet, in light of the crisis environment since 2008, it is necessary to consider the way in
which this New Labour model was implicated by the crisis. As former New Labour advisor Stewart Wood put it to me, the party in government did not seek to challenge ‘the economic constitution of our country’.54 ‘The Blair assurance’, as he describes it, saw a ‘Faustian deal’ brokered wherein Labour said to the business community, ‘we’re going to lightly regulate you. You’re going to make bumper profits, we’re going to tax you and we’ll use the fat of the land you produce to do our redistribution work’.55

The political implications of this are clear. The two decades prior to 2008 saw increasing convergence of the UK’s two main political parties and, in the absence of more substantial policy disagreements, a growing emphasis on superficial presentational issues and minor policy disagreements between the parties that has, in turn, fuelled growing voter disenchantment with the wider political system (Hay 1999a: see chapter 3; Hay 2007b: see chapter 2; Dempsey 2017: see Appendix 1; Cox 2015; Lupu 2016). Fundamentally, as Rogers (2013b: 56) puts it, ‘it is possible to argue that the New Labour governments did attempt to establish a framework in which the party’s traditional objectives could be delivered by means they felt most appropriate given the perceived constraints of globalisation, even if this framework was ultimately found to be flawed’. Whilst New Labour did succeed in enacting greater redistribution, in not seeking to deal with the ‘inherently contradictory and crisis-prone’ tendencies of the Thatcherite settlement (Hay 1994: 700), it left untouched key productive components of the British economy (see Coates 2008 for an assessment). In doing so, New Labour’s social liberal project was unable to distance itself from the nature of the financial crisis engulfing the UK economy in 2008 (see Ryner 2010; 2014). As Meyer (2012: 153) puts it, ‘joining the Neoliberal Party – as long as it was in full swing – also led to social democrats being accused for the hangover once it set in’.

In addition, the GFC literally exhausted New Labour’s economic project. The ‘tax-revenue haemorrhage’ caused by the crisis saw New Labour’s model – which relied upon redistributing bumper revenues from deregulated business and finance – run out of road.56 As Watson (2013; see also 2008) posits, the failure of British banks left New Labour in the ‘paradoxical position’ of being able to defend either the interests of a growing financialised constituency it helped to cultivate by propping up the banking sector or its own reputation for

54 Stewart Wood, personal interview, 05/02/2016.
55 Stewart Wood, personal interview, 05/02/2016.
56 Stewart Wood, personal interview, 05/02/2016.
macroeconomic responsibility, but not both. Suddenly, the Labour Party was left without a
governing programme capable of reconciling the responsive-responsible dilemma and was
faced with the need to develop a new economic approach fitting for the post-crisis era.

3.4 The Parti Socialiste and Mitterrand’s U-turn

3.4.1 The Nature of the Parti Socialiste

Formed in 1969, the French Socialist Party has, unlike Labour, never enjoyed strong
organic links with the trade union movement, which from the early 1900s refused to locate its
political power in a party (Hazareesingh 1994: 246; Escalona and Vieira 2013: 127; see
Bergounioux and Grunberg 1992). Alongside this, the historically dominant role of the PCF
on the French left in the post-1945 period, with which the Socialists have had to compete, has
ensured that Marxism, the ambition of revolution and a strong critique of capitalism have
been ‘more powerful on the French left than elsewhere in the developed world’ (Bell and
Criddle 2015: 105, 135-40; see Bell and Criddle 1988: 152; Bergounioux and Grunberg 1992:
13). Throughout its history, the PS has struggled to reconcile the reality of its actual
programmatic stance with its desire to remain loyal to these socialist values, cultivating, as
Bergounioux and Grunberg (1992: 15) write, the ambiguity of a ‘parti révolutionnaire qui ne
fait pas la révolution’. On the other hand, the position of the PCF in French post-War
political life robbed the PS of a working class electoral, membership and activist base.
As a result, the national party has historically (and perhaps increasingly) been dominated by a
middle-class, ENA-educated Parisian elite (Bell and Criddle 1988: 150, 197; see Lefebvre

57 The PS formed in 1969 with the merger of the Section française de l’Internationale ouvrière (SFIO) with
other parties from the non-communist left. The history of socialism in France stretches back way to the late
1800s, yet its development as a political force was initially hampered. The dominance of the agricultural
economy until the mid-1900s, which prevented the development of a strong working-class bloc, socialist
reluctance to participate in bourgeois government and, perhaps most significantly, the creation and political
dominance of the PCF amongst the working class from the 1920s until the 1970s, all served to constrain the

58 The French trade union movement has itself been historically weak and divided between revolutionary and
reformist wings, between catholic and lay unions and characterised by a confrontational relationship with le
patronat (Clift 2005a: 59).

59 This is phenomenon divorced the PS from working class constituents; though popular with the working class
at the time of Mitterrand’s first election victory, the PS never developed deep roots in this community (Bell and
2006; Bachy 2005: 115; Escalona and Viera 2013: 130). Thus, unlike Europe’s traditional ‘social democratic’ and ‘labourist’ parties, the PS has maintained its ideological definition and appellation as a ‘socialist’ party through to today, even if somewhat superficially (Clift 2005a: 19).

Mitterrand was, nevertheless, able to exploit the nature of the Fifth Republic’s electoral systems – the two-round majority vote of the presidential and legislative elections – which favour more moderate parties, in order for the PS to successfully displace the PCF as the dominant party on the French left in the late 1970s and 1980s (see Portelli 2008: 65). Following the requirement in presidential elections for a rassemblement of the left and right wings under a single candidate, Mitterrand formalised a party structure at the 1971 congrès d’Épinay designed to bring minor parties from the non-Communist left under the wing of the PS by actively allowing for the existence of various factions or courants (see Bell and Criddle 2015: chapter 3, for an overview of the party’s structure; Barboni 2008).

This model was utilised by Mitterrand to rally support for the party and encourage intellectual debate on the non-Communist left under a single party banner (Sassoon 1996: 534). Under the PS’s internal proportional representation system, the party’s courants attain a voice in the party by achieving more than five per cent of votes at a party congress (Clift 2005a: 88). Ideological factionalism has thus ‘almost always been part of the organizational repertoire of French Socialism’ (Sferza 1996: 199; Hazareesingh 1994: 251). Nevertheless,

60 The PS has historically been described as a “parti des profs” as a result (Bell and Criddle 1988: 197).
61 Indeed, the term ‘social democracy’ is historically utilised within the party to describe in rather disparaging terms the reformism of social democratic parties in central and Northern Europe. To be seen as a ‘social democrat’ within the PS is to be viewed as operating on the party’s weaker right-wing.
62 As Bell and Criddle (1988: 219-20) note, the party constitution states that courants are ‘organised tendencies’ and not ‘factions’. This distinction is, however, somewhat tenuous when the development of intra-party rivalries in the PS since the 1970s are considered.
63 As Sassoon (1996: 534) notes, defeats in the elections of 1968 and 1969 ‘concentrated the minds of socialists and communists. To be divided would consign them to permanent opposition. To be united was the royal road to power.’
64 Although the PS was founded in 1969, the congrès d’Épinay represents the story of the modern PS beginning in earnest. Until this time, Mitterrand had not even been a member of the PS. Instead, he had operated as local mayor, Senator, Member of Parliament, Minister in government and Presidential candidate under the banner of alternative non-Communist left political parties, including the Convention des institutions républicaines (CIR), a left republican party he founded in 1964.
the courant system has always seen ‘ideology, power, and personality intertwined’ in the party (Bell and Criddle 1988: 219). As Rey and Subileau (1991: 120) found over two decades ago, courants contain actors with a range of ideological and theoretical perspectives and it is often difficult to make a clear association between choice of courant and an individual actor’s beliefs – internal party politics often play a greater role in deciding such issues.

Ideologically, the party has historically been divided between the lineages of its two ‘cultures’ of socialism: that is, between the dominant left-wing elements of the party, including Mitterrand’s faction and the Marxian courant CERES, and the more reformist social democracy of Michel Rocard’s deuxième gauche (‘second left’) movement and the social liberal elements of the PS that followed it (Clift and McDaniel 2017: 405).

In general, social liberalism has been a fringe phenomenon in the PS; during the 1990s and 2000s, for instance, the Socialist Party leadership rejected the ‘Third Way’ label, whilst the term ‘social liberal’ is often used within the party more as an insult than anything (see Grunberg 2011; Clift 2000). Attempts to develop a more social liberal outlook within the party have always been constrained by the political dominance of the party’s left. For Grunberg and Bergounioux (2007: 7–9), the tensions between these competing visions of French socialism have created the definitional cyclical relationship at the heart of the PS as a party of government: first comes an assertion of doctrinal orthodoxy, followed by the acceptance of compromise once in power, and then, once in opposition again, a sense of political failure and rejection of that governing record thereafter (Grunberg and Bergounioux 2007: 10). Nonetheless, social liberalism has had a strong de facto influence amongst a number of influential PS dirigeants from the party’s ‘modernising’ centre and right-wing over the past three decades or so, such as Dominique Strauss-Kahn.

Rather more conspicuously, however, self-declared ‘radicalism’ has always been an important intellectual currency within the party, serving to help build alliances and exert influence, and was visible in the immediate post-crisis context (Grunberg 2011; see Section 3.4.2). Yet beyond intra-party-political bargaining, this radicalism has generated tension with the centripetal dynamic of the presidential election second round, rendering it politically difficult for a Socialist candidate to maintain a genuinely radical platform when aiming to access presidential power (see Grunberg 2011). As Hazareesingh’s (1994: 255) account recalls, both PS and its predecessor, the Section française de l’Internationale ouvrière

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65 Officially known as Le Centre d'études, de recherches et d'éducation socialiste.
(SFIO), have ‘tended to adopt maximalist programmes (particularly when in opposition), in which the traditional language of democratic socialism was freely blended with such Marxist notions as exploitation, class struggle, and rupture with capitalism’ (see also Bell and Criddle 1988: 151; Sassoon 1996: 535). In turn, this has created what Jospin termed a ‘double discourse’ within the party, wherein ‘there was a need to deny in its language what the party conceded to reality’ (Jospin cited in Clift 2005a: 111; see Bergounioux and Grunberg 1992: 15). This ‘double discourse’ reflects the competing imperatives of effective statecraft for the PS – maintaining party unity, upholding electoral support (particularly amongst the left electorate), securing economic credibility for the economic programme of a potential Socialist administration and establishing a perception of governing competence when in office.

The tensions between the conquest and exercise of power within the party – in its electoral strategy, its discursive radicalism and the existence of its courants – have led to what Cole (2011) describes as the party’s ‘radical ambiguity’ (see also Grunberg 2016). In terms reminiscent of Best’s (2005) theorisation of the role of different forms of ‘ambiguity’ in providing institutional stability and instability, Cole (2011: 46) sees ambiguity in the context of the PS acting as a lubricant, enabling some kind of ‘equilibrium’ that has seen the party’s ecosystem adapt ‘to cope with these strains and sometimes even to prosper’. I will return to this idea of ‘radical ambiguity’; as we shall see, its equilibrating qualities were put under severe strain in the post-crisis period.

The PS’s ideological cultures have, however, become less distinct since the mid-1980s and the party has been de facto located within the mainstream of Europe’s social democratic parties since Mitterrand’s U-turn in 1983 (see Daley 1996). The party experienced its own ‘petit Bad Godesberg’ at the congrès de Toulouse in 1985, and formally accepted capitalism and the market economy at its 1991 conference in Arche (Bell and Criddle 2015: 108; Clift 2005a: 117). This move towards more conventional European social democratic party territory coincided with the electoral collapse of the PCF in the mid-1980s (Bell and Criddle 1988: 264). The institution of the presidency has also diminished ideological differences between courants, generating a system of ‘presidentialised factionalism’ in the PS, wherein courant leaders compete with one another to become the presidential candidate on increasingly superficial territory (Bell and Criddle 1988: 219; see also Escalona and Vieira 2013; Gaffney 1988; Cole 1989). A major component of Mitterrand’s skill, beyond his electoral appeal, was his ability to ‘hold his own’ and
command the support of what is an inherently divided party (Bell and Criddle 1988: 237). In the post-Mitterrand era, therefore, the PS’s factionalism has increasingly come to be seen as a hindrance on the party’s development (Sferza 1996; Hanley 2008; Di Francesco-Mayot 2017).

Although the First Secretary (FS) is the key figure in the party’s operation, the post comes with no automatic privilege of being the party’s presidential or prime ministerial nominee (see Bachelot 2012: 8). The party’s presidential candidate was selected through an internal vote until 2006 and an ‘open primary’ in 2011 and 2017. Party congresses, normally held every three years (after presidential elections and again mid-term), are the key moments in the life of the party (see Bell and Criddle 2015: 41-45 for a detailed overview). The party’s factions table ‘motions’ outlining their ideological approach, listing party signatories. The purpose of the congress is to achieve a synthèse between the various ‘motions’ submitted, which will serve to shape the strategy and policy of the party over the coming three years (see Bachelot 2012: 21). However, when deeply divided, congress may produce no synthesis, as happened at the 1990 congrès de Rennes, wherein competing courant leaders vied for leadership of the post-Mitterrand Party (see Daley 1996: 15).

Such discord aside, in the run up to the presidential elections, the party produces its programme for government, designed to act as the embodiment of the synthèse achieved at congress earlier in the presidential term. Yet, the role of these programmes is somewhat complicated by the competing logic of the French party system; all presidential candidates rely upon their party’s support and resources (financial and political), yet simultaneously must retain a ‘critical distance from parties, and a distinctly personal dimension to their candidacy’ in order to be viewed as appropriately ‘presidential’ (Clift 2005c: 229; see Elgie 1996; Portelli 2008: 68-9). In this context, party programmes have come to act as ‘millstones’ around the neck of PS presidential candidates (Clift 2011: 23), complicating attempts to develop an effective statecraft. The presidentialisation of the French party system thus

66 The Conseil national acts as a the ‘parliament’ of the party; made up of representatives from across the party at various levels, it ‘is a place for debate and for the resolution of issues in-between congresses’ (Bell and Criddle 2015: 45). Sitting above the Conseil national is the Bureau national, comprised of 54 members, which serves to define the political line of the Secretariat in between congresses. The Secrétariat national is the party executive, with its key posts selected by the party’s FS, but in accordance with the factional balance within the party.
encourages a competitive political dynamic that is not conducive to the long-term strategising required during periods of economic crisis.

3.4.2 The political economy of the post-Mitterrand Parti Socialiste

The post-Mitterrand period is revealing for the way in which reconciling the ‘representation-responsibility’ dilemma, particularly around an issue such as the EU integration, has underpinned and undermined internal PS politics. By 1993, the PS was out of power (having won just 53 of 577 seats in the legislative elections) and heavily divided following the 1990 congrès de Rennes. It appeared that it would remain that way for some time, until President Jacques Chirac’s surprise decision to dissolve parliament and call an election in 1997 spectacularly backfired. Coming to power in the same year as New Labour, Lionel Jospin’s ‘Plural Left’ government makes for an interesting comparison (see Clift 2000; 2005a; Ladrech 2002; Merkel et al. 2008). Unlike in the UK, ‘the terminology of the Third Way … failed to achieve any currency in French public debate’ (Clift 2000: 135). Electorally, a social liberal statecraft appeared to make little sense in a two-round electoral system that, in the first round, encourages a centrifugal dynamic, whilst the PS’s legacy of a more ideologically charged variant of socialism saw ‘a more critical engagement with neoliberalism and globalisation’ and a more explicit commitment to redistribution than New Labour ever pursued (Clift 2000: 138; see Bell 2003).

Mitterrand’s U-turn in 1983 shattered an illusion within French politics (not just on the left) that economic issues could be dealt with entirely through domestic politics and that France could shield itself from external pressures (see Hincker 1997: 113). In this context, Jospin’s programme of ‘réalisme de gauche’ sought to demonstrate that whilst the Socialist government accepted the constraints posed by economic globalisation and European integration, it was possible to move on from Mitterrand’s economic policy and that the left could govern differently from the right, rejecting the neoliberal maxim ‘there is no alternative’ (or la pensée unique) (Clift 2005a: 133; Lordon 1998: 110; Levy 2001: 271; Cole 2002; for more on la pensée unique, see Fitoussi 1995). Jospin’s government thus promoted a

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67 Jospin’s left-wing coalition government was composed of the PS, led by Jospin as Prime Minister, as well as the PCF, the Greens, the Parti radical de gauche (PRG) and Jean-Pierre Chevènement of the Mouvement des citoyens (MDC).

68 Though some, such as Levy (2001), have interpreted Jospin’s ‘réalisme de gauche’ as evidence of a ‘Third Way’ strategy in France.
more critical conception of how to reconcile the competing demands for representation and responsibility than New Labour. This found expression in Jospin’s pledge to renegotiate the Treaty of Amsterdam, which imposed a monetarist vision of European integration at odds with the PS’s traditional economic and social objectives. However, Jospin’s inability to secure any significant changes in Amsterdam in June 1997 ‘demonstrated the limited capacity of the new French government in this primordial sphere’ (Cole 1999: 78). Moreover, it exacerbated a growing schism within the PS over the nature of France’s relationship with the EU and the growing influence of Germany within it.

Jospin was, of course, eliminated in the first round of the 2002 Presidential election, which saw Jean-Marie Le Pen of the far-right *Front national* progress to the second round of the election for the first time. Subsequently, the Socialist Party was out of power for an entire decade. These years in opposition are key to understanding what has happened in the post-crisis period, not least because between 1997 and 2008, François Hollande became the PS’s longest serving FS. Hollande, who was well-liked and seen as a ‘consensus-building figure’ who ‘stood aloof from the courant skirmishing’ (Clift 2005a: 102), sought to steer the party through a tumultuous period. Nevertheless, promoted to FS as Jospin’s dauphin, Hollande never carved out his own courant – instead he was compelled to constantly weld together the support of various factional and local party leaders (Bachy 2005: 114; Bell and Criddle 2015: 80-10). The effect of this was that once Jospin had exited the political scene after the 2002 elections, Hollande did not operate with a particularly strong independent standing of his own within the party (Bell 2003: 87).

This became particularly problematic as divisions within the party began to open up around a range of issues seen to have caused the PS’s 2002 defeat, including most significantly globalisation and integration into the EU (Bell 2003: 88; see Grunberg 2014). These issues came to a head in 2004-5 with France’s referendum on the European Constitution Treaty (ECT), conducted in May 2005, and threatened to pull the party apart. Both Mitterrand and Jospin had promised to take steps towards ‘l’Europe sociale’. However, their failure to do so meant the EU was increasingly seen by many, particularly on the left of the party, as a ‘Trojan horse’ for neoliberal globalisation (Crespy 2008: 29). In the context of the ECT referendum, this pitted the mainstream of the PS leadership, including Hollande as FS, which had been strongly pro-EU since the 1980s (Hincker 1997: 122), against a powerful minority of dissenters, including former Prime Minister Laurent Fabius and left-wing PS senator Jean-Luc Mélénchon. Although the PS membership ratified Hollande’s decision to
push for a ‘Yes’ vote, the ‘No’ camp ultimately won the referendum, gaining a majority of Socialist voters – an outcome which seriously undermined Hollande’s authority (see Marthaler 2005).

At the party’s next congress, in 2005 at Le Mans, Hollande successfully negotiated a ‘synthesis’ majority motion between the two camps, which brought a semblance of party unity. Yet, this approach has been criticised as largely superficial, ‘lacking any real political content’ (Grunberg 2015: 77) and tackling ‘none of the problems’ faced by the party (Bell and Cridde 2015: 184). It may have stabilised Hollande’s leadership somewhat, but the approach also ‘paralyzed any serious doctrinal reflection making it more perilous than a return to power’ (Laurent Bouvet cited in Devecchio 2015; see Grunberg 2015: 77; Clift 2011). The party’s factionalised structure – designed to support Mitterrand’s presidential candidacy – had lost its raison d’être and was merely entrenching divisions within the party organisation (see Hanley 2008: 86) that, by the mid-2000s, appeared to be ‘missing a recognised leader’ (Bachy 2005: 114). As Grunberg (2014) has detailed, the emergence of a pro- and anti-EU cleavage in French politics and within the PS itself during this time has been central to the creation of a fundamental tension at the heart of the PS over the economic approach Socialist governments should take. As we shall see in later chapters, this issue continued to haunt Hollande in the post-crisis era.

Following Nicolas Sarkozy’s defeat of Ségolène Royal in the 2007 Presidential elections, and Hollande’s decision to step down as FS, the party adopted a new declaration of its principles in June 2008, dropping any reference to ‘revolution’ and presented itself as a reformist party that accepted the market economy (Marlière 2012: 2; Escalona and Viera 2013: 148). However, the party headed in to its 2008 congrès de Reims divided. As is explored in more detail in Chapter 6, the motions tabled by the party’s different courants in Reims reveal emerging tensions within the party between its Keynesian-inspired left-wing and its more supply-side oriented right-wing, both on the correct domestic policy response to the crisis as well as the degree of critique to be levelled at the EU. The party’s showpiece event failed to deliver the coherence required, ending with no composite motion, no FS...
elected and no real strategy or policy direction agreed upon. Frustrated with developments in the party, particularly its continuing pro-EU stance, Mélenchon and député Marc Dolez quit the party and set up a rival leftist populist party, the *Parti de gauche* (PdG).

Martine Aubry eventually emerged as the party’s new FS, but without a synthesis she was left to govern the party without a clear majority and thus lacked much-needed legitimacy in order to turn the fortunes of the party around.\(^{70}\) From the beginning, some likened Aubry’s position to that of a ‘caretaker’, waiting for the return to the party of Strauss-Kahn from the IMF, as someone capable of leading the party back to power in 2012 (Davies 2008). Moreover, after seeking in Rennes to ‘update’ its discourse and avoid what was seen as the overly ambitious leftist zeal of the party’s past, the arrival of the GFC later in 2008 caught the PS leadership by surprise, once again pushing the party into adopting a more radical rhetoric in the intervening years between 2008 and 2012 – reflecting the cycle discussed by Grunberg and Bergounioux (2007) (see also Escalona and Viera 2013: 148; Grunberg 2011: 51-2).

In the early part of Aubry’s reign as FS, just as the financial crisis emanating from the US was hitting Europe’s shores, the PS was in disarray over its future ideological direction. Figures on both the right and left of the party simultaneously felt compelled to declare the PS effectively ‘dead’ (Valls cited in *Le Parisien* 2009; Montebourg cited in The Economist 2009). The party spent the year or so leading up to the 2012 Presidential election forging new programmatic texts and hosting a series of conventions. Left-wing figures, including Benoît Hamon, helped to shift the party text to the left, partly to support Aubry’s potential candidacy in the PS’s open primary to select its candidate (Clift 2011: 23; see Grunberg 2011: 51-2). Yet, as the following chapter discusses, the development of the party’s programme for government under Aubry (see Parti Socialiste 2009; 2011) would serve as little more than a political burden for the eventual Socialist candidate, François Hollande.

### 3.5 Conclusion

This chapter has responded partially to Research Question 1, by looking to understand how the historical and institutional contexts of British and French social democracy have shaped the development of a social democratic alternative to austerity post-crisis. The chapter has

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\(^{70}\) The outcome of the leadership election was extremely close, with Aubry taking 50.04 per cent of the vote in a run-off against Royal. This added to the fractiousness of proceedings, and even led to accusations of foul play, possible legal proceedings and calls for a re-run of the election.
demonstrated how differences in the political institutional setting, the political economic make-up of the British and French economies, as well as the ideological traditions of the parties and their engagement with neoliberalism have led the two social democratic parties to develop distinct party models, ideologies and programmatic visions. In particular, the second half of the chapter sought to develop an account of the two parties in the years preceding the crisis, with reference to Mair’s conception of the competing dynamics of ‘representation’ and ‘responsibility’.

I argued that in the UK case a hugely important incumbency dynamic is at play: after embracing the post-Thatcherite economic constitution, developing an apparent resolution to the tension between ‘responsiveness’ and ‘responsibility’ whilst remaining vaguely social democratic in its intentions, New Labour’s economic model was exhausted by the 2008 crisis. As the party headed into the post-GFC environment, its leaders were thus left with the task of developing a new economic and political model capable of moving the party beyond New Labour’s social liberalism in an environment marked by economic crisis. This dynamic does not exist in the French case, where the PS were out of power since 2002. Nevertheless, there were clear historical and institutional factors that have constrained its ability to develop a social democratic alternative to austerity post-crisis.

Since the early 1980s, the PS has been forced to manage the electoral and ideological implications of Mitterrand’s humiliating U-turn in 1983. Jospin’s shock defeat in 2002 marked a renewed period of in-fighting that contributed to a lack of ideological direction in the ensuing years. Cracks within the party over fundamental economic policy issues and European integration became increasingly obvious in the half-decade before the crisis. Ideological stagnation was the product of a failure to reconcile the pro-EU instincts of the party leadership, and the demands for macroeconomic responsibility EU membership places on the PS as a governing party, with the competing and growing anti-EU sentiment amongst elements of the party who positioned themselves as the true representatives of the party’s constituents. These divisions left the party fractured and ill-equipped to respond to the crisis effectively before selecting its presidential candidate in 2011.

This account helps to underpin an understanding of how, despite distinct dynamics of incumbency in the two cases, the historical and institutional contexts of British and French social democracy left both Labour and the PS ill-equipped to engage with the economic crisis and the emerging politics of austerity. Subsequent empirical chapters of this thesis will utilise
this account in order to aid discussion of what followed the 2008 crisis. However, before we can begin an examination of the post-crisis period, Chapter 4 seeks to develop the theoretical and analytical frameworks through which this analysis will be conducted.
Chapter 4: Constructing crises: Understanding the politics of economic crises

4.1 Introduction

In Chapter 2, I argued that the existing literature contains a number of limitations that constrain its capacity to sufficiently explain the failure of social democratic parties to develop an alternative to austerity in the post-crisis period. A key element of this critique was that, in being premised upon theses of secular social democratic decline, the literature fails to respond to the specificities of the post-crisis conjuncture, overlooking the role of social democratic parties as institutions and the nature of politics surrounding the crisis. I have argued that in order to better understand the issues faced by social democratic parties in the post-crisis period, it is thus necessary to both appreciate the way in which a set of neoliberal ideas has come to shape the contemporary post-crisis political economic environment and bridge the analytical divide between the literatures on political economy and parties and elections.

Following this, in this chapter I seek to illuminate the contingency of political phenomena, the role of ideas in causally shaping political developments and change and thus the relationship between the material, institutional and ideational. I achieve this via a wide-ranging exploration of inter-connected literature from social constructivist theory and constructivist political economy (e.g. Searle 1995; Blyth 2002; Hay 2008; 2016; Schmidt 2002; 2008a). I then develop the thesis’ analytical framework more specifically in the latter section of the chapter.

In the first section of the chapter, drawing in particular on the work of the analytical philosopher John Searle (1995), the constructivist ontological stance of this study is developed, which highlights the role of social construction in the political process and the intimate link between ideas and institutions. The second section subsequently looks at how this constructivist theoretical framework has already been applied within the Political Economy literature to the study of institutional development and change – with a particular focus on how social constructivism can provide a better framework for understanding institutional stasis, as well as change.

Following this, the third section looks to apply some of the insights gained from both the social constructivist ontological stance and the constructivist institutionalist framework to
analyse ‘crisis moments’ (see Hay 2016; Blyth 2002; Matthijs 2011; Clift 2018). The argument developed demonstrates the value of constructivism in providing an answer to the institutional ‘stickiness’ of older institutionalist theories with a more dynamic view of political change. At the same time, however, it is contended that this literature – precisely because of its focus on moments of perceived economic crisis as periods in time where ideas appear to ‘matter more’ (e.g. Blyth 2002; Matthijs 2011) – often misses the importance of the failure or absence of ideational renewal and the impact this can have on institutional change and stasis (though see Moschella 2009). This argument is developed through an exploration of how political actors come to diagnose their crisis environments and attempt to legitimise a policy response as necessary and appropriate.

The final section (4.5) of the chapter sets out the thesis’ analytical framework in full. It develops an account of why Vivien Schmidt’s (2002; 2008a) ‘discursive institutionalist’ (DI) framework is employed for the thesis’ analysis of the two parties’ responses to the crisis environment and the politics of austerity. I argue that DI’s focus on ‘discourse’, as opposed to solely on ideas, and its situation within particular ‘meaning contexts’, permits an analysis more engaged with the interconnected issues of political and electoral, as well as institutional and material, constraints on the actors involved. In turn, we can better understand the processes through which ideas come to succeed and fail, and by extension how political change occurs or fails to occur. To this end, DI helps me to establish three key criteria for assessing how and why some ideas come to underpin effective statecraft and others do not.

4.2 A social constructivist ontology

4.2.1 Material and social realities

Unlike materialist perspectives, constructivism is concerned with the ‘social facts of the world’ – that is, those facts which ‘exist only because they are collectively shared ideas’ and which act as ‘socially constructed coordination devices’, directly influencing patterns of political economy (Abdelal 2009: 63). Constructivist theory, which initially found resonance within the International Relations literature and subsequently in Political Economy (see Wendt 1992; Finnemore and Sikkink 1998; Hall 1993; Blyth 1997), seeks to understand how political, economic and social institutions are produced and reproduced ‘in and through the orientations and practices of members engaged in social interactions over time’ (Coulter 1982: 42; see also Berger and Luckman 1991 [1966]; Hacking 1999).
Importantly, unlike some strands of interpretivism, this does not mean that constructivism sees the world as socially constructed ‘all the way down’; whilst institutions may be ‘fundamentally cognitive entities’, this does not mean that ‘they are “nothing but” beliefs’ (Wendt 1992: 399; see Coulter 1982; Searle 1995). John Searle’s (1995) constructivist theoretical framework, which draws a distinction between ‘brute’ material realities and socially constructed ‘institutional’ realities, gets to the heart of this constructivist ontological position and lends itself neatly to an understanding of how constructivism relates intimately to institutional theory (for a fuller discussion see Hay 2016; also Abdelal 2009; Clift 2018).

On the one hand, Searle argues, there are ‘brute’ material facts that are ontologically and epistemologically objective – they exist and are true whether I or anyone else disagrees with them or chooses not to believe in them (e.g. there is snow at the top of Mount Everest whether I believe there to be or not). On the other hand, there are ‘social’ or ‘institutional’ facts. These relate to those things that exist only because we, as a society, collectively believe them to exist (e.g. money or democracy), yet we are still able to discern certain ‘facts’ concerning them. For example, money is socially constructed and thus *ontologically subjective*, and yet it is *epistemologically objective* to state that the official currency of the UK is the British Pound Sterling (GBP) (Searle 1995: 1).

This analytical distinction between brute material facts and institutional facts holds three central areas of value for this study. First and foremost, it highlights the importance of the study of ideas. Second, it directs us towards an explicit conception of the dialectical relationship between the ideational and the institutional (see Hay 2016; Clift 2018: 34). Human institutions exist only because I believe them to, and yet within this, systems of ‘constitutive rules’ determine the existence of institutional facts (Searle 1995: 28) that can, in turn, shape our understanding or perception of what is feasible, desirable, legitimate and even possible (see Hay 2008: 65). Finally, this ontological framework negates the charge of

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71 For example, the institution of Her Majesty's Most Loyal Opposition in the UK only exists because as a society we collectively believe it to. Nevertheless, a set of constitutive rules shape what the official Opposition is, including its functionality and rights. In turn, our understanding of the relationship between government and the Opposition is shaped by such rules, and it is this institutional environment that both shapes and constrains our collective understanding of what is possible, necessary or even desirable for a party to do in its role as Her Majesty's Most Loyal Opposition.
relativism that can accompany constructivist scholarship. As Abdelal et al. (2010: 8) note, there is a tendency to view social constructivism, precisely because of its understanding of the process of social construction, as ‘relativistic’, and therefore focused upon understanding and ‘against explanation’. However, the theoretical framework utilised within this project again rejects the necessity of this dualism and argues that a focus on social construction does not mean that we must ‘give up on causation’ (Abdelal et al. 2010: 6, 8; Hay 2004b: 143).

Constructivist scholars have at times sought to tread the explanation-understanding divide by delivering their analyses in terms of a ‘constitutive logic’, rather than a ‘causal’ one (Wendt 1998). Yet, others have argued that this is not a necessary distinction. As Kurki (2009) and Hay and Gofas (2010) have aptly demonstrated, underlying the causal-constitutive distinction is a particular Humean conception of causality that involves the observation of regular and repeatable patterns of occurrences. Rather than abide by this, these works establish a broader and deeper conception of causality, which takes on board the critical realist insight into the social world as an ‘open system’, ‘where various kinds of social structures, concrete and abstract, global and local, constantly impinge on actors and interact and counteract in complex ways’ (Kurki 2009: 215).

Within such an account, identical factors or variables may not produce precisely the same consequences across cases due to the diverse nature of the sequence of developments up to that point (Hall 2003: 385). The social world should be seen ‘not as a terrain marked by the operation of timeless causal regularities, but as a branching tree whose tips represent the outcomes of events that unfold over time’ (Hall 2003: 385). The implication of this is a blurring of the ‘causal’ and ‘constitutive’ logics. As Kurki (2009: 235, emphasis added) posits, ‘when the constructivists talk of the “constitutive” norms and rules “because” of which shifts happen in world politics, they are engaging in causal analysis in that they are contextualising the agents’ actions within a formal context, a formal context which shapes the agents’ perceptions and thinking processes’. Moreover, as is explored further below, understanding these processes is equally important when seeking to explain institutional stasis, as well as change – that is, ideas may be equally as important when change does not occur as when it does. Such an epistemological framework therefore negates the theoretical

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72 These statements regarding the epistemological status of constructivist theories are common and based on the traditional dualism of the explanation-understanding analytical divide, wherein constructivism is usually placed at the ‘understanding’ or ‘interpretive’ end of the analytical spectrum (see Hollis 1994: 19, Figure 1.2).
weakness of relativist theories by making it possible to appeal to certain ‘truths’, based on the acknowledgement of the construction of a social reality. Simply because it may not be possible to offer a clearly defined, parsimonious causal explanation with repetitive qualities, this does not mean we should give up on assigning any causal value to the ideational world.

4.2.2 Constructivism as a critical approach

In recognising the causal role that ideas can play, the social constructivist perspective crucially naturally opens itself up to accepting a greater level of contingency and political agency than other theoretical frameworks. Whilst, for instance, rational choice institutionalist theories uphold a ‘putative concern with individual choice’, in reality rational choice models ‘strip away all distinctive features of individuality, replacing political subjects with calculating automatons’ (Hay and Wincott 1998: 952). Social constructivism, on the other hand, explicitly recognises the role played by individual cognition in determining the behaviour of actors. This means that behaviour could be shaped by numerous ideational factors, including actors’ subjective and inter-subjective perceptions, beliefs, desires, understanding and so on. In turn, this perspective has traditionally lent itself to critical analysis (Hacking 1999: 6).

Hacking’s (1999: 6-7, 11-12) orientation of the social constructivist logic helps us to understand this (see also Hay 2002b: 201-202; 2004: 146). Hacking (1999: 6) notes that if something that is currently taken for granted and appears inevitable is determined to not actually be inevitable, it opens up the door for critical approaches to suggest that it could, and indeed should, be transformed.73 An example of how this formula has been applied within the critical literature can be seen in Hay’s (2002b: 202-04, see Box 6.1) discussion of the case of economic globalisation.

It is possible to (crudely) replicate this application of Hacking’s framework with the central puzzle that underpins this thesis, ‘why have social democrats been unable/unwilling to offer an alternative to austerity post-crisis?’ I can start with the relatively uncontroversial statement that, for a variety of reasons, austerity is deemed necessary and/or inevitable by many European policy actors (including social democrats). If I am able to show, however, that claims that austerity is necessary or inevitable have no solid empirical basis, it is possible

73 Of course, as Hacking (1999: 7) notes, making the leap from determining something is not inevitable to desiring it be transformed is not required. Rather, making this leap is a characteristic of the critical disposition often found within constructivist accounts.
to argue that the acquiescence of social democratic parties to austerity has not been the inevitable result of material realities. From a critical perspective, therefore, I could suggest that austerity is not necessary and is, in fact, economically and socially damaging and therefore can and should be done away with.

In rendering contingent the nature of this institutional development, the value of this constructivist perspective is precisely to suggest that I must interrogate the underlying social, political and ideational factors that have contributed to this state of affairs. The following section seeks to show how this constructivist perspective has already been applied to political economy analyses, and in particular to a relatively recent addition to the neo-institutionalist theories.

4.3 A constructivist approach to institutions

4.3.1 Neo-institutionalism

As the preceding section has illustrated, social constructivism must be considered an institutionalist ontology, which asserts a dialectical relationship between institutional context and actors, wherein institutions are not merely structures that shape behaviour but are also themselves constituted and shaped by behaviour (Hay 2016; Schmidt 2002). The constructivist approach to institutionalism can be understood as a fourth and relatively recent addition to the three ‘neo’-institutionalist theories: rational choice institutionalism (RI), historical institutionalism (HI) and sociological institutionalism (SI) (see Hall and Taylor 1996). It is not the intention here, nor indeed is there adequate room, to debate the various merits of these older neo-institutionalist approaches (though see Hall and Taylor 1996 for a fuller discussion). Nevertheless, it is pertinent to locate the constructivist approach in relation to the other three neo-institutionalist theories.

Initially, these neo-institutionalist approaches emerged as attempts to reassert a level of structure into accounts of the social world, following the behaviouralist turn in the 1950s and 1960s, through an understanding of how institutions come to shape the behaviour of actors and produce stability (Hall and Taylor 1996: 936; Schmidt, 2008a: 213). HI theorists, for example, posit that institutions, defined as formal or informal procedures, norms and conventions, serve to regulate behaviour and provide information to actors about the present and future behaviour of other actors. Once established, institutional development follows a
‘path-dependent’ course, interrupted only by certain ‘critical junctures’ normally created by large exogenous shocks (see Hall and Taylor 1996: 937-42).

The constructivist approach, however, was in some senses a reaction to the overly structural accounts of institutions that these approaches brought with them. The main charge against such logics from constructivist scholars is that they hold a natural inclination towards accounting for institutional creation and subsequent stasis yet have an underdeveloped sense of how institutional change occurs, beyond viewing the impact of exogenous events such as economic crises as moments that punctuate the equilibrium of institutional stability (Schmidt 2002: 209). As Schmidt (2002: 213) asked, ‘if everyone follows rules, once established, how do we explain institutional change?’ The turn to ideas within institutionalist scholarship was thus utilised as a remedy to help explain how institutional change may occur (Blyth 2003: 696).

Initially this occurred within the HI tradition. Though grounded in the materialist proclivities of HI, Peter Hall’s (1993) now classic work, on what he termed a ‘paradigm shift’ in the UK in the late 1970s away from Keynesianism towards monetarism, demonstrated how political ideas can provide powerful ‘interpretive frameworks’ through which state actors come to realise new policies and institutional designs. Hall’s work on Thatcherism helped to demonstrate clearly that the policymaking process can be ‘structured by a particular set of ideas, just as it can be structured by a set of institutions’; the two, Hall noted, ‘often reinforce each other since the routines of policymaking are usually designed to reflect a particular set of ideas about what can and should be done in a sphere of policy’ (Hall 1993: 290).

4.3.2 Constructivism: A fourth variant of neo-institutionalist theory

Hall’s framework has been hugely influential within the literature. However, an emerging set of constructivist theorists remained unsatisfied with the framework adopted by Hall, which ultimately rests on a logic of historical path dependency and wherein ideational factors serve only to ‘patch up’ holes in the HI framework, helping to explain change when other aspects of the HI framework cannot (see Blyth 1997: 246; 2002; 2013). As a result, ideas are generally relegated to a less important status, wherein ‘unless existing state institutions and policy instruments are congruent with new ideas, then new ideas will neither be proposed nor readily accepted by the state and other elites’ (Blyth 2002: 20). Moreover, and largely as a result of this, Hall’s work, and the HI literature in general, was charged with having less to say, ‘about the processes of change which underlie the model’, with post-formative change
seen largely as a ‘consequence of path dependent lock-in effects’ (Hay 2008: 60, 67 emphasis added). By ignoring the ‘processes of change’, HI theorists neglected how policy actors act to ‘deliberately package and frame policy ideas to convince each other as well as the general public that certain policy proposals constitute plausible and acceptable solutions to pressing problems’ (Campbell 1998: 380).

Authors from a constructivist perspective built upon these criticisms (see Blyth 2002; Hay 2008; Schmidt 2002; 2008a). Such authors have variously described or positioned their work as an ideational approach to institutionalism (see Blyth 2002), as ‘constructivist institutionalism’ (see Hay 2004b; 2008) and ‘discursive institutionalism’ (Schmidt 2002; 2008a). Whilst these approaches and various others hold their own nuances, this section’s ambition is to cut across this literature in order to draw upon the richness of its shared and most important insights. In doing so, I refer to these works under the banner ‘constructivist institutionalism’ (CI), whilst I view Schmidt’s ‘discursive institutionalism’ (DI) as a particular ‘way of doing’ CI, equipping scholars with a set of analytical tools, rather than being completely distinct from the work of other CI scholars.

Beyond the inevitable theoretical and analytical variances within CI, I suggest that it is possible to delimit five key facets of this approach. First and foremost, for CI scholars, actors’ ‘interests’ are ‘irredeemably ideational, reflecting a normative (indeed moral, ethical, and political) orientation towards the context in which they will have to be realized’ (Hay 2008: 63-4; see Hay and Gofas 2010; Blyth 2003; Schmidt 2008a). This ontological prioritisation of the ideational does not mean that actors are somehow irrational. Rather, it underlines that such actors behave in relation to their perceptions of their own self-interest (Matthijs 2011: 23).

Second, we must ‘conceive of ideas as having institutional effects without necessarily reducing them to institutions’ (Blyth 1997: 246; see also 2002; 2003; Schmidt 2002; Hay 2008; Campbell 1998; Carstensen 2011). Whilst the specific role played by ideas differs across accounts (see Carstensen and Schmidt 2016), the overriding premise is that ideas must be seen to have a genuinely ‘independent causal impact on political outcomes’ (Watson 2001: 81; see also Hay 2004b). That is not to suggest that ideas can be easily isolated analytically from other factors; after all, actors’ ideas are shaped by the social world around them.

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74 Indeed, as Mehta (2010) notes, the influence of such works has moved the wider theoretical debate away from questioning if ideas matter, to how they matter.
However, if we accept that two actors have the cognitive capacity to simultaneously develop different sets of ideas about the same phenomenon, ideational factors must be viewed as having a status independent from other material or institutional aspects of the social world (see Watson 2005: 60-5). This account thus centres the character of agency in the formation of ideas.

On this basis, institutions are not understood simply as ‘rule-following structures’ (Schmidt, 2008a: 314). Instead, ‘a dynamic understanding of the relationship between institutions on the one hand, and the individuals and groups who comprise them’ is implied (Hay 2008: 65). As Blyth (2003: 698) puts it, ‘structures do not come with an instruction sheet’. Institutions, therefore, exist as both ‘structures that constrain actors and as constructs created and changed by those actors’ (Schmidt, 2008a: 314; see also Blyth, 2003: 700).

Compared to the natural focus on institutional stability engendered by HI’s logic of path dependency, CI allows for a more nuanced account of institutional change and path-shaping. It does so by promoting the study of ideas whilst recognising that interests, institutions and ideas ‘represent different but not mutually exclusive ways to focus attention in analysing economic policy’ (Clift 2016: 510).

This leads to the third key element of CI: that ideas matter, and always matter – even when change does not occur. Indeed, as has already been noted, the constructivist scholarship was developed out of frustration with the theoretical limitations of earlier neo-institutionalist scholarship, which was unable to adequately account for endogenous institutional change. As a result, the CI literature has often focused on moments of perceived economic crisis as periods when ‘ideas matter more’ and are more likely to bring about political economic change (see Blyth 2002; Matthijs 2011). That is not to suggest that within the CI tradition there are no attempts to theorise institutional stasis or paradigm reinforcement from an ideationally attuned perspective (see Blyth 2013c; Hay 2013). However, beyond certain exceptions (see Moschella 2009; Schmidt and Thatcher 2014a), the literature has largely overlooked the failure or absence of ideational renewal as a factor in producing institutional stasis. A number of the tools to examine this already exist. For instance, as Hay (2008: 65) contends, the constructivist school emphasises not only institutional path dependence, but also ‘ideational path dependence’ (see also Matthijs 2011: 30-31). For instance, in the case of social democratic politics, Berman’s (1998: 7) account demonstrates how ‘different versions of social democracy’ came to be ‘institutionalized’ early on within the German and Swedish social democratic parties, with the result that the two parties ‘found themselves placed on
distinct policy-making trajectories’ in the interwar period. As per these insights, focusing upon the conditions of ideational renewal – as a necessary element in any attempt to respond to the requirements of a new political and/or economic environment – is, therefore, an important part of this study. I return to this issue when discussing the ideational foundations of effective statecraft in Section 4.5.

