



Constrained partisanship

A comparative study of policy choices and party discourses in the British and Spanish crisis experiences (2008-2014)

Jose Piquer Martinez

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Preface

The Post-Crisis Legitimacy of the European Union (PLATO) (2017-2020) was an Innovative Training Network (ITN) funded by the EU's Horizon 2020 programme under the Marie Skłodowska-Curie Actions. 15 PhD researchers have studied the legitimacy of the EU's crisis responses in a number of different areas together with senior researchers in a consortium of nine university partners and eleven training partners, coordinated by ARENA Centre for European Studies at the University of Oslo.

By investigating the legitimacy of the EU's responses to the financial crisis, PLATO has generated new understanding of where crises can also be legitimacy crises for the EU. It has used the example of the financial crisis to build and test theory of what would amount to a legitimacy crisis in the case of a multi-state, non-state political system such as the EU.

This report is part of a project series which publishes the doctoral theses written by PLATO's 15 Early Stage Researchers. This monograph examines how partisanship shapes policy choices and legitimising discourses through a comparative case study of the UK and Spain following the global financial crisis. It finds that parties implement policies contrary to their partisan identities. Legitimising discourses also increasingly rest on technocracy, legalism and claims to exceptionalism. The author calls this 'constrained partisanship'. That, in turn, is an important contribution to the literature on the relationship between partisanship and legitimation.

Chris Lord

PLATO Scientific Coordinator

Summary

This thesis explores the role of partisanship in shaping the policy choices and legitimizing discourses of governments during the global financial crisis. To do this, it uses comparative case studies, examining the experience of left- and right-wing governments in both the UK and Spain between 2008 and 2014. The study combines analytical narratives with content-discourse analysis, drawing on an original corpus of political speeches.

This research finds that, under significant political-economic constraints, parties make choices contrary to their partisan identity. Following the global financial crisis, conservative governments bailed out private banks with public funds. Liberal parties previously committed to 'tax-cuts-always-work' raised taxes across the board and social-democratic governments slashed public spending in the wake of the Great Recession.

The dissertation also finds that parties across the ideological spectrum adapt their legitimization discourses. Appeals to ideological discourses of left and right lose traction as these appeals become less effective in justifying parties' choices in an ideologically coherent way. In their place, other political discourses gain salience as legitimization strategies for policy choice. In particular, governments increasingly appeal to expertise and competence (technocracy), legality and legal obligations (legalism) and emergencies and exceptions (exceptionalism).

The comparative analysis finds in both the British and Spanish cases a form of what the thesis calls *constrained partisanship*. All four governments adapted their crisis choices as a consequence of external constraints. Yet the analysis also reveals two relevant differences. As a result of euro membership, the Spanish executives governed under more severe constraints than their British counterparts. Consequently, the way in which constrained partisanship emerged in each national context was different. In constraining partisanship, the actual effects of political-economic constraints were decisive in the Spanish case. In contrast, the internalisation of those constraints by the Labour and Tory leaders were more determinant than their actual effects.

In the UK and Spain, nonetheless, politicians governed most of the time as if they were deeply constrained to act in certain ways. As a result, left-

and right-wing governments adapted their legitimization discourses. The corpus analysis shows that the leaders of the four governments relied on technocratic, legalistic and exceptionalist claims to justify key policy measures throughout the crisis. At critical moments, different parties ended up speaking the same political language.

Looking at economic policymaking and party discourses, this study offers a more encompassing understanding of constrained government. In doing so, the thesis contributes to an ongoing inter-disciplinary debate about the changing nature of partisanship in European politics. Technocratic, legalistic and exceptionalist discourses cut across ideological and party lines. The endurance of these discourses questions the relevance of the language of left and right as a way of making sense of political competition in contemporary European democracies.

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While writing this thesis, I accumulated personal debts to more people than I can name here. There will be a time and a place to thank each one of them. But first and foremost, this work is dedicated to my wife, Macarena. With infinite patience, she has given me everything I needed to complete this dissertation. For everything and the promise of more, this thesis is yours. Seeing my two precious children, Macarena and Gonzalo, grow up as I was writing this thesis has been my greatest motivation. They bring joy to everything I do.

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I am especially grateful for the generous financial support I received from the Horizon 2020 Marie Skłodowska Programme through the Innovative Training Network, *The Post-Crisis Legitimacy of the European Union* (PLATO). Prof. Chris Lord and Marit Eldholm have been the indispensable people in bringing the PLATO project to fruition. Prof. Dr. Markus Jachtenfuchs (Hertie School) was especially helpful during my research stay in Berlin, when this project was still floundering. Cornel Ban kindly read and commented on the Spanish chapter. His work on *Ruling Ideas*, in particular his study of the Spanish case, has been particularly inspiring.

I would like to thank all my fellow Early Stage Researchers and, in particular, Julien Bois (Hertie School), Jan Pesl (University of Oslo), Elena Escalante (Sciences Po) and Gil Thompson (Hertie School) – it was risky but helpful to swap drafts at the very last minute. Gabi's perceptive comments were also very helpful. Above all, their companionship and patience with my endless questions have been tremendously valuable to me.

The work of writing a thesis becomes, at its worst, too solitary. But Dan Smith has been a great companion of intellectual pursuits at Cambridge,

as his project on globalism and populism developed in parallel to mine. Boxing together with Chris, Maja, Emilien and Ayşe became more than just a 'low-risk' healthy routine. Those moments forged a real sense of friendship.

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Finishing this thesis has been harder than I expected, and more complicated than I had planned. Plans collapsed for real in the spring of 2020, after the lockdown. Almost inevitably, the end had to be postponed. In between, a move of city and country, the end of the scholarship, teaching three courses. In spite of everything, I managed to finish it, or so I had to convince myself. This has been the most exciting, frustrating, exhilarating, challenging, boring, exhausting, thrilling and fascinating intellectual project that I have undertaken so far. I hope there will be more to come. But for now, this is it.

Cambridge/Denia/Valencia, August 2021

Para Maca, Macarena y Gonzalo,
por todo, por siempre

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Chapter 1

Introduction

1.1. The problem: democracy and choice

Democracy depends on choice. But in politics, the will to do something does not imply having the ability to do it. Even if different political parties get into government, these parties will not always be able to choose what to do. As a result, the loss of effective control over policymaking will have real consequences for dynamics of political competition and party politics. “Citizens”, Armin Schäfer and Wolfgang Streeck (2013:1) note in *Politics in the Age of Austerity*, “must be able to influence the course of governments through elections. If a change in government cannot translate into different policies, democracy is incapacitated”.

In many European countries, the Great Recession represented one such moment. The biggest crisis since the Great Depression began as a global financial crisis. It soon morphed into an economic and sovereign debt crisis in Europe, with catastrophic consequences in terms of job destruction, economic contraction and damage to the productive fabric of national economies. In response to multiple crises, almost all European governments acted decisively. They intervened in the financial sector to tackle the financial crisis. They also used discretionary fiscal policy resolutely to deal with the economic downturn. Many governments initially responded with fiscal stimuli, though of varying size. From 2010 onwards, the shift towards austerity was almost inexorable in Europe.

Yet, at critical junctures of the crisis, party changes in government failed to translate into policy changes. At times, even those parties on the right that were most committed to austerity seemed unable to implement the *kind* of austerity they preferred: these parties had to raise taxes as much as they cut public spending. Were the responses of these governments really driven by distinctive partisan commitments or by the imperatives of external constraints? How did they justify their choices to their electorates?

The Great Recession represents a unique historical moment for answering these questions. The age of constraints that this crisis inaugurated put to test the idea that, in a fundamental sense, democracy depends on choice. From Rome to Madrid, from Athens to Dublin, governments seemed to act more out of external imperatives than of their own will. Meanwhile, in the face of harsh, extraordinary and unpopular measures, the pressure for democratic legitimation increased. How did these parties justify such measures? How could they *govern* and *represent* at the same time?

Mainstream parties, on the left and right, found themselves in a precarious situation: they had to justify the adoption of measures that ran counter to their very identity as political parties. In doing so, they often ended up governing against the interests of their traditional political constituencies. But at the same time as governing the crisis, these parties had to satisfy a minimum condition of democratic politics, as Fritz Scharpf (2013:110) has remarked: if it appears that elections and changes of government cannot make a difference, then the democratic legitimacy of the political regime itself may be undermined. By any standard, European democracies were in a deeper 'crisis' after the Great Recession than at its onset. The populist backlash against mainstream parties is powerful evidence of the crisis of political representation that has haunted contemporary democratic politics ever since (Katz and Mair, 2018; Bickerton and Invernizzi, 2021; cf. Hopkin and Blyth, 2019).

The difference between more constrained and more autonomous decision-making is therefore relevant. This distinction has consequences for the dynamics of political mobilisation and party system change (Alonso, 2014; Ruiz-Rufino and Alonso, 2017; Turnbull-Dugarte, 2020). It is also relevant for understanding whether certain forms of political contestation will emerge or endure.

For instance, in 2011 technocratic governments were appointed in Italy and Greece. These governments were installed to implement reform packages that previous elected cabinets, either on the left or on the right, did not want to implement (Pastorella, 2016). In turn, these unpopular reforms were met with a spiral of anti-establishment rhetoric that contributed to the emergence of new 'anti-system' parties (Hopkin, 2020).

In 2013, the party Alternative for Germany (AfD) was created in Germany. This party was founded with an anti-Euro platform against the Eurozone bailouts. The new party also sought to channel some of the German discontent with the measures adopted by the European Central Bank (ECB). According to the AfD, these measures were constraining the decisions of present and future German governments¹. Consequently, the new party called for the "orderly dissolution" of the euro. It has also campaigned to make Germany's EU membership conditional on fundamental reforms in the European Union.

In Spain, the *Indignados* movement that occupied the country's plazas in 2011 emerged as a protest mobilisation against austerity policies. The movement denounced that elected representatives were more sensitive to the pressures of the financial markets than to the demands of the people. But the two ruling parties during the crisis, left and right, claimed that they really had no choice. It was either austerity or the country's bailout. What followed the Great Recession was the most consequential crisis of political representation in Spain's modern history.

Ultimately, constraining the autonomy of political actors has consequences for the functioning of representative democracy. The difference between constrained and autonomous choice matters, just as it matters a great deal for individuals in a multitude of contexts -- choosing or being forced to do something is a relevant distinction overall.

¹ As the party put it in its 2017 manifesto, "the rescue policies of the EU, the ECB, and the ESM violate sovereignty rights. In addition, these policies are in breach of political and contractual promises made to voters that Germany would never be liable for the debts of other countries".

1.2. Research questions

Following these observations, this work sets up itself to address a central question: What difference does it make to have left- and right-wing parties governing an economic crisis? To the extent that such a difference manifests in the *economic choices* that these parties will make and the *political discourses* they will use to justify them, this broad research question necessitates several sub-questions.

The first is whether different parties will, indeed, make different choices during a crisis: To what extent are the economic responses of governments driven by distinctive partisan commitments or by the imperatives of external constraints? What is the distinctive effect of party on policy choice? Answering these questions will give us a more precise indication of whether different parties will be able to adopt distinct responses, if they want to do so.

The second sub-question is how these parties will, in turn, justify their economic choices: How governments of the left and right legitimise their choices under greater constraints? Do these parties rely on a different or similar legitimization language to justify them? What is the distinctive effect of party on legitimization discourses?

Taken together, these two manifestations of government action –policy choice and party discourse– give a more complete understanding of partisanship, i.e., of the distinctive effect of party in office. In turn, studying both will allow us to give a comprehensive answer to the main question. My dissertation addresses these questions by focusing on the crisis experiences of left- and right-wing governments in both the UK and Spain during the Great Recession. By doing so, it attempts to understand what was distinctive about having parties on the left and right responding to the crisis under varying external constraints. My answers will be relevant, above all, for understanding these cases, but the implications of my central argument resonate more widely.

1.3. Outline of the main argument

This dissertation develops the central idea of ‘constrained partisanship’. This idea refers to a specific form of partisan politics that is more likely to emerge throughout a deep economic crisis. It aims to capture the specific political-economic conditions of truly extraordinary times. The notion of

constrained partisanship relates to two politically relevant aspects: (i) the economic policy choices that different governing parties will make under significant constraints and (ii) how they will justify them.

To the extent that partisanship denotes parties' policy choices and discourses, studying it requires a framework that, ideally, can consider both. To this end, my theoretical framework combines two dimensions: the institutional context in which parties make their economic choices and the political language they use to justify them. For that purpose, a 'discursive-institutionalist' approach is appropriate. For it is a theoretical approach that "takes discourse seriously" (Schmidt, 2008; 2011; 2014; 2017).

Regarding the first dimension, this thesis argues that constrained partisanship is characterised by the occurrence of one of the following two conditions. Pushed by the effect of external constraints, individual parties will have to make choices against its partisan preferences and governing parties on the left and right will end up adopting similar measures. We would speak of constrained partisanship when either of these two situations occur.

The second aspect of constrained partisanship refers to the political discourses that parties will use in these circumstances. When political parties govern under these conditions, they adapt their legitimization discourses. Parties justify their choices in a different way than when they govern according to distinct preferences.

Under constrained partisanship, choices will no longer be self-evident for their supporters (cf. Mair, 2013b:163). Given that the party will make decisions inimical to its partisan identity and that it will adopt choices similar to those of its ideological opponents, appealing to left or right ideological discourses will be less convincing. Instead, this thesis posits that parties will draw on other political discourses to justify their choices. In particular, they will increasingly appeal to expertise and competence (*technocracy*), emergencies and exceptions (*exceptionalism*) and legality and legal obligations (*legalism*).

Under constrained partisanship, therefore, different parties would end up speaking the same political language. This discursive similarity will reinforce the perception that it does not matter much which party is in

government. The effect will be, after all, less distinctive. In the thesis, I build this argument step by step. The remaining of the section flesh it out in more detail.

1.3.1. Crisis circumstances

Sometimes, political parties govern as they claim they will. If they are committed to distinct ideological projects and economic programmes, parties' policy choices will tend to reflect those distinctive commitments. For example, many conservative and liberal parties remain committed to the idea of small government. If they can, these parties will carry out this programme when they get into government. Party leaders will act as partisans. But they will also tend to speak as such. They will use a markedly ideological language to justify political action.

Under crisis circumstances, this logic does not always hold. Economic crises tend to disrupt the 'normal' functioning of politics and, in turn, the way partisan policymaking is conducted. Crises disrupt the functioning of political systems and uncertainty around economic policymaking increases. This is why crises are often referred to as 'critical junctures' (Gourevitch, 1986; Collier and Collier, 1991; Hall, 2009).

The Great Recession is a good case in point. Following the financial crash, conservative governments, in Europe and elsewhere, bailed out private banks with public funds. Liberal parties previously committed to 'tax-cuts-always-work' raised taxes across the board, and social democratic parties slashed public spending and froze public pensions. In turn, these measures were rarely justified on ideological grounds. Conservative leaders did not appeal to the vision of a 'small state' to nationalise a bank, nor did social democratic leaders justify austerity as a progressive choice.

Instead, politicians drew on other discourses. For example, political leaders claimed that such decisions were driven by the exceptional economic emergency. Or that they were following the advice of experts and doing what the evidence dictated. Often, political leaders claimed that they were just following the rules, either national or European.

In this thesis, I argue that one compelling way to interpret this political reality is through the notion of *constrained partisanship*. In times of economic crisis, individual parties will adopt economic policy decisions against their partisan identity and, even if different parties alternate in

government, they may end up making similar choices. External constraints will lead parties to govern against their programmatic preferences.

This type of partisan politics, I argue, is of a peculiar kind. For parties will not have sufficient autonomy to govern true to their distinctive identities. The effect of party in government will be less decisive than the effect of external constraints in shaping governments choices. But what choices are available for any one party to respond to an economic recession?

1.3.2. Crisis, fiscal choices and partisanship

For any government, the set of fiscal choices in the wake of an economic downturn is limited, though not necessarily limiting. Schematically, to stabilise an economy a government may choose to enact an expansionary fiscal response ('stimulus') or a contractionary response ('fiscal consolidation' or 'austerity'). It can in turn combine tax and spending decisions in two interrelated ways. If a party enacts a fiscal stimulus, it may choose to increase public spending and – or cut taxes. In contrast, if a party responds with fiscal austerity, it may choose to cut spending and – or increase taxes.

It is often assumed, though not always observed in reality, that left-wing parties will favour one response over others, while right-wing parties will do the converse (Alesina and Rosenthal, 1995; Boix, 2000; Notermans, 2000; Cusack, 2001; Mulas-Granados, 2006; Angelopoulos et al., 2012; Gaspar, Gupta and Mulas-Granados, 2017:8-9). Typically, left-wing parties would prefer a fiscal stimulus to austerity, in particular via increased spending; but if they implement austerity, they will prioritise increasing taxes over cutting public spending. Conversely, right-wing parties would prefer austerity to a fiscal stimulus, in particular via spending cuts; but if they opt for a stimulus, they will prioritise cutting taxes over increasing spending.

Yet governing parties, of the left and right, are increasingly constrained by a set of complex institutional arrangements. These arrangements have altered the ways discretionary fiscal policy can be conducted, erecting further institutional barriers to the possibility of party differentiation. Under crisis conditions, these constraints can act like the same poles of a magnet, pulling different parties away from adopting their preferred fiscal choices. What are the sources of these external constraints?

1.3.3. Political-economic limits to partisan choices

External constraints on parties come in different forms but we can generally think of them as a combination of two aspects. First, governing parties are constrained by the *institutional policy frameworks* within which they operate. Second, the ability of any government to cope with an economic crisis is partly determined by the *relative balance between the state and the market*. Building up on existing scholarship in comparative political economy, economics and political science, my theoretical framework identifies three sources of relevant political-economic constraints: fiscal rules, central banking and bond markets.

First, contemporary fiscal frameworks combine rules and independent institutions. Fiscal rules are legal provisions that impose long-lasting constraints on discretionary fiscal policy through numerical limits on deficits, debt or public expenditures levels (Weber et al., 2012 [Kopits, and Symansky, 1998]). Economists generally agree that certain constraints are necessary to discipline fiscal policy in normal times. Yet such constraints might become an impediment to manage policy during an economic crisis (Wren-Lewis, 2013). For example, fiscal rules can lead governments to cut a budget faster or more drastically than they would otherwise; or to stop debt issuance at a moment when debt dynamics might still be sustainable.

The expansion of rules-based fiscal frameworks has been accompanied by another development. Today, governing parties make fiscal choices in concert with a growing number of independent fiscal councils (IFIs). These independent actors have come to complement fiscal rules (Wyplosz, 2002; Bénassy Quéré et al., 2019) and establish themselves as influential sources of expertise in fiscal affairs.

More relevant to the main argument of this thesis is that, in countries belonging to the European Union (EU), fiscal frameworks are embedded within a politico-legal structure in which national governments and EU institutions must coordinate domestic fiscal choices. The requirements arising from the Stability and Growth Pact (SGP), the so-called Fiscal Compact and the European Semester are the clearest examples. Parties' choices are thus increasingly constrained by national and supranational rules and institutions.

But if one thing became clear during the financial and euro crises, it is that governing parties are not only constrained by fiscal frameworks.

Monetary authorities are influential actors in contemporary political systems; so much so that central banks are referred to as the fourth branch of government (Vibert, 2007; Tucker, 2018).

In the wake of an economic recession, the decisions that monetary authorities make are 'critical': a mistaken decision to raise (or lower) interest rates can be disastrous for the recovery of an ailing economy. Equally decisive, the decision to intervene (or not) in sovereign debt markets can be fateful for the survival of a financially stretched government (cf. Tucker, 2018:289).

Mandates tell independent central bankers what to do and how they should do it. Within the legal parameters of these mandates, partisan actors can be more or less constrained depending on how the central bank interprets its mandate. When conducting monetary policy, a central bank can interpret its mandate in more restrictive, or more expansive terms. In other words, central bankers may see their job description as more (or less) open-ended. Seeing their job as more open-ended may in turn lead central bankers to implement policies that are overtly political or even to direct elected authorities to do so.

One way of thinking about this aspect is through the notion of *conditionality*. Central banks could make their decisions unconditional on what politicians do in fiscal terms. For example, a central bank can intervene in debt markets unilaterally, without the government having to take concrete measures in exchange. Conversely, central banks may choose to make certain decisions conditional on the fiscal authority taking others in return – just as the European Central Bank (ECB) did, for example, with the Spanish and Italian governments in the summer of 2011. To the extent that a government has to adopt specific measures for the monetary authorities to take other decisions in exchange, I argue, that government will be more constrained in responding to a crisis.

Finally, governments might also be constrained by bond markets in the wake of an economic recession. In normal times, governments can meet their funding needs smoothly: they can issue new debt at reasonable costs, national treasuries can roll over maturing debt and public debt management operations are carried out without major disruptions.

Under crisis conditions, however, bond markets can become a decisive constraint. Market participants can compromise the government's ability to meet its financing needs by demanding higher interest rates. In turn, this will put governing parties in a more dependent position vis-à-vis financial markets, especially during a fiscal or sovereign debt crisis. Market dependent governments will be more constrained to adopt certain choices than governments with greater capacity to borrow in bond markets.

My theoretical framework shows how these three sources of political-economic constraints are relevant to understanding partisan choices. At any one time, different political parties will be able to distinguish themselves in policy terms depending on how these constraints interact among each other. Yet it is expected that those constraints will be *greater* and *more intense* in their effects over a crisis. Hence, constrained partisanship reflects more directly the specific political-economic conditions that emerge during truly extraordinary times.

In these circumstances, mainstream parties may continue trying to differentiate themselves. Yet the pressure of constraints will make it harder to achieve that differentiation. Under greater constraints, parties will be forced to violate programmatic pledges, take abrupt policy turns and make choices inimical to core ideological commitments. For example, conservative parties will have to use public funds to bail out private banks, as many did during the 2008 financial crisis, while both centre-left and centre-right parties will cut public spending and raise taxes, as many did in its aftermath. Different parties would end up governing alike; and what difference will that make? In turn, I claim, political parties will adapt the ways they justify their choices.

1.3.4. Party discourses under constraints

In a partisan framework, political parties commit themselves to doing certain things in office. For example, mass nationalisation in the case of the old European socialist parties, or small government in the case of conservative and liberal parties. Under benign constraints, centre-left and centre-right parties may also choose to respond differently to an economic recession. Where there is space to move and substantive competition amongst parties over what to do, parties have often justified those choices

with a distinct ideological language. Parties have legitimised them through what can be called ‘party-ideology’.

Under constrained partisanship, this connection crumbles. The link between distinctive economic policy programmes and ideological discourses loosens. Both because parties’ responses become less distinctive, and because other political discourses gained salience as legitimization strategies for policy choice. In this thesis, I posit that ideological appeals to the left and right lose traction as these appeals become less effective to defend certain economic decisions in an ideologically coherent way.

My core argument is that constrained partisanship will generate forms of legitimization that are not consistent with conventional left-right conflicts. A crucial implication is that other appeals will become more politically expedient to govern. I identify those appeals inductively, focusing on the forms of legitimization promoted by ‘visible’ political actors (parties, political leaders), as opposed to theoretical possibilities directly derived from the legitimacy literature.

Specifically, I hypothesize that three types of discourses might gain relevance in these circumstances: appeals to expertise and competence (technocracy); appeals to legality and legal obligations (legalism) and appeals to emergencies and exceptions (exceptionalism). The thesis tests this argument examining the experience of four governments that managed the Great Recession under varying external constraints in Spain and the United Kingdom.

1.4. Research design, methods and evidence

This dissertation uses comparative case studies and a mixed-method research design to test my theoretical framework. Drawing on a wide range of evidence, the first part of the thesis investigates the relationship between external political-economic constraints and policy choices in the wake of the Great Recession. It does so with two country case studies. The second part studies the relationship between external political-economic constraints and party discourses. To do so, it disaggregates the country-cases into four party-government cases.

In particular, the first part of the dissertation asks the following question: To what extent were the economic responses of the British and Spanish governments driven by external political-economic constraints or reflected distinctive partisan commitments? To answer this question, chapters 4 and 5 provide an in-depth political-economic analysis of the responses of the governments to the Great Recession. Specifically, the analysis focuses on the main fiscal responses and the major interventions in the financial sector.

For this research purposes, I use an analytical narrative as the core methodological tool. Relying on a range of qualitative and quantitative evidence, and an array of primary and secondary sources, this part seeks to analyse how the interplay between a set of political-economic constraints and programmatic commitments leads governing parties to make specific choices.

Table 1.1 Research design

Question and sub-questions	Method	Evidence
What difference does it make to have left- and right-wing parties governing an economic crisis?	Comparative	Qualitative and quantitative evidence
1) To what extent were the economic choices of different governments driven by external political-economic constraints or reflected distinctive partisan commitments?	Analytical narrative	Primary sources: political memoirs Secondary sources: journal articles, academic books, reports, <i>real-time</i> narrative evidence: The Economist Intelligence Unit Country Reports
2) How do governments of the left and right legitimise their choices under constraints?	Qualitative content-discourse analysis	Novel corpus of political speeches and parliamentary interventions

The second part of the dissertation looks at party discourses during the Great Recession in the UK and Spain: How governments of the left and right legitimise their choices under constraints? It uses a novel and original corpus of political and parliamentary speeches to study how the four governments justified their key crisis choices (see section 1.4.3). To

that end, it relies on content analysis within a discursive analytical approach, assisted by corpus analysis. Table 1.1 summarises the research design of the thesis.

1.4.1. Case selection

The selection strategy of my cases has two main objectives. First, to exhaust the *partisanship* (left/right) dimension: to have parties on the political left and right governing during the crisis period in both countries. Second, to increase the variance along the dimension of external political-economic constraints, which I characterise in full detail in the theoretical framework in chapter 3. For case selection purposes, this dimension is most directly captured by the *type of EU membership* of the countries: Eurozone versus non-Eurozone members.

On both levels, Spain and the United Kingdom are good cases for comparison. In the two countries, there were left-wing and right-wing parties in government during the Great Recession: the PSOE (left) and PP (right) in Spain, and the Labour party (left) and the Tory-led Coalition (right) government in the UK. Spain is a member of the Eurozone, while the UK was outside the euro, as summarised in Table 1.2.

Table 1.2 Cases: Two countries, four governments (2008-2014)

EU Membership Partisanship	Eurozone (ESP)	Non-Eurozone (UK)
Left	PSOE (2008-2011)	LABOUR (2008-2010)
Right	PP (2011-2015)	Tory-led COALITION (2010-2015)

By comparing *party governments* within a country and between the two countries, I will be able to assess the comparative role of partisanship in shaping the policy choices and legitimizing discourses of governments. In other words, what difference did it make to have different parties governing the economic crisis.

Within these two general parameters, I have taken into consideration other relevant dimensions: the countries’ fiscal position prior to the crisis;

market pressures and national growth models. Table 1.3 summarises the logic of my case selection across the relevant dimensions.

Table 1.3 Logic of case selection

	Spain	United Kingdom
<i>EU membership position</i>	Eurozone	Outside Eurozone
<i>Initial fiscal position</i>	↑ fiscal space	Some fiscal space
<i>Bond market pressure</i>	↑ Market	Limited market pressure
<i>Growth model</i> *	Consumption-led growth	Consumption-led growth
<i>Partisanship</i> **	L ⇒ R	L ⇒ R
<i>'Outcome I'</i>	Crisis economic-fiscal choices	Crisis economic-fiscal choices
<i>'Outcome II'</i>	Legitimization party discourses	Legitimization party discourses

Note

*Adapted from Baccaro and Pontusson (2016). ** Party in government from 2008 to 2014 (L = left-wing; R = right-wing)

Each dimension is relevant for the selection of my cases. At the country level, *EU membership position* matters for the comparative policy space that parties will have to respond to a crisis. Being part of the euro, or outside of it, has significant consequences for the ability of different parties to respond to an economic crisis. After joining the common currency, Eurozone members had lost the ability to influence two adjustment mechanisms (exchange rates and interest rates), generally participate in all EMU economic governance agreements and are also politically more dependent on supranational coordination of their fiscal responses, especially in times of economic crisis. In comparison, non-Eurozone members enjoy greater macroeconomic flexibility while retaining full monetary sovereignty.

This aspect is discussed in more detail in the characterisation of external constraints in chapter 3. But the contrast between my two country cases is evident. As a non-euro member, British governments had in principle greater macroeconomic flexibility to respond to the crisis. The UK had retained monetary sovereignty and also secured several opt-outs, for example, on the Fiscal Compact treaty. By contrast, Spain had to respond to the Great Recession after having delegated monetary policy to the

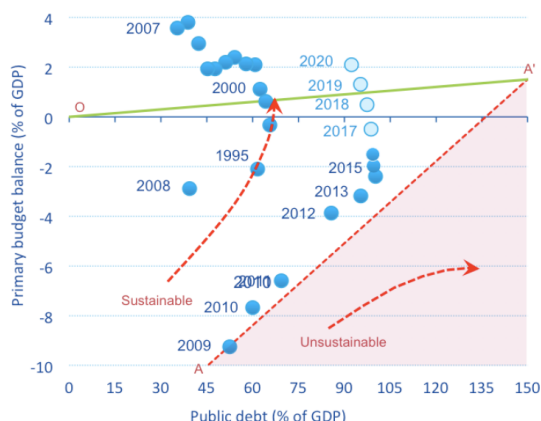
European Central Bank (ECB), was one of the first member states to introduce the new EMU fiscal mandates into domestic law and, ultimately, had to request financial assistance to the European Stability Mechanism (ESM) to address the banking crisis. This contrast permits to assess what role, if any, different types of EU membership had in the choices made by left- and right-wing parties in each country.

Another relevant case selection criterion is the *fiscal position* of a country prior to an economic crisis. The pre-crisis fiscal space will partly determine the extent to which political parties might be able to enact a fiscal stimulus, should they wish to implement one (Romer and Romer, 2018). As Figure 1.1 illustrates, Spain and the United Kingdom had similar fiscal positions in the run-up to the Great Recession. From a policy standpoint, this is a relevant factor since both countries faced the onset of the economic recession from a similar fiscal position, though Spain had a comparatively more favourable one. The similarity in the pre-crisis fiscal space ensure that each government's *subsequent* fiscal choices were not constrained by an unsustainable initial position. In other words, these choices were more likely to reflect 'partisan' preferences, in comparison to those made, for example, by governments in Greece or Italy, which confronted the crisis with less favourable fiscal positions.

Between 1997 and 2007, net public debt in the UK remained below the 40 per cent of GDP target, while the golden rule has been consistently met (Cobham, Adam and Mayhew, 2013:7). In Spain, general government net debt had followed a similar decreasing trajectory. It was reduced from 56 per cent of GDP in 1998 to 26 per cent in 2007, after three consecutive budget surpluses in 2005, 2006 and 2007. In any of the two countries, in sum, the ability and willingness to use macroeconomic policy were not hampered by burdening deficit or debt levels at the crisis onset. In this respect, Spain was not in the same position as Italy or Greece, which faced the crisis with a gross debt-to-GDP ratio close to 100 and 110 per cent respectively.

Public debt and primary budget balance over GDP. Spain, 1995-2018

Source: own elaboration from AMECO, May, 2017.



Public debt and primary budget balance over GDP. UK, 1995-2018

Source: own elaboration from AMECO, May, 2017.

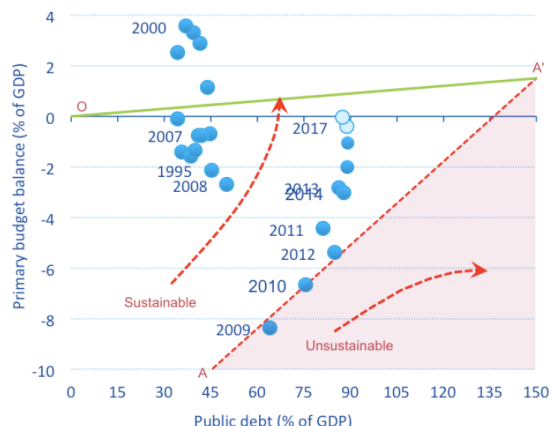


Figure 1.1 Fiscal space in Spain and the UK (1995-2018)

Source: Directly reproduced from Rafael Doménech and José Manuel González-Páramo, *Fiscal Policy in Europe: lessons from the Crisis and Options for the Future*, BBVA Research, *Policy reflections on the future of the Eurozone UIMP*, June 29, 2017.

If we take a longer historical perspective, the comparison between the two countries appears even more justified. Between the period 1970-2010, the UK had an average budget deficit of 3.7 per cent of GDP, while Spain's average budget deficit was 3.8 per cent during the same period (Burda and Wyplosz, 2013:438). Historically, the average budgetary position has been almost identical in both countries.

Another relevant dimension is *market pressure*, or the extent to which a country is pressured by financial markets. The literature links governments fiscal decisions to pressures from financial debt markets, as I will review in detail in chapter 3. Having some variation in this dimension is therefore a relevant aspect, particularly when one considers the impact of external constraints over the entire crisis, rather than at a single point in time.

During the Great Recession, Spanish governments were under great pressure from bond markets, as indicated by the 10-year government bond yields (Figure 1.2). By contrast, bond market pressure was relatively more limited in the UK. This does not mean, however, that the British governments conveyed it in this way, as I will show in the study of the British case in chapter 5.

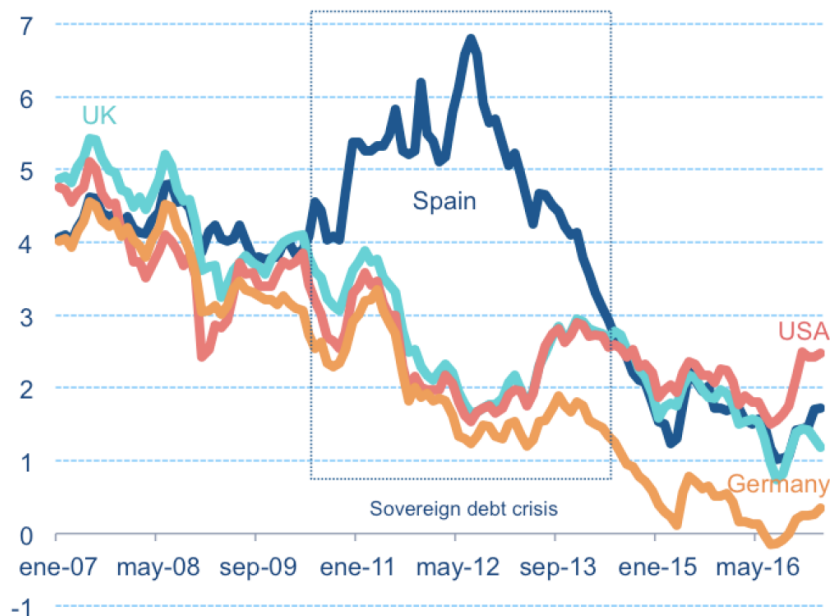


Figure 1.2 10-year government bond yields: Spain, UK, Germany and USA (2007-2017)

Source: Directly reproduced from Rafael Doménech and José Manuel González-Páramo, *Fiscal Policy in Europe: lessons from the Crisis and Options for the Future*, BBVA Research, *Policy reflections on the future of the Eurozone* UIMP, June 29, 2017.

A more structural criterion relates to the domestic configurations of national political economies. In this respect, the *growth model* perspective provides an ideal analytical framework for case characterisation in relation to macroeconomic dynamics. Outlined by Lucio Baccaro and Jonas Pontusson (2016), the growth model approach identifies multiple growth models based on the relative importance of different components of aggregate demand (especially household consumption and exports) and the relationship among these components (*ibid.*).

Conceptually, this perspective highlights two basic growth models: consumption-led and export-led growth (*ibid.*:186)². Consumption-led economies rely on household consumption as the main driver of economic growth. In these economies, the relative importance of private consumption to the country's economic output is larger than investment, government expenditures and net exports. Household consumption is driven by access to credit (accumulation of debt), real wage growth or a

² In addition to these two models, Baccaro and Pontusson (2016) refer to an 'investment-led' and 'state-led' growth models, which are less common in contemporary Europe.

combination of both. In contrast, export-led economies are driven by exports as the main engine of economic growth. In these economies, wages and consumption tend to be repressed to boost the competitiveness of the export sector. Price sensitivity of exports is key to understand the contribution of exports to growth and to other 'demand drivers' of growth.

National economies rely on different combinations of exports and consumption as drivers of GDP growth. In their seminal work, Baccaro and Pontusson (2016:187) illustrate these growth models with an empirical analysis of four Western European economies: Germany, Italy, Sweden and the United Kingdom. In this characterisation, the UK is presented as a prototypical case of consumption-led growth.

To the extent that different national growth models will 'force' different responses on national governments, it is important to select cases with similar growth models. In this way, we can assume that government responses will not be motivated by different growth models. It will thus be possible to compare more convincingly the comparative impact of external constraints.

On this dimension, the Spanish and British political economies display similar features. If Spain is analysed according to the same data, the country stands out as another ideal type of consumption-led growth. As Figure 1.3 shows, the two countries relied on a consumption-led growth model in the decade prior to the Great Recession: domestic demand was the primary driver of economic growth, accounting for about 2–2.5 per cent year of GDP growth, while the contribution of exports to GDP growth was consistently negative (Hope and Soskice, 2016:213; Baccaro and Pontusson, 2016:176).

The similarity is also confirmed by more granular evidence on annual growth rate on household consumption. As Figure 1.4 shows, from 1999 until the 2008 financial crisis, household consumption grew at similar rates in Spain and the UK.

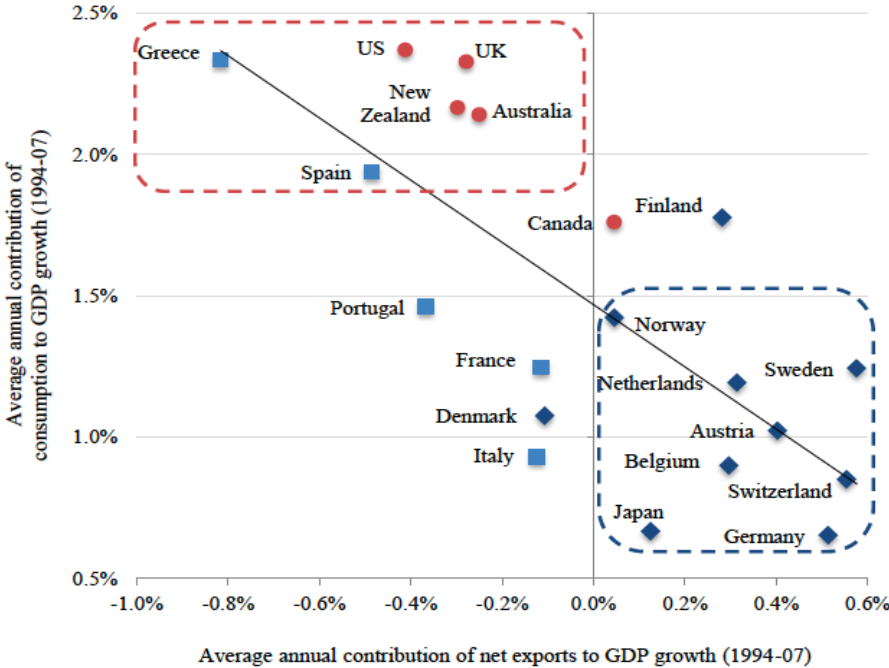


Figure 1.3 Contribution of consumption and net exports to GDP growth (1994-2007)
 Source: Directly reproduced from Hope and Soskice (2016:214).

Note

The countries in the red square have consumption-led growth models; the countries in the blue square have export-led models.

Location	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Germany	2.0	2.0	1.2	0.8	1.3	2.6	2.1	1.6	-0.8	0.1	0.8	0.4	1.5	0.0
Italy	1.5 ^e	1.5 ^e	1.1	3.3	3.3	2.5	2.3	0.6	0.0	0.8	1.0	1.3	1.4	1.2
Spain	1.1 ^e	1.7 ^e	2.5	2.9	4.4	4.9	4.6	3.7	3.0	2.4	4.0	4.0	3.8	3.3
Sweden	2.0	1.1	1.8	2.8	3.3	4.0	5.2	0.7	2.6	2.3	2.8	2.8	2.7	3.8
United Kingdom	3.5 ^e	2.2 ^e	3.8	4.8	3.9	4.8	4.6	3.7	3.8	3.5	3.3	3.0	1.7	2.6

Figure 1.4 Household Spending in selected countries: Annual growth rates (%), 1994-2014

Source: OECD data on household spending.

Note

Baccaro and Pontusson (2016:187, Table 2) present average annual growth rates for household consumption for the same period. Here I present annual growth rates of household spending for each year. e: estimated value.

On average, Spain stands out as the country where household consumption grew at the fastest rate among the four countries analysed by Baccaro and Pontusson (2016). From the perspective of national growth

models, therefore, Spain and the UK can be analysed as fundamentally similar political economies.

This is a relevant aspect for this investigation. Baccaro and Pontusson (2016:201) conclude their article calling for further research to study “the implications of growth models for partisan politics and macro-economic policy choices”. Their working hypothesis is that “governments of different partisan colors will pursue similar macroeconomic policies when the growth model is relatively ‘pure,’ dominated either by household consumption, as in the British case, or by price-sensitive exports, as in the German case. *When growth is consumption-led, we would expect Center Right governments as well as Center Left governments to respond to economic downturns by stimulating domestic consumption*”.

In other words, from the growth models perspective, government partisanship should matter little in Spain and the UK. For partisanship would “matter most when consumption and exports contribute to economic growth in more or less equal measure and, as a result, ‘economic imperatives’ are relatively ambiguous.” My case selection provides a good comparative framework to assess the relative importance of partisanship on crisis policy responses in two economies with similar consumption-led growth models.

This leads me to the last and most relevant dimension: government partisanship. To study the impact of external constraints and partisanship on policy choices, it is necessary to examine how *different* parties responded to the crisis. In other words, having left- and right-wing parties in government is a necessary condition for case selection purposes.

My case selection has taken into consideration two crucial factors, leading to a “most similar” design in this respect. First, the countries should have left- and right-wing parties in office during the economic crisis. Between 2008 and 2014, the centre-left Labour Party (LAB) and the Spanish Socialist Workers’ Party (PSOE), and the centre-right Conservative Party (CON) and Popular Party (PP) were in government. In each country, first the left and then the right held government responsibilities.

Second, the different parties should be *comparable* in terms of left/right party positions on economic matters. To assess the degree of ideological similarity between parties, it is possible to rely on qualitative and

quantitative evidence. A qualitative assessment of party manifestos for the four parties attests the similarities within each party family – this is an aspect that will become obvious in my in-depth case studies (chapters 4 and 5).

Quantitative evidence also corroborates this ideological similarity. For example, based on data from country expert surveys, Bakker et al. (2014) have mapped the left/right positions of political parties across the EU member states. They have placed all European parties in a single common space in order to compare the left/right positions (and rank order) from different countries.

Figure 1.5 presents the party ideological positions on a common ideological space measure, which is based on the 2010 Chapel Hill expert survey. If the four parties (LAB, PSOE, CON and PP) are situated in that common European ideological space, the two pairs of parties will be placed in the same position, as highlighted in red and blue in Figure 1.5.

Put it differently, there are no other pairs of European parties more comparable to each other based on country experts' assessments. This measure shows the suitability of my case selection for *meaningful* cross-national comparison along the left/right economic dimension at the party level. Taken together, both qualitative and quantitative evidence suggest that the four parties are valid cases for comparison.

Overall, this research design yields a good comparative framework to study the core propositions in relation to (i) the economic choices that different parties made under varying external constraints and (ii) the legitimating discourses they used. It is nonetheless important to stress that the cases are studied *throughout* the crisis period. The effects of external constraints are not static but dynamic: these constraints vary and manifest themselves with different intensity throughout an economic crisis.

So, if external constraints affect the partisan dynamics that will develop in each national context, we will observe this impact at particular moments and in relation to certain decisions, rather than always or never in all cases. This is a crucial remark because this thesis provides contextual answers to the main research questions, rather than universal or ahistorical responses.

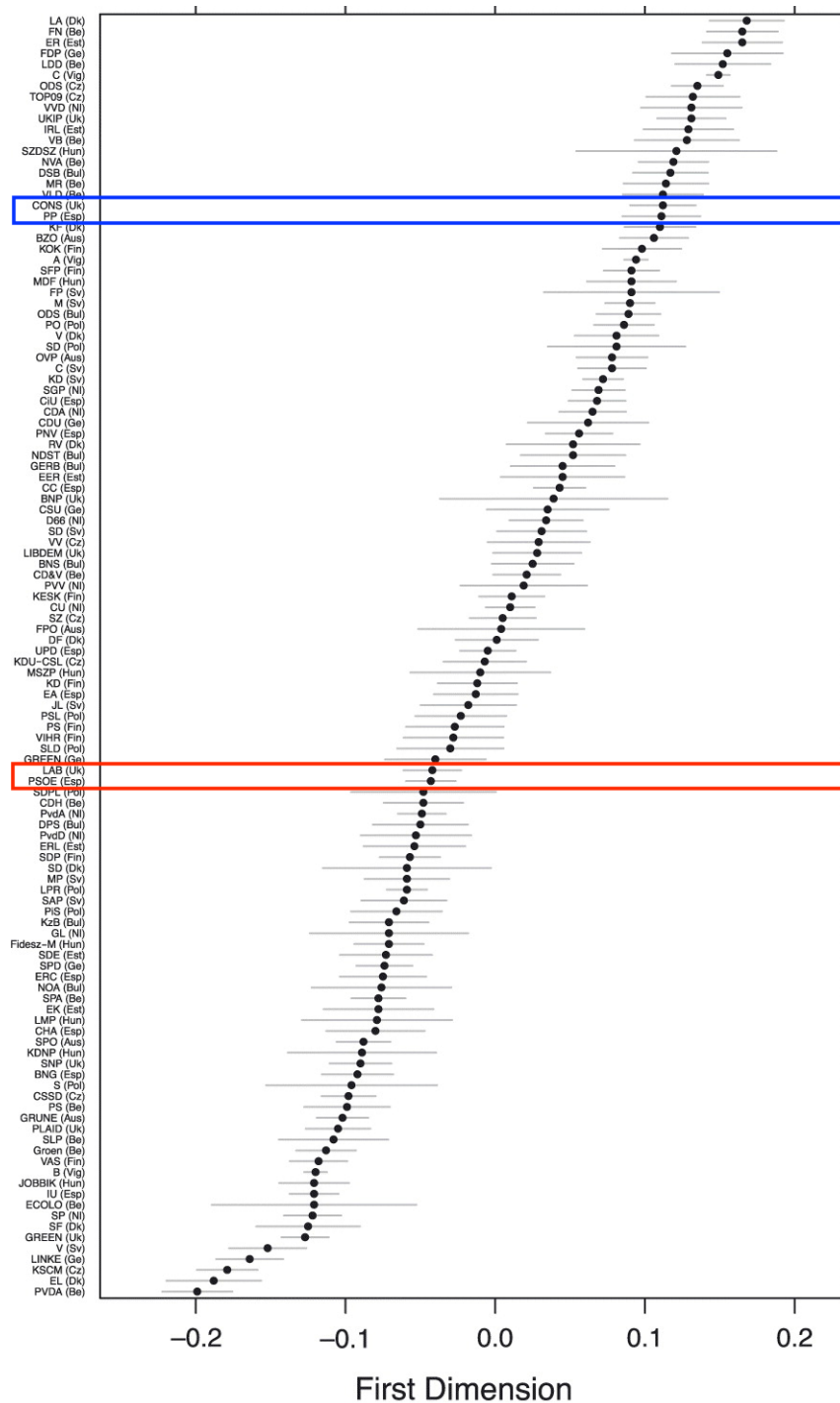


Figure 1.5 The four parties in European comparative perspective

Source: Directly reproduced from Ryan Bakker, Seth Jolly and Jonathan Polk (2014:1097)

Note

The figure indicates the position of parties on an economic left/right scale. See original article for a full and technical explanation of methodology, data and techniques.

1.4.2. Methods

This thesis adopts a pluralist methodological approach by which “research projects should be defined by the problems and questions they pose”, with methodology being adopted according to the issue being addressed (Della Porta and Keating, 2008)³. It combines several methods in a multi-stage research process, which is qualitative in nature, comparative in design and empirically driven.

In discursive institutionalist analyses, methodological triangulation is common to study social phenomena. For example, comparative historical case studies and process-tracing are frequently used to demonstrate how ideas and discourse are tied to action (Schmidt, 2008:308). It is also common to combine these methods with the use of quantitative or qualitative content and discourse analysis (Schmidt, 2011:113).

This thesis draws on several of these methods to study the central idea of ‘constrained partisanship’. Specifically, it combines conventional qualitative methods with more interpretivist approaches. It relies on an analytical narrative within a process-tracing approach in order to analyse the relationship between external constraints, partisanship and policy choice in two historical instances. To analyse party discourses, it relies on content-discursive analysis aided by corpus analysis.

1.4.2.1 *The comparative method*

Giovanni Sartori famously stated that comparing in social sciences is “learning” from the experience of others (1991:245). The approach of this thesis is inherently comparative. It aims to learn by comparing *across* and *within* cases. This comparative perspective aims to develop a compelling interpretation of the party politics that might unfold under crisis conditions. In particular, it compares the crisis experiences of four governments in two countries.

One useful method for comparison is comparative historical analysis. In contrast to statistical research, the goal of comparative historical analysis

³ For an extended follow-up discussion on methodological pluralism, see this research workshop organized by the leading book editors in 2010: https://www.eui.eu/Documents/DepartmentsCentres/SPS/ResearchAndTeaching/Workshops_old/DDPMethodologicalPluralism.pdf

is not to generalize about typical effects for a large population. Rather, it focuses on establishing whether a set of factors influenced an outcome in a particular set of cases (cf. Mahoney and Terrie, 2008:746). Thus, the task of comparativists is first to understand their cases. The theoretical framework and methods must be valid to make sense of the case(s) at hand, as well as for structuring the comparison between these cases.

My primary focus is to account for substantively important outcomes by describing processes over time using systematic and contextualised comparison (Mahoney and Rueschemeyer, 2003:6). In this thesis, I assess the effects of external political-economic constraints on a set of economic policy choices and party discourses in Spain and the United Kingdom during the Great Recession – a particular historical period that may also have relevance for other experiences of crisis. The principal goal is therefore to understanding the Spanish and British cases and provide a ‘focused’ comparison. Yet the study of these cases can potentially become analytically useful for studying other cases.

1.4.2.2. *Analytical narratives*

Analytical narratives are used to address questions of process more than of propensities (Laitin 2002:247). In chapters 4 and 5, I present two historical *analytical narratives* of the crisis. The two chapters aim to understand the mechanics of the relationship between external constraints, partisan commitments and policy choice: how the interaction between a set of political-economic constraints and certain programmatic commitments leads governing parties to make specific economic policy choices.

This dissertation does so through in-depth case studies of two national experiences of crisis. These experiences involve four governments of equivalent ideological orientation – two centre-left and two centre-right governments. These analytical narratives assess the role of partisanship in affecting, at each critical stage of the Great Recession, the key choices that the governments made under external constraints. I do not assume that constraints were equally constraining all the time for the four governments. I assess those effects contextually at each critical juncture of the crisis.

To the extent that this kind of analysis is similar to ‘doing process tracing’, whereby the researcher identifies necessary and sufficient conditions to

explain one or multiple outcomes (see George and Bennett, 2005; Bennett, 2008), the within-case studies can be said to draw on this methodological approach. But the core methodological tool remains, above all, the 'analytical narrative'.

Analytical narratives are not mere descriptions of events. They rely on particular analytical frameworks and models to make sense of them. The narratives of this thesis rely on the framework of external constraints outlined in chapter 3. The crisis experiences are thus narrated in light of this analytical framework with the goal to answer the same research question: To what extent were the economic responses of the British and Spanish governments driven by external political-economic constraints or reflected distinctive partisan commitments?

In each case, the answers to this question are the result of a careful assessment of primary and secondary sources, coupled with a detailed knowledge of the country cases. My analytical narratives rely on direct accounts of the crisis by the political leaders and key decision-makers in both countries and a wide range of secondary sources: journal articles, books and official reports.

These narratives draw on quantitative and qualitative evidence. In particular, the analysis relies frequently though not exclusively on a single source of *real-time narrative evidence*: The Economist Intelligence Unit (EIU) Country Reports. EIU reports are published four times a year. Typically, each issue reflects political and economic developments through the two months prior to publication until the month of publication, together with an outlook for the whole year. For the period of my analysis, the reports cover 28 quarters for each country, 56 quarters in total. No other comparable source has a similar coverage. I have read all the country reports for Britain and Spain from 2008Q1 until 2014Q4. For a contextual analysis of external constraints during the Great Recession this is a useful source.

In contrast to other available sources like the IMF and the OECD country reports, EIU reports are not influenced by the direct input of member states or national governments at the time of publication. Sources published by membership-based international organisations are public documents. Member countries can therefore influence their content so that

some factors are left out or simply covered up (this risk may be even greater during a crisis). EIU reports, in contrast, seem immune to this bias.

Similar narrative evidence has been used by other studies of the financial crisis to develop, for example, a specific measure of financial distress (Romer and Romer, 2017) and to identify the motivation of fiscal choices (Devries et al., 2011). My primary aim has been to assess the range of external political-economic constraints that were apparent *at the time*. These country reports provide a comprehensive analysis of the political-economic context of the time in office of the four governments. This evidence has been cross-checked with other sources, so it should not be taken as an exclusive source⁴.

This painful intimacy with detail, as Bates et al. (2000:698) put it, has informed the analytical narratives of each national experience of crisis. Inevitably, the nature of this analysis requires researchers to shift from the political to the economical, from facts to interpretations, from one perspective to another. While there is no guarantee of getting the balance 'right', the aim has been to combine analytical precision with the historical detail needed to substantiate my core claims. In doing so, I have been particularly thoughtful about the role of hindsight in each case. Some judgements seem more obvious in retrospect, but I have tried to get as close as possible to the decision-making context in which governments operated. To that end, the use of contemporaneous sources has been critical.

1.4.2.3. *Content-discourse analysis*

After studying parties' policy choices, the last part of the dissertation moves on to study the discursive manifestation of partisanship. How governments of the left and right legitimise their choices under constrained partisanship? Answering this question requires a different methodological approach. To the extent that discourse is primarily understood as a linguistic phenomenon, the study of language takes central stage. For this research purpose, the analysis presented in chapter 6 relies on content and discourse analysis.

⁴ See the Methodological Appendix for a more detailed assessment of the reliability of this source.

Discourse and content analysis are common qualitative interpretative research methods. While they share certain features, it is worth mentioning in passing the main differences between both approaches. Discourse analysis (DA) is a useful approach for analysing social phenomena that is qualitative, interpretive and constructionist (Hardy et al., 2004:19-22).

Discourse analysis has been used in a myriad of different forms and research contexts. But I will refer to two domains that are relevant for a study of discourse in its institutional context: (1) the study of political discourse and (2) the study of politics from a historical perspective. In the case of political discourse, discourse analysis has been used to study political institutions and everyday life and decision-making in political organizations. For example, Wodak and Meyer (2016:17) mention how the focus on discursive dimensions of transnational political organizations has led to the elaboration of discursively constructed visions/conceptions of social and political order in Europe/the EU. In the case of research on politics from a historical perspective, discourse analysis has taken the form of what is usually known as a Discourse-Historical Approach (DAH). For example, this approach has been used to study the discourse about nation and national identity in the EU (ibid:18).

When combined with other methods, discourse analysis can increase analytical leverage. Specifically, the use of discourse analysis in combination with content analysis leverages the analytical possibilities to study acts of meaning-creation. In my research, content-text analysis allows me to show how politicians use political language in speech acts, while the DA approach links back the texts to the wider institutional (political-economic) context.

Within a discursive-institutionalist approach, discourse refers to interrelated bodies of texts. But “discourse is not just ideas or ‘text’ (what is said) but also context (where, when, how, and why it was said). The term refers not only to structure (what is said, or where and how) but also to agency (who said what to whom)” (Schmidt, 2008:305). Political discourse, specifically, refers to a genre “that involves political actors speaking publicly” (Reyes, 2011:783).

Discourse analysis focuses on the relation between text and context. Content analysis, on the other hand, tends to give more priority to the text,

abstracting it from its context. While the two approaches display important differences, both can also be used in complementary forms, as Table 1.4 illustrates. In particular, this thesis relies on content analysis (text analysis) within a discourse analytic approach⁵, the option favoured by Hardy et al. (2004) and Neuendorf (2004) to combine both methods.

Table 1.4 Combining Content Analysis (CA) and Discourse Analysis (DA)

Dealing with Meaning	There is no inherent meaning in the text; meanings are constructed in a particular context; and the author, consumer, and researcher all play a role. There is no way to separate meaning from context and any attempt to count must deal with the precarious nature of meaning.
Dealing with Categories	Categories emerge from the data. However, existing empirical research and theoretical work provide ideas for what to look for and the research question provides an initial simple frame.
Dealing with Technique	The categories that emerge from the data allow for coding schemes involving counting occurrences of meanings in the text. Analysis is an interactive process of working back and forth between the texts and the categories.
Dealing with Context	The analysis must locate the meaning of the text in relation to a social context and to other texts and discourses.
Dealing with Reliability	The results are reliable to the degree that they are understandable and plausible to others i.e. does the researcher explain how s/he came up with the analysis in a way that the reader can make sense of?
Dealing with Validity	The results are valid to the degree that they show how patterns in the meaning of texts are constitutive of reality.
Dealing with Reflexivity	To what extent does the analysis take into account the role that the author plays in making meaning? Does the analysis show different ways in which this meaning might be consumed? Is the analysis sensitive to the way the patterns are identified and explained.

Source: Hardy et al. (2004:21)

Political language is very language-specific, full of subtlety and nuances. The study of this coded-type language requires intrinsic knowledge to analyse it. Consequently, my operationalisation of the three political discourses tries to identify what is specific of each political discourse. It thus focuses on specific uses of language by politicians (see chapter 6 for a more detailed explanation).

I will analyze these discourses in context. That is, in relation to the institutional and material contexts in which politicians make the claims. In this respect, my analysis will refer to the policy choices that these discourses sought to legitimise, and the political-economic context in which these choices were made. Only in this way is it possible to make *political* sense of party discourse.

⁵ For an extended discussion of text analysis as a method and the class of techniques associated with it, see Popping (2000).

As I will explain in more detail in chapter 6, my operationalisation strategy goes beyond the provision of general definitions of discourses. I specify concrete and empirically identifiable linguistic ‘constructs’ for each discourse. These linguistic constructs are in turn linked to particular lexical ‘markers’. These markers describe what we should be looking for when classifying, coding or interpreting the texts.

When studying political discourse, some form of quantitative measurement can provide a good basis for more systematic comparisons. The aim of this exercise should not be to count word frequencies per se, but to ground substantive claims on a firmer basis. There is a growing body of work that has adopted a more quantitative approach for *dictionary-based* text analysis. In particular, there is a particularly flowering niche for studying populist discourse using these techniques (e.g., Jagers and Walgrave, 2007; Hawkins, 2009; Rooduijn and Pauwels, 2011; Bonikowski and Gidron, 2016; Hunger, 2017).

A dictionary maps a set of words or phrases that are theoretically associated with a particular discourse. These words are related to political discourses through theoretical means, relying on the abstract concepts that have led the researcher to define a discourse in a certain way in the first place. A key assumption of this approach is that the recurrence of certain terms in a text can mark the presence of a discourse of interest. So focusing on and measuring certain linguistic regularities and patterns can be a good way of finding out whether politicians rely on these discourses. The use of a dictionary thus becomes a useful tool to identify the presence of certain discourses in political practice in a systematic way, especially when researchers work with very large corpora and/or focus on very long time periods.

This approach has shown a lot of potential. But developing dictionaries for three discourses in two different languages presents an impossible task for a single researcher. While indebted to this strand of research, my approach is less demanding. I identify the defining linguistic constructs of the three political discourses in order to investigate them empirically. Existing work has been useful to identify key lexical markers of technocratic and exceptionalist language (e.g., Hunger, 2017; Rauh, 2021). But the operationalisation work is to a large extent original and largely draws from the material of my novel corpus.

The 45 single documents of the corpus are analysed with the assistance of two software: NVIVO and Sketch Engine. Based on the defining constructs for each discourse, a preliminary analysis identifies the statements that convey these constructs-discourse more directly. For that task, searching for linguistic markers as well as identifying key terms in context proves particularly helpful. After several rounds, the most representative statements for each discourse are selected for in-depth qualitative analysis. Based on the definitions provided, these statements are cross-checked to validate whether each can be plausibly associated with the broader discourse to which it has been associated.

From this point, several types of analysis can be carried out, depending on the research purposes: from raw frequencies analysis to the classification of the statements according to relevant substantive criteria: party, year, sub-corpus, etc. More detailed explanations can be found in chapter 6 and in the Methodological Appendix. The raw text files (.txt) and all the original documents of the corpus can be found as supplementary materials of this thesis.

1.4.3. Corpus

Alternative sources exist for studying party/government public discourse, ranging from existing corpora of parliamentary speeches to documents produced by political parties, such as election manifestos, policy position papers and oral and written interventions in public fora. For a variety of reasons, however, the existing sources seemed inadequate for the task at hand in this research.

Some of these sources are simply unsatisfactory. For example, relying on election manifestos to study the party discourses during the crisis is wholly insufficient. Manifestos have a very specific electoral purpose. Elections are the time of promises, rather than of choices. Manifestos are more relevant for studying political discourse and party positions during an election campaign. To study how parties on the left and right justified their economic policy responses *throughout* the crisis, I needed more evidence and of a different character.

This problem could be overcome by using existing corpora of parliamentary speeches such as the one compiled by Rauh and Schwalbach (2020). These corpora have a broad and comprehensive coverage in terms of time periods and subjects. Yet relying on these

corpora came with other problems. On the one hand, these corpora collect interventions from many different actors and on topics from all policy domains debated in national parliaments. Therefore, many interventions are likely to be irrelevant or unrelated to the subject of this research. On the other, these corpora can become unmanageable for an individual researcher favouring a more interpretative approach to the textual material. The sheer size of these corpora made it more difficult for a single person to approach the material in an interpretative way, let alone manually.

Hence, the need to develop a new source of evidence that can be useful for this investigation. To that end, this thesis presents a new corpus of relevant political and parliamentary speeches in Spain and the UK during the period of the Great Recession (2008-2014). This corpus is relevant to studying public positions on the governments' major policy responses to the crisis. In itself, it constitutes an original contribution of the thesis, which can also be useful for other researchers. The following section explains the composition and 'anatomy' of the original corpus in more detail.

1.4.3.1. Compilation, classification and metadata

The corpus comprises 45 political speeches and parliamentary interventions on macroeconomic policy from government leaders in Spain and the United Kingdom between 2008 and 2014. The bilingual corpus (in English and Spanish) has been manually compiled from various publicly available sources: websites of national parliaments, official government sites, research databases and party websites.

The selection of the documents has considered two main criteria: the *substantive relevance* of the speeches in relation to party economic choices and the need to achieve a minimum *representativeness* in terms of time coverage and actors. The content of the corpus is a relevant and valid source of evidence to substantiate my central claims about constrained partisanship and its relationship to party discourses.

Regarding the first criterion, only interventions that are relevant for studying the justification of governmental responses to the economic and financial crisis have been included. These political speeches and parliamentary interventions had to be related to the major economic measures, which are analysed in detail in my case studies (chapters 4 and

5). Only in this way it could be established a credible connection between governments' legitimisation discourses and the policy choices made during the crisis (chapter 6).

The second inclusion criterion is less restrictive but in no way arbitrary. It has aimed to include speeches from political leaders of all four governing parties, throughout the crisis and delivered in various political contexts. This criterion requires to include interventions from the prime ministers (UK) and the presidents of the government (Spain), as well as the key decision-makers in economic affairs. In this respect, the Chancellor of the Exchequer and the Finance and Economy ministers present themselves as the best choice. It also requires including interventions delivered in politically relevant settings: party conferences, relevant parliamentary debates and widely covered annual events (e.g., Mansion House event in the UK).

Taken together, these two criteria have resulted in the following selection. The UK sub-corpus includes (1) all party conference speeches by the leaders of the governing party during the crisis period; (2) all Mansion House speeches delivered by the Labour and Conservative Chancellors as well as (3) the key speeches in which the two governments announced the relevant responses to the crisis, e.g., Northern Rock bank nationalisation, Labour's fiscal stimulus, austerity measures (e.g., 2010 emergency budget), among others.

The ESP sub-corpus includes (1) all interventions of the president in the State of the Nation debate, arguably the most relevant annual political event in Spanish politics; (2) crucial interventions of government figures – the president and ministers of economy – on the key crisis measures adopted: austerity, stimulus, nationalisation, bank bailouts, and (3) the speeches of the party leaders during the party conferences that took place during the crisis⁶. These interventions were delivered in the Spanish parliament but also in other settings. Taken together, these interventions

⁶ Party conferences in Spain do not have an annual character, nor do they have the same format than in the British political tradition. Each party organises them according to its statutes and with a different periodicity than in the UK. As a result, only two party conference speeches are included in the ESP sub-corpus, corresponding to the conferences celebrated during the crisis period. The inclusion of these speeches ensures certain consistency.

are both relevant and meaningful to characterise, more broadly, the public discourse of the leading political figures of each government.

Table 1.5 presents the complete list of documents included in the corpus, annotated and classified according to five relevant inputs: *date* of the speech; *venue* of the speech; *government* of reference; keynote *speaker* and, where relevant, the major *policy response* highlighted in the speech. All the files of the corpus, annotated with this metadata, are presented in a software-friendly format as supplementary material.

Table 1.6 summarises the data on the corpus composition. The corpus has 45 single documents, 310,608 tokens⁷, 274,882 words and 20,373 unique words. Every corpus of texts can be divided into various sub-corpus according to relevant criteria. In my case, the most relevant criteria are the country (language) and the party composition of the government. The corpus is thus composed by two separate sub-corpora (UK corpus and ESP corpus) in two languages: English and Spanish. The ESP corpus is relatively larger (150,769 words) than the UK one (124,113) with an *average* of 7,654 words-per-document compared to an average of 4,967 words for the UK corpus.

Four additional sub-corpora have been created, one for each government: Labour (LAB) and Conservatives (CON) in the UK; Socialist (PSOE) and Conservatives (PP) in Spain. Each of this sub-corpus includes all the interventions of the members of each government collected in the main corpus. If measured by the party composition (left-right) of the governments, the relative size of each sub-corpus is almost identical: both the LAB and PSOE sub-corpus represent about 42 per cent of the corpus they belong to, as measured by the number of tokens, while the CON and PP sub-corpus each represent 57 per cent of the corpus of reference.

⁷ A token is the smallest unit of a corpus. Typically, a corpus contains more tokens than words. Tokenization is the process of breaking down text document apart into smaller pieces. Tokens could take the form of a word form, punctuation, numbers or abbreviations. In my corpus, there are some language-specific features to be aware of. For example, in English '*don't*' consists of 2 tokens: do + n't. But pronominal clitics in Spanish like '*dárselo*' is 1 token, even though it consists of dar + se + lo (see Sketch Engine, n.d.).

Table 1.5 Corpus of speeches: mapping and classification

UK corpus	Date	Venue	Government (Majority)	Speaker	Policy response	Code of files	Additional Notes
	2008 December 15	Parl	Brown (Labour)	Brown	Bank recap and nationalisation	UK LAB BROWN.PARL.2008	Plenary debate European Council meeting 11-12 December 2008. Main topic: Treaty of Lisbon
	2008 February 18	Parl	Brown (Labour)	Darling	Fiscal stimulus	UK LAB DARLING.PARL.2008.2	Northern Rock nationalisation: CON opposition to nationalisation
	2008 June 18	Fora	Brown (Labour)	Darling	Fiscal stimulus	UK LAB DARLING.FORA.2008	Annual Mansion House Speech
	2008 September 23	Partyconf	Brown (Labour)	Brown	Fiscal stimulus	UK LAB BROWN.PARTYCONF.2008	Manchester, Party Conference
	2008 October 13-14	Parl	Brown (Labour)	Darling	Bank recap and nationalisation	UK LAB DARLING.PARL.2008.10	BOS, Lloyds TSB and RBS recapitalisation/nationalisation
	2008 November 24	Parl	Brown (Labour)	Darling	Fiscal stimulus	UK LAB DARLING.PARL.2008.11	Pre-Budget report - announcement Labour fiscal stimulus
	2009 June 17	Fora	Brown (Labour)	Darling	Fiscal stimulus	UK LAB DARLING.FORA.2009	Annual Mansion House Speech
	2009 June 29	Parl	Brown (Labour)	Brown	Fiscal stimulus	UK LAB BROWN.PARL.2009.6	Building Britain's Future Debate in the Commons
	2009 July 1	Parl	Brown (Labour)	Brown	Fiscal stimulus	UK LAB BROWN.PARL.2009.7	Debate (Engagement) about Labour plans for fiscal spending cuts
	2009 September 29	Partyconf	Brown (Labour)	Brown	Fiscal stimulus	UK LAB BROWN.PARTYCONF.2009	Brighton, Party Conference
	2010 March 29	Parl	Brown (Labour)	Brown	Fiscal stimulus	UK LAB BROWN.PARL.2010.3	EU's new strategy for jobs and growth and plans for fiscal spending cuts/defense of stimulus
	2010 May 17	Fora	Osborne I (Tories/Lib-Dem)	Osborne	Fiscal adjustment	UK CON OSBORNE.FORA.2010.5	First Speech at the Treasury: announcement of the OBR creation and spending cuts
	2010 May 28	Fora	Cameron I (Tories/Lib-Dem)	Cameron	Fiscal adjustment & Independent authorities	UK CON CAMERON.FORA.2010	Speech about coalition economic strategy, delivered in Shipley (+ BoE powers)
	2010 June 16	Fora	Cameron I (Tories/Lib-Dem)	Osborne	Independent authorities	UK CON OSBORNE.FORA.2010.6	Annual Mansion House Speech (OBR)
	2010 June 22	Parl	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment	UK CON OSBORNE.PARL.2010	Emergency Budget 2010
	2010 October 6	Partyconf	Cameron I (Tories/Lib-Dem)	Cameron	Fiscal adjustment	UK CON CAMERON.PARTYCONF.2010	Birmingham, Party Conference
	2011 June 15	Fora	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment & Independent authorities	UK CON OSBORNE.FORA.2011	Annual Mansion House Speech (+ BoE powers)
	2011 March 23	Parl	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment	UK CON OSBORNE.PARL.2011	Budget Speech 2011
	2011 March 23	Parl	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment	UK CON OSBORNE.PARL.2011	Budget Speech 2011
	2011 October 5	Partyconf	Cameron I (Tories/Lib-Dem)	Cameron	Fiscal adjustment	UK CON CAMERON.PARTYCONF.2011	Manchester, Party Conference
	2011 October 13-14	Parl	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment	UK CON OSBORNE.FORA.2012	Annual Mansion House Speech
	2012 March 21	Parl	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment	UK CON OSBORNE.PARL.2012	Budget Speech 2012
	2012 October 10	Partyconf	Cameron I (Tories/Lib-Dem)	Cameron	Fiscal adjustment	UK CON CAMERON.PARTYCONF.2012	Birmingham, Party Conference
	2012 October 22	Parl	Cameron I (Tories/Lib-Dem)	Cameron	Fiscal adjustment	UK CON CAMERON.PARL.2012	Statement on European Council: EMU reforms, Greece and defense of austerity
	2013 June 19	Fora	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment & Independent authorities	UK CON OSBORNE.FORA.2013	Annual Mansion House Speech (+ BoE powers)
	2014 June 12	Fora	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment & Independent authorities	UK CON OSBORNE.FORA.2014	Annual Mansion House Speech (+ BoE powers)
Esp corpus	2008 July 4	Partyconf	Zapatero II (PSOE)	Zapatero	Fiscal stimulus	ES PSOE.ZP.PARTYCONF.2008	Speech XXXVII Congreso PSOE
	2008 October 20	Parl	Zapatero II (PSOE)	Zapatero	Fiscal stimulus & Bank recap	ES PSOE.ZP.PARL.2008	2008 fiscal stimulus package
	2009 April 23	Parl	Zapatero II (PSOE)	Salgado	Bank recap and nationalisation	ES PSOE.SALGADO.PARL.2009	First Caja nationalisation - CCM Real Decreto-Ley 4/2009, 29 de marzo (first bank 'bailout')
	2009 May 12-13	Parl	Zapatero II (PSOE)	Zapatero	Fiscal stimulus	ES PSOE.ZP.PARL.2009	Debate Estado de la Nación 2009 (2 docs: I & II)
	2010 May 27	Parl	Zapatero II (PSOE)	Salgado	Fiscal adjustment	ES PSOE.SALGADO.PARL.2010.5	Debate 2010 May's decree - PSOE's austerity U-turn
	2010 July 14-15	Parl	Zapatero II (PSOE)	Zapatero	Fiscal adjustment	ES PSOE.ZP.PARL.2010.7	Debate Estado de la Nación 2010 (2 docs: I & II)
	2011 June 28-29	Parl	Zapatero II (PSOE)	Zapatero	Fiscal adjustment & Bank recap	ES PSOE.ZP.PARL.2011.6	Debate Estado de la Nación 2011 (2 docs: I & II)
	2011 August 30-September 2	Parl	Zapatero II (PSOE)	Alonso	Constitutional reform	ES PSOE.ALONSO.PARL.2011.8-9	Constitutional reform art.135 (2 docs: I & II) - position PSOE
	2011 August 30-September 2	Parl	Zapatero II (PSOE)	Santamaría	Constitutional reform	ES PSOE.SANTAMARIA.PARL.2011.8-9	Constitutional reform art.135 (2 docs: I & II) - position PP
	2011 December 19	Parl	Rajoy I (PP)	Rajoy	Fiscal adjustment	ES PP.RAJAY.PARL.2011.12	Discurso de investidura 2011
	2011 December 30	Fora	Rajoy I (PP)	Gov	Fiscal adjustment	ES PP.GOV.FORA.2011	Press conference after first cabinet meeting - 2011 December 30 (announcement of austerity measures, PP's u-turn on tax raises)
	2012 January 11	Parl	Rajoy I (PP)	Montoro	Fiscal adjustment	ES PP.MONTORO.PARL.2012	Debate to ratify 2011 December's decree - PP's austerity U-turn - Real Decreto-Ley 20/2011
	2012 February 7	Parl	Rajoy I (PP)	De Guindos	Fiscal adjustment	ES PP.DE GUINDOS.PARL.2012.2a	First intervention in the Parliamentary Committee explaining Ministry agenda
	2012 February 12	Partyconf	Rajoy I (PP)	Rajoy	Fiscal adjustment	ES PP.RAJAY.PARTYCONF.2012	Closing Speech XVII PP National Congress, Sevilla (last Congress 2008; next 2017)
	2012 February 16	Parl	Rajoy I (PP)	De Guindos	Bank recap	ES PP.DE GUINDOS.PARL.2012.2b	Debate 2012 February's decree on banking resolution - Real Decreto-Ley 2/2012, de 3 de febrero, de saneamiento del sector financiero
	2012 May 31	Parl	Rajoy I (PP)	De Guindos	Bank recap and nationalisation	ES PP.DE GUINDOS.PARL.2012.5	Real Decreto-Ley 18/2012 prior to Bankia nationalisation
	2012 June 13	Parl	Rajoy I (PP)	Rajoy	Bank recap and nationalisation	ES PP.RAJAY.PARL.2012.6	First parliamentary intervention post-2012 rescue approval: Selección respuestas vinculadas al rescate e impacto en política fiscal
	2012 July 11	Parl	Rajoy I (PP)	Rajoy	Bank recap and nationalisation	ES PP.RAJAY.PARL.2012.7	Plenary debate European Council meeting 28-29 June 2012 and government's economic policy.
	2013 February 20-21	Parl	Rajoy I (PP)	Rajoy	Fiscal adjustment & Bank recap	ES PP.RAJAY.PARL.2013	Debate Estado de la Nación 2013 (2 docs: I & II)
	2014 February 25-26	Parl	Rajoy I (PP)	Rajoy	Fiscal adjustment & Bank recap	ES PP.RAJAY.PARL.2014	Debate Estado de la Nación 2014 (2 docs: I & II)

Table 1.6 Corpus and sub-corpus: Documents, tokens, words

Country sub-corpus	Documents	Tokens	Words	Unique words
UK sub-corpus	25	140,901	124,113	8,303
ESP sub-corpus	20	169,707	150,769	12,070
Total	45	310,608	274,882	20,373

Party sub-corpus	Documents	Tokens	Relative size
<i>United Kingdom</i>			
Labour (LAB)	11	59,580	42.3%
Conservatives (CON)	14	81,321	57.7%
<i>Spain</i>			
Socialist (PSOE)	9	71,889	42.4%
Conservatives (PP)	11	97,818	57.6%

Figure 1.6 displays the ‘word clouds’ with the most frequent words in the UK and ESP sub-corpus. The visualisation positions the words in such a way that the terms that occur the most frequently in each corpus are positioned centrally and are sized the largest. Neither the colour nor the absolute location of the words is significant – see the Methodological Appendix for a more detailed explanation of the procedure, including the list of ‘stop words’ used to generate the wordcloud.

In text analysis, the use of ‘word clouds’ is not an uncontroversial choice. They have been criticised as been too reductive⁸. Yet visualisation performs a critical function by simplifying a vast amount of textual information that otherwise can be more complex to interpret. Here, I use this tool to draw attention to high frequency terms in each sub-corpus. Generally, it shows the substantive and policy relevance of the corpus for the analysis of party discourses in the context of the Great Recession.

⁸ Jacob Harris, ‘Word clouds considered harmful’, Nieman Lab, 13 October 2011. Available at: <https://www.niemanlab.org/2011/10/word-clouds-considered-harmful/>



UK sub-corpus: People, Economy, Government, Tax, Help



Figure 1.6 Word Clouds of most frequent terms in the corpus

ESP sub-corpus: España (**Spain**), Gobierno (**Government**), Economía (**Economy**), Crisis (**Crisis**), Empleo (**Employment**)

Source: Own elaboration using Voyant-Tools.

Note

The words are presented in Spanish because the texts of the original corpus are in Spanish. I have translated the most frequent terms into English.

1.5. Plan of the dissertation

This dissertation is divided into seven chapters. Following this introduction, **chapter 2** situates the dissertation in the context of the existing academic literatures on comparative political economy, EU studies and comparative politics. This literature review is driven by the main themes of my research. It is necessarily selective. It focuses on processes of supranational economic and political integration, such as globalisation and European integration, and their impact on domestic policy space. Specifically, this chapter outlines the various mechanisms that constrain the macroeconomic autonomy of national governments, as well as their implications for representative politics and political competition in contemporary European democracies.

Chapter 3 outlines the theoretical framework of the dissertation. It presents an interpretative framework to characterise a form of partisan politics that can emerge amid an economic crisis. In contrast to other uses of the concept of constrained partisanship (Beramendi et al., 2015), my framework highlights a set of more immediate external constraints on governments. At the same time, it pays greater attention to an aspect that has been less studied in the literature: how political parties justify their choices under constraining conditions. For that purpose, a discursive-institutionalist approach is adequate. This chapter also builds the ground for my understanding of technocracy, exceptionalism and legalism as legitimization discourses. I present these discourses as plausible propositions to be tested in my cases, rather than as an invariant or exhaustive set.

The next part of the dissertation takes a more empirical approach. It applies the framework developed in chapter 3 to study in-depth two national experiences of crisis during the Great Recession: the Spanish (**chapter 4**) and the British (**chapter 5**). These chapters present a political-economic analysis of the four governments' responses to the Great Recession. The analysis concentrates on the key policy choices that these parties made to respond to the crisis. Each chapter addresses the same general question: To what extent were parties' choices driven by distinctive ideological commitments, or imposed by external political-economic constraints? In doing so, these chapters assess whether the framework of constrained partisanship lends any analytical leverage for

making sense of the role of partisanship in these national-historical experiences.

The last part of the dissertation moves on to investigate party discourses during the Great Recession. In recoupling debates of European macroeconomic regimes with questions of political legitimation, the question of how governments legitimise choices under constraints becomes the central one. **Chapter 6** presents the empirical analysis of the three political discourses that I have hypothesised will gain relevance under constrained partisanship. This chapter presents a comparative text analysis of the novel corpus. **Chapter 7** summarises the central argument and the main findings of the dissertation. The chapter highlights the theoretical, methodological and substantive contributions of the dissertation across different subfields. It concludes with a final reflection of how the idea of constrained partisanship relates to the decline of party government in contemporary Europe.

PART I

Constrained partisanship: Theoretical and analytical framework

Chapter 2

Party politics, constraints and political autonomy: A literature review

2.1. Introduction

'The relative autonomy of politics, to use an expression slightly out of fashion, as a determinant of social and economic outcomes is yet again in the eye of the beholder'

Pablo Beramendi (2015)

This chapter situates the dissertation in the context of academic literatures on political economy, EU studies and comparative politics. This literature review is driven by the main themes of my research. It is necessarily selective. It focuses on processes of supranational economic and political integration, such as globalisation and European integration, to understand their domestic impact on dynamics of party politics and economic policy choice.

The choice to structure the literature review around these processes is discretionary but not arbitrary. It provides a minimal coherent framework to otherwise disparate literatures, which cut across different research agendas in various academic sub-fields. In doing so, I aim to outline the various mechanisms that have constrained the macroeconomic autonomy of governments in contemporary Europe.

The chapter begins with a review of several strands in international and comparative political economy scholarship on the effects of global economic integration on partisan politics. It then examines, more specifically, the effects on domestic politics of European integration, a central focus of EU studies. The process of economic and political integration in Europe has no parallel in its transformative effects on national political economies. Accordingly, it deserves separate attention.

In particular, this review explores the literature that has been more concerned with the limits to the political autonomy of national governments, and the impact of European integration on governments' agency in macroeconomic policy. To what extent has European integration constrained autonomous choice in member states? This remains a pertinent question and one that continues to divide scholars.

The chapter then synthesizes some of the major implications of globalisation and European integration for representative politics in contemporary Europe. Specifically, the review highlights how these processes have changed the structure of political conflict as well as how party politics has been affected, particularly in respect to the conduct of macroeconomic affairs. The section emphasizes, in particular, the crisis of 'party government'. This form of government, I conclude, has become increasingly difficult to deliver in contemporary Europe.

Overall, this literature review is guided by a central concern: the relationship between what different parties want to do and what they can do in office, or the impact of parties on public policy. As noted by Peter Mair, "since at least the late 1970s, a large number of political scientists from a variety of scholarly traditions have spent countless hours assessing, evaluating and debating research into the impact of parties on public policy, and discussing whether partisanship in government can be related to policymaking, policy choices and policy outputs" (Mair, 2013a:52).

The topic got specific attention in the late 1980s and 1990s. The balance of the argument at the time, Mair observed, seemed to favour the 'parties-do-matter' side. Partisan differences made a difference. But this impact was contingent upon a series of features like the type of democracy (majoritarian or consensus) and the role of countermajoritarian institutional constraints in constitutional democracies (Schmidt, 1996:155).

The degree and fast pace at which countries were integrating forced scholars to revisit the question. Expanding the evidence and the countries considered, several widely cited studies (Garret, 1998; Boix, 1998, 2000) investigated the impact of partisan politics on more integrated economies. They reached similar conclusions: left-wing governments have not become fully impotent, conservative and social democratic parties were pursuing distinct economic objectives and, overall, parties could still affect the conduct of fiscal and monetary policies. Thereafter, scholarly interest in the subject did not disappear but seemed to fade in comparison. With relevant exceptions (Scharpf, 1991; 1999), scholars either lost interest or became too divided to advance the debate.

The advent of the 2008 global financial crisis and subsequently the euro crisis sparked renewed debates. Writing in the aftermath of the Great Recession, scholars have returned, somewhat puzzled, to the same old questions: how would different governments respond to the first crisis of a global age? What autonomy did political parties have in responding to this crisis? Could they fight the crisis while still pursuing their partisan goals? What economic choices would parties on the left and right make? What external constraints became most relevant to shaping these choices?

This dissertation aims to make a contribution to this long-standing debate. Theoretically, it attempts to bridge a focus on changing macroeconomic conditions with questions of transformation within representative politics in Europe. In particular, this thesis seeks to pinpoint the kind of partisan politics that can emerge during an economic crisis under significant political-economic constraints. It will do so by examining the policy choices and associate legitimating discourses that governments on the left and right adopted during the Great Recession in Spain and the United Kingdom.

More generally, this research project aims to fill a lacuna in an otherwise vast scholarship. A litany of works has studied the impact of a variety of external constraints on parties' economic policy choices. But much less has been theorised about whether and how parties have adapted their political discourses to these conditions (but see, Kitschelt, 1994, chapter 6; Schmidt, 2014). What kind of discourses will parties use to justify their economic choices under significant constraints? This is a central question of this thesis.

2.2. Partisan politics in a global economy

Throughout the 1990s and into the mid-2000s, the world economy became tightly interconnected. From the growing number of countries to which local companies export its products to the factories where our clothes are produced, almost every aspect of our social and economic lives became more 'global'.

The advent of hyper-globalisation has been preceded by tectonic transformations in European economies: the breakdown of the Bretton Woods system; the demise of Keynesianism and aggregate demand management; the deepening of international economic interdependence as a result of increasing trade flows across countries, and the rise of capital flows after the removal of national capital controls. Such degree of global integration had lasting consequences for how national authorities conduct policy.

Deep trade interdependence, multinational production regimes and global capital markets transformed the outlook of domestic policy landscapes. For example, by favouring certain choices, such as the deregulation of product markets associated with Free Trade Agreements, and by rendering others less effective, such as the use of regulatory barriers to control capital flows across borders. The integration of good, services and capital markets has thus changed the political and economic space that partisan actors inhabit.

All these changes inspired vast literature across various academic fields. Strands of scholarship at the intersection of political science and political economy deserve special attention. For the most part, this literature does not offer an unequivocal answer on the consequences of globalisation for democratic politics. The relationship between globalisation and democracy is perceived as more or less complementary, or more or less conflicting, depending on a number of factors: a country's degree of international trade openness (Rodrik, 2011); its size (Alesina and Spolaore, 2013); its dependence on foreign capital (Frieden, 2015a); the political

support for integration (Einchenberg and Dalton, 1993), or the economic context in which integration takes place (Gourevitch, 1986)⁹.

Yet globalisation has forced national governments to confront certain trade-offs. This argument has been persuasively formalised as a political-economy ‘trilemma’. In a seminal contribution, Dani Rodrik (1997; 2000; 2011) observed that the process of globalisation was not a free lunch for countries. Integrating national economies at a global scale was forcing governments to choose among the goals of democracy, sovereignty and economic integration. These three goals are all politically desirable, Rodrik argues, but they are ultimately incompatible.

Nation states are more prosperous when they are open to trade through mutually beneficial agreements. National sovereignty is an important principle because it permits states to protect their social arrangements. In turn, mass politics guarantees that the decisions to expand economic integration enjoy popular consent. These goals are all desirable, Rodrik remarks, but they cannot co-exist after the advent of hyper-globalisation. Countries will have to pick since these goals cannot all be achieved to the full extent simultaneously. A crucial corollary of Rodrik’s trilemma is that “the price of maintaining national jurisdictional sovereignty while markets become international is that politics have to be exercised over a much narrower domain” (Rodrik, 2000:182).

Supporters of this view tend to highlight the inherent tension between globalisation and partisan politics. For example, some authors have argued that Welfare State-friendly policies became particularly difficult to pursue in a highly integrated global economy (Scharpf, 1991; Kurzer, 1993; Kapstein, 1996). The basic claim is that policy instruments to redistribute wealth and risk were rendered less effective by the need to implement ‘market’ or ‘capital’-friendly policies; in globalised economies, capital moves across national borders more easily than labour; and capital will move wherever conditions are most favourable. This reality puts an effective limit to what politicians can do in policy terms; for example, when it comes to taxing capital gains. In effect, ‘footloose capital’ (Rodrik, 1998) has established a *de jure* or *de facto* veto over certain policy paths.

⁹ For a more extensive review of this literature, see Fernández-Albertos (2017:253-260).

From this standpoint, other authors concluded that social democracy would have become incompatible with global markets (cf. Hirst, 1999). With the advent of hyper-globalisation, political projects that sought to finance redistributive measures through higher taxes on capital or preserve the bargaining power of workers over the owners of capital, would be impotent.

For example, in his analysis of the Swedish and Norwegian experiences, Jonathon Moses (1994) argued that traditional social democratic tools for “steering government” had turned ineffective (see, also, Scharpf, 1999:39-40). For, under conditions of free capital mobility and fixed exchange rates, the regime “leaves precious little room for domestic political maneuvering, and monetary authorities have come to dominate over the trade unions” (Moses, 1994:125). In this view, the crisis that seemed to afflict social democracy in the 1990s was not the result of a ‘shift of national priorities’ or the use of ‘faulty instruments’ (e.g., Notermas, 1993; cf. Kitschelt, 1994). It was caused by profound changes in the international economy (Crouch, 2004).

In contrast, other scholars have challenged this view. Paul Hirst (1999:88) concluded that world market forces have by no means erased national economies. Garret (1998) claims that pursuing international market integration and preserving national autonomy are not mutually exclusive options. In fact, the power of the left and redistributive policies would have strengthened, not weakened, by globalisation. The experience of European ‘social democratic corporatist’ countries would attest to this: left-wing governments in Denmark, Finland, Norway, Sweden or Austria could pursue distinctive redistributive arrangements and still thrive in a global economy. These national experiences would show that global integrated markets and partisan politics can be reconciled: “Democratic politics at the national level is alive and well, and the policy choices citizens face are at least as important as they have ever been” (ibid.:157-158).

Layna Mosley (2005) reaches a similar conclusion in a comprehensive review of ‘the race to the bottom’ hypothesis, i.e., the thesis that in the global economy, governments “must compete in order to survive, and the only means of competing is reducing government intervention, lowering taxes and steadfastly pruning environmental, health and safety and

labour regulations” (Mosley, 2005:359). At a global scale, the evidence pointed towards mixed patterns. Aggregate fiscal and monetary policies were converging among advanced democracies, but in a world where domestic politics and institutions continued to be the main drivers of policy change¹⁰. Mosley conceded that transnational actors influence national policy making, yet they have not brought about the demise of the nation-state. “In the face of economic globalization”, Mosley concludes, “governments retain 'room to move'” (2005:355).

Another landmark study about how national governments have been coping with greater economic interdependence is Boix (1998). In *Political Parties, Growth and Equality*, Boix examined the nature and the consequences of partisan agency on economic policymaking, with a focus on the OECD and the experiences of the Spanish Socialist government and the British Conservative government in the 1980s. “There is wide agreement in the literature”, Boix (1998:4) notes, “that governments controlled by conservative or social democratic parties have distinct partisan economic objectives that they would prefer to pursue *in the absence of any external constraints*” (highlighted mine). But “the literature has come ... to recognise the powerful constraining effects that the international economy has on any attempt [on behalf of governments] to manage the economic cycle” (ibid.:38).

Like other scholars before him, Boix points out that increasing trade openness and higher levels of capital mobility have lowered the autonomy of policymakers to shape fiscal and monetary policies: “notorious cases of ill-fated macroeconomic management, such as several corporatist attempts in the late 1970s or the French experiment of 1981-83 have dramatically highlighted the scarce autonomy remaining for politicians in the post-Bretton Woods era” (1998:39).

Boix shows convincingly that changing economic conditions limit the strategies that governments can pursue. But, crucially, politics might

¹⁰ “Economic globalisation appears related to substantial convergence on overall fiscal (the size of public deficits) and monetary policy (the inflation rate) outcomes; nevertheless, domestic politics and institutions continue to be the most important determinants of the overall size of government, the distribution of government spending across programmatic areas and the structure of taxation.” (Mosley, 2005:356)

expand the scope of what is possible: “Economics is the domain of necessity, of mechanics: ... there are few alternative strategies available to policymakers. Politics instead lies closer to the realm of possibility. Politicians craft coalitions in several different ways –precisely by employing different combinations of policies to glue together heterogeneous demands” (ibid.:229).

The most relevant contribution of this work may lie elsewhere though – in the importance ascribed to the impact of partisanship. External constraints impose limits on all governments. But in the face of them, left- and right-wing governments would still seek distinct partisan goals: “[b]ecause they are concerned about equality, yet committed to the market, social democratic governments raise taxes to achieve two – interconnected– goals: a balanced budget ... and a high rate of public investment” (ibid.:223-224).

By contrast, conservatives would prefer minimizing the intervention of the public sector. They expect private businesses and workers to make the right consumption and investment decisions to maximize their incomes. Thus, the government must avoid distorting private decisions: “Accordingly, taxes are kept low” (ibid.). Distinctive partisan commitments shaped the policy choices of parties. Conditional upon other factors, therefore, partisanship matters to explaining variations in patterns of economic outcomes and performance.

This way of thinking about party choices has an old and vast scholarly tradition. Dating back to the 1970s, the ‘partisan’ theory of macroeconomic policymaking implies “a political signal in economic policies and outcomes correlated with shifts in party control of the government” (Hibbs, 1992:362). Hibbs (1977) original thesis was that left-wing governments fought unemployment, while right-wing governments are more worried about inflation. These differences would translate into different economic choices when one of the two parties came to government, and ultimately into different economic outcomes.

Subsequent studies have expanded or qualified the original theses of the partisan model (for a more comprehensive review, see Hibbs, 1992). But all variations share a core tenet: parties of different ideological orientation would leave a distinguishable imprint on their economic choices. This partisan effect has been observed in a number of policy areas. For

example, in parties' fiscal policies, as I will review in more detail in chapter 3, in shaping social policy change in the context of welfare state transformations (Starke et al., 2014) or in policy choices related to financial markets (see Ferrara and Sattler, 2018 for a detailed review).

Scholars have asked whether a partisan understanding of policymaking holds under conditions of greater economic globalisation. Haupt (2010) directly asks what is left for the left and right for the right in response to economic globalization? His empirical analysis shows that "both left-wing and right-wing parties do indeed systematically adjust their positions in response to economic changes associated with globalization. But not towards a neoliberal convergence".

More recently, Sen and Barry (2020) investigate whether market integration has induced ideological change among parties of different ideological orientation. Utilizing data from 51 countries between 1970 and 2014, they conclude that parties on both the right and the left have increasingly adopted traditionally leftist positions in response to globalization. Their evidence suggests that "though there is a general tendency among parties to shift their economic platforms leftward in response to liberalization, there is significant between-country variability in the effects". Partisanship, therefore, still matters but not in the way the original model suggested. Parties' ideology evolves and that evolution is shaped by both domestic and external forces.

Overall, there seems to be little disagreement on whether international economic integration influences domestic policy choices. It does. The literature has been less conclusive, however, with respect to the *direction* and the *intensity* of this adaptation: there is large variability between individual countries. This points to the need for more detailed case studies. This thesis contributes to this research effort through its focus on the UK and Spanish cases.

2.3. Economic and Monetary Union (EMU) and constrained choice

As European countries were rapidly integrating into the global economy, these countries also deepened the economic integration among themselves. This integration has been unparalleled in its transformative effects on national political economies. As such, it deserves separate

attention. The academic literature looking at the European integration is especially vast. This section reviews research agendas that have studied major political and economic implications of moving towards Economic and Monetary Union (EMU). In particular, it asks whether and how European integration might have constrained autonomous choice in member states.

The Comparative Political Economy (CPE) literature has long viewed European integration as the outcome of member states' strategies. These strategies have been determined by distinct varieties of capitalism (Hall and Soskice, 2001; Hall, 2014; Iversen et al., 2016). This view emphasises that national governments are self-interested actors. They seek particular politico-economic benefits based on their national interests, which are shaped by different models of capitalism. Little of what they have done to advance economic and monetary integration has been 'imposed' upon them.

In a simplified account, EMU integration has been shaped by the institutional realities and preferences of two groups of countries: the export-oriented, *coordinated market economies* (CMEs) of the North¹¹ and the demand-driven, *mixed-market economies* (MME) of the South¹². Each group of countries has seen integration as a mechanism to satisfy its economic preferences, as well as a response to its own problems.

The export-driven economies have been especially averse to competitive devaluations as an adjustment strategy (Iversen et al., 2016:166-167). Instead, Northern countries have preferred non-accommodating monetary and fiscal policies. By accepting to share a common currency with the southern economies, this group ruled out competitive devaluations from France, Italy and Spain. They also sought to increase the demand for their own products.

On the other hand, the southern economies have had other preferences and distinct economic predicaments of their own. These economies have typically relied on inflationary demand-growth models. By integrating

¹¹ Austria, Belgium, Finland, Germany and the Netherlands.

¹² Greece, Ireland, Portugal and Spain. France and Italy are often classified within this group.

further, they could import more and cheaper goods from the exporting countries. They also had suffered relatively more from the exchange rates volatility under previous monetary regimes (the so-called Snake, EMS/ERM). By joining a common currency area, these countries achieved lower and more stable inflation, lower real interest rates and increased foreign investment.

In addition, the 'anchoring' in a European fixed exchange rate system was seen, by much of the political class in countries like Italy and Spain, as a politically convenient external constraint (*vincolo esterno*). For this constraint could be used to achieve a more 'northern' fiscal policy at home – an outcome that had eluded these countries for decades (Dyson and Featherstone, 1999). From this standpoint, economic integration at a European scale has provided a solution to the problems that European countries were facing over the preceding decades.

But what did the move towards deeper economic integration mean for the autonomy of national governments? Scholars of European integration have long argued that European integration has weakened the authority of national states (Börzel and Risse, 2000; Caporaso, 1996; Hooghe and Marks, 2001; Bickerton, 2012). As Francis McGowan (2001:98) notes, "European integration involves member states committing themselves to a much more robust set of rules than those which might be regarded as framing globalization (WTO, IMF, etc.). Moreover, in the detail of reforms, the imprint of the EU is much clearer than that of global pressures"¹³.

More decisively, the deepening of integration has also set the menu of policy choices for national governments in crucial respects. A good example of this development is the 1992 Maastricht Treaty. The Treaty established a clear road to the euro via the so-called Maastricht criteria, a set of five macroeconomic indicators to monitor the progress of candidate countries before they could adopt the common currency. In the euro area, monetary policy would become an exclusive competence of the Union. And with a common currency and a common monetary policy, joining countries would need new forms of coordinating their fiscal policies. The

¹³ Cited in Moschonas (2018:27).

potential disruptive effects of these changes soon captured the attention of scholars.

A relevant work at the time is Forder and Menon (1998). After the signing of the Maastricht Treaty, and just before the birth of the euro, leading experts pondered about the impact that EU membership would have on national processes and macroeconomic policies. The answers provided in the study were unusually explicit in their indeterminacy. For the impact of EU membership “has varied over time, between countries and between different aspects of macroeconomic policy. State autonomy has been increased, decreased and left unaffected. The EU has nullified the effect of other pressures, has reinforced them, or has failed to have an effect on them” (Forder and Menon, 1998:186).

Yet most scholars agree that the constraints that come with EU membership are self-imposed. There is an obvious element to this observation: countries voluntarily choose to join in and to opt out from EU arrangements (cf. Bickerton, 2012:53) – though there is a relevant difference between ‘exit’ and ‘opt-outs’. The latter allow member states to remain outside the remit of certain policies while remaining a member in the block (e.g., the UK and Poland with the Charter of Fundamental Rights, or Denmark and Sweden from EMU)¹⁴.

Less obvious, perhaps, is the observation that the process of deeper integration has transformed the very nature of statehood, as Christopher Bickerton (2012) has argued. European integration has created a particular form of state, the member state, which is historically specific and different from the classical national state. Member states are characterised by the voluntary limitation of national power through commitments and obligations beyond the state (ibid.:52). These acts of self-limitation are autonomous voluntary acts (cf. Weiler, 2003:21). Such obligations concern all political actors within a state, and in particular national governments.

If scholars largely agree on the voluntary self-limiting nature of membership, what about the character of these constraints? Legally, these constraints apply to all members of the Union. The term member state has been commonly interpreted as a juridical one, i.e., as a term associated

¹⁴ I thank Julien Bois for this relevant precision.

with a specific set of rights and duties or a legal title to be added onto that of nation state (Bickerton, 2012:53).

But these constraints not only operate legally. They also have a political character. This is relevant since this political dimension has increasingly affected how national actors legitimise domestic policy choices. EU membership has shaped the way policy decisions are presented to the public: “national political leaders blame policy choices at the European level for, or use pro-European arguments to legitimise policies which are unpopular at home” (Forder and Menon, 1998:178).

More relevant for the themes of this thesis is the observation that, in the course of advancing integration, governments have chosen to constrain themselves more than the system itself demands¹⁵. This has given a more political character to the constraints associated with EU membership. When national executives defend a policy position on the basis of EU membership, without a legal obligation that requires adopting that particular position, an element of constraint comes into the system which was not originally there. In these circumstances, it is “the political necessity of avoiding embarrassment as a result of failing to do what one has publicly promises that creates the constraint on policy” (1998:177).

This is a relevant insight for the study of constraints on partisan politics. For it comes with analytical implications. There is a meaningful difference between limits created by the rules and the intersubjective interpretations that politicians place on these limits. There is a tension, in essence, between *objective* and *intersubjective* understandings of the notion of constraints; between the idea that rules and institutions *objectively* constrain political actors, and the idea that politicians *discursively* contrive some of these arrangements as representing a constraint, independently of whether there is conclusive evidence for it (cf. Harrop, 1998; Hay and Rosamond, 2002).

There is no apparent solution to this analytical hurdle. Finding evidence on the material effects of constraints is obviously important. By the same

¹⁵ For instance, Forder and Menon (1998:191) refer to the experiences of Italy and France in the early stages of EMS as good examples of national governments tying themselves more than the system requirement demanded.

token, it is also important to pay attention when politicians invoke those constraints in public. If political actors invoke these constraints to adopt particular policy choices, they become real at the level of discourse (Hay, 2001b). The main implication is that both the material and the discursive dimensions are analytically relevant for the researcher.

On closer inspection, the distinction between what constraints 'are' and what constraints 'are made to be' is a recurring theme in the scholarship on EU integration. In particular, this is a useful lens for making sense of the literature that analyses the impact of EMU membership on domestic political autonomy. Stiglitz (2016) and Sandbu (2017) represent two opposite examples in this respect. Stiglitz (2016) conceives the Eurozone as a structural straitjacket that severely limits the policy choices of its member states. Thus, Eurozone membership is objectively presented as a very constraining arrangement for national executives. In contrast, Sandbu (2017) conceives the euro as a rather dysfunctional form of institutional coordination, which nevertheless leaves ample room for autonomous domestic action. Politicians, and many analysts, have 'made' of the euro a greater constraint than it really is.

Such disparate assessments are, in a way, unsurprising. There has never been a conclusive consensus on this matter. At the time of the euro's creation, some authors like Garret (1998) believed that "[m]embers' room for manoeuvre in fiscal policy would not be greatly affected". Countries would still retain a lot of freedom on fiscal matters "because the rules ... on 'excessive deficits' are vague, because countries may be tempted to run large deficits in response to idiosyncratic shocks, and because big debtors will likely believe that they would ultimately be bailed out by other members of the union" (ibid.:147-148).

It was the prospect of 'too much' fiscal autonomy that raised red flags in certain European capitals. The Maastricht Treaty had limited government deficits to 3 percent of GDP and public debt levels to 60 percent. But the specification for the future fiscal regime was incomplete and ambivalent (Heipertz and Verdun, 2011). A major concern at the time was that the fiscal 'indiscipline' of one member state will end up affecting the Union as a whole. To partially address this concern, the vague provisions of Maastricht were spelt out more precisely in the 1997 Stability and Growth Pact (SGP). The SGP put in place preventive and corrective measures to

monitor and punish national deviations from the fiscal targets. A new set of rules were buttressed into the system.

At this point, it is pertinent to stress that these rules and, more generally, the design of the monetary union have a relevant ideational underpinning. That these institutional arrangements are driven by something else than functional requirements and struggles between competing national interests. Ideas matter in establishing institutions, as it has been long highlighted by a diverse group of scholars (March and Olsen, 1989, 1995; Hall and Taylor, 1996; Blyth, 1997, 2002; McNamara, 1998; Campbell, 2001; Jones, 2009; Rodrik, 2014; Ban, 2016).

The underpinning economic ideas of EMU have been associated with monetarism and the so-called Brussels-Frankfurt consensus (de Grauwe, 2013:159). This consensus was forged around the notions of ‘sound finances’, ‘budget balances’ and ‘financial market flexibility’ which became the touchstones of EU economic governance, alongside the principles of central bank independence, price stability and fiscal discipline¹⁶.

Specifically, this macroeconomic framework accepted the following tenets: the belief in flexible labour markets as a way to deal with asymmetric shocks; the creation of a strict framework of fiscal rules but with enough flexibility for countries to use national fiscal policies to respond to these shocks; the idea that focusing on price stability was enough for the monetary policy of the ECB and the lack of concern about financial instability since the sole focus on price stability in the Eurozone would make this risk less significant (de Grauwe, 2013).

More importantly, this set of ideas favoured an economic doctrine that was not accepted by all political parties in all member states before Maastricht. This is a significant development because mainstream parties gradually but inexorably adapted their economic programmes to this doctrine. After the advent of the euro, integration enthusiasts could no longer pretend to defend different positions on relevant macroeconomic

¹⁶ Other analysts have associated EMU with the ideology of ‘central bankism’: “The Maastricht criteria are utterly pervaded, inspissated and parboiled by the spirit of central bankism” (Luttwak,1997:230).

questions around, for example, the desirability of tighter fiscal rules, the primacy of price stability or the independence of central banks. The growing political acceptance of these postulates is therefore meaningful for how scholars think about partisanship in economic policy. Simply put, partisan economic policymaking cannot mean the same thing before and after the euro. The building ideas of EMU have filtered into the economic programmes of governing parties.

Certainly, European parties have not adapted these programmes in a linear fashion, nor has this adaptation been homogeneous in every country. Programmatic adaptation has been more complex and heterogeneous than this simplified account concedes. Yet a core insight stands: the ideational consensus associated with EMU and its institutional corollary have defined partisan policymaking in member states in concrete ways.

In a similar way in which the choice of one policy target over another has privileged certain institutions (Blyth and Matthijs, 2017)¹⁷, the preference for this set of policy ideas has privileged certain institutional configurations for the Economic and Monetary Union over other possible arrangements. Along the way, national macroeconomic regimes have been transformed in crucial respects.

For example, national authorities had been influencing the exchange rate policy, set the interest rates and fixed the target rate of inflation for decades. After the advent of the euro, member countries have transferred this power to supranational authorities. In the euro area, monetary authority lies in the hands the ECB, which is committed to a “one-size-must-fit-all” monetary policy (Issing, 2005).

The process of economic and monetary integration has also altered the menu of policy options available to political parties. For example,

¹⁷ “For example, if one of the preconditions for creating full employment is limiting the ability of capital to exit so that it can be taxed and redistributed, then limiting the movement of capital and a dependent central bank become common and logical institutional choices” (Blyth and Matthijs, 2017:208)

currency depreciation¹⁸, restrictions to capital mobility –still used in the early 1990s by several European countries – or reliance on higher inflation were lost as adjustment mechanisms to cope with external imbalances and shocks¹⁹. In theory, some of these options remain available at the EU level, while others have been prohibited by the EMU legal framework²⁰.

Several studies have attributed to European integration a more direct role in constraining party competition on economic policy. For instance, Kyriaki Nanou and Han Dorussen (2012) show that “assignment of policy competencies to the European Union has reduced the divergence of party policy positions nationally, leaving the electorate with fewer policy options”. Using manifesto data, their analysis finds that in “policy domains where the involvement of the EU has increased, the distance between parties’ positions tends to decrease”. The constraining impact of EU policy decisions differs between Member and non-Member States, whereas “this effect is more apparent for the policy agendas of larger, mainstream and pro-EU parties in the Member States” (ibid.:71).

European economic integration has also produced other effects in terms of facilitating or hindering the performance of national economies and their adjustment in times of crisis. In this respect, a distinction needs to be made between the impact that EU membership has had in ‘good’ and ‘bad’ economic times. This distinction is most relevant for Eurozone countries.

If we look at what the CPE has said about the good economic times, the assessment is relatively optimistic. The first decade of the euro was judged as a relative success: Inflation remained low, while trade, foreign direct investment and banking became more integrated across the Eurozone

¹⁸ At the time Maastricht was signed, it was assumed that currency depreciation was not a ‘viable’ option anymore (Moses, 1994). This option was nonetheless available if national authorities were willing to bear the costs of it.

¹⁹ To some extent, this narrowing of options applies to the non-Eurozone countries too. For they also had largely abandoned depreciation as an adjustment mechanism, though not the possibility of enduring a little more inflation to cope with deleveraging.

²⁰ Article 63 of the TFEU explicitly prohibits restrictions on movement of capital and payments. Note that the capital controls imposed in 2013 in Cyprus and in 2015 in Greece should be understood in the context of these countries’ financial assistance programmes, rather than as a discretionary option available to national governments.

(Iversen et al., 2016:171). Economic and monetary integration supported the national growth strategies that were in place before the euro: the northern economies benefitted from the economic expansion in the south, and the southern economies received a massive inflow of credit from the north, which contributed to rapid economic growth based on cheap credit.

However, in crisis conditions or ‘bad’ times, euro membership has been regarded differently. When the 2010-2012 euro crisis broke out, the macroeconomic imbalances generated over the previous decades were judged in less favourable terms. What appeared to be sustainable during the ‘boom’ period became almost unmanageable. As a result, political conflicts over adjustment and rebalancing resurfaced at several points during the crisis (Frieden, 2015b). These intra-EU conflicts were framed with particular narratives: debtor countries were pitted against creditors, the frugal against the profligate and the North against the South²¹.

National governments have no easy options for dealing with debt and balance of payments imbalances. But the Eurozone remains unique because, according to Frieden and Walter (2017:192), “[its setting] strongly constrains the policy options available to policy makers and vastly increases the interdependence of the euro countries”. During the crisis, the dearth of alternatives was most evident in certain countries. The costs of adjustment were borne almost exclusively by the debtor countries upon the desire of the creditor states (Frieden, 2015b; Fernández-Albertos, 2017:256). Also, surplus countries seemed to be largely in control (ibid.:7).

In deficit and debtor countries, therefore, incumbent governments have little choice but to accept ‘internal devaluation’ as the default adjustment option, i.e., nominal reductions of wages and prices throughout the economy (de Grauwe, 2013). Austerity was also imposed on countries with historically large macroeconomic imbalances (European Commission, 2010), which according to some scholars exacerbated the

²¹ The Eurozone was confronting a crisis of culture, according to Alan Greenspan (2011): “for the euro to prevail, something more formidable than the failed stability and growth pact is needed to constrain aberrant behaviour”.

structural asymmetries inside the Eurozone (Lapavitsas and Kouvélakis, 2012)²².

Critical accounts have judged these power asymmetries with scepticism. Fritz Scharpf (2016:1) considers that the process of forced convergence taking place in EMU “explicitly removed or rigidly constrained national problem-solving capacities without, however, creating European capacities that could address the diversity of national economic conditions”. Scharpf (ibid.:23) concludes rather bluntly that “the present euro regime amounts to an attempt to enforce the structural convergence of Eurozone economies on the Northern model”.

By contrast, less critical views see nothing irrational on this behaviour. For example, Iversen et al. (2016:181) argue that the German and northern countries’ insistence on imposing austerity on the south was a “rational response”. These countries tried to safeguard their own growth model. And to do so, it was arguably rational to force the south to become more like the north.

More generally and in light of the consequences of this crisis, Mark Blyth (2013a:183-184) has defined the Eurozone as a “gold standard without gold”. In both cases, national adjustment mechanisms are limited and politically costly, and there is no supranational architecture that could easily accommodate the needs of different countries. While the euro and the gold standard are different monetary regimes in relevant respects, the default mechanism for economic adjustment is the same: deflation and austerity. Default on sovereign debt is also a possibility but one that almost no politician is willing to accept.

In both systems, the claim that governments will be able to pay their debts sustains the credibility of the system in international debt markets. Under the gold standard, the capacity to convert the currency into gold is what backed up that claim. Inside the euro, however, the external constraint on governments’ credibility is more stringent. For states cannot restore their

²² In the monetary realm, other aspect became relevant. Countries like Spain and Portugal may have weathered the economic crisis better if monetary responses had been tailored to national economic conditions. But this was impossible by definition: art. 3(1) of TFEU establishes that monetary policy must be decided for the euro area as a whole.

old currencies as ‘easily’ as they could leave the gold standard – they no longer ‘print’ their old currencies and doing so would come with additional political costs.

In such a system, Blyth concludes, a country’s failure to repay its debt can trigger a financial nightmare. In the absence of gold, member states depend on a greater act of faith to keep the union together. Consequently, debt repayment is elevated to a principle that must be followed at all costs. If it appears that one country can no longer repay its debts, like Greece during the euro crisis, other members will have to pretend otherwise. The stability and ultimately the survival of the euro would out-rank other priorities that these governments may have.

Taken together, these assessments suggest that euro members would be comparatively more constrained to manage an economic crisis than non-Eurozone members, and, within the euro area, debtor countries more so than creditors. Yet, the often conflicting perspectives on the impact of EU membership provide a fertile context for further research. The varied assessments reviewed here justify more detailed investigations of the specific effects that different types of EU membership have had on the experiences of individual governments in various countries.

The Great Recession, conceptualised as the combination of the financial crisis with the euro crisis, provides a unique context to study these effects. Just as the impact of EU membership was not the same over time, across countries and across all aspects of macroeconomic policy before the euro, as Forder and Menon (1998) concluded, so, I argue, neither was it during this crisis. There are good reasons, therefore, to put into comparative perspective the impact of EU membership on crisis management in individual cases.

2.4. Implications for representative politics in Europe

The transfer of sovereignty and the globalization of markets have not left representative politics untouched. These processes have changed the ‘structure’ and ‘form’ of political conflict in Western European democracies, reshaping the issues and nature of this conflict and altering the dynamics of political competition (see, *inter alia*, Kriesi et al., 2008, 2012). They have also affected how executive politics is conducted, particularly in respect to macroeconomic affairs.

Before the advent of hyper-globalisation and the deepening of European integration, political domestic conflict was mainly compressed to a left-right conflict. Over the past decades, ideological confrontation has gradually been displaced to a different axis of conflict, according to Hanspeter Kriesi and collaborators (Kriesi et al., 2008, 2012). Political competition has shifted from an emphasis on 'degree of state involvement in the economy' and who gets what to issues of 'openness vs. closure' with respect to globalisation and supranational integration.

The transformation of the state as the main container of political conflict has facilitated the emergence of a transnational political cleavage (Hooghe and Marks, 2018). This transnational cleavage has "as its focal point the defense of national political, social and economic ways of life against external actors who penetrate the state by migrating, exchanging goods or exerting rule" (ibid.:110).

In Europe, this cleavage has revolved around the effects of European integration on domestic affairs. This axis of conflict has surfaced in public discourse. Theoretically, neofunctionalism and liberal intergovernmentalism theories hold that European integration can advance if it delivers collective gains in situations of asymmetric interdependence (Moravcsik, 2018). Yet post-functionalist theories posit that, in practice, politicians are also hindered by their voters. For decades, national governments could advance integration without much contestation and with the relative indifference of national publics (Lindberg and Scheingold, 1970). But this permissive consensus has been replaced by a constraining dissensus defined by more skeptical electorates in several member states (Hooghe and Marks, 2009; cf. Bremer, Genschel and Jachtenfuchs, 2020)²³. In turn, the increased salience of EU affairs as an issue of political conflict has been accompanied by more contestation,

²³ For work on the nature of contemporary cleavages and how they relate to changing forms of political discourse, particularly in the context of European integration, see Hutter and Grande (2014); de Wilde et al. (2016) and, in particular, Hooghe and Marks (2018).

leading to greater politicization of European integration in some member states (Hutter and Kriesi, 2019)²⁴.

Along the way, the deepening of supranational integration has not only altered the 'nature' and 'issues' of political conflict. These multifaceted processes have also affected the extent to which contemporary political parties can fulfil their democratic functions. The mechanisms of political representation have come under greater strain. For parties seem less able to govern and represent at the same time.

This tension has been best captured by the proposition of the decline of party democracy, most forcefully argued by Peter Mair (2013a, 2013b). Of particular relevance are the debates revolving around the failings of contemporary political parties and the crisis of 'party government'. This crisis would be the result of wide-ranging developments taking place within advanced capitalist states (Katz and Mair, 1995, 2009, 2018; Blyth and Katz, 2005; Mair, 2013a, 2013b; Caramani, 2017; Hopkin and Blyth, 2019).

As a model of political representation, the notion of 'party government' has an old pedigree (Schattschneider, 1942; Rose, 1969; Katz, 1986). Political parties stand at the core of it since "modern democracy is unthinkable save in terms of the parties" (Schattschneider, 1942, cited in Caramani, 2017:57). Proponents of party government "sees parties offering alternative policy choices based on which citizens mandate them and hold them accountable" (Caramani, 2017:54).

In this ideal type of political representation, the linkage between parties and voters is established through competition between two or more parties. Parties compete to offer "distinct packages of policy alternatives, so voters can make a meaningful choice" (ibid.:57). Voters know what parties "stand for" and they choose accordingly on the basis of issue preferences (Achen and Bartels, 2017:233). Proponents of party government interpret partisan loyalties as providing a meaningful basis

²⁴ Politicization is seen as a "publicly visible contestation related to the various dimensions of European integration" (Hutter and Kriesi, 2019:997).

for democracy. Parties are bound by these proposals and they are expected to translate them into policies.

In contemporary Europe, this form of politics has become increasingly difficult to deliver. This form of government depends on a set of conditions, which are absent or increasingly undermined (Mair, 2013a:65) – a proposition that directly speaks to the central idea of this thesis. With the transfer of competences to the EU, for example, other actors have gained relevance in policymaking. At both national and European levels, constitutional courts, independent central banks and regulatory agencies are performing governance functions for which “they are thought to be better suited than politically accountable governments” (Scharpf, 2000:14).

As a result, the delegation of decision-making authority to non-majoritarian institutions has attenuated policy competition. It has reduced the ability of political parties to offer meaningful alternatives. As Peter Mair (2013a:59) observed, “policy discretion has become increasingly constrained by the imperatives of globalization and, with the much-expanded European Union ... by the disciplines imposed by the Growth and Stability Pact and the European Central Bank”.

In this multi-level polity, the classical tension between ‘responsible’ and ‘responsive’ government (Birch, 1964) or between ‘democratic’ and ‘effective’ government (Scharpf, 1999) has become more difficult to manage (Alonso, 2014). “In their relationship to the electorate, parties are out of touch because they find it difficult to read and aggregate preferences [and] the external constraints on policy alternatives are considerable (in particular from supra- and transnationalization)” (Caramani, 2017:57-58).

In sum, the gap between ‘representative’ and ‘responsible’ government “has become wider and less manageable because of changes in the circumstances in which parties compete ... and in which governments govern” (Mair, 2009:5). Governments have become less responsive, “less inclined to listen to voters to the extent that they cannot effectively process the demands that voters express” (2013b:156). As a result, there is a growing divide between parties which claim to represent, but don’t deliver, and those which deliver, but are no longer seen to represent (ibid.:164).

This reality has made more difficult for parties to govern and represent at the same time, especially in the context of a deep economic crisis²⁵. In these circumstances, parties may end up performing the function of government at the expense of political representation (cf. Mair, 2013b:143; Caramani, 2017:57). In doing so, the policy alternatives offered by different parties would be less distinctive and parties would appear less bound by their own proposals. Thus, the choice between alternative parties will be less ‘meaningful’ for voters. The notion of party government will thereby lose substantive meaning.

In *Politics in the Age of Austerity*, Armin Schäfer and Wolfgang Streeck (2013) remark that democracy depends on choice. “Citizens”, they go on, “must be able to influence the course of governments through elections. If a change in government cannot translate into different policies, democracy is incapacitated” (ibid.:1). In the aftermath of the Great Recession, the choices that governing parties could make appeared to be constrained by more complex institutional arrangements than during the last major crisis. Over the preceding decades, European economies had become more interdependent in more intricate ways.

All these developments, one might conclude, have had two fundamental consequences. First, political agency could no longer be taken for granted and, second, if different parties entered government, it could not be assumed that their choices would reflect distinctive commitments. By 2008, a new era of constraints had dawned. A pertinent question is: what kind of partisan dynamics will emerge in these circumstances?

This thesis seeks to address this question by studying a particular set of discourses: technocracy, exceptionalism and legalism. As the next chapter outlines in more detail, parties across the ideological spectrum are increasingly relying on these discourses to justify their choices under constraints. The study of these discourses can thereby add to existing work that assesses the changing character of party competition in Europe.

²⁵ Vivien Schmidt (2014) has framed this dilemma in terms of ‘speaking to the market or to the people’.

2.5. Conclusion

In the previous two decades, Europe's political economies have undergone profound transformations. In light of these changes, scholars have taken stock. Scholars have tried to assess the effects of globalisation on the autonomy of states. They also questioned whether there was sufficient space left for partisan politics in more integrated economies. The answers were not conclusive. Students of European integration have also sought to determine the impact of moving towards deeper forms of economic and political integration. For this task, they found no better laboratory than EMU. The advent of the euro changed the policy choices that different governing parties could make. It also set the political and economic parameters for decision-making in crucial areas. Political scientists have in turn tried to pinpoint how all these transformations have affected representative politics in Europe.

The complexity of these processes, as well as the ferocity of the worldwide economic crisis that followed the 2008 financial meltdown, have challenged even the most ambitious efforts to understand the political present. As the leading authors of the *The Politics of Advanced Capitalism* reflect, "[I]n a process accelerated by the Great Recession, virtually every essential aspect of advanced political economies is undergoing fundamental, and potentially far-reaching, transformations" (Beramendi et al., 2015:1). We have all had to recalibrate. Scholars have been revisiting longstanding debates, re-examining well-established assumptions, revising analytical frameworks, rejecting old theories and proposing new ones.