The central point here, then, and what is seen to be missing from HI literature, is that it is not only institutions but ‘the very ideas on which they are predicated and which inform their design and development, that *exert constraints on political autonomy*’ (Hay 2008: 65, emphasis added; see also Campbell 1998: 380). Returning to the dialectical relationship between the ideational and the institutional we can, therefore, appreciate the role of subjective and intersubjective ideas in shaping the institutional environment, both in enabling change and facilitating stability through posing constraints on political autonomy (see Widmaier et al. 2007; Blyth 2002: 41; Finnemore and Sikkink 1998). This thesis builds upon some of the limitations even within the CI canon by taking seriously the processes associated with the failure or absence of ideational renewal as integral parts of the lack of change in the post-crisis period.

This, in turn, leads us to the fourth key facet of the constructivist approach: a focus on the processes of institutional design, development and change (Hay 2008: 67). Analysing these processes is critical to understanding why some ideas successfully promote change and others do not. My intention is thus to study the mechanisms through which certain ideas and discourses are developed and discussed in both internal policymaking circles and publicly, and subsequently come to shape the institutional environment (see Schmidt 2002; 2008a).

Finally, linked to this understanding of the relationship between ideas, actors’ behaviour and the institutional environment, the fifth key facet of the constructivist approach is to view institutional change as necessarily contingent and political, providing a naturally critical edge to constructivist analysis (see Hay 2016: 525; Hacking 1999). It is this final facet that is of such great importance to this study’s focus on the post-crisis environment. Crisis moments have played a significant role in shaping the understanding of the potential for radical political change within such ideationally-attuned works. The following section thus explores this further and sets out a framework for understanding crisis moments that can guide my analysis within this thesis.
4.4 Constructing crises, constructing crisis responses

4.4.1 Constructing crises

As a result of their desire to explain periods of rapid institutional change, both HI and CI theories have placed much of their focus on moments of economic crisis, which are recognised as catalysts for change (Hall 1993; Blyth 2002; Matthijs 2011). The key intervention in this debate was Hall’s (1993) account of how the monetarist ‘paradigm’ came to replace the dominant Keynesian paradigm, which had been in place throughout the post-War period. At the root of Hall’s account is an understanding that the inflationary crises of the 1970s had compromised the viability of the extant Keynesian framework, opening up space for a new set of ideas to frame the political economic environment, specify the issues at hand and identify the policy path to take. Such important periods of change, wherein such ‘paradigmatic’ shifts can occur, have been conceptualised within the literature in terms of a ‘punctuated equilibrium’ theory of change (see Hay 2002: chapter 4). That is, in contrast to both revolutionary and evolutionary dynamics, crises represent ‘critical junctures’ wherein the timeframe of political change has the capacity to shrink, as existing dominant political economic ideas are fundamentally challenged by unfolding events, leaving the political environment more susceptible to change (Hay 2002; see Collier and Collier 1991).

Herein lies the key difference between Hall’s HI approach and the more constructivist-oriented approach as taken here. Whilst Hall’s classic ‘Bayesian’ account of paradigm shifts views responses to economic crises as largely a given product of the material nature of the crisis (see Blyth 2013c), constructivist scholars have revealed the salience of how crises themselves come to be popularly understood and experienced, for the nature of the ideational struggle thereafter (see Blyth 2013a; Hay 2016; Gamble 2009a; Widmaier et al. 2007). Mark Blyth (2002), for instance, has conceptualised these periods in time as moments of ‘Knightian uncertainty’, wherein elite actors’ ideas are thrown into doubt by the crisis environment, leaving the field open for an ideational battle to commence over what the new paradigmatic settlement might look like (see also Matthijs 2011: 5, 26-8).

If, as I have already established, social and political realities are constituted through the subjective and intersubjective ideas held by actors about their environment, as part of a process of how they make sense of the world around them, the nature of economic crisis definitions must be recognised as contingent (Hay 2016: 525; see also Matthijs 2011: 5; Gamble 2009a). As Widmaier (2003: 62) writes, ‘neither state nor societal agents can react to
events until they have interpreted those events’. In effect, this means that ‘all social and political events and institutional settings are interpretively ambiguous’, that is, events such as economic crises, ‘can sustain a variety of different and competing narratives’ about their nature (Hay 2016: 528). This is not to gloss over the ‘brute’ material fundamentals of crises; clearly, crises of all kinds may pose significant issues for societies, whether I believe them to or not. Rather, the crux of the argument made here is that, as Gamble (2009a: 65, 141) submits, the conception of the crisis that ‘becomes dominant’ matters, because ‘that will shape the political response. Interpretations of the crisis become part of the politics of the crisis’ (see also Blyth 2002; 2013; Hay 2013; Watson 2009; Matthijs 2011).

In short, ‘it is politics, not economics, and it is authority, not facts, that matter for both paradigm maintenance and change’ (Blyth 2013c: 210). It is necessary, therefore, to pay particular attention to the way in which crises are ‘argued over and written about; defined into and out of existence; influenced, shaped and reconstituted’ (Watson 2014: 2).

Understanding the construction of a dominant crisis narrative is significant because it informs our conception of the appropriate response to that crisis (Hay 2016: 528; Watson 2014; Widmaier et al. 2007). As understandings of crises help orient actors towards the environment they are operating in, informing their perception of what is both necessary and what ought to be done to resolve the crisis, they are the cornerstone of accounts of post-crisis political economic strategies.

I will utilise the example of a non-economic ‘crisis’ to explain this a little further. For example, a hurricane sweeps through a city and destroys most of the city’s housing. The brute material consequences of this hurricane are severe and few would deny that it had created a range of serious problems for that society. Yet, given the nature of institutional and socially constructed knowledge, we can still suggest that this event can ‘sustain a variety of different and competing narratives’ surrounding the nature of this ‘crisis’ which are critical to its resolution (Hay 2016: 528). For instance, the emergency response and after-care offered by the government rests entirely upon socially constructed norms about the appropriate role for the state in such instances. For instance, is the state required to provide emergency care, shelter or even compensation for loss? Whilst real-world governments in developed economies would be expected to offer significant response measures, hypothetically it is possible to conceive of an ultra-laissez-faire governing arrangement wherein responsibility to ensure that properties are adequately protected against such natural disasters falls squarely upon individual property-owners. Despite there being no ambiguity over the ‘brute’ material nature of this crisis, the hypothetical laissez-faire governing paradigm sustains an alternative crisis narrative to the one we might expect wherein the central state is absolved of any duty to help resolve the situation. Thus, even the most tangible ‘crises’ can be socially constructed in different ways, shaping responses to them in important ways.
4.4.2 Constructing crisis responses

Understanding the ways in which actors respond to their environments is itself also contestable, as there are competing accounts of what is involved. As has already been explored, the classic conception in the constructivist literature is that of ‘paradigmatic’ change, particularly following exogenous shocks such as economic crises (Hall 1993; Weir 1989; Blyth 2002; Matthijs 2011). This conception of paradigmatic change has, however, been criticised for how it tends to view the emergence of new ideas non-situationally rather than as part of a protracted process of change (see Carstensen and Matthijs 2018; Carstensen 2011), as well as for its assumption of the ‘auto-legitimating’ nature of such ideas (see Seabrooke 2007a; 2010; Hobson and Seabrooke 2007; 2009).

In the post-crisis period, with the benefit of a decade’s worth of hindsight, it is clear that a single powerful new ‘oracular’ idea or ideology (see Osborne 2004) has not yet taken hold and produced ‘paradigmatic change’ in the way that, for instance, Keynesian economics did in the post-War period (see Hall 1993). Hall’s (1993) conception of ‘paradigmatic’ change involves a total upheaval of the ‘framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing’ (Hall 1993: 279). This thesis recognises the value of the concept of paradigms – and, indeed, contends that we have witnessed the continued resilience of the pre-crisis neoliberal paradigm since 2008. Yet, rather than see political change in paradigmatic terms as ‘all or nothing’ (Blyth 2013c: 208), Carstensen (2011; 2013) has sought to develop the concept of ideational ‘bricolage’ in order to recognise the more common process of fragmented, agent-led change. Paradigmatic accounts have tended to ignore the process of ideational development, viewing paradigmatic change as occurring once a new set of powerful ideas becomes available. The concept of bricolage, on the other hand, recognises how political actors utilise all ideational, institutional and political resources they have to hand at the time, drawing upon the ideas of the pre-crisis regime, as well as new ideas, to build a new coalition of ideas to fit the new circumstances (Carstensen 2011; 2013; see also Campbell 1998; Clift 2018: chapter 2). For instance, although not conceptualising his account in terms of bricolage, Widmaier (2003) demonstrates how actors come to view new economic events through old or established ‘New Classical’ and ‘New Keynesian’ lenses.
The classic accounts of paradigmatic change have also been criticised for the way they under-theorise how new ideas are legitimised. The CI literature has largely been premised upon a conception of new ideas being developed and legitimised by so-called norm entrepreneurs (see Finnemore and Sikkink 1998). Within this framework, ideas have been seen as ‘frames’ that help to determine a range of responses to a particular situation (see Campbell 1998: 385; Schmidt 2008a: 306), weapons in ideational battles (Blyth 2002), and ‘vehicles’ that act as problem-solving devices to help in ‘moving things on’ (McLennan 2004: 485).

Emerging as a branch of constructivist political economy, scholars within the field of ‘Everyday’ International Political Economy (EIPE) have, however, criticised the top-down ‘auto-legitimating’ nature of ideas within the above literature, arguing that legitimisation must be recognised as a ‘two-way street’ of contestation between different social groups (Seabrooke 2007a; 2010; Hobson and Seabrooke 2007; 2009). Particularly in the context of crisis construction, Widmaier et al. (2007) argue, for instance, that ‘crises must resonate with an intersubjective consensus about the legitimacy of change among the broader population if they are to be successfully accepted as blueprints for a post-crisis order’. This ‘intersubjective consensus’ has also been conceptualised as a ‘mood of the times’ (Stanley 2014). We can see evidence of this in the private household/public household analogy used to argue the necessity of the state ‘living within its means’ fiscally, for instance (Stanley, 2014; Gamble, 2013a; 2013b; Schmidt and Thatcher, 2014b: 343), or how the New Labour government appealed to a sense of ‘middle class moral panic’ amongst mortgage borrowers in order to justify the exorbitant costs of bailing out the banks in 2008 (Watson 2009: 431).

Whilst the EIPE literature rightly points to a methodological elitism within prior constructivist work, constructivist scholarship also has an ontological appreciation of the role that non-elite agents have in legitimisation. Even within Hall’s foundational HI work, he recognises that political elites ‘do not simply “exert power”; they acquire power in part by trying to influence the political discourse of their day’ (Hall 1993: 290). This idea was built upon in the literature throughout the 1990s and 2000s, as DI evolved. For instance, John L. Campbell (1998) made significant reference to the necessity of utilising discourse to generate ‘public legitimacy’. Indeed, Campbell’s (1998) entire analytical schema is, in fact, based around the relationship between elite assumptions and policy ‘programs’, the normative concepts or ‘frames’ that elites use to legitimise their programs to the public, and how these resonate with ‘public sentiments’. Schmidt, too, is well aware of the importance of this
process, defining discourse as ‘whatever policy actors say to one another and to the public in their efforts to generate and legitimize a policy programme’ (Schmidt, 2002: 210). This discussion therefore reveals that crisis constructions and the wider ideational and institutional context are integral to the establishment of which economic policies come to be viewed as ‘credible’ (see Clift and Tomlinson 2004; 2007). I explore this further in the next chapter (see Section 5.6.2).

The criticisms of both paradigmatic accounts and the ‘elite’ focus of constructivist scholarship are nonetheless important points of departure, especially when looking to understand periods characterised by the failure of ideational renewal; that is, if one wishes to better understand why social democratic actors were unable and/or unwilling to articulate an effective economic alternative to austerity, one must take a tour through this ideational landscape to discover what ideational processes went on, why some ideas were promoted and others pushed to the side in the attempt to develop a discourse that could legitimise a social democratic alternative. The following sections sets out a framework for doing so.

4.5 Studying social democratic politics through discursive institutionalism

4.5.1 A social democratic alternative

As discussed in Chapter 1, a successful alternative requires three elements: it must resonate with the core values of the actors seeking change, it must be economically viable and it must be underpinned by effective statecraft (see Bulpitt 1986). However, whilst Bulpitt’s concept of statecraft provides us with a valuable framework for understanding the core components of effective political-electoral strategy, it does not provide the requisite analytical granularity to help me to assess why certain political ideas and arguments can or cannot underpin, for example, a winning electoral strategy or establish political argument hegemony.

EIPE works have added a valuable bow to the string of constructivist literature. Indeed, a more direct account of the way in which legitimacy is constructed in relation to wider public understanding of the crisis would be welcome. However, in the space permitted for this thesis, it would be too difficult to incorporate a comparative methodological focus on the non-elite or everyday across two distinct cases whilst simultaneously doing justice to the issue and intricacies of social democratic politics in the post-crisis period.
In order to do so, I analyse the particular ideas and discourses drawn upon by political elites. Such analysis helps to explain how these actors have utilised these ideas to navigate their respective political economic and institutional environments in order to legitimise their programmes both internally and externally. I therefore apply Schmidt’s (2002; 2008a) particular form of DI, which distinguishes between the ‘ideational’ and ‘interactive’ dimensions of discourse (see Table 2 below). To this end, DI can be understood as equipping this thesis with a framework for assessing the ideational foundations of statecraft.

### 4.5.2 The ideational dimension of discourse

The ideational dimension of discourse refers to a set of policy ideas and values and itself is comprised of two types of ideas with different values or uses (see Table 2). The first, ‘cognitive’ ideas, serve to justify a policy programme technically (in scientific or economic terms), thereby elucidating ‘what is and what to do’ (Schmidt, 2002: 213; 2008a: 306). The second, ‘normative’ ideas, help legitimise a policy programme ‘by demonstrating its appropriateness’ in terms of a set of values, thereby indicating ‘what is good or bad about what is’ in light of ‘what one ought to do’ (Schmidt, 2002: 213; 2008a: 306).

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77 Although not used interchangeably, ‘ideas’ and ‘discourse’ are not entirely distinct. Following Schmidt (2008: 306), it must be recognised that ‘scholars who speak of discourse address explicitly the representation of ideas (how agents say what they are thinking of doing) and the discursive interactions through which actors generate and communicate ideas (to whom they say it) within given institutional contexts (where and when they say it).’ Ideas are thus the chief ingredient in the discursive process, which is central to the political process of change, and thus ‘ideas’ and ‘discourse’ should not be treated as analytically separate or separable.

78 Whilst ideas are seen to operate at ‘three levels of generality’ – specific policies, programmatic ideas (which go beyond policies because they seek to ‘define the issues to be solved by such policies’), and public philosophies or worldviews – I focus here on the second kind, ‘programmatic ideas’ (Schmidt, 2008a: 306). Programmatic ideas allow us to best access the thinking of actors on a range of day-to-day political economic issues, whilst providing a bridge between wider philosophical standpoints and particular policy commitments.

79 This distinction is represented elsewhere in the literature; Campbell’s framework, for instance, utilises a noticeably similar divide between the ‘cognitive’ and ‘normative’ ideas, wherein ‘cognitive’ ideas determine the range of policy options elites see as acceptable, and ‘normative’ ideas shape policy directions through their necessary appeal to wider societal values and assumptions (Campbell, 1998: 385).
### Table 2: Cognitive-normative ideational matrix

<table>
<thead>
<tr>
<th>Idea type</th>
<th>Purpose for discourse</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cognitive</td>
<td>Serves to justify a programme as necessary in technical terms: ‘what is and what to do’</td>
</tr>
<tr>
<td>Normative</td>
<td>Serves to justify a programme as appropriate in normative terms: ‘what is good or bad about what is’ in light of ‘what one ought to do’</td>
</tr>
</tbody>
</table>

In practice, the boundary between normative and cognitive ideas may be blurred; Keynesian theory, for instance, could be seen to contain both a set of normative assumptions about the role the state could and should play in economic development, as well as a set of cognitive arguments concerning how to achieve economic growth. Despite this, it remains possible to distinguish between these two types of ideas and their use in both diagnosing crises and prescribing remedial action. In the context of this study, normative ideas are an essential component in diagnosing an economic crisis. Beyond technical economic details, normative ideas are essential to establishing conceptions of crises that appeal to underlying values. For instance, the 2008 crisis might be constructed by some as a product of state fiscal profligacy and the associated moral hazards of indebted governments. A conception of this crisis more favourable to social democratic values, however, might position the crisis as a product of growing and systematic economic inequalities inherent within the existing neoliberal economic order. Cognitive ideas, on the other hand, serve to convince others (party actors, the electorate, etc.) that particular economic policies or strategies (e.g. Keynesianism or neo-classical economics) are necessary in order to achieve the goal of a successful crisis recovery (see Schmidt 2014: 192, see Table 1).

Schmidt’s conception of the ‘ideational dimension’ of discourse makes us aware of two important criteria for assessing the ideational foundations of statecraft. First, is the availability or *supply* of ideas. The supply of ideas is a basic prerequisite for any kind of ideational renewal and thus essential to any attempt to respond to the requirements of a new political and/or economic environment. Whilst essential, however, ideational supply is not a sufficient criterion. Rather, in order to support an effective statecraft these ideas must contain an *internal logic* powerful enough to provide both ‘the rationale for policy departures’ and ‘long-term problem-solving potential’ (see Weir 1989: 54; Hall (ed.) 1989; 1993; Schmidt
This is an essential second component of developing and articulating an economic ‘alternative’ in the context of an economic crisis. The innate qualities and limitations of the ideas and discourse emerge from their ‘cognitive’ value, in serving to justify a policy programme technically by demonstrating its necessity, and their ‘normative’ value, in demonstrating the programme’s appropriateness.

Effective statecraft thus requires the simultaneous development and utilisation of both cognitive and normative ideas, which must operate together effectively in order to construct a convincing account of what is, what to do and what one ought to do (see Schmidt, 2002: 213).

4.5.3 The interactive dimension of discourse

Schmidt’s focus on the concept of discourse allows us to look at the processes of (ideational) change by examining forensically how ideas are developed and communicated. The interactive element of discourse is, therefore, just as integral to successfully bringing about political change (see also Campbell 1998: 385, Table 1). Schmidt divides the ‘interactive dimension’ of policy discourse into two functions. The first function, ‘coordinative’ discourse, provides elite policy actors in epistemic communities (governments, parties, think tanks, etc.) ‘with a common language and ideational framework’ through which they can together construct a policy programme (Schmidt 2002: 230). This is essential to the first element of statecraft, effective management of party relations (see Bulpitt 1986). The second function, ‘communicative’ discourse, serves public-facing political actors ‘as the means for persuading the public, through discussion and deliberation, that the policies developed at the coordinative phase are necessary — cognitive function— and appropriate — normative function’ (Schmidt 2002: 230; 2008a: 310, emphasis added). This second function is equally crucial to the development of a policy package that can mobilise and enthuse the wider public.

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80 We could take, for example, Keynesianism as one historical example of a particularly powerful set of ideas in this regard (see Hall 1993).

81 There are, of course, many ideas that possess a powerful internal logic, but which would be not be ‘appropriate’ for the development of a social democratic alternative to austerity. Monetarism, for instance, provided the Thatcher governments with a set of powerful economic arguments that underpinned a rationale for departure from the post-War Keynesian paradigm in the context of the economic crises of the 1970s. Yet, crucially, it also resonated with the free-market values that the Thatcher regime intended to promote (see Hall 1993: 284-7; Hay 1999b; Gamble 1990b [1981]). Thus, as per the distinction set out in Chapter 1, in order to support a specifically ‘social democratic’ alternative, ideas must resonate with the core values of social democracy, as also defined in Chapter 1.
electorate, necessary for a winning electoral strategy and the establishment of political argument hegemony, in Bulpitt’s (1986) terms.

Whilst Schmidt’s conception of ‘coordinative discourse’ involves the inner policy elites who develop policy and her conception of ‘communicative discourse’ involves public-facing actors, Finlayson (2013: 71) has described the need to consider an intermediate sphere of ‘ideational activity within historically shaped ideological communities’ (see also Osborne 2004 on the role of ‘intellectual mediators’). This is an important addition to my understanding of the policy development process, bringing into scope the role of organisations such as think tanks, academic networks and individual experts or influential commentators.82 The influence of such networks will thus be considered as an additional important source of ideational development, alongside the processes that occur internally within parties.

Support for policy programmes must, therefore, be developed both internally (within the party) at the coordinative stage of discourse and externally (amongst the electorate) at the communicative stage of discourse.83 Both Weir (1989: 56) and Hall (1989: 370) similarly write of the need for ideas to secure the support of the relevant ‘authorities’ or ‘social groups’. Whilst I utilise Schmidt’s framework, others similarly discuss the need for ideas to appear ‘relevant’ and ‘persuasive’. Hall (1989: 369), for instance, argues that ‘persuasiveness is an inherently relational concept, determined as much by the shape of current economic and political circumstances as by the shape of the ideas themselves … changes in material circumstances can affect the pertinence and appeal of certain ideas’.

As the preceding sections of this chapter have demonstrated, however, it would be misleading to view the capacity of ideas as directly and solely relational to the material environment; from such a perspective, ideas become epiphenomenal, subservient to the

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82 Whilst Finlayson (2013) rightly sees this as an intermediate sphere, for the sake of parsimony I include these instances of ideational activity within the ‘coordinative’ stage of discourse, given that they remain a step removed from the public’s engagement with politics.

83 For example, at the coordinative stage during a presidential campaign, whilst a group of economic thinkers may be providing powerful new ideas to a presidential candidate, if these ideas find little support within the party or are deemed too risky by the presidential candidate or other advisors, they may never see the light of day and thus have no impact on the social world. At the communicative stage, the set of ideas agreed upon at the coordinative stage are required to legitimise a policy programme, both by demonstrating its necessity in cognitive terms and its appropriateness in normative terms.
concrete material reality. As Widmaier et al. (2007: 755) argue, ‘the success of any elite group engaged in persuasion is often less related to their analytic skills than to the broad mass intuitions of the moment’. Hindmoor’s (2004) account demonstrates, moreover, why it is important to remain aware of the way in which political actors can actively construct ‘political space’ by drawing upon their leadership and rhetoric skills, as well as the innovation and framing of new policies. Indeed, there is clear evidence of how particular ideas, such as the need for the state to ‘balance the books’ like a private household, can be highly effective in mobilising political change by communicating complex economic ideas in easily understood language that appeals to a mass ‘common sense’ (see Gamble 2013b: 55; see also Hall 1989: 370; Stanley 2014).

In focusing on the development of a policy programme and the delivery of that programme to the public, respectively, the interactive element of discourse thus provides a third criterion for assessing the ideational foundations of statecraft: the mobilisation of support, both internally and externally, for the policy programme being developed (see also Wright 2010; Hall (ed.) 1989; 1993; Goes 2016: 7). In order to study the interactive element of discourse, then, my empirical investigation must cover not only the types of ideas discussed by key actors, but also who these actors are and how their actions and experiences have shaped the development of discourse in the two cases.

4.5.4 Ideas in their ‘meaning contexts’

Most valuably, looking at these two elements of the interactive dimension of discourse allows me to bring the differing political and institutional contexts of Labour and the PS/Socialist administration into my analytical frame. Schmidt (2010: 48) writes that the ‘institutionalism’ in DI suggests that this approach ‘is not only about the communication of ideas or “text” but also about the institutional context in which and through which ideas are communicated via discourse’. That is, it ‘enables us to consider not only “what is said” but also “who said what to whom, where and why” in the process of policy construction and political communication’ (Schmidt 2008b: 4). Reflecting the dialectical relationship between structure and agency developed earlier in this chapter, DI pushes us to consider the interaction between discourse and the wider ‘meaning context’ of the crisis environment within which discourse is produced and communicated; as Clift (2018: 35) puts it, ‘any ideational innovation is

84 This is important because, as Hacking (1999: 10) puts it, ‘ideas do not exist in a vacuum. They inhabit a social setting’ or a ‘matrix’ of social, institutional and material environments which shape them.
institutionally mediated’. The interaction between material interests, institutions and ideas is thus embedded in the DI framework.

4.5.5 The methodological application of DI

As reported in Chapter 1, this analysis is based upon data from hundreds of English and French language documents (e.g. economic speeches, policy programmes, unpublished internal advisory documents) and 32 semi-structured elite interviews with Labour Party and PS parliamentarians, party officials and advisors. This material was collected, organised and analysed in NVivo in order to provide a picture of how each set of social democratic actors sought to develop and deliver an alternative to austerity at both the ‘coordinative’ and ‘communicative’ stages, which could then be assessed against the three ideational criteria for effective statecraft.

Taken together, this material has allowed me to get a deeper understanding of the intentions or motivations behind certain ideas and policy proposals, as well as to grasp the impact of different political, electoral, economic and institutional pressures on the social democrats’ economic programmes, including how the two parties experienced such pressures. For instance, interview questions aimed at discovering the influence of electoral concerns regarding the two parties’ economic credibility have allowed me to assess the relative significance of this issue in both the British and French cases. This interview material often served to triangulate analysis of documentary material, which provided examples of the party’s discourse on issues such as the need for ‘fiscal responsibility’. Developing a coding system in NVivo allowed me to effectively compare such factors across the two cases (see the Methodological Appendix for more information on how NVivo was utilised in practice). Furthermore, the DI approach pushes us to consider how discourse develops over two stages – that is, how certain ideas discussed and considered at the coordinative stage change or are dropped altogether by political actors at the communicative stage. In doing so, it is possible to better understand how certain factors came to bear on the way in which social democrats were ultimately willing to discuss their programmes publicly in their attempts to maintain party unity, mobilise electoral support, and establish political argument hegemony and governing competence.
4.6 Conclusion

This chapter has presented the theoretical and analytical framework underpinning this thesis. It has established a social constructivist ontological position that, following Searle (1995) in particular, makes us aware of the nature of both material and social realities. This highlights the role of social construction in the political process and the intimate link between ideas and institutions. From this basis, an account of the value of a constructivist institutionalist theoretical framework was developed. After looking particularly at the development of HI literature and the extra insights provided from a constructivist stance, it was argued that CI provides a better framework for understanding both institutional stasis and change. The third section then applied some of the insights gained from both the social constructivist ontological stance and the CI theoretical framework developed to analyse more deeply ‘crisis moments’. It was shown that moments of crisis represent critical periods of potential political change, precisely because they are inherently contestable. A focus was put on the way in which actors construct their understanding of crises and look to legitimise their crisis responses according to this understanding.

The penultimate section of the chapter developed the study’s analytical framework. Schmidt’s (2002; 2008a) DI framework was shown to effectively support the central research questions of this thesis, by looking at how social democrats have sought to develop and articulate an alternative to austerity post-crisis. In particular, it was suggested that DI furnishes assessment of the ideational foundations of statecraft with three key criteria: the supply of ideas; their internal logic, assessed in terms of their cognitive and normative qualities; and their ability to mobilise support, both internally within the party and externally amongst the electorate.

From this basis, I have thus developed the theoretical and analytical framework necessary to conduct the following empirical research, as is developed within Chapters 5, 6 and 7. The ontological foundation developed here, which provides room for the co-existence of material and social realities, allows and even necessitates that we distinguish the contours of the economic and institutional landscape. Chapter 5 looks to do this by interrogating economic and political economic arguments that suggest that austerity has been either necessary or inevitable in post-crisis Europe. In subsequent chapters, I then utilise the conceptual and analytical tools developed within this chapter to analyse the way in which social democratic
actors in the UK and France have engaged with the economic crisis environment and the politics of austerity.
PART II
Chapter 5: The age of austerity: Analysing the viability of alternatives in the UK and France

5.1 Introduction

If we were to accept that austerity policies have been necessary or inevitable post-crisis, this would clearly pose a considerable threat to social democracy; in cutting back welfare, constraining the role of the state and the capacity of fiscal policy, as well as associated structural reforms, austerity puts the traditional values, objectives and the most common ‘tools’ of social democratic governments under strain. The purpose of this chapter is, therefore, to interrogate the contemporary age of austerity and understand the position of social democracy in relation to it. In doing so, I seek to answer Research Question 2 by asking: was an alternative to austerity economically viable in the UK and France post-crisis?

The chapter begins with a contextual section, which details how austerity policies have been implemented in the UK and France in the years preceding this study. This element of the chapter is used to set out ‘the story so far’, establishing the baseline against which the two sets of social democratic actors were responding by the time I begin the discursive analysis in Chapters 6 and 7. The chapter then reviews significant economic and political economy arguments that contend that austerity has been a non-negotiable constraint on policymakers post-crisis. The chapter finds that fiscal adjustment is a medium to long-term requirement in both economies and that France’s fiscal space is more constrained than that of the UK, particularly as it is in the eurozone. However, I also argue that evidence to support claims that austerity has been inevitable in the immediate post-crisis environment is weak. Rather, counterfactual analysis shows that both economies have had the requisite ‘fiscal space’ to avoid austerity measures, with the sustainability of their debts never in serious doubt (see Ostry et al. 2010; 2016; Creel et al. 2014b), and that alternative growth-led strategies, more compatible with a social democratic alternative, would have been more effective in the immediate post-crisis environment (see Wren-Lewis 2016a; Van Reenen 2015; Creel et al. 2014a; IAGS 2013).

This is not to suggest, however, that a social democratic alternative would have been easily realised or that government debt and deficit levels make no material difference to economic policymakers. Rather, the argument points toward the importance of considering the way in which notions of ‘economic credibility’ have come to be constructed in the post-
crisis environment. This analysis returns us to the significance of ‘crisis pathologies’; it suggests that we need to conceptualise the ‘post-crisis politics of austerity’, and by extension the contextually specific construction of a set of norms around economic credibility, with reference to the shifting nature of the dominant crisis narrative in Europe and the continued resilience of the neoliberal paradigm post-2008. This, it is argued, must be at the forefront of an account of the failure of social democratic parties in the post-crisis period to develop an alternative.

5.2 Austerity in the UK and France post-crisis

5.2.1 The UK (2008-10): The Darling Plan and the Coalition government

The UK weathered the economic storm of the financial crisis under Gordon Brown’s New Labour government; the period between 2008 and 2010 was characterised by Keynesian policies to keep the UK economy afloat and to shore up its struggling banks. As a result, the budget deficit rose from close to 0 to 7.6 per cent of GDP in 2009-10, whilst net public debt levels went from around 35 to 55 per cent of GDP in the same period (Chote et al. 2010: 5, figure 2.1). Following this, for 2010-11, Labour pledged to stick to a 2.2 per cent real terms rise in spending yet forewarned the electorate that spending cuts ‘deeper and tougher’ than those of the Thatcher government in the 1980s would appear within the next parliament (Darling quoted in Elliott 2010). The Chancellor of the Exchequer, Alistair Darling, set out Labour’s proposed approach to post-crisis fiscal consolidation in the 2010 Budget.

The headline commitment of the so-called ‘Darling Plan’ was to ‘more than halve the deficit over four years’, with the shift towards fiscal consolidation occurring in 2011-12, and to have public sector net debt falling as a share of GDP by 2015/16, as enshrined in the Fiscal Responsibility Act 2010 (Dolphin and Lent 2011: 2). The plan was based on a mixture of tax rises and spending cuts in order to reduce borrowing by £57 billion by 2013-14. Increased taxation worth £19 billion by 2013-14, including the return of the higher income tax rate of 50 per cent for incomes over £150,000, was due to make up a third of this, with spending cuts worth £38 billion by 2013-14 making up the rest (Her Majesty’s Treasury 2010: 30). Despite the Prime Minister’s hesitations about pursuing such a contractionary fiscal stance (see Gamble 2015b: 156), Darling’s plan was ‘designed to impress the markets and the electorate of the government’s hawkish credentials’ (Dolphin and Lent 2011: 3).
The Darling Plan, of course, never came to fruition as in May 2010 the UK General Election failed to return a majority government, and the Conservative Party formed a coalition with the Liberal Democrats as its junior partner. What followed was a significant deviation towards even greater emphasis on immediate and substantial consolidation. In June 2010, the new Chancellor of the Exchequer George Osborne delivered his ‘emergency budget’, which set out the new government’s economic mission. It stated that ‘the most urgent task facing this country is to implement an accelerated plan to reduce the deficit’ (Her Majesty’s Treasury 2010: 1). In line with the thesis of expansionary fiscal consolidation (explored more below), the Chancellor claimed in the Budget that ‘reducing the deficit is a necessary precondition for sustained economic growth’ (Her Majesty’s Treasury 2010: 1). The aim was now (somewhat ambiguously) to achieve ‘a cyclically adjusted current balance by the end of the rolling, five-year forecast period’, which was cited as 2015-16 at this time, and to get public sector net debt as a percentage of GDP falling. In other words, the pace of fiscal consolidation was planned to be twice as fast as that set out under the Darling plan.

In order to achieve this, the Budget sought to realise an additional consolidation effort of £40 billion per year by 2014-15, £32 billion per year of which would come from spending cuts. Total consolidation across the parliament stood at £113 billion per year by 2014-15 and £128 billion per year by 2015-16, of which nearly 80 per cent would be delivered through spending cuts (Her Majesty’s Treasury 2010: 2). This represented an attempt to implement a significant deficit reduction programme of around 7-8 percentage points of GDP by 2013, on a par with the eurozone’s deeply troubled economies, Ireland, Portugal and Spain (OECD 2011: 24). The Coalition’s aim to effectively eliminate the deficit in four years contrasted with the OECD’s recommendation of a 14-year timetable (Taylor-Gooby 2012: 64). Beyond the needs of the British economy to deleverage, the Coalition government’s plans have been viewed as an attempt to bring about a ‘root and branch restructuring’ of the British state (see Taylor-Gooby 2012; Taylor-Gooby and Stoker 2011; Grimshaw and Rubery 2012).

85 £11 billion per year of these cuts came directly from welfare reform savings, as well as a two-year freeze in public sector pay. The rest of the £40 billion figure was made up of £8 billion per year from net tax increases, including an increase in VAT to 20 per cent.
President Sarkozy came to power in 2008 promising significant liberalising reform of French capitalism and the French state and a reduction in the country’s debt and deficit levels. When the GFC struck, however, Sarkozy’s disposition altered, as he played a critical role alongside Gordon Brown in arranging the 2008 G20 Washington Summit that led to significant, internationally coordinated Keynesian-style response measures (see Bezes and Le Lidec 2015; Clift 2018: chapter 8). In France, in December 2008, Sarkozy announced a stimulus package worth €26 billion (around 3.9 per cent of GDP). The package involved €10.5 billion in state investment, €1.5 billion to bail out the automobile and construction industries, €700 million euros in tax breaks for business, and a €200 payment to the poorest families to boost consumption.

Following the trajectory of the rest of the European political economy, however, this policy regime did not last long, and soon Sarkozy was beating the drum of fiscal consolidation. Clift (2013: 117) describes Sarkozy’s plans from 2010 onwards as ‘a herculean fiscal consolidation effort’, designed to bring the deficit below 3 per cent of GDP by 2013. A number of spending cuts and a pay freeze for civil servants were announced in the 2011 loi de finances, outlined in September 2010 (Gouvernement français 2010). This Budget promised zero expenditure growth (outside of pensions and debt interest payments), savings in spending on state functions and interventions of 5 per cent in 2011, alongside a restriction of the niches fiscales (tax exemptions) worth €10 billion (Gouvernement français 2010). Such measures were largely continued under the 2012 Budget (Gouvernement français 2011), and Sarkozy’s manifesto for the 2012 Presidential elections promised equally ambitious fiscal targets, including to balance the budget by 2016 (Sarkozy 2012).

It is also necessary to consider the role of France during this period in reconstructing the fiscal environment at the European level. Whilst Germany was clearly in the driving seat, the Sarkozy administration’s support from 2010 to 2012 was critical in ensuring the tightening of the SGP and signing of the Fiscal Compact, which came into force in the early stages of Hollande’s presidency. In the development of the SGP’s new ‘Six-Pack’, the Sarkozy administration sought to demonstrate its support for Germany’s tough fiscal stance, in order to reassure market actors in the context of ongoing economic turbulence in Europe’s Southern economies. In May 2010, Sarkozy and German Chancellor Angela Merkel sent a joint letter to the European Council and the European Commission (EC) stressing the need to
‘reinforce the economic governance of the eurozone’ through heightened budgetary surveillance and the strengthening of sanctions.\footnote{The call for strong economic governance in the eurozone was echoed in a joint statement by Christine Lagarde, French Minister for the Economy, Industry and Employment, and Wolfgang Schäuble, German Minister of Finance, just weeks later.} Then, in March 2012, in perhaps his last significant act as President, Sarkozy signed the Fiscal Compact – a potentially significant new institutional constraint on fiscal policy capacity in France (explored in more detail in Section 5.5.).

It should be noted that this act preceded Mario Draghi’s declaration that the ECB was ‘ready to do whatever it takes to preserve the euro’ in July 2012 – a signal that the central bank would act as a credible backstop to safeguard investments – which, in turn, eased financial pressure on the eurozone’s periphery economies (see Krishnamurthy et al. 2018). This was a fragile time for the French economy and Sarkozy’s embrace of the Compact intensified the politics of austerity in France; for instance, Sarkozy advocated the proposal, set out in the Compact, of a constitutionally enshrined balanced budget ‘golden rule’ as a way of ‘smoking out’ the Socialist candidate on the issue of fiscal responsibility during the election campaign (Clift 2013: 116; see Ivaldi and Evans 2013: 93). I return to consider how these issues played out within the Socialist camp in Chapters 6 and 7. First, however, I consider the foundations of the key economic theories upon which the shift towards fiscal consolidation in Europe in 2010 was premised.

### 5.3 Analysing the economic case for and against austerity

#### 5.3.1 The Treasury View and Expansionary Fiscal Consolidation

The economic logic of post-crisis austerity policies in Europe can be understood as premised upon two main liberal economic theories. The first harks back to what is commonly referred to as ‘the Treasury View’, referencing the conservative fiscal position of the British Treasury during the inter-War period. This perspective rested on ‘pre-Keynesian notions’ that ‘savings determined the level of investment and that monetary policy was the preferred approach for dealing with economic fluctuations’ (Konzelmann 2014: 718). As Conservative Chancellor of the Exchequer Stanley Baldwin put it in 1922, ‘money taken for government purposes is money taken away from trade, and borrowing will thus tend to depress trade and increase unemployment’ (Baldwin quoted in Konzelmann 2014: 718).
Whilst the veracity of this ‘crowding out’ thesis was crippled with the rise of Keynesian ideas in the 1930s and 1940s, the Treasury view mindset has remained important and helped to shape the post-crisis debate, with neoliberal economists returning to just such arguments in relation to high levels of public debt (King et al. 2012: 2; see for example Barro, 2009). Along similar lines, a 2010 paper by Harvard economists, Carmen Reinhart and Kenneth Rogoff (2010: 577), argued that debt-to-GDP ratios of 90 per cent and over are ‘associated with notably lower growth outcomes’. This argument has proven incredibly politically powerful. Reinhart and Rogoff’s 2010 paper was referenced explicitly by George Osborne (2010), UK Chancellor of the Exchequer at the time, in his 2010 Mais Lecture as evidence for the necessity of his austerity plans, and in a letter to all of the EU finance ministers by Olli Rehn, then Vice-President of the EC (see Rehn cited in Lamant 2013).87

Perhaps the more significant economic logic behind contemporary austerity, though, is the case for an ‘expansionary fiscal consolidation’ (EFC). The starting point of the EFC thesis was the publication of Giavazzi and Pagano’s article (1990) ‘Can Severe Fiscal Contractions be Expansionary?’, although this emerged out of earlier work conducted at the Bocconi University of Milan (see Helgadóttir 2016; Blyth 2013a: 166; Konzelmann 2014). These arguments suggest that not only are high deficit levels bad for the wider economy, but that the process of fiscal consolidation can actually directly enhance economic growth itself. Based upon analyses of Ireland and Denmark, both of which underwent a process of fiscal consolidation in the 1980s, the authors argue that signals made by governments that indicate cuts to government expenditure will lead to higher private consumption on the basis that individuals and firms are able to expect lower future taxation rates as a result (Giavazzi and Pagano 1990; see also Alesina and Ardagna 1998, 2010; Alesina and Perotti 1995; 1997). Significantly, moreover, cuts to expenditure are seen as more effective than higher taxation in this regard (Alesina and Perotti 1995; 1997) and ‘frontloading’ cuts at the start of an electoral cycle is viewed as the most effective approach, as it provides heightened credibility for the programme (Warmedinger et al. 2015).

As Blyth (2013a: 176) has documented, an updated version of Alesina and Ardagna’s 1998 paper was immediately ‘thrust into the middle of the European policy debate’ when it

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87 Rehn argued that, ‘It is widely accepted, based on serious academic research, that when public debt levels rise above 90 per cent, they tend to have a negative effect on economic dynamism, which translates into low growth for many years’ (Rehn cited in Lamant 2013).
was presented to European finance ministers at the 2010 ECOFIN meeting, cited in the UK Treasury’s 2010 ‘emergency budget’, and discussed by Jean Claude Trichet, then president of the ECB, as well as the US Council of Economic Advisors in 2010 (Blyth 2013a: 176). Furthermore, ECB economists argued in 2010 that ‘there would be significant benefits from fiscal consolidation without delay’ and urged governments to avoid ‘excessive faith in fiscal engineering’ (i.e. Keynesian demand stimulus) (Rother et al. 2010: 4-5; see also Warmedinger et al. 2015).

Such arguments are, of course, hugely significant for governments at a time of heightened debt in Europe: they posit that large debt burdens dramatically reduce growth, that fiscal consolidation enhances growth, and that cuts to expenditure are particularly effective at doing so. Moreover, they dismiss traditional Keynesian multiplier effects and suggest demand stimulus will have a self-defeating impact (see Rother et al. 2010; Warmedinger et al. 2015; Bilicka et al. 2012). The implication of these arguments, then, is that austerity was ‘the only game in town’ post-crisis – an idea that challenges the basis of social democratic economic governance. Yet, whilst the political influence of such works within the post-crisis environment has been significant, the empirical foundations of this literature are much less solid.

5.3.2 The economic case against austerity

Beginning with the idea that a front-loaded, cuts-focused fiscal consolidation can be expansionary, a significant empirical literature has emerged, not least from bodies including the IMF, highlighting the weakness of such arguments (Konzelmann 2014: 727-8; see Clift 2018). In their review of the effects of fiscal consolidation, IMF economists found that it ‘typically has a contractionary effect on output’, with ‘fiscal consolidation equal to 1 percent of GDP typically [reducing] GDP by about 0.5 percent within two years’ and increasing unemployment by about 0.3 percentage points (Leigh et al. 2010: 94). Domestic demand, they note, also drops by about 1 per cent (Leigh et al. 2010: 94). Batini et al. (2012: 32) found that large consolidations, particularly those front-loaded during times of recession, have a detrimental effect on growth and actually have a negative effect on debt-to-GDP ratios (see also Kitromilides 2011). Moreover, in direct contradiction to the claim made by Alesina and Perotti (1995; 1997), they argue that this negative effect is heightened when the fiscal consolidation is achieved predominantly through cuts to expenditure, as opposed to increased taxation revenue (Batini et al. 2012: 32). These arguments have been reinforced by a
significant amount of further IMF and other research (Guajardo et al. 2011; Batini et al. 2012; Ostry et al. 2016; see also Blyth 2013a, chapter 6; Boyer 2012; Kinsella 2012). Many prominent economists and political economists have, moreover, warned of the economic and political dangers of pursuing austerity (Blyth, 2013a; Hay, 2013: 27; Baker, 2010; Boyer 2012; Stiglitz 2010; Krugman 2015).