This dissertation aims to make a modest contribution to that gargantuan effort. It does so by taking up following research question: What difference does it make to have different parties in government managing an economic crisis? There are varied reasons to revisit this question. On the one hand, the Great Recession offers a unique critical juncture for revisiting it. In each country, governments had to react to specific economic conditions. But almost all governing parties, left and right, managed it under unprecedented constraints. Did parties on the political left and right make different choices? To what extent were these choices forced by external constraints or guided by distinctive programmatic commitments? How these parties justified their crisis choices? And what

does all this mean for our understanding of partisanship in contemporary democratic politics?

In this thesis, I propose to try and answer these questions by looking at policy choices in Spain and the UK using analytical narratives, and then at their associated legitimization discourses using content-discourse analysis. Before doing that, chapter 3 will present my own understanding and conceptualization of constraints. The next chapter outlines the theoretical framework of the dissertation, which aims to integrate two dimensions: the political-economic context within which parties make their choices and the political language they use to justify them. A 'discursive institutionalist' approach, it will be argued, is appropriate for integrating the two dimensions analytically. In the following chapters, the thesis will investigate whether and how constrained partisanship manifested itself during the Great Recession (2008-2014) in each country.

Chapter 3

Constrained Partisanship: A Discursive-Institutionalist Framework

3.1. Introduction

In this thesis, I proceed step-by-step. The first is analytical, as I develop a framework for studying the relationship between partisanship and external constraints under crisis conditions. Elinor Ostrom (1999:25-26) made the generally accepted distinction between *frameworks*, which identify relevant concepts and help organize analysis and theoretical comparison; *theories*, which make general assumptions about the causal relationships between concepts and *models*, which make precise assumptions about particular objects of enquiry.

This chapter is devoted to the first task. It lays the theoretical and conceptual foundations of the dissertation and advances my central argument. To understand whether there is any difference between having different parties managing an economic crisis, it is first necessary to specify what difference I refer to and what are the external limits to party differentiation. The notions of 'partisanship' and 'external constraint' are the entry points to this study.

In this thesis, partisanship is defined as the *distinctiveness* of having parties on the political right and left managing a crisis, or the distinctive effect of having one party or the other in office. When studying this distinctiveness,

I focus on two politically relevant manifestations: the economic policy choices these parties make and how they communicate about them. The first section of the chapter clarifies this understanding of *partisanship* (3.1.1).

When I speak of limits to party differentiation, I refer to the *external constraints* under which parties must make their choices. Since the academic literature conceptualises this notion in various ways, I devote a separate section to clarifying my own conceptualisation (3.1.2). In particular, I think of external constraints as political-economic limits to the exercise of executive power. To characterise these limits, I propose an actor-centric framework that puts governing parties at the centre. From the perspective of parties, the framework identifies three relevant sources of *political-economic* constraints: fiscal rules, central banking and bond markets.

In the following, I propose an interpretative framework to characterise a form of partisan politics that can emerge under these constraints. I refer to this form of politics as *constrained partisanship*. This notion aims to understand *specific* rather than general political-economic conditions. In contrast to other existing uses of the term (Beramendi et al., 2015), this understanding highlights a set of more immediate constraints on governments. At the same time, it pays greater attention to an aspect that has been typically ignored: how political parties justify their choices under constraining conditions. In recoupling debates of European macroeconomic regimes with questions of political legitimation, the question of how governments legitimise choices under constraints becomes the central one.

How then should we think theoretically about constrained partisanship? To the extent that partisanship denotes both parties' policy choices *and* discourses, studying it requires a framework that, ideally, can consider both. To that end, the analytical framework combines two dimensions: the institutional context in which parties make their policy choices and the political language they use to justify them. For that purpose, a 'discursive institutionalist' approach is appropriate. For it is a theoretical approach that "takes discourse seriously" (Schmidt, 2008; 2011; 2014; 2017).

While this thesis does not follow every postulate of this institutionalist strand, I stand by its basic premises; namely, the importance of

considering ideas and discourse in its institutional context, and its basic understanding of discourse as a more 'versatile' and 'overarching' concept than ideas. Discourse "is not only the representation or embodiment of ideas, but the interactive discursive processes by and through which agents generate and communicate ideas" (Schmidt, 2011:107; 2017:250). More specifically, "discourse is not just ideas or 'text' (what is said) but also context (where, when, how, and why it was said). The term refers not only to structure (what is said, or where and how) but also to agency (who said what to whom)" (Schmidt, 2008:305). In a discursive-institutionalist framework, text and context are interlinked.

From this theoretical standpoint, I connect more clearly the political language that parties use under changing institutional conditions. Section 3.3 develops this point in full and advances my central thesis. I pose that, under constrained partisanship, the link between distinctive economic programmes and ideological discourses loosens. This is because party programmes become less distinctive, and because other political discourses gain salience as legitimization strategies for policy choice. Party ideology will become less effective to defend parties' choices in an ideologically coherent way.

A significant implication is that other appeals will become politically expedient to govern in these circumstances. Somewhat paradoxically, different parties would end up relying on similar legitimating discourses. I highlight and study three: appeals to expertise and competence (*technocracy*); appeals to legality and legal obligations (*legalism*) and appeals to emergencies and exceptions (*exceptionalism*).

The last section of the chapter builds the ground for my understanding of technocracy, exceptionalism and legalism as political discourses. These discourses must be taken as plausible propositions to be tested in my research, rather than as an invariant or complete set. I do not claim that these appeals are unique to this form of politics; only that both parties on the left and right will rely on them. This is a different proposition, and the one I will test in relation to my cases. This proposition also sets the limits of my discursive argument about constrained partisanship.

After setting out the framework, this chapter concludes by deriving several empirically observable implications. I set out two sets of propositions, which I will investigate in relation to the Spanish and British

crisis experiences. The first relates to the *economic policy choices* that different parties make under constraints – I investigate them in chapters 4 and 5. The second set concerns the *political discourses* that parties use under these conditions – I investigate them in chapter 6. In combination, these propositions set the scope of the central argument of the dissertation.

3.2. Issues of definition

Conceptualising the notions of *partisanship* and *constraints* is challenging because, although both terms are common in our political vocabulary, scholars use them in different ways. Therefore, a preliminary clarification is in order. I first clarify the use of partisanship as an analytical category that aims to identify the distinctive effect of having different parties in government. Then I develop my basic understanding of external constraints as political-economic limits to governments' autonomy.

3.2.1. Partisanship

Political parties “stand for something”. But it is always necessary to specify in relation to what. Scholars conceptualise partisanship in three basic ways: it can reflect the commitment of political parties to a given ideological project, such as socialism, conservatism or radicalism (see, e.g., Giddens, 1994). It can also reflect parties' preferences for different ‘packages’ of policy proposals that would forge and mobilize winning political coalitions (e.g., Hibbs, 1977; Gourevitch, 1986; Hall, 1993). Following a more social interpretation, partisanship has been equated with party identification. Like religious identification, partisanship would reflect stable and lasting bonds between parties and voters on the basis of social identities (e.g., Greene, 2004; Achen and Bartels, 2017).

My understanding of partisanship is on rather familiar ground. It relates to the idea of ‘party government’ or its absence:

“Party government exists only in so far as the actions of office-holders are influenced by values and policies derived from the party. Where the life of party politics does not affect government policy, the accession of a new party to office is little more significant than the accession of a new monarch; the party reigns but does not rule”

Rose (1976:371)

In this dissertation, the “life” of party politics refers to the ‘distinctiveness’ of having parties on the political right and left in government²⁶. This distinctiveness is associated with the *partisan* choices and discourses of left and right. And it dovetails with issues that are primarily concerned with “economic policy conflicts”²⁷.

As an attribute of partisanship, distinctiveness allows us to tell parties apart. Several political theorists have emphasized this feature. For example, Nancy Roseblum (2008:207; 237) defines partisanship as a “*distinctive* political identity”. She also speaks positively of the ‘moral *distinctiveness*’ of partisanship as “*the* political identity in representative democracies”. Similarly, Jonathan White and Lea Ypi (2016) have emphasized the relevance of partisanship to an ideal of collective self-rule. Democratic decision-making needs normative justification beyond “unarguable system requirements” (White, 2013:165). These justifications are indispensable for legitimate political rule.

In this respect, White and Ypi (2016:30-31) refer to a “*distinctive* partisan claim” as a particular form of political justification, one which is defined by a “principled commitment to certain kinds of end”²⁸. The association of partisanship with a peculiar kind of democratic legitimation is particularly relevant²⁹. Thinking about partisanship in terms of principled political justifications is helpful for distinguishing between discourses

²⁶ In contrast to alternative understandings of partisanship, mine is not derived from voters’ *party identification*. It is not based on the cognitive or affective basis of partisan identification. I do not study the factors that lead individuals to vote for a party and forge lasting bonds with it (for a detailed review of this perspective, see Holmberg, 2007). My understanding is derived from the ways in which ideologically different parties have historically acted in office.

²⁷ For a seminal interpretation of the left-right dimension concerned with “economic policy-conflicts”, see Budge and Robertson (1987). Their analysis was based on the study of party programmes and election statements.

²⁸ Or in a slightly different formulation, a claim that advances “political commitments of a principled kind” (ibid.:21).

²⁹ In trying to reconcile the empirical and normative dimension of partisanship, White and Ypi (2016:14) emphasize the kinds of ends, ideals, shared principles and political visions that parties pursue, and not only the organizational means by which they pursue them.

that can be conceived as ‘partisan’ and those that cannot. Also relevant is White and Ypi’s claim (ibid.:66) that political justification has ‘ideological’ underpinnings in the sense that it is inseparable from the historically-formed intuitions it plays off.

Beyond normative philosophy, one can ‘see’ how these ideological underpinnings have manifested in political practice. In this *positive* understanding, partisan claims have been associated with a left-right division and the ideational referents associated with it; namely, with integrated traditions of left and right (White, 2013)³⁰.

The convenience of the left-right distinction has long been accepted by scholars. As the political basis of partisanship, it offers “both sense and shape to an otherwise complex reality” (Mair, 2007:208). These terms of reference provide sense and order to voters, scholars and, most importantly, to the parties themselves “whose programs and policies are susceptible to interpretation and analysis in left-right terms”.

The specific distinction between Lefts and Rights, however, is partly indeterminate. The meanings of left and right have varied over time and space. But all these manifestations have something in common. They refer to ‘distinct’ and opposing political camps. They have provided a ‘distinctive’ vocabulary to make sense of political reality³¹.

The changing meaning of left-right does not entail that this distinction lacks concrete content. It simply calls attention to the fact that the ideas, policies and values associated with it are subject to sustained debate and contestation³². Indeed, a vast number of scholars have tried to pin down

³⁰ “While the notion of commitment to a long-term normative project might seem to fit parties of the Left in particular, as those historically oriented to social progress and ongoing struggle, parties of the Centre and Right have by no means been immune to such concerns... Even parties that are considered ‘conservative’ generally set themselves some kind of ongoing project—for example, the restoration of a good society deemed to have decayed” (White and Ypi, 2016:129).

³¹ Even particular political projects or party visions, such as ‘Thatcherism’, has been understood in terms of its ‘distinctiveness’ (see Hay, 2001a:205-206).

³² For a substantive discussion of *partisan* policy choices see section 3.2.1 below.

the distinctiveness of this distinction, though this limited review cannot give a fair account of such intellectual efforts (but see Bobbio, 1996).

My understanding simply accepts that the distinctiveness of partisanship can manifest in various areas of political life. I restrict it to two politically relevant manifestations: what parties do in office and how they communicate about it. From this standpoint, partisanship can be operationalised by looking at two 'things': parties' *policy choices* and their associated legitimating *discourses*³³. Both manifestations would reflect *partyness*, or the distinctive effect of party in government.

More specifically, I concentrate on the *economic* choices made by left- and right-wing parties in response to the Great Recession, and on the *political discourses* they used to justify these choices. In combination, these two manifestations provide a more complete picture of what, if anything, was distinctive about having different parties in office in Spain and the UK³⁴.

3.2.2. External constraints

Having clarified my basic understanding of partisanship, it is now pertinent to clarify how I use the notion of constraints. However, this task is somewhat more cumbersome, and requires a longer discussion. Since academics tend to use the notion of constraints rather imprecisely, its meaning is often presupposed; and when an explicit conceptualisation is provided, it comes in many different versions.

To complicate matters further, the literature relates the notion of external constraints to different referents: institutions, actors, norms, rules, ideas and material conditions. Such conceptual stretching appears sufficient to make this concept impractical (cf. Sartori, 1970). And yet, after all, the language of constraints is so pervasive in the study of politics that we cannot refrain from trying to pin it down.

Students of politics have always been interested in the limits to political power. But the term 'constraints' has only recently come into wide

³³ There is, however, a clear distinction between both objects in that the former has an 'objective' component while discourse is 'intersubjective' by definition.

³⁴ What I claim to be distinctive belongs to the same economic policy domain. My central argument must therefore be understood within these parameters.

currency in the English language. Following a steady increase since the late 1970s, the use of ‘constraints’ in the English corpus only peaked in the early-1990s, as Figure 3.1 shows.

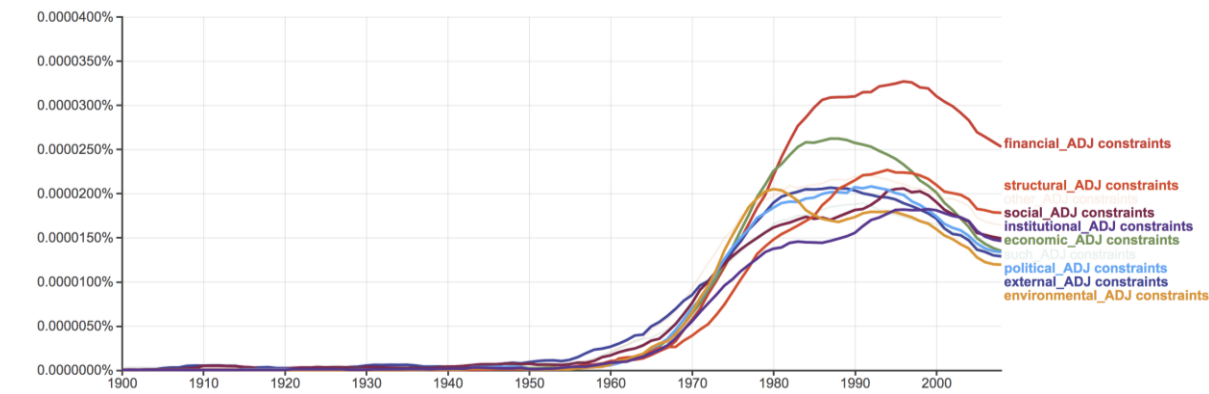


Figure 3.1 Constraints in the English Corpus (1900—2008)

Source: Google NGrams.

Note

The chart displays the number of occurrences of the bigram *_ADJ constraints divided by the total number of words in the English corpus (British and American) database for that year, in percent, between 1900–2008. This bigram identifies all the ‘adjectives’ associated with the term constraint. For example, ‘financial’, ‘economic’ or ‘institutional’ constraints.

The conceptual apparatus of ‘constraints’ might be a new language for a very old debate. I can only speculate about the factors behind this trend. But the development of a conceptual language often mirrors –or, indeed, signals– changes in the world that language seeks to name. In this case, the rise of constraints as a term coincides with profound socio-economic and political transformations in the global economy. The language of constraints –financial, structural, institutional, external, political– tracks a historical era of intensifying globalist pressures on national economies and deepening European regional integration, as I have sketched out in chapter 2.

It is perhaps no mere coincidence that more studies across disciplines have explicitly used this conceptual language over this period. In my view, the notion of constraints serves as a sort of conceptual glue that holds together otherwise heterogeneous research agendas. To name a few, Gourevitch

(1986); Scharpf (1991); Alesina and Rosenthal (1995), Boix (1998); Garret (1998); Matthijs (2010); Beramendi et al. (2015); Stiglitz (2016) or Sandbu (2017) are all works that, in different ways, have sought to understand how economic policymaking is conducted at times when constraints were coming from multiple domains and adopting more complex forms.

In a basic sense, an economic constraint relates to “a condition which has to be satisfied for any economic activity to be feasible” (Black et al., 2017a). Constraints arise from a variety of sources: facts of nature, human actions in the past (e.g. past levels of capital investment), limits on available technology or the need to motivate other agents. But most “economic problems typically take the form of maximizing or minimizing some objective function subject to satisfying a number of *constraints*, each of which may or may not be effective” (Black et al., 2017a).

A typical example is the notion of ‘government budget constraint’: an accounting identity linking the monetary authority’s choices of money growth or nominal interest rate and the fiscal authority’s choice of spending, taxation and borrowing at a point in time (Leeper and Nason, 2008:718). The budget constraint “requires that the present value of current and future taxes must be sufficient to cover the present value of current and future government spending plus the initial stock of government debt” (Black et al., 2017b). In theory, this constraint restricts how governments may conduct present and future fiscal policy³⁵.

Now contrast this specific use of the term with a more encompassing understanding. In his Alfred Nobel Memorial Prize Lecture, Douglass North (1993) defined institutions as “humanly devised *constraints* that structure human interaction”. For North (2005), the intellectual father of New Institutional Economics (NIE), institutions are made up of *formal* constraints (rules, laws, Constitutions), *informal* constraints (norms of behaviour, conventions and self-imposed codes of conduct) and their own enforcement characteristics.

³⁵ In some fiscal policy models this means that, holding spending constant, decreases in taxes today will require increases in taxes tomorrow to satisfy the intertemporal budget constraint. If governments do not raise taxes sufficiently to finance spending, they will have to resort to money creation and use the inflation tax to satisfy their budget constraint (Sheffrin, 2003:245-246).

In *Ulysses Unbound*, Jon Elster (2000) aims to develop a theory of why individuals may want to restrict their freedom of choice and how they achieve this end. In other words, a theory of self-imposed constraints. Elster argues that individuals may want to protect themselves against passion, preference change and time-inconsistency. And that they do so by removing certain options from the feasible set, by making them more costly or available only with a delay, and by insulating themselves from knowledge about their existence.

Elster develops his theory of constraints in relation to the social, artistic and political lives of individuals. But Elster is also insightful in what directly concerns our discussion here. Extending the notion of individual precommitment to the political sphere, he defines constitutions as “essential constraints on behaviour”, as pre-commitment and self-binding devices (Elster, 2000:89). He also makes the important distinction between devices that have the *purpose* of restricting the freedom of action of the individuals, and provisions that have restraining *effects* on a subset of the political actors, regardless of why and by whom the constraints were set up in the first place (ibid.:89-90).

Although North and Elster provide a different characterisation of constraints, they both draw attention to common ideas of *limits* and *feasibility*. Political actors face certain limits on what they can do and how they can do it. These limits express themselves in formal and informal rules (North) and essential and incidental constraints (Elster)³⁶. Given those limits, only some courses of action will be feasible in the short term.

Here institutions set clear boundaries for actors’ choices (cf. Jackson, 2010). This ‘choice-within-constraints’ framework is perhaps one of the most insightful contributions of several variants of institutionalism (Ingram and Clary, 2000; Steinmo and Thelen, 1992). As John Campbell (2001:160) notes,

“the key insight of historical institutionalism is its theory of constraint, that is, its explanation of how ideas and institutions limit the range of possible solutions that policy makers are likely to

³⁶ A more detailed explanation of these characterisations is beyond the focus of this review.

consider when trying to resolve policy problems (...) Historical institutionalists hold that underlying normative structures restrict the set of policy ideas that political elites find acceptable, and formal institutions mediate the degree to which elites transport different ideas into policymaking arenas for consideration”

For any government, therefore, the space of possibility is constituted by the set of normative structures and institutions that are relevant to resolve certain problems at a given moment. But constraints are not ‘invariant’: norms and institutions vary over time and within each policy domain.

Take, for instance, the domain of macroeconomic policy. In macroeconomics, the notion of an *external* constraint calls attention to structural limits to autonomous economic policymaking. An external constraint limits the way in which political actors can autonomously influence macroeconomic policies.

Consider now some of the external constraints that were discussed in the 1990s, the period that coincides with the peak of the language of constraints. In a study published in 1991, leading economists analysed the role of constraints in the conduct of macroeconomic policy in Europe (Alogoskoufis, Papademos and Portes, 1991). Focusing on the interwar and the post-war periods, the authors observed that growing economic interdependence was associated with greater economic openness among countries –foreign developments were increasingly affecting the decisions of domestic agents. But this openness was a mixed blessing for countries. It offered gains from trade, while imposing particular constraints on stabilization policy.

In the context of more integrated national economies, they identified three relevant external constraints (ibid.:1-3). First, a liquidity constraint which operates in a regime of fixed exchange rates with limited capital mobility. In this regime, a government trying to expand unilaterally would soon deplete its foreign exchange reserves. It would then be forced to adjust by reversing the original expansion and (possibly) by devaluing its currency. Second, under a floating exchange rates regime with high capital mobility, there are different trade-offs between unemployment and inflation and unemployment and the current account. Third, in a world of high capital mobility, there is also a solvency constraint: a

government must be in position to service its external debt without borrowing at a rate different from the growth rate of GDP³⁷.

These constraints were derived from theoretical models of how economies operate under certain assumptions. But they were also useful to explain how *real* economies function and how *real* actors perceive the set of economic choices before them. The authors refer to the devaluations of the 1930s, the stop-go cycles of the 1950s and 1960s in the UK, the monetary policy reversals of the 1970s and the successive crisis experiences of the European Monetary System (EMS) to illustrate the effects of these external constraints on concrete experiences of economic crisis.

But how are these studies relevant to a conceptual discussion? Two relevant insights are that external constraints are *regime-dependent*: they are associated with specific historical transnational regimes (cf. Blyth and Matthijs, 2017); in the previous examples, with different combinations of exchange rate regimes and capital mobility. Another relevant insight is that the effects of external constraints are *context-dependent*: their effects are not ‘homogeneous’ but manifest according to local conditions.

On the whole, however, economic approaches have lacunas. They tend to isolate economic policymaking from the political context in which politicians are embedded. Political-economic understandings have tried to fill this gap. These perspectives have wedged the political dimension into the conceptualisation of constraints, opening the space for characterising other kinds of constraints. As long noted by Peter Hall (1986:229), “even in a field where the correct choice of policies depends heavily on expertise and the instruments for policy implementation, policy is driven by a dynamic that is as much political as economic”.

But what would constitute a political-economic limit? From this standpoint, a political economy constraint would be “the limit associated with undertaking reforms that will antagonize voters and only yield

³⁷ If a country runs a trade balance deficit in the present it will accumulate net external liabilities that will need to be paid for in the future. To preserve its solvency, an economy running a series of trade balance deficits in the present must be ready to run trade surpluses in the future so that it can service the current level of external debt.

benefits after the government term expires” (Bénassy Quéré et al., 2019:17).

Consider again Boix (1998) study of the nature and the consequences of partisan agency on economic policymaking in the OECD, and his specific focus on the Spanish and British experiences in the 1980s. Boix claims that centre-left and centre-right governments pursued distinct partisan goals, as I noted in chapter 2. This goal differentiation was in part based on the fact that parties represented the interests of different social groups. They were also rooted in different value systems. In pursuing ‘socialist’ and ‘conservative’ economic strategies, nonetheless, both left and right parties faced unique political-economic limits.

During the 1980s, for instance, the Spanish socialist government and the British conservative government had to reconcile competing demands; for example, “constant popular demand for extending social benefits, the need to reconcile this demand with the resistance of key centrist voters to further tax increases, and, in the case of the Socialist government, the strained relations with the union movement” (1998:15). These are all relevant examples of political-economic constraints that can limit the agency of partisan actors.

In a seminal contribution, Atkinson and Stiglitz (1980:362-365) had already referred to political *feasibility* as a key dimension in the study of government policy choices. In *Lectures on Public Economics*, they argued that understanding the political feasibility of a policy requires “to examine the relationship of a policy to the structure of government and political institutions” (1980:576). Politics imposes specific constraints on governments and so the political process must be analysed explicitly.

Many scholars have taken up that call, paving the way for perspectives that take politics and economics seriously in order to develop more encompassing analytical frameworks. These frameworks combine a political and an economic perspective to better pinpoint the range of constraints that political actors face. This thesis aims to contribute to that effort.

3.2.3. ‘Constrained partisanship’ as a model of crisis politics

In liberal democratic politics, external constraints on executive power are a matter of degree. No government has absolute power and all governing

parties are limited in carrying out their political projects. In a basic sense, therefore, the idea of *constrained partisanship* appears a truism. It simply names what everyone already takes for granted.

However, the way scholars have referred to these constraints, and the way I understand this central idea, goes beyond describing a generally obvious reality. It aims to understand *specific* political conditions. For example, what are the set of relevant constraints in countries with specific characteristics (e.g., advanced capitalist economies); what constraints arise under particular circumstances (e.g., crisis vs. normal times); what policy choices political parties would make under different kinds of constraints (e.g., monetary union vs. monetary sovereignty), or what effects these constraints have on particular institutional arrangements across countries or over time. The ambition to address questions whose answers are by no means obvious is what makes the idea appealing.

The notion of ‘constrained partisanship’ is not entirely original. Before outlining my own understanding, it is only appropriate to say something about the most recent and ambitious attempt to develop a ‘constrained partisanship’ model of politics. In *The Politics of Advanced Capitalism* (2015), Pablo Beramendi, Silja Häusermann, Herbert Kitschelt and Hanspeter Kriesi take up a challenging task. Following up on the conclusions of *Continuity and Change in Contemporary Capitalism* (Kitschelt et al., 1999), they seek to characterize capitalism in contemporary times. But this task was even more daunting in 2015 than in 1999 “since advanced capitalism is caught up in an accelerating flux, induced by both external constraints as well as the internal dynamics of its political forces and institutional reforms” (2015:1). In the wake of the Great Recession, “virtually every essential aspect of advanced political economies is undergoing fundamental, and potentially far-reaching, transformations”.

A full understanding of this reality requires revisiting explanatory accounts and models in order “to theorize structured diversity in a world with changing policy preferences, policy options, and exogenous constraints” (2015:2). To this end, the leading authors propose a fully-fledge framework that incorporates the *supply and demand sides of politics*: politicians’ political-economic policy proposals and commitments, but also citizens’ policy preference.

Within this analytical framework, policy outputs and outcomes emerge from the interaction between political ‘supply’ and ‘demand’, restricted by political constraints: legacies of coalitions and existing institutions, state capacities and party system configurations (ibid.:62). They refer to this conceptualisation as a *model of constrained partisanship*, which it is then used to structure the comparison of capitalist dynamics in Western Europe.

For obvious reasons, the focus, scope and ambition of that model is different from the aim of this research. What I propose is, in comparison, more constrained indeed, and different in important respects. I do not study the long-term dynamics of contemporary capitalism, nor do I develop a complete (‘totalising’) model about how politics works in advanced capitalist societies. Instead, I seek to offer a different interpretation of the partisan politics that may emerge under crisis conditions. I do so, above all, by looking at the actions of governing parties.

I propose in this thesis an interpretative framework to study the relationship between external constraints and partisanship in the context of economic crisis. In contrast to the constraints identified in Beramendi et al. (2015), which are wide-ranging, deeply rooted and have a longer temporal horizon³⁸, this thesis highlights a set of more immediate constraints on governments, while, at the same time, paying special attention to an aspect that has been typically ignored: how different parties will justify their choices under these conditions.

As a first step, I outline a framework that seeks to combine two relevant dimensions: the institutional context within which parties make their choices and the political language they use to justify them. In the remaining chapters, I deploy this discursive-institutionalist framework to study and compare two national experiences of crisis, the Spanish and the British, with four different parties in office operating under varying constraints. Specifically, I will investigate whether and how ‘constrained

³⁸ As the authors themselves suggest in relation to two critical constraints: policy legacies and state capacities, which “both involve political institutions, such as electoral systems, executive-legislative relations, subnational delegation of jurisdictions (federalism), and other rules of the game” (Beramendi et al., 2015:62).

partisanship' manifested itself in the economic policy choices that these parties made and their associated political discourses.

3.3. A Framework of Constraints: Economic Policy Choice in Times of Crisis

I think of constraints as limits to the exercise of executive power. These limits affect the autonomy of elected parties to respond to an economic crisis. Different parties may have different preferences about how to respond to the crisis. But these parties will operate in a context of varying constraints. To characterise these limits, I propose an actor-centric framework that puts governing parties at the centre. From the perspective of these actors, the framework identifies the most crucial political-economic constraints in the broader institutional landscape in which parties are embedded.

External constraints come in different forms, but we can generally think of them as a combination of two aspects. First, governing parties are constrained by the *institutional policy frameworks* within which they operate; namely, the set of domestic and international institutions, rules and established practices that determine how parties conduct macroeconomic policy. There are institutional frameworks that grant a large degree of autonomy to governments and frameworks that severely restrict their autonomy. In section 3.2.1, I pinpoint the external constraints associated with the frameworks for fiscal choices and central banking, and show, theoretically, how these constraints relate to partisan politics.

This conception of constraints deliberately emphasizes institutions and de-emphasizes interests. It highlights how party choices are constrained by a set of institutional arrangements rather than how these choices might relate to electoral coalitions and the weight of interests within them – an aspect that has been more compellingly studied by the 'electoral turn' in the study of macroeconomic choices (Beramendi et al., 2015; Bremer, 2019).

The search for analytical precision creates an inevitable tension: the emphasis on institutions comes at the 'absence' or expense of interests. But this approach does not presuppose that interests play no role in policy choice. It simply emphasizes institutional structures that might constrain

ideologically different parties to varying degrees, but which will *especially* constrain them amid deep economic crises.

Second, governments are also constrained by *bond markets*. The ability of any government to cope with an economic crisis is partly determined by the relative balance between the state and the market. As central agents of the state, governments can be positioned in varying dependent positions vis-à-vis international financial markets. For the ruling parties, this will result in different degrees of autonomy depending on this relative balance. In section 3.2.2, I examine this relationship as critical to determine the extent of *actual* and *perceived* constraint on ruling parties.

In deeply integrated economies, economic policy frameworks and the balance between states and the markets are shaped by both domestic and supranational actors. For example, macroeconomic policy has ceased to be a domestic affair in EU member states since at least the Maastricht Treaty. The need for intergovernmental coordination and EU-specific regulations entails that certain restrictions *directly* derive from EU membership. In a similar way, but mediated through different mechanisms, international market actors such as foreign bond investors and credit rating agencies debt impact governments' choices through their actions in international financial markets.

3.3.1. Macroeconomic Policy Frameworks: Fiscal Rules and Central Banking

Macroeconomic policy is concerned with the use of a range of instruments to influence output, unemployment, inflation and balance of payments. But I restrict my analysis to the domains of fiscal choices and central banking. These two areas are more relevant for studying national experiences of economic crisis, as well as for identifying the immediate constraints faced by left- and right-wing governments.

3.3.1.1. Rules and fiscal choices

Mainstream economic textbooks distinguish between fiscal (or budgetary) policy and *discretionary* fiscal policy. Fiscal policy consists in all decisions concerning government spending and taxation in order to influence aggregate demand and orient the economy towards equilibrium. If a government lets spending and revenues evolve automatically over the cycle, we speak of *automatic stabilizers*. Discretionary fiscal policy refers to

the deliberate decision to adjust spending or taxes (Bénassy Quéré et al., 2019:148). I concentrate on this aspect since these are the kind of decisions most affected by the deliberate actions of political parties.

Governing parties do not make fiscal choices in an institutional vacuum. They make these choices within an intricate web of rules. In EU countries, domestic frameworks are also embedded within a politico-legal structure in which governments and EU institutions must coordinate some (or all) aspects of economic policy. Parties do not make these choices unilaterally either, but in concert with a growing number of independent actors. Parties' choices are thus constrained by rules and national and supranational institutions.

Fiscal rules are legal provisions that impose long-lasting constraints on discretionary fiscal policy through numerical limits on budgetary aggregates: deficits, debt or public expenditures (Weber et al., 2012 [Kopits, and Symansky, 1998]). There are alternative fiscal rules: budget balance rules, debt rules, expenditure rules or revenue rules. But the *balanced budget principle* has become the most prevalent in Europe (Bénassy Quéré et al., 2019:206-208; Wyplosz, 2005).

The advent of rules-based fiscal frameworks started in the early 1990s and it peaked in 2000s (Lledó et al., 2017). "Much as the legacy of inflation tilted the balance towards central bank independence", Charles Wyplosz (2002:15) notes, "the legacy of high debt has led to the adoption of constraints on fiscal policy in the forms of rules or institutional changes". Between 2008 and 2014, Austria (2008), Denmark (2014), Hungary (2011), Italy (2014), Latvia (2013), Malta (2014) and Spain (2011) introduced balanced budget rules in their constitutions.

Over this period, independent fiscal councils (IFIs) have come to complement fiscal rules, mirroring previous developments in the monetary realm. Although most of these unelected bodies of experts do not have direct decision-making power, they provide real-time assessments of the macroeconomic underpinnings and the adequacy of the governments' budget (Bénassy Quéré et al., 2019:212). Figure 3.2 shows the rapid development of national frameworks comprising rules and independent institutions in a growing number of countries.

Over the past decade, these independent actors have established themselves as influential sources of expertise and competence in fiscal affairs. Today, budgetary draft recommendations, independent forecasts of expenditures and tax revenues, debt sustainability assessments, non-governmental spending reviews and costing analysis of policy measures are carried out at arm's length from governments. While intricate and arcane, all these exercises have become a familiar element of fiscal politics.

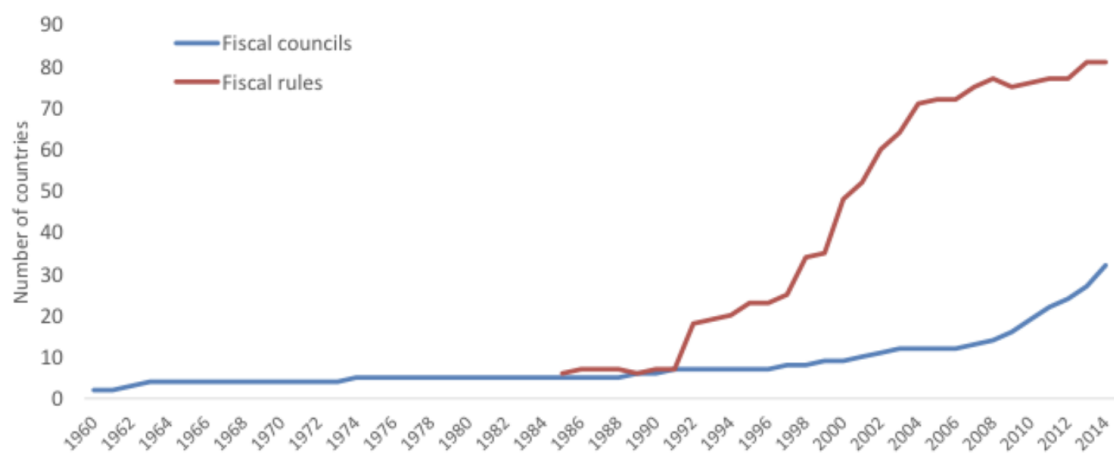


Figure 3.2 The rise of fiscal rules and independent fiscal councils

Source: Beetsma, R. and X. Debrun (2017), 'Fiscal Councils: Rationale and Effectiveness', Chapter 5. In: Ódor, L. (ed.) *Rethinking Fiscal Policy After the Crisis*. Cambridge: Cambridge University Press.

When it comes to institutional constraints on fiscal choices, two other parameters are relevant. These are the i) degree of sub-national *fiscal decentralisation* and ii) the degree of *fiscal integration in the EU*³⁹. Schematically, fiscal decentralisation refers to the extent to which subnational levels of government have revenue and spending powers vis-à-vis the central government (OECD, 2019; Bartolini et al., 2018). The degree of EU fiscal integration refers to the relative distribution of competences on fiscal policy between the national and the EU level, including requirements of coordination as well as the stringency of

³⁹ More generally, both parameters have been associated with different degrees of 'political fragmentation', which determines how many actors participate in fiscal policy decisions (Gaspar, Gupta and Mulas-Granados, 2017:9-10).

monitoring and surveillance powers of EU institutions over national fiscal policies. For example, the Stability and Growth Pact (SGP) limits the allowable deficits and debt levels of EU members.

From this first component of the framework, we can derive two empirically observable implications. Other things being equal, parties governing in fiscally decentralised systems will be more constrained to adjust spending and taxes in the wake of an economic recession than governments that do not require the cooperation of sub-national actors.

Second, the more competences are shared between EU and national authorities, the greater coordination requirements and the stricter the surveillance regime, the more constrained a government will be in making fiscal choices. In sum, partisan fiscal choices will be more constrained where fiscal frameworks are more integrated at the supranational level and less at the subnational one.

On the first parameter, Spain is among the most fiscally decentralised countries in the EU. By contrast, the UK was among the most fiscally centralised EU countries. In 2016, central government spending represented 91 per cent of total spending in the UK, while this spending represented less than 50 per cent in Spain (OECD, 2017 cited in Bénassy Quéré et al., 2019:151).

On the second parameter, the contrast is somewhat less stark. Spain participates in all existing EU agreements affecting fiscal policy. During the crisis period, the UK was also bound by the provisions of the European Semester and the Stability and Growth Pact, while certain EU rules, such as on VAT decisions, affect all member governments, including the UK. But the UK had secured several 'opt-outs', as in the case of the Fiscal Compact (2012). As a non-participating member of EMU, British governments had also relatively more room for manoeuvre in the conduct of fiscal policy. On the whole, it is likely that EU fiscal mandates influenced governments' choices in both cases, but to a greater extent for Spanish governments as members of the euro.

For the sake of exposition, Figure 3.3 provides a schematic representation the fiscal frameworks in both countries (up to 2015), including national and supranational rules.

Spain

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Expenditure rule (2011)	Statutory	General government	Yes	No	Yes (2014)	No
Budget balance rules (2003, 2006, 2011)	Statutory	General government	Yes	No	Yes (2014)	Yes

National rules (dates in brackets):

The Balanced Budget Constitutional Amendment (September 2011) and the new Organic Budget Law introduced new structural deficit, debt, and expenditure rules. A fiscal council, the Independent Authority for Fiscal Responsibility (AIREF), was created in 2013 and made operational in 2014 to monitor rule compliance and validate budget assumptions.

Rules Characteristics 2015	National Rule				Supranational Rule			
	ER	RR	BBR	DR	ER	RR	BBR	DR
Well-specified escape clause	N	-	Y	-	Y	-	Y	Y
Legal basis 1/	3	-	3	-	4	-	4	4
Coverage 2/	GG	-	GG	-	GG	-	GG	GG
Independent body sets budget assumptions	N	-	N	-	N	-	N	N
Independent body monitors implementation	Y	-	Y	-	Y	-	Y	Y

ER = expenditure rules; RR = revenue rule; BBR = budget balance rule; DR = debt rule

Y = Yes; N = No

1/ Legal basis: 5 = Constitutional; 4 = International Treaty; 3 = Statutory; 2 = Coalition agreement; 1 = Political commitment

2/ GG = General government or wider; CG = central government

Note

The budget balance, debt and expenditure rules have a constitutional basis in Spain, which the IMF database reflects in the first table but not in the second one.

United Kingdom

Type of National Rules (Start date in brackets)	Key Characteristics (start date in brackets if different from implementation)					
	Statutory Basis	Coverage	Formal Enforcement Procedure	Independent Body Sets Budget Assumptions	Independent Body Monitors Implementation	Well-Specified Escape Clauses
Budget balance rules (1997, 2009, 2010, 2015)	Statutory	Public sector	No	Yes (2010)	Yes (2010)	No
Debt rule (1997, 2009, 2010)	Statutory	Public sector	No	Yes (2010)	Yes (2010)	No

Rules Characteristics 2015	National Rule				Supranational Rule			
	ER	RR	BBR	DR	ER	RR	BBR	DR
Well-specified escape clause	-	-	N	N	Y	-	Y	Y
Legal basis 1/	-	-	3	3	4	-	4	4
Coverage 2/	-	-	GG	GG	GG	-	GG	GG
Independent body sets budget assumptions	-	-	Y	Y	N	-	N	N
Independent body monitors implementation	-	-	Y	Y	Y	-	Y	Y

Figure 3.3 Fiscal frameworks in Spain and the UK: National and supranational rules

Source: IMF (2017), Fiscal Rules Dataset 1985 – 2015.

More generally, deeper supra- and sub-national integration, as well as more constraining fiscal frameworks in the form of rules and independent authorities have contributed to the increasing complexity of fiscal politics. It may suffice to recall that the current budgetary rulebook of the EU is nearly 100 pages⁴⁰. But a powerful illustration of this complexity can be found in the following representation of an institutional process for a ‘simple’ expenditure rule in the euro area (Figure 3.4). This representation was made for a proposal of a “simpler” rule to substitute “the present numerous and complex rules” (Beuve et al., 2019:13).

⁴⁰ See the *The Vade Mecum on the Stability and Growth Pact*, which brings together all the relevant procedures and methodologies involved in the implementation of the EU’s rules-based fiscal policy framework. Available at: https://ec.europa.eu/info/publications/vade-mecum-stability-and-growth-pact-2019-edition_en

Institutional Process of the Expenditure Rule

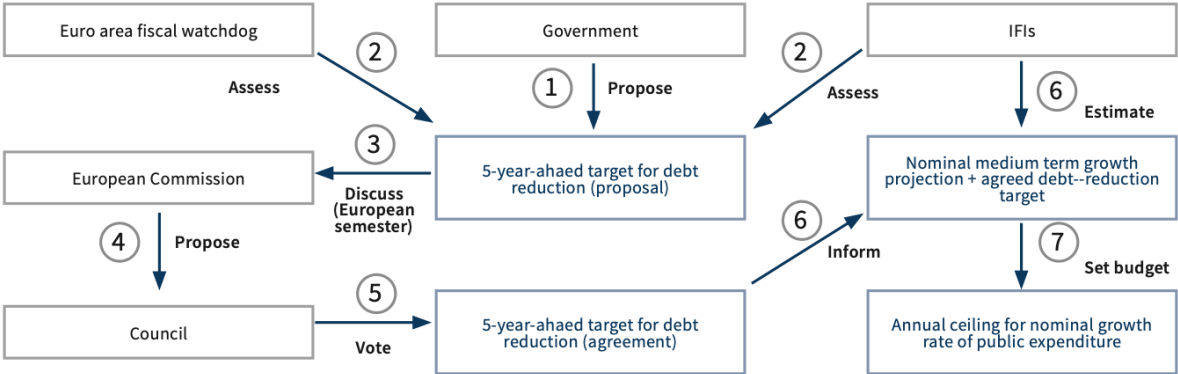


Figure 3.4 Institutional complexity of fiscal politics

Source: Reproduced from Beuve et al. (2019:13).

Economists generally agree that certain constraints are necessary to discipline government fiscal policy in normal times. Yet such constraints might become an impediment to manage policy during an economic crisis (Wren-Lewis, 2013). For example, fiscal rules can lead governments to cut a budget faster or more drastically than they may; or to stop debt issuance when debt dynamics might still be sustainable. In turn, fiscal bodies and other independent authorities may pressure governments to change a fiscal response too soon, or too radically. Under crisis conditions, therefore, certain external constraints can become a hurdle to manage the crisis.

Economists tend to present this debate as a matter of policy effectiveness. The crucial question is whether certain economic predicaments will be addressed more effectively by certain fiscal responses than others – the old debate about the relative effectiveness of fiscal consolidation vis-à-vis stimulus, or about the ‘right’ pace and scale of austerity. Nevertheless, within a political-economic framework, the crux of the matter is a different one. Different parties may want to respond to a crisis with different fiscal choices. And thus, party changes in government are expected to translate into policy changes as well.

For any one party, the set of fiscal choices in the wake of a recession is limited, though not necessarily limiting. Schematically, to stabilise an economy a governing party may choose to enact an expansionary fiscal response (‘stimulus’) or a contractionary response (‘fiscal consolidation’)

or ‘austerity’)⁴¹. It can in turn combine tax and spending decisions in two interrelated ways⁴². If a party enacts a fiscal stimulus, it may choose to increase public spending and – or cut taxes. In contrast, if a party responds with fiscal austerity, it may choose to cut spending and – or increase taxes. Figure 3.5 presents a schematic representation of this set of fiscal choices.

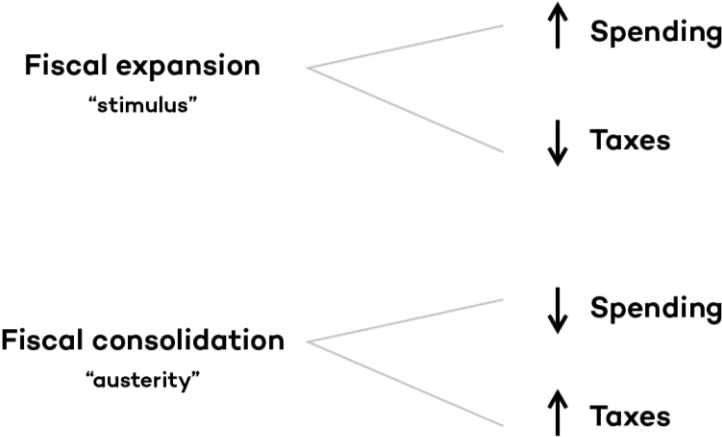


Figure 3.5 Fiscal choices in the wake of a recession

It is often assumed, though not always observed in reality, that left-wing parties would favour one response over others, while right-wing parties would do the converse (cf. Alesina and Rosenthal, 1995; Boix, 2000; Notermans, 2000; Cusack, 2001; Mulas-Granados, 2006; Angelopoulos et al., 2012; Fernández-Albertos, 2012:119-120; Gaspar, Gupta and Mulas-Granados, 2017:8-9). Typically, left-wing parties would prefer a fiscal stimulus to austerity, in particular via increased spending; but if they implement austerity, they will prioritise increasing taxes over cutting public spending. Conversely, right-wing parties would prefer austerity to a fiscal stimulus, in particular via spending cuts; but if they opt for a

⁴¹ This assumes an active role for governments and rules out the option of doing little or nothing (cf. Armingeon, 2012:545-546).

⁴² Tax and spending decisions are not independent of each other but are combined in somewhat coherent packages to achieve a desired goal, e.g., employment support, deficit reduction.

stimulus, they will prioritise cutting taxes over increasing spending⁴³. Figure 3.6 illustrates this set of *partisan* choices.

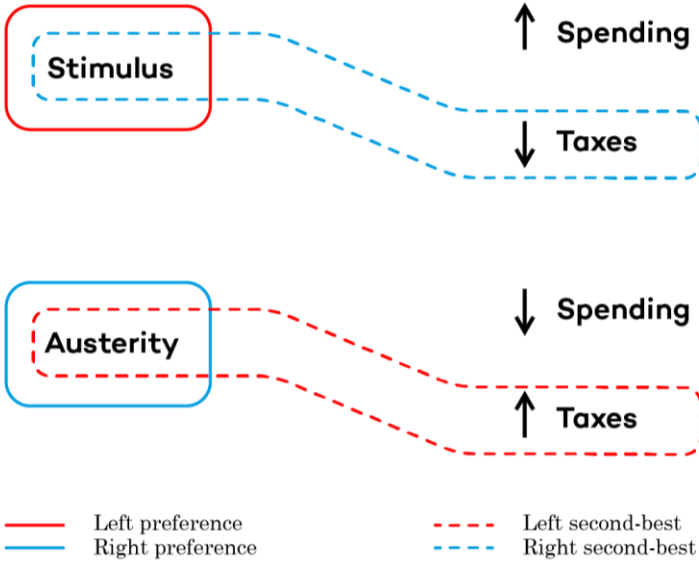


Figure 3.6 *Partisan* choices in the wake of a recession

From this perspective, parties of different ideological orientation would opt for different choices if they were able to act according to their preferences⁴⁴. Parties will adopt measures according to their distinct ideological orientation. It will be easy to recognise the effect of different parties in office. Partisanship will thus be distinctive: it will reflect the preferred choices of governing parties.

Yet the fiscal choices of parties, left and right, are increasingly influenced by independent institutions, both national and supranational, bounded by

⁴³ Though see Hibbs (1992:371): “Both Left and Right party governments shift policy in an expansionary direction when faced with deep recessions and in a contractive direction when confronted with runaway inflations”.

⁴⁴ Of course, this model is an oversimplification of reality, and perhaps inaccurate for certain cases. Centre-left parties have committed themselves not to raise taxes, most clearly the Labour Party under New Labour. Similarly, right-wing parties have increased public spending on a large scale, as in the case of the American Republican Party with the defense budget. Nevertheless, this model tries to identify typical partisan choices in a crisis context in which different parties opt for distinctive policies. In a more contextual analysis, it is indeed desirable to identify the choices that have been more typically associated with the parties object of study.

more and stricter rules at higher levels of law, greater coordination requirements and stringent surveillance regimes⁴⁵. These developments have altered the ways discretionary fiscal policy can be conducted, erecting further institutional barriers to the possibility of party differentiation. In this institutional setting, the chances of diluting the ‘partisan’ imprint on parties’ choices are greater. Under crisis conditions, all these pressures can act like the same poles of a magnet, pulling parties away from adopting their preferred fiscal choices.

Indeed, the term ‘choice’ can be misleading in this case because governing parties do not always “choose”. Under greater constraints, governments will be forced to make certain decisions. A government may try to resist those pressures but be unable to do so, and a different party may indeed come to power, but its fiscal choices may not change at all.

To the extent that this happens, partisanship will become less *distinctive* as a feature of party politics. For parties will end up adopting fiscal measures against their partisan preferences, or identical to each other, despite their different ideological orientation. In these circumstances, we will most certainly speak of *constrained partisanship* when it comes to fiscal choices.

But parties are not only constrained by fiscal frameworks. If anything became clear during the Great Recession, it is that monetary authorities are decisive actors in contemporary political systems; so much so that central banks are referred to as the fourth branch of government (Vibert, 2007; Tucker, 2018:288-289). As Arend Lijphart (2012:226) noted, however, “political scientists hardly ever cover the operation and power of the central bank”. Partly in response to this neglect, and mostly for substantive reasons, the next section outlines this crucial component of the constrained partisanship framework. The actions of central banks matter for what any party will be able to do in office.

⁴⁵ These factors represent a limited set of formal constraints to discretionary fiscal policy. A more comprehensive account will have to refer to the potential impact of other forces such as the maturation of Welfare States or the growing fiscal burden posed by non-discretionary entitlements (Schäfer and Streeck, 2013).

3.3.1.2. Central banking and political parties

In the wake of an economic recession, the decisions that monetary authorities make are 'critical' in a double sense; that of having the potential to become disastrous and of having a decisive importance in the success or failure of other actors. For one, a mistaken decision to raise (or lower) interest rates can be disastrous for the recovery of an ailing economy. Equally critical, the decision to intervene (or not) in sovereign debt markets can be fateful for the survival of a financially stretched government (cf. Tucker, 2018:289).

Compared to fiscal frameworks, the range of institutional variation is more limited in central banking. This is most true in Europe, where a broad consensus emerged in the 1990s and 2000s around politically independent central banks with a relatively narrow mandate (price stability), few instruments (typically, short-term interest rates) and one or two objectives (inflation rate; unemployment rate)⁴⁶. As with fiscal frameworks, however, crisis conditions also have the potential to disrupt central banking. The aftermath of the 2008 financial crisis have, indeed, politicised the debate on the role of independent central banks in democratic politics. As Erik Jones and Matthias Matthijs (2019) put it, central bankers are not so bland any more.

In representative politics, there is a tension between the political origins of central bank independence and the depoliticised ways in which monetary policy is conducted (Stiglitz, 1998). Paul Tucker, the former Deputy Governor of the Bank of England (2009-2013), illustrates this tension with a telling anecdote. Pressed by MP George Mudie⁴⁷ about the influence that elected politicians could have on the Bank policy during the financial crisis, the Governor Mervyn King and Tucker himself answered directly: There was nothing that MPs could do to influence month-by-month monetary policy. Policy was for the Bank to decide, as long as the Parliament maintained the Bank's operational independence. The two

⁴⁶ With the notable exception of the US Fed where price stability and output stability stand on equal footing. Output stability and financial stability have also become *secondary* objectives for other central banks.

⁴⁷ Mudie was the senior Labour member of the UK House of Commons Treasury Committee.

central bankers noted, nonetheless, that it was in the hands of parliamentarians to change or abolish the entire regime if they wish so⁴⁸.

Yet central banks mandates are difficult to change⁴⁹. So, unless exceptional circumstances lead to such a change, governments and monetary authorities will almost always act according to the set legal parameters. Within these parameters, however, partisan actors might be more or less constrained depending on how the central bank interprets its narrow mandate.

Mandates tell central bankers what to do and how they should do it⁵⁰. But when conducting monetary policy, a central bank can internally interpret its mandate in more restrictive, or more expansive terms. Put it differently, central bankers can see their job description as more (or less) open-ended. Seeing their job as more open-ended may in turn lead central bankers to implement policies that are overtly political or even to direct political authorities to do so.

In practice, one way of thinking about this aspect is through the notion of *conditionality*. During a crisis, central banks can choose to make their decisions unconditional on what elected politicians do in fiscal terms; for example, a central bank can decide to intervene in debt markets unilaterally, without the need for the government to take any concrete

⁴⁸ In the British case, the politicians can also change the inflation target. I thank Helen Thompson for this relevant precision.

⁴⁹ Especially if the central bank mandate is legally enshrined in a constitution or a treaty.

⁵⁰ All central banks follow rules which impose somewhat tighter constraints than standards (see, inter alia, Tucker, 2018:179-180; Bénassy Quéré et al., 2019: 268-271). A monetary rule ties central banks' hands and signals the bank's willingness to fulfil its policy announcements, i.e., to not deviate from the rule. After decades of coexistence between diverse monetary rules, central banks converged since the early 1990s on inflation targeting rules: monetary policy targets an inflation rate over a temporal horizon in consonance with the objective of price stability. In 'normal' times, the main instrument to achieve the objective(s) is the short-term interest rate. In 'exceptional' times, such as the financial and euro crises and the covid-19 pandemic, central banks have expanded the toolkit to include other instruments and non-conventional interventions like Quantitative Easing (QE).

action in exchange. Conversely, central banks may choose to make some decisions conditional on the fiscal authority taking certain decisions in return; for example, the approval of a fiscal consolidation plan with specific targets – such conditionality can be more or less stringent and be enforced more or less publicly.

To the extent that a government has to adopt concrete measures for the monetary authorities to take other decisions in return, the government will be more constrained in enacting them. Conversely, if the bank takes its decisions unconditionally, the government will be less constrained in the conduct of policy. In short, governing parties will be more constrained as partisan actors if the central bank strings conditionality to its actions than if it does not⁵¹.

Other models expect contingent effects in the relationship between independent central banks and partisan governments. Some models pose, for example, that Left governments will be disadvantaged and Right governments privileged in their ability to achieve their goals when faced with an independent central bank (Way, 2000; cf. Cusack, 2001). From this perspective, central banks would be inherently ‘conservative’ (cf. Tucker, 2018:5). Nevertheless, I claim that both left and right governments could in theory be constrained by central bankers in a context of economic crisis.

This characterisation departs from more orthodox economic and legal perspectives. But political reality resembles it much more than these perspectives concede. Three examples would suffice to prove the point. On August 2011, as the euro debt crisis worsened, the Spanish and Italian governments received a letter signed by the then President of the ECB, Jean-Claude Trichet, and the respective national central bank governors, Miguel Ángel Fernández Ordóñez and Mario Draghi. In the letter, the ECB urged the Spanish and Italian authorities to take “essential” and “bold” measures within a clear timeframe. Suggested reforms ranged from labour market regulations and tax reforms to fiscal consolidation targets and public spending rules, as well as product market reforms. For the ECB it was “crucial” that the governments will “decisively” undertake

⁵¹ Note that this relates to a notional political-economic constraint. The *effects* of monetary decisions affect governments in other ways, and in ways that are perhaps more relevant to economists. But I do not consider those possibilities here.

“all essential measures” as soon as possible but “at the latest by end-August”. It is not extravagant to conclude that the Spanish socialist government and the Italian cabinet led by Silvio Berlusconi, both at diametrically opposed ideological poles, felt greater pressure than governments that did not receive any missives.

In a different and more technical decision, the ECB lifted the waiver of minimum credit rating requirements for Greek government bonds in 2015. In effect, the decision meant that banks could not use Greek debt as collateral in normal ECB refinancing operations for as long as the restriction applied. The ECB took the decision because “it was not possible to assume a successful conclusion of the [Greek] programme [Troika] review”⁵². As Silvia Merler (2015) noted at the time, “ECB’s preemptive move formally protects the central bank’s independence, but it also forces the political game” in the Eurogroup, where politicians were later to discuss the Greek situation.

More recently, in the wake of the covid-19 pandemic outbreak, Christine Lagarde, the current ECB President, said that it was not the ECB role to “close the spread” in sovereign debt markets – referring to the gap between Italian and German bond yields as a key risk indicator for Italy⁵³. While she immediately backpedalled on her comments the following day, her remarks had already triggered a jump in Italian yields.

These three examples show how central bankers can interpret their mandate with varying degrees of ‘self-restraint’. This can in turn constrain

⁵² ‘Eligibility of Greek bonds used as collateral in Eurosystem monetary policy operations’, 4 February 2015, ECB. Available at: <https://www.ecb.europa.eu/press/pr/date/2015/html/pr150204.en.html>

⁵³ “My point number two has to do with more debt issuance coming down the road depending on the fiscal expansion that will be determined by policymakers. Well, we will be there, as I said earlier on, using full flexibility, *but we are not here to close spreads. This is not the function or the mission of the ECB*”, 12 March 2020, ECB press conference. Available at: <https://www.ecb.europa.eu/press/pressconf/2020/html/ecb.is200312~f857a21b6c.en.html#qa>

the ability of partisan actors to respond to a crisis⁵⁴ – in certain cases, it could more than constrain them, as was indeed the case with Berlusconi. Politicians created independent central banks so that central bankers could pursue monetary policies *independently* of the wishes of the elected officials (Stiglitz, 1998:200). Yet by virtue of policy conditionality, it is elected officials who might end up depending on the central bank. This is, indeed, a central irony of constrained partisanship.

3.3.2. States and Markets: Relative Balance

The relation between the state and the market is a perennial theme in political economy. This component of the framework echoes Susan Strange’s approach to International Political Economy as a synthesis of politics and economics “by means of structural analysis of the effects of states [or any kind of political authority] on markets and, conversely, of markets on states” (1988:14). Paraphrasing Karl Marx, states can choose but not always under circumstances of their own making (cf. Caporaso and Kim, 2016).

Governments, and by implication political parties coming into office, are central actors of the state. Sovereign bond markets, and the agents operating in this marketplace, are a central component of global financial markets. Governments regularly turn to bond markets to finance spending needs, while financial markets lend to governments in exchange of a return – the interest rate that governments pay on the bonds issued.

In normal times, bond markets do not pose a constraint on most governments. Governments can meet their funding needs smoothly: they can issue new debt at reasonable costs; national Treasuries can roll over maturing debt and public debt management operations are carried out without major disruptions. Under crisis conditions, however, bond markets can become a decisive constraint. Market participants can compromise the government’s ability to meet its financing needs. Therefore, the relationship between governments and markets is crucial

⁵⁴ Of course, the pressure can go in both directions, as the dismissal of Turkey’s central bank governor, Naci Agbal, by Turkish President Tayyip Erdogan illustrates well. See e.g., <https://www.reuters.com/article/us-turkey-cenbank-idUSKBN2BN1I1> However, I focus on external constraints on parties, not on the constraints that governments impose on other actors – a relevant but different discussion.

to understand the possibilities for autonomous economic policy amid a crisis.

In this framework, the balance between the state and markets is not determined by the size of the state, nor by the degree of public intervention in the economy. Specifically, it refers to the government's relative position vis-à-vis bond markets during a fiscal or sovereign debt crisis. I refer to this balance as a heuristic device for thinking about how bond markets can turn into a political-economic constraint⁵⁵.

This relative balance manifests, and thus can be captured empirically, through various measures of public debt sustainability and fiscal space. Measures such as the government debt-to-GDP and the interest payments-to-GDP ratios, the primary budget balance, interest rates on government bonds, sovereign credit default swap (CDS) spreads, or credit-agency ratings provide good indicators of government market dependence and can anticipate market access troubles (Romer and Romer, 2019). But economists disagree about which measure *best* reflects the sustainability of public finances, the creditworthiness and ultimately the solvency of a country. They also disagree about the appropriate methods for assessing these aspects (see, inter alia, Blanchard, Leandro and Zettelmeyer, 2021; Martina, Pisani-Ferry and Ragot, 2021)

In my analytical narratives, I will refer to some of these measures as widely accepted indicators in media and political discourse. But I will also concentrate on governments' claims about public debt concerns and market pressures as good indicators of their relative balance position during the crisis; as good political indicators, that is, of the extent to which governing parties claimed to be constrained by markets.

As with most constraints, this is also a matter of degree. A government can be more or less constrained with respect to debt markets. Such relative position can be represented graphically along a continuum, as depicted in Figure 3.7. We can think of this continuum as ranging from complete *state dominance* (left) to total *market dominance* (right). The relative position of

⁵⁵ When economists use the expression “market credibility” or refer to “market incentives for fiscal and economic policies” they are effectively thinking through this device.

any governing party at any given moment can lie anywhere along this axis. But the further to the right of this axis, the more constrained a party will be. In effect, the governing party will be in a more subordinate position to adopt its fiscal choices. For bond markets can jeopardize the government’s ability to meet its financing needs (e.g., via increasing yields on government bonds). In turn, this can also restrict the ability of future governments to decide on tax and spending.

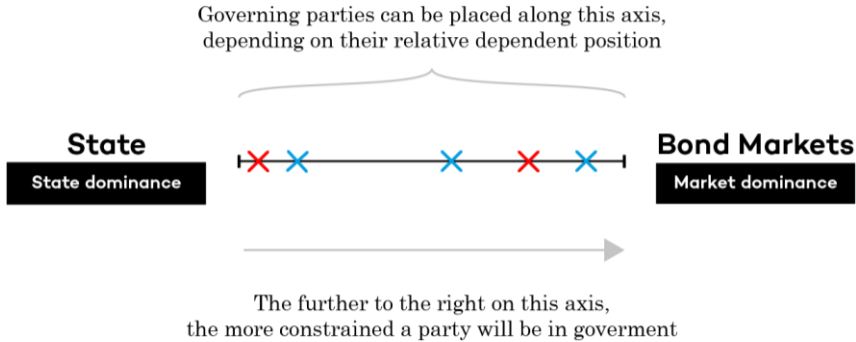


Figure 3.7 State and bond markets: Relative balance

To illustrate the range of variation, take the following ‘extreme’ cases. Each represents different examples of ‘state dominance’ and ‘market dominance’, i.e., of less and more constrained governments in relation to sovereign debt markets. At the left-end of the spectrum would be the United States government, with a capacity to borrow in bond markets that appears unparalleled in modern times (Figure 3.8). Even at the height of the 2008 global financial crisis, U.S. debt service costs remained historically low, and relatively cheaper than for most advanced economies. This position has granted US administrations, both Republican and Democrats, more room for manoeuvre to choose among alternative options.

U.S. debt service costs are historically low, though set to rise

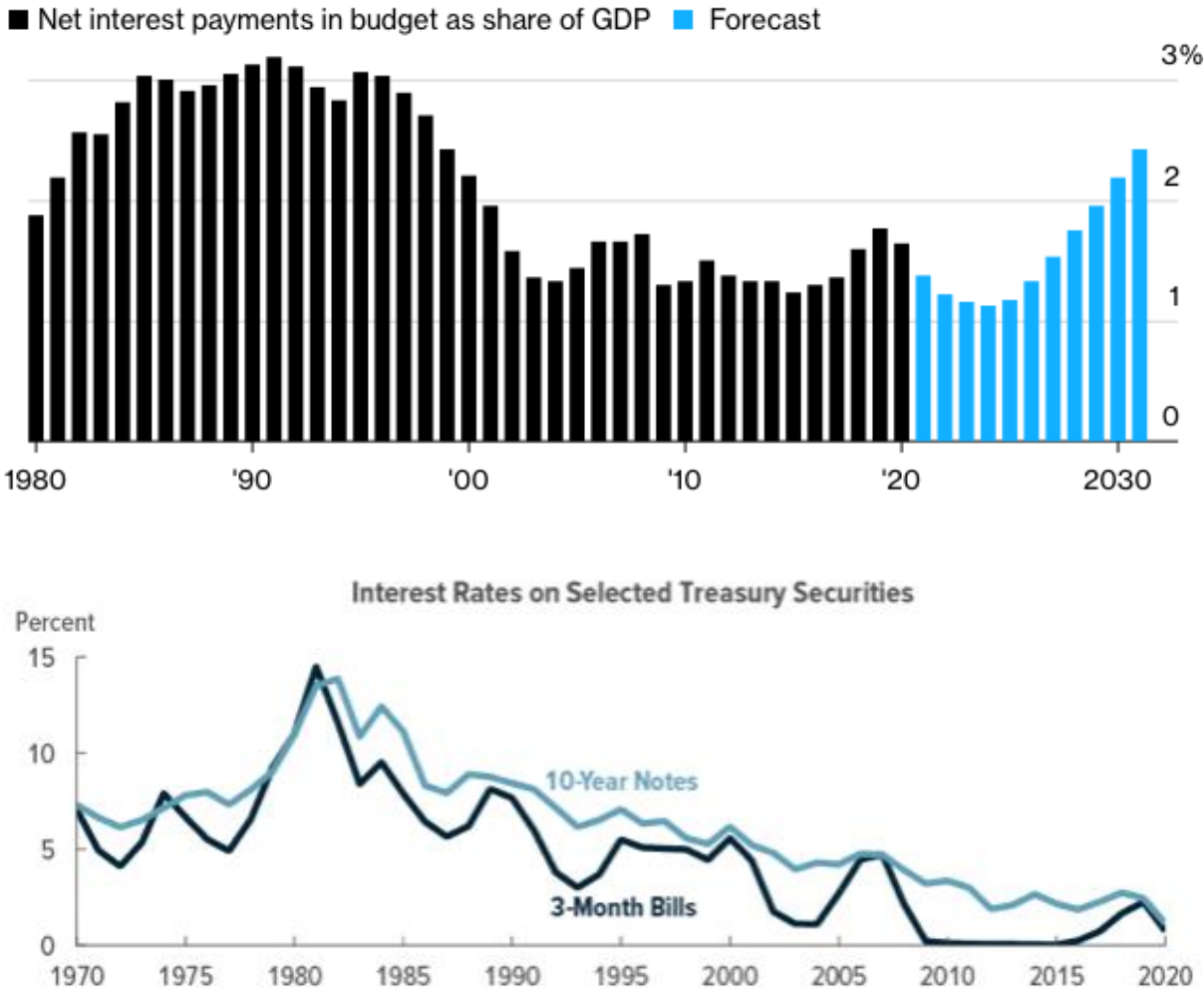


Figure 3.8 'State dominance' and unconstrained government: The US experience
Source: Bloomberg and Congressional Budget Office.

In a similar position but inside the euro area, Germany represents another case of 'state dominance' (Figure 3.9); that is, of governments unconstrained by bond markets over the course of a crisis – to the extent so that after having declined for several years in a row, the German ten-year government bond yield reached 0 in 2015 and sank below it in 2016.

Ten-year government bond yields

In per cent

Graph 4

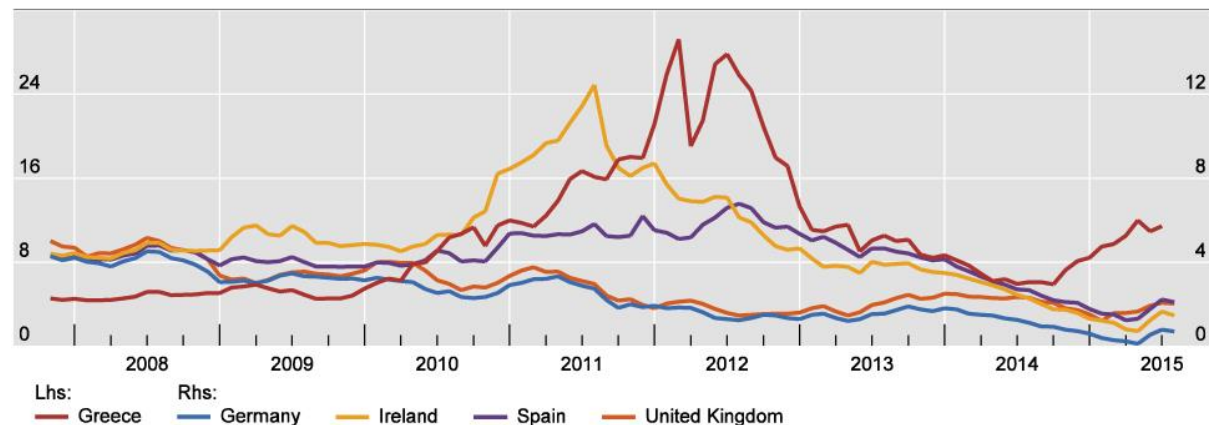


Figure 3.9 ‘State dominance’ and unconstrained government: The German experience

Source: Bank for International Settlements. https://www.bis.org/publ/qtrpdf/r_qt1509g.htm

The US and German experiences represent two ideal types of relative ‘state dominance’. But from these two cases, we can draw out an important difference. In the US, state dominance has come with having its own central bank in charge of monetary policy, the Federal Reserve, while Germany has managed it without having its own central bank. This difference suggests that there are particular political-economic dynamics inside the euro area that are relevant for determining countries’ structural positions, as my literature review in chapter 2 has emphasized.

Indeed, at the other end of the pole is Greece. The Greek experience represents a paradigmatic case of ‘market dominance’; that is, of a government’s inability to issue and roll over debt to cope with a crisis. Structurally, Greece’s subordinate position during the euro crisis was demonstrated by the need for three sovereign bailouts⁵⁶. More immediately, the constrained position of successive Greek governments was caused by the high interest rates they had to pay, as well as by the

⁵⁶ It is open to debate in what position left Greece its debt restructuring programme in 2012. While it could be argued that this shows that market dominance was not ‘total’, given that investors suffered large haircuts, it is obvious that this cannot be taken as evidence of an unconstrained government either. On the contrary, the need for such a large debt restructuring can be interpreted as the consequence of the structurally constrained position of Greek governments.

large bond yield spreads with the rest of the euro area (Figures 3.9 and 3.10).

10 year government bond yield - percent

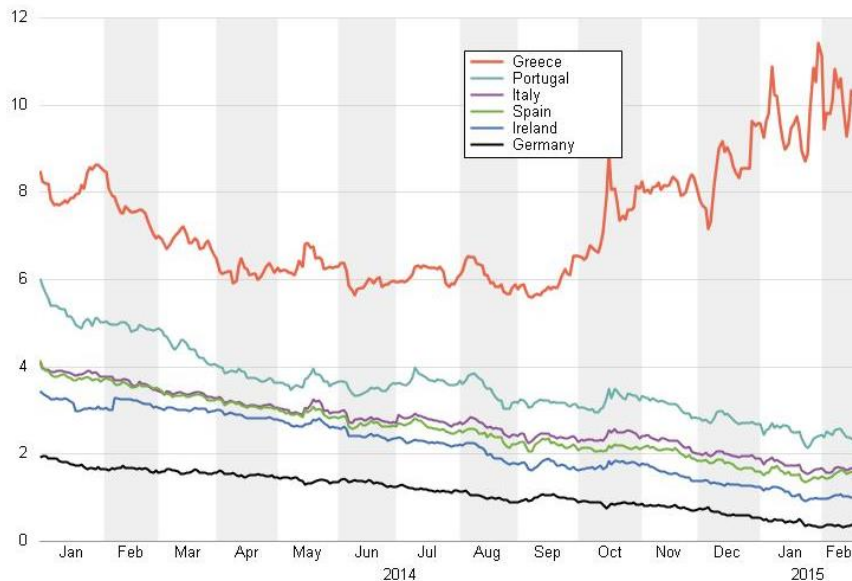


Figure 3.10 'Market dominance' and constrained government: The Greek experience
 Source: Vicent Flasseur (@ReutersGraphics). Data from Thomson Reuters Datastream to February 2015.

The relationship between governments and markets has an obvious 'material' dimension. Conditions such as economic fundamentals matter for determining whether a market constraint would arise in the first place. These conditions are typically associated with the sustainability of public finances, current account imbalances or growth rates. But the relation between governments and sovereign bond markets is not driven solely by fundamentals. The balance between states and markets has also a 'perceptual' component for both actors: governments and market participants (cf. Hay, 2001a:199;204).

At both ends, perceptions matter. The perceptions by market participants of government actions or party composition can exacerbate the stringency of this political-economic constraint⁵⁷. Likewise, the internalisation of possible market reactions by political actors may be relevant, even in the

⁵⁷ When market participants assess, for example, the 'sufficient willingness' of a government to adopt certain decisions.

absence of stringent pressure. Consider the following report published in *The New York Times* in May 2010⁵⁸. The piece noted that “investors and analysts assert that Spanish government is moving too slowly in crushing fiscal deficits” and contend that Spain risks finding itself in same situation as Greece, “*even though its government debts burden is only half what Greece carries*”. A few days later, the Spanish socialist government announced sweeping spending cuts of €15 billion via an emergency decree-law. But market participants remained unimpressed. The day after the austerity package was approved, the rating agency Fitch downgraded Spain’s credit by one notch to AA+ from triple-A. Pressure on the Spanish debt resumed.

A stand-alone reference to fundamentals is thus insufficient to explain the behaviour of markets. A constraint arising from bond markets does not always evaporate with decisive government action; and sometimes it is unclear what else a government can do to convince the markets that it means business. In this respect, I want to highlight one last critical political-economic nexus.

Indeed, the relationship between the state and the market is mediated by central banks. As lenders of last resort, central banks have the capacity to alleviate financial pressures on governments (Grauwe, 2011). If we stick to our idealised representation (Figure 3.7), the intervention of the central bank can move governing parties further to the left along the axis, loosening market pressures. Equally, their failure to act can push them further to the right, tightening those pressures.

Whereas such a decision will supposedly fall within a technical framework of central banks acting to meet their primary objective in accordance with their mandate, it is ultimately political. This is best appreciated in the extreme. If the solvency of a state depends on the debt market lending a government to finance its most basic operations, and the market fails to do so, that government will have two options. Either the central bank intervenes decisively in the government’s favour, or it will ultimately default. This decision will be political, one of political

⁵⁸ ‘Spain Seen as Moving Slowly on Financial Reforms’, 3 May 2010, *The New York Times*. Available at: <https://www.nytimes.com/2010/05/04/business/global/04peseta.html>

sovereignty, because meeting the inflation (or unemployment) objective will not matter much in such circumstances.

The framework of constrained partisanship has now a more encompassing and holistic outlook. To summarize, parties' fiscal choices are increasingly constrained by a complex set of rules and institutions, both national and supranational. In the aftermath of an economic crisis, the choices governing parties will make would be more constrained if they operate in more integrated fiscal frameworks at the EU level, and more decentralised at the national level. The choices parties will make under these conditions will partly determine the extent to which bond markets would constrain them further. The stringency of such constraint, either driven by fundamentals or perception, can further narrow the choices available to any one party. But crucially, as mediators of the relation between states and markets, central banks can mitigate the tensions that may arise in financial markets. Their willingness to intervene will in part depend on how central bankers interpret their mandate and, in particular, on whether they attach any conditionality for intervening in debt markets.

At any one time, therefore, different political parties will be able to distinguish themselves in policy terms depending on how these constraints interact among each other. Yet it is expected that those constraints will be *greater* and *more intense* in their effects during the course of a crisis. Hence, constrained partisanship will reflect more directly the specific political conditions that emerge during truly extraordinary times.

The politics that would emerge under these conditions is likely to be of a different *kind*. For partisanship will become less *distinctive* in crucial respects. Left and right parties may continue trying to differentiate themselves, but the effects of constraints will make it harder to achieve that differentiation. Parties will be forced to violate programmatic pledges, take abrupt policy turns and make choices inimical to core ideological commitments. Different parties would end up governing in very similar ways; and what difference will that make?

In turn, political parties will adapt the ways they talk about their choices. Certain discourses will become more expedient than others for governing under conditions of significant constraint. But which ones? This is a

largely neglected and unexplored issue in the literature, at least in regard to the characterisation of partisanship and the impact of changing institutional conditions on legitimating party discourses. I devote the next section to exploring this crucial aspect in what I hope will become one of the main contributions of this dissertation.

3.4. Party Discourses under Constraints

Where different parties adopt distinctive choices, party discourses tend to reflect this distinctiveness as well. Parties differentiate themselves in the choices they make, and in the discourses they use to legitimate these choices. Historically, such distinctiveness has been associated with ideological discourses of left and right. These ideologies have programmatic content: they have been typically connected to concrete substantive policies.

In a partisan framework, different parties commit themselves to doing certain things in office; for example, mass nationalisation in the case of the old European socialist parties, or small government in the case of conservative and liberal parties. And both the party and its voters expect those programmes to be adopted if the party comes to power. Under benign constraints, centre-left and centre-right parties may also choose to respond to an economic crisis differently, as outlined before.

Where there is space to move and substantive competition among parties over what to do, parties have often justified their choices with a distinct ideological language of left and right. Parties have legitimised them through what can be called 'party-ideology'. Under constrained partisanship, this connection crumbles. The link between distinctive economic policy programmes and ideological discourses loosens. Both because those programmes become less distinctive, and because other political discourses gained salience as legitimization strategies for policy choice⁵⁹.

⁵⁹ The very act of legitimization implies an attempt to justify action or no action on a specific issue (Reyes, 2011:783). It directly ties with the idea that democratic decision-making requires normative justifications (White, 2013; White and Ypi, 2016:65-68).

What claims will then gain political resonance? I identify these appeals rather inductively, focusing on the forms of legitimization promoted by ‘visible’ political actors (parties, individual leaders), as opposed to theoretical possibilities derived from the legitimacy literature. In what follows I tease out, specifically, what kind of discourses might become more salient. I highlight three: appeals to expertise and competence (*technocracy*); appeals to legality and legal obligations (*legalism*) and appeals to emergencies and exceptions (*exceptionalism*).

The last section of the chapter builds the ground for my understanding of technocracy, exceptionalism and legalism as political discourses. These discourses must be taken as plausible propositions to be tested in my research, rather than as an invariant or complete set. I do not claim that these appeals are unique to this form of politics; only that both parties on the left and right will rely on them under these conditions. This is a different proposition, and the one I will test in relation to my cases. This proposition also sets the limits of my discursive argument about constrained partisanship.

Under constrained partisanship, I have argued, parties will end up making choices contrary to their ideological preferences; for example, conservative parties will use public funds to bail out or nationalise private banks. Also, left- and right-wing parties will eventually make identical choices, despite their ideological differences: both will cut public spending and raise taxes in the wake of a recession. Consequently, party choices will no longer be self-evident for party supporters and voters (cf. Mair, 2013b:163). There will be, in other words, less scope for partisanship in the governing process, both in terms of economic policy choices and their political justifications.

From this follows that ideological appeals to the left and right may lose traction. Put it differently, these appeals will become less effective to defend certain economic decisions in an ideologically coherent way. As political actors struggle to position themselves *coherently* according to left-right divisions (White, 2013:150), other appeals will become more expedient to govern in these circumstances.

My core argument is that constrained partisanship will generate forms of legitimization that are not consistent with conventional left-right conflicts. By way of conjecture, let me first tease out why ideological discourses

would lose appeal using concrete examples. Recall how parties' fiscal choices were being shaped by an ever-complex set of rules. Parties were also taking these choices in concert with a growing number of expert bodies, both national and supranational. Under crisis conditions, the interplay between fiscal rules and independent institutions can have an effect on the way parties justify these choices.

In the aftermath of the Great Recession, for example, not all left governments spent its way out of the economic recession, as the popular saying goes. Some parties had to change their fiscal response to the economic downturn. This limited how far left governments previously committed to deficit-spending could rely on leftist tropes to justify ever-increasing borrowing, *if* they also wanted to appear committed to the deficit-reduction rules. The two positions –spending more while respecting more demanding fiscal rules– became effectively incompatible, as they could not be held simultaneously, nor could they be justified on the same grounds.

Similarly, the rise of independent central banks and their principal focus on the inflation target have turned the old ideological language of caring more about unemployment than inflation rather obsolete, and politically impractical. What governing party is going to insist on it if the central bank mandate is so clear and legally tight?

The real test would come if unemployment were rising while inflation is above the target⁶⁰. This test arrived during the Great Recession⁶¹. Fearing a rise in inflation, the ECB raised interest rates twice in 2011. At that point, unemployment had hit record levels in several Eurozone economies. For example, Spain's unemployment rate had already surpassed 20 per cent by then. Spain's ruling social-democratic party never presented this policy

⁶⁰ Recall that Hibbs (1977) original thesis was that left-wing governments fought unemployment, while right-wing governments were more worried about inflation. When both objectives were in tension, these differences also filtered into the discourse of the parties in the late 1970s: the Left emphasized low unemployment in political discourse, while the Right put the emphasis on low inflation. Though Hibbs never addressed this aspect explicitly, see Edward Luttwak insightful study of 'central bankism' (1997:221; 225).

⁶¹ Stephanie Flanders, 'Twin peaks: inflation 2008 and 2011', *BBC*, 18 October 2011. Available at: <https://www.bbc.com/news/business-15351667>

dilemma in ideological terms: the ECB took the monetary decisions it considered as the independent central bank of the Eurozone, independently of any single government's concerns. Would it have made much of a difference to politicise the debate from Madrid? The old ideological language had become either obsolete or impractical, as I suggested.

By the same logic, the acceptance of bond markets as disciplinary constraints has in part altered the way in which centre-left parties would refer to them. Amid bond market pressures, these parties are less likely to refer to 'bond vigilantes' with ideologically charged language, *if* they want to retain a moderate political stance in office. Either out of practical impotence or ideological conversion⁶², the confrontational language against 'the imperialism of markets' loses political traction.

Ideological discourses of the right also encounter certain limits. During the crisis, right-wing parties advocating for austerity could not always opt for the kind of austerity they preferred. The scale of the fiscal adjustment demanded by EU partners to some countries imposed effective limits on how far right-wing governments could embark on fiscal consolidation without having to raise taxes: the more ambitious the deficit reduction target, the more pressure there was to balance the spending cuts with tax hikes. This situation made it more difficult to govern with classical right-wing appeals to ever lower taxation. Ideological appeals from the right thereby lose traction too.

In a fundamental way, therefore, parties will adapt their discursive repertoire. As policymaking becomes increasingly choiceless and the distinctiveness between competing parties wane, ideological claims lose appeal. Parties will instead rely on other kind of appeals to justify their choices. In what follows, I emphasize and define three types of discourses: technocracy, exceptionalism and legalism.

⁶² The experience of centre-left or social-democratic parties on this regard is diverse. The Third Ways embraced the role of financial markets with varying degrees of enthusiasm. For a similar proposition in a different context, see Finlayson (2003:113-114).

These discourses draw on different sources of political justification, such as technical necessity, legal imperatives or emergencies, which are not related to distinct ideological visions or particular political traditions. Insofar as these discourses cannot be understood as ‘ideological’ in the left-right traditional sense, nor as ‘principled’ justifications in the sense of White and Ypi (2016), these discourses should not be characterised as partisan. Instead, it is more appropriate to think of them as ‘non-partisan’. Taken together, these discourses would amount to a non-partisan language for governing under constraints.

In the following, I also ponder why constrained actors would opt for them. In short, these discourses would provide a more coherent basis to govern than ideological appeals – a sort of way-out when constrained actors govern against their partisan identity. The kind of constraining institutional context in which these parties will make their choices – emergency decision contexts, more and stricter rules coupled with less influence (direct or perceived) over decision-making – will also make these claims more appealing to them. Somewhat paradoxically, different parties will end up relying on the same political language.

3.4.1. Legitimization through appeals to expertise (technocracy)

“If you don’t take science and technology seriously, if you don’t have the kind of skills needed in the apex of power in the state, then it can be extremely dangerous”

Dominic Cummings, House of Commons hearing, March 2021

The sheer complexity of large areas of government has put a pressure at the “apex of power”. The pressure to govern amid the growing technicality of contemporary policymaking have led more politicians to conceive politics as an eminently technical activity – to present it as an activity that requires a special set of skills to solve problems, a particular kind of expertise. The pressure to have the right skills in office is more pronounced in the face of a profound crisis, when politicians need to show that they *really* know what they are doing, that they are competent.

At the height of the euro crisis, the Prime Minister of Luxembourg, Jean-Claude Juncker noted that “We all know what to do but we just don’t

know how to get re-elected once we have done it”⁶³. Speaking of Italy’s crisis in 2011, just before Mario Monti was appointed as prime minister in November 2011, former EU President Herman van Rompuy remarked, “This country needs reforms, not elections” (cited in Culpepper, 2014:1264). These words resonated with European leaders as they were muddling through their worst crisis in decades. For they spoke to a form of politics that was already familiar to many of them.

This is a politics in which substantial disagreements among different parties about what to do fade away (“we all know what to do”), and where the set of choices available to them is rather narrow (cf. Mair, 2008; 2013a:59). The political predicament, really, is how to get it done in the face of popular opposition. Under constraints, elected politicians would seek justification from claims to technical necessity. They would present themselves as competent problem-solvers. And they would bring the experts in because they have the knowledge, the expertise or the skills to make the right choices. Generally, these claims have been associated with the idea of technocracy (Pastorella, 2016; Caramani, 2017; Bickerton and Invernizzi, 2021).

The literature on technocracy is fragmented across disciplines; this is one of the reasons why Radaelli (1999:760) notes that the notion of “technocracy is more a point of departure than a point of arrival”. But there is a shared sense of what the idea of technocracy denotes. Technocracy refers to the same ‘illusion’; what William Easterly (2013) has called the ‘technocratic illusion’ – the belief that “technical knowledge, even in the absence of full democratic participation, can solve social problems” (Deaton, 2020:22). This technocratic illusion rests on the conviction that problems will yield to the right technical fixes if solutions are based on evidence, regardless of the domain in which these problems are waiting for solutions (development policy, fiscal policy or financial regulation).

From this common understanding, scholars have identified various manifestations of technocracy. They have observed, for instance, that

⁶³ ‘The Demons Haven’t Been Banished’, 11 March 2013, *Spiegel Online*. Available at: <http://www.spiegel.de/international/europe/spiegel-interview-with-luxembourg-prime-minister-juncker-a-888021.html>

technocracy has direct institutional manifestations and that it is associated with particular forms of political and regulatory power (Fischer, 1990, 2009; Majone, 1996). A technocratic conception has inspired the design of various institutions – from contemporary central banks to independent fiscal councils⁶⁴. In turn, this conception has also informed the political debate over who should run these institutions. It is not by chance that we refer to these people as technocrats.

Consistent with this understanding, the emphasis on competence, expertise and ability has been present in many available definitions of technocracy. From Meynaud's (1963:31) classical association of technocracy with the possession of technical knowledge or ability, to Bell's (1973:348) understanding of a technocrat as someone "who exercises authority by virtue of his technical competence", and Putnam's (1977:387) definition of a technocratic mentality as strong belief in "technics", which must replace politics for the sake of effectiveness. In this view, an 'epistocracy' or "the rule of the knowledgeable" (Brennan, 2016) may serve best the interests of the people.

Just as expertise is emphasized in the design of institutions, it is also possible to find traces of this emphasis in the language used by politicians. When independent expert institutions come to the political forefront, politicians may bring the experts directly into the cabinet, but they will also refer to their views to justify their choices. They will claim to stand by the evidence, even if that contradicts certain ideological or programmatic commitments. By following the evidence, they will claim to govern 'for the good of all' rather than just for some, in the interest of the whole country rather than of the party. This is the political language that central bankers and market participants will 'understand' best (cf. Schmidt, 2014). A technocratic discourse would thus arise as a more politically expedient mode of justification than a markedly ideological language.

⁶⁴ "In the UK ... it has been estimated that there were at the end of 2004 over 650 'public bodies' outside central government departments. The majority of these (around 400) were in the business of providing advice to government departments and a further 20 were bodies involved in Britain's national health service. This still left about 250 bodies with executive responsibilities. Of these, it has been separately estimated that around 120 have regulatory functions" (Vibert, 2007:18).

Theoretically, technocracy speaks to a particular conception of democratic legitimacy. Centeno (1993:313) notes that “technocratic legitimacy is based on the appeal to scientific knowledge” which accompanies “an implicit, and often explicit, rejection of ‘politics’ as inefficient and possibly corruptive”. Pierre Rosanvallon (2011) has identified two modes of political representation that have these technocratic characteristics. The first is what he terms “legitimacy of identification with *generality*”. In practice this denotes a system of government whereby “experts organize and control the nation’s resources *for the good of all*” (2011:48) rather than for the benefit of a group, or for the good of a part. The second representative mode that Rosanvallon identifies is “legitimacy of *impartiality*”. This kind of legitimacy is best embodied by unelected and non-political institutions such as regulatory bodies and independent central banks (cf. Tucker, 2018); by actors, that is, who do not explicitly support a partisan side.

On close inspection, both aspirations feature prominently in technocratic justifications of policy choices. For example, the aspiration to generality and impartiality is typically expressed through appeals to facts, which, by contrast to appeals to values or principles, would allegedly bridge the ideological divide. “Once it is accepted that we can empirically calculate and administratively design ‘the right way’ to achieve our goals”, Fischer (1990:43) observes, “there is little reason to engage in the exploration of other points of view”.

Justifications that claim to be general (‘for the good of all’) and impartial (‘evidence-based’) are presented as non-partisan or non-ideological. For they are neither particular, nor partial. Rather than an ideological system that offers authoritative decisions on every policy decision, Centeno (1993:312) continues, these justifications rest on a “belief in the ability to arrive at the optimal answer to any discussion through the application of particular practices. What the technocrats offer is often not a new set of political values, but a new methodology of understanding social problems” – an ideology of method.

Technocratic discourse presents problems as issues amenable to technical solutions. It provides a scientific legitimation to policy solutions (Fischer, 1990:208). Evidence and technical calculations, instead of value preferences, become the criteria to adopt a policy choice. Avoiding

partisan positions is thus seen as a virtue. Expertise rather than political judgements is likely to prove more valuable (Majone, 2003; Mair, 2013:6). As Alan Finlayson (2007:556-557) has observed, “the more formal and unemotional a form of discourse the more we may think it objective and the more factual statements and normative claims become blurred, and description and prescription blended together”.

Consider, for the sake of illustration, these statements from the British Tory Chancellor, George Osborne, in three different interventions during the financial crisis:

“The flipside of the argument is the cost and risk of discretionary fiscal loosening. The costs are real and significant. Our gross debt is already forecast to peak above 90% of GDP, a level above which the evidence suggests higher debt tends to reduce growth”

Osborne, Mansion House speech, 2012

“I know that some would take a more ideological position and end the Help to Buy scheme altogether. My approach will be dictated by the facts, not by ideology. And the facts show that Help to Buy is working as intended”

Osborne, Mansion House speech, 2014

What distinguishes a technocratic *claim* from other kinds of claims is the relationship it purportedly has to the political “truth”, as Bickerton and Invernizzi (2021) have argued. Such truth is accessible, objective and value neutral. To the extent that someone is able to access it, Bickerton and Invernizzi (ibid.:94) point out, they do so in virtue of his competence or expertise.

Following these considerations, I define technocratic discourse as follows: a legitimating discourse that appeals to competence and expertise as the basis for policy choice. It presents decisions as the result of impartial and objective deliberations. It makes references to “knowledgeable actors”. It follows a particular way of reasoning based on scientific evidence and factual claims to justify decisions, turning ‘value-based’ questions into questions of technical ‘facts’.

3.4.2. Legitimization through appeals to legality (legalism)

“Scarcely any political question arises in the United States that is not resolved, sooner or later, into a judicial question. Hence all parties are obliged to borrow, in their daily controversies, the ideas, and even the language, peculiar to judicial proceedings”

Alexis de Tocqueville, *Democracy in America*, Chapter XVI

In liberal democracies, political power is constrained by law. Law exists to limit unrestrained political power. And political legitimacy emanates partially from respecting the rule of law. “Power can be said to be legitimate”, David Beetham (2013:64) notes, “to the extent that it conforms to established rules”. No single actor has absolute discretion, and all constitutional democracies provide for legal restrictions of some kind. But these restrictions surely vary in the space they leave untouched for political actors to make discretionary choices.

In a framework of constrained partisanship, politicians will appeal to the law in a particular way. Consider, for instance, the reasons that some politicians gave to justify their fiscal choices during the Great Recession. In his first major speech upon taking office, the Spanish conservative president, Mariano Rajoy, said,

“According to Vice-President Salgado’s forecasts, the imbalance between revenue and expenditure ... will end this year with a deficit of more than 65,000 million euros, 6% of GDP ... Well, ladies and gentlemen, with the *Spanish Government’s current commitments to the European Union we will have to reduce the gap between revenue and expenditure for the Public Administrations as a whole by 16,500 million euros*. That is the objective, that is our commitment and that is what we are going to stick to: 16.5 billion in deficit reduction in 2012.”

Substantive economic choices can be justified on different grounds, and for reasons unrelated to their legality. Here, the 2012 fiscal adjustment is justified by reference to legally enforceable commitments reached in Brussels. It explicitly refers to legal numerical limits. In a legalistic discourse, politicians’ choices are presented as legal requirements, as the only feasible option if the government is to comply with the law. Such

discourse is akin to what Vivien Schmidt (2020) has called ‘governing by rules, and ruling by numbers’. Policy choices, fiscal or otherwise, are not defended as *partisan* choices but as the necessary consequence of *rule-following*.

In a seminal study, Judith N. Shklar (1986) defined legalism as the attempt to preserve law from politics. Legalism is a historical phenomenon based on the belief that “law is not only separate from political life but that it is a mode of social action superior to mere politics” (1986:8). Shklar noted that, while diverse, legalism consistently manifests in political ideologies, social institutions and public policies (cf. Posner, 2009). All these manifestations appear to have something in common. Law exists to tame the excesses of politics – or shall we say of partisan politics?

Consider, for the sake of illustration, how parties that once sympathised with monetary financing of budget deficits have changed their public positions. There are, to be sure, altogether different reasons why monetary financing has been challenged as a policy option over the past decades. But its changing legal status is a relevant one. In many jurisdictions, the monetisation of deficits is subject to severe legal requirements, or simply forbidden by law. Over time, politicians have ceased to refer to this option in partisan terms, and those who occasionally try to revive the debate also tend to frame it in legal terms. We need only recall some of the controversies surrounding the ECB’s intervention in the debt markets and whether such decision could stand up in court.

EU politics is full of examples in this regard. National governments have gone hand in hand with supranational institutions in developing complex legal arrangements for policymaking: from EU state aid rules to the European Semester. In the case of the Eurozone, legal considerations have deeper underpinnings. The euro area operates with a macroeconomic policy regime that generates restrictions on states “that amount to more than simply a treaty agreement” (Bellamy and Weale, 2015:259). At the same time, the economic and monetary union (EMU) has been anchored on the principles of legal constitutionalism – “a political doctrine that assumes that a legitimate political regime must rest on a set of legal rules that constrain the actions of politically responsive decision-makers” (ibid.). Unsurprisingly, appeals to legality have become increasingly

relevant for the euro area governing parties when it comes to justifying certain economic decisions.

Another good example is constitutional debt limits. Once a debt ceiling or debt brake is enshrined at the highest level of law, it takes a short step to justify substantive policy decisions because of a legal imperative: reducing government borrowing or cutting the budget will be presented as the consequence of rule-following, rather than as a discretionary choice. We know that governments systematically breach these limits. But a legal justification is often provided anyways. In its crudest form, therefore, legality becomes the only *substantive* justification provided for adopting a specific measure.

More generally, I define legalism as a legitimating discourse that *insists* on rule-compliance as the basis for policy choice. This discourse presents decisions as a matter of rule-following and lawfulness vis-à-vis political (or partisan) judgements. A legalistic discourse also displays a particular way of justification; that based on legal duties and rights.

3.4.3. Legitimization through appeals to emergencies (exceptionalism)

“If the euro fails, Europe fails”

Angela Merkel, German Chancellor, 2011, German Parliament

In a speech before the German parliament in 2011, German Chancellor Angela Merkel warned that “If the euro fails, Europe fails”. Justifying a rescue package in 2011, the former President of the European Commission, José Manuel Durão Barroso, declared that “these are exceptional measures for exceptional times. Europe must never again find itself in this situation” (White, 2015:300). At the height of the Eurozone crisis in 2012, Nicolas Sarkozy warned that the continent was on the brink of returning to the dark days of the 1930s (Runciman, 2016:10).

Merkel, Barroso and Sarkozy were using a political language that was relatively common at the time. For emergency politics, Jonathan White (2015; 2019) argues, had become a prevailing feature of contemporary Europe – a Europe in which actions departing from conventional practice are rationalised as necessary responses to exceptional and urgent threats;

where grand policy initiatives, constitutional reforms and sovereign rescue packages are justified on the grounds of survival.

The persistence of politics in the emergency register indicates the weakness of political authority, White claims. For it shows the inability of any particular actor to assert convincingly the normality of the situation (2015:309). But in a more obvious way, I believe, this persistence is indicative of a particular form of politics: governing by claiming exceptional powers to take extraordinary measures is common practice under constraining conditions.

Just as technocracy and legalism have a discursive manifestation, so does exceptionalism. Unsurprisingly, exceptionalism is associated with the extreme constraints imposed by a deep crisis, a situation characterized by “fundamental threat and fundamental choice, which implies the need to take fundamental decisions” (Runciman, 2016:4). Under crisis conditions, critical measures are rushed through parliaments and passed by executive order; fateful choices are taken in a matter of hours or days, only to be reversed shortly thereafter; political leaders seem to be doing more things, more rapidly; and political time accelerates as a sense of permanent urgency comes to dominate political life. The language of politicians across the ideological divide will mimic this sense of emergency by becoming more hyperbolic.

This does not mean, however, that exceptionalism is an exceptional phenomenon in the sense of being new or rare. Quite the contrary, from the Classical Roman Republic to contemporary democracies, politicians have foreseen ways of conducting politics in times of exception (Ferejohn and Pasquino, 2004). The most fundamental rationale has been to provide a politico-legal framework to lead the system from point 1 (crisis) to point 2 (normality), i.e., to guarantee the system ‘survival’. Such framework has its most clear legal expression in the form of states of alarm and/or emergency, normally of the highest constitutional order.

But exceptionalism also has a *political* expression, by which political actors operate *as if* they were governing under a state of exception or emergency, even if one has not been formally declared. In this political sense, Jonathan White defines emergency rule as “ostensibly impermanent, unconventional arrangements for defined purposes, governed by an agenda of speed and urgency, and propelled by trans-institutional

executive power. Taken together, these features amount to a specific mode of governing, one usefully grasped with the concept of emergency rule” (White, 2019:16).

White’s definition is appealing because it sets out, with certain precision, how politicians follow the emergency-politics script. I draw on White’s references to ‘unconventional arrangements’ and the agenda of ‘speed and urgency’ for my understanding of exceptionalism. Yet there is one element of the definition that I want to address. This element refers to the idea that emergency rule is “propelled by trans-institutional executive power”. I believe this is primarily an empirical question, rather than a defining feature of emergency rule. The available evidence thus far suggests that, on average, supranational executives such as the ECB and the European Commission are no more prone to employ emergency language than national executives (Rauh, 2021:11). Exceptionalism also has national or domestic roots.

With this caveat in mind, I define exceptionalism as a legitimating discourse that rationalises actions that departure from conventional practice. An exceptionalist discourse appeals to emergencies in order to highlight the severity and gravity of circumstances. It emphasizes the need for urgent and immediate action and presents decisions that are beyond what is usual in magnitude or degree as unavoidable. In all these instances, politicians use a hyperbolic language to speak about their choices.

3.5. Conclusion

In this chapter, I have outlined the analytical and conceptual framework of my thesis. This framework develops the central idea of ‘constrained partisanship’: a specific type of partisan politics that is more likely to emerge under crisis conditions. Many scholars have paid attention to the implications that external constraints have for party policy choices; much less attention has been given to the implications of institutional changes for the ways parties might justify those choices.

I have attempted to think harder about this question by presenting a framework that integrates two components: the institutional context within which parties make their choices, and the political language they use to justify them. I have emphasized that, under greater constraints,

partisanship will become less distinctive in two crucial respects: in the economic policy choices that different parties will make, and in the political discourses they will use to legitimize these choices. Based on these observations, there are several empirically observable implications that can be derived.

In relation to **economic choices**, I have argued that different parties will be able to distinguish themselves in policy terms depending on how various political-economic constraints interact among each other at any one time. But under greater constraints, parties will end up adopting measures against their partisan identity, or identical to each other, despite their different ideological orientation.

If the central logic of this framework is correct, one implication is that the relationship between partisanship and external political-economic constraints will be *most* in tension for parties governing in the euro area; that is, partisan choices are likely to be more constrained for euro governments than for those governing outside the euro. The reverse may also be true: governments outside the euro area are likely to have greater scope for partisan choices by comparison – although this does not imply that these parties would remain unconstrained. I test this central proposition in chapters 4 and 5 in relation to the Spanish and British crisis experiences.

In relation to **party discourses**, I have argued that political parties across the ideological spectrum will adapt the ways they talk about their choices, and that appeals to the left and right are likely to lose traction under constraints. Other discourses will become more expedient for governing. I highlight three: technocratic, legalistic and exceptionalist discourses. I have teased out why they might gain relevance under constrained partisanship conditions. But I stress that they should be taken as propositions to be tested, rather than as an invariant or exhaustive set.

Two observable implications can be derived from this proposition. First, if technocratic, legalistic and exceptionalist discourses are gaining political relevance, we should see a marked emphasis on their central claims in the public communication of national executives. They should be ‘present’ in their crisis communication. In this research context, we should be able to identify these discourses in the public communication of the four governments.

Second, if, as I have argued, the conditions of ‘constrained partisanship’ affect left- and right-wing parties alike, we will observe an emphasis on these discourses *across the ideological spectrum*. Both left-wing and right-wing parties will adapt and rely on the three discourses. In this research context, the empirically observable implication is that the leaders of the four parties (Labour and Conservative, PSOE and PP) will rely on technocratic, legalistic and exceptionalist appeals to justify key policy choices, though not necessarily with the same relative salience. Note that this test is more stringent than the alternative: that only some of the party-leaders will rely on these discourses. I investigate these two propositions using my original corpus of speeches in chapter 6.

PART II

Constrained partisanship and policy choice: Two national experiences of economic crisis

Chapter 4

Spanish governments: Governing in an age of constraints

4.1. Introduction

It is a mistake to speak of a single economic crisis in Spain. From 2008 to 2014, Spain was hit by two consecutive recessions while experiencing a severe financial crisis. The financial crisis turned into a sovereign debt crisis that worsened in the wake of a balance-of-payment crisis. By 2014 the economy had not yet got back to 'normal' or pre-crisis levels. The Great Recession was unusually long. To acknowledge this point from the outset is crucial to understanding the political-economic context within which the Spanish governments had to govern.

During the first phase of the crisis, Spain had in office a social democratic, minority government (PSOE) that had been re-elected in March 2008, just before the *credit crunch* erupted. It was replaced by a conservative, majority government (PP) in December 2011. If the Eurozone crisis peaked in the spring of 2010, the fall of 2011 and the summer of 2012, the socialists were in power during the first two critical junctures, while the conservatives were in office over the last critical 'spillover' of the sovereign debt crisis.

Both parties governed amid several episodes of acute financial distress, as Figure 4.1 shows. These episodes are associated with financial crises,

characterised by a rise in the cost of credit intermediation in the economy (Romer and Romer, 2017 [Bernanke, 1983] and can have significant macroeconomic consequences in economic activity, GDP growth and unemployment. While minor in 2007, financial distress in Spain rose quickly in 2008, experienced a second rise in 2010 and peaked in 2012 in the run-up to the country’s financial rescue. It would not dissipate until 2014.

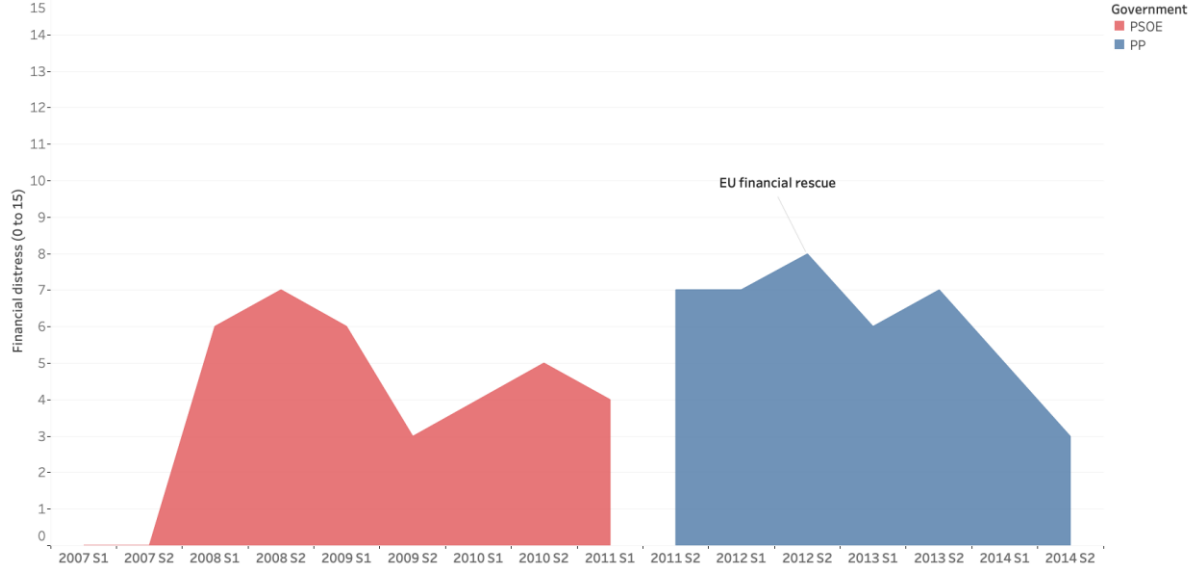


Figure 4.1 Financial distress under the PSOE and PP governments (2007-S1 to 2014-S2)

Source: Own elaboration from data of Romer and Romer (2017; 2019).

Note

The measure of financial distress is a scaled indicator of the rise in the cost of credit intermediation. 0 corresponds to no indication of financial distress; low positive numbers correspond to relatively minor amounts of credit disruption; and high numbers correspond to severe financial crises and the breakdown of intermediation.

Both governments thus presided over an unusually challenging economic context. But the two parties appeared committed to different fiscal responses at the outset. The PSOE initially responded with a large fiscal stimulus via increased spending, while the PP was always committed to fiscal consolidation. From May 2010 onwards, however, the substantive differences between the socialist and conservatives faded away. Both governments had to change or adapt their responses, thus renouncing their preferred options in a context of mounting external constraints.

These constraints go beyond the parties in office. At various crisis junctures, constraints arose from bond markets and euro membership, especially in terms of political-institutional pressures on fiscal choices and the policy conditions requested by monetary authorities. In crisis conditions, these constraints produced effective emergency government. The two ruling parties pushed through unpopular measures using extraordinary executive powers. They used these powers to delegate more competences to politically independent institutions, and to legislate through decree laws.

In what follows, I analyse this crisis experience through the framework of constrained partisanship. This chapter is structured as follows. It first studies in detail the period of the socialist government, from its re-election in March 2008 until it left power following a severe defeat in the 2011 general election. Next, it turns to the conservatives' experience in office, with a particular focus on the most acute phase of the crisis, which culminated in the 2012 financial rescue. It then investigates a pattern of crisis management that was common to both governments: governing by delegation and, in particular, ruling by decree. Finally, the chapter concludes with a general assessment of the extent to which the framework of constrained partisanship is analytically useful for understanding party politics in times of crisis.

4.2. PSOE Government: From partisan to like-minded

4.2.1. A partisan choice: Fiscal stimulus, New Keynesianism

Spain faced the initial phase of the global financial crisis with favourable fiscal conditions. After two consecutive budget surpluses and historically low public debt ratios, the government enacted a fiscal stimulus package, as confirmed by the IMF's Article IV consultation (IMF, 2009b). But why the PSOE chose to respond with one is not self-evident. The socialist fiscal stimulus was buttressed by a combination of two factors: the New Keynesian ideas championed by Zapatero's inner circle of economic advisors and the global policy consensus that emerged in late 2008. Yet neither the consensus nor the fiscal stimulus would last for long. As constraints mounted, the PSOE had to change course. Deteriorating public finances, the demands of EU institutions and partners, and market pressures forced that change.

Signs of economic strain had appeared in the second half of 2007. Following a long decade of economic bonanza and a runaway housing boom, new activity in the housing market had fallen by almost 50% (IEU, 2008Q3 [August]). By the summer of 2008, about 300,000 jobs had already been lost and Martinsa-Fadesa, the country's biggest property developer by assets, filed for bankruptcy in what became Spain's largest corporate insolvency to date.

Yet the socialist finance minister, Pedro Solbes, remained optimistic. The minister initially attributed the economic downturn to the global credit crunch and the increase in oil price (EIU, 2008Q3). The Spanish economy was likely to experience a "transitory" adjustment (Solbes, 2013). Economic growth would resume in 2008, followed by a rebound in 2009. The possibility of a recession was not entertained by the cabinet, especially after the President instructed his ministers not to use the word 'crisis' (Zapatero, 2013:151).

In late September of 2008, during a trip to the United States, the president's optimism was in full view. The same month that Lehman Brothers filed for bankruptcy and the US government rescued Fannie Mae and Freddie Mac, Zapatero told an audience of business leaders that Spain had "perhaps the most robust financial system in the world" – the annual reports of the Bank of Spain had been spreading the same message prior to 2008. Spain, Zapatero claimed, was on target to overtake France "within three to four years"⁶⁵. After 15 years of economic expansion, Zapatero reassured external investors that Spain would be less affected than the rest of Europe⁶⁶.

Just a few days later, his words were overtaken by events. Spanish banks were in urgent need to access short-term financing. On October 6th, Zapatero held an urgent meeting in La Moncloa with the heads of the

⁶⁵ 'Financial crisis: Prime Minister Zapatero optimistic over Spanish economy', 25 September 2008, *The Telegraph*. Available at: <https://www.telegraph.co.uk/news/worldnews/europe/spain/3080208/Financial-crisis-Prime-Minister-Zapatero-optimistic-over-Spanish-economy.html>

⁶⁶ That same month Zapatero said that "Spain is resisting better than Germany, France and Italy" (EIU, 2008Q4).

largest banks⁶⁷. The meeting –the President would recall later (2013:135) – was defined by a sense of “perplexity” and “concern”, but the participants insisted on the “solvency” and “strength” of the banks. No one questioned the solvency of Spain’s financial system. Thus, all attendees left the meeting convinced that they were ‘just’ facing a liquidity crisis⁶⁸.

The policy assumption was that the crisis could be contained if banks could access emergency funding. The European Central Bank (ECB) provided this liquidity through repo instruments and special lending facilities. Meanwhile, the government would have to do its part. A week after the meeting with the bankers, the government announced a major support programme to banks. The Spanish programme included a €50 billion fund to purchase assets from financial institutions and up to €100 billion guarantees for banks to emit new debt in 2008. The Spanish government also raised the deposit guarantee level to €100,000, following the decision of other European executives to safeguard savings deposits. On 14 October, the first programme of banking support was approved with cross-party support in Congress⁶⁹.

Against all the official forecasts, Spain finally slipped into recession in the third quarter of 2008⁷⁰. The government’s reaction to the escalating crisis

⁶⁷ President Zapatero met that morning with the Presidents of BBVA (Francisco González), Unicaja (Braulio Medel), Banco Popular (Ángel Ron), Caja Madrid (Miguel Blesa), la Caixa (Isidre Fainé) and the CEO of Santander (Alfredo Sáenz).

⁶⁸ Zapatero’s ulterior account had tried to justify this perception; that the position of Spanish banks was strong, and that this belief was neither a ‘false image’ nor a major ‘mistake of appreciation’ (Zapatero, 2013:135). In November 2008, his finance minister told the Congress that the government was not considering the recapitalisation of Spanish banks “because recapitalisation presumes the existence of a bank or an entity in a situation of difficulty, and this is not the case in Spain” (Diario de Sesiones, 2008, November 26, p.33).

⁶⁹ This initial support programme came in the form of two ‘Real Decreto-ley’ (Royal Decree-Laws) and one ‘Real Decreto’ (Royal-Decree): Real Decreto-ley 6/2008 por el que se crea el Fondo para la Adquisición de Activos Financieros (FAAF); Real Decreto-ley 7/2008 de medidas urgentes en materia económico-financiera and Real Decreto 1642/2008 que reforma los Fondos de Garantía de Depósitos.

⁷⁰ In early 2008, all major forecasts had pointed to a ‘gradual’ slowdown, along the expected slowdown for the euro area and the world economy. These forecasts did not expect a recession to materialise by the second semester of 2008 (BdE, 2017:79).

focused on the fiscal side. The initial response reflected a strong commitment towards a fiscal stimulus, as envisaged by the partisan model (see chapter 3). There was plenty of room for choice. Plans for this stimulus were rolled down between October and December. The first package centred on providing temporary support to strategic sectors such as the car industry (through the so-called *Plan VIVE*) and granting some tax incentives: a one-off €400 tax rebate to all wage-earners, and the temporary abolition of the wealth tax.

But rather than relying on tax cuts, Spain's funds will be spent mostly on public works (Ban, 2016:185). Through the Spanish Plan for the Stimulus of the Economy and Employment, the so-called *Plan E*, the central government channelled almost €13 billion (or close to 1.2 per cent of Spain's GDP) to municipalities to execute local investment projects between 2009 and 2010 (Alloza and Sanz, 2019). The plan supported several sectors via public subsidies, soft loans and state aid. In December, the government beefed up this response with a more expansionary budget, which was approved in the Parliament with a thin majority of two.

At the time, this budget represented the largest expansionary effort of any other socialist government in Europe: a fiscal stimulus of approximately €25.7 billion, or 2.3 per cent of GDP (Alesina et al., 2019)⁷¹. The PSOE's stimulus was "three times greater than Germany's and almost twice as big as the United States' as a share of total output" (Ban, 2016:183)⁷². This concerted fiscal effort represented a clear 'social-democratic' response – a massive spending-based fiscal expansion.

⁷¹ See the Appendix in Alesina et al. (2019) for a more technical description of the fiscal plans.

⁷² A note of caution is warranted. Estimates of the relative size of fiscal stimuli vary greatly, but Spain's stimulus was large by any comparative standard. For example, at the time of the G-20 meeting in London in early 2009, IMF estimates put the Spanish as the largest stimulus (IMF, 2009:18). That year, the European Commission (2009:67-69) noted that Spain adopted by far the largest fiscal stimulus package (in comparison to its GDP). Around the same time, a Brookings Institution paper places Spain's stimulus among the largest relative to GDP but behind the US (Prasad and Sorkin, 2009).

But what led the socialist government to implement it? Comparative research has shown that “not all EU member states with low debt and low deficits met the Great Recession with a fiscal stimulus” (Ban, 2016:184; Blyth, 2013a). Some countries with similar pre-crisis fiscal positions like Ireland and Estonia enacted a different response. There were few social democratic governments sitting in the Council at the time, but not all opted for stimulus on the scale and composition of the Spanish programme. It is likely, therefore, that partisanship matters here (cf. Mulas-Granados, 2006; Gaspar, Gupta and Mulas-Granados, 2017).

Indeed, favourable economic fundamentals helped. Spain entered the financial crisis recording fiscal surpluses in 2006 and 2007. By 2007, public debt had reached historically low levels, falling to 36 per cent of GDP, compared to a 66 per cent average in the euro area. But more specifically, the sources of the PSOE’s response were two-fold. On the one hand, the New Keynesian ideas championed by Zapatero’s inner circle of advisors (Ban, 2016:186). On the other, the short-lived global consensus that emerged in late 2008.

The PSOE’s initial response was conceived by a small circle of advisors who had embraced a “left-leaning interpretation of New Keynesian macroeconomics”, as Cornel Ban’s (2016) work has superbly documented. Zapatero’s economic team embodied policy continuity and moderate change. Continuity was preserved by the second vice-president and minister of finance, Pedro Solbes. A self-described orthodox economist, Solbes had served in every socialist government since Spain’s transition to democracy⁷³. Solbes believed that higher public spending does not have a large positive impact for EU members because national spending efforts leak to other economies, diluting the potential benefits (Noceda, 2017:196-201).

He was more than anything else a Eurocrat, a defender of Brussels macroeconomic orthodoxy. Solbes insisted that the EU rules must be respected, as he had urged member states in the past as the guardian of

⁷³ Solbes served as Felipe González’s last minister of finance, when he oversaw the economic adjustment during the last major financial crisis in Spain (1992-1993). He also served as vice-president of the European Commission in the run-up to the European monetary union.

the Stability and Growth Pact. But when Solbes' fiscal rigour clashed with Zapatero's desire to extend the stimulus, the minister left the government. He would be replaced by Elena Salgado, who had been overseeing the implementation of Plan E as the minister of Public Administration.

Less orthodox, yet by no means heterodox economists were to be found in the prime minister's Economic Office. This inner group of top advisers was informally known as the 'Minnesota clan' (or the *Minnesotas*), as many of them had met at the University of Minnesota in the 1980s while earning their PhDs⁷⁴. Zapatero had given the Economic Office directorship to Javier Vallés⁷⁵. Carlos Mulas-Granados, a leading economist in the PSOE think tank *Fundación Ideas*, closed the economic circle of advisors⁷⁶. Both Vallés and Mulas Granados were the thinking heads behind the fiscal stimulus and the Plan E⁷⁷. But it was especially through Granados' work that the Keynesian door opened in the office of Zapatero (Ban, 2016:191).

Throughout autumn of 2008, Zapatero had also been persuaded that his fiscal plans tallied with an emerging global consensus. Such consensus dictated that the financial crash had to be met with a significant and

⁷⁴ This group of inner advisors was composed by Miguel Sebastián (Head of the Economic Office from 2004-2006; Minister of Industry, Tourism and Trade from 2008-2011); David Taguas (Head of the Economic Office from 2006-2008 and then President of SEOPAN, the business interest group for the largest real estate developers); Immaculada Rodríguez-Piñero (then PSOE's Secretary of Economic Policy and Employment); Soledad Núñez (Treasury Director in the Ministry of Finance from 2005-2011), and Javier Vallés (Head of Economic Policy at the President Economic Office from 2005-2008, and Head of the Economic Office from 2008-2011). Soledad Núñez moved to the Treasury in 2005 from the Economic Office, when her role as Head of Economic Policy was taken by her husband, Vallés.

⁷⁵ Vallés was replaced by José Ignacio Conde-Ruiz, an economist specialised on labour market institutions and pensions.

⁷⁶ Mulas-Granados helped drafting the PSOE electoral manifesto in 2008. In 2013 Granados left the PSOE-associated think tank to the IMF amidst a series of scandals.

⁷⁷ The 'Oficina Económica del Presidente de Gobierno' was staffed at the time with around thirty economists with advanced degrees (Ban, 2016:180). Between 2008 and 2011 the Economic Office wrote more than 1,500 reports for the President and more than 500 brief memos for parliamentary debates (Zapatero, 2013:179)

concerted boost of public spending (Tooze, 2018:286; Blyth, 2013a:54-56)⁷⁸. In his memoirs, Zapatero (2013:162) referred to the G-20 meeting, the IMF and OECD recommendations, as well as the November and December European Council conclusions as evidence that a fiscal stimulus was “the unanimous option of the world”. The thinking inside the President’s Economic Office was thus strengthened by the policy consensus abroad.

Yet this symbiosis did not last long. It eventually broke down amid worsening economic conditions and nascent constraints. The effects of the stimulus were slow to kick in. Between mid-2008 and the end of 2009, real GDP contracted 4.6 per cent and more than 1.5 million jobs were lost, taking the unemployment rate to 18.7 per cent (BdE, 2017:79)⁷⁹. The recession was already more intense than the crises of the mid-1970s and early-1990s.

As the real estate crunch intensified, tax revenues crumbled and the public deficit soared. In January 2009, the credit rating agency Standard & Poor’s (S&P) was the first to downgrade Spain’s sovereign debt, cutting its AAA rating to AA+⁸⁰. The financial situation of the *Cajas*, the regional saving banks, was also worsening⁸¹. The last weekend of March the cabinet held an extraordinary meeting to approve by decree the first bailout of a *Caja*⁸². On June 26th, the government approved another decree-law (RDL 9/2009) to create the Fund for Ordered Bank Restructuring (FROB), which will

⁷⁸ See, e.g., the European Economic Recovery Plan, the EU-wide fiscal stimulus coordinated by the European Commission (2008).

⁷⁹ Only in January 2009, the number of people out of work in Spain increased by 199,000 or 6% from the previous month. The largest decline in employment will be registered between the second semester of 2008 and the first quarter of 2009.

⁸⁰ ‘S&P; strips Spain of its AAA credit rating’, 19 January 2009, *The New York Times*.

⁸¹ As late as July 2010, however, the Zapatero still praised the Spanish *Cajas de Ahorros* as a “successful model” in his intervention in state of the nation speech.