It is not just the claims themselves made within such literatures that are criticised. IMF economists have also found that these studies regularly employed ‘a highly imperfect measure of actual policy actions’, which led ‘toward downplaying contractionary effects and overstating expansionary ones’ (Leigh et al. 2010: 94). Problematic datasets have also plagued the argument that debt slows growth. The most significant recent contribution to this literature, Reinhart and Rogoff’s influential 2010 paper, has been almost entirely dismantled empirically due to errors in how they utilised their dataset. Re-running Reinhart and Rogoff’s models and adjusting for these errors, Herndon et al. (2014: 257) found specifically that ‘public debt/GDP ratios above 90% averaged 2.2% real annual GDP growth, not −0.1%’, as Reinhart and Rogoff suggested.88

At the same time, historically focused empirical research has revealed a very strong negative association between public expenditure and public debt (excluding the two World Wars), meaning that ‘as public expenditure increases public debt falls, and vice-versa’ (Chick and Pettifor 2010: 2; see also McCausland and Theodossiou 2016).89 That is, ‘increases in government expenditure reduce the national debt’ (McCausland and Theodossiou 2016: 1114).90 Moreover, as a recent publication by the IMF, traditionally no friend of Keynesian-style countercyclical deficit spending, argues, ‘Faced with a choice between living with the higher debt—allowing the debt ratio to decline organically through growth—or deliberately

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88 In this case, Herndon et al. (2014) found that amongst other errors, Reinhart and Rogoff’s (2010) paper had erroneously excluded various components of their own dataset and that economies such as Australia, Austria, Belgium, Canada and Denmark were missing altogether from their calculations.

89 This argument was also made to me by Jean-Paul Fitoussi (personal interview, 01/12/2016).

90 Of course, inflation is another important mechanism through which debt can be reduced (see Aizenman and Marion 2011). However, the key argument made by Fitoussi (personal interview, 01/12/2016), Chick and Pettifor (2010) and McCausland and Theodossiou (2016) is that historically, government fiscal efforts via demand stimulus programmes have been the most effective way to achieve significant reductions in debt. Indeed, as Aizenman and Marion (2011: 529) find, whilst inflation has been an effective tool in debt reduction, its impact was most important in the immediate post-War years and had, in contrast, ‘little impact on reducing the debt burden in the mid-1970s after the initial oil price shocks’.
running budgetary surpluses to reduce the debt, governments with ample fiscal space will do better by living with the debt’ (Ostry et al. 2016: 40, emphasis added). The authors even suggest that the inequality engendered by austerity itself ‘might undercut growth’, and therefore, ‘policymakers should be more open to redistribution than they are’ (Ostry et al. 2016: 41). These findings are important and relevant in the cases of the UK and France, and I will return to them in Section 5.5.

The case made for front-loaded, expenditure-focused consolidation policies being implemented at the height of the ongoing crisis is, therefore, highly contested. Yet, this does not mean that all forms or degrees of fiscal consolidation are entirely unnecessary, especially in instances when economies carry large debt burdens. Moreover, as my brief exploration of the two cases above highlights, austerity policies were not implemented in the same fashion in the UK and France. As such, I examine each case in greater detail below (Section 5.5).

5.4 The ‘death of democratic capitalism’ thesis

A second strand of the Political Economy literature on this issue concerns wider shifts in the nature of contemporary capitalism. To recap what was outlined in Chapter 2, Streeck’s thesis suggests that falling taxation revenues alongside lower nominal growth and rising public spending since the 1960s has resulted in a massive increase in public debt. This has, in turn, forced governments to devote an ever-increasing share of their budgets to pay interest to their creditors, diminishing their fiscal discretionary capacity and allowing markets to bind the hands of governments, leading to the ‘death of democratic capitalism’ (Streeck 2011; 2014; Streeck and Mertens 2013; Streeck and Schäfer (eds.) 2013). This process has been exacerbated by the GEC (Streeck 2011: 20; Streeck and Schäfer 2013: 1) and has particularly damaging implications for progressive governments, such as social democratic ones (Streeck and Mertens 2013: 55).

Whilst these claims are immediately arresting, they are, as Streeck admits, ‘drawn with a broad brush on a large canvas’ (Streeck 2014: xvi). In this section I drill down into the specificities of the two cases of concern here and argue that Streeck’s thesis also cannot sufficiently explain the absence of a social democratic alternative to austerity post-crisis.⁹¹ In

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⁹¹ The purpose here is not to counter all aspects of Streeck’s argument. Rather, it is to show that aspects of the macro picture painted in Streeck’s thesis do not accurately correlate with the empirical picture in the UK and France, and thus that one must treat such doomsday accounts with caution.
doing so, I further my argument – fleshed out in more detail in Section 5.6 – that analyses of the post-crisis politics of austerity must remain alive to the specificities of the way in which ‘economic credibility’ has come to be constituted or socially constructed on specific terms since the GFC began.

5.4.1 Democratic austerity states? Streeck’s thesis examined in the cases of the UK and France

*Interest rates have been declining on average for over three decades, and did not increase during the economic crisis from 2008*

There has clearly been an explosion of public debt in both the UK and France over the past two decades, which has grown particularly since the 2008 financial crisis (see Graph 1). In line with Streeck’s perspective, such levels of debt do make states vulnerable to significant interest rate rises, resulting from shocks such as a sharp rise in oil prices or political tremors including Brexit; as other scholars have noted, in the context of the ongoing crisis in the eurozone, this fear provoked French policymakers to pursue front-loaded fiscal consolidation from 2010 in order to demonstrate their fiscal credibility to markets (see Bezes and Le Lidec 2015: 514; Clift 2018: 188). It is possible, however, to remain wary of such threats, whilst simultaneously recognising important caveats to this story.

First, as Graph 1 highlights, the large increase in public debt from the 1960s discussed by Streeck is absent in the UK case, where public debt fell consistently from its post-1945 heights of over 200 per cent of GDP to around 40 per cent of GDP by around 1985 and fluctuated thereafter around this marker for the next three decades, until the GFC in 2008 (debt was 42 per cent of GDP in 2007). In France, we do see a steady rise in debt from the 1970s on, it is true. Nevertheless, we must also appreciate the relative stability of interest rates over the course of the last thirty years in both the UK and France as an indicator of the sustainability of this rising debt. Although interest rates on 10-year government bonds in both the UK and France did rise significantly in the 1960s and 1970s, the trend over the past three decades in both cases is a steep decline in interest rates, from around 15-16 per cent in the mid-1980s to around 1 per cent by 2015 (see Graph 2). Indeed, Streeck and Mertens even acknowledge this anomaly in their argument, noting the consistently low interest rate levels throughout the 1990s and 2000s (Streeck and Mertens 2013: 28).
Of course, this insight cuts two ways; that is, interest rates may be consistently low because of the fiscal rectitude shown by governments. Yet, in comparative terms, the near uniform fall in interest rates in both the UK and France belies the distinctiveness of the approaches towards public spending and state involvement in the economy in these two cases – for instance, according to OECD (2018a) data, average public spending was 13.6 per cent higher as a proportion of GDP in France than in the UK between 1995 and 2016. Thus,
tracing the combined fall in interest rates is significant because it reveals that financial markets have tended to consistently view both the UK and French economies as ‘safe bets’ over the past thirty years or so, despite these differences in their fiscal strategies.

Importantly, even after the GFC and the crisis in the eurozone, interest rates in both countries have remained at historically low levels (see also McDaniel 2014: 301-2). Both the UK in February 2013 and France in January 2012 experienced the downgrading of the quality of their government bonds, losing their AAA credit rating. Despite this, interest rates on these government bonds have remained historically low and even further decreased, seemingly as capital makes a ‘flight to quality’, with investors looking to the ‘safe havens’ of bond markets like those of the UK and France, in comparison with more volatile equity markets. As Krugman (2010; 2015) argues, ‘the advocates of austerity still assure us that bond vigilantes will attack any day now if we don’t slash spending immediately’, but these invisible vigilantes have so far yet to arrive (see also Radice 2011: 131-2). This itself poses some questions for the Streeck argument in the post-crisis period, as it hints at a greater fiscal leeway than is imagined. Nevertheless, this could be conceived of as part of the problem: as investors lend more money to governments, who are tempted by the low interest rates, the debt problem of those governments is only increased (Streeck and Schäfer 2013: 7). Upon further analysis of the two countries concerned, however, it does not appear that this is the case.

Debt interest payments across the two cases do not confirm Streeck’s thesis

Whilst the level of debt itself has clearly risen over the past three decades, the interest paid on it – that is the burden of the debt as a percentage of GDP – has not increased to the same extent. As we can see from Graph 3 below, French interest payments have broadly remained stable over the period 1985-2017, whilst UK interest payments have declined on average by around half a percentage point. If we include the public debt data for this period alongside the

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92 Explaining precisely why we have seen interest rates remain so low is not my main purpose here. Nevertheless, it is possible to suggest that this has been the result of ‘flight to quality’, wherein investors seek out those investments, such as British and French government bonds, which represent ‘safe bets’; given the volatility of equity markets around the world since 2008, the attractiveness of government debt from certain countries, even those without full monetary independence like France, has increased. Indeed, it is no coincidence that in this environment we have witnessed negative yields on 10-year bond auctions, for German, Japanese and Swiss debt.
interest payments data (Graph 4), moreover, we can see that this is the case despite rising debt levels from the mid-1990s up until the 2008 crisis.

Importantly, the GEC from 2008 has not altered this story in the way Streeck’s thesis expects (see Streeck and Schäfer 2013: 1). Between 2009 and 2011, the UK clearly did experience a rapid and significant increase in the cost of its debt interest payment of around 1.4 per cent of GDP. However, this began to decline again from 2011 and at no point reached the same level as in the late 1980s, despite the UK experiencing an extreme increase in debt of around 45 per cent of GDP as a result of the GFC from 2008 on. Currently, then, the UK government is able to hold (much) more debt, whilst devoting fewer fiscal resources towards paying for it than was the case three decades ago. The picture is even more intriguing for France. The French state has significantly increased the size of its government debt from around 60 per cent of GDP in 1997 to almost 100 per cent of GDP in 2015, following the economic crisis. Despite this, the burden of this debt has consistently declined on average; whilst interest payments cost the French state 3 per cent of GDP in 1997, by 2015 this figure stood at 1.9 per cent.

**Graph 3: General government interest payments as % GDP, UK and France (1985-2017) (Source: OECD 2018c)**
Graph 4: General government debt and interest payments as % GDP, UK and France (1985-2015) (Source: OECD 2018c; 2018d)

Tax revenue as a percentage of GDP has remained stable or risen since the mid-1960s

The above data on debt and interest payments show that the UK and France have become more indebted over the past three decades. Nevertheless, the premier element of Streeck’s thesis revolves around what he describes as the ‘crisis of the tax state’: ‘not high spending but low receipts are the cause of government debt’ (Streeck 2014: 66, original italics). Whist the growth in public debt is undeniable, it is not so clear that we can blame falling tax revenues for the creation of an austerity state in either the UK or France. According to OECD data, once debt interest obligations have been netted out, since 1965 tax revenue as a percentage of GDP has increased on average in the UK and remained stable in France (see Graph 5).\(^3\)

Finally, the GEC from 2008 on has not fundamentally changed this picture. Whilst a minor

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\(^3\) Whilst the UK experienced a slump in taxation revenue in the 1980s, this should be seen as a product of a distinct low-tax policy regime led by the Conservative governments from the late 1970s under Margaret Thatcher. Of course, we could see the Conservative government’s taxation policy as indicative of pressures from global capital for convergence upon a low taxation regime. However, the difference between the UK and France, as well as the OECD as a whole, which saw continuous increases in the average size of their tax take relative to GDP in this period, belies this type of argument. Furthermore, the dramatic nature of the collapse in the UK government’s tax revenue as a percentage of GDP in the early 1980s under Thatcher, followed by a subsequent increase in the period from 1997 on under the New Labour governments, highlights the contingent (as opposed to necessary) nature of this decline.
slump between 2008-09 is visible, tax revenue in both the UK and France picked up again thereafter. Levels of taxation may or may not have kept pace with general government expenditure (excluding interest payments), but to suggest that the story of the austerity state is a crisis of revenue – a critical element in the thesis of the death of democratic capitalism – overlooks the way in which these two states have maintained and improved their tax take over the past five decades.

**Graph 5: Total tax revenue net of general government interest payments as % GDP, UK and France (1965-2016) (Source: OECD 2018c; 2018e)**

![Graph 5](image)

**5.4.2 Public debt and markets: what kind of relationship?**

The purpose of the above discussion is not to suggest that the debt and deficit make no material difference; it is clear that without long-term reform the fiscal sustainability of the British and French economies could be put under serious strain over the next half-decade by secular factors such as an ageing population (see, for example, OBR 2018). Rather, the chief concern here was to demonstrate that several important economic indicators do not straightforwardly confirm the ‘death of democratic capitalism’ thesis in the UK or France over the past several decades.

Following on from this, a second concern with this thesis relates to the issue of an assumed market rationality contained within Streeck’s account, which sees market actors compelled towards punishing states via the imposition of austerity once their debt increases, under the threat of capital flight (see Streeck 2011: 26). Such analysis returns us to the economic globalisation and social democracy debates of the 1990s, as explored earlier (see
Gray 1996; Kurzer 1993). Yet, the ability or even desire of markets to act in this way must be questioned (see Mosley 2003). IMF economists have, for instance, recently argued that ‘Markets generally attach very low probabilities of a debt crisis to countries that have a strong record of being fiscally responsible’, which endows governments with ‘latitude to decide not to raise taxes or cut productive spending when the debt level is high’ (Ostry et al. 2016: 40). In the section below, I consider in more detail the cases of the UK and France, including providing an assessment of the austerity implemented since 2010 and the fiscal space available to policymakers to deliver an alternative to austerity in the post-crisis environment.

5.5 Austerity in the UK and France assessed

5.5.1 Austerity since 2010: a success story?

In the UK, the Coalition government from 2010 embarked on an extremely ambitious front-loaded, expenditure-based consolidation programme on a par with the programmes imposed via bailout agreements in countries such as Spain and Portugal. From an institutional perspective, this was highly unnecessary. Unlike these countries, the UK is not a eurozone member and as such it has own currency and central bank in charge of monetary policy. This means that the UK government not only has the monetary tools available to adjust without necessary recourse to fiscal consolidation (through currency devaluation, for example), but it is also not subject to EU fiscal rules in the same way as eurozone members (see Wren-Lewis 2016a); for instance, the UK opted not to sign up to the Fiscal Compact in 2012. Whilst the UK commits itself to ‘endeavour to avoid an excessive government deficit’ under Protocol 15 of the ‘Convergence Programme’, HM Treasury’s statement of the UK’s convergence programme also makes clear that ‘The UK is not a member of the single currency and cannot face sanctions under the EU’s SGP’ (HM Treasury 2017: 5).

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94 Indeed, in relation to the economic globalisation debate, Mosley (2003: 2-3) found that international financial integration ‘does not necessitate the death of social democratic welfare states’, because whilst capital has become more mobile, investors do not have perfect access to market information and consider only broad aspects of government policy, including overall government budget deficit levels and rates of inflation, meaning ‘governments retain a significant degree of policy autonomy.’
From a purely economic perspective, front-loading austerity in the way the Coalition did has been economically damaging and ineffective.\(^{95}\) For instance, in 2012 the OBR, set up by the Coalition government to provide independent analysis of the public finances, recognised that the government’s austerity policies had ‘acted as a bigger drag on growth’ than expected, potentially reducing economic growth by 1 per cent in the first two years of the parliament (Van Reenen 2015: 1; OBR 2012). Analysis by the Trades Union Congress (TUC) (2015: 6) also found that the shortfall in economic growth under the Coalition was almost entirely accounted for by the reduced contribution of government (see also Wren-Lewis 2016a). In this context, the IMF quickly altered its support for austerity in the UK and instead argued that calls for consolidation in 2010 were ‘premature for major advanced economies’ (Wren-Lewis 2016a: 16; see Clift 2018: 151; Ostry et al. 2010; 2016). Rather than improving the sustainability of the UK’s public finances, then, the Coalition government’s austerity measures were unnecessary and appear to have had damaging economic consequences.\(^{96}\)

The French case is somewhat more complicated. As noted in Chapter 2, the EU and the eurozone architecture undoubtedly imposes constraints on the economic programmes of member states. As a member of the eurozone, France does not have its own currency and is subject to the ECB’s monetary policy decisions and the EU’s various fiscal rules, including the Fiscal Compact (Clift 2016: 525; de la Porte and Heins 2015; Radice 2014). Moreover, the crisis occurred in the context of a long-run deterioration in the state of France’s public finances and as such there were fears post-crisis that France could get dragged into the ongoing crisis amongst the eurozone’s Southern economies (see Bezes and Le Lidec 2015: 499, 514).

Yet, these constraints do not mean that we cannot question the nature of Sarkozy’s sizeable fiscal adjustment effort, designed to bring the deficit below 3 per cent of GDP (in

\(^{95}\) Despite Chancellor Osborne’s austerity measures, debt levels continued to rise from 2010, and the deficit, although reduced during the 2010-15 parliament, was still at around 3.5 per cent by 2015.

\(^{96}\) Even Kenneth Rogoff (2019), one half of Reinhart and Rogoff (2010), now admits that ‘it has never been remotely obvious to me why the UK should be worrying about reducing its debt–GDP burden, given modest growth, high inequality and the steady (and largely unexpected) decline in global real interest rates. It is one thing to have an exit plan for controlling the rate of debt increase after a deep financial crisis; it is entirely another thing to be in any rush to bring debt levels down.’
Indeed, whilst advocating a medium-to-long-term consolidation strategy, IMF economists consistently raised concerns about front-loaded fiscal consolidation and warned against excessive pro-cyclicality in France (Clift 2018: 193; see chapter 8; e.g. IMF 2012). Indeed, a report commissioned by Sarkozy’s own government advised against a front-loaded austerity package, arguing that the best course of action would be adopting ‘a prudent, but not excessive’ stance on consolidation and a ‘moderately ambitious’ objective to contain public debt at 90 per cent of GDP by 2020 (Champsaur and Cotis 2010: 57). The first Independent Annual Growth Survey (IAGS) in 2013 found, moreover, that whilst the French economy had ‘significant rebound potential’ following the crisis, Sarkozy’s consolidation programme was reducing annual growth by around 1 per cent each year in 2012 and 2013 (IAGS 2013: 34). Creel et al. (2014a: 159) also found that staggering Sarkozy’s two-year plans for fiscal consolidation over an extra five-year term would have added 0.7 per cent GDP growth per year.

5.5.2 **Fiscal space in the UK and France**

We can therefore see that the austerity strategies adopted since 2010 in both cases have been far from optimal. Yet, was there sufficient fiscal space to pursue an alternative? Based upon analysis by the IMF, the answer appears to be ‘yes’. The work of Ostry et al. (2010) has examined the issue of debt sustainability and models the ‘fiscal space’ available to 23 advanced economies, defining a ‘debt limit’ for each country, the critical point above which ‘the country’s historical fiscal response to rising debt becomes insufficient to maintain debt sustainability’ (Ostry et al. 2010: 3). Based upon their calculations at the height of the eurozone crisis, the UK and France possessed high probabilities of a requisite amount of fiscal space to ensure that fiscal crisis was not an imminent threat even in this context (see Ostry et al. 2010: 17, Table 4). The situation in these two economies contrasts, for instance, with the very low probabilities of fiscal space found in Italy, Greece and Portugal.

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97 Whilst acknowledging market and EU imposed constraints, the IMF country report delivered in December 2012 suggested that the Socialist administration’s front-loaded consolidation strategy was ‘likely to dampen an already uncertain short-term growth outlook characterized by significant downside risks to demand’ (IMF 2012: 30).

98 The difference between this debt limit and current debt allows the authors to determine the economy’s ‘fiscal space’.
On the other hand, France’s relationship to the eurozone also engendered a fear of contagion spreading from the crisis emerging in Southern Europe, instilling a desire amongst policymakers to demonstrate fiscal rectitude. Yet, whilst explicable up until Draghi’s intervention in July 2012, these fears should have receded after the ECB’s QE programme had secured investors’ confidence (see Krishnamurthy et al. 2018). Moreover, analysis by the *Observatoire français des conjonctures économiques* (OFCE) advances the claim that France’s public finances were never seriously in doubt post-crisis (Creel et al. 2014a; 2014b). Tracing the evolution and composition of French government revenues and spending since the 1970s, as well as the structure of public debt (composition, average maturity, interest rates), the authors find that there was ‘no serious reason to worry about sustainability’ (Creel et al. 2014b: 18). This, they suggest, is reflected in the fact that ‘interest rates have been low and demand has remained strong despite growing indebtedness’ during the eurozone crisis (Creel et al. 2014b: 18). Indeed, Bezes and Le Lidec (2015: 514) note that, somewhat perversely, as French policymakers’ fears grew, France actually benefited from the capital flight out of the eurozone’s Southern economies, being seen as ‘one of the cleanest dirty shirts in the eurozone’.

Given France’s commitments to consolidation under the SGP’s Excessive Deficit Procedure (EDP), however, it is true that its room to manoeuvre in terms of Keynesian demand stimulus was limited compared to, say, Germany or the Netherlands (see IAGS 2016: 49-50). Nevertheless, the above research demonstrates that major advanced economies such as France have had the ‘fiscal space’ necessary post-crisis to at least negate the need for immediate fiscal consolidation practices and would have been better suited to stimulating growth in order to let debt levels decline organically (Ostry et al. 2010; 2016). In addition, the French economy experienced a persistent negative output gap of between -1.2 and -2.2 per cent of potential GDP between 2012 and 2017 (OECD 2017), highlighting demand deficiencies in the post-crisis period. Considering that the EU and consecutive French governments have consistently undervalued fiscal multipliers throughout the crisis (Heyer et al. 2012: 9-13), it appears that even within the more constrained fiscal environment of France, targeted investment measures could have more effectively achieved fiscal consolidation over the medium term by generating better growth outcomes – which, as we

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99 Importantly, France’s enlarged public debt has resulted not simply from excessive spending over the past three decades, but also from an increasingly unjust taxation system riddled with numerous tax breaks (Champsaur and Cotis 2010: 23; Creel et al. 2014a: 13).
have seen, is critical to debt and deficit consolidation historically (Chick and Pettifor 2010; McCausland and Theodossiou 2016).

In the UK case, whilst the OBR (2018) does forecast that secular trends (e.g. an ageing population) will likely put strain on the sustainability of the UK’s public finances over the next 50 years, extremely low interest rates on UK government bonds since 2008 (see Graph 2, Section 5.4.1) have ensured that borrowing for investment remained very cheap by historical standards. This indicates that there was spare capacity for greater macroeconomic intervention to stimulate growth in the short term. Indeed, in an analysis of UK debt post-crisis Helen Thompson (2013: 485) argues that despite an acute deterioration in its fiscal position from 2007, the UK ‘has had an exceptionally easy time financing credit’ since the crisis erupted, especially when compared to its European neighbours. This has been the result of the Bank of England’s ability to support government borrowing through its QE programme, as well as the UK’s low effective annual borrowing requirement, a product of the UK having more than twice the average term to maturity of debt compared to countries such as France, Germany, the US and Japan (Thompson 2013: 486-8).

When compared to France, moreover, the British economy experienced an even larger negative output gap of -3.9 per cent of potential GDP from 2009 that only closed in 2015-16, according to OECD (2017) calculations. In this context, the TUC’s (2015: 18, 21-22) analysis suggests that there was consistently spare capacity in the UK economy from 2010 and finds that increased investment, particularly capital-intensive infrastructure spending, would result in a significant boost to the UK economy. Furthermore, as Clift (2018: 16) notes, the IMF’s Deputy Director in its European Department argued in 2012 that the ‘priority for UK policymakers’ should be ‘more expansionary economic policies … Without such policies, they risk weak demand that leads to persistently slow growth and high unemployment’ (Chopra 2012). In both cases, then, a growth-oriented, investment-led approach – more compatible with social democratic ambitions – would seemingly have facilitated a quicker economic recovery than what we have seen since 2010. There is, however, a particular institutional constraint in the form of the EU’s Fiscal Compact, which applies to the French case and requires further discussion. The following section assesses this issue.

5.5.3 European integration and the Fiscal Compact

The EU’s Treaty on Stability, Coordination and Governance (or Fiscal Compact) was signed by member states in March 2012 and adopted into French organic law in October of that year.
The Compact represents a significant new element of the post-crisis macroeconomic policy environment, building upon previous stages of the SGP by bringing more automaticity to the initiation of the EDP for states failing to comply (Clift 2016: 525). The Compact’s main fiscal rule requires states to achieve a structural deficit of 0.5 per cent, known as the Medium-Term Budgetary Objective (MTO), and member states are required to enshrine this criterion in national, binding law (see European Commission 2015: 3). If this target is not met, as part of the EDP states enter ‘Economic Partnership Programmes’ (EPPs) with the EU, which ‘take precedence over domestic law via EU legal norms of Direct Effect’ and can thus compel states to bring about both macroeconomic and ‘structural’ reform in order to reduce the deficit (see Clift 2016: 525).

It is therefore understandable why the Compact has been viewed as the latest iteration of the EU’s enforcement of disciplinary neoliberalism (see de la Porte and Heins 2015; Radice 2014). The EDP has constrained the fiscal room to manoeuvre in France (see IAGS 2016: 49-50) and, as will become clear in Chapters 6 and 7, the institutional pressure of complying with EU fiscal targets has played a significant role in shaping the behaviour and discourse of French Socialist Party actors. Moreover, the forces of EU integration in the post-crisis environment continue to reveal the weak influence of French state actors in reshaping European economic governance (see Clift and Ryner 2014). However, there are a number of reasons why we cannot rely upon the issue of European integration and particularly the Fiscal Compact to sufficiently explain the failure of social democratic actors to develop an alternative to austerity post-crisis.

First, in comparative terms, it is important to recognise the difference between the two cases and how the pressures of European integration apply differently. France is a member of the eurozone, uses the euro and thus its central bank remains tied to the monetary policy decisions of the ECB. On the other hand, as we have seen, the UK does not have these institutional constraints. Despite this freedom, from 2010 the UK Coalition government decided to implement a significant deficit reduction programme of around 7-8 per cent of GDP by 2013, on a par with Ireland, Portugal and Spain – and tougher than France’s. Whilst the Compact may have added an extra institutional layer to the constraints imposed by the EU, one cannot suggest that this factor explains the rise of the politics of austerity across the two cases.
Second, it is essential to consider the actual – as opposed to the intended – effects of the Compact. Whilst the Compact does add to the weight of regulatory pressure, the new Treaty considers the role of structural, and not just cyclical, budget deficits that creates the potential for counter-cyclical fiscal policy (Clift 2016: 526-7). Clift’s (2016: 526) analysis finds that this is significant as it recognises the limits of pro-cyclicality and ‘opens the door to the possibility of counter-cyclical fiscal policy’. Furthermore, as is also documented by Clift (2016: 526), given the focus on structural deficits, ‘how potential growth rates and output gaps are defined are now of first order political significance’, given that they are open to much greater interpretation. Fiscal margins of manoeuvrability have been maintained to some extent in France, given the government’s very political rejection of the EC’s calculations in favour of its own assessments conducted through Bercy and the narrower, advisory remit assigned to the French Haut Conseil des finances publiques (HCFP) when compared to its counterparts across Europe (see Clift 2016: 526; Bezes and Le Lidec 2015: 515). The SGP and Compact constrain discretionary fiscal policy, but they do not rule it out altogether.

We also have to consider France’s record to date. For instance, despite consistently flouting the SGP’s debt and deficit targets since 2008 (and well before – see Graphs 6 and 7 below), and thus being admitted to the EDP process between 2009 and 2018, France has so far been afforded significant leeway. Whilst under pressure to achieve the reduction of its deficit, through the recommendation of a range of macroeconomic and structural reform measures (see European Commission 2016), France has not been subject to formal sanctions. Indeed, it is important to remember that these rules are themselves a product of political processes, of which France plays a significant role. Due to its relative economic size and political clout, France was granted three extensions on its timeframe to achieve compliance. Jean-Claude Juncker, President of the EC, admitted in May 2016 that France was granted budget leeway simply ‘because it is France’ (Juncker cited in Guarascio 2016).

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100 In December 2009, the EC extended it to 2013, before extending it again to 2015 in June 2013. In March 2015, the Council extended the deadline once again to 2017, before ending the Procedure altogether in June 2018.
Whilst the development of new institutional fiscal rules has played an important role in French economic policymaking, these rules are themselves open to contestation and do not entirely diminish the fiscal capacity of the French government, whilst they clearly cannot explain the turn to austerity in the UK case. As such, it would be remiss not to look beyond
the constraining influence of such rules when seeking to explain the absence of a social
democratic alternative to austerity post-crisis. This poses the question, then, if austerity has
been neither economically necessary nor inevitable in the post-crisis environment, why has
the political environment rendered it so difficult for social democrats to provide an
alternative? The following section seeks to respond to this question by developing an account
of what I term the ‘post-crisis politics of austerity’ and, in particular, how notions of
‘economic credibility’ have been socially constructed within the particular ideational and
institutional context of post-crisis Europe.

5.6 Crisis pathologies, the post-crisis politics of austerity and the
construction of ‘economic credibility’

5.6.1 Constructing the crisis and imposing austerity

The crises experienced globally and in Europe since 2008 must be understood in relation to
the neoliberal paradigm that has dominated the global political economy for almost four
decades. In the pre-GEC era, a set of neoliberal economic ideas, from the efficient markets
hypothesis to ‘trickle-down’ economics, provided the epistemological authority to an
economic approach that enabled financial markets to grow exponentially during a period of
perceived ‘Great Moderation’ (see Quiggin 2010). The unsustainable ‘privatised
Keynesianism’ of the pre-crisis era, which saw the explosion of cheap credit to consumers
through credit cards, bank loans, and of course, (subprime) mortgages (Crouch 2009), was at
the root of the financial instability that triggered the GFC. The crisis was, then, a crisis of the
neoliberal growth paradigm itself (Hay 2013). Nevertheless, an extensive literature has
already emerged exploring the way in which this financial crisis, associated initially with the
US ‘sub-prime’ mortgage market, morphed in the public and political discourse into a crisis
primarily associated with the debt held by sovereign states (see Blyth 2013a; Gamble 2009a;

Between the onset of the GFC in 2007-08 and 2010, the initial crisis response was an
internationally co-ordinated Keynesian-style fiscal stimulus and nationalisation programme.
The global political economy thus saw the re-emergence of a set of policy tools and ideas
long written off as unviable, and with it the economic models and assumptions of the
dominant neoliberal paradigm that went before no longer seemed so sound (Clift and Woll
2012: 307). As Blyth (2013c: 208) quipped, ‘we were all Keynesians for about 12 months’;
yet, by mid-2010, much of the political economic landscape had changed dramatically once
again. The 2009-10 Greek debt crisis was arguably the pivotal moment, as the political opportunity opened up to implement a different approach to the crisis, providing a ‘metaphor for the perils of Keynesianism. “Becoming Greece” became a scare story to justify cutting back at home’, leading to an opportunistic rebranding of private-sector debt problems, emanating from the financial sector as ‘the Debt’ generated by ‘out-of-control’ public spending (Blyth 2013a: 71-3; see Boyer 2012; Matthijs and McNamara 2015). This ‘false diagnosis’ constructed the crisis as resulting from ‘lax public spending policy’ (Boyer 2012: 283), an image which, in turn, ‘fashioned the crisis into a “normative” morality tale of Southern profligacy vs. Northern thrift’ (Matthijs and McNamara 2015: 230).

The construction of the crisis as one of public debt was incredibly powerful. Blyth (2013a: 73) describes the imposition of austerity from mid-2010 as ‘the greatest bait and switch in modern history’; the fiscal crisis was a consequence of the GFC, not its cause, and to say otherwise ‘is to deliberately, and politically, confuse cause and effect’ (Blyth 2013a: 73; see Thompson 2009). Hay’s (2013) account of the development of a consolidated ‘crisis of debt’ discourse in the UK demonstrates how this has necessitated a policy response focused upon deficit reduction. Empirical analysis has, moreover, revealed how the changing pathology of the crisis, towards a ‘primary crisis narrative focused upon the state’s fiscal position’, has been systematically reproduced through national media outlets (Pirie 2012: 341; see also Wren-Lewis 2016b).

From 2010 on, austerity was installed (either by choice or outside imposition) in countries including the UK, France, Ireland, Italy, Greece, Portugal and Spain. Sociological network accounts reveal the way in which particular economic theories, including EFC theory and Reinhart and Rogoff’s (2010) work on the burden of government debt on economic growth, were disseminated amongst critical groups of elite policymakers and economists, both in Europe and at the level of global economic governance (see Blyth 2013a; Dellepiane-Avellaneda 2014; Carrick-Hagenbarth and Epstein 2012). This process is what Watson (2014) has described as the reproduction and re-legitimisation of the ‘uneconomic economics’ that underpinned the pre-crisis neoliberal economic order. As John Quiggin (2010: 1) has argued, whilst the failure of the ‘Great Moderation’ from 2007-08 was a crisis at least as significant as that which ended Keynesianism’s post-War dominance (see Sassoon 1996: chapter 16), since the GEC neoliberal economic ideas simply ‘keep on coming back … they are undead, or zombie, ideas’. Others have referred to this phenomenon as the
‘resilience’ or ‘strange non-death’ of neoliberalism (see Schmidt and Thatcher (eds.) 2014a; Crouch 2011; Gamble 2014).

5.6.2 The post-crisis politics of austerity and the social construction of economic credibility

The post-crisis politics of austerity must be seen simultaneously as a component in and a product of this ‘resilient neoliberalism’. As a number of authors have revealed, the theoretical roots of austerity reside in underlying classical liberal economic assumptions (see Blyth 2013a; Gamble 2013a; 2013b; Konzelmann 2014). Austerity, Blyth (2013a: 100) observes, ‘emerges over time as a derivative consequence of other shared beliefs—a sensibility—concerning the nature and role of the state in economic life that sit at the core of liberal economic thought.’ Gamble (2013b) neatly brings the two themes together in his discussion of ‘neo-liberalism and fiscal conservatism’, which shows the power of these ideas at the everyday level. He argues that the 2008 crash occurred with ‘neo-liberalism in the ascendancy and most governments operating … within a neo-liberal framework’, and that as such, ‘familiar neo-liberal ideas still supply the everyday “common sense” that dominates discourses … and provide the organizing assumptions that shape the formulation of policy’ (Gamble 2013b: 55, 71). Part of neoliberalism’s resilience as a set of ideas, he argues, is its appeal to the ‘classical conception of the household’, which sees the economy in terms of the domestic household, associating its effective management with ‘balancing expenditure against income and a particular set of virtues: prudence, sobriety, accuracy, thrift, and frugality’ (Gamble 2013b: 64; see also Stanley 2014; 2016).101

Austerity has, moreover, been part of the active governance of the post-GEC period, serving to both diagnose the crisis as one of public debt and ‘prescribing the response’ of

101 Clarke and Newman (2012: 303) illustrate how the legitimacy of ‘austerity’ has been socially constructed via a range of imagery which has, they argue, ‘moved uncomfortably between the “economic necessity” claim and a more moral and social vocabulary of responsibility and interdependence’. Political actors have used this sentiment to effectively legitimise austerity by pushing the line that fiscal consolidation rewards ‘hardworking families’ over these undeserving groups (Stanley 2016: 402; Clarke and Newman 2012). As Stanley (2014) and Gamble (2013b: 55) argue, the idea that an individual must ‘live within one’s means’ is a ‘common sense’ that is seen to apply equally to the state and has been critical in legitimising austerity amongst the public. This research thus builds upon existing empirical research that shows the public understand the fairness of welfare in relation to various social cues including effort, need, gratefulness and past contribution (Van Oorschot 2000; Aarøe and Petersen 2014).
fiscal consolidation and structural adjustment (Berry 2016: 109-10; see Taylor-Gooby 2012; Taylor-Gooby and Stoker 2011; Grimshaw and Rubery 2012). This has been central to the ‘institutional and ideational context’ in which ‘economic credibility’ has been constructed in the post-crisis period (see Clift and Tomlinson 2004: 516; also 2007). That is, in the context of a crisis construction focused on a crisis of public debt, austerity becomes the central mechanism through which to resolve that crisis (Hay 2013). ‘Credible’ economic governance thus comes to be seen solely through the lens of fiscal consolidation. On the other hand, if we were to acknowledge the crisis as one of a particular neoliberal model of economic growth (rather than one of public debt), a ‘credible’ crisis resolution strategy would conceivably seek to achieve progressive reform of that model (Hay 2013: 24; see Berry 2016).

The post-crisis politics of austerity has, therefore, helped to construct a dominant notion of economic credibility, establishing a ‘common sense’ and organising assumptions that shape the formulation of policy, along fiscally conservative lines (see Gamble 2013b: 55, 71). However, it is important to recognise how this politics of austerity has extended beyond the fiscal programmes of government. We can take evidence of this from existing argumentation in support of austerity. For instance, in a 2010 paper arguing the case for austerity, ECB economists suggested that ‘fiscal reforms should be coupled with structural reforms of social security and financial systems and of labour and product markets in order to maximise the benefits for growth and sustainability’ (Rother et al. 2010: 7). This overarching policy programme is what Woodruff (2016) terms ‘The Brussels-Frankfurt consensus’ – that is, the ‘attachment to stable money, sound finances, and efficient local-factor markets, especially labor markets’ amongst EU actors and institutions. The post-crisis politics of austerity, therefore, encompasses a range of policy initiatives including fiscal consolidation and liberalising reform of markets that have been used to govern the post-crisis environment along neoliberal lines. As the two cases in this study will highlight, this approach has been apparent at both the European and domestic levels.

The post-crisis politics of austerity, and the construction of a particular conception of ‘economic credibility’ on the basis of these ideas, has consequently served to reinforce rather than threaten the pre-crisis neoliberal mode of economic governance (Hay 2013). Ultimately, it has been the task of social democrats in Europe post-crisis to develop and deliver an alternative to austerity, yet in doing so they have had to contend with this wider politics of austerity. The following chapters explore how the UK Labour Party (2010-15) and France’s PS/Socialist administration (2012-17) fared in this regard.
5.7 Conclusion

To recap, this chapter initially provided a brief outline of the austerity measures enacted in the UK and France during the period between 2008 and when the core empirical components of this study begin in 2010/2012. Following this, the chapter reviewed the economic case for austerity measures and analysed the basis of Streeck’s thesis of the ‘democratic austerity state’, finding that the levels of debt interest payments and taxation revenues in the UK and France do not appear to have crippled discretionary fiscal capacity in the way suggested. In particular, I analysed the austerity conducted in the UK and France in the immediate post-crisis period and found that not only were such policies unnecessary, but that they have had a damaging economic impact in both cases. Moreover, evidence shows that both economies had spare fiscal capacity and thus would have benefited from a more expansionary fiscal programme in the short run. In both cases there was a strong case for a ‘growth-led’ recovery and consolidation of debt.

As such, these findings support the contention that austerity was not ‘the only game in town’ in the UK and France post-crisis and that, by extension, a social democratic economic alternative to post-crisis austerity policies was economically viable (as was asked by Research Question 2). In this sense, an alternative course of action was both possible and desirable. This left us, however, with a need to understand and explain why the political environment has rendered it so difficult for social democrats to provide an alternative to austerity since 2010. In order to explain this, it was argued we must contend with the wider ‘post-crisis politics of austerity’. This ideationally-attuned account sheds light upon the way in which socially constructed notions of ‘economic credibility’ can equally come to shape and influence the behaviour of actors. This chapter thus sets the foundation for the subsequent chapters of this thesis. Chapters 6 and 7 seek to provide analysis of how social democratic actors in the UK and France have engaged with their respective crisis environments and the ‘post-crisis politics of austerity’, first at the coordinative stage (Chapter 6) and then at the communicative stage of public-facing discourse (Chapter 7).
Chapter 6: Developing an alternative: The coordinative discourse of the Labour Party and the PS/Socialist administration

6.1 Introduction

In Chapter 5, I argued that austerity was not economically necessary in either the UK or France post-crisis and that a social democratic economic alternative was economically viable. I turn here, therefore, to consider the statecraft of both Labour and the PS in order to understand the absence of a social democratic alternative. To this end, following Schmidt’s DI framework (2002; 2008a), this chapter concerns itself with the coordinative discourse of Labour under Ed Miliband (2010-15) and the PS/Socialist administration of President Hollande, including the campaign leading up to the 2012 election (2011-2016). To recap, whilst communicative discourse (analysed in Chapter 7) is utilised by political actors to publicly legitimise their policy programmes, coordinative discourse refers to the discussions between policy actors where ideas are articulated, developed, and deliberated as part of the development of that programme (Schmidt 2002: 233).

As per the analytical framework developed in Chapter 4, alongside an assessment of how these ideas resonated with social democratic values, this leads us to analyse three criteria: the supply of ideas; the power of their internal logic (in cognitive and normative terms102); and their ability to mobilise support internally within the party. This therefore involves analysis not just of ideas but of the interaction between ideas and the wider economic and institutional environment, the party and those groups and individuals that have contributed most significantly to the development of the parties’ discourse. In order to gain a

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102 As a reminder, normative ideas help to indicate “what is good or bad about what is” and thus “what one ought to do” and underpin diagnoses of the crisis environment and visions of what post-crisis reform should look like. Cognitive ideas, on the other hand, serve to convince others that particular economic policies or strategies are necessary in order to achieve these goals. The ‘internal logic’ of ideas is defined in relation to the qualities of cognitive and normative ideas, which serve, respectively, to provide technical justification for a policy by demonstrating its necessity and legitimise the programme by demonstrating its appropriateness. The legitimisation of a policy programme thus requires the simultaneous development and utilisation of both cognitive and normative ideas, which must operate together effectively in order to construct a convincing account of what is, what to do and what one ought to do (see Schmidt, 2002: 213).
stronger conception of the internal coordinative discourse utilised within the two cases, the chapter relies upon data gleaned from 32 semi-structured elite interviews conducted with key policy actors and triangulates this with analysis of over 300 English and French language documents, including speeches, private internal party communication and interviews given at the time. This interview data was coded and analysed in NVivo (see Methodological Appendix for more information).

Labour and the PS were operating in distinctly different ‘meaning contexts’ in this period. Labour’s relationship to the crisis became a key electoral issue, undermining their economic credibility with the electorate (see Gamble 2015a), whilst for the PS this dynamic did not play a role. Yet, given the weak condition of France’s public finances in the context of the deepening crisis in the eurozone – particularly prior to Draghi’s intervention in July 2012 – the French government faced institutional pressure to also demonstrate its economic credibility to financial markets and the EU. Despite these distinct contexts, in both cases these social democratic parties failed to reconcile the competing demands of ‘responsiveness’ and ‘responsibility’ (Mair 2006; 2009; 2011; 2013) in order to deliver a social democratic alternative to austerity. Three key factors undermined their attempts to do so: weak ideational supply; an ideational path dependency that has seen the continued dominance of a social liberal intellectual framework; and organisational divisions within the parties (see Pemberton and Wickham-Jones 2015; Bell and Criddle 2015: chapter 3). In turn, these shared pressures contributed to both Labour and the Socialist administration internally legitimising a fiscal programme that sought to balance the perceived requirement to pursue fiscal consolidation with normative social democratic concerns for the welfare and equality of citizens (see Bremer and McDaniel 2019). Below, each case section begins with an overview of the

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103 These interviews were designed to examine issues around the economic crisis and the politics of austerity and how these impacted upon the party’s statecraft; questions were based on topics including crisis conceptualisations and austerity, the issue of economic credibility, the motivations behind key policy initiatives, internal party management issues, etc.

104 This is what I have discussed elsewhere as ‘social democratic austerity’ (see Bremer and McDaniel 2019). Bremer and McDaniel (2019) utilise the term ‘social democratic austerity’ to describe how a set of normative ‘social democratic’ ideals and cognitive economic ideas, based upon New Keynesian theory, supply-side economics, and the social investment paradigm – which we collectively call ‘supply-side Keynesianism’ – provide the basis of an internal legitimisation of austerity policies within three traditional European social democratic parties: the UK Labour Party, France’s PS and the German SPD. The term ‘social democratic
‘meaning context’ in which each party operated, before looking at the wider ideational environment around the party and subsequently how ideas were developed in relation to the nature of the crisis and austerity.

6.2 The Labour Party

6.2.1 “Labour’s mess” and the post-New Labour party

On coming to power as party leader in 2010, Miliband was immediately beset by the issue of support in the party for his leadership and programme, reflective of long-standing intellectual and organisational divisions within Labour between its social liberal and social democratic elements (see Wickham-Jones 2013: 41). Aside from Dianne Abbott, from the socialist left of the party, during the leadership election Miliband was seen to be the left’s ‘candidate for change’. He rejected calls to reinvigorate the New Labour project from old-Blairite figures such as Peter Mandelson and argued that Labour must ‘move on’ (Miliband cited on BBC News 2010). Miliband grappled with how Labour, as a social democratic party, could offer a progressive economic alternative in the post-GFC era (see Goes 2016). Yet, winning the

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*austerity* is not used in this thesis, however, in order to not confuse the terminology and analytical framework used herein. Nonetheless, I draw upon this line of thinking throughout the thesis to explore the notion of social democratic parties developing and internally legitimising a form of austerity based upon an attempt to balance the perceived requirement to pursue fiscal consolidation with normative social democratic concerns for the welfare and equality of citizens.

105 The 2010 leadership campaign was fraught, with Miliband beating his elder brother David, the social liberal ‘Blairite’ candidate, very narrowly with the help of the trade union ‘bloc votes’, as well as Ed Balls, his long-time senior colleague within Brown’s Treasury during the New Labour years.

106 It is, however, an exaggeration to claim that Miliband was ‘so desperate to distance himself from New Labour that he effectively threw out the baby with the Blairite/Brownite bathwater’ (Bale 2015a: 256). Miliband defended a range of New Labour policy achievements throughout his leadership and, somewhat problematically (as we shall see), key members of the Blair/Brown governments constituted an essential part of Miliband’s Shadow Cabinet teams over the 2010-15 Parliament.

107 Indeed, Miliband himself is described by those closest to him during this period as a ‘radical who feels passionately that the economy works in the wrong way’, ‘very intellectual’ and someone who believed ‘in his heart of hearts that big change was needed’. Senior Economic Advisor A, personal interview, 03/12/15; Marc Stears, personal interview, 17/02/16; Shadow Cabinet Minister A, personal interview, 11/01/17.
leadership against the PLP immediately revealed to him, Marc Stears acknowledges, ‘fundamental differences in the party of what a post-New Labour party would look like’.\textsuperscript{108}

Winning the leadership contest in the fashion he did presented Miliband with serious party management problems. Miliband was notably at odds with much of his Shadow Cabinet, who were ‘95 per cent David [Miliband] supporters’\textsuperscript{109}, leaving Miliband’s leadership, Rutherford notes, ‘incredibly politically isolated’.\textsuperscript{110} As Stewart Wood puts it, this ‘bred a sense of, unless the small team of us did it, it wouldn’t get done … that put the barriers up a little too much.’\textsuperscript{111} As a result, this dynamic produced a small network around the leader. This group of trusted and highly capable advisors included Stewart Wood, a former New Labour advisor who helped run Miliband’s leadership campaign, Torsten Bell, a former Treasury advisor to Alistair Darling, and Marc Stears, an Oxford Professor of Political Theory and Miliband’s university friend.

From the outset in 2010, moreover, the party leadership knew it faced a significant electoral dilemma – the public, whilst not directly blaming the GFC on Labour’s spending, felt the party had been wasteful and tied this to wider concerns over New Labour’s perceived lax attitude towards immigration and welfare (GQR 2010).\textsuperscript{112} Compounding this credibility problem, the newly formed Coalition government very effectively delivered a public discourse that positioned its fiscal consolidation measures as the necessary response to what it was presenting as ‘Labour’s mess’ (see Gamble 2015a; Stanley 2015). Miliband, then, inherited the significant task of developing a distinct post-New Labour project whilst responding to this emerging post-crisis politics of austerity in the UK. As we shall see, this

\begin{itemize}
  \item \textsuperscript{108} Indeed, initially this also had the effect of stymieing the development of a new policy programme. There was no real expectation that Miliband would win the leadership contest, even within his own team. As such, there had not been sufficient thought given to what came next, including who would staff key positions within his office, making it difficult to hit the ground running as leader and establish the authority of his message and strategy early on (Shadow Cabinet Minister A, personal interview, 11/01/2017).
  \item \textsuperscript{109} Stewart Wood, personal interview, 05/02/2016. Indeed, at that time, Labour Shadow Cabinets were selected through a ballot of Labour MPs, not directly by the leader. This practice was abolished by Miliband in July 2011.
  \item \textsuperscript{110} Jonathan Rutherford, personal interview, 23/02/2016.
  \item \textsuperscript{111} Stewart Wood, personal interview, 05/02/2016.
  \item \textsuperscript{112} Senior Strategic Advisor A, personal interview, 16/11/16; Marc Stears, personal interview, 17/02/16.
\end{itemize}
issue consistently provided obstacles to the development of an effective statecraft for the Labour Party.

6.2.2 The wider ideational landscape around Labour

Given his desire to push the party beyond the New Labour epoch and improve its responsivness to constituents’ interests post-crisis, Miliband was initially keen to take a ‘let a thousand flowers bloom’ approach to the renewal of Labour’s programme (Miliband cited in Jones 2011; see Bale 2015a: 115; Watson 2011; see also Finlayson 2013 and Beech and Hickson 2012 for more on this). The early period of the 2010-15 Parliament was thus marked by engagement with an array of different intellectual traditions and arguments. However, few if any of these sets of ideas contained an internal logic powerful enough to provide the rationale for a significant policy departure or the long-term problem-solving potential required to set out a robust prescription for a resolution to the crisis. Moreover, as I make clear in the following sections, Miliband struggled to develop upon the ideas that were available, lacking the necessary institutional support and relationship to a particular organisation or school of thought that could support his leadership intellectually.

Blue Labour represents perhaps the best-known strand of new thinking within the ideational spectrum around Labour during this period (see Jobson 2014). Led by Maurice Glasman, the basis of the Blue Labour political economy is an ethical socialist critique that draws upon Polanyian (2001 [1944]) thought (see Finlayson 2013) to reject the statist, materialist and redistributive conception of socialism upon which the party had, it argues, come to rely since 1945 (see Glasman 2011: 21-22). Attendant to this, moreover, is a deeply conservative perspective of ‘the Good Society’, embedded in localism and community (see Glasman 2011: 26-31).

113 Indeed, a number of interviewees confirmed Miliband’s intellectual curiosity saw him attempt to engage with a range of new political economic ideas. One senior member of his Shadow Cabinet noted that Miliband’s approach was often more suited to a think tank or seminar type of environment than the cut and thrust of parliamentary politics (Shadow Cabinet Minister A, personal interview, 11/01/17).

114 Led primarily by the academic Maurice Glasman, Blue Labour ideas were subsequently developed during a series of seminars in Oxford and London in 2010-11 (see Glasman et al. (eds.) 2011; Gaffney 2017: 93-7). This led to the publication of a book, The Labour Tradition and the Politics of Paradox (Glasman et al. (eds.) 2011), which was endorsed by Miliband, who wrote a preface for it.
Blue Labour ideas held sway over Miliband, at least in the first half of the Parliament; Miliband made Glasman a Peer in 2011, whilst Blue Labour proponents were at the heart of Miliband’s team, including Stears, as well as Jon Cruddas MP and Jonathan Rutherford, who were heads of the Party’s Policy Review team. Furthermore, the Institute for Public Policy Research (IPPR), a think tank associated closely with the New Labour years, sought to reorient its mission under director Nick Pearce and engaged with a wider array of viewpoints including some of Blue Labour’s thinking around community and localism. This can be seen in its major report during the 2010-15 Parliament, *The Condition of Britain: Strategies for Social Renewal* (Lawton et al. 2014). These ideas gained traction amongst a handful of MPs, particularly those on the right of the party elected in the post-New Labour era such as Chuka Umunna and Dan Jarvis, yet they never disseminated much more widely in the PLP beyond that point and Miliband ultimately never fully embraced its ‘faith, family and flag’ approach to social and cultural issues.

*The Purple Book* (Philpot (ed.) 2011a), an edited book convened by Progress, a pressure group from the right-wing ‘Blairite’ element of the party, represents another major strand of thought in the party during this period. This grouping retained significant strength within the PLP during the parliament and included MPs close to Miliband such as Rachel Reeves and Tristram Hunt. *Purple Book* thinking advances a critique of New Labour’s statism and centralising tendencies, but its political economy remains firmly of New Labour’s social liberalism. This can be seen particularly in relation to its desire for more market-driven and localised welfare as the basis for a more empowered and liberal society, such as ‘asset-based welfare’ (due to the “waning capacity” of the state to deliver greater equality or social mobility”) (see Philpot 2011b: 284, 298). Most crucially, *The Purple Book* also makes the case – prevalent on the right of the party and within its think tanks more generally (e.g. the

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115 *The Condition of Britain* was intended as a follow up to 1994’s *Social Justice: Strategies for national renewal* (The Commission on Social Justice/IPPR 1994), which was heavily influential on Blair’s New Labour. The report was a wide-ranging analysis of social and welfare policy, as well the role of the state vis-à-vis civil society and sought to shift policy away from New Labour’s redistributive model towards social investment, strengthened local institutions and the restoration of reciprocity to the social security system. However, as will also be detailed, Miliband’s Labour shied away from embracing much of its bold social policy thinking.

116 Blue Labour’s influence on the party leadership was side-lined as the parliament progressed, as it became increasingly ‘shrunken, populist, right-wing, racially-obsessed’, in the words of Jon Cruddas (personal interview, 10/03/2016); Maurice Glasman, personal interview, 02/02/2016.
‘Black Labour’ group, see Cooke et al. 2011) – that fiscal conservatism had to be the cornerstone of Labour’s economic approach, in order to re-establish the party’s economic credibility with the electorate (see Mandelson 2011; Hunt 2011). Yet, in their attempts to reheat social liberalism, the Purple Book camp failed to provide a normative account of the crisis that could readily move the party beyond the New Labour years and thus never particularly inspired Miliband.

Within the wider think tank environment, key inspiration came from the Resolution Foundation, headed by Gavin Kelly, a former Downing Street advisor to Brown. The Resolution Foundation’s work on living standards (see Plunkett 2012) had a significant influence on Miliband’s thinking around ‘the cost of living crisis’ narrative, as will be explored further below. However, whilst these arguments and ideas were cognitively powerful in demonstrating the necessity of social policies to redress issues such as growing inequality, they presented only a rather dry and technocratic approach to understanding issues of income, welfare and equality. The Resolution Foundation’s ideas could not, therefore, serve to renew Labour’s political economy itself.

There was not, therefore, a dearth of new ideas in and around the party in the early Miliband era. However, as the following sections show, the development of new ideas was fundamentally constrained by internal political contestation over both the nature of the crisis and New Labour’s legacy, as well as concerns over how to demonstrate the party’s economic credibility to the electorate.

6.2.3 The crisis of economic liberalism and One Nation Labour

Despite the concerns around economic credibility, at least early on, Miliband saw the crisis as opening a moment in political time that had put into doubt the basis of the Thatcherite settlement; he considered that the crisis had illustrated the fundamental failings of the pre-crisis economic model in Britain, and that it was the job of policymakers to address this. Miliband and his team felt there had been, as Stewart Wood put it, ‘a sequence of crises’:

117 The centrality of fiscal conservatism to the renewal of social democracy is a premise shared by a third strand of thought on the party’s right, Black Labour, a moniker for the proposals set out in a pamphlet entitled, ‘In the Black Labour: Why Fiscal Conservatism and Social Justice Go Hand-in-Hand’ (Cooke et al., 2011), produced by Policy Network, a think tank on Labour’s centre-right.

118 Marc Stears, personal interview, 17/02/2016.
first, a financial crisis, a subsequent long-term crisis of living standards, and ultimately ‘an ideological crisis’ of economic liberalism (Wood 2012a).

In this context, it was primarily Wood’s intellectual argument that drove Miliband’s critique of the post-GFC British political economy at this point. As a key figure during the New Labour years yet someone who also sought to push the party beyond the Third Way project, Wood was an important figure in the Miliband camp for much of the parliament. He pushed Miliband to set out plans to exploit the ideological crisis of economic liberalism, in order to break from the post-Thatcherite paradigm, by offering a more critical conception of the British model of capitalism. This meant, in Wood’s perspective, drawing upon ideas around both ‘pre-distribution’ (Hacker 2008; 2013) and what he termed a ‘supply side revolution from the left’. Developed by Jacob Hacker (2008; 2013), pre-distribution’s primary idea is to regulate markets in order for them to operate more equitably before the redistributive effects of welfare and taxation policies kick in (e.g. by providing a higher-wage labour market and reducing post-salary taxation). On the other hand, Wood’s vision of ‘supply side revolution from the left’ involved concepts such as ‘stakeholder capitalism’ (see Hutton 1995) and the German ‘social market economy’ model of capitalism.119 Such a programme would involve more worker representation on company boards, a more significant role for trade unions and much greater investment in skills, education and training (see Wood 2012b). Wood’s perspective held a powerful internal logic which could diagnose the crisis and prescribe remedial action along clearly social democratic lines, thereby helping to develop a new political economic outlook for the Labour Party. Indeed, pre-distribution as an idea clearly resonates with social democratic concerns for effective market regulation, equality and citizen welfare, and it appeared capable of gathering support across the Labour Party, including amongst Purple Book figures such as Tristram Hunt (2011).120

119 Ideas around so-called stakeholder capitalism were flirted with at the beginning of the New Labour era but were ultimately side-lined once the New Labour model crystallised (see Chapter 3) and the party entered government (see Leys 1997).

120 Whilst not concerned solely with fiscal conservatism, it is interesting to note that some figures on the right, such as Tristram Hunt in the Purple Book, picked up on Jacob Hacker’s concept as an answer to Labour’s desire to redistribute, whilst avoiding ‘the perennial political pitfall that excessive reliance on redistribution generates’, including ‘well-rehearsed “tax-and-spend” arguments’ by their political rivals (Hunt 2011: 66).
Initially, such ideas gained traction with Miliband, who was at this time focused on the pursuit of a more ‘responsive’ programme for Labour that would offer a significant break with the extant political economic outlook of the party, including by engaging with the Blue Labour school of thought. Miliband’s attempt to weave these ideational elements into Labour’s policy programme is reflected in his approach to the party’s official Policy Review process. After an ineffective first 18 months of the Policy Review process under Liam Byrne MP, Miliband put Cruddas and Rutherford – two figures close to Blue Labour – in charge of the review which ran in earnest between 2012 and 2014.\footnote{Indeed, the Blue Labour and Oxford-London seminar series can be seen as ‘an unofficial Policy Review’ at this stage, endorsed by Miliband himself – an implicit criticism of the inadequacy of the Byrne Review process (Gaffney 2017: 94). Critiquing the internal review process up until that point, Cruddas spoke of the need for Labour to begin to tell an ‘overarching story of national renewal’ as it had done in 1945 (Cruddas cited in Helm and Coman 2012).} The new Cruddas-Rutherford partnership attempted to inject dynamism into the Policy Review process; they were ambitious to break out of what they saw as the statist and technocratic policymaking paradigm that had enraptured New Labour thinking for the past two decades (see Cruddas cited in Helm and Coman 2012; see Cruddas and Rutherford 2014).\footnote{They actively pursued the kind of ‘paradigmatic’ change delivered by Thatcherism whilst pursuing a Polanyian-inspired ethical socialism that rejects both laissez-faire capitalism and the post-war statist model of social democracy (Cruddas and Rutherford 2014: 10-11).} Thus, along with Stears in the leader’s office, from 2012 on three actors from the Blue Labour school of thought held significant positions within the Miliband team. Their ability (or lack thereof) to influence the party’s direction is best exemplified by the adoption of the ‘One Nation Labour’ slogan, first publicly used by Miliband at the party’s 2012 annual conference (see Gaffney 2017: chapter 3 for more detail on its development).

The case of the ‘One Nation Labour’ programme helps us to reflect upon a tension within the leadership over the future ideological direction of the party and some of the problems that lay behind its coordinative discursive strategy. Miliband utilised the slogan to represent a break with New Labour, and to act as a ‘fusion’ between a more radical project focused on equality, which could equally chime with the party’s desire to pursue a ‘responsible’ form of capitalism, and a broader electoral pitch mobilised by the conservatism inherent in the One Nation term (see Miliband 2012a). Rutherford describes the ‘One Nation’
slogan as ‘Blue Labour lite’. Not only did the message look to strategically unite the PLP behind the leader, but it was seen within the party hierarchy to briefly open up territory for a ‘big tent’ electoral strategy, wherein Labour could unite large swatches of the electorate behind a bold new programme for government as it had done in 1997.

For a time, this slogan underpinned the party’s dominant narrative. The development of this discourse into a policy programme was, however, never fully supported by the leadership. It was never, Rutherford suggests, sustained and intellectually developed within the party beyond Miliband’s speech and thus was never given the chance to develop into something that could carry the party’s message to the electorate (see also Gaffney 2017: chapter 5). The party leadership never agreed on what the term even meant. Whilst Blue Labour figures viewed the concept as a chance to speak to issues around localism and community-based politics, Miliband saw it as a vehicle for a more economistic message about inequality. As a result, as we shall see in Chapter 7, ‘One Nation Labour’ lacked the necessary clarity of argument to rally support for and legitimise a social democratic alternative to austerity. The following two sections look in more detail at how and why this happened.

6.2.4 Labour’s ‘economic credibility’ and the politics of austerity

Despite his enthusiasm to see new ideas flourish in the party, Miliband was always torn over the issue of Labour’s economic credibility with the electorate. In contrast to what might be expected within the materialist and institutionalist literatures (see Streeck 2011; Bailey 2009), this issue of ‘responsibility’ was dominated by electoral considerations; there were no major fears over the material effects of market reactions or EU sanctions. As an economic advisor to the party leadership acknowledges, ‘we weren’t particularly expecting a run on the pound or anything in that sense’, rather, this was a purely electoral issue that centred upon

124 Marc Stears, personal interview, 17/02/2016
125 Jonathan Rutherford, personal interview, 23/02/2016.
126 Senior Strategic Advisor A, personal interview, 16/11/2016.
challenging the Coalition government’s public construction of the crisis as ‘Labour’s mess’.  

Immediately upon becoming leader, Miliband commissioned the US-based firm Greenberg Quinlan Rosner Research (GQRR) to produce internal strategy reports. These reports offered a robust and immediate warning: ‘A Labour leader who argues that we should keep spending to secure growth is flying in the face of common sense and would need a volte face by the entire media to have any chance of success’ (GQRR 2010; GQRR 2011a).

From the outset, then, there was a strong feeling that Labour needed to develop an economic programme that was seen as equally credible by the electorate as the Conservatives’ plans, but which allowed for a more activist approach to redistribution and investment. ‘Credible, but not austere’ is how Wood put it to me (see also Bremer and McDaniel 2019). Dealing with this issue of fiscal ‘responsibility’, however, divided opinion internally within the party; tension became apparent as the party struggled to balance the simultaneous requirements of successful statecraft, i.e. developing a policy package ‘capable of being sold successfully to the electorate’ that could simultaneously ‘unite the party and stimulate members’ belief’ in the programme (Bulpitt 1986: 21; see Wickham-Jones 2013).

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127 Senior Economic Advisor A, personal interview, 03/12/15. There is a question here on the relationship between voters and non-party political actors and the influence that the latter has on the former. For instance, to what extent does the electorate takes its cues on the nature of ‘economic credibility’ directly from business people or financial market actors? Clearly, these ‘business’ actors have some degree of influence in the public debate, alongside rival party-political actors, the media, think tanks, etc. It is difficult to disentangle the influence of these various actors and there certainly is not room in this thesis to address this question fully (see, for instance, Dür 2018). However, for the sake of my analysis here, I rest upon the assumption that it is possible to distinguish analytically between the perceptions of the public at large (on issues such as which party is best placed to manage the economy) and the anxieties of market actors. I would argue that this is reflected in the statements of party actors, such as the one quoted above – i.e. Labour did not fear a negative market reaction if elected, but worried that the electorate’s dim view of its economic credibility would restrict its ability to get elected in the first place.

128 Similarly, a political strategy document sent to Miliband the following February entitled ‘Rebuilding Labour’s economic credibility’ warned, ‘our lack of perceived economic competence is a ceiling on our ability to grow and consolidate our vote’ (GQRR 2011a).

129 Stewart Wood, personal interview, 05/02/2015.
Since the election, Ed Balls (2016), who became Miliband’s Shadow Chancellor in January 2011, has suggested that there were three main currents of thought in the party (and, indeed, differences emerged even within Miliband’s team itself). Some felt Labour should simply accept the Conservatives’ fiscal plans and look to ‘shift the election debate’ towards more favourable hunting grounds like the NHS. Others argued that Labour had to ‘admit that we made mistakes during our time in office, that we’d borrowed and spent too much and that excessive spending was to blame for the financial crisis’. A third option, the opposite of the second approach, was to robustly defend Labour’s record on normative grounds and set out a ‘detailed alternative on the deficit’ on cognitive grounds (Balls 2016: 331-333). Indeed, Miliband’s own team was divided over this issue.

Miliband was torn between the recommendations of some of his advisors – such as James Morris, Miliband’s pollster and focus group analyst from GQR – ‘to deal decisively with the deficit issue by matching the Tory plans’ and his own instincts to make the case for more borrowing for investment (Balls 2016: 338). Stears, Miliband’s close friend and speechwriter, suggests that Miliband was always ‘trying to square the circle between believing the crisis had revealed fundamental failings, on the one hand, but also believing that the public were deeply sceptical and anxious and less likely to respond to bold arguments for economic reform’. This ‘tentative’ nature led Miliband to have ‘serious political problems with Labour being an “anti-austerity” party’.

Similar to Miliband, Balls (2016: 334) argues he wanted to support the third option; however, whilst his ‘economic instinct was to set out a clear [economic] alternative to George Osborne … [his] political antennae said this was an argument that just could not be won’.  

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130 Alan Johnson resigned after only a few months as Shadow Chancellor for personal reasons.
131 Some, such as Tom Baldwin, Labour’s chief of media and strategy, wanted a more consistent and vigorous assault on the idea that Labour were somehow to blame for the crisis (Baldwin cited in The Daily Politics 2015). Others, such as Wood, were keen for the party to move beyond this debate by drawing a line under the New Labour years in order to set out its vision for the future of the UK economy. (Marc Stears, personal interview, 17/02/2016).
132 Marc Stears, personal interview, 17/02/2016; also Senior Economic Advisor A, personal interview, 03/12/2015. Indeed, a key issue running through the parliament was Miliband’s own hesitancy in pursuing new ideas with conviction – or what has been described elsewhere in the literature as a ‘chronic indecisiveness’ (Bale 2015a: 262-4; Goes 2016: 52).
133 Marc Stears, personal interview, 17/02/2016.
This idea reflects a sentiment amongst party advisers, also found in the academic literature, that ‘busting the myths’ propagated by the Coalition government surrounding the deficit and the crisis as ‘Labour’s mess’ was simply a ‘waste of time’ – it was necessary to ‘concede and move on’ (see Bale 2013). As Chris Leslie, an MP from the Blairite wing of the party, put it: ‘wide-eyed academic’ Keynesian arguments around stimulating growth were not going to convince the electorate of the party’s economic credibility. Indeed, throughout the Parliament, the feeling within the Balls camp was that Miliband ‘was doing too little to show we understood the [economic credibility] concerns the public had about us’ (Balls 2016: 326).

6.2.5 A party divided over its past, present and future

This tension in Miliband’s own mind between a more ‘radical’ crisis diagnosis and prescription, premised upon a normative critique of the failed neoliberal economic system, and a tendency towards a more cautious attempt to ascertain economic credibility, was compounded by his failure to gain the fulsome support of the PLP (see Goes 2016: 53-7). At the zenith of this disjuncture was Miliband’s relationship to Balls. A number of interviewees reflected upon a key difference in their approach to the political economy. To Rutherford, Miliband showed a willingness to think about how the economy might work differently, but Balls’ intervention meant that discussion of more innovative or radical political economy ideas ‘was off the agenda’. As a senior member of Miliband’s Shadow Cabinet puts it, Miliband ‘wanted to change the system, how the economy worked … and Ed Balls] was not that interested in that.’

There was, then, a clash between Balls’ reticence to rebuke what New Labour had done in government, and thus its wider social liberal political economy, and Miliband’s

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134 Senior Economic Advisor A, personal interview, 03/12/2015.
135 Chris Leslie, personal interview, 13/03/2017.
136 The animosity between Miliband and Balls existed on both a personal level, which extended back to their working relationship in Brown’s Treasury, and a political level (see Balls in Riddell 2015). On a personal level, Balls felt he was the stronger leader, and the leader the party needed who ‘was willing to say unpopular things’ in order to win (Senior Economic Advisor B, personal interview, 20/01/2017).
137 Jonathan Rutherford, personal interview, 23/02/2016.
138 Shadow Cabinet Minister A 2017, personal interview, 11/01/17. This sentiment was mirrored by Senior Economic Advisor A, personal interview, 03/12/2015; Jonathan Rutherford, personal interview, 23/02/2016.
desire to build a new social democratic platform for the party. Indeed, this issue directly prevented a more normative critique of the economic conditions that led to the crisis – which was seen as ‘politically’ difficult to achieve, given that ‘so many people in the PLP were associated with the [New Labour] government’.\footnote{Marc Stears 2016, personal interview, 17/02/2016.} As Cruddas put it, the party was led by ‘a whole generation [who] were pre-occupied with their own culpability’ in the crisis.\footnote{Jon Cruddas, personal interview, 10/03/2016.} Part and parcel of this mindset, furthermore, was an unwillingness amongst some key New Labour figures, including Balls, Peter Mandelson and Alan Johnson, to pursue a more aggressive normative critique of the failures of banks and financial institutions and their role in causing the financial crisis. As one advisor put it, ‘we didn’t want to present ourselves as loons’.\footnote{Senior Strategic Advisor B, personal interview, 03/03/2017.} To do so would have been to undermine a critical element of New Labour’s growth model – a model that these figures felt worked effectively and hoped to restore, albeit with some adjustment.\footnote{Senior Strategic Advisor A, personal interview, 16/11/2016.} Balls remained wedded to adapting the New Labour model, adjusting for its regulatory failures in order to renew its relevance but not scrapping it altogether.\footnote{Senior Economic Advisor B, personal interview, 20/01/2017.} This tension thus reflected competing visions of how the party could reconcile the competing demands of ‘responsiveness’ and ‘responsibility’ in the post-crisis, post-New Labour era.

The lack of internal support Miliband experienced, moreover, restricted ideational renewal within the party. As Stears recalls, Miliband’s goal was to return Labour to power within one parliamentary term, and he felt that party unity was ‘an absolute pre-condition for that’. This meant, ‘Even though he wanted change, you had to do change in a way that brought the entire PLP with you’.\footnote{Marc Stears 2016, personal interview, 17/02/2016.} A senior advisor on party strategy argues that the party’s decision-making process ‘was basically guided by political management … the desire to make sure that Ed wasn’t dethroned’.\footnote{Senior Strategic Advisor A, personal interview, 16/11/2016.} Indeed, whilst Cruddas is sympathetic to Miliband’s attempt to ‘short-circuit’ a long period of opposition by promoting party unity above all else, he suggests that it came at the expense of being able to promote more radical ideational
renewal. Miliband ‘wanted to carry the Ming vase through the playground, and keep it not broken. We should have been more belligerent about showing our moving-on’, Wood argued in an interview with me.

6.2.6 The Absence of War: caution, conventionality and the 35 per cent

The party was, then, divided. Labour struggled to develop a normative discourse on the nature of the crisis that could, on the one hand, help it move beyond the New Labour years whilst, on the other hand, maintain party unity. At the same time, the Labour leadership had difficulty developing a cognitive discourse that could respond to what it saw as the ‘correct’ economic strategy whilst simultaneously appealing to an apparent ‘common sense’ public understanding that austerity was the medicine the British economy required. These tensions were only compounded by the first sustained quarter-on-quarter growth beginning in early 2013 and the changing political context in Scotland following its referendum on independence in late 2014.

Whilst sensing the crisis had ‘shaken’ the electorate, as growth returned to the UK economy, Miliband and Labour strategists – including Morris and later US-based strategic advisor David Axelrod – increasingly felt that a bolder, normatively oriented message of political economic reform ‘that promised big change’ was politically risky (see also Wintour 2014). This growing sense pushed Miliband to attempt to re-establish the party’s economic credentials before making ‘a more adventurous argument’. Increasingly the party moved away from discussions around the appropriateness of a social democratic political economy post-crisis and towards a focus on the necessity of a strong fiscal consolidation programme to burnish the party’s economic credentials.

Whilst it was recognised in some quarters that a Keynesian argument could be made to massively slow the rate of consolidation – an argument consistently expressed by economists such as Simon Wren-Lewis (2010; 2014) – the Labour leadership and many within the PLP saw this as unpalatable to an electorate convinced of the need for a tough...
consolidation programme.\textsuperscript{150} Alongside this political strategising, there was also an economic rationale behind the party’s plans; consistent with New Keynesian theory,\textsuperscript{151} Balls and Labour’s economic advisors held ‘a more restricted conception of the output gap and the new potential of the UK economy’ compared to Keynesian theory (see Bremer and McDaniel 2019: 26). The time for stimulating demand in the economy was over, they felt; ‘the Keynesian argument’, as one advisor put it to me, was now ‘for spending to be cut back in order to prepare for any future shock’ (see also Bremer and McDaniel 2019: 26).\textsuperscript{152}

At the same time, however, there was a consistent desire to demonstrate that Labour’s plans were different from those of the Conservatives, and thus more ‘responsive’ to its constituents’ interests. In order to demonstrate this, the party developed its own approach to austerity through appeals to the idea of how Labour would address ‘the cost of living crisis’ whilst simultaneously dealing with the debt and deficit (Chapter 7 develops this issue further).\textsuperscript{153} Internal GQRR (2011b; 2013) research told Miliband that Labour were polling strongly on the issue of people’s living standards and Miliband felt he could build upon this advantage with arguments underpinned intellectually by Resolution Foundation research (see Plunkett 2012) highlighting a break between economic growth and living standards.\textsuperscript{154} To this end, Stears reflects upon the fact that ‘the confluence of those two made Ed one hundred per cent certain that this was the direction we had to go. And after that it was very difficult to persuade him to move into the terrain that a year before, with the One Nation-y stuff, he had been tempted by’.\textsuperscript{155}

With these changes came a shift in electoral strategy towards what became known as the ‘35 per cent strategy’. This approach involved securing Labour’s traditional core working-class vote and winning over disaffected, largely middle-class Liberal Democrat

\textsuperscript{150} Senior Economic Advisor A, personal interview, 03/12/2015; Chris Leslie, personal interview, 13/03/2017.
\textsuperscript{151} For an overview of New Keynesian theory, see Gali 2018; Gordon 1990; Blanchard 2000.
\textsuperscript{152} Senior Economic Advisor A, email exchange, 09/11/2015; Senior Economic Advisor A, personal interview, 03/12/15; Senior Economic Advisor B, personal interview, 20/01/2017.
\textsuperscript{153} Whilst ‘the cost of living crisis’ concept had been employed since 2011, in the latter half of the parliament Miliband saw how it could be utilised more effectively and consistently.
\textsuperscript{154} Marc Stears 2016, personal interview, 17/02/2016.
\textsuperscript{155} Marc Stears 2016, personal interview, 17/02/2016.
voters, in order to secure a small parliamentary majority. Despite a period in 2012 wherein the party felt it might have been able to pursue a ‘big tent’ strategy based on radical reform and a normative vision of the British political economy, ‘when [Miliband] had to make choices between a move which looked big and bold and all encompassing, or a move that looked more tactical, “cost of living”-y, he lent that way’. In shifting towards a focus on tight fiscal management as a prerequisite for economic credibility and thus the basis of the party’s electoral strategy (as advocated by the Purple Book and the Black Labour group), the climate around Miliband, as Cruddas put it to me, became ‘one of caution, conventionality, 35 per cent, couldn’t lose’.

This new approach changed how the leadership engaged with new political economic ideas as the party tried to nail down its economic credibility with the electorate. As a number of interviewees noted, this was to be promoted through the delivery of a more ‘retail-policy’ focused manifesto – that is, a policy package of specific, ‘costed’ proposals designed to achieve ‘cut through’ with the electorate rather than promote deeper systematic change (e.g. the party’s ‘energy price freeze’ policy). There was a shift away from promoting a message around what the party ought to do (in a normative sense) towards one based solely around what was perceived to be economically necessary (in a cognitive fashion).

Accompanying these changes were movements in the leadership team and around it, including a shift in power from Wood to Greg Beales, a former advisor to Blair and Brown who focused more directly on electoral strategising (see Wintour 2015b). As a result, the leadership team began to overlook some of the more radical political economy ideas on offer, including stakeholder capitalism and pre-distribution, as well as the more innovative economic and social policy ideas that emerged during the period, including the IPPR’s Condition of Britain report. For instance, Miliband relegated ideas such as pre-distribution,

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156 This strategy was first presented as the party’s most likely route to power as early as 2010 by James Morris, and as Stears acknowledges, the data Morris presented in 2010 ‘lodged away in [Miliband’s] head’ (Marc Stears 2016, personal interview, 17/02/2016).
157 Marc Stears 2016, personal interview, 17/02/2016.
158 Jon Cruddas, personal interview, 10/03/2016.
159 Shadow Cabinet Minister A, personal interview, 11/01/2017; Senior Economic Advisor A, personal interview, 03/12/2015.
160 This was later confirmed to me in anonymous interviews with Miliband’s team.
which were seen by some on the right of the party, as Chris Leslie MP puts it, as a tactic ‘to skirt around the economic credibility problem’ rather than address it head on.\textsuperscript{161}

This development created a fractured strategic oversight. There was little effective cooperation between different units in charge of the party’s policy renewal, such as the leader’s office, the official Policy Review and the National Policy Forum. The Policy Review, which had pushed a more radical, Blue Labour-oriented political economy since 2012, was left at this stage like a ‘satellite in orbit, circling the PLP and the Shadow Cabinet without ever really touching, incorporating itself into the political business of the party itself’.\textsuperscript{162} This process is what Cruddas describes as the effect of ‘the dead hand’ of the Labour leader's office on policy development by this point (Cruddas cited in Watt and Newell 2014). The intellectual and sociological legacies of New Labour’s social liberalism and statecraft strategy within the party throttled the development of a new social democratic vision.

The party’s ability to secure electoral victory via this route, nevertheless, relied upon securing strong support in the traditional Labour heartlands, including, of course, Scotland. As the election campaign neared, the evolving political context in Scotland increasingly highlighted the limitations of Labour’s strategy. Arguably, this started with the Scottish independence referendum in September 2014; whilst Labour supported the winning ‘No’ campaign, ‘the consequences of the campaign were catastrophic for Labour in Scotland. The SNP [Scottish National Party] became the voice of opposition to the Coalition government and to austerity in Scotland’ (Cowley and Kavanagh 2016: 90). Labour’s ability to effectively represent its Scottish constituents was thus damaged by the referendum. Indeed, SNP campaigns during the General Election played on the idea of Labour supporting the Coalition government’s austerity measures (see Sturgeon 2015).

This created a negative dual dynamic for Labour. On the one hand, internal polling told the Labour leadership significant losses in Scotland in the General Election were likely as a result (see Morris 2015). On the other hand, as the likelihood of Labour requiring SNP help to form the next government increased, the Conservatives were able to exploit the

\textsuperscript{161} Chris Leslie, personal interview, 13/03/2017.

\textsuperscript{162} Jonathan Rutherford, personal interview, 23/02/2016; This sentiment was reflected in statements by Maurice Glasman, personal interview, 02/02/2016. See Chapter 7 for more on this.
situation by playing on the ‘SNP threat’; that is, as Balls (2016: 340) has described it since, the ‘perception that Ed [Miliband] did not care about fiscal discipline left us vulnerable to the inevitable Tory attack that the SNP would be deciding our first Budget if we ended up with a hung parliament’. Labour’s statecraft was thus caught in a pincer movement and party strategists struggled to navigate out of a seeming choice between two undesirable outcomes: widespread electoral defeat in Scotland or falling foul of the Conservatives’ claims that Labour lacked economic credibility and were ‘in the pocket’ of the SNP. So late in the parliamentary term, this was an intractable dilemma.

6.3 The Parti Socialiste and Socialist administration

As previously described in Chapter 5, after initially playing a key role in the G20’s emergency Keynesian response to the GFC in 2008, by 2010 President Sarkozy had committed France to a major fiscal consolidation programme, including signing the Fiscal Compact in March 2012. By the time of the Presidential elections in April and May 2012, however, France had lost its AAA credit rating and there was concern that France could be sucked into the crisis affecting Europe’s struggling Southern economies. The 2012 elections, moreover, arrived weeks before Mario Draghi’s July statement that the ECB was ‘ready to do whatever it takes’ to preserve the euro, which eased financial pressure in the eurozone (see Krishnamurthy et al. 2018). The post-crisis period, and in particular the run up to the 2012 elections, was therefore a fragile moment for the French economy. It was in this economic context that the politics of austerity played out in France, centred around the tension between market and EU pressure to consolidate the country’s public finances and the capacity of an incoming Socialist administration to break from the dominance of austerity in Europe.

The following section sets out an account of the ideational environment during this period, including both with the PS and around it, before latter sections look to understand Hollande’s own economic perspective in more detail and how this fed in to his election campaign and presidency.

6.3.1 The PS’s courants and the wider ideational environment

With their own finances, offices and means of communication such as their own newspapers, the PS’s courants (particularly the powerful Marxian courant CERES in the 1970s and 1980s) have at times acted as ‘parties within a party’ (see Clift 2005: 93; Barboni 2008: 104-163). Senior Strategic Advisor A, personal interview, 16/11/2016.
109). As such, they often served as the party’s intellectual engine-rooms, occupying much of the space that in the UK is taken up by external organisations such as think tanks. As they have become less ideologically distinct and increasingly personality-centric, however, competing courants have come to be seen as an increasing burden on internal party management and a hindrance on the party’s ideological development (Sferza 1996; Hanley 2008; Di Francesco-Mayot 2017). This intra-party dynamic undoubtedly played a role in the post-crisis environment. The crisis exacerbated divisions between the PS’s more radical leftist and more reformist social democratic and social liberal elements (or its ‘two cultures’ of socialism).

As we saw in Chapter 3, the party held its 2008 Reims congress amidst significant internal division. Alain Bergounioux recalls that there were ‘significant, non-superficial differences’ amongst the party leadership over both the diagnosis of the crisis and the prescription of how to deal with it.\footnote{Alain Bergounioux, personal interview, 21/06/2016.} We can see evidence of this from analysis of the party motions submitted in 2008.\footnote{Although the publication of these documents in 2008 means that they fall outside of the empirical window of this study’s analysis of the French case, motions submitted at congress represent the most effective representation of party’s internal ideational elements. The 2008 congress was, furthermore, the last one held prior to the 2012 elections, and thus provides us with a snapshot of the types of ideas held across the party’s different factions in the post-crisis era.} As Bergounioux suggests and as can be evidenced in the motions submitted at the 2008 Reims congress (see Hamon 2008; Aubry 2008; Parti Socialiste 2009), the left of the party felt it was essential to deal with the crisis situation through a reflational Keynesianism, supported by dirigiste industrial initiatives. The left courants also strongly advocated reform of the eurozone architecture, including expanding the ECB’s remit to include supporting growth and employment and a revision of the SGP to support growth (see Hamon 2008; Aubry 2008). These proposals reflect long-held yet unfulfilled ambitions within the PS for the establishment of a more ‘social Europe’ along distinctly Keynesian lines (see Howarth and Schild 2017: 175; Clift 2011: 17).

The right of the party, on the other hand, ‘insisted that the significance of France’s debt would limit its margins of manoeuvre’ and pushed a supply-side argument on the need to improve French cost competitiveness.\footnote{Alain Bergounioux, personal interview, 21/06/2016.} Indeed, the two key motions on the right of the party, which came in first and second place – those of Ségolène Royal (2008) and Bertrand...
Delanoë (2008) (which was signed by Hollande), respectively – offer more fleeting critiques of existing growth models in Europe, focusing their energy on the ‘fiscal incompetence’ of past French governments. Instead of an activist Keynesian crisis response, these motions called for priority to be placed on supply-side social investments in education and training (see Delanoë 2008: 12).

The proposals offered up by the party’s various courants offered little in the way of new thinking, whilst events in Reims – i.e. the failure to elect a new FS or set a strategy for policy, as well as key departures – indicate increasing political division at the heart of the party as its different wings vied for power. Moreover, as noted in Chapter 3, despite the triumph of moderate, social liberal courants in Reims, the party shifted leftist in the post-crisis period under Martine Aubry, reflecting the tendency highlighted by Grunberg and Bergounioux (2007) for the party to assert or reassert ‘doctrinal orthodoxy’ in opposition. In the immediate post-crisis period, then, rather than nourishing intellectual renewal, intra-party divisions entrenched established policy divisions, ultimately contributing to an ideational stagnation that had existed since the PS left office in 2002 (see Chapter 3; Clift 2011).

Compounding this issue of ideational renewal in the post-crisis environment is, moreover, the weak role of think tanks and other intermediary organisations in French policymaking. In contrast to the UK, France is seen to ‘not do think tanks’ (Williams 2008), a legacy associated with the strong French state and civil service, which holds a dominant position within the French government’s cabinet-style ministerial system, as well as a weak intermediary sector (Bessard cited in Confavreux and Sénéchal 2011a). This has produced ‘both a supply-side and a demand-side problem’ wherein there is a lack of new ideas and innovative thinking amongst what is a small group of think tanks, whilst simultaneously there is a lack of demand from a party’s leadership, and particularly from a government, for input from these groups.

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167 This point was also reflected on by député Christophe Caresche, personal interview, 29/11/2016.

168 Laurent Bigorgne (cited in Confavreux and Sénéchal 2011a), director of the liberal think-tank Institute Montaigne, suggests that ‘La haute fonction publique [the elite element of the French civil service] has always been reluctant to see the emergence of independent tools’ of policy development. The weakness of the intermediary sector is in part attributable to the French Jacobian tradition.

169 Xavier Ragot, personal interview, 17/06/2016.
As a result, in contrast to the UK, the ecosystem of centre-left think tanks in France is neither large nor particularly influential in government policy. There are really only two organisations with any notable impact upon the PS: the Fondation Jean-Jaurès (FJJ) and Terra Nova (see Courtois 2012 for a useful overview). Whilst the FJJ in particular plays a significant role in the intellectual life of the PS and the wider French socialist movement, the nature of France’s semi-presidential system means that power lies in the executive, with ‘no common construction [of policy] between the party and the government’.

Thus, whilst the FJJ was influential during the PS’s tenure in opposition, during which time the party dominates ideational and policy production, once Hollande was elected in 2012 its influence waned significantly.

Terra Nova, on the other hand, was established in 2008 and quickly built a strong presence on the social liberal, rocardienne wing of the party (see Confavreux and Sénéchal 2011b). In the post-crisis period, Terra Nova publications developed a critique of economic liberalism, as well as Sarkozy’s austerity programme, yet consistently reinforced the idea that France’s most pressing problem was its indebtedness (see Ferrand 2010a; Ferrand 2010b; Chalumeau and Léris 2010). Beyond this approach to fiscal policy, however, Terra Nova’s influence on the development of Hollande’s wider policy programme has been relatively minimal. Thus, although Labour was arguably surrounded by a richer stream of new ideas, the weakness of ideational supply to the party – in terms of the ability of actors

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170 The FJJ is the principal think tank associated with the party and exists as more of a political foundation with close connections to the party than an independent think tank. Socialist député Laurent Baumel notes that the FJJ was closest to the party during the Jospin years (1997-2002), but its significance has waned since then. Since, it has been associated with the centrist, social democratic wing of the party, and particularly Dominique Strauss-Kahn and those around him before his political downfall in 2011.

171 Alain Bergounioux, personal interview, 21/06/2016.

172 Pierre-Alain Muet, personal interview, 21/04/2017; Alain Rodet, personal interview, 29/11/2016; Alain Bergounioux, personal interview, 21/06/2016.

173 Terra Nova caused controversy with its argument that in order to rectify the electoral demise of the social democratic parties, it was necessary to focus its attention on a new coalition of graduates, the young, women and minorities, rather than its traditional core working class vote (Ferrand et al. 2011). This was supported at the time by a small number on the right of the party, including député Manuel Valls, later Hollande’s Prime Minister, and the connection between Terra Nova and the right-wing of the party remained strong throughout Hollande’s presidency.
and organisations within and around the party to respond to the crisis and act as a base for the intellectual renewal of the party – is a common feature in the French case.

### 6.3.2 Hollande’s own economic perspective and the influence of La Rotonde

Given the character of French presidential elections, it is also critical to reflect on Hollande’s own thinking and how this situates him in relation to the PS and its internal debates post-crisis. Hollande describes his own political economic perspective as emerging simultaneously from both the radical leftist première gauche and Rocard’s reformist deuxième gauche, though defined solely by neither (Bachy 2005: 122). It is this position centrale, he contends, which gave him the authority to lead the party’s different factions as FS (Bachy 2005: 122). This is key to understanding Hollande’s political and ideological manoeuvring over the past four decades. Across a range of the interviews I conducted, there is the sense that Hollande’s own thinking is better characterised by his political manoeuvring than stubborn ideology; as Élie Cohen – an economist who has known Hollande for several decades and advised him early on during the election campaign – put it, Hollande is simply ‘un homme politique ...’.