⁸² RDL 4/2009 of March 29th. The regional Caja Castilla La Mancha (CCM) became the first financial institution taken over by the Bank of Spain. CCM was later sold to another *caja* (Cajastur) under an asset protection scheme.

later become a decisive actor in the resolution of the banking crisis⁸³. Halfway through the stimulus, the government looked weaker.

4.2.2. The 'U-turn': Bond markets pressure, EU rules

In late 2009, the European dimension took central stage. Crisis management in the Eurozone got caught in a self-defeating spiral: pressure on southern governments led them to adopt hasty decisions, which in turn were followed by another cycle of demands from EU institutions and partners. In parallel, the Spanish government became more reactive to sudden developments in financial markets, as market pressures on the Spanish, Italian, Greek and Portuguese governments escalated. Over time, market participants will become less receptive to successive fiscal adjustment proposals than to what the ECB seemed willing to do to alleviate financial pressures on governments. Rating agencies and international bond investors were awaiting decisive action from the central bank (Blyth, 2013b:743; de Grauwe, 2013; see, for the Spanish case, Fernández-Albertos, 2012:38-39).

Until that happened, or could happen, the government tried to maintain market access. This led to an abrupt change abrupt U-turn in fiscal policy by the socialist government. There were no ideological conversions inside the cabinet, nor did the ruling party face different political conditions⁸⁴. Instead, the fiscal stimulus was terminated through a combination of “external political and economic coercion enforced via financial channels” (Ban, 2016:200). Under constraints, the government abandoned its original commitment to the stimulus. As Zapatero (2013:91) himself put it, “until May 2010, I tried to fight the crisis; thereafter, I only defended myself from the sovereign debt crisis”.

As I have stressed, in a context of constrained partisanship, constraints will emanate from national and supranational sources. Henceforth,

⁸³ The FROB was a special purpose vehicle funded with public capital. Initially funded with €9 billion with the possibility of raising its funding up to €90 billion, the FROB was financed directly from the public budget and the *Fondo de Garantía de Depósitos en Establecimientos Bancarios* (FGDEC). Upon the approval of Law 11/2015, the FROB legal status has changed relative to its 2009 original design.

⁸⁴ Despite lacking a majority in Parliament, the PSOE did not rely on the support of the conservative opposition and no general election was awaiting then.

market pressures and the European fiscal rules will become more decisive in constraining government choices. The need to meet external fiscal commitments and, to a lesser extent, to satisfy the IMF and the US demands, increased the pressure on the governing party. The EU's ideational shift towards austerity finally convinced party leaders that a policy reversal was inevitable – institutional and ideological pressures went hand in hand.

After the summer of 2009, Minister Salgado had begun to signal a shift in policy priorities. In the draft budget for next year, the government announced the partial withdrawal of stimulus, increases in income and capital gain taxes, a rise in the main VAT rate and some spending cuts⁸⁵. Unimpressed by these changes, S&P revised the outlook for Spanish sovereign debt from stable to negative.

The government budget balance had moved from a surplus of 1.9 per cent in 2007 to a deficit of 11.2 per cent in 2009, placing Spain under the Excessive Deficit Procedure⁸⁶. At this juncture, legal imperatives on fiscal choices would further constrain the possibilities for party differentiation. The possibilities for autonomous choice were rapidly diminishing for the PSOE, and for any party that might replace this government. Compliance with EU fiscal rules was going to make legally unavoidable what already seemed politically unfeasible.

More immediately, the rapid fiscal deterioration anticipated the hard choices ahead. In late January, the cabinet approved two austerity plans: the Immediate Action Plan 2010 and the 2011-2013 Austerity Plan⁸⁷. At 53.2 per cent of GDP in 2009, the stock of public debt was still below the EU average (EIU, 2010 [June]). But the cumulative impact of the economic

⁸⁵ The VAT raise will go into effect from 1 July 2010. The government also unveiled in November an ambitious ten-year strategy for a new economic model to improve Spain's competitiveness.

⁸⁶ Spain will only exit the procedure in 2019.

⁸⁷ Original source of the Plans (in Spanish): <https://www.lamoncloa.gob.es/consejodeministros/referencias/Paginas/2010/refc20100129.aspx#Déficit>

downturn, the cost of fiscal stimulus and the banking support programme renewed the market concerns about Spain's public finances.

Fears of contagion from the escalating Greek crisis prompted the government to react quickly. Spain's spreads climbed from around 70 basis points in late April to a decade-high of 181 basis points on the first week of May (EIU, 2010 [June])⁸⁸. The government's dependence on the debt markets was becoming more pressing. The Spanish President later described this week as a "financial Pearl Harbor". The media had been speculating about an immediate request for an EU-IMF rescue programme. At a press conference in Brussels, Zapatero had to deny the rumours saying that they were "absolute madness" and a "tremendous nonsense"⁸⁹.

Three days later, the Euro Area leaders approved the first bailout to Greece⁹⁰. Zapatero had flown to that meeting with a report drafted by his team of advisors. Revealingly titled 'Spain is not Greece', the note was insufficient to counter suspicions that Spain might be next in line for a bailout. Euro area finance ministers met over the weekend to agree on the details of the Greek rescue. On Sunday, discussions soon moved to the Iberian Peninsula. The ECOFIN was urging Spain and Portugal to immediately adopt more consolidation measures⁹¹. From Madrid, Zapatero was in constant contact with her finance minister over the phone. Some EU members were demanding additional cuts equivalent to 3 per cent of GDP. At midnight, Zapatero conceded.

⁸⁸ Government bond yields are a common measure of investors' perception of sovereign risk. As noted in chapter 3, a widening of this spread relative to Germany's became a tacit indicator of greater risk during the Euro crisis.

⁸⁹ 'Zapatero: "Es una absoluta locura" decir que España necesita 280.000 millones'. 4 May 2010, *Expansion*. For a direct recollection of that weekend, see Zapatero (2013:83-84).

⁹⁰ Earlier that morning the Bundestag had authorised Germany's contribution to the first rescue.

⁹¹ Economic and Financial Affairs Extraordinary Council Meeting, Brussels, 9/10 May 2010, Press Release. Available at: https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/114324.pdf

Spain would present an imminent deficit reduction of €15 billion. The president had two days to come up with a credible plan. That weekend, Zapatero had met in Madrid with the then US Vice-President, Joe Biden. Biden told him that “tears and suffering, that is what is demanded from you now”. That was the only way to regain the confidence of the markets (Zapatero, 2013:102-104). Those forty-four hours had changed everything for his government.

The austerity decree that the socialist government approved on 20 May marked the drastic policy shift. Austerity measures included a 5 per cent pay cut for 2.8 million public sector workers; a freeze on public pensions and public sector wages in 2011; a €6 billion reduction in public investment and the abolition of the €2,500 childbirth allowance (‘cheque-bebé’), a flagship measure of the last 2008 election⁹². It was the first time a socialist government cut public sector wages and frozen public pensions, after 25 years of uninterrupted increases. It was also the closest the government came to losing a parliamentary vote on crucial legislation⁹³.

In a context of constrained partisanship, parties will be forced to make sharp policy shifts and renege on programmatic commitments. With this decree, the socialist government changed course and adopted an opposite fiscal response. It also ended up renouncing some key programmatic measures. As the president reckoned in his State of the Nation intervention in June, “I’ve decided that I’ll take the decisions that Spain needs, even if those decisions are difficult ... I’ll follow that path, whatever the cost and at any price”.

The new cuts were presented to the next ECOFIN Council. But the European Commission demanded more. The Commission called on the government to implement an additional adjustment of €15bn to meet the 2011 deficit target of 6% (EIU, 2010, Q3). And so in September additional measures were announced in the 2011 draft budget, including further tax

⁹² EIU (2010, [June]: 23-24). RD-Ley 8/2010, de 20 mayo: <https://boe.es/boe/dias/2010/05/24/pdfs/BOE-A-2010-8228.pdf>

⁹³ The Parliament validated the decree by a single vote at the last minute. See, p.32: http://www.congreso.es/public_oficiales/L9/CONG/DS/PL/PL_169.PDF

hikes and cuts of more than 15 per cent on average across all ministerial budgets (Programa de Estabilidad España 2011-2014, April 2011:23-24)⁹⁴.

The partisan moment was over. Strong market pressure seems sufficient to determine a change in fiscal policy. But when combined with political-institutional pressure, parties end up renouncing partisan economic policy altogether. A different political logic then comes to guide government action. By definition, partisanship is pro-active, motivated by the desire to leave a distinctive imprint on government action. The effect of party on decisions must be made evident, underscored, contrasted with what opposition parties would or would not do. Under the weight of constraint, government actions become reactive, subordinate and the imprint on policy choices indistinguishable between parties.

The change in the policy thinking of the Commission had been mounting since the autumn of 2009 but only consolidated in the spring of 2010 (Ban, 2016; Blyth, 2013a). That spring finance ministers were briefed on the benefits of ‘expansionary austerity’, the idea that “large and decisive deficit reduction policies are accompanied by increases in growth” (Alesina, 2010)⁹⁵. Cuts are only credible if they are large and decisive (cf. Blyth, 2013a:173; Helgadóttir, 2016). These discussions created a shared cast of mind within the Spanish cabinet to accelerate the path of fiscal consolidation⁹⁶. By then, all Eurozone economies had been placed into the ‘excessive deficit procedure’ (EDP), along with the UK and most Central European countries. The requirement to cut deficits was now universal (Sandbu, 2017:110).

Against the backdrop of market pressure, the ECB had stepped up. On 10 May 2010 the bank announced the Securities Markets Programme (SMP).

⁹⁴ This was the same summer that the former IMF director Dominique Strauss-Kahn had again suggested to Zapatero that he should seek IMF support (Zapatero, 2013:124-125). The president rejected it, arguing that an IMF bailout would equate Spain with Greece.

⁹⁵ Alberto Alesina delivered his paper ‘Fiscal adjustments: lessons from recent history’ to the Ecofin meeting in Madrid on 15 April 2010.

⁹⁶ Note the similarity between Alesina’s paper to the ECOFIN and Biden’s comments to Zapatero the day before he agreed to the additional cuts.

The SMP intended to purchase bonds of Eurozone governments to lower their interest rates and “to restore an appropriate functioning of the monetary policy transmission mechanism”⁹⁷. This public announcement launched a lifeline. But during the European Council meetings, behind closed doors, the Bank had been pressuring some governments to adopt the adjustments the ECB preferred. It was pressure via crisis framing.

At European Council meetings, Jean-Claude Trichet, then ECB President, had been showing a graph with the evolution of public sector salaries over the last decade. The Eurozone was not only fighting a financial crisis, the ECB head insisted, but a crisis of competitiveness in its periphery. Two groups stood out in Trichet’s graph: Greece, Portugal, Ireland, Spain and Italy displayed the highest growth in public wages. The other group was led by Germany, where public employees had in fact lost purchasing power. The divergent performance of public sector pay –Trichet stressed in those meetings– was a key factor behind the market pressure experienced by certain national Treasuries (cf. Zapatero, 2013:35-36)⁹⁸. Repeated over time, this lecture anchored policy debates in the Council, and persuaded Zapatero of the need for more radical action. Before long, the ECB pressure on the government took on a more direct character. It turned into pressure via policy conditionality.

4.2.3. Odd epitaph: Monetary interventions, constitutional constraint

At this point in the crisis, pressure came not only from other governments sitting in the Council or the Eurogroup, but also from Frankfurt. Only from a disingenuous standpoint, it is possible to dissociate the timing and content of subsequent choices from the forensic intervention of monetary authorities. As the euro crisis deepened, the ECB became the ultimate mediator between markets and the states. Helpless, the Spanish government tried to regain credibility by enacting a new constitutional constraint on fiscal policy.

⁹⁷ ‘ECB decides on measures to address severe tensions in financial markets’, 10 May 2010. <https://www.ecb.europa.eu/press/pr/date/2010/html/pr100510.en.html>

⁹⁸ To the best of my knowledge, this account of the European Council meetings has only been addressed by Zapatero in his memoirs.

With the new year came new pressures. Following the local and regional elections, thousands of people took the streets of Madrid in May 2011. Chanting “They don’t represent us”, the *Indignados* movement gained momentum as they occupied central *plazas* across the country. The 15-M, as it came to be called, was organised around the impoverished middle classes: a generation of young, educated citizens with a bleak future ahead of them. After three years of unabating crisis, the ‘indignados’ became the epitome of social discontent in Spain. The movement permeated many grassroots organisations, from the Platform for People Affected by Mortgages (PAH) to the ‘Mareas’ (‘waves’), anti-austerity demonstrations. The protesters denounced that the mainstream parties and the major representative institutions had ceased to represent the people.

The Spanish government listened but did not change course. It was committed to taking difficult decisions, ‘whatever the cost and at any price’, as Zapatero had said. The government found some political breathing space after the summer, when it secured support for the new budget and negotiated a broader alliance with the PNV, a conservative regionalist party. But the decisions being taken in Frankfurt were not facilitating the economic recovery.

Noting “upside risks to price stability”, the ECB raised interest rates twice in three months (April and July 2011)⁹⁹. When reporters asked Trichet whether these decisions could hurt periphery economies, he replied that these governments needed to keep their fiscal houses in order and undertake more structural reforms (Mody, 2018:479). In public and closed-door meetings, the message was clear: further monetary assistance was contingent on further reforms. In case any doubt remained, the ECB sent the message by letter.

On August 5, 2011 the Spanish government received a letter signed by the President of the ECB, Jean-Claude Trichet, and Spain’s Central Bank Governor, Miguel Ángel Fernández Ordóñez. The ECB insisted on keeping the letter secret¹⁰⁰. The correspondence urged the Spanish

⁹⁹ ECB Press Conference. 7 July 2011. <https://www.ecb.europa.eu/press/pressconf/2011/html/is110707.en.html#qa>

¹⁰⁰ It was published for the first time in Zapatero’s (2013) political memoirs. The ECB reclassified it and published the letter on December of 2014 (ECB, 2014a; 2014b).

authorities to take “essential” and “bold” measures. Suggested reforms ranged from labour market regulations and tax reforms to fiscal consolidation targets and public spending rules, as well as product market reforms. For the ECB it was “crucial” that the Spanish government will “decisively” undertake “all essential measures” as soon as possible, but “at the latest by end-August”. Zapatero finally got a direct lifeline from the ECB. But it came with stringent conditions.

The previous day the ECB Council had discussed the reopening of the Securities Markets Programme (SMP). Evidence is now available that over that meeting “harsh tones were used to describe Italy and Spain, with board members agreeing that those countries had not done enough to put their houses in order” (Bastasin, 2012:303). The German representative, Weidmann, and the ECB Board Member and Chief Economist, Jürgen Stark, as well as the Dutch and Luxembourg Members opposed reopening the bond purchase programme until further action has been taken by these governments. Following the reply of the Spanish and Italian governments, the ECB reopened the SMP on August 7th.

That month, the ECB pressure on Spain was compounded by what has become the most effective form of political pressure in euro matters: a Franco-German initiative. In a joint letter to Van Rompuy sent on 16 August, French President Nicolas Sarkozy and German Chancellor Angela Merkel wrote that “all Member States of the Euro Area will incorporate a balanced budget fiscal rule into their national legislation by summer 2012. As a rule, the balanced budget fiscal rule is made law as part of member states’ constitutions...”¹⁰¹.

Two weeks later, and a year before the deadline given by Merkel and Sarkozy, the Spanish constitution had been expeditiously amended. Amid an unstoppable crisis, the two major parties struck a deal. Inspired by the

¹⁰¹ Joint letter from Nicolas Sarkozy, President of the Republic, and Angela Merkel, Chancellor of Germany, to Herman Van Rompuy, President of the European Council, 17 August 2011. <https://uk.ambafrance.org/French-and-German-leaders-defend>

German ‘debt brake’ (*Schuldenbremse*)¹⁰², the new article 135 will oblige governments to balance budgets and prioritise debt repayments. The constitutional reform was fast-tracked through the urgent procedure and debated in a single reading¹⁰³. Several parties proposed twenty-four amendments, but none were accepted¹⁰⁴. With no public debate whatsoever, the Congress ruled out holding a referendum to ratify the reform¹⁰⁵. On September 2, Spain could issue a five-year bond at a yield 38 basis points lower (4.49 per cent) than the last auction (Bastasin, 2012:389).

The expeditious constitutional reform is good evidence of the impact of EU constraints on domestic political dynamics. It was also the last political act of an outgoing president. Zapatero had called early elections at the end of July 2011, announcing that he would not run again. But it was an odd political epitaph that his last act as president was to set in stone an idea so alien to his party’s stance in 2008.

The main parties had agreed to stop competing over the question of what partisan leeway, if any, the notion of budgetary stability will have. What kind of politics was being forged here? To what extent would party competition matter for the substance of economic decision-making going

¹⁰² Interestingly, we observe in the Spanish case the same cross-party consensus that drove the SPD and CDU to amend the German basic law in 2009. In the German case, Finance Minister Steinbrück defended the constitutional amendment as a matter of democratic autonomy, of expanding “fiscal room for maneuver” for future voters and parliaments (Tooze, 2018:288).

¹⁰³ This procedure for constitutional amendment requires a 3/5 majority vote in both Chambers. PSOE and PP reached an agreement beforehand and defended the Constitutional reform together. It was finally approved with 316 votes in favour and 5 against in Congress, and 223 to 3 in the Senate. MPs of the PNV and CIU did not vote, while the MPs of ERC, ICV, BNG and NaBai walked out of the Plenary session in protest.

¹⁰⁴ Strictly speaking, one amendment was accepted: to change the wording of a sentence (‘en relación al’ for ‘en relación con’).

¹⁰⁵ Art.167.3 of the Spanish Constitution allows for this possibility if one tenth of members of either Chamber decide to subject the Constitutional reform to a referendum. In 2011, the referendum would have needed the support of only 35 MPs, or 27 Senators.

forward? In these circumstances, what could be distinctive about having different parties in office?

4.3. PP Government: A majority government under siege

Though addressed to the socialist government, the 2011 ECB letter had been sent in fact to *any* future government (cf. de Guindos, 2016:loc.528). Monetary authorities are not mandated to condition fiscal and structural reforms, though that is what this letter effectively did. The new conservative administration led by Mariano Rajoy would approve one by one all the pending reforms spelt out in the letter. With a different party in government and a different president at the helm of the ECB, the political landscape did indeed change.

Yet the external constraints did not abate. Pressures coming from the European Council and the Eurogroup, along with Spain's near closed-off from debt markets, reduced the little headroom left to the incoming government. The permanent spectre of a sovereign bailout and, finally, the request of financial assistance in 2012 closed the space for autonomous macroeconomic policy. Eventually, street protests against austerity and a deteriorating regional crisis left no room for politics, as the President himself recognised.

4.3.1. Austerity, but of a different kind

Upon coming into office in December 2011, the Popular Party's ideas were already aligned with the official EU consensus. Mariano Rajoy had defended his preferred policy package as early as 2009, when he told Zapatero in Congress: "Mr. President: austerity has always worked; tax cuts have always worked; reforms have always worked"¹⁰⁶. In the run-up to the 2011 elections, the conservatives repeated the same message: the country cannot spend money it doesn't have. The conservative leader's economic team always insisted on the need to recover Spain's 'lost

¹⁰⁶ Mariano Rajoy, Congreso, Sesión Plenaria num. 66, IX Legislature, 25 de marzo de 2009. Diario de Sesiones, Núm.71, p.34.

competitiveness', starting with fiscal prudence in public finances¹⁰⁷. As Álvaro Nadal, the new Head of Rajoy's Economic Office, will say in 2014: "We're for the first time playing the German game better than the Germans. And this is the right path"¹⁰⁸. As soon as they took office, they set out on that precise path.

One may therefore conclude that, as partisan actors, the PP willingly chose austerity. Yet it had to be different from the kind of austerity that the party preferred. Under the previous socialist administration, the successive cuts enacted had been far greater than the tax hikes. The burden of fiscal consolidation had fallen almost exclusively on cutting public spending, contrary to what the model of partisan choices suggested. With the PP in government, the fiscal adjustment became somewhat more balanced: a 6:4 expenditure-to-taxes ratio¹⁰⁹. Such composition has been considered more 'social democratic', as the burden of the fiscal adjustment would not fall disproportionately on the expenditure side. It would be compensated by tax increases on higher incomes.

In Spain, it was a conservative party that ended up balancing the composition of the adjustment; but, I insist, it had to be a *conservative* government. It was a conservative 'tax-cuts-always-work' cabinet that raised taxes the most, and on a scale with no precedent to date. And it did so, as the framework of constrained partisanship envisaged, against what it had promised it would do and in a way it would have preferred to avoid. Indeed, it had become remarkably difficult to deliver on the most basic partisan commitments.

It is even more telling that the PP had to renege on them just after securing its largest parliamentary majority ever. In the 2011 November election, the PP achieved a landslide result, winning more than 44 per cent of the vote

¹⁰⁷ This vision became so central to the conservatives' interpretation of the crisis that, when the PP was elected, the name of the Ministry was changed to Ministry of Economic Affairs and 'Competitiveness'. Also revealing is that title of the main section of the 2011 electoral manifesto was 'Spain, *competitive* in the euro'.

¹⁰⁸ Alvaro Nadal, Head of Rajoy's Economic Office, 28 October 2014, Foro Nueva Europa. Intervention available at: <https://www.youtube.com/watch?v=niNItvbtBx4>

¹⁰⁹ See Fernández-Albertos (2013:114-115) for a comparison of the fiscal adjustment composition with other EU countries.

and an absolute majority of seats in the Parliament – second only to the landmark socialist victory of 1982. The PSOE lost nearly 20 per cent of the vote share and almost 4 million votes from 2008. The PP also controlled the government of 12 regions (out of 17), and 89 of the 147 municipalities with more than 50,000 inhabitants. In sum, never had one political party held so much power in Spain's democratic history. But the task of governing the crisis would prove more daunting than such power, and that majority, could have anticipated. External constraints can account for this.

When he was sworn in, Rajoy announced a deficit reduction target of €16.5 billion for 2012. Except for public pensions, all other items were subject to cuts. No tax hikes or new taxes were announced in that speech. But just a few days later, after the first cabinet meeting on 30 December, the government announced tax increases of €6.2 billion, plus an additional €8.9 billion in cuts. It raised personal income tax for all income brackets, created a new bracket for higher-income earners and increased capital gains and property tax¹¹⁰. In July, it also raised the VAT. These measures were approved by another urgent decree-law, which became the de facto budget until a new one could be approved¹¹¹.

After campaigning on a pledge to cut taxes, Rajoy raised them on a large scale. Like his predecessor, Rajoy violated a major programmatic promise, and in his first public announcement no less. Initially, the government blamed this policy shift on the previous administration. The PP had found a larger-than-expected deficit for 2011: from the 6 per cent announced by the outgoing government to 8 per cent of GDP confirmed by the new cabinet¹¹². This deficit deviation had left no alternative but to increase

¹¹⁰ Council of Ministers/Cabinet Meeting, 30 December 2011.

¹¹¹ RDL 20/2011, de 30 de diciembre, de medidas urgentes en materia presupuestaria, tributaria y financiera para la corrección del déficit público. The legal reasoning for this decision is presented in the Preamble of the RDL. The government claimed that it could not govern with the 2011 budget and that there was no time to approve a new one. So given the exceptional economic circumstances, it had to use the royal decree to adopt these decisions, which, in normal practice, is subject to ordinary legislative and budgetary procedures.

¹¹² The deficit figure for 2012 will be also corrected in 2013 by Eurostat, the EU statistical office.

taxes (de Guindos, 2016:locs.365-402; cf. Zapatero, 2013:364-366). But the government admitted that these drastic decisions were necessary in a context of growing uncertainty in financial markets and an escalating euro sovereign debt crisis (Moncloa, 2011; de Guindos, 2012).

In the first quarter of 2012, the Spanish economy had entered in recession again. Accordingly, the government's 2012 budget proposal was a 'war budget', as Spain's new finance minister Luis de Guindos called it, forecasting zero growth for revenues, alongside a 5 per cent reduction in spending (2016:loc.941). On the legislative front, the government translated the constitutional reform into primary legislation. The Organic Law on Budgetary Stability and Financial Sustainability¹¹³ was passed in April. It changed the budgetary discipline framework, establishing balanced budget objectives for all levels of government, limits on public debt and deviation-correction requirements.

Before leaving office, Zapatero had negotiated in Brussels a deficit target of 4.4 per cent for 2012. But this target required a deficit reduction of almost 5 per cent in one single year (about €40 billion). This was politically explosive. So Mariano Rajoy announced in March that the new target would instead be 5.8 per cent. Neither Brussels, nor Frankfurt took the news well.

The government would have to renegotiate the new deficit target with its European partners and get the approval of the EU institutions. Luis de Guindos recalls the next Eurogroup meeting as the hardest he ever attended (2016:loc.963). At this meeting the Spanish minister was pressed to agree on a more ambitious figure to reduce the deficit further. But was this legal?, de Guindos asked. He threatened to request a legal report. The idea was quickly dismissed by the Eurogroup's chief legal adviser, while Juncker threatened to send a letter to Rajoy complaining about Guindos' "contempt" (ibid.:loc.983). In the end, de Guindos returned to Madrid accepting a new deficit target of 5.3 per cent, which would require an additional adjustment of €5 billion.

¹¹³ Ley Orgánica 2/2012, de 27 de abril, de Estabilidad Presupuestaria y Sostenibilidad Financiera (LOEPSF).

In crisis conditions, markets may demand austerity, but no one knows precisely how much austerity might be enough – not least because this is a question with political limits. During the euro crisis, however, fiscal responses were never just a question of domestic politics, and soon ceased to be a question of policy alternatives. Now the debate was no longer about the size of fiscal stimulus, or about one form of austerity or another. By 2012, the debate had shifted to the ‘right’ pace of fiscal consolidation. And it seemed that the bigger and faster, the better.

The argument within that Eurogroup meeting illustrates well the political-institutional pressure under which some European governments – including conservatives ones – had to govern. De Guindos (2016:loc.983), a fiscal hawk himself and the current vice-president of the ECB, still wonders, “Was it necessary to put so much pressure on a country in recession with a government that in just two months had such a reformist track record?”

Yet there is one lesson that finance ministers soon learn in the Eurogroup. National elections are not sufficient to change EU-wide economic policies in times of crisis. De Guindos realised that “when you enter that world [in reference to Brussels] you are no longer the minister of this or that party that has won the elections, but you represent your country. There is no before or after, it is a *continuum*” (2016:col.495)¹¹⁴. Spain had now become part of the ‘risky defaulters’ that had to be kept under surveillance.

Somewhat ironically, I suppose, the only support the Spanish minister found that day came from his German colleague, Wolfgang Schäuble. But it is perhaps indicative of the endurance of this ‘lesson’ that when Yanis Varoufakis, the Greek finance minister, attended his first Eurogroup meeting in 2015, Schäuble reiterated to his Eurogroup colleagues that “elections cannot be allowed to change economic policy” (Varoufakis, 2017:237). Greece had acquired obligations that could not be reconsidered.

¹¹⁴ More formally, the Council of Ministers, including its *ad hoc* versions like the Eurogroup, are supposed to represent territorially-based interests, in contrast to the ideological factions of national parliaments. Their members, however, also represent the self-interests of their governments and parties. This can become a structural source of domestic and EU political conflict in times of crisis (see Scharpf, 2006:847-848).

On this occasion, it was the Spanish minister, Luis de Guindos, who gave Schäuble his assent.

4.3.2. Constrained sovereignty and the ‘non-rescue’

In 2012, foreign creditors took fright. Spanish banks were cut off from new financing in the wholesale market. Sudden outflows of capitals precipitated a severe external financing crisis. In cumulative twelve-month terms, net outflows peaked to €320 billion in mid-2012, representing 29 per cent of Spain’s GDP (BdE, 2017:149). As a result, Spanish banks became more dependent on Eurosystem financing: this financing reached €412 billion in August, accounting for 34 per cent of the liquidity provided through the TARGET2 system (Ibid.).

As major drivers of the real state bubble, the banks and *Cajas* had been badly exposed to the real state sector crash. At this point, they were also deeply exposed to Spain’s sovereign debt¹¹⁵. This situation fed the feedback loop between sovereign risk and bank risk that has come to define the euro crisis and the Spanish crisis in particular (cf. Copelovitch et al., 2016; Sandbu, 2017; Tooze, 2018).

As bond markets panicked, yield spreads on Spanish bonds against the German equivalents widened. A ‘sudden stop’ in public debt financing set in motion a ‘self-fulfilling’ dynamic that brought Spain to the brink of a full rescue (cf. de Grauwe, 2011). At this point, spreads in the euro area periphery were driven by contagion and political risks as much as by economic fundamentals¹¹⁶. The Eurozone crisis had “recreated pre-

¹¹⁵ The exposure of the financial sector to Spain’s sovereign debt had grown dramatically since 2007. The share of Spanish government debt in financial institutions’ balance sheets rose from a minimum of 2.8% in December 2007 to 6.2% in December 2011. The exposure was significant for both commercial and saving banks with a cumulative increase in sovereign exposures of 175% by commercial banks and of 113% by the *Cajas* between 2007 and 2011 (BdE, 2017:92-93). Spanish banks have profited from successive cuts in policy interest rates in late 2008 and early 2009 by investing in Spanish bonds.

¹¹⁶ Subsequent studies have shown that contagion risk “accounts for an amount ranging from roughly 170 to 240 basis points for Spain, while for Italy ... contagion explains something between roughly 150 and 180 basis points of the spread” (Giordano et al., 2012:30).

monetary union problems with capital flight in a new form and created a new problem around access to emergency credit that led directly to a loss of economic and political autonomy” (Thompson, 2016:216).

The Spanish banking crisis had been long in the making. Unlike other national experiences, such as the American and the British, where the 2008 financial crisis escalated fast and had to be resolved in a relatively short time, the Spanish crisis was a slow burner. The closest to a financial big bang moment took place in May 2012. With the government’s nationalisation of Bankia (BFA-Bankia), the banking crisis reached a new stage. The consequences were precipitous for everyone.

Bankia had become the fourth-largest banking institution after the merger of seven ailing saving banks in December 2010¹¹⁷. By facilitating the merger of seven troubled *Cajas*, the Spanish authorities created a huge “bad bank” out of several small “bad banks”. This created a systemic entity –Spain’s largest real estate lender – where there was none (Santos, 2014). This decision did not isolate the underlying problem but made it even bigger. Spanish authorities could not solve it alone.

On 9 June 2012, the EU made a decisive move. The Eurogroup urged Spain to make a formal request for financial assistance¹¹⁸. The Dutch (conservative) and Finnish (socialist) ministers pushed hard to include macroeconomic conditionality in the Spanish programme. But minister de Guindos reacted: dictating the country’s economic policy from the outside was like asking for a full rescue but without getting the money for it. If this was the proposal, Spain would request a full programme for €500 billion. Then they could start preparing €700 billion for Italy, which was likely to come next (de Guindos, 2016:loc.1348). If Spain was too big to bail

¹¹⁷ These were Caja de Ahorros y Monte de Piedad de Madrid, Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja), Caja Insular de Ahorros de Canarias, Caja de Ahorros y Monte Piedad de Ávila, Caixa d’Estalvis Laietana, Caja de Ahorros y Monte de Piedad de Segovia and Caja de Ahorros de la Rioja.

¹¹⁸ Eurogroup Statement on Spain, 9 June 2012. Available at: https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/130778.pdf

out, Italy was even bigger. The elephant in the room suddenly became too big for everyone.

On 25 June, the government finally requested financial assistance. Following an external assessment¹¹⁹, the Eurogroup approved a package of up to €100 billion for Spain. The conservatives did not consider it necessary to subject the request to a vote in the national parliament¹²⁰. In the press conference after the negotiation, minister de Guindos called it a “loan with better-than-market conditions”¹²¹. In a formal statement to the Congress of Deputies, president Rajoy said that the best procedure “is to ask for a very cheap credit ... because right now Spain cannot ask the market for €100 billions”¹²².

In that intervention, Rajoy equated his decision to seek external assistance with what European governments had done in 2008 with their own banks – as if rescuing banks with national public funds was equivalent to requesting these funds to the EU. It was not the choice of a Conservative government, he suggested, but what any governing party would have done in the same situation. Only financial-sector conditionality was included in the Memorandum of Understanding (MoU)¹²³. But, in effect, the rescue turned all EU policy recommendations into official government policy¹²⁴.

While the bailout contained the banking crisis, the spectre of the sovereign rescue did not fade away. Pressure was now coming from all sides: from

¹¹⁹ A joint mission of the EC, ECB, EBA, EFSE, and IMF visited Madrid from 27 June to 4 July 2012 (see European Commission, 2012b).

¹²⁰ Finance Minister, Luis de Guindos, made a formal statement in the Committee of Economic Affairs. The financial rescue was neither debated in a Plenary session in the Congress nor subject to any formal vote. In contrast, the German Bundestag approved the Spanish rescue on July 19.

¹²¹ ‘De Guindos: “Esto no tiene nada que ver con un rescate, es apoyo financiero”’, 9 June 2012, *RTVE*.

¹²² Spanish Congress (2012), Extraordinary Plenary Session, no. 46, X Legislature, 11 July 2012 – No.47, p.43.

¹²³ The MoU signed with the European Commission contains 32 conditions (European Commission, 2012a).

¹²⁴ This is most evident when the European Semester reports and Commission recommendations are cross-checked against the national reform plans of these years.

the European authorities and the IMF; from Spanish bankers and businessmen; from the national and international media. When the Spanish delegation arrived at the G-20 meeting in Los Cabos (Mexico) in late June, Rajoy's advisors even speculated on using Spain's exit from the euro as a negotiating strategy (de Guindos, 2013:loc.1517). While the threat was discussed as a confidential option among a few advisors, it was the stark effect of impotence.

No decisive solutions were in sight to alleviate the constant pressure on southern European debt. And only the ECB could do something about it. In this context of unabated pressure but no relief, Rajoy vetoed the conclusions proposal for the European Council summit (28-29 June), for the first and only time during his entire mandate (Rajoy, 2019:152-154).

Spain never got as close to the cliff edge as on July 24 and 25. Over these days, Spain's government debt yields reached the highest levels since the birth of the euro (7.5 per cent for the ten-year bond on July 23), the highest spreads against the German bund (639 bp on July 24) and the highest levels of credit risk premia for Spanish banks and firms since the beginning of the sovereign debt crisis (BdE, 2017:149).

Two weeks earlier, the government had defended in Congress a new austerity plan of €65 billion over two years: it raised the VAT, suspended the Christmas pay of public officials and reduced Social Security contributions. Now, amid the market panic, Spain's finance minister visited Rome, Berlin and Paris in 24 hours. In Berlin, de Guindos confessed to Schäuble that the Treasury could only resist one month before having to stop paying pensions, unemployment benefits or the salaries of public workers: "The debate about *Grexit* is killing us" (ibid.:locs.1580-1581). Two days later, Mario Draghi gave his speech in London: "Within our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough"¹²⁵.

It is certainly possible that Draghi's 'whatever it takes' prevented the euro break-up. But it did not end the Spanish crisis. Markets seemed unimpressed with the financial rescue. Yields on Spanish 10-year debt

¹²⁵ Verbatim of the speech: <https://www.ecb.europa.eu/press/key/date/2012/html/sp120726.en.html>

rose back above 7 per cent in August, after Draghi had delivered his speech. Fitch and Moody's cut their rating by three notches that summer, leaving Spanish debt just above junk status. S&P did the same in October. And that same month the *Financial Times* reported that Spain was preparing to make a bailout request¹²⁶.

Here, too, the interplay of various constraints is evident. Pressing bond markets, tough negotiations in Brussels on fiscal targets and decisive central bankers. As with the socialist government, the PP had little room to manoeuvre. Yet the ECB attitude had changed with Draghi. It seemed ready to intervene decisively, without conditions. There were no more letters sent to Spain. Could that be enough to restore some sense of partisanship?

At the time, it did not appear sufficient. Because the government still flirted with the idea of a *soft rescue*, or a new kind of IMF assistance. The plan was known internally as the 'Market Access Assistance Program' (PAAM, the Spanish acronym): the IMF would provide a validation to Spain's adjustment measures without providing any financing (a 'quality check'). Spain would not get emergency funds. It was thought that the PAAM, along with the financial rescue, would be enough to qualify for the OMT and guarantee access to debt markets.

The PAAM would have to come with strict conditions though. But the Conservatives believed that such conditions will be easier to explain at home. The plan had the support of the country's influential business elites, as well as Oli Rehn, the European Commissioner for Economic and Monetary Affairs and the Euro, and Schäuble himself. But Durão Barroso, the European Commission President, opposed the idea. It would sideline EU institutions. Barroso pressed Mariano Rajoy to reject the plan, which he finally did in late 2012 (de Guindos, 2013:locs.1649-1658).

4.3.3. No room left for politics

Five years into the crisis, the notion of partisan government had lost substantive meaning. Caught between the demands of the markets, the EU and regional governments, the conservatives had to govern through a

¹²⁶ 'Spain prepares to make rescue request', 24 October 2012, *Financial Times*. Available at: <https://www.ft.com/content/94f299ec-1706-11e2-b1df-00144feabdc0>

very narrow path: “Between the harshness of the circumstances and the deep discontent of the citizens, there was barely room for doing politics” (Rajoy, 2019:174).

In this context, doing politics consisted of striking an almost impossible balance between meeting the financial bailout conditions, continuing the unpopular fiscal adjustment and responding to the demands coming from the indebted Spanish regions. Until then, the government had been under pressure from above. Now it was also pressed from below.

Rajoy could no longer downplay the social unrest. Protests had not ceased since the indignados took to the country’s squares in 2011. By 2013, the unemployment rate reached its highest level since historical records began. With 6.2 million people unemployed, the unemployment rate exceeded 27 per cent – 57 per cent among young people (EPA, 2013). To put it in comparative historical perspective, US unemployment only hit 25 per cent in 1933 during the Great Depression. The impact of the Great Recession in Spain was, to put it in hackneyed terms, unprecedented.

The president listened but, as the socialist party, the PP did not change course. Rajoy proceed with the adjustment. It was, he insisted, the ‘responsible’ thing to do to avoid the country’s bailout. The political cost of the adjustment was being felt in the polls. In its first year in office, the Popular Party lost half of its electoral support, while the socialist party, instead of regaining ground, also lost the support among its electorate – a trend never seen before in the democratic period (Michavila, 2018:25).

Eventually, the government escaped from being rescued. But it could not avoid rescuing the Spanish regions. Just as Madrid came to rely on Brussels to bail out the banks, the regions ended up depending on Madrid for paying out their bills. In June, the government created Spain’s ‘internal’ bailout mechanism: the Regional Government Liquidity Fund (FLA, in Spanish) and the Fund for the Financing of Payments to Suppliers (FFPP)¹²⁷. Much as with the European bailouts saga (first Greece, then Ireland, finally Portugal), Spanish regions fell one after the other like a

¹²⁷ RDL 21/2012, de 13 de julio, de medidas de liquidez de las Administraciones públicas y en el ámbito financiero.

house of cards. By the end of 2012, the central government was providing financial or liquidity assistance to all but two of the regions.

The dire fiscal position of the regional governments limited the country's financial autonomy. And Spain's fiscal decentralisation thus constrained the government's options, as envisaged in the framework of constrained partisanship. For these internal bailouts had to be negotiated with 15 regions and paid for with state-backed debt issuance in precarious market circumstances.

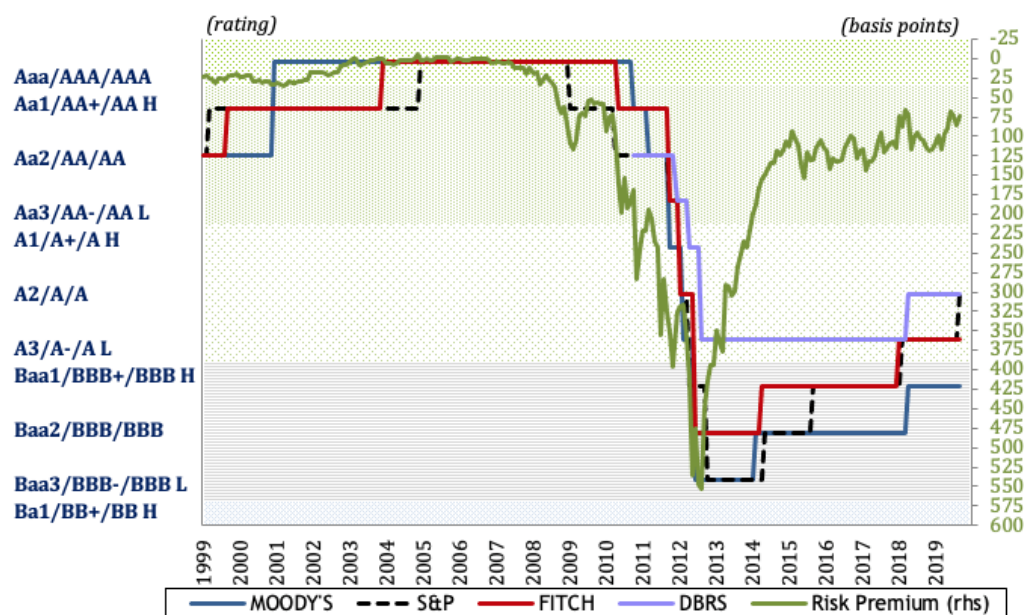


Figure 4.2 Rating Actions vs. End-of-Month Spain's Spread to 10Y Bunds

Source: Trading Economics. Spain – Credit Rating.

The regional crisis compounded the sovereign debt crisis, which by then was unprecedented in modern times. Over the crisis period, Spain saw its sovereign debt downgraded 14 times. Between Oct-2012 and Jan-2014, Spanish debt reached its worst credit ratings: one notch (Moody's and S&P) and two notches (Fitch) above speculative status, or 7 notches below pre-crisis rating levels. Figure 4.2 conveys a sense of the market pressure on Spanish debt.

These downgrades took place in a context of uninterrupted fiscal consolidation. From 2010 to 2012, Spain had cut its structural deficit by more than 4 per cent of GDP, more than Germany, France, Italy and the Netherlands (Sandbu, 2017:110-11). By the end of 2013, Spain's GDP had

shrunk by almost 10 per cent. This had been the dire result of living through multiple crises, all at once.

4.4. Governing by delegation; ruling by decree

In an age of constraints, the two parties found alternatives to govern the crisis: they increasingly governed by delegation and ruled by decree. One option had been to delegate crisis management decisions to independent institutions such as the Bank of Spain or the new-born FROB. Existing legislation already delegated specific regulatory powers to the central bank. But the regulatory framework was reformed to empower the national supervisor and to create a new institution to assist in restructuring the financial sector. The creation of the banking union subsequently consolidated this model of delegation on a European scale.

The PP also created a new independent fiscal authority, as required by European regulation in 2013, with the support of the socialist party: the *Autoridad Independiente de Responsabilidad Fiscal* (Airef)¹²⁸. This agency will ensure compliance with the constitutional mandate of budget stability, public debt targets and the expenditure rule. In the midst of the crisis, Spain thus joined the general trend in other European countries, as did the UK in 2010 with the creation of the Office for Budget Responsibility (OBR).

The other mechanism for governing under constraints was to circumvent the parliament, for as long as possible. Both parties passed crucial policy measures using decree-laws, a particular legislative act that was originally foreseen in the constitution as an exceptional mechanism for extraordinary situations (Martin Rebollo, 2015). This legislative tool became the preferred mode of governance for both the socialist and the conservative governments – though the PP used it even more extensively, despite having a clear parliamentary majority.

Governing by delegation and ruling by decree became the preferred mode of crisis management. To give some perspective, Figure 4.3 shows the number of decree-laws passed by year since Spain's transition to

¹²⁸ Ley Orgánica 6/2013, de 14 de noviembre, de creación de la Autoridad Independiente de Responsabilidad Fiscal.

democracy. Between 2008 and 2014 (in red), the two governments approved 121 decree-laws, 60 per cent of which were directly related to their crisis responses¹²⁹.

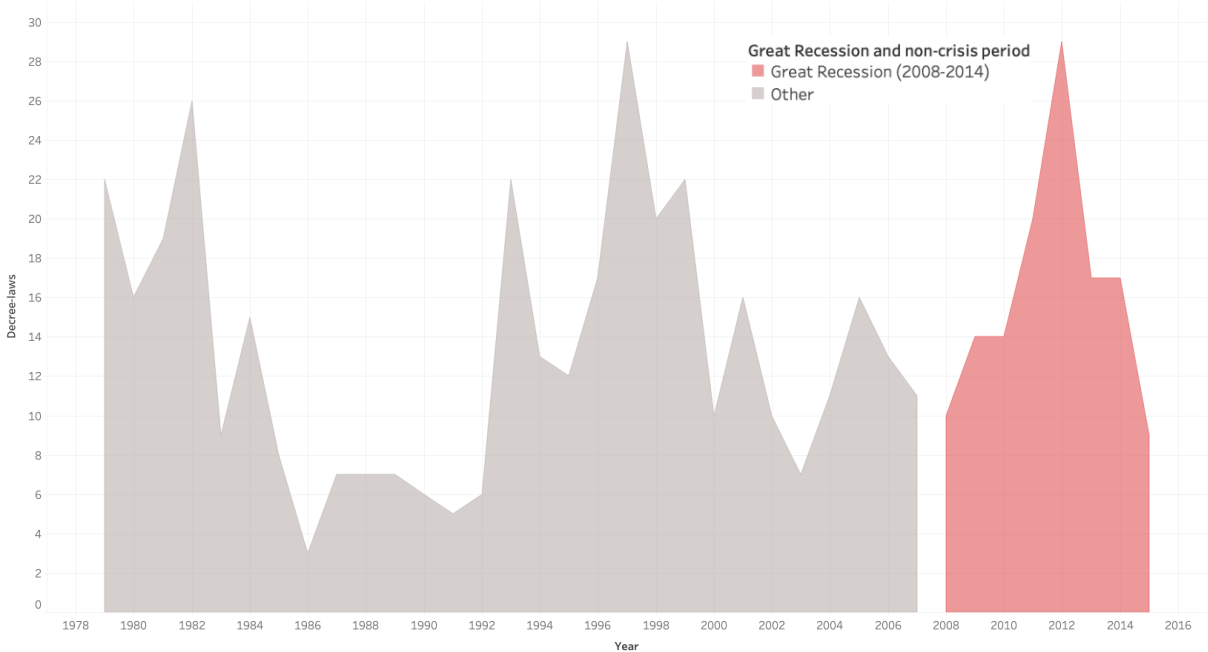


Figure 4.3 Ruling by decree: Use of decree-laws by Spanish governments
(I) Number of decree laws per year (1979-2015)

Source: Own elaboration from data compiled in Martín Rebollo (2015) and the Spanish Congress.

Note

The plot displays the absolute number of decree laws for year. In red the crisis period.

Since 1979, the year with the highest number of decree-laws approved is 2012 (29)¹³⁰. Also, there were more decree laws passed in 2008 and 2012 than any other type of law. Data on the relative weight of decree-laws is also revealing. Figure 4.4 shows the relative percentage of decree-laws

¹²⁹ The list of all decree-laws is available from the author upon request.

¹³⁰ This is the same record figure as in 1997, but with the crucial difference that in 2012 there were more decree laws passed than ordinary laws. This has only happened on three occasions: 2004, 2008 and 2012. Data from the post-crisis period is not included. The legislature coinciding with the covid-19 pandemic is likely to surpass all previous records. For the government has been consistently using this legislative form to pass all sorts of measures.

over the total number of laws passed in each legislature, including the party that was in government at the time.

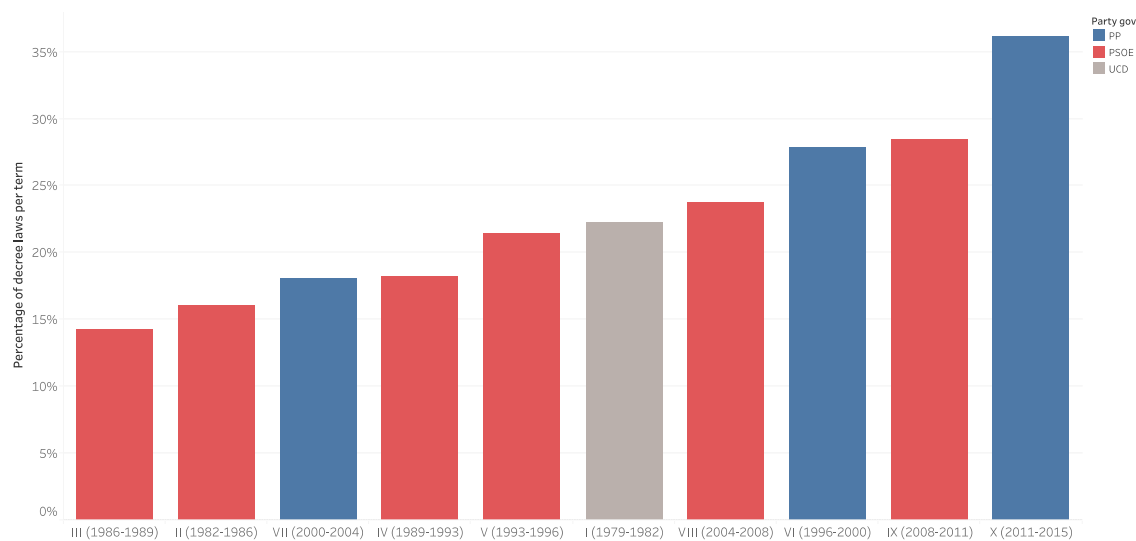


Figure 4.4 Ruling by decree: Use of decree-laws by Spanish governments
(II) Percentage of decree-laws over total laws per legislature (1979-2015)

Source: Own elaboration from data compiled in Martín Rebollo (2015).

Note

Relative percentage of decree laws for each parliamentary term. Colour shows details about Party in government.

Since Spain’s transition to democracy, the two parliamentary terms with the highest relative number of decree-laws coincide with the two crisis legislatures (under the PSOE and the PP). Approximately one-third of all legislation was passed using this extraordinary legislative tool.

On their own, these are revealing findings. Yet what makes this form of governing politically significant is not just the number of decrees passed but their content. Both parties used this tool to enact politically sensitive measures, from austerity packages to labour market reforms and the restructuring of the financial sector. The high number of decrees approved, as well as the substantive content of these measures, depict a pattern of governance by *diktat*.

It appears that the more constrained governments were, the less willing they were to seek direct consent for their actions. Hard and unpopular choices were rushed through the Congress, just as the two major parties rushed to reform the Constitution in 2011. Just as, in fact, the conservative

government refused to subject the 2012 financial rescue to popular or parliamentary approval.

These patterns came to define a unique form of crisis politics: governments delegating core functions to a growing number of independent authorities (national and European), while simultaneously legislating by decree. The result was governing parties that seemed powerless and omnipotent at once: dependent on independent authorities and, ultimately, on external assistance to address the banking crisis, yet able to adopt hard, immediate choices through extraordinary legislative powers.

4.5. Conclusion

This chapter has shown how the interplay between various political-economic constraints determined the decision context in which the Spanish governments had to respond to the crisis. To what extent were their choices driven by these constraints or reflected distinctive partisan commitments?

Under crisis conditions, bond markets imposed immediate choices on both the socialist and conservative executives. Empirically, this constraint manifested itself in the country's *credit worthiness*, as conveyed by successive credit rating downgrades by credit agencies; in the struggle to maintain *access to debt markets*, as reflected in the high interest rate that governments had to pay and the spread differentials between Spanish and German bonds at several stages of the crisis; and in the *contagion risk*, which spread from one country to another within the euro, and from the banking sector to the state. This situation put Spanish governments into a clear position of market subordination. Spain became a clear example of 'market dominance', as this position was characterised in the framework (3.2.2).

This market constraint was in part determined by the ECB's willingness to intervene if Eurozone governments lost the confidence of bond markets. The absence of a lender of last resort led to a second banking crisis at the end of 2011 (see, e.g., de Grauwe, 2013:165). In retrospect, the interest rate hikes of 2008 (July) and 2011 (April and July) were not the most accommodative choices for the recovery of the struggling Spanish economy. Both rate raises were immediately followed by an economic

recession, though whether these decisions caused it remains open to debate.

More crucial to the central argument of this thesis is the way the ECB related to the Spanish governments. When the ECB seemed more willing to assist, as when it reactivated the SMP on 7 August 2011, it did so amid legal and political controversies over the limits of its mandate. The letter that the ECB sent to Zapatero that week further constrained the government's fiscal options, as well as those of his successor. This intervention went beyond the set parameters of central banking delegation. It effectively imposed a conditionality that had significant and lasting policy implications. In November 2011, the replacement in the ECB leadership (Mario Draghi for Trichet) led to a fundamental revision of its monetary decisions. This change also coincided with the change of governing parties in Spain. While Draghi's statement in July 2012 has been seen as a turning point in the euro crisis, his words did not end the Spanish crisis.

The interaction between bond market and monetary constraints resurfaced in the legal arena too. The 2011 constitutional reform was the decisive response of the two main parties to restore market credibility in the absence of a lender of last resort. By bringing forward the new fiscal limits that would come with the Fiscal Compact, this reform sought to retain EU support to the government plans. The new constitutionalised fiscal constraint was seen as an immediate solution to the enduring market credibility problem.

But such decision had both immediate and long-lasting effects. In the short term, it made it politically impossible to change the orientation of fiscal policy, as the subsequent fiscal decisions by the two governments demonstrated. It also created a structural constraint on what any future government of any political party could do in fiscal terms. The adoption of a constitutional clause giving absolute priority to fiscal restraint and debt repayment changed Spain's fiscal framework. It also changed the character of partisan economic policymaking. Going forward, party differentiation would only be more limited. These two principles are now legally protected by a 'triple lock': a European Treaty, a constitutional clause and primary legislation, all subject to the highest judicial review.

From a partisan perspective, the PSOE's initial response to the crisis was decidedly social-democratic. A large fiscal stimulus via increased spending, as the partisan model would envisage for social democratic or centre-left parties. However, the partisan moment was short-lived. The simultaneous pressure of various constraints, concentrated on the EU politico-legal architecture, forced a radical change in the fiscal response. Since May 2010 the PSOE embarked on a tough fiscal adjustment that never seemed sufficient to appease the markets nor the EU partners.

The conservative government opted for austerity. But it ended up implementing a different austerity from the one it had promised, and different from the one it would have preferred to enact. It cut public spending substantially. Yet pressed by more ambitious deficit reduction targets coming from Brussels and haunted by constant shocks from bond markets, the PP also raised taxes as no other party had done before. The Popular Party's response was austerity in large doses but, ultimately, different from what the party had advocated. Thus, from the perspective of the parties' fiscal choices, this partisan dynamic can only be characterised as one of constrained partisanship.

In light of their choices, the two parties looked more alike, but did they at least govern the crisis differently? The pattern is even more nitid in this respect. Under constrained partisanship, parties do not renounce to govern, nor do they become completely powerless. But they often choose to govern in a peculiar way. The way in which the PSOE and PP managed the crisis is strikingly similar. They delegated important decisions on politically independent institutions, created new ones and approved 121 decree-laws in six years. Both governed by delegation and legislated by decree.

As a result, two different parties ended up governing like one. Under external constraints, they could not sustain party differentiation. In the face of multiple crises, the two parties accepted the imperatives that an age of constraints had imposed upon them. Unable to deliver partisanship, both opted for 'responsible' government (cf. Mair, 2013b:160-161; Alonso, 2014). Incapable of 'choosing', they ruled with the current. They ultimately overcame the economic crisis, yet at the expense of triggering a different one. What followed the Great Recession is, indeed,

the deepest crisis of political representation in the country's modern history.

Chapter 5

Constraints on British governments: Between reality and perception

5.1. Introduction

In the United Kingdom, the 2008 crash started as a banking crisis, triggered by the financial turmoil that originated in the United States in late 2007. The banking crisis then morphed into a business and employment crisis, which was associated with asset price corrections, particularly in real estate markets (Astley et al., 2009; Brown, 2011; ESRB, 2017; Tooze, 2018). The crisis pattern in the UK was thus different from the experience of Eurozone economies, where the 2010-2012 sovereign debt crises exacerbated the consequences of the financial crash.

The financial crisis hit the UK with a Labour, majority government that had been in office since 1997. The 2010 general election brought the end of the longest continuous Labour government. In that election, the Conservative Party won the largest number of votes and seats, but it fell 20 seats short of a parliamentary majority. This resulted in a hung parliament. David Cameron, the Conservative leader, forged a coalition agreement with the Liberal Democrats.

The Labour and the Conservative-led coalition governed amid uneven episodes of financial distress, as the indicator in Figure 5.1 shows. The financial crisis worsened in late 2008 and reached its peak with the rescue

of four banks. Although the euro crisis produced new financial turbulences between 2010 and 2012, the Coalition government did not experience episodes of financial stress similar to those of the Labour government. From the first half of 2013, there was a gradual return to normality. Overall, financial difficulties were more severe during Brown premiership than over the Cameron government.

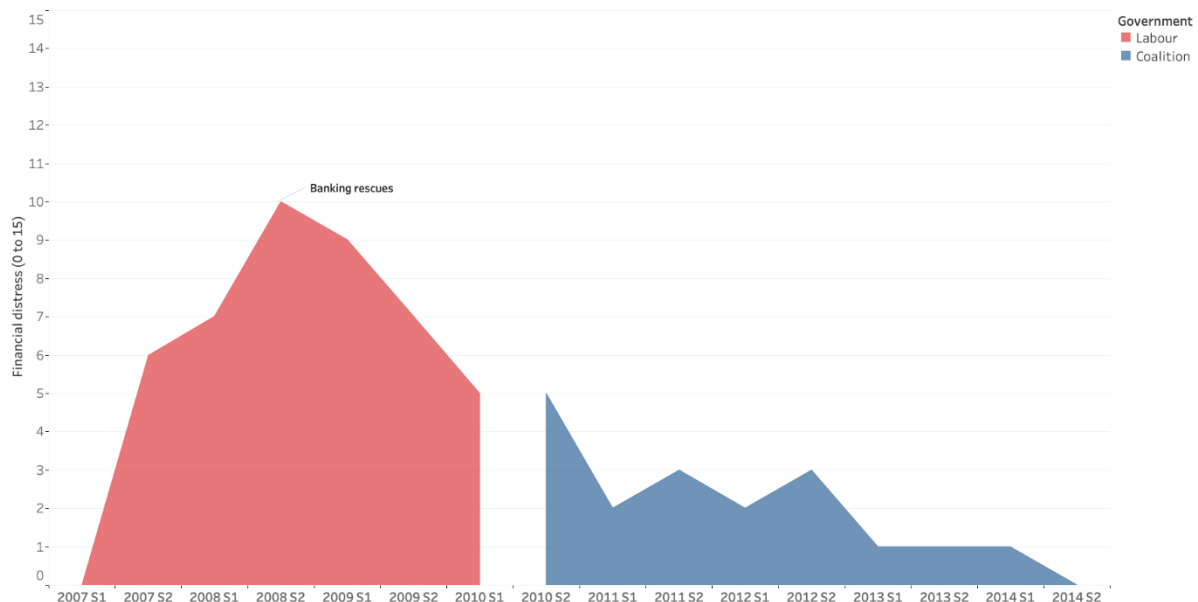


Figure 5.1 Financial distress under the Labour and Coalition governments 2007-S1 to 2014-S2

Source: Own elaboration from data of Romer and Romer (2017; 2018; 2019).

Note

The measure of financial distress is a scaled indicator of the rise in the cost of credit intermediation. 0 corresponds to no indication of financial distress; low positive numbers correspond to relatively minor amounts of credit disruption; and high numbers correspond to severe financial crises and the breakdown of intermediation.

This data indicates that the economic conditions experienced by the Coalition were less acute than the public manifestations of their leaders often suggested. If as George Osborne insisted as Chancellor, the banking crisis in Britain could lead to a sovereign debt crisis, that path did not appear to be in sight. This is more obvious in retrospect, but, crucially, the real-time evidence presented in this chapter suggests that such a crisis was never close to materialising.

How did the two governments respond to the Great Recession? The Labour government responded with a large banking rescue package and one of the smallest discretionary fiscal stimuli among the G7 (EIU, 2009;

Romer and Romer, 2019). Gradually but decisively, Labour shifted towards fiscal consolidation prior to the 2010 general election. The so-called 'Darling Plan' and the 2010 party manifesto attest to this shift. The Conservative-led coalition phased out the support to the banks, while enacting the most radical fiscal consolidation programme in the G7. While the contrast between Labour's initial stimulus and the Coalition's austerity programme is clear, a detailed analysis of the drivers of these choices reveals a more subtle picture.

Both governments were constrained by several factors. First, the UK's financial dependence, as manifested by the staggering size of the financial sector as a share of the national economy and its global interconnectedness, imposed a structural constraint on the Labour government. This left the Labour government with little choice but to intervene directly in the ailing banks. Throughout the crisis, both parties also referred to bond market pressures to justify significant fiscal measures, such as tax raises and large-scale public spending cuts. However, early and decisive intervention in bond markets by the Bank of England safeguarded sufficient room to preserve market access and escape a more severe market restriction. The evidence I present in this chapter suggests that, while the UK faced the worst financial crisis in generations, the two parties were generally less constrained than they claimed to be.