As an economist working at Sciences Po, Hollande was regarded as a Keynesian. Yet, it is also clear that Hollande’s outlook was shaped fundamentally by Mitterrand’s 1983 U-turn (see Chapter 3 for more detail). As uncovered by Davet and Lhomme (2016), in numerous articles written for Le Matin de Paris in the 1980s, Hollande argued, for instance, that ‘it is the insufficiency of investment capacity rather than the weakening of demand that best explains the development of unemployment’ (Hollande cited in Davet and Lhomme 2016: 218). In turn, he suggests, ‘What remains of autonomy for a government … has been since 1983 infinitely small’ (Ibid.: 218).

Such records belie Hollande’s later writings, which express a much more critical tone on Mitterrand’s pursuit of international economic credibility, as well as a greater faith in the

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174 As his friend Michel Sapin has argued, that Hollande has operated throughout his career with great political ‘savoir-faire’ and a genuine desire to see the party’s courants operate together (Sapin cited in Bachy 2005: 129).
175 Élie Cohen, personal interview, 23/06/2016.
176 Hollande worked, alongside Pierre Moscovici, under famed Keynesian economist Jean-Paul Fitoussi. Jean-Paul Fitoussi, personal interview, 01/12/2016.
177 The most important legacy of the Socialist government in the 1980s, he argued, was ensuring a ‘financially sound situation’ and making sure that firms had recovered their profitability (Davet and Lhomme 2016: 219).
ability of domestic actors to effect political change than was on show amongst the Labour right during the Third Way era (see Moscovici and Hollande 1991; Hollande 2006: 240). Furthermore, under his leadership as FS in the 1990s and 2000s, the PS conspicuously distanced itself from the social liberalism of the Third Way movement (see Clift 2000). Indeed, Hollande’s (2006: 198-201) own accounts of the New Labour government in that period were far from effusive.178

This change in tone may be an indicator of Hollande’s ideological suppleness amidst the emerging dynamics of the post-Mitterrand leadership battle within the PS. Nevertheless, the impact of 1983 on his perception of the French economy has been a critical factor in shaping the Socialist administration’s approach to austerity post-crisis. Hollande himself reveals that he viewed France’s situation in 2012 as ‘like in 1981’, with a deficit in the balance of payments, growing inflation, degraded competitiveness and weakening productivity (Hollande cited in Davet and Lhomme 2016: 224-5). This resulted in a very clear set of priorities. Hollande (2018: 188-9) has explained since that his ‘first priority’ was to contain the deficit, which in turn pushed him to argue that rather than pursuing growth through demand stimulus, the most important issue was to address France’s ‘lack of adequate and efficient supply’. Hollande sought, Cohen notes, to liberalise the French economy through a supply-side oriented ‘pacte productif’ focused on French cost competitiveness.179

Of course, supply-side and Keynesian approaches are not mutually exclusive,180 yet as Hollande (2018: 191, emphasis added) himself put it, he ‘saw no alternative’ to a policy of fiscal consolidation and liberalising supply-side reform in the post-crisis period.181

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178 Indeed, whilst Hollande praised aspects of the ‘pragmatism’ of New Labour’s domestic agenda, suggesting that it was a far cry from the ‘doctrinal controversies’ the Third Way had engendered in France, he was scathing of New Labour’s record on inequality and poverty reduction. ‘Blair does not merit’, he argued, ‘neither the honour which he is bestowed in the Pantheon of modernity, nor the indignity of his detractors who wish to disparage all those who, in one moment or another, have given him even a polite compliment’ (Hollande 2006: 201).

179 Élie Cohen, personal interview, 23/06/2016.

180 See, for instance, Wood’s ideas on a ‘supply-side revolution from the left’ in the UK case.

181 Hollande (2018: 191) argues in his account of his presidency that, despite the protests of more Keynesian-influenced colleagues, he ‘saw no alternative. No-one can escape from the reality: in order for there to be durable employment, it is necessary for there to be healthy businesses. In order to redistribute, it is necessary to produce.’
Hollande’s intentions thus sat more comfortably with the social liberal wing of the PS, which, as we shall see, put him at odds with the PS’s left. This dynamic was compounded by the ideas and advisors that Hollande surrounded himself with in this period. In the early stages of the 2011 primary campaign, Hollande was chiefly supported on economic matters by his ENA classmate Michel Sapin, a former minister who hailed from the rocardienne right-wing of the PS (see Bugat 2012: 168-9). Around Sapin there were various groupings and networks of advisors, including Valérie Rabault and Karine Berger (who would both go on to become Socialist députées in 2012), who expressed a range of economic perspectives, including more Keynesian perspectives (see Bugat 2012: 256-63). The most significant of these groups in terms of their influence over the quinquennat was, however, ‘La Rotonde’ (see Guélaud 2012; Bugat 2012: 254).

La Rotonde began life in August 2011 with a meeting organised between Hollande and several influential economists including Philippe Aghion, Élie Cohen and Gilbert Ceté – all of whom occupy a centre ground in French political life. Their joint work is known

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182 Sapin had served as minister under numerous Socialist governments including as Minister of Economy and Finance under Mitterrand in 1992-3.

183 The PS senator Nicole Bricq and Jérôme Cahuzac, then president of the commission des Finances, were also charged with advising on budgetary matters at this time (Bugat 2012: 256). The advisors around Hollande also included Thomas Piketty for a time, who proposed ambitious progressive measures on taxation reform which were not accepted by Hollande, causing Piketty to sever ties with the campaign (Alain Bergounioux, personal interview, 21/06/2016).

184 Cohen, in particular, has longstanding connections to the rocardienne right-wing of the party going back to the 1970s and was an early advisor to Hollande in 2011. Cohen was close to Strauss-Kahn throughout the 1990s and 2000s and had known Hollande personally for three decades before supporting him and offering advice from the outset of the PS primary in 2011 (Élie Cohen, personal interview, 23/06/2016).

185 They are ‘simultaneously considered economists of the right by the right … and of the left by the left’ (Bugat 2012: 255). Aghion, for instance, was also heavily involved in Nicolas Sarkozy’s 2008 Commission pour la libération de la croissance française, better known as the Attali commission. The resulting report recommended a slew of supply-side treatments to the French economy, including deregulating certain professions, reductions to social security contributions, the better preparation of youth for the knowledge economy and improving the competitiveness of French companies. The cross-over in personnel between Sarkozy’s planned liberalisation and the economic advice to the Hollande programme does not stop there. Operating beneath Aghion at the Attali commission was investment banker Emmanuel Macron, who Aghion has since said he ‘trained’ and has remained close with since (Fabre 2015; see also Hollande 2018: 321-2).
for its non-Keynesian, liberal supply-side-oriented economic perspective\textsuperscript{186} and their shared belief in the deepening integration of financial markets in the French economy (Guélaud 2012; see, for example, Aghion et al.\textsuperscript{187} 2006: 3). The involvement of \textit{La Rotonde} in Hollande’s campaign during the PS’s primary was significant, with the group producing a report for Hollande on the state of the French economy and how to reform it post-crisis. The thrust of this report was that the French economy had experienced a steady decline as the technique of Keynesian demand management became obsolete within conditions of economic globalisation (Aghion et al. 2014).\textsuperscript{188} Increased demand stimulus, the report argued, would only lead to a more damaging debt burden, with the only option being increased business innovation and social investment (Aghion et al. 2014). As Cette described it to me, there was a clear consensus within the group: ‘that in France we are in a bad situation’ and that, reflecting austerian ideas, fiscal consolidation was necessary in order to see ‘an improvement of growth from better competitiveness’.\textsuperscript{189}

As such, these advisors stood in direct contrast to more Keynesian and \textit{dirigiste} voices on the French left who were already at this point calling on Hollande to differentiate his economic and fiscal programme from Sarkozy’s austerity policies (see Zappi 2011). Leading PS figures, including Pierre-Alain Muet, Socialist \textit{député} and former head of the OFCE, revealed to me that they switched camp to that of Aubry once it became clear that Hollande would not pursue major taxation reform or a more activist Keynesian strategy to handle the crisis.\textsuperscript{190} It was at this stage that Emmanuel Macron, then an investment banker unknown to the public, took charge of these meetings, making clear his own perspective that ‘Keynesian ideas are solutions of the past’ and that Hollande must support ‘a “Reaganite” policy on the

\textsuperscript{186} Xavier Ragot, personal interview, 17/06/2016.

\textsuperscript{187} A co-author of this report, Jean Pisani-Ferry, is another economist who likely attended at least some of the \textit{La Rotonde} meetings, but whose presence there was not disclosed by interviewees. Indeed, whilst Aghion, Cohen, and Cette formed the public face of \textit{La Rotonde}, it is clear that a number of other economists attended these meetings at various points.

\textsuperscript{188} Although the report delivered to Hollande is not public, Cohen and Cette confirmed in interviews to me since that its fundamental conclusions are replicated in their 2014 co-authored book \textit{Changer de modèle} and an earlier report produced for the for the \textit{Conseil d'analyse économique}, an economic advisory body to the Prime Minister (Aghion et al. 2011; 2014). The above analysis has been premised upon a reading of these documents.

\textsuperscript{189} Gilbert Cette, personal interview, 13/11/2016.

\textsuperscript{190} Pierre-Alain Muet, personal interview, 21/04/2017; Alain Rodet, personal interview, 29/11/2016.
Immediately around Hollande was, then, a set of social liberal advisors and ideas that served to consolidate his own economic perspective formed in the turbulent post-1983 period.

6.3.3 The Socialist Party primary election, 2011

In this context of weak ideational supply, the main policy prescription at play was a fundamentally technocratic, liberally oriented prescription based upon fiscal consolidation and market liberalisation. Whilst these ideas hold an internal logic of their own, ultimately, they do not resonate clearly with social democratic values concerning a scepticism of unregulated markets and thus were not a sufficient basis upon which to support a ‘social democratic’ response to the crisis. Perhaps even more problematically, even this set of ideas failed to gain the full support of Hollande and his camp as short-term party management and electoral strategy came to trump long-term political economic decision-making. As Cohen recalls, as the electoral dynamics of the PS primary’s second round took hold, Hollande was forced to make significant political compromises.192 After odds-on favourite Strauss-Kahn was removed from the running in May 2011, Aubry discursively presented herself during the primary campaign to the left of Hollande’s more avowedly centrist stance and as the champion of a ‘strong left’.193 Furthermore, in the first round of the primary, left-winger Arnaud Montebourg surprised many by finishing third, positioning him as ‘kingmaker’ in the decisive second round run-off between Hollande and Aubry.

As a result of this new dynamic, Hollande’s political advisors took control of the candidate’s economic messaging, developing a more ‘traditional’ Keynesian and dirigiste message on the economy that would be more responsive to the interests and opinions of the party membership and wider left electorate.194 Consequently, several months before the Presidential election, relations between La Rotonde and the Hollande campaign were largely severed. This new strategy saw the promotion of ideas more akin to those supported by the party’s leftist courants at Reims (see Hamon 2008; Aubry 2008), designed to rally the party’s

191 Alain Rodet, personal interview, 29/11/2016. Hollande (2018: 321-2) reveals that he first met Macron in 2008, whilst he was working for Jacques Attali on a commission set up by President Sarkozy. It was during this period when Macron met Aghion.
192 Élie Cohen, personal interview, 23/06/2016.
193 Strauss-Kahn was favourite to be named as the PS’s Presidential candidate until a scandal erupted in May 2011 when he was accused (and later acquitted) of sexual assault in a New York hotel.
left-wing and thus nullify the impact of Aubry’s campaign in the election second round, which positioned itself to the left of Hollande’s. Party management took precedence over policy, therefore, as the politics of austerity impinged upon internal party wrangling in view of the election. Indeed, Cohen suggested to me that the Hollande he was initially advising, ‘was not at all the Hollande as candidate of the Parti Socialiste’.

The upshot was that no clear programme was set out or agreed upon; as one member of La Rotonde recalls, their ideas were used ‘superficially’ early on by Hollande, ‘to present himself as a serious guy’ in the first round of the primary election. Yet, as the political-electoral dynamics of the second round kicked in, their ideas were discarded: ‘there was no real consideration for the long-term strategy’, argues Cette. This episode, one PS député noted to me in an interview, reflects the way in which short-term inter-courant bargaining within the PS often comes at the cost of more effective intellectual renewal in the party.

The social liberal viewpoints and arguments put forward by La Rotonde and Macron were, as we shall see, more influential in the long run during Hollande’s presidency, but Cette’s perspective is understandable in the context of how relations developed. This, of course, had implications for the development of the party’s internal discourse. Even a government loyalist, député Christophe Caresche, admitted that whilst Hollande always held a liberalising supply-side perspective on the ills of the French economy, reflective of the policy positions developed by Aghion and La Rotonde, he did not want to create a ‘clash between socialists’ because:

He knew that if he pushed new directions, a new way of thinking, there would be tremendous conflicts within the party and as party leader, he didn't want to have that... And so, there was this ambiguity. On the one side not having conflict within the party, but then on coming to power, he has his ideas and his ideas were quite close to those of Phillipe Aghion. (Christophe Caresche, personal interview, 29/11/2016)

Of course, given the institutional structure of the PS, there is a requirement that its leaders bring about a synthesis of its different factions. Yet, as we have seen, the post-crisis environment caused tumult within the PS leadership. The tension between Hollande’s desire

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197 Gilbert Cette, personal interview, 13/11/2016.
198 Christophe Caresche, personal interview, 29/11/2016.
to promote a ‘responsible’ economic programme and the need to stand on a platform responsive to the interests of powerful left constituencies within the party is clear. Apparently unable to resolve these issues of party management through the development of ‘a common language and ideational framework’ (Schmidt 2002: 230), Hollande muddled through the campaign on the basis of short-term political manoeuvring within the PS.

### 6.3.4 Un homme politique: The Presidential election and the changing ideational landscape of the Hollande campaign

The internal party dynamics at play during the primary campaign cut off Hollande’s support to one set of predominantly social liberal ideas about the crisis and France’s recovery, yet as we will see, a social democratic alternative programme was not developed thereafter. Rather, internal party dynamics and the ongoing electoral pressures associated with the Presidential elections – i.e. the bipolarising dynamic in the first round forces the PS to compete with its left-wing rivals (see Lemennicier et al. 2011) – served to further undermine the capacity of the Hollande campaign to promote ideational renewal and develop a successful statecraft.

First, by not leading his own distinct courant, Hollande lacked the ready-made infrastructure of support within the national party enjoyed by figures such as Aubry, something which required him to consistently ‘weld together’ support for his programme from various groups in the party (Bell and Criddle 2015: 80-1). At its core, his campaign was directed by a number of actors, all of whom hailed from a similar social liberal wing of the party as Hollande, emerging largely out of the ‘Socialisme et démocratie’ courant led by Strauss-Kahn until 2008. These figures included Pierre Moscovici (campaign director), Stéphane Le Foll (campaign organisation), Jean-Marc Ayrault (conseiller spécial) and Michel Sapin (head of the ‘presidential project’).

Second, the electoral dynamics at play during the Presidential election campaign pushed Hollande to espouse a more leftist programme than he would otherwise in order to

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199 *Socialisme et démocratie* itself formed from the previous courants of Rocard and Jospin and rallied to support Hollande after Strauss-Kahn’s withdrawal from the PS’s primary election.

200 However, Hollande also had to make concessions to ensure his campaign remained a united front, including by incorporating a number of actors from rival factions, including Aubry, Manuel Valls who supported Ségolène Royal and his bitter rival, Laurent Fabius.
mobilise internal party and wider electoral support.\textsuperscript{201} This included ‘accept[ing] things from [Aubry’s] programme which he didn’t like at all’, but which he saw as ‘a necessary constraint of being the PS candidate’.\textsuperscript{202} Recalling the fact that PS party programmes have often acted as ‘millstones’ around the neck of presidential candidates (Clift 2011: 23), in co-opting many critical aspects of the economic programme developed by the Socialist Party in the immediate aftermath of the 2008 crisis, Hollande took on a much more critical conception of the crisis environment and a bolder economic response.\textsuperscript{203} Jean-Marc Germain, a Socialist député until 2017 associated with the rebellious left-wing \textit{frondeur} movement in parliament (explored further below; see Germain 2015), suggests that this was the first pitfall of the Hollande era; Hollande’s 2012 manifesto, Germain suggests, ‘was not written or thought of by François Hollande, but by Martine Aubry’ who was FS at that time.\textsuperscript{204}

Hollande promoted himself as the anti-austerity candidate promising to deliver ‘\textit{le changement}’ in France and at EU level (Hollande 2012a; 2012b; 2012c). His programme sought a domestic push for greater demand stimulus and redistribution as well as a reorientation of the EU’s Fiscal Compact along more ‘growth friendly’ lines, a European-wide financial transaction tax and the creation of ‘Eurobonds’ to mutualise EU members’ debts amongst other measures. These policy positions reflect a long-held desire within the PS (and indeed amongst French governments of all stripes) for greater macroeconomic policy coordination in Europe (vis-à-vis their German counterparts), in search of ‘greater room to

\textsuperscript{201} This need to compete to his left in the presidential election first round, particularly against the populist figure Jean-Luc Mélenchon, pushed Hollande to make hasty and ill-thought-out campaign promises. Cohen recounts Hollande admitted to him personally that his 75 per cent tax on incomes over €1 million was merely a strategic tool ‘which has allowed me to beat Mélenchon’, and thus win the Presidential election itself. These pressures also saw Hollande move into more classic Socialist Party discursive territory in order to mobilise left support from both within and outside the party (Élie Cohen, personal interview, 23/06/2016).

\textsuperscript{202} Élie Cohen, personal interview, 23/06/2016.

\textsuperscript{203} Analysing the literature produced by the PS under Aubry’s leadership in the aftermath of the crisis, there is a tendency towards the reassertion of the nation state over the market economy, in order to rein in the influence of economic globalisation and the growth of financial capitalism (see Parti Socialiste 2011). These ideas could be criticised for the way in which they promote recourse to a set of \textit{étatiste} and \textit{dirigiste} policy tools no longer available to the French state. Yet, perhaps most troublingly, their co-option by the Hollande campaign represents a hollow victory for this type of thinking within the Socialist camp and underlines the way in which actual support for such ideas was always lacking.

\textsuperscript{204} Jean-Marc Germain, personal interview, 22/06/2016.
manoeuvre in the pursuit of domestic macroeconomic policies aimed at reducing unemployment’ (Howarth and Schild 2017: 175; Clift 2011: 17).

Such ideas, which were positioned as responsive to the needs of the French people in the post-crisis environment, were a clear challenge to the established politics of austerity in Europe and France. They were, moreover, effective in mobilising support within the party and establishing a winning electoral strategy for Hollande and the PS.205 Yet, their position and prominence in Hollande’s campaign reflect the PS left’s influence and are somewhat at odds with Hollande’s own overriding concerns regarding the perceived economic responsibility of a Socialist administration; from the PS primary in 2011 onwards, Hollande consistently supported a sizeable fiscal adjustment effort. His 2012 programme vowed to cut the deficit (Maastricht defined) to 3 per cent by 2013, balance the budget by 2017 (just one year later than Sarkozy) and pledged that there would ‘not be one euro more debt at the end of the five years’ (Hollande 2012f: 11, 15).

Hollande’s attempt to navigate the post-crisis politics of austerity in France thus saw him walking what Clift (2014b: 13) has termed ‘the Growth/Fiscal Consolidation/Economic Credibility Tightrope’. This discourse may have ‘kept the show on the road’, politically and electorally. However, in the absence of success in renegotiating the European treaties or a significant and rapid return to growth in France (and indeed in the eurozone as whole), Hollande’s discursive strategy at the coordinative stage was laden with ambiguity and concession (see Cole 2011; Best 2005). As I show in the following section, the story of Hollande’s quinquennat is one of this ambiguity unfolding and the failure to meet expectations raised during the campaign period – that is, the age-old problem of ‘double discourse’ practised by Socialist dirigeants encountered in Chapter 3. These weaknesses and contradictions were, therefore, not the foundations required for establishing long-term political argument hegemony and governing competence (see Bulpitt 1986). Below, I explore this issue through the case of the 2012 Fiscal Compact.

205 From the outset of the crisis, left wing courants, such as Hamon’s Un Monde d’Avance, called for radical reorientations of the role of the ECB and architecture of the SGP (Hamon 2008: 76). The PS programme for the 2012 elections, drawn up by Aubry, included promises to deliver a new Franco-German agreement premised upon renegotiating EU treaties and ending Europe’s ‘potentially fatal austerity’ programme (Parti Socialiste 2011: 18).
6.3.5 The Socialist administration 2012-2017: The case of the Fiscal Compact

One of Hollande’s most significant campaign promises was the renegotiation of the Fiscal Compact (Hollande 2012d: 135; 2012c). Despite this pledge, however, the Compact was accepted into French organic law without any modifications by October 2012. This revealing case can help us to understand both the conflictual way in which austerity came to be legitimised internally within the Socialist administration and why the establishment of a winning electoral strategy is in itself insufficient for effective statecraft.

Throughout this period, Hollande’s overriding sensibility was that France needed to, as ‘a first priority’, reduce France’s debt and deficit levels in order to improve France’s fiscal margins of manoeuvrability.206 There were fears within the Hollande camp that France was still vulnerable to speculative market attacks (see Clift and Ryner 2014: 149).207 As per Streeck’s thesis, Hollande (2018: 187-8) has argued since that the weight of France’s interest payments hung over his decision-making and spurred his desire to consolidate France’s debt and deficit early on. Compounding the issue of financial market reaction, there was also the institutional problem of pressure from France’s EU partners, particularly Germany, to agree to the Compact. The Compact had already been agreed by Angela Merkel and Nicolas Sarkozy in early 2012, whilst Hollande was politically isolated in Europe on the issue, and as such there was little political space within which to achieve reform (see Hollande 2018: 157-8).208 The worry that France could yet be dragged into the crisis engulfing Southern Europe was brought up at Hollande’s first meeting with EU leaders, which turned quickly to the issue of France’s public finances and the position of financial markets.209 Furthermore, many of these debates following Hollande’s election in May 2012 came after France lost its AAA bond rating and before Draghi’s commitment to do ‘whatever it takes’ to save the euro at the end of July (see Krishnamurthy et al. 2018). Hollande now argues that rocking the boat too

206 Élie Cohen, personal interview, 23/06/2016; Christophe Caresche, personal interview, 29/11/2016; Alain Bergounioux, personal interview, 21/06/2016.
207 Gilbert Cette, personal interview, 13/11/2016; Jean-Paul Fitoussi, personal interview, 01/12/2016.
208 Alain Bergounioux, personal interview, 21/06/2016. Given his role as an advisor to Prime Minister Jospin in 1997 during France’s failed negotiation of the Amsterdam Treaty (see Ladrech 2000: 9-10) – a very similar situation to the one in 2012 – Hollande would have been well aware of these constraints.
strongly with demands to renegotiate would have ‘thrown France into disarray and Europe with it’ (Hollande 2018: 187; see also Davet and Lhomme 2016: 221-2).

Pressure from financial markets and the EU were thus keenly felt in France at a crucial period in mid-2012. This episode also highlights the ongoing limited scope of French state actors to reorient European economic governance when faced with the interests of their more powerful German counterparts (see Clift and Ryner 2014). Yet, given the nature of Hollande’s campaign programme and promises to renegotiate the European treaties, it is important to recognise two further issues concerning the way in which the French government navigated this political environment and the impact that this choice has had.

The first issue relates to the ambiguities that lay behind Hollande’s programme. Ultimately, as Xavier Ragot – economic advisor to Minister of Industrial Renewal Montebourg at this time – notes, despite his election campaign, Hollande and much of the Socialist administration viewed the Compact as ‘not so bad after all’. For instance, Henri Weber, a PS MEP at the time and long-standing stalwart of Laurent Fabius’ faction, admitted to me that the new fiscal rules were largely ‘welcome’ for the government. As such, Ragot argues, the incoming Socialist government ‘avoided investing their political capital in trying to change [the Compact]’.

Indeed, Hollande (2018: 192) supports this contention when he admits that despite his campaign pledges, he viewed the idea of renegotiating the European treaties as a ‘tortuous process’. Renegotiation was therefore, in Muet’s words, always ‘more campaign discourse than an actual proposition’.

Fundamentally, the Compact represented a political trade-off that Hollande and his advisors sought to delay acceptance of until they were in power in order to maintain party cohesion. Reminiscent of the idea of the PS’s inherent ‘radical ambiguity’ (see Cole 2011; Grunberg 2016), Professor Zaki Laidi, an expert on the EU and a senior PS activist, suggests

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210 Hollande suggested that: ‘If I had said we were going to distribute a little more, to create a deficit, at some point we would have been caught up ... How long? Six months, a year? But then we would get taken by the throat by the European Commission, which can sanction us, by the markets ...’ (Hollande cited Davet and Lhomme 2016: 220).

211 Xavier Ragot, personal interview, 17/06/2016.

212 Henri Weber, personal interview, 21/06/2016.

213 Xavier Ragot, personal interview, 17/06/2016.

214 Pierre-Alain Muet, personal interview, 21/04/2017.
that ‘ambiguity is at the heart of the Socialist Party’.\footnote{215} If, therefore, ‘you start working seriously on issues and you start having serious views on a number of issues, it leads to a certain clarification … [if] you clarify the issues, you create fundamental problems’ in the party.\footnote{216} This ‘ambiguity’ at the heart of the party seemingly facilitated regime stability in earlier periods of the PS’s history (see Best 2005). Yet, in the post-crisis period, as a result of internal party politics and divisions between those PS factions more and less critical of the EU and the wider politics of austerity in Europe, it has suffocated ideational renewal within the party and left the Socialist administration clinging to a set of arguments that in all likelihood were never practicable.

As a result, there was never a clear strategy for delivering reform at the European level. Hollande (2018: 157) admits now that he knew his proposals would be ‘unacceptable’ for German Chancellor Merkel. Rather, first and foremost, as a government advisor admits, it was immediately recognised that ‘nothing could be achieved at the European level, if we do not [first] conduct reforms in France’.\footnote{217} As a senior economic advisor to the government confirms, actors at the highest level knew that ‘we had to give something to Brussels – either fiscal austerity or supply-side [reform].’\footnote{218} By choosing initially to pursue some fiscal austerity over labour market reforms, the government was making a ‘strategic choice’ that it was ‘easier politically to sell fiscal austerity’, to the French parliament, the Socialist Party itself and the wider public.\footnote{219}

Hollande’s ambitious promises of European reform and their subsequent collapse reflect, however, competing political imperatives and the dangers of ‘double discourse’. At the 2005 Le Mans congress, Hollande affirmed his view that ‘nothing lasting can be built on illusions, or worse, lies … our actions must be consistent with our words’ (Hollande cited in Zaki Laidi, personal interview, 10/06/2016.

\footnote{215} Zaki Laidi, personal interview, 10/06/2016.
\footnote{216} Zaki Laidi, personal interview, 10/06/2016.
\footnote{217} Senior Political Government Advisor, personal interview, 10/06/2016.
\footnote{218} Senior Economic Government Advisor, personal interview, 10/05/2016; the EU’s application of pressure on France to pursue either fiscal austerity or labour market reform (and ideally both) reflects the politics of austerity at the European level, with which French policymakers had to contend.
\footnote{219} Senior Economic Government Advisor, personal interview, 10/05/2016. It thus appears that in tying the hands of the government, the new rules endowed an external legitimacy on the fiscal path set out by the Socialist administration. In this sense, as Bailey (2009) would suggest, the Treaty provided space to shift responsibility for tough fiscal adjustments away from Hollande and the Socialist government.
Yet, Hollande did not heed his own advice. On the one hand, he sought to maintain party unity and uphold electoral support (particularly amongst the left electorate) whilst, on the other hand, securing economic credibility for a Socialist government’s economic programme in bond markets and with France’s EU partners. This melange of pressures clearly made for difficult political terrain for the Socialist candidate. Even with hindsight, Hollande (2018: 189) defends his strategy and suggests (not unduly) that he achieved greater flexibility for France in its deficit reduction plans. Yet, turning to the second issue in the section below, we must understand what the effect – both direct and indirect – of this ‘double discourse’ and signing the Fiscal Compact have been and how this was dealt with at the coordinative stage.

6.3.6 Hollande’s wider economic programme

In terms of party management, the decision to embrace the Compact was significant. Just weeks after the legislative elections, in opposition to the government’s attempt to bring the Compact into French organic law, a group of rebellious left-wing PS députés voted against the government. From this point forward, les frondeurs (literally ‘slingers’ or rebels) – a group of up to 40 Socialist députés – consistently disobeyed the government line on social and economic policy issues, leaving the Socialist majority in Parliament heavily divided and weakened.220 Resisting the government’s claims to economic responsibility, les frondeurs could claim to be the true representatives of the Socialist electorate. In the context of the post-crisis politics of austerity, European integration had once again split the PS (see Hollande 2018: 200).

Within the administration, however, there was a feeling that pressures to pursue fiscal consolidation could be balanced with normative social democratic concerns for equality and welfare (see Bremer and McDaniel 2019). As was also reflected in several interviews, Hollande (2018: 188) suggests that there was ‘no austerity’ in France as there was in ‘other countries’ and that fiscal consolidation was achieved with an ‘acute sense for equity’.221

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220 The frondeur movement included prominent left-wing MPs, such as Laurent Baumel and Christian Paul, as well as (following their dismissal from government in 2014) former ministers Hamon and Montebourg. This was, in turn, a major problem for the government throughout the Parliament and was criticised by government loyalists for ‘taking the majority hostage’ (Sanchez 2015).

221 Several interviewees made a similar point, citing figures to suggest that wages had continued to rise on average, the number of civil servants had increased, and the French social welfare system remained perhaps the
Whilst it may well be true that the Socialist administration implemented austerity in ways more compatible with social democratic values, there remains reason to interrogate the claims made by Hollande.

Xavier Ragot, the head of the OFCE and former government advisor, argues that from 2012 France had significantly more fiscal space, even in the context of the Fiscal Compact – particularly since Draghi’s commitment to a credible backstop – than was acted upon. Alongside spare fiscal capacity and a negative output gap (see Section 5.5.2), Ragot argues that this is evidenced by the fact that the EC de facto accepted a 2017 deadline for a budget deficit of 3 per cent of GDP, as opposed to the 2013 deadline initially set by the Socialist administration. Creel et al. (2014a: 157) note, furthermore, that the government’s first Budget, passed in September 2012, produced a consolidation effort of €34 billion (or 1.5 per cent of French GDP), which went ‘well beyond the requirements of the letter of the [European] treaties’. The decision to produce such a large consolidation, therefore, cannot be explained solely in terms of the institutional pressures placed upon the government, but instead reflects ‘ongoing constraining power of ordo-liberal rules enshrining fiscal conservatism’ in French economic policymaking (Clift and Ryner 2014: 147).

In an early blow to the perceived governing competence of the Socialist administration, failure to achieve reform at the EU level – which could have provided greater fiscal margins of manoeuvrability – left Hollande’s manifesto programme ‘empty’ (see also Hollande 2018: 190). By July, the government had already commissioned a report to be carried out by Louis Gallois (2012) on France’s economic growth model, which distilled a number of existing arguments around the need to boost French competitiveness through a range of supply-side measures, including tax credits for research and development and labour cost reductions. On the back of this, Prime Minister Ayrault launched the ‘National Pact for Growth, Competitiveness and Employment’, with its major policy initiative consisting of a €20 billion tax credit for businesses (crédit d’impôt pour la compétitivité et l’emploi, or CICE) (see Premier Ministre 2012).

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most generous in the world. This idea was put forward in interviews with: Henri Weber, personal interview, 21/06/2016; Alain Rodet, personal interview, 29/11/2016; Alain Bergounioux, personal interview, 21/06/2016.

222 Xavier Ragot, personal interview, 17/06/2016.

223 Xavier Ragot, personal interview, 17/06/2016.

224 Xavier Ragot, personal interview, 17/06/2016.
The adoption of Gallois’ recommendations represented an almost immediate shift away from some of the more Keynesian strategies of the PS left; as Ragot argues, such strategies were adopted for largely political reasons during the campaign but were never ‘taken seriously’ thereafter in government.225 Once in power, Hollande appointed economists to his advisory team who were extremely sceptical of Keynesian demand management techniques, including Macron, who became secrétaire général adjoint (Deputy Chief of Staff) at the Élysée.226 Though he played a role in advising Hollande on economic issues, Macron privately held a deeply critical perspective of the 2012 campaign, suggesting that it had been ‘conducted on the sidelines of reality’ (Macron cited in Pedder 2018: 6). Macron was later replaced by Laurence Boone, who holds a set of similarly liberal economic ideas to Macron about the state of the French economy.227 Indeed, Hollande’s administration was staffed by more Énarques than Sarkozy’s (Cole 2017: 116) – the effect of which was, Germain described to me, to instil a ‘liberal’, technocratic mindset wherein ‘everything is based on market mechanics’.228

In terms of the distributive character of the Socialist government’s consolidation programme, moreover, we can also see changes as the quinquennat progressed. For instance, the €20 billion cost of the CICE programme in 2012 was funded through significant but progressive taxation rises (Ragot 2014: 23). Yet, with the launch of Hollande’s Pacte de Responsabilité in January 2014, which built upon the CICE with an additional €30 billion tax cut designed to reduce the cost of labour, and the establishment of a new government under Prime Minister Manuel Valls in March, a distinct qualitative change in the government’s

225 Xavier Ragot, personal interview, 17/06/2016; This argument was also reflected in interviews with Pierre-Alain Muet, personal interview, 21/04/2017 and Jean-Paul Fitoussi, personal interview, 01/12/2016.

226 Though the core members of La Rotonde were disillusioned as to why they had not been brought into the fold (Romain Perez, personal interview, 28/11/2016), Macron’s appointment as Hollande’s Deputy Chief of Staff at the Élysée belies the continuity of his underlying liberal economic perspective, despite some of his more muscular left-wing rhetoric in the campaign.

227 Boone, like Macron, came from the financial sector and held similarly liberal economic ideas about the French economy. Her arguments focused on France’s lack of competitiveness resulting from its over-regulated financial and labour markets, burdensome public finances and lack of investment in supply-side tools for the economy. She pointedly criticised the government before her appointment for not further deregulating markets and reducing social protection coverage in a series of articles for the market-friendly l’Opinion newspaper before accepting the role (see Boone 2014).

228 Jean-Marc Germain, personal interview, 22/06/2016.
approach was made manifest.\textsuperscript{229} As a result of the government’s intention to shift away from a taxation-based strategy, the 2015 Budget indicated that the money required to balance the books following the new \textit{Pacte} would come solely from spending cutbacks (Ministère de l'économie 2015: 8). As Hollande critics Pierre-Alain Muet and Jean-Marc Germain note, the government’s shift led to tens of billions of euros being delivered to employers to incentivise hiring, at the cost of economic growth – an argument supported by OFCE (2016) analysis.\textsuperscript{230}

There was, then, a clear shift away from responsiveness to constituents’ interests towards a focus on establishing the Socialist administration’s economic credibility with bond markets and its EU partners. Whilst the government’s programme arguably reflects Hollande’s own perspective, it bears little resemblance to the prospect of \textit{le changement}, upon which he mobilised support for his campaign. The failure to construct a coordinative discourse that could act to support a social democratic alternative to austerity post-crisis, whilst establishing political argument hegemony and governing competence, lies within this discrepancy.

\textbf{6.4 Conclusion}

This chapter has provided analysis of the coordinative discourse within the Labour Party and the Hollande campaign/administration. It has demonstrated that, in both cases, weaknesses in the statecraft of these actors emerged from a fundamental division within the parties over the nature of the economic crisis and the steps necessary to respond to that environment. Despite operating in very different contexts, in both cases these social democratic parties failed to reconcile the competing demands of ‘responsiveness’ and ‘responsibility’ (Mair 2006; 2009; 2011; 2013). Both parties suffered from a weak ideational supply, the stickiness of a social liberal intellectual framework at the top of the party and resulting wider organisational divisions within the parties. These three elements underpinned the failure or absence of ideational renewal within the parties. As a result, neither Miliband nor Hollande were able to develop a coordinative discourse that balanced a normatively-oriented diagnosis of the crisis as a product of the existing neoliberal economic order with a set of cognitive ideas around the remedial economic policy action required consistent with social democratic values.

\textsuperscript{229} In the summer of 2014, three ministers including Montebourg and Hamon left the government after criticising its shift towards an ‘austerity programme’. Hollande (2018: 310) has publicly dismissed their calls to renegotiate the EU treaties as ‘pandering to a certain sovereigntist romanticism’.

\textsuperscript{230} Pierre-Alain Muet, personal interview, 21/04/2017; Jean-Marc Germain, personal interview, 22/06/2016.
In Labour’s case, Miliband sensed that the GFC represented a fundamental crisis of liberal economic ideology and the need for a Keynesian crisis response. However, weak ideational supply was compounded by a resistance within the party, particularly within its social liberal quarters, to adapt its political economy post-crisis, a dynamic further problematised by Miliband’s weak position within the PLP. A failure to challenge the dominant crisis narrative at the time – that the crisis was ‘Labour’s mess’ – locked the party into an intellectual framework wherein establishing the party’s ‘economic credibility’ on cognitive grounds became its foremost priority. This ultimately came at the expense of an electoral strategy based upon a normative social democratic critique of the crisis and more radical political economy ideas (including pre-distribution and stakeholder capitalism). The party’s attempt to bridge the divide between the Coalition government’s austerity and an outright anti-austerity campaign ultimately ran out of political mileage, as demonstrated with the rise of the ‘SNP threat’ during the 2015 General Election campaign.

In the case of the PS and Hollande’s Socialist administration, we see an opposite context produce similar outcomes. Given the political and economic context that he found himself in in 2011, Hollande developed a normative critique of the crisis and attendant economic programme based upon an activist Keynesian cognitive framework and long-held French socialist ambitions for reorientation of the European project. Short-term political manoeuvring allowed Hollande to mobilise the political support necessary during the campaign period, but this ultimately served only to temporarily mask a growing chasm between expectation and the reality of his own social liberal outlook and his administration’s commitment to an ambitious fiscal consolidation and liberalising structural reform programme designed to demonstrate France’s ‘credibility’ to financial markets and the EU. The following chapter seeks to build upon these insights with an analysis of Labour and the PS/Socialist administration’s statecraft in terms of the communicative discourse employed in both cases.
Chapter 7: Delivering the alternative: The communicative discourse of the Labour Party and the PS/Socialist administration

7.1 Introduction

This chapter builds on the insights developed in the preceding chapter by analysing the communicative discourse utilised by the Labour Party under Miliband (2010-15) and the PS/Socialist administration, including the campaign leading up to the 2012 election (2011-2017). As an integral aspect of statecraft, communicative discourse is the public-facing discourse used by political actors to legitimise their policy programmes. It is underpinned by both normative and cognitive ideas, the simultaneous application of which is critical to the successful legitimation of a policy programme. Alongside an assessment of their resonance with social democratic values, this chapter’s analysis is focused upon an assessment of the internal logic of the ideas utilised by these actors (both cognitive and normative) and their ability to mobilise support amongst the wider electorate.

As illustrated in the previous chapter, Labour and the PS/Socialist administration operated in very different contexts, but shared key political and ideational factors that undermined their coordinative discourse: a weak ideational supply, the stickiness of a social liberal intellectual framework and wider organisational divisions. This chapter shows how these issues found at the coordinative stage of discourse fed into and shaped the parties’ public-facing discourse and wider statecraft. As with the prior stage of coordinative discourse, the focus of this analysis is again on the dual themes of crisis conceptualisation and the politics of austerity. I argue that neither Labour nor the PS were able to reconcile the competing demands of ‘responsiveness’ and ‘responsibility’ outlined by Mair (2006; 2009; 2010).

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231 As a reminder, in the context of this study, normative ideas are essential to establishing crisis conceptions that appeal to underlying values and visions of what post-crisis reform should look like, whilst cognitive ideas serve to legitimise particular economic policies or strategies as necessary in order to achieve these goals.

232 The power of the internal logic of ideas, it should be recalled, is defined in relation to the distinct qualities of cognitive and normative ideas, which serve respectively to legitimise a policy programme technically by demonstrating its necessity and in relation to a set of values by demonstrating its appropriateness. The legitimisation of a policy programme thus requires the simultaneous utilisation of both cognitive and normative ideas, which must operate together effectively in order to construct a convincing account of what is, what to do and what one ought to do (see Schmidt, 2002: 213).
2011; 2013). Rather, they both operated within the dominant discourses of the economic crisis and the politics of austerity, at times embracing both normative and cognitive arguments in favour of consolidation. In both cases, we see a failure to mobilise electoral and party support for their policy programmes (notwithstanding initial Socialist electoral success in 2012), as well as a distinct inability to establish anything like ‘political argument hegemony’, or governing competence in the French case (see Bulpitt 1986).

Given the organisational and intellectual legacy of the New Labour governments, Miliband’s party struggled to develop a normative conception of the crisis that could challenge the dominant discourse that the crisis was ‘Labour’s mess’. In seeking to re-establish their ‘economic credibility’ with the electorate, Labour pursued a discursive strategy premised upon balancing the perceived imperative to pursue consolidation (‘responsibility’) with social democratic notions of fairness and equality (‘responsiveness’) (see Bremer and McDaniel 2019). Yet this approach often lapsed into embracing not only the economic rationale but also normative justifications for fiscal consolidation as reflecting ‘the kind of country we want to be’. This, in turn, not only compromised the internal logic of a potential social democratic alternative but provided an increasingly narrow political space in which to operate, particularly as economic growth returned in 2013 and the political situation in Scotland evolved following its independence referendum in 2014.

Given that the PS was not in office during the crisis, Hollande was afforded greater discursive space to develop a normative critique of the crisis environment and an ambitious set of cognitive arguments around reorienting the European political economy – a message further encouraged by internal party and electoral dynamics, which pushed his discourse leftwards during the campaign. Yet, underlying this discourse of *le changement* were a number of ambiguities related to the dominance of a social liberal perspective amongst Hollande and his advisors, and their desire to secure French economic credibility with financial markets and its European partners. Much like Labour, the Socialist administration sought to pursue a form of austerity that could balance its fiscal consolidation plans (‘responsibility’) with normative social democratic concerns (‘responsiveness’). As Hollande’s *quinquennat* progressed under a new government led by Manuel Valls from 2014, however, the ability of this discourse to legitimise the Socialist government’s economic programme unravelled.
This chapter sets out the empirical case, before the key components of the comparative analytical work will be delivered in the following chapter. This account follows a broadly chronological order within each case, in order to demonstrate how the discourses and programmes developed over time in relation to emerging constraints. The chapter carries out this examination through analysis of over 300 English and French language documents, including major economic speeches and policy material such as election manifestos and interviews, all of which shed light on the public discourse of Labour and the PS/Socialist administration across this period. This analysis is, moreover, further supported by insights gleaned from the 32 interviews conducted with key policy actors associated with the two parties. It begins by looking at the case of Labour under Miliband, then analyses the case of the Hollande campaign and Socialist administration.

7.2 The Labour Party

7.2.1 ‘Labour’s mess’? Challenging the dominant crisis conception

As we saw in Chapter 6, Miliband and key advisors such as Wood saw the economic crisis as fundamentally one of economic liberalism as an ideology. The crisis offered, they felt (at least initially), an opportunity to make bold arguments about the need for a significant re-orientation of the UK political economy. Public discussion of these ideas was, however, constrained by New Labour’s legacy in government and the continuing sociological and intellectual dominance of New Labour figures in the party. There was disagreement within the party and even within Miliband’s team over the appropriate way in which the party should publicly discuss the crisis, New Labour’s legacy and the appropriate economic response. The wider political context at this time is critical, moreover, to understanding the development of Labour’s communicative discourse. Whilst Labour were still choosing a leader, Osborne used his emergency Budget in June 2010 to redefine the terms of the debate and promote the message that the crisis was Labour’s fault, resulting from the party’s profligate spending when in government (Gamble 2015a: 47). Polling has shown that this was an incredibly powerful tactic: not only did the public increasingly believe that the government’s austerity plans were necessary but, strikingly, more people blamed Labour for

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233 These speeches are all focused on economic policy and delivered by key figures related to the economic policy programmes of either Labour or the Hollande campaign/Socialist administration. These include, in Labour’s case, the party leader and Shadow Chancellor of the Exchequer, and in the French case, Hollande, his Prime Ministers and both his economic and finance ministers.
the Coalition government’s cuts than the government itself (Stanley 2015). Labour was thus tasked with re-constructing notions of its governing ‘responsibility’ in a challenging environment.