This political-economic reality gave rise to a more subtle version of constrained partisanship. At several junctures, governments' choices were driven less by the actual effects of constraints than by the internalisation of those constraints by political actors: perceived constraints forced them to make certain choices in order to avoid having to make more difficult ones later. In more concrete terms, the Labour government raised the VAT and the top rate of income tax in 2009, in breach of a decade-long pledge and despite Gordon Brown's preference. It did so for fear of losing the confidence of the markets and to avoid a downgrading of the UK debt. Osborne ended up selling the 2010 austerity programme as the prerequisite for avoiding a sovereign debt crisis. "Sadly", George Osborne conceded in his 2010 Budget Statement, "we have had to increase taxes". The markets, however, seemed to operate in a different reality, as the evidence presented in this chapter will show.

In what follows, I make sense of the British crisis experience in light of the framework of constrained partisanship. First, the chapter studies the Labour experience by paying special attention to two choices: the government's direct intervention in the banking sector with four bank nationalisations and Labour's cautious choice to respond to the economic recession with comparatively limited fiscal stimulus. It then focuses on the Conservative-led coalition and show how the Conservatives paved the way for austerity from opposition. Partisan ideas about tax and spending and the impact of deficits and debt on economic growth are relevant to understanding the Tories' response. In government, however, the Conservatives predicated a radical austerity programme on the basis of a fiscal emergency and the spectre of a sovereign debt crisis. Despite those claims, this crisis never materialised. Neither the fiscal fundamentals, nor the commitment to austerity, nor the party in government seem sufficient to explain why bond markets remain patient. This was largely because of the decisive role played by the monetary authorities throughout – a crucial aspect I analyse in detail in the final section of the chapter.

5.2. Labour Government: Constrained by other means

5.2.1. The political burden of financial dependency

The 2008 global financial crisis presented the Labour party with an immediate political predicament. In retrospect, a mammoth financial sector and a decade-long legacy of financial liberalisation was not the most favourable combination to tackle the largest financial crisis in generations. Prior to the crisis, New Labour's embrace of financial liberalisation had contributed to the success of the City of London (Thompson, 2009:902). On the eve of the financial crisis, this legacy was no longer politically costless. It haunted the government's crisis choices.

A highly financialised economy in tatters, such as Britain's, was going to make public intervention in financial markets almost inevitable. Amid a financial meltdown like 2008, the dependence on the financial sector was a structural constraint that any party would have had to contend with. Yet the acceptance of the unfettered markets doctrine had been New Labour's deliberate policy. This choice had defined the party's identity for over a decade. How could it then justify four bank nationalisations in one year? Was this the *same* party? And if not, what was left of New Labour?

On 14 September 2007, the United Kingdom witnessed the first run on a bank since 1866. After the BBC reported that Northern Rock was taking an emergency loan from the Bank of England, depositors rushed to get their money back from the ATMs¹³¹. The following day, Labour's Chancellor, Alistair Darling, announced that all existing deposits would be guaranteed by the government¹³².

Since becoming a public limited company in 1997, Northern Rock had quintupled its balance sheet. By 2007, 80 per cent of its funding was coming from markets used by many banks with high exposure to US subprime (Tooze, 2018:145). Northern Rock was especially dependent on short-term cash. When interbank lending markets shut down over the summer of 2007, the UK's fifth largest mortgage lender got into trouble – it was running short on cash¹³³. In early August, Northern Rock notified the Financial Service Authority (FSA) of its situation; the bank later applied for emergency funding from the Bank of England and, in February 2008, it was finally taken into public ownership. In retrospect, the 'Northern crock' became the first warning of the systemic crisis that was about to shake the entire UK's financial system.

Over the past decades, London had become the city for global finance. In forty years, the total assets of the banking sector had grown from around 100 per cent (1975) to 450 per cent of nominal GDP in 2013. Before the crisis, the City was hosting more than 250 foreign banks and branches, over twice as many as Frankfurt or New York. The City was conducting 35 per cent of the global turnover in foreign exchange (\$1 trillion per day). It was also the hub for the over-the-counter (OTC) interest rates

¹³¹ 'Northern Rock gets bank bail out', 13 September 2007, *BBC News*. Available at: <http://news.bbc.co.uk/2/hi/business/6994099.stm>

¹³² HM Treasury press notice, 17 September 2007. Available at: https://webarchive.nationalarchives.gov.uk/20100407202846/http://www.hm-treasury.gov.uk/press_95_07.htm

¹³³ Several European (BNP Paribas) and American (Bear Stearns) banks had also revealed large exposures in money market funds exposed to sub-prime and halts redemptions. On August 9, the ECB and other central banks injected hundreds of billion overnight to improve liquidity in the system.

derivatives business, carrying out 43 per cent of annual transactions (Ibid.:81; 83).

The UK had a larger banking sector than Japan, the United States and the ten largest EU economies. As a share of GDP on a residency basis, the UK's financial sector has grown from around 100 per cent of nominal GDP in 1975 to around 450 per cent of GDP in 2013. (BoE, 2014:387). In comparative perspective, only Ireland and Luxembourg had larger financial sectors than the UK in terms of value-added contribution (OECD, n.d.). The financial sector was also the largest contributor to the UK balance of payments. In 2008, financial and insurance services concentrated close to 4 per cent of all British jobs (more than 1.2 million) and accounted for more than 9 per cent (£128.5 billion) of national output (Rhodes, 2019). In terms of size, employment and tax revenues, the financial sector was simply central to the British economy.

Beneath this staggering size lay an intricate web of financial interconnectedness. The British, American and European financial systems had become tightly interlinked through complex inter-bank arrangements (Tooze, 2018). The implications of this reality became very consequential after the credit crunch. The large exposures of British banks to the American subprime market made them vulnerable to sudden developments in the US. At the same time, the (non-bank) private sector was greatly exposed to euro-area banks, particularly to Irish and Spanish-owned banks (BoE, 2009:19).

In good economic times, this reality had certainly not gone unnoticed. Analysts had long noted that, while beneficial to the public purse in the form of tax revenues, this financial dependency drew resources away from other economic sectors and exacerbates regional and wealth inequalities. In times of crisis, the outsized financial sector narrowed the scope of options that the government could consider to address market

troubles. At the systemic level, this structural constraint was equivalent to the 'too big to fail' problem at the level of individual banks¹³⁴.

As the global financial crisis escalated, the risks of financial hypertrophy and deep interdependence became obvious to policymakers¹³⁵. In September, HBOS had been taken by Lloyds. A week later, the Yorkshire bank Bradford & Bingley, the largest buy-to-let lender in the country, became the second British bank to be nationalised after Santander, the Spanish bank, bought its saving business and branches. In response to an escalating crisis, the Bank of England began to provide covert liquidity to the Royal Bank of Scotland (RBS) and HBOS¹³⁶. Capital losses in the largest UK banks were "threatening the solvency of individual institutions and the collapse of the entire banking system" (Woll, 2014:87).

Financial markets had deteriorated rapidly. Gordon Brown created the National Economic Council (NEC), an 'economic war' cabinet to monitor the situation. The FTSE100 recorded its largest ever one-day points fall on 6 October¹³⁷. Two days later, the Labour government presented its banking rescue plan. With a notional value close to 30 per cent of GDP (EIU, 2008 [October]), Labour's package was close to exceeding the US TARP as a share of GDP. It was only rivalled in Europe by the German program (Tooze, 2018:190). The plan amounted to £500 billion and consisted in three parts: capital, funding and liquidity. The package offered £50 billion to the eight major banks for their recapitalisation, public guarantees of up to £250 billion for new debt issued and extended

¹³⁴ In economies with smaller financial sectors like France or Finland governments faced imperatives which were less systemic. But to understand the comparative impact of 'sector size' on governments choices, it would be necessary to differentiate between 'structural' and 'instrumental' financial power in each case (Culpepper and Reinke, 2014) – a task that is beyond the scope of this chapter.

¹³⁵ "It was only later that all of us realised that half of the securitized US assets, including mortgage-backed securities, had been sold to foreign investors, most of them Europeans" (Brown, 2011:53)

¹³⁶ Covert liquidity operations by the Bank of England were not made public until November 2009, when the then Governor of the Bank of England, Mervyn King, disclosed details of the operation to the Treasury Committee.

¹³⁷ 'Stocks slide despite reassurances', 6 October 2008, BBC. Available at: <http://news.bbc.co.uk/2/hi/business/7655288.stm>

£100 billion liquidity support to trade illiquid securities for Treasury bills through a Special Liquidity Scheme.

The day the Labour government announced the rescue plan, the Bank of England cut interest-rate to 4.75 per cent. That same day the UK was drawn into the Icelandic crisis. Two failing banks – Landsbanki and Kaupthing – had business with a large depositor base in the UK (Woll, 2014:88). But the Icelandic government was refusing to guarantee British deposits. Relying on antiterrorism rules, the Chancellor issued a freezing order to protect UK depositors¹³⁸. On October 16th, stocks across Europe recorded their worst falls for 20 years. Share prices in RBS, Barclays and HBOS collapsed. RBS and Lloyds-HBOS asked the government for help. The government took control of them.

By the end of 2008, the US subprime crisis had spread across the Atlantic. Short-term wholesale funding had frozen and the stocks market had plummeted. The Icelandic crisis had hit the UK and the British government had already nationalised four banks. In hindsight, a global financial crisis of this severity would have imposed inevitable decisions on any British government. But the option of letting the worst-hit banks fail was no more attractive for Labour than taking control of them. Politically, neither seemed a good choice.

Nationalising a bank was a political watershed that “would hark back to the wilderness years, when Labour appeared unelectable” (Darling, 2011:65). Brown was against bank nationalisation “partly because, ever since the 1970s, the Labour Party had been losing elections on the question of economic competence” (Brown, 2011:13). And yet, the first “nationalisation started to look like the only option” in late 2007. In February 2008, Brown had accepted “with an incredibly heavy heart the reality of the choice the Treasury presented me with” (2011:25;29). At the

¹³⁸ The Chancellor announced that the retail deposit business of the UK subsidiaries was to be transferred to ING Direct. The remainder of the two businesses were put into administration (BoE, 2009:60)

risk of being perceived as backtracking to the past, the Labour government eventually nationalised four banks¹³⁹.

Would a different party have been equally worried about these accusations? As the US financial meltdown spread to Europe, some governing parties seemed in a better position to weather accusations of complicity in having caused the financial crisis. The British Labour party under New Labour was not among them. Labour had come to power in 1997 with the economy expanding and inflation low¹⁴⁰. There was no sense of crisis, and from the beginning the Blair government could choose on economic policy (Cobham et al., 2013:19). The Labour government decided to make financial regulation lighter than it had been under John Major. Surely, financial liberalisation predated New Labour's ascent to power (Oren and Blyth, 2018). But it was vocally championed by Blair and Brown ever since.

New Labour's economic thinking was predicated on the acceptance that financial markets must be regulated lightly or, as Gordon Brown put it as Chancellor, "not only light but limited regulation". The first chairman of the FSA, Howard Davies, expressed this approach in vivid terms: "The philosophy from when I set it up has been to say, 'Consenting adults in private? That's their problem, really'" (cited in Wade, 2008:12-13). In terms of financial supervision, it meant allowing lenders, brokers and bankers operate freely (as 'consenting adults') in 'shadow banking' or 'market-based finance system'.

¹³⁹ These concerns were evident among some Labour MPs. Take this exchange in the Commons between Jim Cousins, a Labour MP for Newcastle upon Tyne, and Alistair Darling in late 2007: "Does my right hon. Friend [in reference to Darling] accept that *the policy of nationalisation would lead to a slow lingering death for the jobs of the Northern Rock workers, its assets and Britain's reputation as a major financial services centre...*" (Hansard, 19 November 2007, available at: <https://bit.ly/2TZVxQT>)

¹⁴⁰ "When Labour took office, unemployment had been falling for 4 years as the sharp depreciation in 1992 set in train a strong export recovery; inflation was about 2 per cent per year and the world economy was delivering steadily growing export markets and stable commodity prices" (Glyn and Wood, 2001:202-203).

Behind these positions, there was a deeper intellectual commitment to the idea of self-regulated and efficient markets¹⁴¹. For example, in his 2006 Mansion House speech, Gordon Brown had made clear “that we were right ... to build upon our light touch system” and that “just as two years ago we promoted the action plan for liberalising financial services across Europe ... the Treasury is now working ... to ensure that the European financial services white paper signals a new wave of liberalisation”. When in 2008 Darling replaced Brown as Chancellor, he insisted that “our approach to regulation is one of the reasons companies choose to come to the UK” (Darling, 2008).

The intellectual status of this doctrine had reached its pinnacle just prior to the crisis. On the eve of the financial crisis, it became a tainted political stance. By accepting a lightly regulated financial sector, New Labour had moved closer to the Conservatives on financial policy. They had become less distinctive in this respect. After a massive banking rescue programme, New Labour became vulnerable to critiques coming from the left and the right, as well as from both flanks within the Labour party (see Cobham et al., 2013:2; Dorey, 2009:264).

In his analysis of the financial crisis, Brown himself addresses this political vulnerability: “the reason governments had to step in during October 2008 was not ... because government action had itself cause the problem, but because the music stopped” (Brown, 2011:89). Then, Brown adds – notably, in a footnote – that “if anything, the problem had been too little government interference in the market, not too much” (ibid.:275; fn.3)¹⁴². Ed Ball, Brown’s closest and longest-serving economic advisor, later admitted that the Blair and Brown governments had not regulated the City strictly enough (D’Ancona, 2014:224). On New Labour’s own account, the party’s predicament was clear.

But what to make of Labour’s response? The Labour party confronted the external constraint created by a hypertrophic financial sector against an

¹⁴¹ This is a body of economic thought which I do not explicitly review. But see, inter alia, Fama (1970) and Malkiel (2003).

¹⁴² Brown also recognised that “I felt that if there was a diversification of risk spread across many institutions and through many instruments, we were in a better position. This was the biggest and most far-reaching mistake I and others made” (2011:19).

unfavourable political backdrop. Following the rescue of the banks, the ideas that the party had been defending prior to the crisis made the government more vulnerable to intra and extra-party challenges. Whereas it may be argued that the centrality of British finance was also the result of political choices, only the latter was under the direct control of the party. Championing financial deregulation has been part of New Labour's identity.

Therefore, it is not just external constraints that limit politicians, but their own ideas that can ultimately constrain a party. As historical and ideational institutionalism has long accepted, underlying normative structures or ideas –not just formal institutions – also constrain political actors. For these ideas will determine the set of responses that politicians will find acceptable or unacceptable when institutional or material conditions change. In times of crisis, parties' responses will be in part determined by external constraints. But these responses will be also shaped by the distinct economic ideas that the party holds. How did both aspects influence Labour's fiscal response?

5.2.2. Timid partisanship: A limited and short-lived stimulus

In 2008, the Labour government had fiscal space to choose. The debt-to-GDP ratio was one of the lowest among developed economies. This provided room for additional borrowing, if the government wanted to implement a counter-cyclical stimulus to fight the economic downturn. Labour chose to respond with a limited fiscal expansion. But why? Beyond the rising costs of the bank bailouts, two other factors limited the scope of this stimulus.

First, the Labour Chancellor was concerned about the reaction to a larger fiscal stimulus in debt markets. He feared that an excessive increase in the deficit will be adversely received by bond markets (see, e.g., Romer and Romer, 2019). Second, with a looming general election, the Tory opposition accused Labour of fiscal irresponsibility, mismanagement and incompetence. The prospect of competing in an election after a period of fiscal deterioration made the Labour party more cautious in fiscal terms. These fears materialised in the policy shift that the 2010 Labour manifesto sanctioned. This manifesto committed the party to at least one term of fiscal consolidation.

The summer of 2008 the Prime Minister made a crucial decision. As banks stopped lending and consumers stopped buying, Gordon Brown became convinced that “a huge fiscal stimulus and substantial quantitative easing would be necessary” (Brown, 2011:37). After reviewing the lessons from the Great Depression, Brown realised that only a concerted global effort could reboot aggregate demand¹⁴³. The global political landscape was favourable for considering the expansionary option. Thus, much as with the response of the PSOE in Spain, Labour’s stimulus was also underpinned by the global, yet brief consensus forged during the G20 meetings in late 2008 and early 2009 (Brown, 2011:127-129; Zapatero, 2013:138-39).

The decade prior to the financial crisis had been relatively benign for the UK’s public finances. Public debt stood at 36.7 per cent of GDP in 2007/8, down to 40.5 per cent when the Labour party regained power in 1997/8¹⁴⁴ (Wren-Lewis, 2013:40)¹⁴⁵. The Labour government had run several budget deficits, but additional debt issuance did not seem an immediate concern. In the UK, as in Spain, there was fiscal space to introduce discretionary measures¹⁴⁶.

In late 2008, data confirmed a contraction in services, manufacturing and construction sectors. The housing market had also worsened: fall in property prices, slump in new mortgage approvals and rapid decline in

¹⁴³ “I started to bring together evidence which showed that the cumulative effect from all countries doing similar things would to achieve twice the impact in each individual country” (Brown, 2011:37;42; see, in particular, Chapter 5).

¹⁴⁴ The exact figures on public debt have been revised *ex post* and differed depending on the sources (ECB, IMF, Commission). Yet the headline is the same: pre-crisis public debt levels were not a major concern.

¹⁴⁵ Though the UK had the fifth largest structural deficit in the OECD, it was lower than in 1997. The deficit figure was estimated by the OECD in June 2007. The OECD later concluded that, prior to the crisis, the structural budget balance was weaker in most countries than it thought at the time. The OECD estimated that in 2007 the UK had the third largest structural deficit among its member countries, exceeded only by Greece and Hungary (Riley and Chote, 2014:18)

¹⁴⁶ According to Wren-Lewis (2013:43), “had fiscal policy been tighter in the years leading up to the Great Recession, so that net debt to GDP had been 30 per cent rather than 37 per cent, then the 2008/9 stimulus in the UK might have been a little larger”.

the number of property transactions (EIU, 2008). Anticipating the deterioration of economic conditions, the Labour Chancellor had announced “a £20 billion fiscal stimulus between now and April 2010” in his Pre-Budget Report in November 2008.

Following two quarters of negative economic growth, the UK plunged into a deep recession in early 2009. The government confirmed this stimulus in the 2009 budget. It was the largest change in tax and spending since 1997 or an “old-fashioned redistributive Budget”, as Darling defined it (Darling, 2011:187). The main component was a temporary cut in VAT from 17.5 to 15 per cent for 13 months, as much as was permitted under EU fiscal rules. The economic rationale of the stimulus was straightforward: A temporary cut in the VAT “not only increases spending, but also brings spending forward, as people seek to take advantage of the temporary reduction” (ibid.:181-182)¹⁴⁷. In 2008–09, the overall size of the stimulus was 0.6 per cent of GDP. It amounted to 1.5 per cent of GDP in 2009–10, with tax cuts accounting to 0.9 per cent of GDP that year, more than public spending increases¹⁴⁸.

The stimulus was intended to be exceptional and temporary. But at the time Gordon Brown still defended it as a partisan choice. With Labour’s polls approval at an all-time low since the 1980s¹⁴⁹, Brown sought to contrast Labour’s position with that of the Conservatives. British voters were facing a clear choice of “investment against cuts” or “investors” against “cutters”. The Conservatives had become the ‘do-nothing party’,

¹⁴⁷ In character, the stimulus was New Keynesian rather than Old Keynesian. As Wren-Lewis has noted, the temporary reduction in VAT was “as near to monetary policy as fiscal policy can get” (Wren-Lewis, 2013:43). The measure reduces real interest rates by raising inflation, whereas monetary policy does the same thing by cutting nominal rates. The term ‘new Keynesian’ is used to indicate that the underlying macroeconomic model has forward looking, or rational expectations by individuals and firms, and some form of price rigidity, usually staggered price or wage setting. See Cogan et al. (2009).

¹⁴⁸ Or about £12 billion and £30 billion in terms of 2020 GDP. See confirmed data in Emmerson and Johnson (2020).

¹⁴⁹ Public opinion support to the Labour Party had reached its lowest level since the early 1980s, while support to the Conservatives was “the largest and most consistent over two decades” (EIU, 2008).

promising all pain and no gain (Brown, 2008). For a few months, Labour could defend this position. Yet soon fears began to creep in.

To implement the stimulus, the government had to either break or change the fiscal rules that it had imposed on itself in 1997. The government opted to change them: “in the current circumstances, to apply the rules in a rigid manner would be perverse and damaging. We would have to take money out of the economy, making a difficult situation worse”, the Chancellor said in his 2008 Pre-Budget Report. So the government came up with a temporary operating rule, which permitted the use of discretionary fiscal policy until the economy had “emerged from the downturn”.

Changing the fiscal rules was not an easy political decision. But once changed, the possibility of deviating from the new rule was particularly concerning to the Chancellor: “If we set rules, especially in a time of crisis, and then broke them, the markets would turn against us ... Rules would require us to cut public spending or increase taxes, so they do have a direct impact on people” (Darling, 2011:180). Deviating from the rules could trigger a negative market reaction. From then onwards, the possibility of a downgrade to British debt became one of Darling’s worst fears. The Chancellor was “determined that, come what may, Britain’s credit rating would not be downgraded while I was Chancellor” (ibid.:229; 233-135). Such outcome would be a political disaster, equivalent to the IMF bailout in 1976 or Britain’s expulsion of the ERM in 1992.

The government’s fear about the market reaction was not completely unfounded. From April to August 2008, public-sector net borrowing had been 74 per cent higher than a year earlier, and far above the 19 per cent increase forecast by the chancellor in his March 2008 budget. Tax revenues were lower than expected, while government spending was jumping above expectations (EIU, 2008). Eventually, the deficit would shoot up from 2.8 per cent to 10 per cent of GDP. In early 2009, questions around debt sustainability came to the political forefront.

It is evident that concerns about fiscal rules compliance weighted on Labour’s fiscal choice, though not in an insurmountable way. The Labour government had adapted the major component of the stimulus –the VAT

cut— to fit EU rules¹⁵⁰. To use fiscal policy with more discretion, it replaced the pre-crisis rules with a temporary one. In turn, it will replace this rule with a new Fiscal Responsibility Act “for securing sound public finances”, as the Chancellor was quick to announce. The government finally passed it in February 2010.

In the first semester of 2009, the Bank of England had grown impatient with Labour’s fiscal plans. For months, the Bank governor, Mervin King, has demanded more clarity to the government plans for fiscal consolidation: “Although we are finding it easy now to finance those deficits by issuing gilts, there could be problems down the road. We need a credible statement of what will guide the deficit reduction”, King told MPs in June 2009¹⁵¹. The Labour leadership was working on it. But Labour leaders were particularly concerned about the Governor’s making those remarks in public. King’s criticism was straying the Bank too far into the political realm, effectively aligning the governor with the Conservative opposition (EIU 2009, [July, Q3]:14).

These public pronouncements were similar to the kind of pressure that Trichet had been exerting on some European governments during the European Council meetings, as I have explained in chapter 3 in relation to the Spanish case. It was pressure exercised via crisis framing. While this pressure never turned into direct policy conditionality in the British case, the government was concerned that the central bank criticism could damage its most precious asset: market credibility.

So throughout 2009, the Chancellor redoubled efforts to reassure investors of Labour’s commitment to debt sustainability. During his appearances in the House of Commons, Darling repeated the same message: the government was fully committed to reducing borrowing. In his annual speech to the Confederation of British Industry (CBI), the Chancellor

¹⁵⁰ In 2008, the UK was taken out and then put again under the Excessive Deficit Procedure (European Commission, n.d.). Yet this decision had no concrete consequence on the government’s fiscal autonomy.

¹⁵¹ “Mervyn King attacks Alistair Darling over 'extraordinary' budget deficit”, 24 June 2009, *The Guardian*.

reassured the business community that getting 'borrowing down' had become an "absolute priority" for the government.

The problem was that all options to make it possible were politically toxic. In every election since the birth of New Labour, the party had made the same promise: it would not raise the basic rate, or the top rate of income tax. In internal cabinet meetings, the Chancellor insisted that more revenue was urgently needed to reduce borrowing. The Labour party might have to rethink its long-standing approach to taxation.

Darling proposed to Brown to gradually raise the VAT in 2010, and then each year until the tax reached 20 per cent. But the PM opposed the idea. Raising VAT would be lethal for Labour's electoral prospects. Alternatively, raising the top rate of income tax could provide additional revenue. Yet the Chancellor was equally concerned about "our doing anything that would move us from the centre ground of British politics, a place where Labour must stay if it is to be re-elected" (Darling, 2011:186).

Finally, the 2009 Budget clarified the party's new position. Darling announced several tax increases "to *secure our economic future* and to provide help for people now when they need it most". These changes included increases in indirect tax rates and, crucially, a new 50 per cent rate on incomes above £150,000 from April 2010. In 2008, the Chancellor had already accepted to increase the top income tax rate to 45 percent to pay for stimulus - "the first increase in the highest income tax band since 1974" (Chote, 2008:3). Now he had just announced a further increase to 50 per cent.

The political significance of this decision should not be underestimated. Commentators have noted that this announcement marked a significant departure from New Labour's approach to personal taxation (Seely, 2018:11; 31). For it departed from the doctrine the party had been defending since Tony Blair took over from John Smith in 1994. Instead, the tax decisions appeared to align New Labour with 'old' Labour - the 1992 manifesto was the last one that committed the party to raise the top rate of income tax from 40 per cent to 50 per cent (Glyn and Wood, 2001:200).

After a decade claiming that raising the top rate would raise relatively little¹⁵², the party changed its position on a major issue.

Concern about the potential reaction of bond markets had led the government to raise taxes, against Brown's preference and Labour's longstanding pledge. Yet this very decision risked pushing the party away "from the centre ground of British politics". In other words, the government had to raise VAT and income tax to ensure debt sustainability and preserve Britain's debt status. Yet to do so required abjuring Labour's decade-long commitment. They got, indeed, somewhat trapped.

For all the Chancellor's fears, the news was never that bad. The worst news the credit rating agencies gave Labour before the party left office was a 'negative watch' warning issued by Standard & Poor's in May 2009. The government could finance additional borrowing needs, as I will show in more detail in the last section of the chapter. It is possible that market participants were counting on Labour's more-than-likely defeat in a future election; and hence, anticipating a new term of fiscal consolidation. It is also possible that Labour's public commitment to get borrowing down was sufficient to appease bond market anxiety in 2009. In any event, the reality was that, without putting excessive pressure on the party, the markets had already changed it.

This produced, in effect, a more subtle version of constrained partisanship. For the source of Labour's tax choices was not a decisive constraint in the form of market access loss. But Labour's beliefs that markets will constrain them if they did not act in a certain way. It is in this sense that I have insisted in this thesis that constraints have a crucial perceptual component. Under crisis conditions, actors' perceptions may matter as much as the material effects of constraints.

By the 2010 general election, Labour's position on fiscal matters had changed unequivocally. Alistair Darling declared that Labour was committed to cutting public spending "deeper and tougher" than

¹⁵² "We will not raise the basic or top rates of income tax in the next Parliament", 2005 Labour Party manifesto, p.16.

Margaret Thatcher¹⁵³ (d'Ancona, 2014:42). He had already drafted a plan for it. But it was a curious way of leaving office: Labour had gone from implementing a timid fiscal stimulus to promising Thatcherite austerity. On this crucial point, nonetheless, all major British parties had converged. They all came to believe that only by committing to fiscal prudence they could stand a chance in the coming election.

Overall, the crisis experience of the Labour party had been one of cautious partisan policymaking, yet ultimately constrained. Gordon Brown (2011) was always worried that a larger expansion will significantly increase the level of public debt and thus escalate market pressures. His Chancellor, Alistair Darling, (2011) was so concerned about the impact of the fiscal expansion on debt levels and the British debt status that he promised to make “deeper and harder” cuts than those of the Thatcher years.

Fearful of the consequences if they became too radical in their choices, Labour ended up constrained more by their own fears than by what the markets actually did. By the time Labour went to the polls, its economic programme was barely distinguishable from that of the Conservatives or the Lib-Dems. Would it really matter much if Labour was re-elected or the Conservatives got into government? Austerity was coming, whether from the left or the right.

5.3. Coalition Government: Partisan in deeds, constrained by words

5.3.1. Preparing for austerity, or partisanship in the making

The Tories had just lost the 2005 general election when David Cameron became leader of the Conservative party. New Labour had been in power for eight years. In his bid for the party leadership, Cameron offered “compassion and aspiration in equal measure”. This was a vision that was “right for our times and our country” (Cameron, 2005). But these were, indeed, very different times and Britain was a somewhat different country.

¹⁵³ “Alistair Darling: we will cut deeper than Margaret Thatcher”, 25 March 2010, *The Guardian*.

After winning the party leadership, Cameron trusted the economic portfolio to George Osborne. Fully aligned with Cameron's party modernisation strategy, Osborne wanted to emphasize 'stability over tax cuts'. Under their leadership, promises of unfunded tax cuts across the board –an old pledge of former Tory leaders– would end. With both in power, the stability of public finances will take priority over tax cuts. A Tory cabinet will aim to be fiscally neutral on taxation: every tax cut must be funded with revenues coming from a new tax, primarily through environmental taxes. Fiscal 'responsibility' would be put at the centre of tax and spending decisions¹⁵⁴ (Osborne, 2006; Cameron, 2006 [Party conference]; Dorey, 2009:262-263).

George Osborne was dubbed a rigorous, classical liberal and conservative in fiscal matters (Ganesh, 2012:172). But while in opposition, Osborne also defended his position on tactical grounds. He defended 'stability over tax cuts' on the basis of his so-called 'baseline theory' of politics (ibid.). This informal political rule dictates that the opposition party should not deviate much from the macroeconomic plans of the government. So prior to the crisis, Osborne had pledged to match at least the same level of spending of the Labour party until 2010/2011.

This was still the politics of the good times. But a relevant insight can be derived from Osborne's commitment to match Labour's spending plans. Parties also choose to offer *limited* differentiation in the absence of constraints. For there are other political dynamics, unrelated to the effects of constraints, which may lead different parties to offer similar policy commitments, even when they are not forced to do so. Yet when limited party differentiation is not entirely voluntary, another kind of partisan politics arises: *constrained* partisanship. The outcome can be the same, but the drivers are very different – just as doing something voluntarily is not the same as being forced to do it.

¹⁵⁴ "Both David and I have said, we need a *new approach that puts fiscal responsibility at the heart of tax and spending decisions*. It is called sharing the proceeds of growth ... Over an economic cycle, output will grow faster than public spending. We aim to use the surplus growth to lower taxes ... But let me make this crystal clear today: *we will put stability before tax cuts*. If the public finances are in a mess then sorting them out will have to take priority over promises of tax cuts" (Osborne, 2006).

As the British economy rapidly deteriorated, the Tories abandoned the one-year long commitment to track Labour (Bale, 2016:342). In October 2008, Osborne outlined the new fiscal strategy of the party: Fiscal policy should be set for the long term, while monetary policy must adjust to control short-term demand. This position contrasted with Labour's stance of fiscal activism in the short-term. As a result, the Tories opposed the VAT cut.

This became the most contentious decision Osborne would make in his five years as Shadow Chancellor. But he believed that the discretionary stimulus was a mistake: his entral preoccupation was the prospect of ever-increasing public debt (Ganesh, 2012:207). Labour's fiscal response could raise interest rates in the long term, threatening the UK credibility in international financial markets. The banking rescue would eventually increase debt; a fiscal expansion would only make it worse. For Osborne and Cameron, present and future government indebtedness, rather than the collapse of economic growth, was the biggest threat for the British economy (Dorey, 2009).

In February 2008, Osborne had also opposed the government's rescue of Northern Rock. He was accused of right-wing dogma for this decision. But in retrospect, it seems a rather contingent and tactical decision. One of the inherent difficulties of being in opposition –David Cameron had observed in 2006– is that unless you say something strikingly different, no one pays much attention. As leaders of the main opposition party, Cameron and Osborne were opposing the government's course of action, while vaguely posing an implausible alternative that they would never have to implement (Ganesh, 2012). This alternative was a 'Bank of England-led reconstruction'. But the Shadow Chancellor knew well that the BoE did not have the legal powers at the time to take on such a role. In early 2008, there was still space for political opportunism.

When economic circumstances deteriorated, the political calculus changed. In late 2008, Cameron and Osborne supported the bailout of three other banks. This time, the Tory bottom line was "yes to a bailout, but no to a stimulus" (Ganesh, 2012:206). But how to make sense of this position? It is possible to explain the Tories opposition to a fiscal stimulus from the party's preference on fiscal matters: fiscal policy should be set for the long term during a crisis.

But on partisan grounds, one would expect the Conservative party to oppose any bank nationalisation. But why oppose Northern Rock and not the other bailouts? As I have argued, it is likely that, in late 2008, the same financial market constraint that tied the Labour government would bind any office-seeking party. This constraint was structural. A hyper-financialised economy in deep trouble was going to make direct government intervention in the banks almost inevitable, regardless of a party's ideological commitments.

On fiscal policy, however, Osborne chose to stress the differences with Labour. The economic narrative for opposing the fiscal expansion was that “we can't afford it”, as David Cameron put it to his closest aids. When Britain's recession was confirmed in January 2009, the Conservatives toughened the narrative. “It's ridiculous to pretend there won't be cuts”, Osborne wrote in *The Times*¹⁵⁵. Under a Tory cabinet, public sector workers would see their pay freeze and tax credits will be removed from earners with an income above £50,000. This was the “age of austerity”, David Cameron announced in the Spring party conference. This is “no time for business as usual” but for a “government of thrift” determined to deliver “more for less” (Bale, 2016:344). This was the consequence of an “age of irresponsibility” (D'Ancona, 2014:13).

Even before arriving to Nos. 10 and 11, then, Cameron and Osborne saw fit to commit the party to drastic deficit-reduction (cf. Ganesh, 2012:218; D'Ancona, 2014:42). But the truth is that the other parties did too. With the 2010 election looming, Labour had become increasingly willing to accept a fiscal adjustment (Gamble, 2015:156). And so did the Liberal Democrats.

A comparison of the 2010 election party manifestos confirms this austerity settlement. All three main parties campaigned on cutting public spending. They only differed on the pace at which they would cut it. There were no differences about the ‘what’ but about the ‘when’. The Conservatives pledged for urgent fiscal consolidation, whereas Labour and the Lib-

¹⁵⁵ ‘It's ridiculous to pretend there won't be cuts’, 15 June 2009, *The Times*.

Dems were more concerned with cutting spending too soon¹⁵⁶. British voters could only expect 'tough choices'. This was the substantive scope for partisanship and party government. External constraints were likely to determine the rest.

5.3.2. Manufacturing constraints? Fiscal responsibility and market credibility

The 2010 election delivered a hung parliament, leaving the Conservative party 20 seats short of a parliamentary majority. The Conservative leader, David Cameron, forged a coalition agreement with the Liberal Democrats, which became the first full coalition government in Britain since 1945. But economic policy was set from the outset by the Conservatives (Gamble, 2015:157; cf. Cameron, 2019:185-186; 225).

Upon arrival in office, the new Chancellor, George Osborne, had three political priorities. First, to persuade the British public that the burgeoning deficit had to do with the excesses of New Labour, which had "maxed out the nation's credit card". Second, that immediate and drastic austerity in the UK was unavoidable if the country wanted to avoid the same fate than Greece and, third, that the austerity emphasis was to be placed on spending cuts, not on tax raises (Bale, 2016:369-370).

After the coalition agreement was signed, Osborne translated these priorities into immediate policy action. The Chancellor's first act was to announce the creation of an Office for Budget Responsibility (OBR), along with £6 billion of "savings" (Osborne, 2010). The OBR was a Conservative creation but it was supported by the Labour party. This institutional change showed that the two parties were willing to remove the Treasury from some of the powers it had long enjoyed in order to gain credibility. The authority for making the official fiscal forecasts and discretionary

¹⁵⁶ The Tory manifesto pledged that a "Conservative government will take action now to cut the deficit" and that "cutting the deficit is the most urgent task we need to undertake if we are to get the economy moving". The Labour manifesto said that "once the recovery is secure, we will rapidly reduce the budget deficit", while the Liberal Democrat noted that "we must ensure the timing is right. If spending is cut too soon, it would undermine the much-needed recovery and cost jobs".

judgements about the cyclical position of the economy was now delegated to a politically independent body.

Both parties believed that this would provide more credibility to the government's fiscal policy. In addition, new legislation was passed requiring the government to meet certain fiscal targets. Labour's Budget Responsibility Act (February 2010) had laid the groundwork for the more comprehensive Budget Responsibility Act that the Coalition government introduced in 2011. For the first time, fiscal targets in the UK were given a higher legal and political force via primary legislation and secondary instruments (Hughes et al., 2019:18).

If the Coalition moved fast on the institutional front, it moved even faster on policy substance. George Osborne declared a national "emergency" to deal with "the country's debts" in the Emergency budget presented on 22 June 2010. The economic recession had triggered a collapse in government revenues. In 2008-09, real receipts fell by 4.4 per cent and 5.5 per cent in 2009-10, the two single largest annual falls since at least 1956 (Miller and Pope, 2016:1). The financial crisis had resulted in historically large deficits: the UK had a structural deficit of £157bn, or 11 per cent of GDP in 2010¹⁵⁷ (Riley and Chote, 2014). A "radical strategy" of monetary activism, supply-side reform and fiscal responsibility was the "right way to get our economy growing" (Cameron, 2019:430)

The new government believed that a growing budget deficit and large public debt burden posed a threat for future market access. Just a week before presenting the Emergency Budget, Osborne had raised the spectre of a Greek-style crisis:

"There is a well-trodden path that has led, in different times of history and different places in the world, from a banking crisis to a sovereign debt crisis. I am determined that Britain does not follow that path ... And that is why we see now with countries like Greece

¹⁵⁷ It was later revised to 10 per cent of GDP.

that what began as a crisis of liquidity and then solvency in banking systems, has been succeeded by market fears about the solvency of some of the governments that stand behind them. I do not want that question ever to be asked of Britain”

UK CON.OSBORNE.FORA.2010.6

The UK could be pushed into a sovereign debt crisis, unless radical adjustments were made. The way to avoid a Greek scenario was to maintain market credibility. That was, yet again, the absolute priority of the British government. For as Cameron later recognised, “a plan that risked losing international confidence ... was no plan at all” (Cameron, 2019:435;183). “We will hold”, Osborne announced, “the most far-reaching and open-minded exercise in public engagement on spending priorities that this country has ever seen”. That will come with the October Spending Review. But other decisions could not wait.

Osborne announced cuts of £6.2 billion right away for 2010 (about 0.5 per cent of GDP). The 2010 budget also increased the VAT from 17.5 to 20 per cent from January 2011, a major reversal of Labour’s temporary stimulus. The austerity plan coincided with the mainstream thinking in the Treasury¹⁵⁸, which presented the Chancellor with different options to cut the deficit. These options ranged from the more extreme plan –an extra £60 billion of cuts– to a softer option, similar to the plan Darlin had drafted before Labour left office. Osborne opted for the middle-range, which, nonetheless, made the Coalition’s fiscal tightening the “most aggressive austerity programme of any G7 country” (Ganesh, 2012:254-55; 266)¹⁵⁹ and one of the biggest deficit reduction programmes seen in any advanced economy since World War II (Riley and Chote, 2014).

¹⁵⁸ The 2010 Emergency budget was drafted during a series of meetings, mainly among the so-called ‘Quad’, an ad-hoc group of four composed by the PM (David Cameron), the Deputy PM (Nick Clegg), the Chancellor (George Osborne), and the Chief Secretary of the Treasury (initially David Laws, and then Danny Alexander). The budget preparatory meetings were also attended by Rupert Harrison (Osborne’s Chief of Staff) and Jeremy Heywood (then Downing Street Permanent Secretary and later promoted to Cabinet Secretary, the highest-ranked official position).

¹⁵⁹ Instead of eliminating the structural deficit by 2014/15, as Treasury top officials suggested, Osborne decided to extend the fiscal mandate to 2015/16.

Notably, this austerity effort was announced in the context of independent growth forecasts that were quite positive: forecasting a 2.3 per cent growth in 2011, followed by 2.8 and 2.9 per cent rebound in 2012 and 2013. The Coalition’s fiscal retrenchment was equivalent to £113 billion (6.3 per cent of GDP) over the parliament. Broadly speaking, Osborne’s preference was to finance 80 per cent of this deficit reduction by cuts in public spending and 20 per cent by tax raises (see the 2010 Budget Statement; D’Ancona, 2014:228; 340) – this was the ratio promised at the 2010 election (Cameron, 2019:185).

Over the next three years, this austerity effort would become unequivocally reliant on spending cuts as opposed to tax increases, as Figure 5.2 shows. This composition had a distinctive conservative imprint, as envisaged by the partisan model outlined in chapter 3.

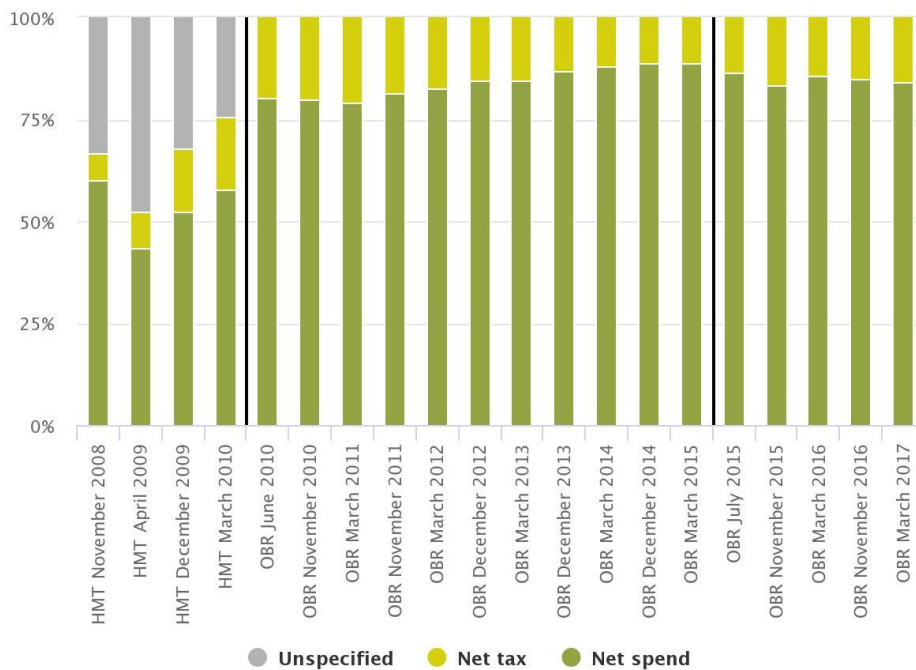


Figure 5.2 A ‘conservative’ choice: spending cuts over tax raises

Source: Reproduced from ‘Fiscal response to the crisis’, Institute for Fiscal Studies. Available at: https://www.ifs.org.uk/tools_and_resources/fiscal_facts/fiscal-response-crisis

Note

The figure shows the balance of the proposed medium term fiscal consolidation announced since the crisis started.

Such fiscal choice was never going to be very popular. In Britain, it was met with what Oliver Letwin, then Cameron's Minister of State for Government Policy, called "tiny atomic explosions" (Cameron, 2019:193). Following the Coalition decision in late 2010 to increase the university tuition fees cap to £9,000, thousands of students marched through London. After the government announced two years of pay restraint and cuts to public sectors pensions cuts, the country saw the biggest strike in three decades: more than 2 million public sector workers and 30 unions took the streets in autumn 2011. Radical austerity was met with strong popular opposition in the streets.

Two years into office, Cameron's "radical strategy" ran into another obstacle. It simply was taking too long to deliver any positive result. Instead of turbocharging economic growth, as the expansionary austerity doctrine suggested, GDP was shrinking. In July 2012, estimates for GDP growth were negative for the third consecutive quarter. At this point, there was evidence that excessive austerity via cuts in capital expenditure/public investment might be in fact harming growth (Blanchard and Leigh, 2013). Rather than recovering, the British economy appeared to be heading for a new recession.

By April 2012, Labour had achieved its biggest lead over the Conservatives in the polls. Support for the Conservatives was also at its lowest since the 2010 election¹⁶⁰. The 2012 budget only complicated matters further. It became a political disaster; not coincidentally, it got to be known as the 'Omnishambles'. The Coalition approved a series of tax changes which were leaked in advanced to the press. As Cameron (2019:247) later admitted, the tax tweaks introduced in that budget managed to alienate almost everyone: pensioners (the 'granny' tax), charities ('charities' tax), pie-eaters ('pasty' tax), churchgoers and caravan owners.

But the 2012 budget represented another kind of milestone in a different respect. After two years of spending cuts and tax squeezes, it signalled a slow backtracking from radical austerity. This came from the tax cuts: increased personal allowance for income tax, and cuts to the top income

¹⁶⁰ 'Labour has its biggest lead over Tories in polls since general election', 17 April 2012, *The Guardian*.

rate (from 50 to 45 per cent) and corporation tax rate (down to 24 per cent). This was “the biggest sustained reduction in business tax rates for a generation”¹⁶¹. While the significance of these decisions is open to interpretation, taken together, they signal a relevant move.

Even partisan actors are not *fully* committed to taking certain ideas or policy commitments to their ultimate consequences. Partisan politicians are also responsive to electoral pressures in democratic politics. By 2012, popular contestation and electoral-poll pressures were enough for a partial relaxation of fiscal consolidation. The Conservatives seemed to have understood this. More generally, this adaptation indicates the political ‘contingency’ of austerity: if something cannot not go forever in the same way, it simply won’t.

Austerity certainly did not end, as Figure 5.2 reveals. But it had to be modified along the way. The promise of reducing the debt burden was postponed for the next parliamentary term. In his 2011 Autumn Statement, George Osborne admitted that the cuts will continue after the next election. Years later, with the crisis well over, David Cameron (2019:193) laments that “we probably didn’t cut enough. We could have done more, even more quickly ... to get Britain back in the black and then get the economy moving”. The job they had started in 2010, Cameron wrote in 2019, still needs to be finished.

What is notable, even more in retrospect, is that despite all the fears and claims to the contrary, the sovereign debt crisis never seemed to materialise. In 2013, admittedly, the credit agency Moody’s downgraded Britain’s debt rating one notch from top-grade AAA to AA1¹⁶². Yet that is a far cry from even starting to resemble a Greek-style crisis. The path that was going to push Britain down the Greek route was never in sight. At the end, the Tories also were less constrained than they claimed to be. But why?

¹⁶¹ Budget, 21 March 2012, HM Treasury. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/247119/1853.pdf

¹⁶² ‘Moody's downgrades UK's government bond rating’, 22 February 2013. https://www.moody's.com/research/moodys-downgrades-uks-government-bond-rating-to-aa1-from-aaa--pr_266844

5.4. Central bankers: “Behind me every step of the way”

It is now worth asking why bond market constraints were relatively mild, despite rising deficit and debt levels, and contrary to what the two parties had feared all along. The answer lies, I argue, in the Bank of England. In this section, I show how British governments could remain largely unconstrained by markets for most of the financial crisis. From 2010 onwards, the preference for austerity over stimulus does not seem sufficient to explain this outcome. As set out in the framework of constrained partisanship, it is necessary to consider the role of central banks as mediators between governments and bond markets.

Under crisis conditions, parties’ fiscal choices cannot always grant them the market credibility they seek. Central bankers also set the scope of partisan politics. In the British crisis experience, monetary authorities played a decisive role. The central bank’s actions prevented the two governments from being subjected to a position of decisive market dominance, despite the recurrent fears of the Labour and Conservative political leaders. As the Tory chancellor George Osborne confessed to his Greek peer, Yanis Varoufakis, “They are behind me every step of the way” (Varoufakis, 2017:35).

Under the Labour government, monetary authorities had provided an early and ambitious stimulus. Between September 2008 and March 2009, the Bank of England cut the Bank Rate by more than 4 per cent. Such drastic interest rate cuts –from 5% to 0.5%– brought rates to their lowest level in the Bank’s 300-year history¹⁶³, pushing conventional policy close to its theoretical limit early into the crisis. The BoE then resorted to unconventional measures, providing decisive Quantitative Easing (QE) support. In March 2009, the central bank announced that it was going to spend £50 billion to buy good quality assets from banks, financial institutions and financial markets, as well as companies¹⁶⁴. The main goal

¹⁶³ This remained the lowest rate until March 2020, when the Bank of England cut interest rates by 0.5pp following the coronavirus outbreak.

¹⁶⁴ In the UK there were three rounds of QE. The first started in March 2009 and finished in January 2010. The second and third rounds –related to the crisis in the euro area– finished in November 2012.

of QE was to buy long-term government bonds with the dual purpose of injecting money into the economy and lowering long-bond yields (Tucker, 2018:492)¹⁶⁵.

Crucially, monetary interventions to fight the crisis were unconditional, in contrast to the experience of other governments in the euro area. It is true that Mervin King, then governor of the Bank of England, spoke out several times against Labour's delayed plans for fiscal consolidation. As *The Economist* reported at the time, this led to "an increasingly tense relationship between the government and BoE governor over fiscal policy" (UK EIU 2009, July [Q3], p.14). It was a pressure exerted via crisis framing, as I noted earlier. This could have accelerated Labour's shift towards austerity. But despite the public clashes, public pressure was never followed by any specific conditionality.

To the contrary, when the Bank initiated large-scale purchases of bonds, the Treasury and the Bank publicly coordinated their responses – a relevant but different question is whether the macroeconomic policy mix was ever 'right'¹⁶⁶. Such explicit coordination was formalised through the public exchange of letters between the Governor and the Chancellor of the

¹⁶⁵ While the ECB was the first major central bank to go into negative interest rate territory, the ECB was slower in applying large-scale purchases of government bonds as a monetary policy tool. The BoE started QE later than the Federal Reserve but before the ECB did so.

¹⁶⁶ There are different views on this issue. Some argue that fiscal and monetary policy were not coordinated actively enough (e.g., Hughes et al., 2019:29-30). However, assessments of whether the macroeconomic mix was 'right' are often based on *ex post* analyses. It also requires making certain assumptions about whether fiscal policy was too loose or too tight, given a monetary policy stance. But my central argument is not about the effectiveness of the policy mix, neither about the coherence of this mix, nor about its effects on economic output. Rather, it is about the degree to which political and monetary authorities act within the parameters set by the central bank mandate; and whether this relationship results in constrained government.

Exchequer¹⁶⁷. Unlike some Eurozone governments, neither the Labour nor the Conservative-led coalition had to abide to any pre-condition beyond the legally mandated coordination¹⁶⁸.

Under the Coalition, more favourable financial conditions provided a better economic context for autonomous policymaking (see Figure 5.1, above). Despite government's claims about the possible loss of market access, that door never closed. Yet given that the Tories implemented a different fiscal response from Labour, a pertinent question arises: Could the Coalition's fiscal choice have secured the market credibility that Osborne so feared losing? That is, could expansionary austerity have become a sufficient condition to dispel a bond market constraint?

Before the 2010 May general election, the borrowing costs for the 10y UK bond had surpassed the 4 per cent threshold. After the election, fiscal policy turned strongly contractionary and British rates did not return to pre-election levels. It is plausible to infer, therefore, that the Coalition's firm commitment to fiscal tightening dissipated market concerns about the UK's deteriorating fiscal position.

Several doubts arise in accepting this interpretation. On the one hand, it took more than two years to see any positive result in terms of economic growth. Consequently, the debt burden could not be reduced according to the government original plans (cf. Cameron, 2019:432-433). Put it

¹⁶⁷ As the Bank of England got ready to begin QE in early 2009, the governor sent a letter to the Chancellor stating that "to ensure consistency between debt management and monetary policy, the government should not alter its issuance strategy in response to QE". The Labour Chancellor, Alistair Darling, replied that "the Government will not alter its issuance strategy as a result of asset transactions undertaken by the Bank of England for monetary policy purposes". The letters between Mervyn King and Alistair Darling are dated February 17 and March 3, 2009 (Tucker, 2018:493, fn.14).

¹⁶⁸ In the UK, policymakers have a good record of coordinating debt management and monetary policy. The UK Debt Management Office is mandated to "ensure that debt management is consistent with the aims of monetary policy". After QE started, the DMO in fact shortened the average debt maturity by 1 year between March 2009 and March 2010 (Greenwood et al., 2014:20).

differently, the fiscal response was not producing the expected results at the time these were being expected. Yet markets remained patient.

There may be other factors at play. For example, the size of a budget deficit or the debt-to-GDP ratio could matter less for market participants than the maturity of a country's outstanding debt. The longer the maturity of debt, the less concerned bond holders would be about a country's future solvency. In fact, the UK had the longest maturity structure for outstanding debt in the G7¹⁶⁹. But is this factor sufficient to keep some countries 'safe' while pushing others to the verge of insolvency? Germany and Italy had almost identical maturity structures, though few would claim that this was a decisive factor in the opposite fate these countries faced over the crisis. The reality is that, *at the time*, other European countries had a similar fiscal position than Britain, and their governments had been implementing the same kind of austerity for longer than the Coalition, yet with no market reward.

It is therefore necessary to consider another element to understand what mediates between parties' choices and market constraints. A more decisive question is the extent to which markets discount that monetary authorities will step in, if and when necessary. The comparative perspective is of crucial analytical use here.

The comparison with the Spanish experience is particularly illuminating. In 2010, Spain's fiscal situation was very similar to that of the UK. According to Eurostat, the UK government had a budget deficit of 9.3 per cent and the UK's overall gross debt had reached 75.6 per cent of GDP. That year, Spain's budget deficit was 9.5 per cent and Spain's debt-to-GDP ratio had risen to 60 per cent.

If we look at the governments' choices, the similarities are even more evident. On 20 May 2010, the Spanish socialist government passed large austerity measures by decree. This emergency decree marked the PSOE's drastic policy U-turn, as I have explained in chapter 4. At exactly the same time, the coalition government was formed in the UK, which immediately

¹⁶⁹ In 2014, the UK had an average debt maturity of 14.9 years, by far the longest among the G7: United States (5.7 years), Canada (6 years), Italy (6.3 years), Germany (6.5 years), France (7 years), and Japan (7.7 years). See Greenwood et al. (2014:21-22).

approved the 2010 emergency budget and announced similar spending cuts. Both fiscal responses were identical and focused on cutting public spending. How did bond markets react?

The Spanish and British governments faced opposite reactions, as Figure 5.3 shows. Interest rates on Spanish 10-year government bond trespassed the 5 per cent threshold in late 2010. In contrast, UK rates never returned to pre-election levels. By 2011, the Spanish government was paying 200 basis points more on its ten-year bonds than the UK government, despite the fact that its debt was significantly lower (de Grauwe, 2011:40). As the euro crisis worsened in 2012, this divergence widened, but now with a different party in government in Spain.

Neither the fiscal fundamentals, nor the commitment to austerity, nor the party in government seem sufficient to explain this divergent trajectory. They are not sufficient, therefore, to understand the different degree of actual constraint under which governments governed the crisis.

By the time the new Coalition government began slashing public spending in June 2010, the Bank of England had already gone through the first round of QE. The BoE has created £200bn of new money through 'quantitative easing' to support banks by buying their UK gilts (Black, 2010). By 2011, BoE purchases were accounting for 27 per cent of government bonds issued. As Helen Thompson (2013:487) has shown, the BoE's net claims on the UK government as a percentage of GDP were already higher than in any G7 country, and significantly higher than in any of the four largest European states.

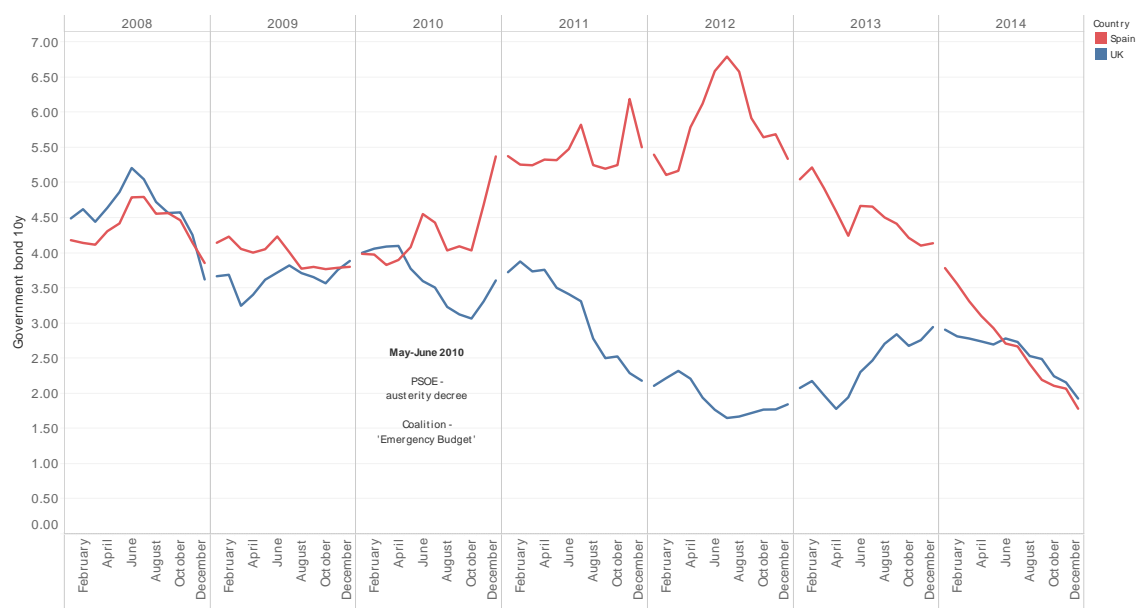


Figure 5.3 Divergent paths: British and Spanish 10y bonds

Source: Own elaboration from Bank of England and Banco de España database.

Note

Data for the UK shows monthly average yield from British Government Securities, 10-year Nominal Par Yield; data for Spain shows monthly 10-year Yield from Spanish Government Securities (Bonos-Obligaciones).

At the same time, the BoE had made a key decision in 2011 regarding its price stability mandate. In July, the BoE did not raise interest rates, despite inflation jumping to 4.5 per cent in Britain, more than double the Bank’s 2% target. This decision could have ‘compensated’ for the negative impact on aggregate demand of radical austerity and it might have prevented a second recession – in a way that Spanish policymakers could not avoid after the ECB had raised interest rates for the second time that year.

If all that a sovereign debt crisis requires to happen is a state that is either unable to raise the funds in the bond markets to close the gap between expenditures and revenues, or able to do so only at unsustainable rate of interest (Thompson, 2013:731), there is no indication that the British governments were ever in either of those positions. While Osborne appealed to a Greek scenario to justify his fiscal response, markets seemed to be operating in a different reality.

The British state was never close to being shut off from bond markets. For the UK’s solvency was of little concern for investors. The BoE always appeared ready to intervene, when necessary and without conditions. As

a result, despite the significant increase in borrowing needs since 2008, the government's ability to borrow was not questioned.

In fact, the UK government had borrowed at an interest rate, fixed for ten years, of between 4 and 5 per cent before 2008. From 2009 to 2011, this rate fell to between 3 and 4 per cent. In the second half of 2011, the rate dipped substantially, varying between 1.5 and 2.5 per cent (Jones, 2019:6-7)¹⁷⁰. This means that the UK governments managed to finance itself at lower interest rates during the financial crisis than before the crisis.

That the UK had safe market access has been confirmed later (e.g., Romer and Romer, 2019). But crucially for my argument, this reality was acknowledged *at the time*. In the first quarter of 2010, for instance, the Economist Intelligence Unit (EIU) noted that rating agencies had confirmed UK's debt rating and "so far, investors have not taken fright" (EIU, 2010 [Q1]). In the third quarter, The Economist analysts reiterated that "there is no indication that investors are shunning UK gilts" and "despite record issuance, the UK bond market has been one of the strongest in industrialised economies". All along, central bank intervention in bond markets safeguarded a minimum space for autonomous choice, though politicians were fearing and claiming otherwise.

5.5. Conclusion

In this chapter, I have shown that partisanship matters to understand how different parties might respond to an economic and financial crisis. But partisanship is likely to matter more in the absence of stringent external constraints. Under crisis conditions, the effects of political-economic constraints cannot be presumed in advance. They must be assessed contextually. To what extent were the responses of the British governments determined by these constraints, or driven by more ideological choices?

The picture that emerges from the British crisis experience is subtle. When comparing the fiscal responses of the two governments, there is an

¹⁷⁰ For a broader historical overview of the UK government debt, see also Keep (2020), in particular the Figure on ten-year bond yields at the end.

obvious difference between them. Labour first opted for a fiscal stimulus, as the partisan model envisages for left-wing parties. This stimulus concentrated on the tax-cutting side rather than on increasing public spending. This made Labour's response comparatively less 'social democratic' than that of the Spanish socialist government, which initially enacted a larger stimulus via increasing spending. For their part, the Conservatives opted decisively for fiscal consolidation. It was large and sharp, and fell disproportionately on the public spending side, in line with the partisan model and just as the orthodox doctrine dictates (cf. Alesina, 2010:15).