This left Labour in a difficult situation. On the one hand, Miliband sought to present a normative case for a social democratic economic alternative to the failed pre-crisis model of British capitalism. On the other hand, the party leadership also felt unable to distance itself too significantly from New Labour’s economic model and social liberalism in order to maintain party unity and the credibility of previous Labour programmes in the eyes of the electorate. As we have seen, whilst some insiders wished to concede the Coalition government’s claims and ‘move on’, others felt that the party needed to robustly defend Labour’s record on normative grounds and set out a ‘detailed alternative on the deficit’ on cognitive grounds (Balls 2016: 331-3). Frustratingly for all, neither strategy was carried out to any great effect. Rather, as one advisor put it, the leadership employed a middling, ‘defensive’ discursive strategy, wherein the crisis and Labour’s record in government were handled on the basis of ‘don’t talk about it unless you have to’.234 This, I suggest, was critical to Labour’s failure to develop a winning electoral strategy and political argument hegemony with regards to defining the crisis and prescribing its remedy.

Although divided on a number of key issues, including New Labour’s legacy, both Miliband and Balls found it difficult to swallow the idea that the previous Labour government’s spending was to ‘blame’ for the size of the government deficit, and so ‘they didn’t want to apologise for something which they didn’t think was a mistake’.235 This position created tension, a former Shadow Cabinet member notes, ‘because that [perspective] didn’t really resonate with the public and also we didn’t want to spend huge amounts of time talking about the past, [so] we just didn’t talk about it at all’.236 There was a strong feeling that ‘the public had already made up their minds on whose fault the financial crisis was’ and therefore, an economic advisor to the party leadership recalls, Miliband wanted to avoid trying to ‘persuade people that Labour wasn’t incompetent in over-spending on public

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234 Senior Economic Advisor A, personal interview, 03/12/2015.
236 Shadow Cabinet Minister A, personal interview, 11/01/2017.
services because, in fact, it was incompetent in its regulation of the financial sector’. As the advisor put it, ‘arguing about why it’s your fault is … not a great argument to be having’.

There is, then, a clear temporal dimension to Labour’s public crisis conception, given that the crisis happened so recently and under a Labour government. When asked, the party leadership consistently argued that the financial crisis started with ‘the reckless lending practices of American financial institutions’, and that it ‘exposed risky behaviour by banks and inadequate regulation in every major country of the world, including in Britain’ (Balls 2012a; 2012b; Miliband 2012a; 2012b). Figures such as Balls admitted, moreover, that in government New Labour had left the UK economy overly exposed to the volatility of the financial sector (Balls 2012a; 2012b; 2012d; Umunna 2012). These arguments chimed with two of the more fundamental aspects of its crisis diagnosis: the volatility of financial markets and the intellectual bankruptcy of neoliberalism. Yet, the tension remained and the party leadership never settled on a definitive conception of the crisis and critique of the economic model that underpinned it and with which the party was associated.

This tension crystallised at a pivotal point of the election campaign: the televised leadership debates. As Stears acknowledges, in the first two live televised leaders’ debates Miliband was, ‘roughly in the Stewart Wood position, “let’s argue about the future and not talk about the past”’, yet by the final debate, ‘he went off message and started defending the [New Labour] record. It just looked like he hadn’t made his mind up.’ This issue is indicative of a wider fragmentation of the party’s central message on the economy. Stephen Bush, a columnist at the New Statesman, recalls that in stark contrast with the ruthless efficiency of Conservative Party messaging on this issue, ‘at no point were they [the Labour party] ever speaking with one voice’.

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237 Senior Economic Advisor A, email exchange, 09/11/2015.
238 Senior Economic Advisor A, personal interview, 03/12/2015.
239 Marc Stears, personal interview, 17/02/16. Miliband’s decision to answer ‘no’ when questioned directly on whether New Labour had overspent when in power in the final Question Time special debate caused a palpable sense of shock amongst the audience members, with a follow-up comment from an audience member accusing him of “frankly just lying”. This incident captures the way in which Labour had failed to defend a consistent line on the New Labour government’s record in office.
240 Stephen Bush, personal interview, 03/02/2017.
Some of Labour’s strategic advisors have argued since that they do not believe, even with the benefit of hindsight, an alternative discursive strategy would have been more successful.241 Indeed, as one argued, no focus group that he had done ever gave him the impression that it would have been possible to change the public’s mind about the causes of the crisis – it was a lost cause.242 Yet, in setting its focus solely on debates over the future of the economy, Labour under Miliband produced neither a full-throated defence of the New Labour years, nor a decisive break with it. Although Wood remains adamant that readdressing the causes of the financial crisis would have been a waste of Labour’s time and effort, he recognises the significance of this issue. He suggests now that:

We didn’t really confront the elephant in the room about our economic credibility problem one way or the other… We thought that avoiding the question was somehow going to make the question go away. (Stewart Wood, personal interview, 05/02/2015)

Clearly, it did not. Not addressing the crisis issue directly set the stage for a debate wherein the Labour Party were largely viewed as culpable for the crisis, a crisis defined in terms of the largesse of the state (read New Labour government) in the pre-crisis years. In turn, the party had little solid ground upon which to challenge the claims of the Coalition government, which positioned austerity as a common-sense and necessary remedial action designed to return the state back to ‘normality’. This ultimately laid the foundations for the discursive environment during the 2010-15 Parliament, setting the parameters within the public debate of what was seen as both necessary and appropriate in response to this dominant crisis conception.

7.2.2 Re-establishing economic credibility

Given the nature of the debate surrounding the crisis outlined above, throughout the entire parliament a key concern for Labour was to re-establish its economic credibility with the electorate. Doing so, however, proved to be a difficult task for the party leadership. As Stears notes, Miliband was a resolutely ‘anti-austerity politician’, yet he was caught between ‘the substance’ of the economic case against austerity, and ‘the political reality’ of a situation wherein cuts were deemed necessary by the public and Labour’s fiscal reputation was

241 Senior Strategic Advisor A, personal interview, 16/11/16; Senior Strategic Advisor B, personal interview, 03/03/2017.
242 Senior Strategic Advisor B, personal interview, 03/03/2017.
extremely weak. Wood suggests similarly that whilst Miliband privately held a more boldly Keynesian perspective on the need for investment, he ‘felt we didn’t have permission to be heard because of our credibility problem on the economy’. For instance, party leaders considered employing an ‘educative approach’ to spending and investment during a recession by using a credit card analogy to directly counter the Coalition government’s ‘household budget’ analogy, the argument being that ‘you can’t pay off the credit card if you don’t have a job’. However, it was felt that Labour did not command enough economic credibility with the electorate to make this kind of statement and for it to resonate with voters.

Seemingly unable to pursue this ‘educative’ strategy, Labour tried to develop a communicative discourse that could legitimise a fiscal programme that would be seen by voters as both necessary (thus ‘responsible’) in reducing the debt and deficit, and yet more ‘appropriate’ than Conservative plans by being ‘fairer’ (and thus more ‘responsive’ to their interests) (see Bremer and McDaniel 2019). Ultimately, however, as we shall see, this message failed to address the party’s economic credibility problem and often reinforced rather than challenged the Coalition government’s political argument hegemony on austerity.

In policy terms, the headline measure of the party’s fiscal programme was that, if elected, a Labour government would get the current budget into surplus and public debt falling ‘as soon as possible’ in the Parliament (Labour Party 2015: 1). The party committed to matching Conservative spending plans for 2015-16 and admitted that it would not look to reverse key spending cuts. However, its ambiguous target date for a current budget surplus afforded it greater room to borrow to invest than the Conservative Party, potentially to the tune of £25 billion per year (Johnson 2015). Labour was, nevertheless, vague on the level of public spending it would like to see in the next Parliament. Based on an assumed plan to achieve current budget balance by 2018-19, the IFS calculated Labour’s plans would entail ‘only relatively small cuts’ after 2015-16, lowering spending to 2003-04 levels (Crawford et

243 Marc Stears, personal interview, 17/02/16.
244 Stewart Wood, personal interview, 05/02/2015.
245 Senior Strategic Advisor A, personal interview, 16/11/16.
246 Senior Strategic Advisor A, personal interview, 16/11/16. The advisor suggested to me that it would have been akin to an alcoholic making the case that ‘a glass of red wine a day is good for you’.
247 The Conservative Party, on the other hand, suggested it would look to achieve an overall budget surplus, inclusive of investment.
al. 2015: 4, 19). On the revenue side, Labour sought to slightly increase overall taxation levels by around 0.3 per cent of national income (Crawford et al. 2015: 15).

From a communicative discourse perspective, however, the most significant thing to recall is that the party did not declare itself an ‘anti-austerity party’; it did not attempt to challenge austerity on normative grounds in order to bolster its claims of economic responsibility. Rather, Labour’s stated fiscal plans and discourse around those plans were a ‘compromise’ between the two opposing currents of thought within the party on the nature of the crisis, Labour’s culpability for the crisis, and the appropriate fiscal path to be taken (i.e. to pursue austerity or not). Labour’s fiscal policies were, therefore, designed as the ‘mirror opposite’ of the Conservatives in that they were ‘very specific on individual policies’ to match the Tories’ toughness on spending, whilst being ‘deliberately […] hazy about the overall envelope’ in order to ensure the party retained fiscal room to manoeuvre in government. One economic advisor explains:

The idea was the wording around ‘we will get [the budget] into balance and as soon as possible’, meant you could argue, ‘well, we’re not necessarily going to spend more than the Tories’. We might get the deficit down even faster, if we boost growth. But it also allowed you, in reality, if we’d won the election, to actually go and cut a lot less steeply and balance the budget over the parliament. (Senior Economic Advisor A, personal interview, 03/12/15)

By using this discourse, the party hoped to earn a ‘score draw’ on cognitive arguments concerning economic responsibility, whilst simultaneously demonstrating how its plans were more appropriate and equitable for the voting public. Labour thus constructed a juxtaposition between the excessive and politically-motivated ‘austerity’ of the government and its own cognitive arguments in favour of ‘sensible’ cuts to expenditure (i.e. as sufficient and economically necessary) (Miliband 2011a; Balls 2011b; 2011d; 2012a; 2012c; 2013a; 2015b; 2015e). Its own plans, it argued, were ‘tough but fair’, with the party attempting to

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248 Taxation policies included the (re)introduction of both a lower 10p and higher 50p rate of income taxation; a ‘mansion tax’; a levy on tobacco companies; an increase in the bank levy; a bank bonus tax; and a slight increase in the rate of corporation tax.
249 Marc Stears, personal interview, 17/02/16.
250 Senior Economic Advisor A, personal interview, 03/12/15.
251 Senior Economic Advisor A, personal interview, 03/12/15.
illustrate it could be trusted to take ‘difficult decisions’ on expenditure, whilst simultaneously promoting more progressive outcomes (Balls 2011a; 2012a; 2012c; 2013e; 2014e; 2015a).

As the following section shows, however, this discursive approach, which attempted to reconcile the competing demands of ‘responsiveness’ and ‘responsibility’ in the context of the post-crisis politics of austerity, failed to legitimise Labour’s approach. On the one hand, it was politically weak. It was a compromise, Stears now acknowledges, that ‘worked for [Miliband] in the sense that it resolved the tension [of whether to promote an anti-austerity message or not] … but it didn’t work for anyone else because everyone else was in one camp or another’.252 On the other hand, Labour’s approach to austerity was a complex bifurcation in the fiscal consolidation argument, which saw the party’s discourse often lapse clumsily into embracing not only an economic rationale for austerity but also normative justifications for it. This strategy failed to resonate clearly with social democratic values and could not provide a foundation upon which to challenge the Coalition government’s austerity politics or develop a winning electoral strategy.

7.2.3 “Too far, too fast”

Early on between 2011 and 2013, under Balls’ Shadow Chancellorship, the party’s central message on deficit reduction was a Keynesian-style critique that the government’s fiscal consolidation plans went ‘too far, too fast’ (Balls 2011a; 2011c; 2012a; 2012c; 2012e; 2013e; Miliband 2011a; Miliband 2012a). Balls rejected the theoretical basis of the ‘expansionary fiscal consolidation’ (EFC) argument that Osborne had invoked to legitimise his cuts to expenditure as a route to growth (Balls 2012a; 2012c; 2013e). Whilst deficit reduction was always a key element of Labour’s economic discourse, and cuts to expenditure were always regarded as ‘necessary’ (Miliband 2010a; Balls 2012e), at this time the party felt able to pursue arguments in favour of a growth-led recovery, which was made possible by a slower pace of deficit reduction (Balls 2010 2011a).

As Wickham-Jones (2013: 41) argues, whilst there may have been an economic logic to Balls’ approach, it was ‘politically harder to convey to the wider electorate’. Indeed, Balls (2012a) was keenly aware of the Coalition government’s own ‘austerity statecraft’ (see Gamble 2015a), highlighting how the austerity debate has been ‘used to try to reprise those old ideological divides’, by criticising legitimate Keynesian logic as ‘deficit denial’. In this

252 Marc Stears, personal interview, 17/02/16.
context, in order to bolster the cognitive basis of the party’s own fiscal stance, Balls looked to distinguish his position from the wider ‘anti-austerity’ argument. For instance, he was eager to differentiate the proper and necessary character of his own fiscal consolidation plans from those of ‘naïve “Keynesians”’, who ‘think it is always a special case – time to let rip and just “tax, spend and borrow” in the hope that will deliver full employment’ (Balls 2012a).

At the same time, moreover, Balls (2013f; 2014e) attempted to highlight the normative argument that Labour would not ‘flinch from the tough decisions we must make’. Fiscal consolidation, he argued, was not ‘just about policy, but about the kind of country we want to be and the way we do our politics’ (Balls 2012e, emphasis added). Conforming to the private-public household analogy so often used on the right as a stick to beat back Keynesian economic logic (see Gamble 2013a), the party leadership spoke of how it believed in the need to ‘balance the books’ and ‘live within our means’, as working people did in their everyday lives (Balls 2014e; Miliband 2011; 2012; Labour Party 2015: 12). Furthermore, Balls regularly engaged a range of normative arguments on the need for thrift and ‘common sense’ on spending reductions, whilst his oft-repeated mantra was, ‘fiscal responsibility in the national interest’ (Balls 2011a; 2012e; 2013f; 2014e). Whilst the party had hoped to distinguish between credibility for its policies and ‘austerity’, it is clear that the two became entwined on a number of different levels. This was, then, a rather ineffective route to establishing political argument hegemony.

7.2.4 Predators, producers and One Nation Labour

In the first half of the Parliament, Labour balanced these Keynesian critiques with Miliband’s desire to promote more radical economic change along social democratic lines. This was articulated in quite stark normative terms early on; Miliband’s 2011 party conference speech, for instance, set up a critique of ‘predatory’ interests at the heart of British capitalism (Miliband 2011a). Although intellectually powerful, as Stears notes, the speech was heavily criticised by the media. The party therefore sought to develop this theme but with a new language and style under the idea of building a ‘responsible capitalism’ within the framework of a ‘One Nation Labour’ government, which Miliband first spoke of during his 2012 conference speech (Miliband 2012a).253 Miliband wrote of how the British economy required ‘rebalancing’ away from its reliance on financial services, and that the economy must provide ‘both more and better jobs’ (Miliband 2012c: 18), tying in Wood’s argument around the need

253 Marc Stears, personal interview, 17/02/2016.
for a ‘supply-side revolution from the Left’ and a shift towards a more Germanic coordinated-market style of economic governance (see Chapter 6). These concepts became a central theme of the party’s ‘big tent’ electoral strategy during this early period which sought to mobilise voters from across the political spectrum (Miliband 2012a; 2012b; 2012c; Wood 2012a 2012b; Balls 2012a; Umunna 2012).

Many within the party, however, including Miliband, remained wary of seeming overly statist in their approach, for fear of looking like traditional ‘tax-and-spend socialists’ (Miliband 2012b). In response to this anxiety, in late 2012 Miliband began discussing the concept of ‘pre-distribution’ and the need to regulate markets so that they operate more equitably prior to redistribution. Pre-distribution was seen as a valuable policy idea that allowed the party to address some fundamental issues at the heart of the British economy, including the types of jobs created and the distribution of income, at ‘a time of fiscal constraint’ (see Miliband 2010a; Miliband cited in Watson 2011; Miliband 2012b; Miliband 2012c: 19; Wood 2012b). At the same time, it addressed a perceived post-New Labour societal trend wherein the electorate had come to see the social and cultural ‘limits’ of redistribution (see Wood 2012a; 2012b). Pre-distribution, therefore, offered a potentially valuable discursive tool that could marry cognitive arguments around fiscal discipline with normative social democratic values and propositions for what a post-crisis economic model might look like under the banner of ‘One Nation Labour’. It appeared both ‘responsive’ and ‘responsible’.

As we have seen in Chapter 6, however, as a result of internal political contestation and the view that the electorate ‘did not want to hear’ promises of big political economic reform, these ‘big picture’ political economy ideas were never developed into a policy programme. The upshot of this was an inability to nail down a message on the economy, leading the party to adopt a large number of different slogans that were unable to help the party establish dominance within the wider public debate (Senior Strategic Advisor A, personal interview, 16/11/2016; Shadow Cabinet Minister A 2017, personal interview, 11/01/2017). For instance, a senior strategic advisor to the party argues of ‘One Nation Labour’: ‘it didn’t mean anything … writing One Nation in front of some things [policies] didn’t make them anything particularly to do with the idea’. He suggests, ‘it was just a really

254 Senior Economic Advisor A, personal interview, 03/12/15.
good phrase, and a good bit of political positioning, and then a very well delivered speech’ but was ultimately never followed up as part of the party’s communicative strategy because the leadership was never settled on what the term even meant.²⁵⁵

Bush’s view reflected this point when he remarked to me that whilst Miliband was ‘good at balancing competing factions and interests to play them off against each other, the problem with his media strategy is that he would do that with [members of] his press office as well and that didn’t work… the confusion of the communication strategy was indelibly linked to the confusion at the heart of the Miliband project’.²⁵⁶ Ideas such as pre-distribution and One Nation Labour were therefore never developed enough and sustained within the party’s communicative discourse in such a way that could underpin and legitimise a social democratic alternative to austerity post-crisis. Moreover, particularly as the economic context changed, the party leadership felt that the political opportunity to make such arguments was diminishing.

7.2.5 The cost of living crisis

With the first sustained quarter-on-quarter growth beginning in the first quarter of 2013, and the output gap seemingly closing, Labour strategists were unwilling to continue to make the case that Osborne’s austerity programme was directly damaging the economy.²⁵⁷ This was a politically important moment for two reasons. The first relates to Labour’s inability to challenge the dominant narrative offered by Osborne (2011), that ‘Britain has a plan [fiscal austerity] and we are sticking to it’. Of course, as economic analysis has demonstrated, in 2012 the government did ease up on its fiscal tightening (Portes 2013; Wren-Lewis 2013; see also Clift 2018: 163-5; Gamble 2015a: 53-4). Nevertheless, focused upon its argument that the government should take up a ‘Plan B’ (Reeves cited on BBC News 2012), Labour largely overlooked the fact that it already had. In not challenging the government on this issue, Labour missed a key opportunity to bolster an argument against austerity on cognitive grounds.

Second, in order to develop a new, more appropriate economic critique, in the latter half of the Parliament the party began to utilise the concept of the ‘cost of living crisis’ as its

²⁵⁵ Senior Strategic Advisor A, personal interview, 16/11/2016.
²⁵⁶ Stephen Bush, personal interview, 03/02/2017.
²⁵⁷ Senior Economic Advisor A, personal interview, 03/12/2015.
chief economic message, presenting it as ‘the defining issue of our age’ (Miliband 2014a; 2014c; see Balls 2011a; 2012c; 2013; 2014d).\(^{258}\) Of course, this argument fitted neatly with the party’s normative claims on the nature of ‘broken markets’ and the collapse of economic liberalism. For instance, Balls spoke of a ‘deep-seated cost of living crisis’ as the product of ‘seismic global and technological changes, stagnating median incomes and rising inequality’ (Balls 2014e), whilst Miliband noted that the crisis was, in part, ‘the result of long-term changes in the world economy’ (Miliband 2014b). The ‘cost of living crisis’ argument provided the party with the traction to link these wider normative arguments to a range of cognitive, policy-focused arguments concerning the failure of the Coalition government’s economic policies to ensure rising living standards (Balls 2014c; 2015e; 2015g; see also Labour Party 2015: 16). Consolidating efforts around a core of traditional Labour voters and disaffected ex-Liberal Democrat voters, the ‘cost of living crisis’ discourse attempted to speak more directly to the ‘squeezed middle’(-class), by asking, ‘Are you better off than you were five years ago?’ (Balls 2015g).\(^{259}\)

The cost of living crisis argument fulfilled the need to demonstrate the party’s responsiveness to its constituents and it was politically successful – voters suggested that they had more faith in a Labour government to improve their standard of living (see Dahlgreen 2013). More significantly, however, the effect of the new cost of living argument was to concentrate Labour’s focus on what must be understood as a ‘second-order’ aspect of the crisis environment (see Hay 2013; also Chapter 4), as it looked to focus its energy upon a less ambitious statecraft approach. The party had scrapped its ‘big tent’, ‘One Nation Labour’ framework by 2014 (see Chakelian 2014),\(^{260}\) and the bolder normative ideas that came with

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\(^{258}\) Whilst the ‘cost of living crisis’ was apparent in Labour’s early discourse under Miliband (see Miliband 2011a), it did not feature prominently. This crisis, the party argued, involved three central elements: a growing wage gap, that people were ‘paying too much for many basic necessities’ due to uncompetitive markets, and that ‘there are too few jobs with good skills and offering stable prospects UK economy’ (Miliband 2014b).

\(^{259}\) The product of this was Labour’s ‘Cost-Of-Living Contract’, launched in May 2014, which detailed ten policies, including building 200,000 new homes, a return to the lower 10p income tax rate and freezing gas and electricity prices until 2017 (Miliband 2014a).

\(^{260}\) For instance, the term was not used in any programme material at the party’s Annual Conference in September 2014.
it. Instead, it focused its efforts on a new, more cautious strategy designed to shore up the party’s electoral credibility.

Whilst it had always recognised the need to maintain an ‘iron discipline’ on spending (Balls 2011a; 2013e; 2013f; 2014c), the party shifted away from its emphasis on its ability to stimulate the economy through demand-side policies. It accepted that it would not reverse the vast majority of cuts made by the Coalition government and made little attempt to play up the capacity in the British economy to borrow for capital investment (Balls 2012a; 2012b; 2012e; 2013a; 2013e; 2014e). Whilst there was a feeling across almost all elements of the party that greater investment was required, and this was reflected in Labour’s proposed budget, there was an equally strong recognition that making this argument might potentially be politically costly. As more than one interviewee argued, by and large, for the public, ‘spending is spending’ – that is, people do not distinguish between current and capital spending – and thus, making the case for extra capital investment would provide the Conservatives with further ammunition to argue Labour were fiscally irresponsible.261 This shift in emphasis can be seen as something of a victory for the Shadow Chancellor’s office. Responsibility had trumped responsiveness.

During the election campaign period, however, this strategy came back to bite. The rising popularity of the SNP in Scotland following the 2014 independence referendum gave its leader, Nicola Sturgeon, a heightened platform from which to deliver the party’s anti-austerity message and promote calls for a break with the ‘Tory, Labour and Lib Dem cuts consensus’ (Sturgeon 2015).262 At the same time, given the SNP’s elevated position in the polls, the Conservative Party increasingly played upon the idea that Labour were in hock to the Scottish Nationalists and thus would be forced to agree to their demands for increased spending in order to form a government (see Pickard and Rigby 2015). In this context, guided by Balls’ ‘political antennae’ (see Chapter 6), Labour’s 2015 election manifesto looked to shore up the party’s fiscal credibility (Labour Party 2015). For instance, the party publicly

261 Senior Economic Advisor A, personal interview, 03/12/2015; Marc Stears, personal interview, 17/02/2016.
262 Despite this discourse, the SNP’s fiscal programme, as laid out in its 2015 manifesto, was not remarkably distinct from Labour’s (see Crawford et al. 2015). Indeed, as the IFS put it, ‘The SNP’s stated plans do not necessarily match their anti-austerity rhetoric’ (Crawford et al. 2015: 4). Nevertheless, the Scottish case goes some way to further highlighting how ‘economic credibility’ can come to be differently constructed and understood, even in different parts of the British political system.
called for the OBR to audit its manifesto and, in a last-ditch attempt to bolster its fiscal reputation, placed a novel ‘Budget Responsibility Lock’ at the start of its manifesto, which guaranteed that ‘Every policy in this manifesto is paid for.’ Not one commitment requires additional borrowing’ (Labour Party 2015: 1). Indeed, in placing this ‘Lock’ at the heart of its programme, Labour openly sought to rebrand itself as ‘the party of fiscal responsibility’ (Miliband cited in Watt 2015).

In doing so, however, the party attempted to open up a debate around the ‘different choices’ a Labour government would make whilst working to more efficiently allocate limited resources within a tight budgetary framework (Balls 2014b). Analysis shows that Labour’s fiscal plans, though vague, were consistent with more progressive distributional outcomes than those of the Conservative Party (see Crawford et al. 2015). However, Labour not only failed to challenge the cognitive grounds of Osborne’s supposedly consistent ‘Plan A’, but in a number of cases willingly engaged with and accepted normative claims around ‘common sense’ spending reductions being reflective of the moral character of the country. At the point of the General Election, 41 per cent of people felt the Conservatives were the best party to ‘manage the economy’ compared to 23 per cent for Labour, whilst over the 2010-15 period, the percentage of people who felt that the government had done a ‘good job’ managing the economy rose from 37 to 56 per cent (Ipsos MORI 2018a; 2018b). Labour’s ‘different choices’ for the economy, it seems, did not represent a sufficient challenge to the Coalition government’s austerity programme. As will be analysed in greater detail in Chapter 8, the political consequences of this for Labour were significant.

7.3 The Parti Socialiste and Socialist administration

7.3.1 The Empire of Money: Hollande’s early crisis conception

Unlike the Labour Party, which struggled to engage with its recent governing history, Hollande benefited from the fact that the PS had not been in government since 2002. The nature of the GEC and the conservative administration’s incumbency and subsequent austerity policies provided a clear target for a Socialist challenger (see Clift 2013: 108). Moreover, the character of Sarkozy’s ‘bling-bling’ presidency enabled Hollande to present

263 Whilst the party leadership knew the OBR would not be able to perform this audit, they considered that ‘it was a good way of showing we were in the serious business of having our plans stack up’ (Stewart Wood, personal interview, 05/02/2016).
himself in normative terms as ‘un président normal’ who would, in bringing about change, return France to a period of ‘normality’ (see Hollande 2018: 26-8; Gaffney 2015: 9). As noted in Chapter 6, however, during the primary and Presidential election campaigns Hollande was increasingly compelled towards embracing a more radical leftist discourse as a result of electoral dynamics, which saw him competing directly with the candidates to his left, Aubry and subsequently Mélenchon.

In this context, during the campaign Hollande presented France’s economic crisis environment in highly normative terms as the product of exogenous and decidedly ‘un-French’ economic practices that were oppositional to the values of French socialism and the French Republic more widely, with their roots in the ‘hegemonic’ Anglo-American liberal ideology (Hollande 2012a; 2012b). This neoliberal economic ideology, it was argued, created a culture of excess and greed in financial markets with little or no productive connection to the real economy, and engendered intolerable levels of indebtedness and inequality (Hollande 2012a; 2012b; 2012c; 2012d). In this reading of the crisis, what Hollande termed the ‘Empire of Money’ began life in the UK and US, promoted ‘less state, less taxes, less regulation, less equality, less solidarity’ (Hollande 2012d: 46-47), and had taken hold across Europe over the past three decades, rendering the crisis endogenous to the European political economy itself (Hollande 2012e).

The negative influence of the neoliberal market model was not restricted to purely economic concerns, however; rather for Hollande at this time, the very ‘sovereignty of the Republic is in question in the face of markets’ (Hollande 2012f: 2). In his 2012 book Changer de destin, Hollande argues that ‘Financialisation without precaution, commodification without limits, globalisation without shackles, have obscured the horizon of the Republic’ (Hollande 2012d: 41). Further to this, unlike Labour who struggled to negate the claim the crisis was ‘their mess’, the Socialist candidate sought to shift blame for the parlous state of France’s public finances onto the previous Sarkozy administration, and in particular Sarkozy’s extensive use of niches fiscales (tax breaks) offered to businesses and the wealthy (Hollande 2012c; 2012g; Moscovici 2012b; 2013a). The ‘bling-bling’ President, it was argued, was too cosy with big business and the rich at the expense of the nation. At this point in time, then, Hollande could rely upon a normative conception of the crisis

264 In this sense, Hollande’s victory was ‘as much a rejection of the incumbent as a positive endorsement of his own candidacy’ (Kuhn 2014: 438).
environment that resonated with voters’ frustrations with the deeply unpopular Sarkozy administration and appeared to offer a basis on which to legitimise a social democratic alternative to austerity.

7.3.2 The economic alternative and anti-austerity politics

In response to this crisis environment, Hollande offered ‘le changement’; not only would his election represent a change of president, a necessary replacement of Sarkozy’s unsuccessful and unfair economic programme and un-presidential manner with a sense of ‘normality’, but it would mean a change of France’s destiny (see Hollande 2011; 2012h). In Changer de destin, Hollande argued that it was the job of the left, and a Socialist president in particular, to show that there is always an alternative: ‘Can the left act? To change this unjust, unequal and torn society? What is the left, if not the rejection of fatalism?’ (Hollande 2012d: 164-5, emphasis added). This highly normative presentation of the potential for political economic change and the ability of elected governments to respond to constituents’ interests boiled down to three core areas of political renewal: the progressive reorientation of the eurozone governance architecture, the ‘mastering’ of the world of finance and a domestic push for growth.

The cognitive basis of Hollande’s proposals to reshape the eurozone architecture was undoubtedly central to his statecraft, providing the foundation to the argument that a Socialist administration could govern competently and achieve its economic goals (see Bulpitt 1986). In line with the view of France’s economic problems arising from the acquiescence of European states to the hegemonic neoliberal order, Hollande vowed to ‘plead with force for another European policy’ (Hollande 2012d: 135; 2012c). As noted previously, Hollande argued for a ‘Pact of Responsibility, Governance and Growth’ to replace the Fiscal Compact, which would allow for greater fiscal leeway, a reorientation of the role of the ECB to provide greater market liquidity, a European-wide financial transaction tax and the creation of ‘Eurobonds’ to mutualise EU members’ debts (Hollande 2012f: 12). Such proposals formed the basis for an alternative growth-oriented, Keynesian-style eurozone architecture that chimed with the normative content of Hollande’s critique of neoliberalism, as well as longstanding French Socialist ambitions to take centre-stage in EU-wide infrastructural reform projects (see Chapter 3). Significantly, moreover, Hollande consistently rejected calls made by Sarkozy, in an attempt to ‘smoke out’ the Socialist candidate on the issue of fiscal
responsibility, to enshrine a fiscal ‘golden rule’ in the French Constitution (see Clift 2013: 116; Ivaldi and Evans 2013: 93).

In the area of finance, Hollande’s rhetoric was at its most blunt and combative in his January 2012 speech at Le Bourget, where he described the world of finance as his ‘real enemy’; not only had liberalised financial growth models caused the crisis, but finance was described as a faceless power governing France, having taken ‘control of the economy, society and even our lives’ (Hollande 2012c). Hollande proposed a number of measures to rein in the power of finance capitalism, such as dividing investment and retail banking, imposing a financial transaction tax, blacklist irresponsible hedge funds and outlawing unproductive derivative markets (see Hollande 2012f; Le Monde 2011). These measures were promoted as not only necessary given the nature of the GFC, but as appropriate steps for a progressive social democratic government to take in the post-crisis conjuncture when seeking to move away from the extant financialised, neoliberal growth paradigm.

Premised upon over-optimistic economic growth forecasts of 2–2.5 per cent per annum over the following five years, which somewhat undermine claims of fiscal responsibility (see Clift 2013: 118), Hollande set out a number of activist redistributive policies designed to stimulate demand. Campaign promises included the reestablishment of the state pension age at 60, a VAT reduction, and a 25 per cent increase of the allocation de rentrée scolaire (a benefit paid to families to help with schooling costs). Whilst the redistributive role of the state was played up, so too was its ability to play a significant role in creating employment, with the creation of thousands of state-subsidised jobs pledged (Hollande 2012f: 24). Hollande even laid down a public wager that his presidency should be judged on his ability to bring the level of unemployment down (Hollande cited in Jeudy et al. 2012).

There was, moreover, to be a key role for the state in engineering growth through a renewed ‘patriotic industrialism’, involving fixing long-term objectives for delivering industrial ‘excellence’, boosting both public and private research and design and programmes to assist the development of innovative small and medium size enterprises (SMEs) (Hollande 2012d: 63-65). Furthermore, albeit within the confines of the post-dirigiste age (see Chapter 3; Clift 2012), Hollande played on the French statist lineage to decry the actions of industrialists threatening French jobs. He suggested, for instance, that he would nationalise the threatened Florange steel production site owned by ArcelorMittal and declared that ‘the
State will not let’ the car manufacturer PSA cut 8,000 jobs at its Peugeot plant (Hollande 2012i; 2012j).

This programme offered ambitious reform that was clearly responsive to the interests of Socialist voters in the post-crisis context; it was underpinned by an internal logic and was manifestly guided by social democratic concerns to ensure effective market regulation and the standard of living of citizens.265 Given Hollande’s victory in May 2012, moreover, this was clearly a ‘winning electoral strategy’. Nevertheless, underlying this approach were a number of ambiguities in the Hollande programme, associated primarily with Hollande’s desire to ensure France’s economic credibility, which became increasingly accentuated during the quinquennat, undermining party unity and any attempt to establish political argument hegemony or governing competence (see Bulpitt 1986).

7.3.3 A balancing act: Anti-austerity politics and French economic credibility

In line with his discourse of le changement, it is fair to say that Hollande came to power as a self-declared anti-austerity candidate (Hollande 2012a; 2012b; 2012c). In particular, this was bound up with his calls to reform the EU; as presidential candidate, Hollande argued that ‘Germany has seized the opportunity [offered by the crisis] to shore up its model’ and put other states ‘under its economic influence’ (Hollande 2012d: 94). Austerity was, then, a German imposition. Renegotiating the Fiscal Compact was, amongst other things, therefore central to the idea that France must retake its place at the European table (Hollande 2012d: 98). Furthermore, in the early days of the new Socialist administration, Hollande’s Minister of Finance, Pierre Moscovici, rejected austerity as a ‘political’ imposition of ‘strict financial orthodoxy’ that served to crush consumption, employment and investment (Moscovici 2012a). Austerity was presented not only in cognitive terms as a drag on economic growth, but as fundamentally oppositional to both Socialist and wider Republican ideals; it was a product of la pensée unique (see Fitoussi 1995), a French variant of neoliberal ‘there is no alternative’ dogma (Hollande 2012d) and was fundamentally about ‘breaking the French social model’ (Moscovici 2012b).

265 Whilst these ‘social democratic concerns’ are referenced here in relation to the core values of social democracy outlined in Chapter 1, it should be recalled that the usual terminology of ‘social democracy’ has always been somewhat alien within the PS, which defines itself in terms of ‘socialism’. Nevertheless, despite this contextual nuance, the core values of social democracy defined in this thesis do hold across the two cases and provide a baseline for this analysis.
On the other hand, however, it must be recalled that the social liberal instincts of Hollande and his economic advisors led him to consistently prioritise deficit reduction in line with European frameworks since the 2011 primary election, as well as liberalising structural reform, as a means of securing France’s economic credibility with financial markets and the EU (see Chapter 6). In a high-profile interview with Le Monde during his 2011 campaign to become PS candidate, Hollande made clear that ‘debt is the enemy of France’ and that, if elected, ‘the first reform of the quinquennat will be tax reform’ designed to deal with this issue (Hollande cited in Fressoz et al. 2011). Moreover, in his 2012 manifesto, Hollande vowed to cut the deficit to 3 per cent of GDP by 2013, balance the budget by 2017 and reduce France’s debt level from 88.7 per cent of GDP to 80.2 per cent by 2017 (Hollande 2012f: 11, 15). This forecast a decline in public spending as a percentage of GDP from 56.5 per cent in 2012, down to 53.9 per cent in 2017 (Hollande 2012f: 41). As Clift and Ryner (2014: 147) note, like Sarkozy’s programme this amounted to a ‘herculean fiscal consolidation effort’ of a 7 per cent turnaround in the structural balance between 2012 and 2017 (see also Clift 2014b: 2; Moscovici 2012b).

In order to marry these two arguments, the Socialist administration attempted to draw a distinction between its consolidation plans and those of the conservative right, as the Labour Party did in the UK. Whilst the right was intent on delivering ‘austerity’, Finance Minister Moscovici was keen to show that ‘there are different paths to fiscal consolidation’; the Socialist vision was ‘redressement dans la justice’ (Moscovici 2012a; 2012c; Hollande 2012d). Rather than ‘austerity’, Hollande and the Socialist government spoke of their fiscal consolidation plans in technical terms as ‘désendettement’ (deleveraging), which was presented as a necessary policy response to ensure the return of economic growth (see Moscovici 2012a; 2012b; 2013a). At the same time, however, this idea was wrapped in normative language which sought to demonstrate that fiscal consolidation was the most appropriate way for France to free itself from the shackles of international financial markets and once again ‘become masters of our world’ (Hollande 2012c; Moscovici 2012c; 2012a; 2012d; 2013a).

Like Labour, then, the Socialist administration attempted to construct an approach to austerity that could reconcile the competing demands of ‘responsiveness’ and ‘responsibility’ (see Mair 2006; 2009; 2011; 2013). The government’s fiscal consolidation programme was distinct from austerity, Moscovici argued, as it was pursuing economic growth as a priority, whilst its fiscal adjustment measures were more progressive than those of the right, making
‘smart’ choices about the state and not cutting indiscriminately and irrespective of social implications (Moscovici 2012a). In a number of ways, these claims do ring true, at least initially.

From 2012, Hollande pledged to make the richest contribute more by taxing capital at the same rate as labour, implementing a 45 per cent higher rate on salaries over €150,000, and reversing the relief on France’s wealth tax (impôt de solidarité sur la fortune [ISF]), as was delivered by Sarkozy. Infamously, of course, as a result of a need to squeeze the radical left vote, Hollande pledged une contribution exceptionnelle of 75 per cent on incomes over €1 million. Hollande criticised the €50 billion worth of niches fiscales offered up over the previous 10 years to businesses and the wealthy, pledging to cancel €29 billion worth of these tax breaks (Hollande 2012f: 41). Moreover, initially consolidation was to be largely achieved through progressive taxation increases and there were no significant cuts planned, only a freezing of expenditure growth (Gouvernement français 2012). This fiscal effort, it was argued, balanced France’s requirement to demonstrate its economic discipline to international financial markets and France’s European partners, whilst simultaneously brushing off calls to pursue greater spending cuts (over tax increases) as ‘un non-sens économique’ (Moscovici 2012b; see also 2012d; 2013b).

The Socialists’ programme of désendettement was therefore distinguished discursively from the austerity of the previous administration by virtue of an alternative reconciliation of the responsive-responsible dilemma, involving a different distributional dynamic and ‘growth-friendly’ implementation. It was, moreover, sold as a self-imposed measure designed to both enhance France’s economic credibility and restore its sovereignty vis-à-vis liberalised financial markets. However, the government’s anti-austerity discourse was built on a foundation of three key ambiguities in relation to: the source of imposition of fiscal consolidation; its distributional dynamic; and the normative reasoning used to justify austerity policies. As these ambiguities came to light and the political context changed, the ability of the Socialist administration’s discourse to legitimise their economic programme unravelled.

7.3.4 From European reorientation to the competitiveness shock

After the legislative elections in June 2012, the honeymoon period for the government quickly wore off. The first significant change came with the adoption of the Fiscal Compact in October 2012; despite Hollande’s own claims during the campaign that the Compact
institutionalised German-led austerity, it was accepted, presented to Parliament and quickly transposed into French law in identical form to how it stood under Sarkozy. Hollande did win some concessions at the EU level and played a role in brokering a deal between the EU and Greece, as well as encouraging the ECB under Draghi to provide a credible backstop in the eurozone (see Hollande 2018: 158-70). Moreover, he successfully avoided adopting a constitutionally enshrined fiscal ‘golden rule’ by establishing the Compact in French ‘organic law’—a move that has ensured that the HCFP’s recommendations are advisory and not legally binding, buying the government a little extra fiscal breathing space.

Nevertheless, as we have seen in the previous chapter, the failure to achieve significant renegotiation at the EU level led to a significant supply-side shift in the Socialist administration’s economic approach. Before the Gallois report had even been published, in October 2012 Hollande announced the development of a range of policies to provide a ‘competitiveness shock’ to France’s industries and business (Hollande 2012k). Key measures included the creation of the CICE, a tax credit for businesses designed to improve employment and investment worth €20 billion, a €500 million fund for SMEs in difficulty, and a number of simplification measures for key administrative business procedures. The other side of this coin was, moreover, a regressive increase in VAT in 2014 and an additional expenditure savings drive of €10 billion.

The government did deliver on a range of Hollande’s initial redistributive pledges, including returning to 60 the retirement age for those eligible, and increasing both income tax and the wealth tax. Indeed, since 2011 France has experienced its largest tax increase in the post-War era (Ragot 2014). Yet, ultimately, the tide had turned in government. In the summer of 2013, Moscovici admitted that the government was ‘sensitive’ to the ‘ras-le-bol fiscal’ (a

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266 These concessions included the establishment of a ‘Growth and Jobs Pact’ worth around €120 billion, involving the reallocation of European structural funds, a larger role for the European investment bank and the creation of ‘project bonds’. Yet, much of the €120 billion was money reallocated from elsewhere, and not new stimulus. Furthermore, the newly established ‘project bonds’ only guarantee loans for the purpose of European infrastructure projects worth up to €1 billion and draws this money from the existing EU current budget. This initiative thus constitutes a much watered-down version of Hollande’s proposed Eurobond programme, which would have acted to create a common pool of European sovereign debt, thereby easing pressure on the eurozone’s heavily-indebted economies and expanded France’s own fiscal margins. The Growth and Jobs Pact was thus little more than ‘old wine in new bottles’, political window dressing designed to not completely undermine the new Socialist government.

267 Christophe Caresche, personal interview, 29/11/2016.
‘bellyful’ of taxation) of the French people (Moscovici cited in Le Figaro 2013). An attempt to alleviate the growing tax demand was thus apparent in the 2014 Budget. Presented in October 2013, the Budget shifted the fiscal effort towards a focus on spending restraint, proposing an additional fiscal consolidation effort of €18 billion, with €2 billion coming from a clamp down on tax evasion and avoidance, and the rest generated by public expenditure savings (Gouvernement français 2013).

7.3.5 ‘A French neurosis’: A new crisis conception and Hollande’s Pacte de Responsabilité

By the start of 2014, in the context of poor economic growth performance and significantly worsening electoral support for his administration, Hollande attempted to revive his presidency with a new statecraft strategy along more a recognisably social liberal trajectory. His Pacte de Responsabilité, launched in January 2014, built upon 2012’s €20 billion ‘competitiveness shock’ with an additional €30 billion tax cut designed to reduce the cost of labour, putting a supply-side reform regime centre-stage (Hollande 2014). The new Pacte was designed to significantly reduce labour costs for businesses by exempting them from paying contributions for family benefits, and in return ‘asked’ employers to heighten their recruitment activity.268 Following major losses in the March 2014 municipal elections, in August Hollande appointed a new government to carry out his new economic programme with conviction, led by Manuel Valls, from the right-wing of the party, as Prime Minister and Macron, importantly not a member of the PS, as Economy Minister. Though damaging for party unity, this strategy was designed to engender a sense of cohesion and direction in government.