Yet, half-way through the stimulus, Labour had to abandon its long-standing pledge not to raise taxes for fear of being punished by the markets if borrowing was not reduced. The Labour party went into the general election with an economic programme that was barely distinguishable from the Conservative party in fiscal terms. Indeed, partisanship had become, by 2010, less distinctive. But what was the role of external constraints in all this?

The two governments claimed to be constrained by bond market pressure but in different ways. Labour claimed to be constrained in such a way that implementing a more ambitious fiscal expansion will be penalised by the markets. So they ended up doing limited stimulus, renouncing on a core pledge on taxation and ultimately committing the party to a parliamentary term of austerity. Already committed to austerity, the Conservatives were so worried about a Greek-style debt crisis that they implemented a more radical version of it. Only in this way, Osborne and Cameron claimed, could the UK's market credibility be preserved. In the two cases, therefore, it is necessary to assess the extent to which the governing parties were *actually* constrained, given their claims.

In the wake of the global financial crisis, it is simply wrong to conclude that the two parties governed free of constraint. Economic conditions and financial distress were severe, especially at the crisis onset. To address the banking crisis in 2008, Labour's ability to choose from a larger set of responses was limited. The UK's financial dependence, reinforced by a deep web of financial interconnectedness, was a structural constraint. The possibility of catastrophic repercussions – a possibility envisioned during the cash run on Northern Rock – resulted in a quasi-automatic adjustment

of government policy: direct public intervention presented itself as the default choice to deal with a collapsing financial sector. Four banks were nationalised. But New Labour's enduring commitment to unfettered markets did not facilitate the government's position. Contrary to the structural constraint imposed by a mammoth financial sector in crisis, this legacy was constitutive of New Labour's identity as a party. It is thus not only external constraints that tie politicians, but their own ideas that can ultimately constrain a party.

On the fiscal front, the assessment is more contingent. Since late 2008 fiscal conditions had deteriorated to the point that the budget deficit exceeded 10 per cent of GDP when the Coalition was formed in May 2010. This was a relevant factor in itself, although nobody was quite sure at the time where the limit lies in terms of budget deficits. Yet insofar as a fiscal emergency is measured by the risk of sovereign insolvency, British governments faced none. This was made possible in large part thanks to the decisive, early and unconditional intervention of the Bank of England, as I have shown in this chapter.

As expected, fiscal rules played a constraining role, but not excessively so. Labour adapted the stimulus to comply with EU rules, and replaced the old rules with a temporary one in order to accommodate a more discretionary response. However, the possibility of deviating from it contributed to Labour's caution, as Darling's memoirs confirm. With the Conservatives in power, the Coalition changed the UK's fiscal framework in 2010. The government created a new independent fiscal authority with the support of the Labour party. They also endowed the new fiscal rules with greater legal weight. These changes conditioned the way in which future governments might conduct discretionary policy. Thus, similarly to the Spanish experience, the delegation of powers to independent bodies

and the rise of formal constraints came to characterise the post-2008 institutional landscape in Britain¹⁷¹.

But there is, above all, a more relevant element for the central argument of this thesis. Beyond the material effects of constraints, which I have tried to ascertain, the two parties claimed to act much of the time *as if* they were deeply constrained to act in certain ways. This, I argue, is a fundamental aspect to understand the kind of partisan politics that can emerge under crisis conditions. Whether this has any impact on how citizens perceive governing parties –was the government forced to take that decision?– is an important but different question.

The relevant insight is that, by claiming to be constrained, political actors will act as if they were (cf. Hay, 2001b; White, 2013). As a result, notions such as markets ‘confidence’ or ‘credible’ commitments will have real importance in motivating economic action¹⁷². These effects will also become real at the level of discourse. For politicians will not always speak as partisans. How would they justify policy choices in these circumstances? The next and final part of this dissertation is devoted to this question.

In chapter 3, I have argued that partisanship manifests in two politically significant ways: the economic choices that different parties make, and the language they use to justify these choices. In other words, in their policy choices and political justifications. So far, I have focused on the key policy choices that the governments made during the Great Recession. In the next chapter, I will provide a detailed analysis of legitimization discourses

¹⁷¹ This trend is also observed in the domain of financial supervision, which I do not review here. For example, in 2008 the Banking (Special Provisions) Act had granted the Bank temporary powers on financial stability and banking resolutions. In February 2009, new legislation made the extended powers granted to the Bank permanent. In 2012, the Financial Services Act also gave the Bank of England the power of banking supervision.

¹⁷² As Jonathan White (2013:165) notes in the context of the 2008 crisis, messages directed to ‘reassure the markets’ seem to have a direct performative effect: “the very fact that they are uttered by a speaker with decision-making authority can be expected to influence the behaviour of others”.

under constraint. What kind of discourses gained relevance in the UK and Spain? I will answer this question using the original corpus of speeches.

PART III

Constrained partisanship and party discourses: Two countries, four governments

Chapter 6

Party Discourses Under Constraints: Technocracy, Legalism and Exceptionalism

“It is not the words but the feelings behind them that cause men to fight”

Judith N. Shklar, *Legalism*

6.1. Introduction

In this thesis I have argued that, under constrained partisanship, parties will end up making choices contrary to their partisan identities. For example, conservative parties will use public funds to nationalise private banks and social democratic parties will need to cut public spending. Despite their ideological differences, left- and right-wing parties will eventually make similar choices in the wake of an economic recession.

In these situations, ideological appeals to the left and right lose traction to justify political action. For these appeals become less effective to defend certain economic decisions in an ideologically coherent way. A significant implication is that other appeals will prove more politically expedient to govern in these circumstances. In chapter 3, I advanced that three political discourses are likely to gain relevance: appeals to expertise and competence (*technocracy*), appeals to legality and legal obligations (*legalism*) and appeals to emergencies and exceptions (*exceptionalism*). I presented these discourses as plausible propositions to be tested in my research, rather than as an invariant or exhaustive set.

This chapter examines two propositions: (1) whether the three discourses were present in the governments' crisis communication, even if not with the same relative salience, and (2) whether left- and right-wing governments used them. My core claim is that parties on the left and right would rely on them. For under conditions of constrained partisanship, the link between parties' economic programmes and ideological discourses loosens: these programmes become less distinctive, as I have shown in chapters 4 and 5, and other political discourses gain traction as legitimization strategies for policy choice. They get it right at the right time.

Understanding the construction of meaning in political language requires a different methodological approach. To investigate the use of these discourses, I rely on content and discourse analysis. For the analysis of corpus, I use an array of techniques for discursive-content analysis such as Keywords in Context (KWIC), supported by corpus analysis. Deploying a discursive-institutionalist approach, this chapter relates these discourses to the institutional conditions that made them more appealing to political actors. In other words, it establishes the institutional basis of the three legitimization discourses.

The analysis of the 45 key government interventions –a valid representation of the crisis communication of the four national executives– will show that, throughout the Great Recession, all governments relied on the three discourse types in their public communication. I prove these claims with specific (coded) statements drawn from the corpus of speeches in each country¹⁷³. The analysis detects one relevant qualification, which I briefly explore in the chapter: the British Conservatives seemed to rely less on legalism than the other parties.

¹⁷³ As explained in the Methods section, the coding and the analysis have been carried out manually and with the assistance of two software: NVIVO and Sketch Engine. The raw text files can be found as supplementary materials of the thesis, together with all the original documents of the corpus. The Methodological Appendix contains more technical information about the analysis of the corpus, including several displays of the software working frames.

In addition, the results suggests that neither left-wing nor right-wing parties used these discourses in a differentiated manner. Put it differently, these discourses are not the monopoly of a single political family. Technocratic, exceptionalist and legalist claims were used across the ideological spectrum in my party-government cases.

These findings, I conclude, are significant in answering the broader question of what difference it makes to have different parties in government. If an outside observer were to pay attention to party discourses, she will not appreciate significant differences from the way left- and right-wing governments justified many of their crisis choices. At critical moments, different parties ended up talking very much alike.

The chapter is structured as follows. The first section explains my operationalisation strategy of the three discourses: how each political discourse is defined and how it can be studied empirically. Whereas in chapter 3 the understanding of technocracy, legalism and exceptionalism was developed by theoretical means, I change the approach here. Through a more inductive process, each political discourse is operationalised in a way that is suitable for empirical analysis. In particular, this section shows that each discourse displays distinctive features. These features can be captured in the form of specific *constructs*, which can be identified rather systematically in concrete empirical manifestations.

In the second section, the substantive content analysis of the original corpus is presented. Each discourse is studied separately. For each discourse, representative instances are analysed within a discursive institutionalist approach. Governments' claims are assessed in relation to (i) the party in government, (ii) the policy measures of interest and (iii) the broader political-economic context. The chapter concludes with a synthesis of the main findings and reflects on how they relate to the central argument of this thesis.

6.2. Technocracy, Legalism and Exceptionalism as Political Discourses

This section presents the operationalisation of the three discourses using relevant examples drawn from my original corpus. After recalling the definition of each discourse (chapter 3), I explain how these definitions can be 'turned' into a useful tool for empirical analysis. My approach

identifies specific *constructs* for each discourse. A construct is a distinctive linguistic-conceptual feature which can be used to analyse the manifestation of a discourse in lexical units of varying boundaries (e.g., word, sentence, claim, paragraph or speech-level)¹⁷⁴. This task can be conceived of as an intermediate step between providing general definitions of a discourse and identifying concrete lexical markers in one or several languages. Overall, this operationalisation is adequate to analyse each political discourse in two different languages: English and Spanish¹⁷⁵.

6.2.1. Technocratic discourse

The definition of technocracy for the purposes of this analysis is as follows: a legitimating discourse that (i) appeals to competence and expertise ('knowledgeable actors') as the basis for policy choice (*competence – expertise*), and (ii) follows a particular way of reasoning based on specialised knowledge, scientific evidence and factual claims (*evidential reasoning*).

The key components of the definition can be operationalised into two distinctive constructs: *competence – expertise* and *evidential reasoning*. The first one identifies statements in which political actors seek justification from claims to competence and expertise. These claims can be made in relation to consequential ideas of “effectiveness” and “efficacy” or “what works” (cf. Hunger, 2017), as well as in relation to what I term ‘knowledgeable actors’: the set of actors (individuals, institutions) that claim to be experts in a policy domain¹⁷⁶.

¹⁷⁴ See Tortola and Pansardi (2019) for a similar operationalisation approach of ‘charismatic language’ but with a different empirical deployment.

¹⁷⁵ More demanding approaches develop full dictionaries of words for operationalising specific discourses (for a comprehensive review, see Aslanidis, 2018). Though this work is indebted to this strand of research, I follow a less demanding approach here.

¹⁷⁶ These actors can be related to what Jason Brennan calls the rule of the “knowledgeable” or an epistemocratic government (Brennan, 2016) and what Muirhead and Rosenblum (2019:14) call the “epistemic authority” of “knowledge-producing institutions”.

Politicians often claim to possess themselves the skills, competence or expertise for policymaking. They increasingly seek to compete politically in those terms (Bickerton and Invernizzi, 2021)¹⁷⁷. But politicians also refer to the views of experts to validate their action. In this sense, they make references to knowledgeable actors. For example, in the specific domain of macroeconomic policy, certain actors are more likely to be cited as credible sources of expertise than others: the IMF, the OECD, EU bodies or research divisions of central banks and financial institutions. In justifying a decision, then, references to these knowledgeable actors can be considered typical ‘markers’ of expertise.

When analysing technocratic discourse in texts, the specific set of knowledgeable actors will be context-specific: Who is claimed to be an expert depends on the *policy* and *national context* in which a claim is made. Continuing with the example of macroeconomic policy, British politicians are likely to refer to the views of the Institute for Fiscal Studies, the Confederation of British Industry (CBI) or the Institute of Directors to support (or oppose) economic measures. Spanish politicians would also refer to specific knowledgeable actors, which are more relevant for the Spanish policy-national context, e.g., Confederación Española de Organizaciones Empresariales (CEOE), FUNCAS, etc. Some of these references might be common in different contexts (for example, the IMF or the OECD). But the task of identifying these actors is specific to the research case.

Yet the core insight applies more generally. Technocratic discourse will make references to knowledgeable actors as part of a claim to competence-expertise. Of course, knowledgeable actors are also mentioned in a non-technocratic manner in public discourse. But to the extent that those actors and their views are presented as a legitimate source of authority, expertise or competence, these claims can typically be considered technocratic.

¹⁷⁷ For instance, ahead of the 2011 Spanish general election, President Zapatero said that “fortunately, citizens will be free [in this election] to choose whoever they consider to be more capable, more credible, more ‘solvent’”.

Now, to illustrate the extent to which this construct of competence-expertise captures technocratic discourse, consider the following statements from the UK and ESP corpus respectively:

“Our thinking is informed by this insight: only independent central banks have the broad macroeconomic understanding, the authority and the knowledge required to make the kind of macroprudential judgements that are required now and in the future”

Osborne, CON.OSBORNE.FORA.2010.6¹⁷⁸

“There is one issue that seems important to me, which is the opinion that all international bodies have expressed on this matter. For the first time in years, the European Commission has not made any observations on the Spanish labour market reform, which has been supported and praised by the European Central Bank, the International Monetary Fund, all the international bodies and the OECD itself”

Rajoy, ES PP.RAJOY.PARL.2013

The first statement justifies the delegation of competences on macroprudential affairs to the Bank of England. The second defends the Spanish government’s labour market reform because “all international bodies” have praised it, including the European Commission, ECB, IMF and OECD. A better “understanding”, “authority” and “knowledge” is invoked to support the delegation of competences to the Bank of England. The reform is defended on grounds that it has been validated by a set of knowledgeable actors, “for the first time in years”. Though made by political leaders of different parties in relation to different policy choices

¹⁷⁸ The source of the statements is cited following the text unique classification in the corpus. Thereafter, all references follow the same citation style so that the reader can directly consult the original source in the corpus. Although more convoluted, this citation style allows to match each statement with its original text. Given that the corpus contains interventions of the same speaker in the same year in different settings, as well as interventions of different members of the same government (e.g. Cameron-Osborne; Brown-Darling; Rajoy-de Guindos) in the same year, this method allows to identify each statement-text precisely.

in different languages, the two statements can be related to the same technocratic construct of *competence-expertise*.

The second technocratic construct is *evidential reasoning*. Evidential reasoning manifests itself in a myriad of linguistic forms. But in technocratic discourse is typically expressed through appeals to “technical” or “specialized” knowledge. Policy discrepancies are settled on grounds of factual claims, rather than value judgements; policy decisions are supported by evidence reached through ‘impartial’ deliberations that rely on rigorous ‘methods’ (cf. Centeno, 1993; Pastorella, 2016).

Take the following statements from my UK corpus:

“You have called the UK’s economic strategy a textbook response to this situation. I agree... Theory and evidence suggest that tight fiscal policy and loose monetary policy is the right macroeconomic mix to help rebalance an economy in the state I’ve just described”

Osborne, UK CON.OSBORNE.FORA.2012

“I know that some would take a more ideological position and end the Help to Buy scheme altogether. My approach will be dictated by the facts, not by ideology. And the facts show that Help to Buy is working as intended”

Osborne, UK CON.OSBORNE.FORA.2014

Or this one, drawn from the first Mansion House speech that George Osborne delivered as Chancellor:

“I have sat at this dinner in past and listened to the then Chancellor express one view, the Governor express another, while everyone knew the Prime Minister held a third and the regulator held a fourth. This cannot go on. We need to resolve these issues and end the uncertainty”

Osborne, UK CON.OSBORNE.FORA.2010.6

Facts, not ideology, is what matter. Resolving the issue, once and for all, is the ultimate goal. From this standpoint, ideological or partisan visions are partial and factional. These *particular* visions do not ‘resolve’ issues but

(re)politicise them. They offer “particular interpretations of the common good” that are all “*a priori* equally legitimate” (Rosenblum, 2008, cited in Bickerton and Invernizzi, 2021:34). In contrast, technocratic justifications are ‘impartial’ and ‘general’ – two core ideas that relate with the kind of legitimacy invoked by technocracy, as I noted in chapter 3.

On the whole, this operationalisation is helpful to identify technocratic claims in political language. But how can we identify them in a more systematic way? A fruitful methodological strategy is to focus on lexical *markers*. The assumption is that certain terms would represent more accurately than other words the constructs-categories-concepts of a given discourse. In turn, an over-proportional use of these markers may indicate a higher presence of a discourse in a given unit of analysis¹⁷⁹.

There are several techniques that can be used for this task. For example, Sophia Hunger (2017) has developed a dictionary of words in English to identify technocratic (and populist) discourse in political speeches. Terms like ‘argument’, ‘effective’, ‘efficient’, ‘evidence’, ‘fact-regarding’, ‘information’, ‘proof’ or ‘prove’ have shown to be, in the relevant political context, good indicators of the presence of technocratic discourse. Other techniques such as Keywords in Context (KWIC) are also useful. KWIC allows the researcher to find and assess the ‘keyterms’ in the textual context of a corpus or set of speeches.

Consider, for instance, choices that politicians present as *right* or *wrong*:

“And just as those who supported the dogma of big government were proved wrong, so too those who argue for the dogma of unbridled free market forces have been proved wrong”

Brown, UK LAB.BROWN.PARTYCONF.2008

“And I am confident that, if we continue to do what’s right , we will overcome the challenges and build the stronger future our

¹⁷⁹ Although methodologically convenient, it is not possible to determine in advance the exact boundary (word, sentence, paragraph or speech-level) which is most likely to match a construct.

country deserves”

Darling, UK LAB.DARLING.FORA.2009

“Conservatives and Liberal Democrats, Nick Clegg and I -we’ve led the way here in Britain. Our plan is right. And our plan will work”

Cameron, UK CON.CAMERON.PARTYCONF.2011

There is an objectivist quality to these claims: there are right and wrong, correct and incorrect positions. And if two people (or parties) disagree about this, one of them must be mistaken or wrong (cf. Bartels et al., 2014:4). When a policy position is defended as right or criticised as wrong on grounds of a special knowledge or competence, I am inclined to accept that these words are being used in a technocratic manner.

Now think about Osborne’s statement again: “tight fiscal policy and loose monetary policy is the *right* macroeconomic mix to help rebalance an economy...”. Here, the Chancellor’s use of ‘right’ was immediately preceded by the reasons that made that policy mix the *right* one. And these reasons were “theory and evidence”. In other interventions (e.g., Mais Lecture, 2010; Mansion House, 2011), Osborne directly cited Rogoff and Reinhart’s (2010) work on the impact of debt levels on economic growth to justify his policy mix as the *right* fiscal response¹⁸⁰. In this research context, therefore, focusing on the use of ‘right’ and ‘wrong’ may yield meaningful results, as I will show in my corpus analysis.

Technocratic discourse	Core constructs	
	Competence-Expertise	Evidential-reasoning

¹⁸⁰ “Perhaps the most significant contribution to our understanding of the origins of the crisis has been made by Professor Ken Rogoff, former Chief Economist at the IMF, and his co-author Carmen Reinhart. As Rogoff and Reinhart demonstrate convincingly, all financial crises ultimately have their origins in one thing – rapid and unsustainable increases in debt” (Mais Lecture, February 2010). Available at: <https://conservative-speeches.sayit.mysociety.org/speech/601526>

6.2.2. Legalistic discourse

The definition of legalism for the purposes of this analysis is as follows: a legitimating discourse that *insists* on rule-compliance as the basis for policy choice. Legalism (i) presents decisions as a matter of rule-following and lawfulness (*legality*), and (ii) displays a particular way of reasoning based on legal duties and rights (*legalistic reasoning*).

There are two core components in this definition, which can be translated into two constructs: *legality* and *legalistic reasoning*. The first construct of legality captures references to lawfulness. In this context, legality refers to conformity to legally binding rules. Specifically, this construct would be present in statements in which politicians present decisions as a matter of rule-following, and in which they appeal to the need to comply with the law(s) as constraint on policy action.

Consider this statement taken from my corpus:

“Both the Decree-Law and the Budgets are in keeping with the spirit of what will be the Government’s first major economic policy law: the Budgetary Stability Act, which will implement the constitutional reform... In this Act, the Government will assume all of Spain’s commitments to the European Union”

Rajoy, PP.RAJROY.PARL.2011.12

In this statement, the Spanish President defends a major crisis decree-law and the upcoming budgets as resulting from the ‘spirit’ of the first major economic law of the government. There were other relevant considerations behind these measures. But the decree-law and the budgets were shaped by the legal obligations arising from the Budgetary Stability Act. This law was, as Rajoy himself made clear, the direct result of a constitutional obligation, after the constitutional reform of 2011. Thus, in this concrete example, legality (lawfulness) is a relevant factor in justifying the ‘spirit’ of the fiscal choices that were approved in these laws.

Now consider this statement from the Chancellor Alistair Darling on the Labour’s plans following the banks’ nationalisation in 2008:

“Whatever business plan is approved has to meet the European state aid rules, which are there to ensure that there is not unfair competition when an institution has a degree of support from a government”

Darling, UK LAB.DARLING.PARL.2008.2

For Darling, any decision on the future operation of the banks will have to comply with EU state aid rules. Legality is presented as a crucial factor to justify why the UK government would act in some ways but not in others, as I show in more detail later. The appeal to legality is not just procedural: EU state aid rules exist to avoid *unfair competition* – precisely, one could add, just when the government has put four banks under public guardianship.

The other key construct of legalism captures a mode of justification which emphasizes duties and rights as the basis for policy choice (*legalistic reasoning*). In much the same way that an evidence-based reasoning defines an important aspect of technocracy, legalistic reasoning captures a relevant aspect of legalism. This construct has an affinity with the notion of legality, and thus certain claims can be associated with both constructs. Yet a legalistic reasoning provides a more elaborate justification, typically grounded on duties and rights enshrined in law.

Take, for the sake of illustration, this statement from my corpus:

“The limits set by our Constitution are not random, they remind us that our economy is linked to the Europe of the euro and they tie us definitively to the rules of European stability. The margins marked out by the European Union thus constitute an absolute limit which all public administrations may not exceed. We can, of course, be more demanding on ourselves than we are asked to be, but we guarantee constitutionally that we will never be less demanding”

Sáenz de Santamaría (PP), ES
PSOE.SANTAMARIAApp.PARL.2011.8-9

To appreciate how a legalistic discourse manifests in similar ways in different policy contexts, let us consider another example. This statement is drawn from outside my corpus and refers to a parliamentary debate in

the Spanish Congress on a project known as the Ibarretxe Plan, a political initiative for organising a referendum on self-determination in the Basque Country:

“The only thing that matters to us today about this project is that it abandons the legal framework, is incompatible with the Constitution, repeals the Statute of Gernika and deals with matters that do not fall within its remit. Therefore, those of us who are obliged to defend the law, as long as the law does not change, cannot admit it, and that is what it comes down to, ladies and gentlemen. What is at stake this afternoon - let us not deceive ourselves - is not whether or not we approve a certain document, but whether the law is applied in Spain, and this is very important, Mr President [of the Government]; that the law is applied is very important. For the rest, there is nothing more to say”

Rajoy, 2005, cited in Sánchez-Cuenca (2018)

The two previous statements, though made in different contexts, rely on a similar legalistic reasoning. In the first example, the legalistic reasoning aims to justify the approval of constitutional limits on budget deficits and debt levels. In the second, it was used to reject the organization of an independence referendum.

Overall, an operationalisation of legalism based on these two constructs – *legality* and *legalistic reasoning* – appears empirically cogent and theoretically valid. It identifies legalistic claims in political language. It also dovetails with seminal understandings of legalism such as Judith Shklar’s (1986:1), for whom legalism is as an ethical attitude that holds moral conduct to be a matter of rule following, and moral relationships to consist of duties and rights determined by rules.

Legalistic discourse	Core constructs	
	Legality	Legal-reasoning

6.2.3. Exceptionalist discourse

The definition of exceptionalism for the purposes of this analysis is as follows: a legitimating discourse that rationalises departures from conventional practice (White, 2019). Exceptionalism (i) appeals to emergencies in order to highlight the severity and gravity of circumstances (*emergency*); (ii) it emphasizes the need for urgent and immediate action (*urgency – speed*) and (iii) presents decisions that are beyond what is usual in magnitude or degree as unavoidable (*exception*). In all instances, exceptionalist discourse uses a hyperbolic rhetoric.

This definition can be broken down into three main constructs: emergency, urgency – speed and exception. The first construct, emergency, refers to an exceptional state in the course of a crisis. More specifically, appeals to a state of emergency highlight the severity and gravity of circumstances under which policy must be conducted.

Consider the following statement made by the Spanish prime minister, José Luis Rodríguez Zapatero (PSOE):

“If that decree-law had not been approved, if it had been rejected by Parliament it would have been a catastrophe for the Spanish economy and for Europe... We must admit that this is a very different crisis from those we have experienced before... that has had the capacity to surprise all the regions of the world, all the international organisations, and that has given rise to emergency situations not foreseen by anyone, to which we have had to respond with extraordinary measures”

Zapatero (2010:17)

Zapatero uses the term ‘emergency’ explicitly. The “emergency situations” have arisen because of the severity, gravity and unpredictability of the crisis. He also justifies the approval of an economic policy decree-law on the basis of these exceptional circumstances: the rejection of these “*extraordinary measures*” would have been “*a catastrophe for the Spanish economy and for Europe*” because the crisis had the “*capacity to surprise all the regions of the world, all the international organizations*”.

“As a descriptor, technique and legal-political device”, Ben Anderson (2017:463) notes, “emergency operates around a temporality of exceptionality, urgency and interval”. In this sense, certain terms might represent the sense of emergency more accurately than others, as I have noted also in relation to the other discourses. Just as certain uses of ‘right’ and ‘wrong’ can mark the notion of competence in technocratic discourse, certain terms could convey more intuitively the notion of emergency.

For example, in his study of emergency language in the public communication of European executives, Christian Rauh (2021:5-6) convincingly shows that, in a political context, the emphasis on *emergency* is linked to the use of words such as ‘crisis’, ‘danger’, ‘peril’, ‘hazard’, ‘threat’, ‘risk’, ‘disaster’, ‘uncertainty’, ‘uncertain’, as opposed to a sense of *normality*, which is better represented by terms such as ‘normal’, ‘safety’, ‘stability’, ‘regularity’, ‘routine’, ‘calm’, ‘usual’, ‘certainty’, ‘certain’.

Taken together, the previous examples show that the intuition about the relationship between key terms and particular discursive constructs travels well to different linguistic contexts. I exploit this relationship in the content-discursive analysis of the corpus.

The second construct relates to the interrelated notions of *urgency* and *speed*. Here, I follow Jonathan White’s definition of emergency rule as defined by an “agenda of speed and urgency” (2019:16). Exceptionalism emphasizes the need for immediate action: an *urgent* response must be given *now*, and this urgency takes *priority* over other considerations.

Take this statement made by Gordon Brown in 2009:

“It was only a year ago that the world was looking over a precipice and Britain was in danger. I knew that unless I acted decisively and immediately, the recession could descend into a great depression with millions of people’s jobs and homes and savings at risk. And times of great challenge mean choices of great consequence”

Brown, UK LAB.BROWN.PARL.2009.7

Or this statement by Elena Salgado, the Spanish Minister of Finance, in the Spanish parliament in May 2010:

“It is therefore urgent to rethink the pace of the exit strategy from the crisis. This is being done by the major countries around us, which have also announced measures to accelerate the reduction of their public deficits ... It is imperative and urgent to make a further extraordinary effort of budgetary adjustment and austerity in order to reduce public deficits more rapidly... As regards the constitutional requirement enabling the extraordinary and urgent need, I believe that my intervention has been sufficiently explicit on the obvious need, in the government’s view, to adopt and implement these measures to reduce the public deficit without delay”

Salgado, ES PSOE.SALGADO.PARL.2010.5

What the two statements share is a sense of urgency and speed to act. They also share the same understanding of policy choices as ‘decisive, immediate, urgent, rapid, imperative, and extraordinary’ interventions to avoid a “great depression” or “accelerate the reduction” of deficits “without delay”. An exceptionalist language is used to defend that the government must act now and it must act fast. All other considerations appear secondary.

Finally, the third construct, exception, refers to an interrelated but different feature of exceptionalism. Exceptionalism is grounded in the claim that the usual norms cease to apply in emergencies (Lazar, 2006:247). On the idea that the object in need of justification is beyond what is usual in magnitude or degree; that a choice is *somehow* abnormal, extraordinary or irregular because it deviates from *general* or *normal* practice.

Of course, what constitutes a deviation from ‘normal’ political practice is a matter of dispute – a debate that cannot be settled here. Yet an obvious way to think about this aspect is accepting what politicians themselves present as an exception or as a deviation. This deviation from normal practice could refer to the *means* to approve a measure, e.g., using an emergency decree-law instead of following the normal legislative procedure. Or it could refer to the *substantive* content of the policy choice itself, e.g., a conservative party presenting the nationalization of a private bank as exceptional.

Note, for example, the announcement made by the Spanish conservative PM, Mariano Rajoy, upon taking office in 2011:

“Of course, you should know that my policy, unless extraordinary circumstances, such as those we are currently experiencing, dictate otherwise, will never be one of high taxation”

Rajoy, 2011

This statement is revealing in its explicitness. As soon as it came into power, the conservative party raised taxes across the board. The decision to raise taxes was presented as an exception. It was taken because of the extraordinary economic circumstances that Spain was experiencing. Otherwise, Rajoy’s policy “will never be one of high taxation”.

In his own terms, Mariano Rajoy ‘deviated’ from his party’s programme. He did not defend this decision on ideological grounds. As I show in my analysis, the exceptionalist justification of this deviation provided a political basis for making subsequent exceptions such as carrying out in 2012 the largest bank nationalisation in the country’s history. When conservative ideological appeals could not “get it right”, exceptionalism became a more compelling discourse for governing.

Overall, *emergency*, *urgency-speed* and *exception* constitute the main constructs of exceptionalism. As a political discourse, exceptionalism displays an encompassing feature: the presence of an ostensibly hyperbolic or alarmist rhetoric (cf. White, 2015:303; Rauh, 2021:4), as all the previous examples have shown.

Exceptionalist discourse	Core constructs		
	Emergency	Urgency-speed	Exception

For the sake of exposition, the constructs of the three political discourses are presented in a tabular form (Table 6.1). A more detailed table including the definitions and relevant examples for each construct-discourse can be found in the Methodological Appendix.

Table 6.1 Technocracy, legalism and exceptionalism: Definitions and constructs

Political discourses	Core linguistic-conceptual constructs		
Technocratic discourse	Competence-Expertise		Evidential reasoning
Legalistic discourse	Legality		Legal reasoning
Exceptionalist discourse	Emergency	Urgency-Speed	Exception

6.3. Party Discourses in the Wake of the Great Recession: Two countries, four governments

After presenting the operationalisation of the three discourses –their definitions and how they can be studied in political texts— this section goes on to analyse the use of these discourses in the context of my party-government cases. Relying on my original corpus of speeches on the major economic crisis decisions, I test the two core propositions of party discourses under constraints.

First, we should see a marked emphasis on the central constructs of these discourses in the public communication of the four governments. Second, these discourses should be emphasized across the ideological spectrum: the leaders of left- and right-wing parties (Labour, Conservative, PSOE and PP) would rely on them to justify key crisis choices, though not necessarily with the same relative salience.

With this analysis I aim to persuade the reader of two core claims. That the governing parties in both countries relied on these types of discourse to justify their political action. And that this use was visible during the tenure of both left-wing and right-wing governments, especially under conditions of constrained partisanship. This is, in essence, a discursive-institutionalist analysis. As this thesis has emphasized, “discourse is not just ideas or ‘text’ (what is said) but also context (where, when, how, and why it was said)” (Schmidt, 2008:305).

6.3.1. Legitimization through technocracy

This section presents, analyses and discusses instances in which the leading political figures of the British and Spanish governments justify their choices on technocratic grounds. Using evidence from my original corpus, it shows that left- and right-wing governments appealed to competence and expertise and rely on evidential reasoning to justify crisis

policy measures. On the whole, measures associated with the delegation of competences to politically independent authorities are more consistently justified on technocratic grounds.

In my corpus, a prime example of technocratic legitimation is Osborne's first Mansion House speech as Chancellor. Six weeks after the 2010 general election, the Conservative-led coalition government carried out a major review of public spending. It also established the independent Office for Budget Responsibility (OBR). George Osborne used his first Mansion House speech to announce these changes and justify them to the British public. Delivered in June 2010, Osborne declared in that speech that "budget making in Britain has been changed forever". Osborne claimed that,

"the power the Chancellor has enjoyed for decades to determine the growth and fiscal forecasts now resides with an independent body immune to the temptations of the political cycle. Budget making in Britain has been changed forever. No longer will we fix the figures to fit the Budget. From now on we will fix the Budget to fit the figures"

UK CON.OSBORNE.FORA.2010.6

Fiscal forecasting is a crucial exercise for the elaboration of the budget. For decades it has been done by national Treasuries. After the reform, the power to make fiscal forecasts became *immune to the temptations* of politics. Osborne claimed that fiscal forecasts would be more credible if they were carried out by an independent office, rather than by the Chancellor or by politically subordinated officials. They would be more credible also if growth and fiscal forecasts were based on evidence rather than driven by partisan judgements: "*No longer will we fix the figures to fit the Budget. From now on we will fix the Budget to fit the figures*".

In a significant way because of their similarity, New Labour had justified almost identically the delegation of monetary policy to an independent Monetary Policy Committee (MPC) and the design of two strict fiscal rules to achieve sound public finances. This is Gordon Brown as Chancellor in 2006, just before the onset of the financial crisis,

“So just as our monetary reforms, which brought Bank of England independence, made decision making independent of short term political and partisan considerations, so too do our competition reforms...”

Brown, 2006, Mansion House

And this is Alistair Darling defending the establishment of the OBR:

“I supported the setting up in 2010 by the new government of the new Office for Budget Responsibility, which is independent of the Chancellor of the day. I had considered such a move in the autumn of 2008 (...) I was looking for ways to get some independent credibility into our forecasting”

Darling (2011:73)

Returning to Osborne’s speech in 2010, the Tory Chancellor made similar claims to overhaul the regulatory framework for financial supervision. “Only independent central banks”, Osborne said in that speech, “have the *broad understanding, the authority and knowledge required* to make the kind of macroprudential *judgements* that are required now and in the future”. This was a crucial “*lesson*” from the financial crisis. As a result, the Bank of England was given control of macro-prudential regulation and oversight of micro-prudential affairs. A new independent Financial Policy Committee was to be created at the Bank. All these reforms, Osborne remarked, were “absolutely necessary”.

Osborne also announced that the government was “establishing an independent commission” to end the uncertainty in the banking industry. This Commission, chaired by “highly respected individuals”, will come to a view on the best structure of banking in the UK, and the Government will decide on it. Sir Jon Vickers would preside the commission because “he is someone of *unquestioned ability, experience and integrity* who *approaches this issue with an open mind*”.

All along, the Tory Chancellor invoked the two technocratic constructs of *competence-expertise* and *evidential reasoning*. In this way, he presented the decisions of creating the OBR, making the budget process more ‘evidence-based’, delegating competences on macroprudential regulation to the Bank of England and establishing an independent banking commission

within a common technocratic framework. This intervention represents a clear embracement of technocracy as a mode of political legitimation.

The Conservative government embraced this discourse as soon as it came to power. This was the time when austerity was presented as the only option, as I have explained in chapter 5. In his speech to the Tories' party conference in Manchester in 2011, David Cameron explained that,

“When you’re in a debt crisis, some of the normal things that government can do, to deal with a normal recession, like borrowing to cut taxes or increase spending – these things won’t work because they lead to more debt, which would make the crisis worse. Why? Because it risks higher interest rates, less confidence and the threat of even higher taxes in future. The only way out of a debt crisis is to deal with your debts ... And it means governments –all over the world– cutting spending and living within their means. ... Our plan is right. And our plan will work ... But this is the crucial point: it will only work if we stick with it.”

UK CON.CAMERON.PARTYCONF.2011

Cameron’s austerity plan was presented to the party delegates as the “right plan” and “the only way out of a debt crisis”. His plan “will work” and any other alternative “won’t work” because would “make the crisis worse”. In these claims, there is thus a clear appeal to consequential ideas of “effectiveness”, “efficacy” and “what works”.

Technocratic legitimation endured through their time in office. In 2014, George Osborne appealed again to the same aspiration of making policy decisions ‘independently of politics’. This time “to protect those who own homes” and “those who aspire to own a home”. In his 2014 Mansion House speech, Osborne said that,

“I want to protect those who own homes, protect those who aspire to own a home, and protect the millions who suffer when boom turns to bust. So today, I am giving the Bank new powers over mortgages... It’s important that decisions to use these powerful tools are made independently of politics by the Bank of England”

UK CON.OSBORNE.FORA.2014

This theme became a relevant one. As more competences were delegated to independent institutions, technocratic justifications seem to provide a good basis to justify this delegation because certain decisions should be “made independently of politics”. We see here how technocratic discourse can be associated with a particular form of justification: evidence and technical calculations become the criteria to adopt a policy choice, instead of value preferences (Fischer, 1990:208). Avoiding partisan or political positions is presented as a virtue. Expertise rather than political considerations is judged as a more legitimate way of justifying certain decisions.

The focus on good judgement was also present when Labour leaders relied on technocratic discourse. For example, speaking in 2009, the Labour Chancellor Darling noted that,

“Already people are advocating new institutions and new tools to implement a new approach. Institutions are important. So are the tools for them to do the job. But to concentrate only on institutions, seems to me, to miss the point. At its heart, this is about judgements that are based on a clear understanding of what’s happening. It is about making the right call at the right time”

UK LAB.DARLING.FORA.2009

In his intervention on the Labour party conference that year, Gordon Brown claimed that,

“The opposition might think the test of a party is the quality of its marketing but I say the test for a government is the quality of its judgement. The Conservative Party were faced with the economic call of the century and they called it wrong. And I say a party that makes the wrong choices on the most critical decisions it would have faced in government should not be given the chance to be in government.”

UK LAB.BROWN.PARTYCONF.2009

As I have noted, a more systematic way of analysing discourse is to focus on concrete on specific markers. The language of ‘right’ and ‘wrong’, seemingly ubiquitous in British politics, can be interpreted, in certain linguistic contexts, as clear markers of technocratic discourse. I have

already provided several examples, but if the use of the term 'right' is analysed systematically, several interesting patterns emerge.

There are 185 unique mentions in the UK corpus, which are more relevant for the object of study. The irrelevant uses of the term have not been included (see the Methodological Appendix for a detailed explanation of the process). Figure 6.1 presents the absolute frequency of these references by year (left), party in office (centre) and speaker (right).

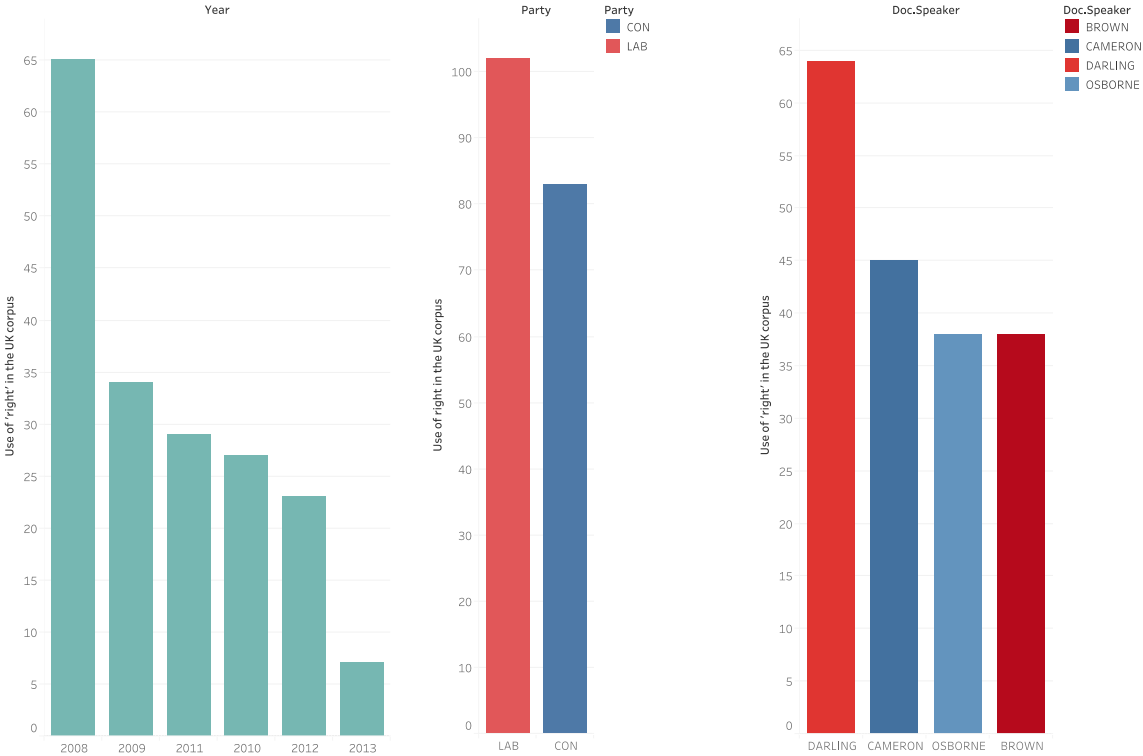


Figure 6.1 Use of 'right' in the UK corpus by year, party and speaker

Source: Own elaboration from corpus data.

The term 'right' was used in speeches delivered in different years and by the political leaders of the two British parties in relation to various policy measures. How is this relevant for our discussion? On closer inspection, many of these statements highlight that there are *right* and *wrong* choices, based on sound and poor judgements.

While it is not possible to analyse each of the 185 references separately¹⁸¹, several relevant examples can illustrate this particular use of the term.

“And I will never pretend there are shortcuts to success. But success will come: with the right ideas, the right approach, the right leadership. Leadership from government: to set out the direction we must take, and the choices we must make”

UK CON.CAMERON.PARTYCONF.2011

“That was a difficult decision, but it was the right decision. In other areas, such as the financial crisis, we have also made the right decision, even when the Tories have proposed the wrong one”.

UK LAB.BROWN.PARL.2010.3

“We are taking the right decisions, and I believe that there is an understanding around the world that we have taken the right decisions”

UK LAB.BROWN.PARL.2009.7

“There is more turbulence along the way, I am sure, but I believe that the measure is significant; it is a necessary measure and it will be seen not just in this country but across the world as entirely the right thing to do.”

UK LAB.DARLING.PARL.2008.2

As I noted above, there is an objectivist quality to these claims: there are correct and incorrect positions, as this other statement from Gordon Brown clearly exemplifies:

“Only one party with pretensions to government made the wrong choice; the Conservative Party of Britain. They made the wrong choice on Northern Rock. The wrong choice on jobs and spending.

¹⁸¹ The full set of references is available as supplementary materials.

The wrong choice on mortgage support. The wrong choice on working with Europe. The only thing about their policy that is consistent is that they are consistently wrong”

Brown, UK LAB.BROWN.PARTYCONF.2009

If there are right and wrong choices, the implication seems to be that there must be a consensus about the end goals. Reach them becomes a purely technical question: either a party gets it right, or wrong.

There is, to be sure, a risk of over-interpretation in discourse analysis. Politicians do not *always* use these terms in a technocratic sense. Yet in several public interventions, British leading politicians used these terms to present decisions within a technocratic frame. In this technocratic framing, there are competent leaders who make the right and correct decisions, based on evidence, and leaders and parties who do not. These decisions are not presented as ‘ideological’ choices. Indeed, political leadership is even defined by in these terms: to get it right “with the *right* ideas, the *right* approach, the *right* leadership”, as David Cameron proclaimed in his 2011 speech at the party conference. With all the necessary caveats, these markers can be a good signal of the presence of technocratic discourse, even if they are not exclusive to it.

The two Spanish parties also drew extensively on technocratic claims. The analysis of the ESP corpus reveals that technocratic discourse came to the forefront at critical moments of the crisis. For example, following the approval of Spain’s financial rescue in July 2012, Mariano Rajoy (PP) said in Parliament,

“We are starting from a situation that is what it is, and what makes sense, what is reasonable, what is practical, what everyone demands is that, once we know the problems we have and we know what the diagnosis is, we act as forcefully as possible.”

ES PP.RAJOY.PARL.2012.7

Getting Spain out of the crisis was about using reason and evidence. It was about making “reasonable” decisions, making the “diagnosis” and acting on it: doing what is “practical” and what “everyone demands” – these statements, it must be added, were made in the first intervention that

Rajoy made in the Spanish parliament after the 2012 financial rescue request.

In his 2013 intervention for the state of the nation debate, the most important annual debate in Spanish politics, Mariano Rajoy insisted that,

“Complex problems, and those of our economy are complex, require, first, an accurate diagnosis and then thoughtful and rigorous solutions; otherwise it would be like dismantling a precision time bomb with a hammer, it would explode in our face ... the terrain in which we are moving is extraordinarily complicated.

... But if we are not able to answer these questions correctly, there can be no accurate diagnosis and, consequently, the right therapies cannot be adopted.”

ES PP.RAJROY.PARL.2013

By 2014, in the same setting, Rajoy sounded more triumphant. Spain was on the “right” path because that path “has proved its effectiveness”,

“I say our situation is different and it is better ... This is how they see it and how they recognise it from outside Spain, from the European Union, from the international economic institutions or from the business world... the results are beginning to be seen; that we are on the right path and there is no room for hesitation, and that our duty is to persevere relentlessly in the same direction. So, without any kind of triumphalism or self-congratulation: persevere on the path because it has proved its effectiveness”.

PP.RAJROY.PARL.2014

In all the previous statements, politicians of left- and right-wing parties made similar claims about how their choices were driven by *sound* judgements. These positions follow a clear and often unequivocal understanding of what the correct solutions are, of what works to solve a particular issue.

At a basic level, this insight is unsurprising, perhaps even trivial. What political leader would claim otherwise, that what is needed to deal with

an economic problem is poor judgement, incompetence and offering solutions based on improvised and simplistic diagnoses?

Yet what I want to highlight is a different point. Whether in a speech delivered at the party conference, at the annual conference before the City (Mansion House) or at the most relevant annual event in Spanish politics (state of the nation debate), politicians from different parties resorted to technocratic claims to justify politically significant crisis choices. Put it differently, technocratic discourse cuts across the ideological divide and was used in a variety of political settings.

More revealingly, technocratic claims were advanced to justify decisions that parties have traditionally defended on more ideological grounds, such as raising and lowering taxes. Take Labour's decision to introduce a new 45p rate of income tax in 2008 and to increase it to 50p for the top 1 per cent of taxpayers in 2009. This decision was politically significant. It also represents the clearest instance of constrained partisanship during the Labour time in government, as I have explained in chapter 5. Introducing a new rate and raising the top income tax rate marked a significant departure from New Labour's approach to personal taxation since Tony Blair took over from John Smith in 1994 (Seely, 2018:11).

After a decade promising the party will not raise the top rate and claiming that doing so would raise relatively little money, the party had to change its position on a major issue. This choice was largely driven by Labour's concern about a negative reaction of bond markets if it did not bring public borrowing 'under control'. It was made against Brown's preference and against Labour's longstanding pledge.

In his 2009 Mansion House speech, the Labour Chancellor, Alistair Darling, conceded that "no-one wants to put up taxes" and that he was "fully aware of the need to keep our corporate and personal tax rates competitive". In the presentation of the 2010 Labour budget, he insisted that "*we have not raised these taxes out of dogma or ideology; we are determined to ensure that our overall tax regime remains competitive*".

Darling recognised that there were issues of fairness behind the rise. But that "he did not particularly want it" and did not "*have a philosophic attachment to that rate at all*" (Seely, 2018:31). For the sake of illustration, compare this position with the one the Labour party defended in his

electoral manifesto in 1992, the last time the party publicly committed to raise the income tax rate. In this manifesto, the party said that,

“Attacking poverty is an essential component of Labour’s programme for national recovery and prosperity... To achieve these goals, we will reform the national insurance and income tax system... A new top rate income tax of 50 per cent will apply to individuals with an income of at least £40,000 this year.”¹⁸²

Or with the way the Labour party defended its tax policy under Jeremy Corbyn in 2019:

“We will pay for this by creating a fairer taxation system, asking for a little more from those with the broadest shoulders, and making sure that everyone pays what they owe. We will reverse some of the Tories’ cuts to corporation tax while keeping rates lower than in 2010. We’ll ask those who earn more than £80,000 a year to pay a little more income tax”

Labour, (2019:29)

The point is not to establish whether either of these positions was more or less ‘leftist’, but to emphasize that Darling never presented the choice in those terms. He was ideologically more cautious, as defending this move by appealing to the New Labour vision, the political project that had defined the party for more than a decade, would simply not work. Instead, in a context of perceived bond market constraints, technocratic justifications emerged as more appealing. More revenue was needed. Tax had to go up for borrowing to go down. The evidence produced inside the Treasury showed that this measure might ‘work’.

When the Tory Chancellor George Osborne announced that, from April 2013, the additional rate would be cut back to 45 per cent, he also did so because “no Chancellor can justify a tax rate that damages our economy and raises next to nothing”¹⁸³. At the end, the debate on the tax increase between both parties revolved largely around whether any raise will increase enough extra revenues to offset its costs. This judgement in turn

¹⁸² 1992 Labour Party manifesto.

¹⁸³ This decision was announced in the coalition budget on 21 March 2012.

rested on the accuracy of arcane Treasury forecasts. Taxation turned into a rather technical question, more than a political issue.

The two Chancellors defended their positions as matters of fact. Based on the available evidence, they had made their judgements. Crucially, the conditions that made this *evidential reasoning* politically expedient were revealed by the political actors themselves. As Darling himself acknowledged,

“...the documentation that the Treasury has produced on the measure reminds me of the stuff that was produced for the five tests in respect of the euro, in that so much evidence has been adduced in support of the Government position. Why did they [in reference to the Tories] not just say that they philosophically did not want the 50p rate so they were going to cut it?”¹⁸⁴

Both the Labour and Tory Chancellors presented their positions on income tax as evidence-driven choices. For Darling, raising the top rate of income tax up to 50p became a matter of whether this would raise enough new revenues to get borrowing down while offsetting the costs of implementing the tax change. Later, for Osborne the choice depended on whether lowering the tax rate was more costly than keeping it: it wasn't, he concluded, because the previous increase has raised “next to nothing”.

This is a concrete example of how technocracy cuts across the ideological divide. It is not a discourse used only by parties on the left or the right. Different ideological and party families rely on it. Political disagreements are settled on grounds of evidence. Choices are allegedly based on ‘what works’ at a given moment. And to show what works, politicians claim to be driven by impartial evidence, rather than ideology.

The pervasiveness of this discourse is even more evident if we examine the references to knowledgeable actors, another characteristic feature of technocratic discourse. As a claim to competence, politicians justify policy measures because certain experts endorse them. Appeals to ‘competent’ sources of expertise are common in technocratic claims. Experts support

¹⁸⁴ Cited in Seely (2018:31).

for a particular measure is in turn presented as a justification for adopting it.

Take all these coded statements from the corpus:

“The IMF has praised the wide-ranging action, by the Government and the Bank of England, to tackle the downturn”

UK LAB.DARLING.FORA.2009

“In a world where so many countries are seeing their credit ratings put on negative outlook or downgraded, our country’s triple-A rating has come off negative outlook and been affirmed. We have a deficit larger than Portugal, but virtually the same interest rates as Germany. That is the huge stimulus our plan delivers to our economy. And abandoning our deficit reduction plan would take that stimulus away. That was the IMF’s verdict last week”

UK CON.OSBORNE.FORA.2011

“As the President of the CBI put it, it was a Budget for business that sharpened our country’s competitive edge and that is what I intended...No one in Britain would like to see stronger growth more than me. But our independent OBR, the IMF and others have identified three main reasons for why it has not happened... But crucially there is very little evidence from the OBR’s forecasts to suggest that the impact of the fiscal consolidation on growth has been larger than they forecast two years ago.”

UK CON.OSBORNE.FORA.2012

“Therefore, Spanish [crisis] initiatives have been combined with European initiatives in terms of timing and content, since it is not in vain that all the measures adopted by the Government have the backing of Ecofin, the European Council and also the European Central Bank itself, which has just sent us a report in which it makes a generally favourable assessment of them”

ES PSOE.ZP.PARL.2008

“...I have said that the government was wrong in its forecasts, that I was wrong in my forecasts and that all the international

organisations were wrong. All the international organisations, the European Commission, the OECD, the International Monetary Fund, which in 2008 and 2009 revised their forecasts for the evolution of the Spanish economy up to five and six times, got it wrong. Were they also trying to deceive the citizens?"

ES PSOE.ZP.PARL.2009

"In any case, I will always act in accordance with the criteria set out by the Bank of Spain, the National Securities Market Commission [CNMV, in Spanish], the Ministry of Economy, the European Central Bank itself and today the European Commission and the independent evaluators. I have full confidence in these institutions."

ES PP.RAJOY.PARL.2012.7

"The Government has instructed the Ministry of Economy to hire two independent evaluators of recognised international prestige to carry out an assessment of the entire balance sheet of the Spanish financial system and its resilience in an adverse scenario...This analysis will be supervised by a committee that will include members of the European System of Central Banks and will include the IMF as an advisor...This will correct the perception that is often held of Spanish institutions, generally not based on objective and well-founded information"

ES PP.DE GUINDOS.PARL.2012.5

"all the economic institutions, both European and national, the European Central Bank, European Commission, OECD and International Monetary Fund, and the media of reference are recognizing the advantages derived from the [government] labour reform"

ES PP.RAJOY.PARL.2013

All these statements show the extent to which governing parties relied on appeals to knowledgeable actors to support political action¹⁸⁵. Politicians refer to the recommendations and views of the CBI, the IMF, OECD, CNMV and elite economic research centers in defense of their crisis choices: from the deficit reduction plan to specific interventions in the financial sector and labour market reforms.

Even when some of the government measures were not producing the expected results, knowledgeable actors were still placed at the forefront of public justifications. In the previous examples, this is most clearly illustrated by Osborne (CON) and Zapatero (PSOE)¹⁸⁶.

As a final reflection, it is worth noting that, in the case of the Conservative leaders, this technocratic vision was very much present after Osborne and Cameron had left active political life. Post-crisis accounts attest to the endurance of technocracy as a mode of political legitimation. “As a pragmatist rather than an ideologue,” Cameron writes in his political memoirs, “I have always thought that the most important job for a prime minister is to their duty – to tackle the most urgent task in front of them, whatever that might be. In 2010 there was absolutely no doubt about what that was: to rescue our economy” (Cameron, 2019:179). As much as Osborne did, Cameron presents himself as a pragmatist, whose main task was to tackle the urgent task, whatever it might be. This vision, that of the primacy of the urgent task, also connects with exceptionalism as a mode of political legitimization. In this statement, both technocratic and exceptionalist appeals are combined.

In reference to his austerity programme, Cameron writes, “I believe profoundly that, if done *properly*, it would *work*. And I was *absolutely certain* that far worse than *administering the medicine* would be failing to take action” (ibid.). The references to science, and specifically to medicine have surfaced as a common trope in technocratic discourse. Politics is

¹⁸⁵ They also used them in opposition to support their positions. As a way of illustration, this was Mariano Rajoy as the leader of the opposition: “Since you don’t want to listen to what the Popular Party tells you, *listen to what the international experts, the specialized organisations, the economic press from all over the world say*” (Diario de Sesiones, Plenary Session num.66, IX Legislature, 25 March 2009, Num.71, p.10).

¹⁸⁶ UK CON.OSBORNE.FORA.2012 and ES PSOE.ZP.PARL.2009.

conceived as an eminently technical activity – an activity that requires a special set of skills to solve problems, a particular kind of expertise. “After all”, Cameron reflects, “politics isn’t just about having the *right* philosophy, the *right* policies and the *right* people in the *right* positions. It’s about perseverance: knowing that you are *doing the right thing*, and giving it time to bear fruit” (ibid.:430).

6.3.2. Legitimization through legalism

Using evidence from my corpus, the following analysis shows that both left- and right-wing governments relied on legalism in the wake of the Great Recession. These claims tend to refer to legally binding obligations enshrined in legal documents as drivers of specific policy positions. In the speeches of the corpus, legalism was more associated with decisions bound by European law and agreements adopted in Brussels with the force of law. Also, the analysis suggests that the Spanish governments relied more extensively on legalism than their British counterparts. The different type of EU membership seems a relevant factor to account for this, but I do not fully address this conjecture here.

To begin with, let us consider the following statements that the Labour Chancellor, Alistair Darling, made after the Labour government took the Northern Rock bank into public ownership. All these claims belong to the same parliamentary intervention in February 2008 (UK LAB.DARLING.PARL.2008.2):

“...whatever business plan is approved has to meet the European state aid rules, which are there to ensure that there is not unfair competition when an institution has a degree of support from a Government”

“That is why I have made the proposals that I have made today – precisely to ensure that the taxpayer’s interests are protected. At the risk of upsetting the right hon. Gentleman¹⁸⁷, I say to him that I

¹⁸⁷ Reply to a question from Iain Duncan Smith (Con): ‘May I press the Chancellor on the issue of competitiveness? As he said, the bank is going to trade through. He talked about it trading responsibly and not abusing its position under state control, but how will he guarantee that it will be unable to abuse that position or to continue as it has, which is what got it into so many problems in the first place?’

am afraid that the best guarantee is the European Union state aid rules”

“It is important that the management team led by Ron Sandler has the opportunity to make its decisions, first, to come up with a business plan, which we need to submit to Europe as part of the state aid approvals process, and then to be allowed to get on with the job”

“On the business model...Ron Sandler and his team will introduce a model after they have had a chance to consider the options available to them. That will have to be endorsed by the Government, because it has to be cleared by the Commission under the normal state aid rules”

“In its operation in the marketplace, the state aid rules exist to ensure that it cannot abuse its position, but it is in the general interest of stability and of taxpayers to have an opportunity to work things through.

In November of 2008, Darling insisted,

“Today, I welcome the publication of Sir James Crosby’s report on finance in the mortgage markets... To implement his recommendation, the Government would need to obtain state aid approval from the European Commission and resolve some of the technical and practical considerations. However, we will work up a detailed scheme based on his recommendations and seek state aid approval to proceed.”

UK LAB.DARLING.PARL.2008.11

To be sure, the forces that led the Labour government to nationalise Northern Rock (and other three banks) had nothing to do with legalism. No legal imperative forced that choice. Yet once the banks came under partial or total public ownership, legal constraints became a relevant factor in public justifications. In 2008, these legal constraints arose from EU and domestic law and weighted heavily on how the government presented its position in public.

By late 2007 it was clear, Julia Black (2010:99) notes, “that the level of support being provided [to Northern Rock] could not continue

indefinitely. Moreover, the EU Commission ruled in December 2008 that although the initial liquidity provided was not state aid, the guarantees put in place in October 2007 onwards were. The Government started casting around for options but was hampered by the lack of specific legal powers to resolve the bank's failure". Hence, Darling's frequent references to EU state aid rules and to the Commission's legal interpretations to explain what the government could do in regard to the nationalised banks.

Significantly, Darling referred to EU rules not in a mere procedural sense. EU state aid rules, the Chancellor said, "ensure that there is not unfair competition", guarantee that a bank "cannot abuse its position" and are also "the best guarantee" to protect the taxpayer's interest. In this statement, legal rules are presented as a legitimate reason to defend the government position, not just as a mere procedural requirement.

In the Spanish case, the content analysis of the corpus reveals that appeals to legality, rules and legal obligations were particularly noticeable in relation to EU-related decisions. The most significant instance of legalism is found in the interventions made by the two parties to defend the 2011 constitutional reform.

In the summer of 2011, the PSOE and PP proposed to reform the Spanish Constitution¹⁸⁸. Anticipating the legal obligations of the Fiscal Compact and under constant pressure from bond markets, a "complete and total agreement" between the two parties paved the road for the reform of article 135. Since both parties defended the reform together, this is a paradigmatic example of how different parties justified a key crisis decision under external constraints.

I present two pieces of evidence. Taken together, these statements suggest that the constitutional reform was defended as the result of legal-political *obligations* arising from Spain's euro membership. The first testimony is composed by key extracts from the parliamentary interventions of the leading MPs defending the constitutional reform in 2011: Soraya Sáenz de Santamaría (PP) and José Antonio Alonso (PSOE):

¹⁸⁸ I refer the reader to chapter 4 for more context. There I discuss the political-economic context surrounding this reform.