With these changes came a dramatic alteration in how the Socialist government sought to conceptualise the nature of France’s crisis environment and the appropriate economic model to engineer recovery. In contrast to Hollande’s rails against the neoliberal model of financial capitalism in 2012, the new government utilised a new normatively-oriented crisis discourse that laid much of the blame for the condition of the economy at the door of the French state and France’s model of capitalism. The failure of the French model to adapt to the necessities of a competitive, globalised marketplace had left the economy to stagnate, it was now argued (Valls 2015a; Macron 2015a; 2015b; 2015c; 2015d). When

268 There was no obligation to do so; rather, the tax cut was, seemingly, designed to promote a sense of good will and optimism amongst employers who would, in turn, be convinced to hire more workers.
presenting his Bill to ‘free activity’ within the economy (*la loi pour libérer l’activité*) in 2014, Macron argued that France suffered from the ‘disease of complexity’, and that a range of ‘special interests’, including the civil service and trade unions, were ‘blocking’ economic activity (Macron 2014a). Regulation within markets for labour, goods and services was now seen to ‘stifle rather than protect’ and ‘inhibit rather than secure’ economic vitality, weakening the position of those ‘already the most vulnerable among us’ (Macron 2015e; see also 2014b; Valls 2015a; 2015b). This represents a discursive shift, then, from presenting the crisis as the result of fundamental weaknesses in *exogenous* macro-economic neoliberal growth models to presenting it as an *endogenous* product of a longstanding ‘French neurosis’, which ‘for too long opposed economic efficiency’ (Macron 2015a).

### 7.3.6 The new Socialist administration, 2014-17

This new conceptualisation of the crisis underpinned an extraordinary about-turn in the Socialist administration’s economic approach. Perhaps most surprising of all was the way in which the Hollande administration changed its tune on the role of finance in the French economy. Following the UK’s decision to leave the EU in June 2016, the Socialist government, led by Valls and Macron, pushed for Paris to position itself as the only real alternative for financial activity leaving the City of London. Immediately following the Brexit vote, President Hollande argued that France ‘must adapt our rules, including tax rules, to make the financial centre of Paris more attractive’ (Hollande cited in Furbury 2016; see Lavery et al. 2018a). Alongside a noisy PR campaign to promote Paris, the Socialist administration implemented several key tax and regulatory reforms, including lowering corporation tax from 33.33 per cent to 28 per cent and extending a tax benefit for those coming to work in France or returning ex-pats (*le régime des impatriés*) in order to attract finance workers (see Lavery et al. 2018a; 2018b). Gone, then, was the party’s critical discourse that aligned the rise of international neoliberalism with the foundations of a crisis of the financialised Anglo-American and the German-led ordo-liberal European growth models. Finance was now a key component of France’s post-crisis recovery and its adaptation to the globalised marketplace.

The shift towards a new supply-side oriented economic reform programme also had important consequences for the distributional politics of the Socialist administration. Whilst maintaining a strict approach to deficit reduction, and in the context of the shift away from a tax-based strategy, the €30 billion required for Hollande’s *Pacte de Responsabilité* was to be
funded largely through cost-cutting measures, achieved by freezing the growth of expenditure at the level of inflation (Sapin 2014a). Alongside this new expenditure restraint, in January 2014 Hollande established a *Conseil stratégique de la dépense publique*, a body consisting of key ministers and chaired by the President himself, which would look to evaluate the state of France’s public finances each month. Whilst €4 billion of the €50 billion required to fund both the CICE and the *Pacte* was to be enacted during the rest of 2014, some €21 billion worth of adjustment came in 2015, and €16 billion was to be delivered in 2016 (Sapin 2015a: 8).

Whilst such supply-side reforms are not incompatible with social democratic ambitions to reduce inequalities and improve standards of living, the Socialist government’s measures have clearly, as a report by the OFCE (2016: 4) puts it, prioritised ‘enterprises rather than purchasing power’. Somewhat ironically, after decrying the fiscal irresponsibility of Sarkozy’s tax giveaways to businesses during his election campaign, the OFCE (2016: 4) analysis demonstrates that the combined impact of the CICE and the *Pacte* has been to ‘reduce the share of labour remuneration as a proportion of GDP relative to the euro area average’, with a resulting drop in household purchasing power. French household purchasing power in 2016 was still lower than it was in 2010, at the beginning of Sarkozy’s austerity programme (OFCE 2016: 4). The Socialist administration had thus shifted from Hollande’s original, Keynesian-influenced focus on the need to boost household consumption, towards a supply-side oriented focus on tax relief for business. Indeed, in January 2014, Hollande made concrete his rejection of his prior theoretical and policy commitments when he paraphrased Jean-Baptiste Say in arguing: ‘*L’offre crée même la demande*’ (‘supply even creates demand’) (Hollande 2014).

The failure to secure concessions to the Fiscal Compact further put the government in a tricky position when discussing the source of the imposition of fiscal consolidation. Whilst Hollande originally campaigned to reject it for its austerity bias, new Finance Minister Michel Sapin was required to defend the government against claims that Brussels, via the obligation of such fiscal rules, was forcing austerity on the French people (Sapin 2015a: 8), after previously pleading with France’s European partners for greater ‘flexibility’ on the eurozone’s fiscal rules (Sapin 2014b). Instead, the case was made to the French public that self-imposed restraint was ‘decisive for our credibility’ vis-à-vis the French people, European partners and external observers (Sapin 2014c). During this period, the government consistently contrasted its fiscal discipline to the way in which Sarkozy allowed spending to
bloat during the previous *quinquennat* (Sapin 2015a; 2015b; 2016a). Expenditure cuts were, the administration now argued, ‘not only intended to reduce deficits: they also help to sustain our social model’, which could not be ‘indefinitely financed on credit’ (Sapin 2014a; 2014c). The French social model thus no longer needed saving from Sarkozy’s austerity; rather, it seems, austerity would help to save the model from itself.

It is of course true that Hollande had preached the need for France to reduce its debt and deficit levels from the outset in 2011. However, it is necessary to recognise the way in which the Socialist administration had, in effect, come to contradict much of the communicative discourse delivered during the Hollande *quinquennat* in order to legitimise his early programme. The crisis was now understood not as a failure of the market, but as a symptom of underlying state failures – a ‘French neurosis’ (Macron 2015a; see also 2015b; 2015c; 2015d; Valls 2015a). The requisite policy response, it was now argued, was fiscal consolidation alongside even greater deregulation of markets for goods and labour. Utilising article 49.3 of the French Constitution – which allows the government to impose the adoption of a text without a vote – the Socialist administration pushed through both the so-called *loi Macron* in 2015 and the *loi El Khomri* in 2016 in order to achieve these goals.269

The cognitive and normative bases of this discursive strategy were clearly at odds with both Hollande’s original public proclamations and the core social democratic value of market regulation; finance was no longer the enemy, but a necessary component in France’s post-crisis growth strategy. Moreover, the government altered the distributional dynamics of its programme whilst simultaneously undermining its original discourse on the source of the imposition of fiscal consolidation and the normative reasoning behind its implementation. In this sense, the Socialist administration prioritised economic ‘responsibility’ over ‘responsiveness’ to its constituents’ interests, and indeed the platform on which it was elected. The failure to develop and deliver a communicative discourse that could support its economic programme reflects the difficult task Hollande had in navigating the political and institutional environment of post-crisis French politics, including the demands being made at the EU level. Nevertheless, the consequences of this failure to provide a social democratic

269 Hollande himself notes that he intervened personally to ensure that article 49.3 was utilised in 2015 to ensure that the *loi Macron* was passed, as it was a policy programme ‘close to my heart’.
alternative to austerity, and thus establish political argument hegemony and governing competence, have been severe for the PS as a party, as the following chapter details.

### 7.4 Conclusion

As a critical element of statecraft, this chapter has provided analysis of the communicative discourse utilised by the Labour Party and the Hollande campaign/Socialist administration. Read in conjunction with the analysis of the party’s discourse at the coordinative stage in Chapter 6, the chapter demonstrated how, despite considerably different contexts, both Labour and the PS continued to operate within the dominant discourses of the politics of austerity in the UK and France. Neither set of social democratic actors was able to communicate a legitimising discourse that could balance a normative conception of the crisis as one of the existing neoliberal economic order with a set of cognitive ideas for an economic alternative. Rather, both parties embraced both cognitive arguments in favour of consolidation and normative arguments concerning the virtue of austerity and the character of the country in relation to its debts.

Labour’s position was constructed in response to its past incumbency. It employed a defensive discursive strategy, designed to avoid talking about the crisis wherever possible, so as to steer clear of debate about New Labour’s failings. Ultimately, this meant that the party struggled to engage discursively with the nature of the economic crisis and thus challenge the Coalition government’s claim that the crisis was ‘all Labour’s fault’ – an extremely effective discourse that pushed Labour to focus on addressing its ‘economic credibility deficit’ at the cost of more radical ideas about reshaping the nature of the British economy, such as pre-distribution. Whilst Hollande was afforded a higher ground upon which to critique the nature of the Anglo-liberal financialised model of capitalism, his plans for *le changement* were ultimately underpinned by a number of ambiguities surrounding the government’s fiscal programme and the desire to secure French economic credibility, which became increasingly apparent as the *quinquennat* progressed.

Like Labour, the Socialist administration attempted to resolve the ‘responsiveness-responsibility’ conundrum (Mair 2006; 2009; 2011; 2013) through a discursive dualism constructed around a politicised conception of ‘austerity’ offered by the political right, and their own technocratic pursuit of a necessary fiscal consolidation that could more effectively resonate with normative social democratic concerns for fairness and equality. Whilst there were clear pressures (e.g. from the electorate, bond markets and EU partners) to demonstrate
their fiscal rectitude, neither set of social democratic actors were able to sustain a legitimising discourse that could uphold their intended ‘austerity versus sensible consolidation’ argument. This discourse has been politically and electorally weak, resonating strongly with neither side of the austerity debate. It saw the parties often lapse into accepting cognitive and normative arguments for austerity, fundamentally undermining their ability to offer an alternative. There was, therefore, a shared inability across the two cases to develop a programme that could balance the competing imperatives of ‘responsiveness’ and ‘responsibility’. This discursive weakness underpinned the failure of these two social democratic actors to maintain party unity and establish political argument hegemony, as well as develop a winning electoral strategy (in Labour’s case) and establish governing competence (in the Socialist administration’s case). As detailed in the following chapter, the political ramifications of this for both parties have been significant.
PART III
Chapter 8: The absence of a social democratic alternative

8.1 Introduction

This thesis opened by reflecting upon a puzzle: whilst the GEC appeared to create a potential opportunity for the social democratic left, Europe’s traditional social democratic parties have largely failed to assert themselves electorally, programmatically and ideologically. Whilst the PS initially experienced electoral success in 2012, just five years later the party suffered its worst ever defeat. President Hollande made history as the first sitting President in the Fifth Republic not to stand for re-election, whilst the PS haemorrhaged 250 seats in the legislative elections and its presidential candidate, Benoît Hamon, came fifth with an ignominious 6.3 per cent of the vote. The PS has effectively collapsed as a true parti d’alternance in France. Although not experiencing such a dramatic downfall, after five years of Coalition government austerity, Miliband’s Labour not only lost the 2015 General Election but it lost constituency seats overall, including 40 in Scotland alone, allowing the Conservative Party to form a majority government for the first time since the 1992 election. Since this time, Labour has experienced a ‘revolution from within’ with the election of Corbyn as party leader in 2015.

The failure of these social democratic parties is, however, about far more than electoral defeat. Both in opposition and in government, as the two previous chapters have demonstrated, these parties have failed to develop a social democratic alternative to austerity post-crisis – that is, an alternative programme that resonates with core social democratic values and objectives, is economically viable and is underpinned by effective statecraft. The preceding four chapters have tackled the following three driving research questions in order to help us understand why this is the case:

1) How have the historical and institutional contexts of British and French social democracy shaped the development of a social democratic alternative to austerity in the UK and France since 2010?

2) Was an alternative to austerity economically viable in the UK and France post-crisis?

270 That is, as the major party of the left with the political and financial resources capable of winning an election and forming a government, alternating with the major right-wing party of the time, as it had done since 1981.
3) How has the post-crisis ideational environment shaped the development of a social democratic alternative to austerity in the UK and France since 2010?

There were clearly strong material economic and institutional pressures weighing upon the two parties in the post-crisis environment. Yet, in contrast to much of the existing materialist and institutionalist literature, Chapter 5 found that these did not rule out a progressive, social democratic economic alternative to austerity in the UK or France per se. In providing a response to Research Questions 1 and 3, this chapter seeks to synthesise my analysis from Chapters 6 and 7 and situate this discursive institutionalist analysis of Labour and the PS/Socialist administration’s statecraft within the historical and institutional contexts of British and French social democracy. In doing so, I argue that we must recognise the way in which the economic crisis, as a critical juncture in the European political economy, served not as a catalyst for social democratic renewal as some may have expected at the time, but as an accelerant for a crisis of social democratic party identity.

The preceding chapters have contended that the environment engendered by the post-crisis politics of austerity has sharpened ideological tensions contained within social democratic political economy and statecraft. In the context of this difficult political terrain, three key political and ideational factors served to undermine the statecraft of these social democratic actors: weak ideational supply, an ideational path dependency that has seen the continued dominance of a social liberal intellectual framework, and organisational divisions within the parties. As a result, despite considerably different contexts, both sets of social democratic actors failed post-crisis to communicate a legitimising discourse that could balance a normatively-oriented diagnosis of the crisis as a product of the existing neoliberal economic order with a set of cognitive ideas around an economic alternative to austerity that resonated with social democratic values.

Both parties similarly constructed an approach to ‘austerity’ which, they hoped, could balance the perceived electoral or EU-level institutional requirements for fiscal consolidation with social democratic concerns for fairness and equity (see Bremer and McDaniel 2019). Yet, such a strategy could neither resonate with social democratic values nor resolve the ‘responsive-responsible’ dilemma (see Mair 2006; 2009; 2011; 2013). Ultimately, this approach only heightened tensions within the two parties and, as this chapter’s penultimate section illustrates, caused a crisis of their identities as social democratic parties.
8.2 Austerity: a political economic imperative?

The first staging post in my study of the absence of a post-crisis social democratic alternative was to ask in Chapter 5, per Research Question 2: was an alternative to austerity economically viable in the UK and France post-crisis? In other words, was the failure of a social democratic alternative to austerity necessitated by the post-crisis economic and institutional environment?

A significant corpus of empirical research shows that rapid fiscal consolidation strategies, particularly those front-loaded and achieved predominantly through cuts to expenditure, have a detrimental effect on growth and can increase debt levels (see Konzelmann 2014: 727-8; Leigh et al. 2010). Analyses of the austerity policies pursued by both British and French governments since 2010 (including that pursued by Hollande) have confirmed this, showing that these programmes went beyond what was economically necessary or desirable (see Section 5.5). Instead, strategies that allow the debt ratio to decline organically through growth would have been more appropriate for governments with fiscal space (Ostry et al. 2016: 40), such as the UK and France, which are currently experiencing historically low interest rate levels. In turn, it was argued that a growth-oriented, investment-led approach – more compatible with social democratic ambitions – would have facilitated a quicker economic recovery than what we have seen since 2010 (for the UK see Wren-Lewis 2016a; Van Reenen 2015; OBR 2012; for France, see Creel et al. 2014a; OFCE 2016). On the other hand, Streeck’s (2011; 2014; Streeck and Schäfer (eds.) 2013) analysis draws our attention to important secular fiscal trends that undoubtedly present significant issues for policymakers and will likely continue to do so for the foreseeable future. However, my empirical application of these claims in the cases of the UK and France suggests that we cannot straightforwardly understand the failure of social democratic parties in the UK and France post-crisis as a direct consequence of what Streeck calls ‘the death of democratic capitalism’ (see Chapter 5).

Similarly, it is clear that the EU poses a significant constraining influence on member states (see Ladrech 2000; Bailey 2008; 2009; Escalona and Viera 2014). This thesis’ empirical chapters demonstrated how EU-level pressures impacted upon the discourse and actions of social democrats, in France in particular. However, there remains good reason to appreciate the ongoing role of domestic policymakers, as well as the way these pressures come to be mediated within internal party politics. For instance, analysis in Chapter 6...
demonstrated that the Socialist administration’s fiscal consolidation programme went beyond the adjustment effort required in the European treaties (see Creel et al. 2014a: 157). Furthermore, from a comparative perspective, the UK’s experience of significant austerity measures – despite not being in the eurozone, or subject to the Fiscal Compact – is testament to the fact that we cannot rely upon EU level factors to sufficiently explain the failure of the two social democratic parties under consideration in this thesis to provide an alternative to austerity post-crisis. The distinction made in this thesis with the existing materialist and institutionalist literatures is to suggest that the pressures and constraints posed by global capital and EU integration have not ruled out social democracy in Europe, nor can they completely explain the turn to austerity in Europe since 2010.

8.3 Developing and delivering a social democratic alternative to austerity

After concluding that austerity has been neither economically necessary nor inevitable post-crisis, the thesis then asked why the political environment in Europe rendered it so difficult for social democrats to provide an alternative. In order to understand the absence of a social democratic alternative, I have argued that we must contend with the socially constructed nature of crisis moments (see Blyth 2013a; Hay 2016; Gamble 2009a; Widmaier et al. 2007) and the ‘politics of austerity’ that has emerged in post-crisis Europe. In particular, this politics of austerity has been central to diagnosing the economic crisis as one of public debt and ‘prescribing the response’ of fiscal consolidation and structural adjustment (see Berry 2016: 109-10), thereby serving to construct dominant notions of ‘economic credibility’ along fiscally conservative lines (see Gamble 2013b: 55, 71).

In order to understand the absence of a social democratic alternative in this era, then, we must better conceptualise social democratic parties’ relationship to this post-crisis politics of austerity than has been the case hitherto within the literature. To do so, this section synthesises my response to Research Questions 1 and 3 – that is, to assess the statecraft underpinning Labour and the PS/Socialist administration’s attempts to develop a social democratic alternative.

8.3.1 British and French social democracy in context

Before turning to the post-crisis period, it is essential to revisit my account of the context within which the actions and discourse of Labour and the PS in the post-crisis period have been shaped (see Chapter 3). In the UK, after 18 years of Conservative Party rule, Blair and
Brown crafted a new political economy and statecraft for the Labour Party, premised upon accepting the post-Thatcherite economic and political settlement (see Hay 1999a). The ‘Blair assurance’, as Wood put it to me, saw New Labour utilise deregulated markets for labour and finance in order to generate increased revenues that could be redistributed. Politically, the party structure was reformed and its ideological and programmatic vision adjusted along more social liberal lines. This approach was matched by a new electoral strategy, based upon ‘playing the politics of catch-up’, involving a slick new approach to party management, policy design and electoral strategy premised upon securing key ‘swing voters’ in marginal constituencies, whilst relying upon Labour’s traditional core vote to hold up (see Hay 1994; 1999a). Such a move was facilitated by the centripetal political dynamic of the UK’s FPTP system, which focuses parties’ attentions on particular ‘swing seats’, and by the political pragmatism and weak ideological commitment to socialism this system has traditionally fostered within the Labour Party (see Chapter 3).

France has seen a different dynamic at play in the neoliberal era, yet it has been as significant for the PS. Mitterrand’s 1983 U-turn not only symbolically marked the end of the old dirigiste regime, but it underpins divisions in the party about the nature of the party’s relationship to the capitalist economy that we still see in the post-GEC era. Since the 1990 congrès de Rennes, where party divisions saw no majority synthesis emerge, the PS has consistently struggled to renew itself intellectually whilst its courants have increasingly pulled the party apart. A key component of this is associated with the failure to deliver on Mitterrand and Jospin’s promises of ‘l’Europe sociale’, which has helped create an anti-EU constituency within the PS that views the EU as a ‘trojan horse’ for neoliberal globalisation (Crespy 2008: 29; see Ross 1996: 40; Clift 2003: 174-75; Clift 2005a: 135). Hollande’s attempts as FS to reunify the party after the 2005 European Constitution referendum lacked ‘any real political content’ (Grunberg 2015: 77; Bell and Criddle 2015: 184), reflecting the fraught competitive internal inter-courant dynamic within the party encouraged by France’s semi-presidential regime.

As the GFC loomed, the two parties were in quite different positions. Most clearly, there is a different dynamic of incumbency. New Labour had been in power for over a decade before the financial crisis struck the UK. This incumbency can be seen as a factor in the electoral difficulties faced by the Labour Party from 2010 and it certainly permeates a

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271 Stewart Wood, personal interview, 05/02/2016.
number of different aspects of the party’s engagement with the politics of austerity. Yet, when analysed comparatively, it is clear that incumbency is not a sufficient explanatory factor in the fortunes of these social democratic parties. On the one hand, having been out of power since 2002, the PS was afforded the political space to exploit the situation and apportion blame for the crisis on others, which clearly yielded some electoral benefit in 2012. Yet, on the other hand, the PS’s more fortunate starting point and initial electoral success cannot explain the Socialist administration’s weak governing competence, nor the party’s near total electoral collapse in 2017. Rather, despite their opposite dynamics of incumbency, critically neither party entered the post-crisis era in a strong position.

8.3.2 Weak ideational supply

In both cases, the first key aspect of the ideational foundations of effective statecraft – the supply of ideas – was constrained or largely absent. On the one hand, we have seen the ‘stickiness’ of a particular social liberal intellectual framework amongst key party leaders. On the other hand, we have seen how the structure and organisation of the two parties inhibited the development and dissemination of ideas.

From the outset in 2010, Miliband was keen to create an environment wherein a robust supply of new ideas could nourish an intellectual renewal of the Labour Party. This was, he felt, a critical component in Labour’s ability to ‘move on’ from the crisis and, indeed, New Labour’s failed political economic model. Miliband was at least partially successful – a range of intellectual sources sprung up in the wider ideational environment around the Miliband camp from 2010. The work of the Resolution Foundation on inequality and in-work poverty (see Plunkett 2012), which underpinned Labour’s focus on ‘the cost of living crisis’, captured media headlines throughout the period, for instance. New intellectual movements such as Blue Labour (see Glasman et al. (eds.) 2011) and progressive concepts such as pre-distribution (Hacker 2008; 2013) also came to the fore during this period. There was not, then, complete intellectual poverty in the wider ideational environment in this period (see Finlayson 2013).

Miliband’s project, however, suffered from a lack of wider institutional support, both within the party and amongst external organisations. There was, for instance, little or no common thread running through the disparate intellectual strands and the Labour leadership could never rely upon a single school of thought or think tank to support and develop a distinct ideational approach. Whilst the Resolution Foundation’s ideas came to support much
of the Miliband project, its output was always technical in nature and thus lacked the supporting normatively-oriented political message necessary for rallying electoral support for policy programmes. Moreover, significant elements of the think tank environment (e.g. Progress, Policy Network), as well as Miliband’s own Shadow Cabinet, remained dominated by social liberal New Labour figures who were distrustful of the Miliband programme. Furthermore, the desire for party unity, which saw key actors from the New Labour years retained in Miliband’s Shadow Cabinet, undermined attempts to develop a wider range of political economy ideas. There were, furthermore, structural issues at play in how the leadership engaged with the party’s various policymaking units. Most importantly, as the party’s electoral strategy shifted in 2014 towards a more cautious, fiscally conservative economic programme, the ability of the official Policy Review to influence the direction of the party decreased as its leaders, such as Cruddas and Rutherford, were increasingly held at arm’s length.

In the case of the PS, we see starker evidence of a weak ideational supply in the period analysed. The development of new ideas within the PS has, as we saw in Chapter 3, become increasingly hampered by the nature of the party’s ‘presidentialised factionalism’ (Sferza 1996). This intra-party competition has diluted the ideological weight of debate within the party, instead promoting competition based increasingly upon individual personalities. Moreover, France’s think tank environment is considerably underdeveloped compared to the UK or the USA, for instance, and thus the flow of new ideas from outside sources into the party and thus into government in the French case was poor.

The ideas that have proven influential during the course of the period analysed have, moreover, proven unable to serve as the basis for a social democratic alternative. The supply of ideas to Hollande in the period before and after his nomination as Socialist candidate and subsequently his election as President has been dominated by the thinking of a particular set of social liberal economic advisors. In keeping with Hollande’s own economic perspective, his campaign sought advice from leading liberal economists. Yet, the capacity of such advisors to help deliver ideas capable of forming a social democratic alternative was always going to be constrained. Their shared perspective supported a crisis diagnosis concentrated on the apparent failures of the French state and prescribed greater market innovation as a remedy for the ills of the French economy. Hollande’s selection of Macron as his Deputy Chief of Staff upon entering the Élysée and his promotion to Economy Minister in 2014 further demonstrate the presence of a liberal, supply-side economic outlook at the heart of the
Socialist administration, which increasingly came to outweigh counter-tendencies within the government (and indeed Hollande’s own public discourse) as the *quinquennat* progressed.

Whilst we see a different dynamic in France compared to the UK, both cases highlight the weak ideational supply post-crisis and the role played by the parties as institutions in constraining this ideational development. Whilst Miliband struggled against the ideational and sociological stickiness of New Labour, Hollande represented part of this social liberal ideational path dependency. In each case, these dynamics interacted with the party and wider political structures. As explored further below, Miliband and Hollande were similarly drawn to those ideas that appeared able to balance a range of competing perspectives, both internally within the parties and externally amongst the electorate and EU institutions. The uptake of such ideas thus contains a ‘path of least resistance’ logic, designed to mobilise internal and external support. Yet, the short-term benefits of such an approach came at the expense of a more convincing normative and cognitive discourse concerning the nature of the economic crisis and the remedial action required that could legitimise their economic programmes.

### 8.3.3 Conceptualising the crisis

In both cases, the ideas drawn upon did not fulfil the second ideational requirement of effective statecraft – that is, the internal logic necessary to support an argument for policy departure and long-term problem-solving potential. Within Labour and the PS there was significant internal division concerning how to conceptualise the nature of the crisis and the appropriate strategy for resolving it. Miliband attempted early on to engage with a range of normative, ‘big picture’ ideas on the nature of the crisis environment and reform of British capitalism, as well as change within the Labour Party itself, which could reposition the party on more firmly ‘social democratic’ ground. This approach was derived from a diagnosis of the crisis as having generated rupture with the post-Thatcherite paradigm, opening up a moment in political time wherein it was possible to move away from the dominant economic liberalism of the past decades. Yet this attempt at renewal suffered in two critical aspects.

First, it was never supported with a sufficient set of cognitive arguments that could translate these ideas into practical economic policy and demonstrate their necessity and relevance to the economic environment. New Labour, for instance, was able to support its normative stance on the need to build a ‘Third Way’ between the Thatcher settlement and the Keynesian demand management of ‘Old’ Labour with a set of cognitive arguments grounded in New Keynesianism and endogenous growth theory (Romer 1994). Such ideas allowed it to
show that investment in human and physical capital was both appropriate and necessary in order to generate long-run economic growth, without producing runaway inflation. Yet, in the context of the GEC and the collapse of New Labour’s economic model, the party never grasped a set of cognitive ideas that could support a post-Thatcherite, post-New Labour programme for change. Rather, the core cognitive ideas underpinning Labour’s programme was a mild New Keynesian approach to fiscal consolidation. This approach did effectively help to support its argument in relation to the ‘cost of living crisis’. However, such arguments did not reflect a desire to recalibrate the productive forces of the British economy, but only tweak some of its redistributive mechanisms. The overriding priority was to ensure that the party’s ‘economic responsibility’ credentials were not further tarnished. As acknowledged by Miliband himself, Labour thus lacked the ‘big answers’ necessary to deliver on the party’s critique of the Thatcherite settlement (Miliband cited in Godwin 2017).

The second problem with Miliband’s attempt to develop a new statecraft and political economic outlook for the party was institutional and organisational in nature, concerned with mobilising the necessary internal support for his programme. This centred around the handling of New Labour’s legacy and subsequently spilled over to an electoral concern for the party’s ‘economic credibility’. Miliband never received the full support of important groups within the party, most significantly his own Shadow Chancellor and his team, which would have been necessary to successfully develop a legitimising coordinative discourse. From the outset, Miliband’s position as the ‘change’ candidate situated him at odds with much of his own Shadow Cabinet team. Figures more clearly associated with New Labour, Balls in particular, struggled to critique the very political economic model they helped to craft. For Balls, the crisis did not represent the collapse of an economic model, but the failure of market regulation to contain volatile financial excesses; repair, not radical reform, was needed. As such, there was a normative disagreement at the heart of the Labour leadership concerning the nature of the crisis, Labour’s relationship to it and the attendant necessary economic alternative that should be offered post-crisis. Miliband and his advisory team were thus isolated within the party, whilst the party’s official Policy Review process could never gain the traction it needed to have a significant influence over the party programme. Moreover, Miliband’s strategy to secure the unity of the party as a prerequisite to regaining power in a single term, and his failure to do so, ultimately constrained his capacity to bring in new ideas.
The implications of these intellectual and institutional constraints at the coordinative stage are manifest in how the party discussed the crisis in public. Bale (2015a: 256) suggests Miliband ‘might still have rescued something from the wreckage had [he] not been so desperate to distance himself from New Labour that he effectively threw out the baby with the Blairite/Brownite bathwater’. Yet, this argument overlooks Miliband’s struggle to develop a common language and ideational framework through which Labour could deliver a persuasive normative critique of the UK’s neoliberal growth model without undermining New Labour’s economic record and, consequently, the legacy of its chief architects including his own Shadow Chancellor. Whilst some wished for a more full-throated defence of the New Labour years, and others for the party to make a more radical break with the New Labour era, neither strategy was carried out with any real conviction. Instead, Miliband chose to employ a defensive discursive strategy wherein the crisis and Labour’s record in government would not be discussed unless questioned about it directly.

The PS was also deeply divided over the nature of the crisis and the appropriate prescription for it, which divergently refracted opinion within the party. Like Miliband’s leadership, Hollande’s presidency is characterised by the failure to secure the support of key figures in the party. As Bergounioux noted, the party’s left saw the crisis in terms of a failed European neoliberal model of growth, which required a reflationary Keynesian recovery strategy, whilst its right-wing focused on issues associated with France’s public finances and weak competitiveness.272 Hollande’s own perspective sat more comfortably with the latter grouping, whilst the economic advisors Hollande surrounded himself with throughout the period were at odds with much of the Socialist Party’s dominant leftist opinion. As we have seen, this in itself was critical to the absence of a social democratic alternative to austerity in France. However, in the context of the PS’s lack of incumbency in government since 2002 and the manifest need to promote a message that could unite the party in the second round of the primary, Hollande’s communicative discourse in these early stages drew upon a set of more radical normative ideas concerning the nature of the economic crisis environment and traditional Keynesian and dirigiste arguments, popular within the PS and on the French left, as alternatives to austerity.

Such arguments readily upheld core social democratic values concerning effective market regulation and the maintenance of the welfare and equality of citizens. Yet, this

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272 Alain Bergounioux, personal interview, 21/06/2016.
discourse was unable to sustain an alternative because it was never supported by a sufficient set of cognitive ideas powerful enough to demonstrate how the Socialist administration would deliver upon Hollande’s early promise of *le changement*. In contrast, for instance, Mitterrand was able to successfully manage the political transition of his disastrous 1983 U-turn by developing a discourse premised upon a set of complementary normative and cognitive ideas promoting France’s role in crafting ‘*l’Europe sociale*’, the Europeanisation of social policy and the transition of Keynesian social democratic activism to the new arena of the EU.273 After three decades of the failure of this programme for social Europe, including Jospin’s failed attempts to renegotiate the Amsterdam Treaty in 1997, however, Hollande was not afforded this kind of discursive space. Hollande’s shift to the left during the campaign – including on the issue of renegotiating the European treaties – was, rather, designed for short-term political gain; supporters and critics of Hollande alike recognise how ‘strategic ambiguity’ (achieved through a ‘double discourse’) was a key part of Hollande’s successful election campaign.

The ability to speak to camps from the left and right of the party and wider leftist electorate was essential for Hollande to mobilise support for his campaign, yet ultimately the ambiguity at the heart of the PS (see Cole 2011) sowed the seeds of the downfall of his political project. The failure to renegotiate the European treaties represents the clearest and most significant example of this; whilst during the campaign, the negotiation of a new European Pact for Growth was presented as the first step towards challenging the politics of austerity, in power there was a recognition that securing the confidence of France’s European partners, and thus not ‘rocking the boat’, was the most critical policy objective. As with Mitterrand and Jospin, Hollande thus preached the benefits of European-level reform and offered hope of a new stage of European integration along more social, and indeed French, lines. Yet in reality, the Socialist administration never deviated from EU macroeconomic norms around ‘economic credibility’. In this context, Hollande’s attempts to navigate the dynamics of internal party and electoral politics, only served to suffocate ideational renewal within the PS.

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273 Mitterrand’s strategy dissociated him from his own political family and has created issues for the PS ever since (see Ross 1996: 44; Daley 1996) yet was an effective discursive mechanism for legitimising his post-1983 programme.
8.3.4 The politics of austerity and economic credibility

The internal divisions within Labour and the PS over how to approach the crisis manifested themselves in the parties’ responses to the politics of austerity. Although their responses reflected different historical and institutional contexts, in each case there was a failure to challenge established notions of ‘economic credibility’ as being tantamount to fiscal conservatism. This problem fundamentally shaped how these social democratic actors sought to establish their ‘responsibility’ as governing parties. For Labour, this was largely an electoral issue that resulted from New Labour’s incumbency in government during the crisis. Throughout Miliband’s leadership, there was tension both within the party and within Miliband’s own thoughts between a desire for more ‘radical’ thinking on the nature of the UK’s political economy in the post-crisis environment and a tendency towards a cautious attempt to reassert the party’s economic ‘credibility’ – a concept that was narrowly defined within wider British public discourse, as a result of the political argument hegemony established by the Coalition government, around having an extremely tough fiscal consolidation programme (see Gamble 2015a). Miliband and those around him, including Balls, were caught between what they saw as ‘the substance’ of the economic case against austerity, and a ‘political reality’ wherein cuts were deemed necessary by the public and Labour’s fiscal reputation was extremely weak.

Pre-distribution represented an early attempt to develop cognitive ideas of how the party could progressively redistribute ‘when there’s no money’, which could resonate with normative social democratic values and thinking around a new stage of British capitalism. Yet, due to the lack of support Miliband received, this idea failed to gain a foothold within the party and never truly developed beyond being a policy buzzword. On the other hand, the party’s right wing, including groups within the wider ideational environment such as Purple Labour and Black Labour, argued consistently that fiscal consolidation had to be a cornerstone of Labour’s economic approach. As we have seen, Balls suggested that despite his misgivings over the economic basis of the Coalition government’s fiscal consolidation plans, his ‘political antennae’ told him that ‘this was an argument that just could not be won’ (Balls 2016: 334). Miliband was always alive to this pressure; throughout his leadership, influenced by internal GQRR polling, the party never adopted a normative anti-austerity stance for fear of the electoral repercussions. Increasingly, moreover, the party leadership felt that they did not possess the requisite ‘permission to be heard’ due to the weakness of their
economic credibility and remained unwilling to challenge the Coalition government’s dominant crisis discourse.

Instead, the party altered its discursive strategy mid-way through the parliament, shifting its focus from what we can see as the first order crisis of economic liberalism towards the resolution of a secondary, material crisis of living standards. No longer was there an attempt to pursue a ‘big tent’ strategy based on a discourse of radical reform of the British political economy. Rather, the party shifted towards an economic programme based upon tight fiscal management, premised upon securing a core ‘35 per cent’ of the Labour electorate. In order to shore up this electoral strategy, Labour sought to utilise a more defined ‘retail-policy’ approach in its communicative discourse, demonstrating how its policies would be paid for and require no new spending commitment. The premise of this strategy was to nullify technical arguments around Labour’s economic credibility by presenting a ‘fiscally neutral’ economic programme, whilst opening up a normative debate about the more appropriate fiscal choices that a Labour government would make (see Bremer and McDaniel 2019).

This approach, however, failed to persuade the electorate of the necessity and appropriateness of the party’s alternative. Instead, Labour’s discourse often lapsed into embracing both the economic rationale and normative arguments for austerity as reflecting ‘the kind of country we want to be’ (see Balls 2012e). Labour was trapped between the Conservative Party’s claim that Labour were not economically credible (i.e. that is was not austere enough) and SNP claims that Labour were ‘the same as the Tories’ (i.e. that it was too austere) – reflecting the way in which the parties’ actions and discourse exist within and must successfully navigate a wider political and discursive environment. Labour’s approach to austerity was a compromise. Whilst this, to some extent, successfully settled disagreements amongst the party leadership, it failed directly to challenge the Coalition government’s economic programme on either normative or cognitive grounds. As such, it inspired few on either side of the austerity debate and failed to underpin a winning electoral strategy or establish political argument hegemony.

In the case of the PS, the major concern surrounded France’s economic credibility both with its European partners and financial markets. This issue split the right and left wings of the party, who were divided over cognitive arguments concerning the appropriateness of a Keynesian reflation strategy and the nature of France’s debt burden. For the left, France’s
economic slump required a return to traditional Keynesian demand management techniques, whilst the social liberal right of the party, including the economic advisors Hollande surrounded himself with, rejected a demand-led strategy. For them, liberalising supply-side reform designed to boost business innovation, alongside fiscal consolidation to enhance the state’s fiscal margin to manoeuvre, was the only route out of the crisis.

Whilst setting out a cognitive framework for dramatic reductions in the size of the state’s debt and deficit, Hollande sought to mobilise the support of both the party’s left and the wider left electorate. This saw him take from the PS’s programme for government, designed and written by Aubry and her team, and simultaneously utilise a normative discourse committing to a radical anti-austerity platform, including through the renegotiation of European level treaties. Yet, as we have seen, this programme once again became a millstone around the neck of the candidate when he came to govern (Clift 2005c: 229; Elgie 1996). Not unlike the Labour Party, the Socialist administration attempted to manage this tension through the delivery of a fiscal consolidation programme that would balance the perceived requirements of fiscal consolidation with normative social democratic concerns to uphold the French social model. Cognitive arguments in favour of consolidation were combined with normative claims that spending cuts and tax rises were required in order to break the stranglehold of disinterested financial markets over the French Republic and its social model (see Bremer and McDaniel 2019).

Yet again, however, this approach to reconciling the ‘responsive-responsible’ conundrum (Mair 2006; 2009; 2011; 2013) created division within the PS and undermined the Socialist administration’s political argument and perceived governing competence. The decision to ratify the Fiscal Compact in 2012 led directly to the creation of the rebellious left-wing *frondeur* movement in Parliament, just weeks after the Socialist election victory (see Chapter 6). The party’s hollow pre-election synthesis (premised upon Hollande’s ‘double discourse’), designed to balance the competing demands of party unity, electoral support and economic credibility, cracked immediately upon inspection. As the *quinquennat* progressed, the tensions inherent in this programme were further exacerbated. In the absence of economic growth and growing political tension in the PS, Hollande sought to clarify his administration’s political economic direction. In doing so, anti-austerity ministers were sacked and replaced with actors more in line with Hollande’s social liberal outlook. This period exposed the fundamental divisions on the left and within the PS over the nature of European integration, including long-standing differences on economic policy given the
choice made by the Socialist government to promote EU-friendly supply-side liberalising reform (see Grunberg 2014).

In addition, the nature of the normative claims the government made to support its programme changed, reflecting austerian ideas concerning fiscal consolidation’s role in reigning in the excesses of an apparently bloated and anachronistic French state. Under the new leadership of Prime Minister Valls and Macron as Economy Minister, the Socialist government inverted the nature of its public crisis discourse in order to provide legitimation to its new programme; rather than exposing fundamental weaknesses in neoliberal growth models, the new government was now keen to stress that the crisis highlighted the weakness of France’s own distinctive model of capitalism and its inability to successfully adapt to globalising, liberal markets. This shift was an attempt to establish a new coherence to the Socialist administration’s governance. In reality, however, in undermining the statecraft strategy upon which Hollande was elected in 2012, it had the opposite effect.

8.4 Divided they fell: the crisis of social democratic party identity

Fundamental divisions existed within the two parties over how to conceptualise the economic crisis and the steps necessary to develop a social democratic economic alternative to austerity. Across both cases, we have seen how these issues served to undermine party management and the ability to establish political argument hegemony. As a result, Labour were unable to develop a winning electoral strategy, whilst Hollande’s strategy to win in 2012 came largely at the expense of establishing perceived governance competence once in power. The period immediately following this thesis’ empirical analysis has, in both cases, seen a sharp and significant evolution in the histories of the two parties. As explored further below, the PS has all but collapsed since 2017, whilst Labour has experienced a ‘revolution from within’ under the leadership of Corbyn from 2015. Yet, political parties are almost always divided and contain a range of groups with competing political economic visions that vie for power – it comes with the territory. This section responds to the question: why now?

Much of the recent literature on both Labour and the PS suggests that the parties are (or were, at least) less divided on ideological grounds than they have been previously. For instance, as we have seen, the system of ‘presidentialised factionalism’ in the PS has diminished the ideological distinctions between the party’s different factions (see Escalona and Vieira 2013: 152-4). Moreover, in Labour’s case, Miliband was seen as ‘fortunate enough to have inherited a party which … is not so ideologically driven that … [electoral
defeat in 2010] has inevitably seen it descend into the factional infighting’ it has previously experienced (Bale 2015b: 63). In some senses it is hard to disagree with the basic thrust of such ideas – ideological divisions within the PS and Labour in the immediate post-crisis period studied here do not appear to be on the same scale as they were in the 1980s, for example, between the PS’s ‘first’ and ‘second’ lefts or Labour’s left and right wings, which saw the Gang of Four quit the party to form the Social Democratic Party (SDP). In order to understand these contemporary divisions, however, we must see the economic crisis as a critical juncture. The parties may display less ideological diversity and depth compared to two or three decades ago, but the crisis and the politics of austerity that followed it have pushed to the fore tensions inherent within social democratic political economy, putting into question their raisons d’être.

This process has much in common with what Mair (2006; 2009; 2013) describes as a crisis of political representation. In line with Mair’s conception of the tension between ‘representation’ and ‘responsibility’, it is clear that serious tensions existed within the statecraft of both Labour and the PS/Socialist administration. A fundamental division existed within the two parties over how to conceptualise the nature of the economic crisis and the steps necessary to develop a social democratic economic alternative to austerity that would be perceived as economically credible. In Labour’s case, Miliband’s desire to break with the New Labour era and deliver a more progressive post-crisis capitalist settlement in the UK (thereby, in Mair’s terms, better ‘representing’ Labour’s constituents) was always constrained by the party’s desire to address its poor economic credibility with the electorate (thereby addressing the need to demonstrate economic ‘responsibility’). The Socialist administration similarly sought to balance the ‘representation’ of an anti-austerity programme with its desire to demonstrate its economic ‘responsibility’ to the EU and financial markets.

As we have seen, both parties sought to manage these competing pressures through an approach to austerity that could resonate with key social democratic values. In neither case, however, was this an effective strategy. Rather, in the context of several decades’ worth of discussion over the question of ‘what kind of movement will social democracy change into?’, the absence of an alternative to austerity post-crisis made manifest the tensions within social democratic political economy and statecraft. The increasingly fraught relationship between the different wings of these parties reflects not just their differing conceptions of how to respond to the politics of austerity post-crisis, but also an existential tussle over what it means
to be a social democratic party today. The implications of this have been severe, reflecting cases of socialist and social democratic parties in Latin America and Southern Europe that, having promoted austerity policies and seemingly ‘converged’ with centrist parties, have seen their party identity or ‘brand’ diluted, leading to electoral decline or total collapse (Lupu 2014; 2016; Roberts 2017). The following section looks to understand how this applies in the cases of the UK and France.

8.4.1 A revolution from within: The rise of Jeremy Corbyn in the Labour Party

Following Labour’s poor General Election showing in 2015, Corbyn was elected the new Labour leader. His victory must be understood in the context of the crisis and the politics of austerity. During the 2015 Labour leadership election, Corbyn defined himself in opposition to the ‘austerity-lite’ of the mainstream party and Miliband’s Labour (Corbyn 2015a). The key turning point in the campaign came in July, when the other leadership candidates, all of whom could be considered ‘New Labourite’ to varying degrees, acted in accordance with the party whip to abstain on the Conservative government’s Welfare Reform and Work Bill, whilst Corbyn took a principled stance to vote against it. For Corbyn, his campaign was about more than policy differences; it represented the call of members who ‘wanted a re-commitment to our values’ and was about ‘re-asserting [Labour] as a campaigning social movement’ (Corbyn 2016a). The message resonated with voters on the left, with Corbyn’s campaign attracting tens of thousands of new supporters to the party and nearly 60 per cent of the first round vote. Corbyn’s leadership thus represents something of a ‘revolution from within’, necessitated by the UK’s FPTP electoral system. Whilst other European social democratic parties have been displaced by insurgent radical leftist movements, such as SYRIZA’s usurpation of PASOK in Greece, the Labour Party is a radically different institution to what it was just three short years ago.

Under Corbyn, the party has adopted a different tack vis-à-vis the politics of austerity and a different approach to reconciling the ‘responsive-responsible’ dilemma. On the one

274 Or, indeed, a ‘Socialist Party’ in the French case.
275 The other three candidates were: Andy Burnham, Yvette Cooper and Liz Kendall.
276 The FPTP electoral system punishes parties outside of the dominant two. As such, any splinter from the Labour Party will struggle to compete with the established parties in the UK’s constituencies, whilst also likely damaging Labour support, thereby handing effective dominance to the Conservatives – as, of course, happened in the 1980s when the ‘Gang of Four’ left the Labour Party to form the SDP.
hand, it has adopted an ideological critique of austerity measures; the idea that ‘austerity is not an economic necessity, it’s a political choice’ was delivered in almost every major speech on the economy in the first two years of Corbyn’s leadership (see McDonnell 2015a; 2016a; 2016b; Corbyn 2015b). The party now bemoans the previous Labour leadership for allowing the Conservative Party to ‘reimagine the crisis of the banking sector as a crisis of the public sector’, leading the voting public to believe that cuts were required (McDonnell 2016a).

Rejecting austerity is thus tied up directly with rejecting the idea that ‘there is no alternative’ to the wider neoliberal economic system, with the party speaking about the desire and need to ‘change the rules of the game’ (McDonnell 2016b; Corbyn 2015b). There has been, therefore, a clear shift in statecraft. Whilst Miliband and Balls settled upon an ‘accommodation’ of the politics of austerity and hoped to adjust the parameters of the debate from within government, Corbyn’s Labour’s raison d’être is to reshape preferences and bring about a shift in public perception on austerity (see Hay 1994).

That said, however, some of the discursive and programmatic concessions made by Corbyn’s party highlight the difficulty of any set of social democratic actors to navigate the politics of austerity in the UK context and are testament to the difficulties faced by Labour under Miliband. The party continues to employ a ‘Fiscal Credibility Rule’, which commits a future Labour government to balancing tax revenues and day-to-day spending over a ‘rolling’ five-year period, excluding spending on investment, and reducing government debt ‘as a proportion of trend GDP’ by the end of the next parliament (McDonnell 2016b). This fiscal stance is not dissimilar to either of those adopted by Balls and Brown. Moreover, the party has even reverted to some well-trodden discursive paths, suggesting that a Corbyn Labour government would ‘live within our means’ (McDonnell 2015a). Corbyn’s approach clearly has had the effect of mobilising support for an anti-austerity programme, both electorally and within the party. At the same time, however, it is important to remain aware of how the cognitive discourse of the Corbyn economic programme may be out of step with its normative content. As a result, this discourse may be severely tested if required to legitimise an actual governing programme.

Following this thesis’ assessment of the continuing intellectual and sociological dominance of a New Labourite social liberalism during Miliband’s leadership, it is important to recognise that, under Corbyn, the party is actively pursuing organisational reform in order to accompany its ideational renewal and new electoral strategy. This is taking some time given the ‘chaotic genesis’ of Corbyn’s leadership and the party’s ‘internecine warfare’
(Berry 2017). However, the evidence of change is already there. Though short-lived, Shadow Chancellor John McDonnell attempted to establish the credentials of a new economic programme through the establishment of an ‘Economic Advisory Committee’ in September 2015, made up of seven high profile economists including Thomas Piketty, Joseph Stiglitz and Simon Wren-Lewis.\(^{277}\) This reflected an attempt to construct a set of cognitive Keynesian economic arguments upon which the party could challenge the basis of the government’s fiscal programme. Moreover, the party is not engaging with the traditional Labourite think tanks in the same way as it has done for the past three decades. Rather, it is now taking its intellectual cues predominantly from the union movement, the organised far left, grassroots movements and academia (Berry 2017). This is already having an impact on the party’s economic thinking; as outlined by Guinan and O’Neill (2018), the Corbyn project is slowly moving away from a straight-forward ‘tax-and-spend’ policies and is cohering around a more ambitious political economic project that seeks to reshape the nature of capital accumulation itself along more democratic lines.

With his long-time ally McDonnell as Shadow Chancellor, Corbyn’s various Shadow Cabinets since 2015 have taken on a different approach to party management by not relying upon support from the ‘old guard’ of the New Labour years or the right-wing elements of Miliband’s teams. Corbyn has attempted to undermine the power and influence of the PLP, which is dominated by the party’s right-wing. Instead, Corbyn’s strategy seeks a root-and-branch reform of the party and is being assisted in achieving this by Momentum, the grassroots organisation founded in 2015 by Jon Lansman to support Corbyn’s leadership and which now boasts around 40,000 paying members of its own. Momentum activists have begun to dominate Constituency Labour Parties (CLPs) across the country, whilst Momentum

\(^{277}\) The full list of advisors is: David Blanchflower, Mariana Mazzucato, Anastasia Nesvetailova, Ann Pettifor, Thomas Piketty, Joseph Stiglitz and Simon Wren-Lewis. The group were assembled to provide greater epistemological authority to the party’s claims that austerity policies were ineffective and dangerous. However, whilst the advisors were seen to be ‘unified in their opposition to [Chancellor] Osborne’s spending cuts’, it was noted that ‘in other areas [they] have less in common’ (Giles 2015). Indeed, after just one meeting wherein the two most high-profile members, Piketty and Stiglitz, were not even present, the committee was already ‘unravelling’ by January 2016 (Chakelian 2016). As Berry (2017) notes, ‘many of its members were not natural Corbyn supporters, and ran alarmed from the public ridicule heaped on the leadership in the early days’. Following the resignation of several members in early 2016, by the time of the leadership contest in September, Wren-Lewis and Blanchflower endorsed Owen Smith over Corbyn for the leadership of the party.
has actively encouraged its members to ‘challenge the CLP chair’ and has supported a form of mandatory reselection designed to oust sitting right-wing Labour MPs (Sabbagh et al. 2018; Momentum Sheffield 2017). At the top of the party, moreover, Momentum-backed candidates have begun competing to become candidates in by-elections and have started to dominate the NEC and the NPF. These moves all serve to diminish the vestiges of New Labourism within the party.

8.4.2 The ‘nutcracker’ effect: The electoral collapse of the PS

In France, we have seen an altogether different dynamic emerge in the past two years. Again, however, the crisis and the politics of austerity, and the tensions these have generated vis-à-vis the competing demands of ‘responsiveness’ and ‘responsibility’ in government, are central to the story of the PS’s internal and electoral collapse. After years of deep unpopularity, Hollande decided in December 2016 to stand aside, a first for a sitting president in the Fifth Republic, whilst Macron had left the government earlier in the year as part of his own preparations for the upcoming elections. Under the strain of Hollande’s unpopular presidency and in the absence of the traditional deference that would be shown to a sitting president by his or her political family, the tension inherent in the party’s tradition of ‘presidentialised factionalism’ broke out into open warfare. In the context of PS unpopularity, the party’s candidate selection primary attracted one million fewer voters than in 2011, highlighting the weakness of the party and producing a shrunken left-wing core electoral base who were able to carry the vote (Elabe 2017). As a result, Hamon, from the party’s left-wing and who had been sacked from government for criticising Hollande’s turn to ‘austerity’, easily beat Valls in the second round run-off.

Recognising that the past five years had done serious damage to the Socialist Party’s identity, Hamon sought to import a renewed left radicalism by attempting to build an alliance between the PS support and the wider French left, including Mélenchon and his LFI movement. This was a bold move, not least because Mélenchon’s programme offered a strong retort to the perceived failures of the Socialist administration to fulfil the promises of

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278 Having effective control over these institutions will ensure that Corbyn’s leadership is more insulated from attack by the PLP, that future left leadership candidates can make it on to the ballot and that the party’s policy direction is increasingly led by the NPF and party conference.

279 See Hollande (2018: 329-37) for an inside account of how this transpired.
Hollande’s early anti-austerity discourse. This was not, however, a realistic strategy, given Mélenchon’s desire to implement what he termed a ‘nut-cracker’ effect on the PS: with the rise of his LFI movement to the left of the PS, and Macron’s En Marche! in the centre ground, he hoped to build upon discontent with the Hollande quinquennat and squeeze the Socialist Party ideologically and electorally into insignificance. At the other end of the PS’s political spectrum was Valls, who initially congratulated Hamon on his selection, but by the end of March publicly stated his support for Macron and his new centrist movement. Valls was perhaps the most prominent Socialist to do so, but other prominent PS figures from its social liberal wing were also leaving what they saw as a sinking ship, including Gérard Collomb, mayor of Lyon, and the Socialist députés Richard Ferrand and Christophe Castaner.

In many senses, the new competition around the PS from left and right reflects the tension between the two issues of ‘responsiveness’ and ‘responsibility’. Whilst Mélenchon claimed to more authentically ‘represent’ the interests of Socialist voters via the promotion of an anti-austerity, anti-EU programme, Macron’s centrist movement positioned itself as offering a necessary dose of political realism and economic ‘responsibility’ concerning France’s European commitments. The PS, on the other hand, was caught somewhere in the middle. As such, the ‘nut-cracker’ effect did, indeed, come into being. With Hamon falling in opinion polls in the weeks before the vote, the logic of the vote utile in French Presidential elections pushed Socialist voters of both the left and the right further towards Mélenchon and Macron, respectively. Mélenchon usurped the Socialists to become the left’s main candidate, claiming 19.6 per cent of the vote. Meanwhile, Macron gained 24 per cent of the vote.

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280 Not only did Mélenchon pledge an ambitious Keynesian investment plan worth €100 billion (financed through borrowing and bold redistributive measures), but he was able to ramp up his anti-EU rhetoric in the context of Hollande’s failures to bring about the reforms he promised in 2012.

281 More informal support for Macron over Hamon came from figures including député Christophe Caresche and later Jean-Yves Le Drian, who was still defence minister in the Socialist government.

282 The vote utile refers to the first round dynamic of the presidential election, wherein voters are pushed towards voting for the candidate who is seen to possess the greatest possible chance of making it through to the second round. Although this may mean voting for a candidate other than the one belonging to one’s own party, it is generally seen as a tactical move designed to support the ‘least bad’ option or stop the left or right-wing electoral bloc from splintering. Thus, in Hamon’s case, as polls increasingly revealed his inability to make it to the second round, increasing numbers of traditional PS supporters voted either for Macron, as the social liberal candidate, or Mélenchon as a representative of the radical left.
first round vote, taking from the PS’s more moderate, social liberal voter base. Hamon was able to hold on to just 6.3 per cent of the vote, a historic low for the PS that aligned him with the campaign’s ‘also rans’. This poor showing was largely replicated in the legislative elections several weeks later, wherein the PS returned to the Assemblée nationale with just 30 députés, shedding 250. The party’s first round share of the vote (7.4 per cent) was the worst in the history of French socialism, going back to the foundation of the SFIO in 1905.

The Socialist Party vote was shattered; its party brand and identity were devastated by this electoral rout. Two days after the second round of the legislative elections, the party’s FS, Jean-Christophe Cambadélis conceded that an entire refondation of the PS was necessary, including potentially scrapping the word ‘Socialism’ from its name. Electorally, the PS’s traditional regional bastions of support have been decimated, whilst the PS has had to sell its historic headquarters on rue de Solférino and decamp to Ivry-sur-Seine – existing now, geographically and metaphorically, on the outskirts of French political life.

The tensions and ambiguities contained within the PS’s political economy and statecraft, which served to undermine its capacity to respond effectively to the crisis and offer an alternative to austerity, have shattered the party. For the first time since 1962, the PS is neither the government nor the main opposition party; its reign as a true parti d’alternance has seemingly come to an end. On both its left and right, emergent alternative parties in the form of En Marche! and LFI were able to develop policy programmes and discourses that appeared to better represent the PS’s divided electorate. As a consequence, the PS party structure has itself broken down, with many of its former dirigeants leaving to either join the

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283 The PS no longer has a single member of parliament in former Socialist strongholds including Nord, Pas-de-Calais, and Seine-Saint-Denis, nor in the major towns of Nantes, Toulouse, Lyon and Marseille.

284 France’s laws governing funding for political parties determine that state aid to parties is calculated by the number of votes for each party and the number of seats they hold. After the first round of legislative elections, parties receive €1.42 euro per vote obtained by each of its candidates, and for each deputy elected after the second round, the party receives around €37,280 per year. In the wake of the 2012 elections, the PS was the largest beneficiary of France’s state aid party funding system, receiving approximately €25 million during the Hollande quinquennat, more than 45 per cent of the party’s total revenues. Following its losses in 2017, the PS is thought to have lost around €15 million of this funding.

285 Although the PS experienced a major defeat in 1993, it retained a strong electoral base capable of helping it retain its status as a true presidential party; there was still a Socialist President in the Élysée at the time, and just two years later in 1995, presidential candidate Jospin received 47 per cent of the second round vote.
La République En Marche! governments of Édouard Philippe under President Macron or set up their own rival political movements, as Hamon has himself with Génération.s. Although the PS limps on in the new Parliament under the leadership of Olivier Faure, the Socialists have struggled to assert a new identity or a strong voice of opposition to the Macron administration. As per Mair (2006; 2009; 2013) and Lupu (2014; 2016), a crisis of the PS’s representative function in the context of the crisis and politics of austerity has seen the abandonment of the party; if the PS is unable to rebuild its fortunes in the coming years, LFI or another left grouping could permanently displace the PS in the way that it once did to the PCF in the 1970s.286

8.5 Conclusion

This chapter has synthesised my response to Research Questions 1 and 3 which look, respectively, to understand how the historical and institutional contexts of British and French social democracy and the post-crisis ideational environments around the two parties have shaped the development of a social democratic alternative to austerity in the UK and France since 2010. Whilst there can be no doubt that there were very real material economic and institutional pressures weighing upon the two parties in the post-crisis environment, I have argued that these factors did not prohibit progressive, social democratic government in the UK or France per se. Rather, building upon existing materialist and institutionalist accounts, the chapter has pointed towards the influence of common political and ideational factors that have undermined the statecraft of Labour and the PS/Socialist administration: weak ideational supply, the continued dominance of a social liberal intellectual framework and organisational divisions within the parties. These factors undermined party management and the ability to establish political argument hegemony. Unlike Labour, Hollande was able to develop a winning electoral strategy, yet this came ultimately at the cost of perceived governing competence once in power.

Neither Labour nor the PS/Socialist administration successfully navigated the difficult terrain of their respective ‘meaning contexts’ in order to develop a programme that could balance the competing demands of ‘responsiveness’ and ‘responsibility’ (Mair 2006; 2009; 2011; 2013). At the heart of this issue was the concept of ‘economic credibility’, though

286 Although LFI was unable to build sufficiently on Mélenchon’s showing in the Presidential elections and obtained just 17 seats, this is enough for LFI to form its own parliamentary group, which has given Mélenchon and his radical leftist movement a stronger voice in parliament and greater financial resources.
expressed differently in the two cases. Both parties similarly constructed an economic programme that they hoped could balance the perceived requirement for fiscal consolidation with normative social democratic concerns for fairness and equity. This strategy, however, only heightened tensions within the two parties and ultimately led to a crisis of their identities as social democratic parties, something that has been exploited by alternative radical movements and parties in each case.
Chapter 9: Conclusion

The core objective of this thesis was to examine the reasons why social democrats in the UK and France failed to develop a social democratic economic alternative to austerity post-crisis. The successful development of that alternative, I argued, is necessarily comprised of three elements: first, it must resonate with social democratic values; second, it must be economically viable; and third, it must be underpinned by effective statecraft. The evidence and analysis presented in the previous chapters revealed that the absence of a social democratic alternative to austerity in the UK and France post-crisis cannot be sufficiently explained by structural relations in the economy associated with economic globalisation and public indebtedness or the constraints posed by EU integration. Building upon the dominant materialist and institutionalist literatures, this thesis has therefore turned its analytical focus back on to social democratic actors themselves and their statecraft (Bulpitt 1986) in order to understand how they engaged with the economic crisis and the attendant politics of austerity.

I highlighted how key political and ideational factors – weak ideational supply, the ideational stickiness of social liberalism and party divisions – undermined the statecraft of both Labour and the PS, shaping their discourse at both the coordinative and communicative stages. In both cases, we have seen that Labour and the PS/Socialist administration failed to challenge the politics of austerity and continued to operate largely within the framework of the dominant discourses of economic credibility. As a result, to put it in terms of Mair’s (2006; 2009; 2011; 2013) thesis on democratic representation, neither social democratic actor was able to develop an alternative to austerity capable of successfully reconciling the competing demands of ‘responsiveness’ and ‘responsibility’ faced by all governments. In both the UK and France, these social democratic parties attempted to do so through the articulation of a discourse on austerity that balanced the perceived need to pursue fiscal consolidation (in order to earn economic credibility) with social democratic concerns for equality and justice (to uphold a sense of ‘responsiveness’ to constituents’ concerns). However, this was politically and electorally weak – dividing both the parties and their electorates – and failed to resonate clearly with social democratic values.

The upshot of this is, I contend, that rather than creating the potential for a renewal of Europe’s social democratic parties, the GEC and attendant post-crisis politics of austerity have produced a crisis of social democratic party identity. In turn, this has created political space for the rise of radical left (and indeed centrist) alternative parties and movements in...
both the UK and France. The following sections draw together some of the chief arguments and findings from this analysis, and show how the thesis contributes theoretically, conceptually and empirically to the existing literature.

9.1 A constructivist institutionalist approach to understanding the post-crisis political economy of social democracy

Theoretically, I have sought to reintroduce a constructivist political economy approach to the study of social democratic politics. In doing so, I have drawn links between the economic globalisation debates of the 1990s and 2000s (see Kurzer 1993; Gray 1997) and contemporary materialist literature, which foresees the death of social democracy at the hands of footloose capital (see Streeck 2011; 2014). In drawing upon pre- and post-crisis constructivist theoretical work (see Watson and Hay 2003; Blyth 2002; 2013; Hay 2016), I have illustrated the importance of questioning the empirical veracity of such claims, whilst simultaneously understanding the importance of how economic crises come to be defined and popularly understood for the nature of the political battle that commences thereafter (see Blyth 2013a; Hay 2016; Gamble 2009a; Widmaier et al. 2007). The basis of this analysis comes from a CI framework that promotes the study of ideas whilst recognising that interests, institutions and ideas are ‘different but not mutually exclusive’ ways to focus analysis of the social world (Clift 2016: 510). The findings contained in this thesis thus reiterate the need to study the social world as an open and complex system, wherein the material, institutional and ideational each contribute in various ways to explaining political phenomena (see Kurki 2009: 215).

In arranging my analysis according to this theoretical approach, a key component in my argument related to how the literature conceptualises social democracy and the role of social democratic parties. As argued in Chapter 1, large parts of the literature have viewed social democracy as synonymous with the parties that have traditionally represented it in Europe, or in institutionally and geographically specific terms, focusing on the means rather than the ends of the social democratic movement (e.g. Moene and Wallerstein 1995). By analytically divorcing social democratic parties from the wider politics, values and objectives of social democracy, this thesis sought to understand and explain the failures of two such parties in relation to their socially constructed ‘identities’ as social democratic parties (Lupu 2014; 2016).
9.2 Challenging ‘broad brush’ accounts of social democratic decline

This thesis constructed a framework for understanding and assessing the development and articulation of social alternatives comprised of three elements: resonance with certain core values (social democratic, in this instance), economic viability, and the statecraft (Bulpitt 1986) underpinning them. To this end, the empirical analysis contained in the thesis has proceeded in a two-step fashion. The first step in this analytical process was to ask, as per Research Question 2, whether an alternative to austerity was economically viable in the UK and France post-crisis. In Chapter 5, I demonstrated that whilst fiscal consolidation may be required in the medium to long-term, especially in economies without recourse to alternative monetary adjustment mechanisms such as France, we cannot explain the austerity measures pursued in either the UK or France since 2010 as the necessary and inevitable product of the post-crisis environment. Rather, counterfactual analysis in both cases highlights the fiscal space available to pursue more expansionary fiscal programmes in the short run, which would have been more compatible with social democratic values.

Streeck’s (2011; 2014) bold contention that we are witnessing the death of democratic capitalism points us toward an understanding of mounting material pressures on states; for instance, a sharp interest rate rise in the UK in the context of Brexit could well see Streeck’s analysis play out. Such pressures may shape the perspectives and behaviour of actors and clearly this was the case in France, where fears over contagion from Southern Europe still lingered in 2012. However, I did not find strong evidence to suggest that the trends highlighted by Streeck can sufficiently explain the absence of a social democratic alternative to austerity. Three empirical findings underpin this scepticism: interest rates on government bonds have been declining on average for over three decades and did not increase during the economic crisis from 2008; debt interest payments across the two cases do not correlate with Streeck’s thesis; and taxation revenue as a percentage of GDP has remained stable or risen since the mid-1960s.

Similarly, the issue of European integration (see Bailey 2009; Escalona and Viera 2014) has clearly played a significant role in shaping the behaviour of social democratic actors, particularly in France. The Socialist administration was consistently hampered by its failure to renegotiate the European treaties. Yet, my analysis suggested that we must be careful not to impose an overly coherent image of EU integrative dynamics that views a social democratic economic alternative to austerity as a complete non-starter. Rather, I argued it is
important to consider how institutional rules, such as those set down by the Fiscal Compact, are themselves open to contestation and do not entirely diminish the fiscal capacity of national governments. More importantly, EU integration cannot sufficiently explain the imposition of austerity in the UK and, as such, the pressures from integration can only go so far in helping us to understand the post-crisis failure of social democratic parties to offer an alternative.

9.3 Assessing the ideational foundations of statecraft

Building upon the existing materialist and institutionalist literatures, then, I argued that it is necessary to study the unfolding political dynamics of the post-crisis period in greater detail. Research Questions 1 and 3 targeted this issue, asking how the historical and institutional contexts of British and French social democracy and the post-crisis ideational environment have shaped the development of an alternative to austerity. In order to gain analytical purchase on the various implicated factors, I suggested that Bulpitt’s (1986) concept of statecraft sets out a valuable framework for understanding the four key components that comprise the success or failure of political strategies: party management, a winning electoral strategy, the establishment of political argument hegemony and governing competence.

Nevertheless, in Chapter 4, I drilled down into the concept of statecraft and suggested that it lacks the requisite analytical granularity to why certain political ideas and arguments can or cannot underpin, for example, a winning electoral strategy or establish political argument hegemony. As a result, I argued that Schmidt’s (2002; 2008a) particular form of DI enabled me to discern three important criteria for assessing the ideational foundations of statecraft: the supply of ideas, the power of their internal logic and their ability to mobilise support internally and externally. My conception of statecraft, in turn, fed into a wider analysis of the tensions faced by parties of government as they seek to reconcile the competing demands of ‘responsiveness’ (via an alternative to austerity) and ‘responsibility’ (establishment of economic ‘credibility’) (see Mair 2006; 2009; 2011; 2013).

In order to conduct this analysis, I developed and utilised the concept of the ‘post-crisis politics of austerity’. I suggested that this politics of austerity – which denotes the ideas and arguments surrounding the implementation of austerity – has been both a product of and critical component in the resilience of neoliberalism post-crisis (Schmidt and Thatcher (eds.) 2014a). A key aspect of this, I argued, is the way in which a dominant conception of
‘economic credibility’ has been constructed along fiscally conservative lines since 2010, within the institutional and ideational context of the post-crisis environment.

The development of these concepts has permitted my comparative analysis to gain traction on understanding the way in which social democratic parties in the UK and France were constrained in their attempts to develop an alternative to austerity as a consequence of the differential construction of the competing dynamics of ‘responsiveness’ and ‘responsibility’ across the two cases (see Mair 2006; 2009; 2011; 2013).

9.4 Discursive institutionalism: Exploring the absence of a social democratic alternative

Throughout my analysis, I have developed an account that actively links the actions and discourse of social democratic parties in the post-crisis era to their failure and eventual replacement. The thesis was arranged so as to focus our attention on two ‘stages’ of the development of the discourse of Labour and the French Socialists – the coordinative stage and the communicative stage (Schmidt 2002; 2008a). The situation of this analysis of discourse within its wider ‘meaning context’ – that is, how ideational innovation has been institutionally mediated (Clift 2018: 35) – allowed an appreciation of the interaction between the ideational environment and wider material and institutional factors. In addition, by turning my analytical focus on social democratic parties themselves, the thesis brought rich and original qualitative data to the existing literature through the analysis of both a range of primary documents, including party programmes, key economic speeches and unpublished internal party memos, and 32 elite interviews conducted with those in charge during the period concerned.

I have argued that neither Miliband nor Hollande were able to develop a coordinative discourse that balanced a normative conception of the crisis as a product of the existing neoliberal economic order with a set of cognitive ideas around the remedial economic policy action required that, crucially, could resonate with social democratic values. Clearly, in the UK case, Labour’s experience of government in the pre-crisis years, and in particular the association between New Labour’s economic model and the nature of the crisis, presented an extremely difficult context for Miliband’s Labour Party. This was compounded by both the effectiveness of Conservative Party discourse on the crisis and the growing issue of SNP popularity in Scotland, which together acted to discursively pincer Labour’s approach to austerity. On the other hand, the PS’s absence from power since 2002 suggests that we cannot
rely solely upon the issue of incumbency to explain the failure of these parties. Rather, *despite* their opposite dynamics of incumbency, both parties struggled to develop a discursive strategy vis-à-vis the crisis and the politics of austerity.

The evidence from Chapters 6 and 7 points us towards three key political and ideational factors: weak ideational supply, ideational path dependency that has seen the continued dominance of a social liberal intellectual framework, and organisational divisions within the parties. As a result of these issues, neither Labour nor the PS/Socialist administration successfully navigated the difficult terrain of their respective ‘meaning contexts’ to develop a statecraft that could form the basis of a social democratic alternative to austerity. Across the two cases, we have seen the impact of weak internal party management and the inability to establish political argument hegemony. Unlike Labour, the PS was able to deliver a winning electoral strategy in 2012, yet this largely came at the expense of establishing perceived governing competence once in power.

In both cases, the supply of new ideas to these parties and their leaderships in the post-crisis period was constrained by ideational path dependencies and certain institutional arrangements within the parties. These were associated with the dominance of a particular social liberal intellectual framework amongst key party leaders and organisational issues in the two parties that inhibited the development and dissemination of new ideas post-crisis. Not only could Miliband never rely upon a single think tank or school of thought to act as a vehicle for his project, but key New Labourite figures in his Shadow Cabinet – kept there to maintain unity, seen as a priority for electoral success – undermined his attempts to introduce more radical political economy ideas into the party’s programme. The weakness of ideational renewal in the case of the PS is stark and also intimately shaped by the institutional context of French social democracy. The nature of presidentialised competition in the Fifth Republic saw ideological debate within the PS increasingly diluted in favour of intra-party competition based increasingly upon individual personalities. Rather than serving to generate new ideas, the party’s *courants* came to entrench established intellectual positions post-crisis. Compounding this issue, the nature of French political life means that external policymaking institutions, such as think tanks, are considerably underdeveloped. As a result, they have played a relatively weak role in the supply of ideas since the crisis.

In Labour’s case, then, the continued sociological and intellectual dominance of New Labour’s social liberalism amongst key party figures fundamentally shaped the way the party
engaged with the crisis and the politics of austerity. In the context of the GFC and the collapse of New Labour’s economic model, the party under Miliband struggled to marry a normative social democratic critique of the UK’s political economy with a set of cognitive ideas that could support a post-Thatcherite, post-New Labour economic programme. Initially Miliband sought to nourish a new political economy for the party that would resonate with social democratic values concerning greater regulation of markets and a renewed focus on the productive forces of the British economy in determining adequate living standards, levels of employment and equality.

Miliband, however, never received the full support of important groups within the party, most significantly his own Shadow Chancellor Balls and his team, necessary to successfully develop a legitimising discourse. As the political economic context changed, with a return to economic growth in 2013 and the SNP surge in Scotland following the 2014 referendum, the dominance of this group came to the fore. Increasingly the party moved away from discussions around the appropriateness of a social democratic political economy post-crisis towards a focus on the need for a strong fiscal consolidation programme in order to prove the party’s economic credibility – a move designed to secure Labour’s traditional core working-class vote and win over disaffected, largely middle-class Liberal Democrat voters. There was an intellectual shift, therefore, from a ‘big tent’ electoral strategy based on a firmly social democratic vision of the British political economy, to a politically and economically conservative tactic, viewed as more conventional by those reared in the New Labour years.

The interaction between ideational and political-electoral factors is also clear in the French case. Hollande’s attempts to appeal to camps from the left and right of the PS and wider leftist electorate were essential for navigating the electoral dynamics of the PS primary and Presidential elections. His 2012 programme appeared to resonate with social democratic values, particularly concerning the need to reign in the power of financial capitalism and reform the EU along ‘social’ lines. Yet, ultimately, the discourse developed during these early stages was unable to sustain a social democratic alternative because it was never supported by a consistent and realistic set of cognitive ideas that could demonstrate how the Socialist administration would deliver upon Hollande’s early promise of le changement.

Whilst Miliband struggled against the ideational and sociological stickiness of the New Labour years, Hollande represented part of this social liberal ideational path dependency. Hollande’s own perspective was manifestly in line with a small group of liberal
economic advisors he surrounded himself with, including Macron, who were at odds with much of the Socialist Party opinion. This became apparent in power, beginning almost immediately with the acceptance of the Fiscal Compact in 2012 – an event that split the Socialist Party in parliament and ultimately contributed to its electoral collapse in 2017. As the Hollande *quinquennat* progressed, the Socialist administration drifted further away from its earlier claims to represent social democratic values as it increasingly prioritised market liberalisation and fiscal consolidation at the expense of French household purchasing power.

These findings hold three important implications for the existing literature. First, the thesis reiterates Berman’s (1998: 206) now two decade-old call for institutionalists to ‘spend more time investigating how ideas interact with a wide range of other factors to create long-lasting institutional configurations and uncovering the mechanisms by which particular institutional configurations affect political behavior’. Although much progress has been made within the wider constructivist literature, this has not been applied to the same extent within studies of the political economy of social democracy over the past decade. Second, in relation to that wider constructivist Political Economy literature, this analysis highlights the necessity of understanding ideational factors in cases of the *failure* to bring about political economic change, building upon existing but limited work on this issue (Moschella 2009; Schmidt and Thatcher 2014a). Too often the constructivist literature has been focused on moments of rapid and significant institutional change. Yet, as this thesis has shown, the failure or absence of ideational renewal is equally as significant in explaining institutional stasis.

Finally, in terms of the literature on political parties and democratic representation, this ideationally attuned analysis shows how Miliband and Hollande were similarly drawn to those ideas that appeared able to balance a range of competing perspectives, both internally within the parties and externally amongst the electorate and EU institutions. In this sense, the thesis contributes to the existing literature by developing an understanding of the ‘path of least resistance’ logic that has underpinned the take-up of ideas within these two parties. Yet, as has also been made clear, the short-term benefits of such an approach can come at the expense of a discourse that can genuinely unite the party, mobilise support amongst the electorate and ultimately legitimise a realistic social democratic economic programme for government.
9.5 Democratic representation, austerity and the crisis of social democratic party identities

In focusing its analysis on social democratic actors themselves, and in particular on the way they sought to engage with the crisis and post-crisis politics of austerity, this thesis developed fresh insights on contemporary events in social democratic politics by viewing it in terms of a wider ‘crisis of democratic representation’ (see Mair 2006; 2009; 2011; 2013; Lupu 2014; 2016; Roberts 2017). At root, we can see the absence of a social democratic alternative in the two cases as a failure to resolve the ‘responsiveness-responsibility’ dilemma facing governing parties (see Mair 2006; 2009; 2011; 2013). To this end, the thesis also serves the important task of re-assigning at least some of the blame for contemporary events to social democratic parties and the actors within them, in contrast to accounts focused solely on material and/or institutional features of the political economy, which in some senses let social democrats ‘off the hook’.

Across both cases, in the context of the politics of austerity, the parties struggled with establishing their ‘economic credibility’. Labour struggled to develop an appropriate account of the crisis and its own capacity, if elected, to deal with the apparent fiscal crisis facing the UK economy. In the French case, the desire to secure credibility with France’s European partners and financial markets provoked a similar tension within the PS. Both Labour and the PS/Socialist administration similarly constructed an economic approach that they hoped could balance the perceived requirement for fiscal consolidation with normative social democratic concerns for fairness and equity (see Bremer and McDaniel 2019). This strategy, I argue, failed to resolve the ‘responsiveness-responsibility’ dilemma (see Mair 2006; 2009; 2011; 2013). It only heightened political tensions within the two parties and proved electorally ineffective, failing to legitimise their economic programmes.

Although political parties are always divided, the crisis and attendant politics of austerity have served as a breaking point, producing an existential tussle over what it means to be a social democratic party today. In Labour’s case this has enabled a movement to support the leadership of Jeremy Corbyn. The UK’s FPTP electoral system, which punishes parties outside of a dominant two, has kept Labour from splitting, thus providing the space for Corbyn to emerge. In the French case, however, the centrifugal dynamic of the Presidential

\[287\] Or, indeed, a ‘Socialist Party’ in the French case.
election first round saw a ‘nutcracker’ effect smash the PS in two, divided between its radical left and social liberal wings.

Though common to both the UK and France, the factors highlighted in this analysis cannot necessarily explain the problems faced by social democratic parties elsewhere in Europe. That requires further empirical study. Yet, in drawing out key features of the post-crisis political economy of social democracy common amongst two ‘most different’ cases, it is hoped that these findings contain some limited portability to other cases in Europe. By bringing the theories of the ‘crisis of democratic representation’ (Mair 2006; 2009; 2011; 2013) and the related issue of a crisis of party brands (Lupu 2014; 2016; Roberts 2017) to bear on the situations in the UK and France, this thesis has offered a new perspective on the crisis of identity facing social democratic parties across the continent.

One case that would benefit from the analysis developed in this thesis is, I suggest, that of the German Social Democratic Party (SPD). The SPD has experienced significant electoral decline since supporting an austerity programme in government since 2013, as part of a Grand Coalition with its rival centre-right party, the Christian Democratic Union (CDU). As in the UK and France, Germany has also witnessed the rise of alternative parties on both the left and the right, with the Greens and the far-right Alternative für Deutschland both overtaking the SPD in federal-level polling (INSA 2018).

9.6 Ten years on from the crisis – where now?

In the aftermath of the 2008 crisis, once the initial enthusiasm and optimism of the left died down and austerity policies were implemented from 2010 onwards, academic commentators became, by and large, extremely pessimistic about social democracy. There is good reason for this, as the post-crisis failure of European social democratic parties has been significant. Ideologically, the resilience of neoliberalism has been untouched by the social democratic movement in the post-crisis era; the pendulum has clearly not swung back toward social democracy (see Berman 2016). Programmatically, where they have been in power, social democratic parties have largely acquiesced to the austerity strategy (see Chapters 6 and 7; Bremer 2018; Bremer and McDaniel 2019; McDaniel 2017). Electorally, Europe’s traditional

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288 At the time of writing, in November 2018.
social democratic parties continue to struggle – with some accounts putting the vote share of these parties at a third less than in 1970 (The Economist 2016).  

Whilst this thesis did not, by any stretch of the imagination, attempt to offer an alternative, rose-tinted view of the current state of social democracy, it has attempted to provide an alternative perspective from the dominant literature on the failures of social democratic parties post-crisis. In focusing on the failures of two of Europe’s traditional social democratic parties, this analysis drew a distinction between the capacity or economic viability of social democratic economic alternatives and the effectiveness of the statecraft underpinning the development and articulation of those alternatives. Whilst I pointed to the factors behind the failure of Labour and the PS/Socialist administration as constituted under Miliband and Hollande to develop an alternative to austerity post-crisis, this does not mean that social democracy itself, as a progressive political economic movement, is moribund; far from it. For, a decade on from the start of the GFC, whilst most of Europe’s economies have experienced a tepid return to growth, it is manifest that its dominant models of growth are in crisis.

The UK’s decision to leave the EU is the clearest manifestation of this. Brexit not only ‘politicises’ the UK’s growth model (Rosamond 2018), but also reflects underlying tensions at the heart of the European project and its economic architecture, which were made manifest with the Greek debt crisis in 2009-10. It is in this context that British political leaders are seeking to reshape the nature of the British economy for years to come, whilst President Macron revived attempts to reform the eurozone upon election in 2017. Whether or not Europe’s traditional social democratic parties are involved in the next stage of the continent’s political economic development is an open question. Yet, it is clear that some form of social democratic politics has a place in shaping the future of European capitalism.

Building upon this thesis, future research at the intersection of Political Economy and the study of progressive politics should therefore focus its efforts in two key areas. First, it

289 Of course, the story of the electoral success and failure of these parties is a complicated one, which is neatly characterised by the two cases studied here. Whilst the PS came to power in 2012, within five years the party experienced almost total electoral collapse, effectively being replaced on the left in the mainstream of French politics by Mélanchon’s LFI. The Labour Party, on the other hand, today maintains a decent polling average in the UK, yet it does so having experienced a ‘revolution from within’. In a not dissimilar way to the PS, the Labour Party as it was constituted in the pre-crisis years has been politically eviscerated.
should investigate in more detail the emerging new ‘radical’ left in Europe. This thesis has contributed to a wider discussion on the ‘crisis of democratic representation’ (see Mair 2006; 2009; 2011; 2013) and the decline of established social democratic parties. The next step is to better understand exactly how and why emergent radical movements and parties on the left have developed over the past decade. The existing Party Politics scholarship is dominated by studies of the far right (e.g. Mudde 2007), whilst the very small number of studies of the radical left tend to compile aggregate data from a large number of cases, rendering their analyses descriptive or typological in nature (see Chiocchetti 2017; Keith and March (eds) 2016). Developing a comparative analysis of the rise of the radical left at the intersection of Political Economy, Party Politics and Political Sociology will enable the development of our collective knowledge of these movements and, by extension, the nature of democracy in Europe today.

Following on from this, we must develop our understanding of how contemporary transformations in the European political economy are shaping the prospects of alternative ‘progressive growth models’. Europe’s growth models may be in crisis, and there may be new parties and movements shaping the nature of the left across the continent, but it is critical to reflect on whether developments within European capitalism are creating space for or further constraining the capacity of left-wing governments to implement significant change. For instance, in the British case, some suggest that Brexit will create space for the UK to pursue a more expansive and interventionist ‘progressive’ growth model (see Bickerton 2018), whilst others fear a deregulatory ‘race to the bottom’. On the other hand, questions remain over the capacity of EU leaders to bring about reform to the eurozone architecture, which remains fundamentally unreformed, despite the eurozone crisis since 2009 brutally exposing the macroeconomic imbalances it generates. The question is whether we will see a new stage of capitalism in Europe or simply the entrenchment of existing patterns of growth. Understanding this issue will be critical for understanding the nature of contemporary social democracy and progressive politics in Europe ten years after the crisis began.
Methodological Appendix

I conducted semi-structured elite interviews with 32 participants in the UK and France between December 2015 and April 2017. I selected interview participants by combining ‘purposive’ and ‘snowballing’ sampling methods. I first ‘mapped’ the key actors in both cases. These actors included parliamentarians, policy advisors, think tank officials, members of government cabinets in France, party staff members, etc., in both the Labour Party and the PS/Socialist administration. I then contacted these individuals in order to arrange an interview. Upon initial success with this purposive approach, I then asked my initial participants to suggest other participants or put me in contact with them, enabling a snowball effect wherein I could meet new contacts.

As per the ethical norms of the discipline, I gained full informed consent from participants (see Miles and Huberman 1994: chapter 11; Silverman 2013, 4th ed: see section 10.2). Each participant was given clear information about the aims of the research project and what their involvement meant. Each participant was also made fully aware that they could choose not to participate in the research at any time, including after the interview had been terminated. All participants were equally made aware that any information they provided would only be used and attributed to them with their full consent, and that they could choose whether to anonymise certain parts (or all) of the data provided. All interview participants in this research can, moreover, be considered to have some prior experience in dealing with interviewers (either academic or media) and, given the nature of their work, are used to dealing with such activities – as such, the level of harm or risk that might occur was minimal (see Miles and Huberman 1994: 292; Silverman 2013, 4th ed: see section 10.2). Finally, as per the concern for confidentiality, all interview data was stored and managed in such a way as to ensure the confidentiality of all participants at all times (Silverman 2013, 4th ed: see section 10.2). All interview data was anonymised through a coding system. The data was stored on one home computer, which was accessible only via a password known to the author. A back-up of this anonymised data was stored on an unlabelled USB drive kept in a secure location at the author’s house.

This interview data was triangulated with analysis of over 300 English and French language documents, including key economic speeches by leading party figures, published external material such as policy programmes and manifestos and unpublished internal advisory documents provided by party insiders during the research phase. This was designed
to yield the best coverage of the party’s coordinative and communicative discourse on issues related to the economy, as well as the thoughts and opinions of key individuals and important groups within the party. This analysis of documentary material provided both avenues of research interest, which were later explored through interviews with participants, as well as acting as a source of corroboration of insights gleaned at interviews. Whilst Chapter 6 relies more heavily on interview material to gain insight into coordinative discourse, and Chapter 7 relies more on documentary analysis, across the two chapters, the arguments made triangulate across both sources of data in order provide robust insights.

All of the interview and documentary material was coded and analysed in NVivo to provide a picture of how each set of social democratic actors was seeking to develop and deliver an alternative to austerity at both the ‘coordinative’ and ‘communicative’ stages of the policy programme development. Content was manually ‘node coded’ in Nvivo for the purpose of creating and efficiently managing topic and sub-topic categories (or nodes) that can later be reviewed in order to establish an understanding of an issue across a large range of source material (see Bazeley and Jackson 2013: 2-3; Richards 1999: 109-110, 134). Nodes were created both deductively, in accordance with the most pressing issues of concern in this thesis (issues such as ‘fiscal consolidation programme’, or ‘conception of economic crisis’), and inductively, based upon important topics that emerged organically from my analysis of the data. These nodes were then organised hierarchically where possible into ‘node trees’, in order to link certain topics together under wider issue topics (such as ‘economic programme’ or ‘party organisational issues’) (see Bazeley and Jackson 2013: 95-104; Richards 1999: 134). This process lends itself exceptionally well to comparative qualitative research. The coding and node system allowed me to home in on a particular issue and quickly review the data from the two cases in order to aid my comparative analysis.
Appendix A: list of interviewees

Interviews in France (in alphabetical order):

[Anon.], Economic advisor to French Socialist government A, Paris
Alain Bergounioux, Historian and PS national secretary, Paris
Alain Rodet, PS député, Paris
Christoph Caeresche, PS député, Paris
Élie Cohen, Economist and advisor to Hollande, Paris
Gabrielle Siry, PS national secretary, Paris
Gilbert Cette, Economics Professor, Aix-Marseille University
Gérard Grunberg, Director emeritus of the Centre d'Etudes Européennes, Sciences Po, Paris
Henri Weber, Former PS MEP, Paris
Jean-Marc Germain, PS député, Paris
Jean-Paul Fitoussi, Economics Professor, Sciences Po, Paris
Pierre-Alain Muet, PS député, Paris
Laurent Grandguillaume, PS député, Paris
Romain Perez, Economic advisor at Vigi-ECO, Paris
Xavier Ragot, Economic advisor to French Socialist government and President of the OFCE, Paris
Zaki Laidi, Professor of International Relations at L'Institut d'études politiques de Paris, Sciences Po, Paris

Interviews in the UK (in alphabetical order):

[Anon.], Senior economic advisor to Labour Party, London
[Anon.], Senior strategic advisor to Ed Miliband, London
[Anon.], Senior member of Labour Party Shadow Cabinet under Ed Miliband, London
Chris Leslie MP, former Shadow Chief Secretary to the Treasury and Labour Party MP, London
Craig Berry, Deputy Director of SPERI, Sheffield
Jim Cunningham MP, Labour Party MP, Coventry
John Wrathmell, Former Labour Party Head of Economic Policy, London
Kate Bell, former Labour Party policy adviser on Work and Pensions, London
Marc Stears, strategic advisor to Ed Miliband, London
Maurice Glasman, Labour peer, London
Nick Pearce, former director of the Institute for Public Policy Research, London
Stephen Bush, political correspondent at New Statesman, London
Stewart Wood, strategic advisor to Ed Miliband and Labour Peer, Oxford
Torsten Bell, senior strategic advisor to Ed Miliband, London
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