“The limits set by our Constitution are not random, they remind us that our economy is linked to the Europe of the euro and they tie us definitively to the rules of European stability. The margins marked out by the European Union thus constitute an absolute limit which all public administrations may not exceed. We can, of course, be more demanding on ourselves than we are asked to be, but we guarantee constitutionally that we will never be less demanding”

ES PSOE.SANTAMARIAApp.PARL.2011.8-9

“We share objectives and destiny with Europe. There is one argument that you cannot deny me, and that is that Germany did this in its day and France and Italy will do the same, as will we. As you will understand, the large countries of the Eurozone do not agree on something as important as this for the sake of it; they agree because it is objectively justified, because it is reasonable. And beyond the fact that it is reasonable, which it is, because it is absolutely necessary for the stability of the entire euro area”

ES PSOE.ALONSO.PARL.2011.8-9

The second piece of evidence is found in the preamble of the legal text itself, which makes it an unavoidably longer quotation. The motives provided are:

“More than thirty years after the entry into force of the Constitution, with Spain forming part of the European Economic and Monetary Union ... budgetary stability acquires a truly structural value that conditions the state’s capacity to act ... A value, therefore, that justifies its constitutional enshrinement, with the effect of limiting and guiding, with the highest regulatory status, the action of public authorities.

... the safeguarding of budgetary stability was already an essential instrument for achieving the fiscal consolidation which enabled us to join the Economic and Monetary Union and was subsequently included in legislation.

In the same vein, the Stability and Growth Pact aims to prevent the emergence of an excessive budget deficit in the euro area, thereby

giving confidence in the economic stability of the euro area and ensuring the sustained and lasting convergence of Member States' economies.

The current economic and financial situation ... has only reinforced the desirability of bringing the principle of reference to our Constitution ...

This reform of article 135 of the Spanish Constitution therefore seeks to guarantee the principle of budgetary stability ... to strengthen Spain's commitment to the European Union and, at the same time, to ensure the economic and social sustainability of our country"

Motivation, constitutional reform of article 135, 2011

These public statements exemplify the thrust of a legalistic reasoning. Core to legalism, these claims emphasize legal duties and obligations (*tie us definitively to...; margins marked out by...; guarantee constitutionally*). It refers to legal instruments (*rules of European stability, Constitution*). It sets the locus of justification at the highest level of national law (*Constitution*), and it claims that the choice is based on legal obligations, which are *not random* and establish *absolute limits* that public bodies cannot exceed. Ultimately, these obligations derive from political-economic arrangements (*the Europe of the euro*), which are beyond the control of any single party or government. As the former socialist president Zapatero (2013:265) recognises in his memoirs, "With the reform of Article 135 ... we do not oblige ourselves to anything that we do not have to oblige ourselves as members of the Union".

Beyond the constitutional reform, the socialist (PSOE) and conservative (PP) governments relied on a legalistic discourse to justify other choices. For example, in the 2011 state of the nation debate, Rodríguez Zapatero (PSOE) explained that the fiscal consolidation path he had embarked on aimed at "*complying in 2013 with the objectives of the Stability and Growth Pact*" (ES PSOE.ZP.PARL.2011.6).

When the center-right PP replaced the PSOE as the ruling party in December 2011, Luis de Guindos, the conservative finance minister, emphasized that,

“all the lines of [the government] economic policy fall within the commitments we have made in Europe, in the context of the Europe 2020 Strategy, the European Semester, the Pact for the Euro plus and other initiatives that are being developed...”

ES PP.DE GUINDOS.PARL.2012.2a

In his inaugural speech in December 2011, Mariano Rajoy (PP) announced that the Budgetary Stability Law will

“establish the criteria for the progressive reduction of the debt level to 60% by 2020. In order to achieve this objective, measures must be taken from the 2012 Budget onwards ... With the Spanish government’s current commitments to the European Union ... we will have to reduce the gap between revenue and expenditure by 16.5 billion euros ... That is the objective, that is our commitment and that is what we are going to stick to:16.5 billion in deficit reduction in 2012.”

ES PP.RAJOY.PARL.2011.12

In this example, the draconian austerity measures passed in 2012 were necessary to achieve the debt reduction target by 2020 – a legally enforceable target underpinned by constitutional and treaty-based obligations. The corpus contains other relevant instances. In the summer of 2012, just after Spain’s financial bailout had been approved in Brussels, Mariano Rajoy said in Parliament,

“yes, decisions must be complied with, and at the moment in the EU there are seventeen countries subject to an excessive deficit procedure... They are all countries that, as the name of the procedure indicates, have an excessive deficit. So there are obligations that are approved in the Eurogroup and Ecofin...We were in excessive deficit since 2009, because it was in 2009 when we exceeded the European Commission’s rules and the previous government had to comply with certain obligations and the government I preside now has to comply with other obligations”

ES PP.RAJOY.PARL.2012.7

As more fiscal decisions are shaped by treaties and constitutional clauses, parties become more willing to justify choices on the basis of these clauses. They will sometimes continue to appeal to ideological visions to increase or cut public spending. Yet legalistic justifications have seeped into mainstream party discourse. Governing parties thus appear less willing to justify certain decisions *without* reference to legal considerations and imperatives. Legal constraints have become more relevant for policymaking, as much as they have become for justifying government action. This is the institutional basis of legalism.

The previous analysis has shown that legalism cuts across ideological and party lines. At different times, both social democrats and conservatives linked policy choices to concrete legal obligations: the government could only act with the nationalised banks as permitted by EU state aid rules, or the budget deficit had to be reduced because they were legally obliged to do so¹⁸⁹.

However, there is one exception: British Conservative leaders did not rely to the same extent on legalism to justify their choices. In the interventions included in the UK corpus, Cameron and Osborne made factual references to regulation and circumstantial references to EU treaties. In particular, to safeguard the UK's position as the Eurozone members sought to integrate more. The need of negotiating these legal safeguards, and ensuring that certain rules were decided by all the EU members rather than only the Eurozone countries were often framed in legal terms. But these references were not directly related to justify domestic crisis choices, in contrast to the other statements discussed. This is an important qualification.

Three brief remarks are in order in this regard. First, it is possible that the Tory leaders relied more on legalism in other interventions that have not been included in the corpus. Second, it was to be expected that not all parties drew to the same extent on the three discourses. This constitutes a

¹⁸⁹ Whether this argument would stand up in a court is a relevant but different question.

clear example. Finally, legalism might be more salient in a different policy contexts, not necessarily linked to the crisis economic choices¹⁹⁰.

6.3.3. Legitimization through exceptionalism

This section presents instances in which British and Spanish political actors justify their choices on exceptionalist grounds. Using evidence from my corpus, the analysis shows that exceptionalism was also used as a cross-party discourse. For all four governments relied on it at different moments of the crisis. In both countries, exceptionalism was linked to the material conditions of a deep economic crisis that lasted for several years – an economic crisis which, in the Spanish case, left the country on the brink of a sovereign bailout.

In legal-constitutional terms, there is a fundamental difference between the declaration of a state of emergency and the material emergency that a crisis represents. The Covid-19 crisis illustrates this difference well. In 2020, many governments declared a state of emergency (or alarm) to manage the pandemic, providing them with extraordinary powers to approve extraordinary measures¹⁹¹. In comparison, neither the Spanish nor the British governments used a constitutional provision of a state of emergency to manage the Great Recession. But if taken by their words, the parties governed much of the time *as if* one had been declared. Politically, this is a relevant phenomenon. It suggests that exceptionalism, as a legitimizing discourse, transcends the legal structure of the state of emergency.

¹⁹⁰ For example, if the period after the 2008 crisis is briefly considered, legalism seemed to gain some prominence in British political discourse, particularly after the 2016 Brexit referendum. Legalism has surfaced in the context of the Brexit negotiation. For example, in relation to the political debate on the scope of Article 50 TEU, in some of the controversies over the prorogation of Boris Johnson's 2019 parliament or during parliamentary debates in which the May and Johnson governments defended their proposals for the Withdrawal Agreement. This observation is compatible with the claim that other discourses, in particular populism, have also have gained prominence over this period. At any given moment, the relative salience of different political discourses is primarily an empirical question.

¹⁹¹ In Britain, the government has not declared a state of emergency but has introduced equivalent “emergency powers” with sweeping legislative powers in the hands of ministers.

Consider the following statements made by leading political figures of each of the four governments (Labour, Conservative-led coalition, PSOE and PP):

“In the autumn, major banks were on the brink of collapse. Had they been allowed to fail, the world economy would have been brought to its knees. We stepped in –not for the sake of the banks – but because the alternative would have cost millions more jobs. It was a controversial move ... It was, however, an essential step on the road to recovery, now followed around the world”

UK LAB.DARLING.FORA.2009

“But unless we now deliver on that promise of action with concrete measures, that credibility – so hard won in recent weeks – will be lost. The consequence for Britain would be severe: higher interest rates, more business failures, sharper rises in unemployment, and potentially even a catastrophic loss of confidence and the end of the recovery”

UK CON.OSBORNE.PARL.2010

“...the Spanish government has acted in accordance with the urgency required by the gravity of the situation and has adapted the new extraordinary remedies to the specific circumstances of the Spanish economy.”

ES PSOE.ZP.PARL.2008

“I said I would lower taxes and I am raising them. I have not changed my mind. Nor do I refuse to lower them as soon as possible, but circumstances have changed and I have to adapt to them. Ladies and gentlemen, I am doing the only thing that can be done to get out of this prostration. I am not asking myself if I like it, I am applying the exceptional measures that an exceptional moment calls for.”

ES PP.RAJOY.PARL.2012.7

These excerpts indicate that governing parties invoked the sense of emergency to support exceptional and extraordinary measures – from

intervening in ailing banks to cutting public spending. They did so at different moments of the crisis (2008, 2009, 2010 and 2012), suggesting that exceptionalism was an enduring script for governing; namely, it gained salience.

Of the four previous statements, two are particularly meaningful to the central argument of this thesis. Rajoy's remarks ("*I said I would lower taxes and I am raising them*") represent an explicit acknowledgement of the effects of constrained partisanship. Importantly, those remarks were followed by the political justification of governing against its public commitments: "*I am not asking myself if I like it, I am applying the exceptional measures that an exceptional moment calls for*".

Darling's remarks are also revealing. As I argued at length in chapter 5, the New Labour government faced a particular political predicament in dealing with failing British banks. After presiding over a decade of deregulation in financial markets, the Labour government could not escape accusations of having contributed to causing the financial crisis. In what concerns us more directly here, this legacy narrowed the options to justify the nationalisation of four banks. Simply put, ideological appeals to the New Labour's project would not work.

New Labour's doctrine on unfettered financial markets –and its institutional corollary of 'light' financial regulation– narrowed the options to legitimise four bank nationalisations with public funds. In the wake of a global financial crisis whose causes were located in the economic orthodoxy that New Labour had embraced, partisan-ideological justifications lost appeal (cf. Darling, 2011:185). Appealing to party-ideology became less convincing.

Instead, I claim, exceptionalism gained salience. Appealing to 'exceptions', 'emergencies' and 'catastrophic' consequences, while perhaps commonsensical in the dire Autumn of 2008, was politically expedient. As the Labour Chancellor put it in his Mansion House speech, the major banks were "*on the brink of collapse*"; the *world economy* would have been "*brought to its knees*" had the banks been allowed to fail. The alternative would have "*cost millions more jobs*". As Julia Black (2010:126) puts it, "*in constitutional terms, decision-making during the crisis most often took the form of decide now, act immediately, explain quickly, and validate later*".

Of all the relevant manifestations of exceptionalism in the corpus, a single intervention stands out. Of the 45 unique texts in the corpus, the most explicit instance of exceptionalist legitimisation is found in Osborne's statement on the 2010 budget. The first Coalition budget has come to be known, in fact, as "the emergency Budget"¹⁹².

In his statement to the Commons in June 2010, George Osborne stated that,

"This emergency Budget deals decisively with our country's record debts... This is an emergency Budget, so let me speak plainly about the emergency that we face"

The Chancellor said that Britain was facing an economic emergency that required swift action and decisive responses,

"The coalition Government have inherited from their predecessors the largest budget deficit of any economy in Europe, with the single exception of Ireland. One pound in every four we spend is being borrowed... Questions that were asked about the liquidity and solvency of banking systems are now being asked about the liquidity and solvency of some of the Governments who stand behind those banks. I do not want those questions ever to be asked of this country. That is why we have set a brisk pace since taking office."

UK CON.OSBORNE.PARL.2010

According to Osborne, the scale of the emergency made certain decisions unavoidable. The Conservative party will have to raise taxes. Osborne referred to the 2010 budget as the "unavoidable budget":

"Sadly, in this unavoidable Budget we have had to increase taxes. We have had to pay the bills of past irresponsibility... On 4 January next year, the main rate of VAT will rise from 17.5% to 20%. The

¹⁹² Interestingly, the exact same rhetoric was being used elsewhere. As Grube (2016:538-539) has studied, the Abbott Government in Australia also presented its first budget in 2014 as a 'budget emergency', a rhetoric that was consistently used in the lead-up to the 2013 Australian election.

years of debt and spending make this unavoidable... I do not disguise from the House that the combined impact of the tax and benefit changes that we make today are tough for people. That is unavoidable, given the scale of the debts that our country faces and the catastrophe that would ensue if we failed to deal with them."

UK CON.OSBORNE.PARL.2010

In his speech at that year's party conference, David Cameron referred to the budget in the same exact way than his Chancellor. It was the "emergency budget to balance the books in five years"; the "emergency budget [that] showed the world that Britain is back on the path of fiscal responsibility", and the emergency budget that "took us out of the danger zone" (UK CON.CAMERON.PARTYCONF.2010). To justify the scale of the fiscal adjustment, the two Tory leaders consistently linked the economic (fiscal) emergency with unavoidable choices. Some of these choices, as Osborne himself conceded, were inimical to the party's identity: "sadly ... we have had to increase taxes". But any alternative path was no less than 'catastrophic'.

At the same time as the Coalition government was presenting the emergency budget, the Spanish socialist government found itself in a precarious position. In May 2010, the PSOE government had to justify the abrupt change in its fiscal response. It justified so making almost identical claims to those of Osborne-Cameron.

The new austerity decisions, the Spanish president and his minister of finance argued, were motivated by an emergency situation. Bond markets were pressing hard and EU partners were demanding more. The fiscal adjustment needed was "extraordinary" and had to be implemented with "speed" and "urgency". Elena Salgado defended the decree-law that confirmed the government's shift towards austerity declaring that,

"It is therefore urgent to rethink the pace of the exit strategy from the crisis. This is being done by the major countries around us, which have also announced measures to accelerate the reduction of their public deficits ... It is imperative and urgent to make a further extraordinary effort of budgetary adjustment and austerity in order to reduce public deficits more rapidly... As regards the constitutional requirement enabling the extraordinary and urgent

need, I believe that my intervention has been sufficiently explicit on the obvious need, in the government's view, to adopt and implement these measures to reduce the public deficit without delay"

ES PSOE.SALGADO.PARL.2010.5

In her intervention, Salgado insisted on the *urgency* of the situation and the *speed* with which the new extraordinary measures had to be taken – a key exceptionalist construct. In this intervention, the use of an exceptionalist language was particularly marked: *urgent, accelerate, imperative, extraordinary effort, extraordinary and urgent need, without delay.*

While meaningful in itself, Salgado's intervention is also illustrative of a broader crisis pattern, which I have already analysed in chapter 4. The pervasive language of "urgent and exceptional" measures stems, in part, from the preferred legal tool for adopting most of them: the decree-law. In the Spanish Constitution, this legislative tool in the hands of the executive is foreseen as an exceptional mechanism for extraordinary situations¹⁹³. And yet, the PSOE and PP cabinets approved 121 decree-laws between 2008 and 2014 – 60 per cent of which were directly related to their crisis responses¹⁹⁴.

But why is this relevant here? Exceptionalism provided a better political basis than ideological appeals for this mode of ruling by decree. Both parties used this tool to enact politically sensitive measures: from austerity packages to labour market reforms and financial sector restructuring. By constitutional mandate, the government must justify the approval of a decree-law on grounds of an "urgent need" which must also be "extraordinary". The government must show some proof of "exceptionality, seriousness, relevance and unpredictability that

¹⁹³ As Martín Rebollo (2015) explains, the Constitution allows the government to pass decree-laws – norms equivalent to a law – in "emergency situations", with the exclusion of certain matters and upon subsequent ratification by the Parliament.

¹⁹⁴ Prior to the covid-19 pandemic, the year with the highest number of decree laws since 1979 was 2012 with 29 decrees approved in one year. Since Spain's democratic transition, the two legislatures (2008-2011; 2011-2015) coinciding with the Great Recession witnessed the approval of the highest number of decree laws in relation to laws.

determines the need for immediate legal action and a decision in a shorter period of time than that set forth for [conventional] parliamentary procedures” (Martín Rebollo, 2015). In this way, institutional and discursive practices appeared to reinforce each other.

In this form, appealing to exceptionalism could also legitimise, in the eyes of the executive, this form of rule. Whether this can be considered a successful form of ‘self-legitimation’ is an interesting question. But what is more relevant in this context is that there were no equivalent ideological appeals that could justify this rule by diktat.

It is beyond the focus of this thesis to analyse the 121 decree-laws approved over the crisis period. But consider this other coded statement by the PP’s finance minister, Luis de Guindos. In the same way as the PSOE passed a decree law to change its fiscal strategy in May 2010, the PP did the same to clean up the financial sector. Seeking ratification of the Royal Decree-Law for the last reorganisation of the financial sector before the financial rescue, de Guindos said,

“Ladies and gentlemen, these facts speak for themselves. In the face of this emergency situation, it is necessary to take profound measures quickly and decisively, and the government is taking them”

ES PP.DE GUINDOS.PARL.2012.2b

In the same way as Cameron presented himself as a pragmatist, whose main task was to tackle the urgent task, de Guindos noted that “facts” speak for themselves, and that this requires to take profound measures “quickly and decisively”, urgently. In a peculiarly symbiotic way, technocracy and exceptionalism come together: pragmatism and urgency, facts and emergency.

As I noted before, another construct of exceptionalism is the language of exceptions. Recall Rajoy’s remarks that “*unless extraordinary circumstances, such as those we are currently experiencing, dictate otherwise*” his policy “*will never be one of high taxation*”. Upon coming into office in December 2011, and after having campaigned on a different platform in the general election, Mariano Rajoy raised taxes across the board. He ‘deviated’ from his party’s programmatic preferences: his policy “*will never be*” of high

taxation. This deviation was presented in public as unavoidable, in the same way in which Osborne had said that “sadly, in this *unavoidable Budget we have had to increase taxes*”. This decision was rationalised as a choice driven by the extraordinary circumstances, just as Osborne did with the tax hike set by the 2010 budget.

In short, Rajoy and Osborne presented the tax hikes as exceptional but unavoidable measures, driven by the extraordinary circumstances. These choices were inimical to conservative fiscal stances. They could not be coherently defended in ideological or partisan grounds by the conservative leaders. In their place, they justified them as ‘exceptions’ motivated by ‘exceptional circumstances’ – just as one would expect under constrained partisanship conditions.

In the Spanish case, these appeals provided a compelling political basis to govern by unconventional means. After an emergency has been declared once, it can be invoked more than once. And once an exceptional measure is justified by this emergency, further exceptions can be made by invoking it again.

When the PP nationalised the bank Bankia, a decision that precipitated the financial bailout in the summer of 2012, Rajoy appealed again to the same exceptionality in the Spanish Congress,

“As for bailing out the banks, I’m the president of a right-wing government and I have nationalised a bank. This has never been done before in Spain. Why have we done it? Are we going to let it fall? What happens to the deposits and what happens to the credits that bank has and what happens to its creditors? The reasonable thing to do is what we have done: we nationalise it, we clean it up, we get aid, [we get] a loan on very good terms from the European Union, and then we will try to get it to start lending and then we will sell it.”

ES PP.RAJROY.PARL.2012.7

Here, bailing out the banks is explicitly presented as a deviation from the party’s ideological identity and a deviation, in fact, from how previous governments have responded to banking crisis before. Somewhat oddly, Rajoy defended the request of a financial rescue to the EU as a “reasonable

thing to do” or as what any other party in the same position would have done.

More noticeably –a perceptive reader might have noticed– Rajoy made two crucial remarks in that same intervention. As I noted before, the conservative president pointed out that “*I said I would lower taxes and I am raising them*” and “*I’m the president of a right-wing government and I have nationalised a bank. This has never been done before*”. These two statements perfectly convey how constrained partisanship manifested itself in Spain.

In 2011, Zapatero had defended the government’s abrupt withdrawal of the fiscal stimulus in similar terms:

“We had clearly opted for a Keynesian policy of fiscal stimulus in the face of the economic crisis, until debt and fears of default on so much debt accumulation, and a public debt bubble that was generated in response to the crisis, made it impossible to continue along that path. This is neither left-wing nor right-wing, it is common sense. Either you accept it, or you don’t.”

ES PSOE.ZP.PARL.2011.6

In some cases, politicians rationalise exceptional measures implicitly, as when George Osborne claimed that the large reduction on welfare benefits was *unavoidable* because the “country simply *cannot afford this anymore*”¹⁹⁵. Because of this, the Coalition government was going to “hold the most far-reaching and open-minded exercise ... on spending priorities *that this country has ever seen*”. In other instances, the rationalisation is more explicit, as when Mariano Rajoy declared that “the *reasonable* thing to do is what we have done” or Zapatero noted that if continuing along the same path becomes impossible, “*it is common sense*” to deviate from the path: “This is neither right-wing nor left-wing, either you accept it or you don’t”.

What all these rationalisations have in common is that they refer to decisions that were not defended as ideological choices. The persistence of politics in the emergency register facilitates this legitimisation strategy.

¹⁹⁵ In fact, Osborne used the same expression (‘cannot afford it any more’) four times in the same part of the 2010 budget speech.

By constantly appealing to emergencies, politicians rationalise unconventional measures as commonsensical, rather than 'dogmatic'. In dealing with an emergency, they would apply their common sense, rather than ideological dogma.

The similarity in the way British and Spanish politicians appealed to exceptionalism point to a different but equally relevant insight. Political actors tend to use political discourses with some consistency. As I have tried to show, even in different linguistic and national contexts, politicians make equivalent claims about choices taken under similar circumstances. This commonality across the cases allows to generalise with certain plausibility. At the very least, it indicates that the object of reference is the same, which is a pre-requisite for making any generalisation.

In conclusion, the previous analysis has shown that all four governments relied on exceptionalism to defend far-reaching policy decisions: radically changing the fiscal response, raising taxes as part of an austerity package and bailing out a bank. What seems to unite these disparate decisions is that they all represent a deviation: either from the party's ideological postulates, or from the position that the government has previously defended. In all instances, the deviations were presented as exceptional or exceptions: something that the government will not do in 'normal' times but which every governing party would do in the midst of an emergency.

6.4. Conclusion: Different parties speaking alike

This chapter has made three contributions. First, it has put to test the propositions derived from my theoretical framework regarding the relationship of constrained partisanship to the legitimization discourses of left- and right-wing governments. The analysis of the 45 government interventions –a valid representation of the crisis communication of the national executives– validates both propositions.

In relation to the first proposition, it can be concluded that the British and Spanish governments relied on technocratic, exceptionalist and legalistic justifications for governing during the crisis, with a relevant caveat. The Conservative party leaders relied to a lesser extent on legalistic justifications. While it is to be expected that not all parties will rely on the same extent on the same appeals, this is a pertinent qualification that merits future investigation.

The evidence presented in this chapter also lends support to the second proposition; namely, that both left- and right-wing parties adapt their discursive repertoire under conditions of significant constraint. The detailed analysis of more than 50 unique statements has not appreciated a differentiated use of these discourses between left- and right-wing governments: left- and right- politicians ended up using the same discourses. These discourses were not the monopoly of one political family, but a shared language across the ideological divide. In this sense, it was often difficult to tell these parties apart.

The second major contribution of this chapter concerns the relationship between these discourses, the choices that parties sought to justify and the circumstances in which these measures were adopted. As I have stressed in this thesis, an institutionalist discursive approach analyses political discourse in its context, starting from the text but interpreting it beyond it. In chapters 4 and 5, concrete crisis measures adopted by the four governments were associated with the conditions of constrained partisanship.

The analysis presented has been able to relate some of these measures with the relevant discourses. Specifically, the most significant examples highlighted are (1) the PSOE's fiscal U-turn sanctioned in the emergency decree passed on May 20, 2010; (2) the reform of article 135 of the Spanish constitution enacted by the PP and PSOE in September 2011; (3) the nationalization of Bankia which led to Spain's request of financial assistance; (4) the Labour's income tax hike in 2009; and (5) the "emergency budget" of the coalition government in June 2010. There is, on the whole, a plausible link between the use of these legitimizing discourses and the effect of external constraints on parties' policy choices.

Thirdly, this chapter has contributed to a refined understanding of technocracy, exceptionalism and legalism. This chapter has shown one way in which these discourses can be studied empirically in concrete political contexts. Through an original operationalisation, it has identified specific constructs, as well as concrete markers of those constructs. The ulterior analysis has validated this strategy for studying the discourses in the context of a relevant corpus. This contribution could be of value beyond this research project.

All in all, if we pay close attention to the ways in which the four governments presented their choices, one conclusion stands out. Party language became less distinct from one another. To the extent that left- and right-wing parties increasingly relied on the same discourses, the effect of having different parties in office was less recognisable. The distinctiveness of partisanship turned out to be, in this respect, indistinguishable.

It is therefore correct to speak of 'constrained partisanship' also in this specific sense. As this chapter has tried to show, the British Labour Party and the Conservative Party, as well as the Spanish Socialist Workers' Party (PSOE) and the Popular Party (PP) relied on similar claims. Under crisis conditions, it is unwise to assume that left and right parties will speak as partisans. In the UK and Spain, they often sounded very much alike. By implication, the language of left and right became less relevant for making sense of parties' responses to the worst economic crisis in generations.

Chapter 7

Conclusion: Legitimation in an age of constrained partisanship

Democratic governments are both driven by partisan commitments and limited by a set of external constraints. Those constraints will dictate the space available for partisan policymaking in the aftermath of an economic crisis. Within this constrained space, however, the alternation of parties in government is still likely to matter. But to what extent and in which ways?

This thesis has sought to assess the precise role of partisanship in shaping the policy choices and legitimizing discourses of governments during the Great Recession. What difference did it make to have left- and right-wing parties governing the crisis? To what extent were their economic responses driven by distinctive partisan commitments or by the imperatives of external constraints? And how did governments legitimise their choices under greater constraint?

This chapter reassesses the central questions in light of the main findings of the dissertation. What do these findings tell us about the nature of partisanship in contemporary European politics? The findings are first assessed at the level of party choices and then of legitimization discourses. Next, the chapter highlights the theoretical, methodological and substantive contributions of this thesis. In particular, it discusses how this thesis connects to a variety of different scholarly concerns and literatures in comparative political economy and comparative politics. Finally, the chapter reflects on how constrained partisanship relates to the debate on

the decline of party government, as it was most lucidly studied by Peter Mair (2013) in his latest work. While the *expectation* of party government has not passed away, this notion loses much substantive relevance under constrained partisanship. What replaces it, this thesis concludes, is a non-partisan language for governing.

7.1. Main findings

This thesis put forward one core proposition in respect to partisanship and the economic choices that different parties will make. I ponder that, in the wake of an economic crisis, external political-economic constraints would interact in such a way that constrained partisanship will more likely arise and endure inside the Eurozone. The relationship between partisanship and constraints will be most tensioned for governing parties in the euro area. The combination of *restrictive* fiscal rules, *conditional* monetary decisions and bond market *pressures* is likely to affect governments in the euro area with greater intensity than governments outside it.

7.1.1. Constrained partisanship and policy choice

This thesis has found that the fiscal choices of the Spanish governments were constrained by political-economic constraints to a greater extent than those of their British counterparts. A wide range of evidence suggests that Euro membership is the *only* dimension that captures these external constraints in the aftermath of the crisis. Thus, the different type of EU membership was a decisive factor in accounting for the different degree of *actual* constraint.

At various stages of the crisis, (i) political-institutional pressure coming from the Eurogroup and the European Council, (ii) fiscal mandates emanating from EU legislation, (iii) conditionality imposed by the ECB and (iv) bond market pressures associated with the indecisiveness of ECB interventions imposed immediate fiscal decisions on both the PSOE and PP governments, in a way that EU membership did not require from British executives. This is a relevant conclusion of this dissertation.

In Spain, the scope for partisan choices diminished as a result of the imperatives associated with Eurozone membership. First, fiscal rules shifted from guiding policy to structurally constraining it. As the Euro crisis deepened, fiscal rules were tightened and more strictly enforced.

The deterioration of fiscal conditions put Spain under the Excessive Deficit Procedure in 2009. The 2011 constitutional reform was the most decisive manifestation of the hardening of fiscal rules. By bringing forward the fiscal limits that would come with the Fiscal Compact, this reform sought to ensure bond market access and ongoing EU support to the government plans. Defended and approved as a cross-partisan initiative, constitutionalised fiscal limits made politically impossible to change the orientation of fiscal policy. Quite independently from its ideological orientation, any future government was thereby bound to continue with fiscal consolidation until the end of the crisis.

In parallel, bond markets gave no respite to the two Spanish governments. Between 2008 and 2014, Spanish debt was downgraded 14 times by credit rating agencies. As a result of market pressures, the Spanish government had to pay historically high interest rate, while the spread differentials between Spanish and German bonds widened at critical junctures. This constraint put Spanish governments into a clear position of market dependence, resulting in a typical case of ‘market dominance’.

This position was also, in part, the outcome of how the ECB interpreted its mandate. As the ultimate mediator between states and bond markets in the euro area, the ECB played a double role in the Spanish crisis. It enacted an unprecedented monetary stimulus for the euro area economy, while delaying more decisive interventions in sovereign debt markets as it simultaneously escalated the pressure on Spain. This external pressure was first exercised via *policy framing*. It then escalated to outright *conditionality*, which was spelled out in the secret letter sent to the Spanish government on August 5, 2011. On the whole, the ECB’s role mattered for partisan choices: Spanish governments felt more pressured to adopt specific fiscal measures in exchange of getting emergency support in debt markets.

As a result, the scope for partisanship narrowed. The Eurozone script for Spain –additional cuts, more tax hikes and at a faster pace— left no room for party differentiation. Ultimately, this research shows that Eurozone membership presents itself as the dimension that captures most of these constraints for most of the time.

Yet it would be simply wrong to conclude that, as a non-member of the euro, the two British parties governed free of constraint. This thesis has

found that the UK's financial dependence, as manifested by the staggering size of the financial sector in relation to the whole economy, imposed a structural constraint on the Labour government. It left the Labour government with little choice but to intervene directly in the ailing banks.

In the British case, fiscal rules also played a constraining role but not to the same extent than in Spain. Labour had to adapt the stimulus (VAT cut) to comply with EU rules. It temporarily replaced the old rules with a more flexible one, which was later substituted with a new fiscal framework. The Coalition created a new independent fiscal authority (OBR) with the support of the Labour party. Both parties also endowed the new fiscal rules with greater legal weight.

At various times, both parties also referred to bond market pressure to justify tax raises and public spending cuts. The Labour government ended up raising the top rate of income tax and VAT in 2009, despite Gordon Brown's preference and in breach of a decade-long party pledge. It did so out of fear of losing market confidence and to avoid a debt downgrade. For its part, Osborne justified the 2010 austerity programme as the prerequisite for avoiding a sovereign debt crisis, Greek-style.

The markets, however, seemed to operate in a different reality. Early and decisive intervention in bond markets by the Bank of England prevented a more severe market restriction for both governments. In this respect, this thesis has shown that the scope for partisan choices was comparatively larger for British governments.

To what extent, then, did partisanship matter in shaping the policy choices of the governments? This thesis has given a qualified answer to this question. Partisanship always matters in relation to something else or in comparison to other factors. The evidence presented in this work suggests that partisanship only really mattered in the absence of stringent constraints.

At the onset of the Great Recession, both the PSOE and Labour responded with fiscal stimuli. They relied on increased public spending and tax cuts to stimulate the economy. In comparison, the PSOE fiscal expansion could be judged as relatively more 'social-democratic', insofar as it was larger and, compared to Labour's, it relied on spending increases more than on tax cuts.

On their part, the PP and the British Conservative Party opted for austerity, disproportionately focused on spending cuts in the case of the Tories, partially compensated by tax increases in the PP case. By comparison, the Coalition's austerity programme could be judged as more conservative. At first sight, these responses seemed, indeed, quite partisan.

Yet to accept this conclusion requires ignoring much of the evidence that this thesis has presented. In the face of pressing constraints, a party can remain committed to its political project or deviate from it. In my cases, the four governing parties had to adapt their responses. And in light of how they did so, the electorate was ultimately offered very limited choice in both countries.

In the case of the left-wing governments, the two parties changed their position diametrically. The PSOE abruptly moved from implementing a stimulus to enacting austerity via spending cuts. Labour also went from implementing a timid stimulus to promising Thatcherite austerity during the 2010 campaign. By 2010 British parties had converged around an austerity settlement. From the perspective of partisanship, there is no escaping the fact that party differentiation was limited.

The conservative parties favoured austerity. In Spain, however, it had to be of a different kind from the one the party publicly committed to: the PP raised taxes as no previous government had done to date. It had to govern, in short, against its affirmed partisan preferences. In turn, the Tories started with a radical austerity programme which was presented to the British public as the pre-condition for avoiding a sovereign debt crisis. Yet even the Tory-led Coalition did not remain *fully* partisan. The tax cuts introduced in the 2012 budget also signalled a partial retreat from it. For them, austerity also became politically contingent.

In sum, parties ended up making choices inimical to their preferences and, in crucial respects, they ended up governing alike. This gave rise to a form of politics that this thesis has characterised as *constrained partisanship*. But this thesis has found that the way in which constrained partisanship arose in each national context was different.

The literature review identified a relevant distinction between what constraints 'are' and what they are 'made to be' – a difference that has both

analytical and political implications. Politicians refer to the economic imperatives associated with globalisation, European integration and financial markets even if the evidence for those imperatives is inconclusive. This translates into a crucial distinction between 'actual' and 'perceived' constraints, which my conceptualisation of constraints has incorporated.

The findings of this thesis attest to the enduring relevance of this distinction. In constraining partisanship, the *actual* effects of political-economic constraints were more decisive in the Spanish case. In contrast, the *internalisation* of those constraints by the Labour and Tory leaders were more determinant than their actual effects. Whether driven by real or perceived constraints, partisanship became less distinctive as a consequence.

Thus, the most relevant finding of the comparative case studies is that the four governments acted most of the time *as if* they were deeply constrained to act in certain ways. The effects also became apparent at the level of party discourses (cf. Hay, 2001b; White, 2013).

7.1.2. Constrained partisanship and party discourses

In light of these findings, what does legitimation in an age of constrained partisanship look like? The evidence presented in the thesis has lent support to the proposition that both left- and right-wing parties adapt their discursive repertoire under conditions of greater constraint. This adaptation generated forms of legitimization that cannot be equated with conventional left-right discourses. This thesis has found that technocratic, legalistic and exceptionalist appeals gained salience in the crisis communication of national executives.

The analysis of all the government interventions in the corpus has presented more than 50 unique references to the key constructs of technocracy, legalism and exceptionalism. Furthermore, this analysis has not appreciated a differentiated use of these discourses between left- and right-wing governments. In my four party-government cases, these discourses were not the monopoly of one political family. They bridge the ideological and party divide.

The analysis of the corpus has also found that there is plausible link between the use of these claims and the measures that parties took under

greater constraint. Specifically, it has identified five relevant instances: (1) the PSOE's abrupt fiscal U-turn in May 2010; (2) the reform of article 135 of the Spanish constitution; (3) the PP's nationalisation of Bankia leading to Spain's request of financial assistance; (4) the Labour's income tax hike in 2009 and (5) the "emergency budget" of the coalition government in June 2010.

These findings indicate that these discourses were often used to justify a sense of choiceless politics: the 'inevitable' fiscal U-turn; the 'unavoidable' budget; the 'inescapable' banks bailout. In these interventions, government leaders recognised that some of the measures they were taking were inimical to the political identity of the parties. Thus, Mariano Rajoy acknowledged that "I said I would lower taxes and I am raising them" and "I'm the president of a right-wing government and I have nationalised a bank". Similarly, George Osborne conceded that "sadly, in this unavoidable budget we have had to increase taxes".

These statements suggest that there was yet the *expectation* of party government. The expectation that a party's distinctive identity, as manifested in its programmatic commitments, will get reflected in the choices that the party would make if it got elected. These identities would be associated with certain choices but not with others, at least in the eyes of their leaders: a conservative party would cut taxes and avoid raising them. It would not nationalise a bank during a financial crisis. A minimal ideological coherence, therefore, continues to be expected of them. Yet if parties' distinctiveness is not reflected in their choices, neither will it get reflected in their legitimizing language.

These findings also confirm that parties' discursive adaptation has an institutional basis: there are particular institutional conditions that make certain discourses more appealing to political actors. And these discourses can be understood better in relation to the circumstances in which parties compete and in which governments govern.

Was there any impact from the political identity of governments on the use of these types of discourse? The main conclusion is that the governments used these discourses in similar ways, albeit with different salience. This thesis has not advanced any concrete expectation regarding the *relative* salience of discourses in parties' public communication. But it

is worth noting that the Conservative Party leaders seemed to resort less to legalism to justify domestic crisis choices.

In sum, the British Labour Party and Conservatives, as well as the Spanish Socialists and Conservatives relied on similar appeals. Different parties often sounded very much alike. Taken together, all these findings are relevant for answering the central question of this thesis. From their policy decisions and discourses, parties became less distinct from each other. Partisanship became, as a result, less distinctive in each country.

7.2. Implications and main contributions

The findings of this work make several distinct contributions. These contributions can be assessed at three different levels: theoretical, methodological and substantive.

7.2.1. Theoretical: Constraints, partisanship and non-partisan discourses

This thesis has developed a framework that is analytically useful to understand the relationship between external constraints and partisanship in different national settings, especially in a context of economic crisis. This framework has presented a distinct conception of political-economic constraints on governing parties and a more encompassing understanding of partisanship as a feature of party politics.

On external constraints, the framework (chapter 3) offers a categorisation of *political-economic* constraints which is *actor-centric*, *regime-dependent* and *historically specific* – three essential attributes if we want to make sense of actual constraints on parties in *concrete* historical instances. In doing so, this thesis has offered a conceptualisation of constraints which is analytically superior to other available alternatives in political science.

Consider three of the most influential understandings of executive constraints in political science: Polity IV, the Varieties of Democracies (V-Dem, 2019) project and the Comparative Political Data Set (Armingeon, K. et al., 2018). These conceptualisations have been undoubtedly useful for comparative research, especially for cross-temporal and cross-national empirical analysis. Yet they have important limitations in a study of economic crisis. These political-institutional variables are either ‘too-slow’ moving and thus unable to capture fast-shifting crisis dynamics, or they

offer limited insights on the kind of constraints that matter most for governments' policy autonomy.

Figure 7.1 depicts these three alternative conceptualisations of constraints. While this discussion introduces a new element into an already lengthy work, it is necessary to undertake it now. For it sheds light on why the framework of constraints presented in this thesis has value beyond this research project. It also justifies why this thesis has not relied on them to study my cases.

Had I relied on these indicators, I would have had to accept the following conclusions: That British governments were as constrained as their Greek counterparts during the Great Recession, according to POLITY IV and CPDS¹⁹⁶; that executive constraints for decision-making were the same for Spanish and British governments between 2008 and 2014, as per POLITY IV scores¹⁹⁷; that, if going by the CPDS data, Spain's institutional constraints remained the same between 2012 and 2013, despite the country's €100 billion EU financial rescue in July 2012¹⁹⁸; and, ultimately, that EU membership, federalism, constitutional amendment requirements, strong bicameralism, central bank autonomy and frequent referenda are all *equally* constraining for governments as institutional features¹⁹⁹. This means that Germany, Switzerland and the United States have been the most constrained governments of the past five decades, according to the CPDS data²⁰⁰.

¹⁹⁶ Between 2008 and 2014, Greece had a score of 7 for 'excont' of Polity IV and a score of 2 for 'instcons' of CPDS – the exact same scores than the UK.

¹⁹⁷ Evidence from Polity IV dataset is complemented with narrative evidence from the Polity country reports. These reports are available online (Polity IV, 2010a, 2010b).

¹⁹⁸ CPDS in Armingeon et al. (2018).

¹⁹⁹ These are the six dummy variables that compose the additive index of 'institutional constraints' in the CPDS. Each variable contributes equally to the overall index (it has the same 'weight'). Higher values in this index indicate powerful constraints for central governments, while lower values indicate greater (institutional) room of manoeuvre.

²⁰⁰ Germany, Switzerland and the United States are the only countries in the dataset with an 'instcons' score of 5 out of 6 for the whole period 1960-2016.

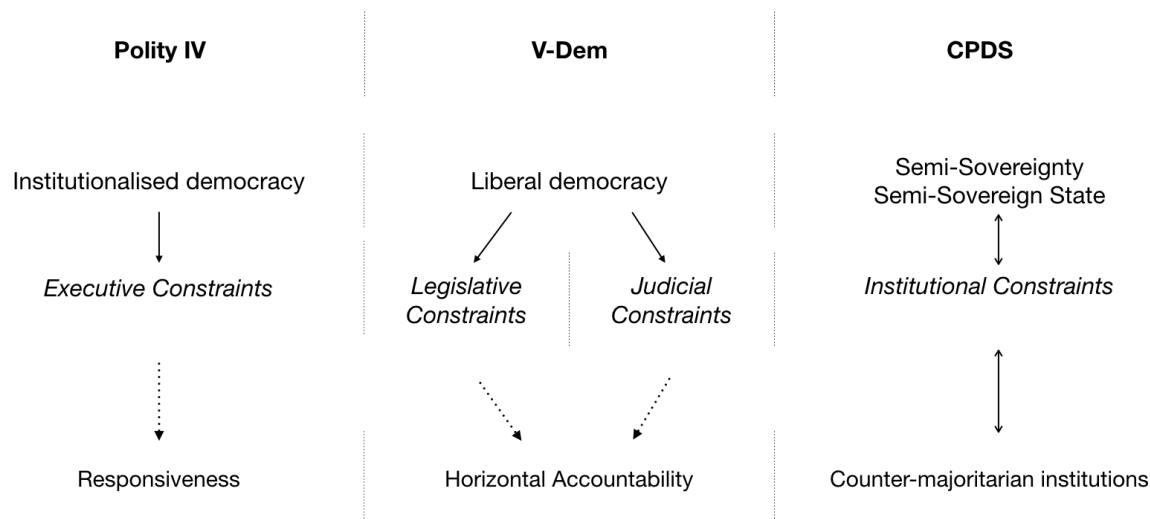


Figure 7.1 Three alternative conceptualisations of ‘constraints’ on government: Polity IV, V-Dem and CPDS

These results are difficult to accept. They did not seem adequate to understand the kind of constraints that would matter during an economic crisis, nor their scope of variation²⁰¹. By contrast, the framework proposed in this thesis has favoured a more *contextual* approach to identifying the institutional limits that are likely to matter most for government action.

Developed after a comprehensive review of the literature on constraints in political economy, economics and political science, the framework has identified three relevant sources of external political-economic constraints: *fiscal rules*, *central banking* and the relationship between the *state and bond markets*. Building up on existing scholarship, it has integrated political and economic perspectives into a more encompassing framework. It offers a synthetic understanding of external constraints that can be deployed to study national experiences of crises.

²⁰¹ Data from the V-DEM project provides a more nuanced picture. The UK and Spain scored high in both dimensions of constraints, but judicial constraints on the executive were greater in Spain than in the UK during the crisis period. The reverse is true for legislative constraints: between 2008 and 2014, British governments faced greater legislative oversight and scrutiny than their Spanish counterparts. But for the purpose of this thesis, other factors were more relevant than the constitutional limits imposed by the judiciary and legislative branches, which is how V-DEM conceptualises constraints.

7.2.1.1. *Constrained partisanship*

To the extent that partisanship is defined by one basic attribute – *distinctiveness* – I have argued that such *distinctiveness* is better assessed if we pay attention to two aspects: policy choice and party discourses. Each of these manifestations is sufficient to capture a relevant effect of having different parties in office. Taken together, they provide a more complete assessment of the role of partisanship in contemporary politics.

In this respect, this thesis has made two contributions: one analytical, the other more conceptual in character. First, on the basis of the theoretical framework (chapter 3) and its empirical deployment (chapter 4 and 5), it is possible to distinguish more clearly between three forms of partisan dynamics.

Based on the degree and drivers of party differentiation, the distinction between *partisan politics*, *limited partisanship* and *constrained partisanship* becomes apparent. Table 7.1 contrasts this variety of partisan politics, as they relate to the degree and drivers of party differentiation in economic policy. One learns, and learns better by comparing, as Giovanni Sartori (1991:245) once put it. This contradistinction will hopefully clarify the scope and character of constrained partisanship, which has been the central focus of this thesis.

Table 7.1 Varieties of partisanship: partisan, limited and constrained partisanship

	Partisan	Limited partisanship	Constrained partisanship
Party differentiation	Wide	Limited out of <i>choice</i>	Limited out of <i>external constraints</i>
Individual parties	Partisan choices	Partisan choices	Choices against partisan identity
Different parties	Distinct choices	Similar choices	Similar choices
Partisanship	Distinctive	Less distinctive	Undifferentiated

The first form corresponds to the classical and well-known *partisan* model²⁰². In what concerns macroeconomic choices, party politics displays *wide* party differentiation between parties on the left and the right – or simply between *different* parties. Under these conditions, individual parties are able to act according to their economic policy preferences, and parties of different ideological orientation opt for different choices according to their distinct partisan orientation. In terms of choices and outcomes, partisanship thus remains distinctive. Historically, this form of policymaking has been more consistently associated with post-war patterns in macroeconomic policies and outcomes in capitalist democracies (Hibbs, 1977).

The second form corresponds to what can be termed as *limited* partisanship. This form of partisanship displays *limited* party differentiation. Individual parties act according to their economic policy preferences, but different parties will make similar or identical choices. Crucially, the driver of this limited differentiation is ‘deliberate’ choice: left- and right-wing parties will deliberately choose to offer limited differentiation in economic policy. Often, they will do so in an environment of greater policy autonomy. In these circumstances, partisanship becomes less distinctive.

In this thesis, I have offered one relevant example of *limited* partisanship. In my analysis of the British experience, I show that, prior to the 2008 crisis, the Conservative Party deliberately chose not to deviate from the fiscal plans of the Labour government. In 2007, the Tories committed to match at least the same level of spending of the Labour party until 2010/2011 – a position defended by David Cameron and George Osborne until the onset of the Great Recession. This was still the politics of the good times: no economic crisis and no pressing external constraints. The Tories chose to track from Labour, aligning the party’s macroeconomic plans with those of the government.

The third form corresponds to the central focus of this thesis: *constrained* partisanship. Under constrained partisanship, there is limited or no party differentiation. For individual parties make choices against their partisan identity, and different parties end up making similar choices. But

²⁰² See chapters 2 and 3 for further references.

crucially, and in contrast to limited partisanship, the main drivers of undifferentiation are external political-economic constraints, rather than parties' deliberate preferences. Parties will be pushed to govern in this particular way by the effect of constraints. As a result, partisanship becomes less distinctive as a feature of party politics.

Through the detailed studies of the British and Spanish experiences, I hope to have shown how this form of politics can emerge in concrete historical instances, and how, in turn, the analytical framework presented in chapter 3 is useful to interpret this reality. By studying in-depth the notion of 'constrained partisanship', this thesis has clarified what it means and how it differs from other forms of partisan policymaking.

The distinction is not only relevant from an analytical point of view but also politically. The difference between more and less constrained choice matters for democratic politics²⁰³. At essence, the relationship between external constraints and partisanship is relevant for how democratic *accountability* and *responsiveness* work in party systems (Alonso, 2014).

It seems, to consider two different examples, that these mechanisms did not work under the same logic in the Greece of Alexis Tsipras in 2015, after three external bailouts, as they did in the Germany of Angela Merkel over the same period. Both Tsipras and Merkel were accountable to their Parliaments, and both claimed to be responsive to their citizens' demands. But the autonomy of each leader to make their crisis choices was very different. In turn, the kind of political reactions that might develop as a response of constrained choice are likely to be different. In interpreting these dynamics, scholars shall explicitly consider the impact of constraints.

But when thinking about party differentiation, shall we just pay attention at what parties do in policy terms? In this thesis, I have argued that it would be good to examine their political justifications as well – a point that leads me to the second major contribution that this thesis has attempted to make.

²⁰³ It also has relevant *normative* implications for democratic theory.

7.2.1.2. *Left and right and non-partisan discourses*

Even if left- and right-wing parties make similar choices, they may justify their choices differently. But what if they also rely on a similar legitimising language? This will make partisanship less distinctive, as I have explained in chapter 6. The distinctive effect of having different parties in office will be less obvious. For parties will not only become less distinct in policy terms, but they might end up relying on the same political language to justify their choices.

But what, in particular, does the rise of technocracy, legalism and exceptionalism *mean* for our understanding of partisanship? In an age of constrained partisanship, this language comes to define the legitimating language of otherwise different parties. This discursive adaptation will have long-standing effects on how parties articulate their political projects. Parties might not renounce to ideological visions, but these visions might no longer capture their political identities as they used to (Piquer and Jäger, 2020).

From this standpoint, these *non-partisan* discourses can be interpreted as both ‘supplements’ and ‘substitutes’ for ideological party positions – or as conforming a shared political language that is not typically ideological. In the case of some parties, these discourses have *supplemented* explicit progressive and conservative visions. In others, these discourses have contributed more directly to *substitute* –or dilute– ideological positions. Consider, for example, the unmistakably technocratic features of the New Labour project. While New Labour’s Third Way was more than mere technocracy (Finlayson, 2003), it was unequivocally defined by it (Bickerton and Invernizzi, 2021). Or the case of Mariano Rajoy as leader of the Popular Party. His explicit endorsement of the “non-ideological” centre (Zarzalejos, 2020) and his decidedly *legalistic* approach to the Catalan conflict (Piquer, 2018) marked an explicit ideological withdrawal by the party. In important respects, this shift represents a departure from the party’s previous leadership and political identity.

Exploring these issues is a matter for further research. But for the time being, this work has just sought to recognise that these discourses are transforming the language of political parties, and thus the meaning of partisanship, in significant ways. The latest studies suggest that the reach of these discourses is deeper and more enduring than I have been able to

show here (White, 2019; Schmidt, 2020; Rauh, 2021; Bickerton and Invernizzi, 2021). On the whole, all these contributions question the relevance of the language of left and right as the only way of making sense of political competition in contemporary European democracies.

7.2.2. Methodological contributions

This thesis has also made two concrete methodological contributions. First, it has presented a **quasi-original operationalisation** of technocracy, exceptionalism and legalism as political discourses. Refining available definitions, this operationalisation has shown how to identify core constructs of each discourse in political texts in two different languages, as synthesized in Table 7.2.

Table 7.2 Technocracy, legalism and exceptionalism: From concepts to texts

Political discourses	Core linguistic-conceptual constructs		
Technocratic discourse	Competence-Expertise		Evidential reasoning
Legalistic discourse	Legality		Legal reasoning
Exceptionalist discourse	Emergency	Urgency-Speed	Exception

Second, this thesis presents an **original multi-lingual corpus** of political speeches and parliamentary interventions in Britain and Spain. This corpus has provided the empirical basis for analysing party discourses. Beyond this thesis, this corpus can also provide a relevant source of evidence for other researchers. This corpus can be valuable for different strands of scholarship. National historians of the Great Recession might find this ready-to-use material useful. Likewise, political scientists interested in political discourse and party policy positions can also make use of the corpus. Even linguists with a particular interest on political language about economic policy and crisis might find this material insightful. Country and area specialists will find it most helpful.

Lastly, it is worth mentioning that this thesis has been sympathetic to the view that text can be analysed as a particular form of data. But it has analysed text in a particular way. I have used a subtype of content analysis

within a discourse analytic approach. Other researchers would have approached the same material differently. For example, by limiting the analysis to word frequencies or by deploying more complex and sophisticated techniques of automated text analysis. Every methodological approach has limitations. But the latter approach has the greatest potential going forward.

Yet Natural Language Processing (NLP) and automated text analysis have thus far proven particularly difficult to deploy in analysing political language. Beyond the intrinsic technical complexity of these techniques, researchers have found especially difficult to use this approach for substantive reasons. Political discourse is very language-specific: it is full of subtlety and nuances, as even Facebook's Chief Technology Officer Mike Schroepfer has recently acknowledged, after the dire difficulty of using algorithms to analyse and moderate political language in the social network²⁰⁴. The analysis of this coded-type language requires intrinsic knowledge, a knowledge that relies on the kind of interpretation that humans are best at. While there is immense potential for analysing political texts using more sophisticated techniques, humans are still superior at interpreting political language. An inherently interpretative analysis remains necessary to understand political discourse.

Unfortunately, part of the discipline still sees this interpretative work as fundamentally biased or flawed. But the way forward is to be transparent about our interpretations: what our definitions are, what has been the procedure to reach a conclusion and, above all, to make the original material available to researchers so that different interpretations can be confronted in all intellectual honesty.

7.2.3. Substantive research agendas

This thesis sits within several sub-disciplines. It has taken inspiration from scholarship developed in comparative political economy, European Union studies and comparative politics at large. Since its inception, such inter-disciplinarity had the potential to speak to different research

²⁰⁴ Exponential View podcast with Azeem Azhar, 'Facebook's Tech Chief: How We Built It and Where We're Going', 28 October 2020.

agendas in separate sub-fields. This section highlights the specific contributions to these agendas.

First, this thesis contributes to a broad literature on the comparative role of political-economic constraints on partisan government. Many studies have paid a great deal of attention to the impact of constraints on public policy. In contrast, mainstream political economists have paid relatively less attention to how changing institutional conditions affect the ways political parties legitimise economic choices (cf. Schmidt, 2020).

This work has made it a central preoccupation. It has advanced the thesis that, under significant constraints, the link between distinctive economic programmes and ideological discourses loosens. Party programmes become less distinctive, and other political discourses gain salience as legitimization strategies for policy choice. Party ideology thereby becomes less effective to legitimising choices in an ideologically coherent way.

This proposition has more potential to add to a discursive-institutionalist research agenda that lends insight into the role of discourse in politics. According to this strand, different forms of discourse are emphasized in different institutional settings. For example, in “simple” polities where governing activity tends to be channelled through a single authority²⁰⁵, the ‘communicative’ discourse to the general public tends to be much more elaborate than the ‘coordinative’ discourse among policy actors. By contrast, in “compound” polities²⁰⁶, where governing activity tends to be dispersed among multiple authorities, the coordinative discourse among policy actors tends to be much more elaborate than the communicative discourse to the public (Schmidt, 2008:312-313).

This thesis has not relied on Vivien Schmidt’s (2008) distinction between *communicative* and *coordinative* discourses. But it has built upon the central ideas that (i) changing institutional conditions might be associated with particular forms of discourses and that (ii) certain discourses succeed when they get it right “at the right times in the right ways” (ibid.:313).

²⁰⁵ Mostly countries with majoritarian representative institutions, statist policy making and unitary states such as Britain and France.

²⁰⁶ Countries with proportional representation systems, corporatist policy making, and/or federal or regionalized states such as Germany and Italy

Specifically, I have highlighted that non-partisan discourses will become more expedient to govern under constraining conditions. Technocracy, exceptionalism and legalism will “get it right” in ways that party-ideology will not. Changing institutional conditions and legitimization discourses thus feed each other. By making sense of these discourses within a crisis context, this thesis has also contributed to the study of public discourse over and about the Great Recession – another topic of interest for this discursive-institutionalist agenda (Schmidt, 2014).

This thesis can also inform a different but interrelated constructivist literature. This area of research emphasizes the distinction between *material reality* and *rhetoric*, in particular as this distinction relates to the invocation of external constraints by policymakers. This strand of literature is best exemplified in the works of Colin Hay (2001), Ben Rosamond (2000) and its collaborative work with Hay himself (Hay and Rosamond, 2000) and Jonathan Hopkin (Hopkin and Rosamond, 2017).

This research agenda has focused on studying discourses of globalisation, Europeanisation and ‘bad’ ideas. A main contention is that the discursive construction of economic imperatives is politically and analytically significant. This rhetorical construction is relevant for how arguments about economic policy are settled in contemporary politics and for how certain claims have contributed to the emergence of ‘post-truth politics’ (Hopkin and Rosamond, 2017). These invocations also matter for the way actors use them for agenda setting (Rosamond, 2000). The discursive construction of external constraints is also relevant for understanding intra-party ideological change, as it has been best exemplified by the transformation of the British Labour party under New Labour (Hay, 2001b).

This dissertation contributes to this agenda with an empirically-driven analysis that has been *especially* attentive to politicians’ rhetoric. Specifically, it has shown that the invocation of external constraints was decisive in shaping the fiscal responses of the British governments. Revealingly, however, my analysis also shows that those fears – successive debt downgrades and a sovereign debt crisis – never materialised. Hence, the crucial distinction between material reality and rhetoric, and between real and perceived constraints.

Part of this literature has conceptualised these invocations as “bullshit” on the premise that these claims are largely non-sense: they were speech acts that are indifferent to the truth and proceed without effective concern for the veracity of the claim in question (Hopkin and Rosamond, 2017:1). This dissertation has not gone that far. After all, no one was quite sure where the limits of budget deficits and debt levels lay at the time. In the British case, the estimated deficit of 11 per cent was also a relevant factor itself in shaping the Conservatives’ fiscal response. But this thesis has indeed stressed that both Cameron and Osborne found politically convenient to invoke these constraints, quite independently of their material underpinnings.

These findings corroborate that notions such as markets ‘confidence’ or ‘credible commitments’ have concrete effects in motivating economic action. And that the discursive construction of economic imperatives has *real* importance: it shapes political dynamics in times of crisis. This is a relevant insight, though not enough to convince anyone of placing discourse and material reality in equal footing all the time – a stance with which I also struggle with. But it should at least serve to underline that, in political analysis, ignoring discourse or rhetoric comes at a high cost.

Lastly, this thesis contributes to (i) a broad thematic area in comparative political research, *executive politics in times of crisis*, as well as to (ii) a flowering agenda on *emergency politics*. Regarding the comparative study of executive politics, there is a very old but still vibrant debate about the effects of executive forms, or types of cabinet, on economic and political performance.

A classic text is Arend Lijphart’s *Patterns of Democracy* ([1999] 2012), in which he traces the *patterns* or regularities associated with two forms of democracy –majoritarian and consensus– and their impact on a series of political outcomes. Lijphart’s work made a seminal contribution because it provides a compelling basis to address a range of questions about the differential impact of various types of democratic institutions. This theme has long been a central focus of political scientists, producing such a vast research output that summarising the relevant literature is simply impossible here. But executive politics has been, at any rate, a central theme of this thesis.

One particular agenda is of particular interest. Political scientists have studied how different types of cabinet influenced fiscal responses, as well as how fiscal consolidation as a policy option might be related to the distribution of power in governments (Spolaore, 2004; Hallerberg et al., 2009; Hallerberg and Ylaeoutinen, 2010). One important work is Klaus Armingeon (2012), which assesses the politics of the fiscal responses to the 2008-09 crisis in EU countries and mature non-EU democracies. In this study, Armingeon concludes that a “major determinant of the expansionary strategy is a *unified government*, usually in form of a *one-party government*” (2012:543). Government form matters for fiscal choices.

Studying the impact of cabinet types has not been the explicit focus of this thesis. But to the extent that an emphasis on *government forms* on policy choice may yield greater analytical insight than my emphasis on *external constraints*, it is necessary to consider this aspect. My comparative research design is valid for making this relative assessment. Reflecting on the findings of this thesis, did different types of cabinet impact the fiscal choices made by the ruling parties? More specifically, did “single-party” or “multi-party”, “minority” or “majority” governments opt for different responses in Spain and the UK? And if so, in which ways?

The four party-government cases yield three configurations of cabinets: two *single-party majority* governments (Labour in the UK; PP in Spain); one *single-party minority* government (PSOE)²⁰⁷ and one *coalition* government (the Conservatives-LibDem in the UK), as displayed in Table 7.3.

Table 7.3 Government configurations: Spain and the United Kingdom

Type of cabinet	Majority	Minority
Single-party	Labour / PP	PSOE
Multi-party	Coalition Tories-LibDem	

Was there any decisive impact on the choice of fiscal stimulus over austerity from having a minority, majority, single-party or coalition government? A comparative assessment of the four executive experiences

²⁰⁷ Or a “majority government in disguise”, as Lijphart (2012:92) would put it.

(chapters 4 and 5) suggests that this effect was at best modest. Both *single-party majority* and *minority* governments managed to implement an expansionary fiscal stimulus (PSOE and Labour). In fact, the minority government (PSOE) implemented the most ambitious stimulus. Also, a *majority single-party* government (PP) and the *two-party coalition* government (Coalition) implemented large fiscal consolidation programmes – having the Liberal Democrats in the coalition did never seem an obstacle to undertaking spending-based austerity.

In short, there is no apparent relationship between the forms of government and the choice of stimulus over austerity, and vice versa. Both minority and majority governments opted for each option in both countries. Both coalition and single-party governments implemented austerity policies. There are obvious limits to drawing generalisations from a few cases. But the in-depth analysis of four executive experiences can still make a modest contribution to the debate. For example, by lending case-based support to regular patterns observed in large-N comparative studies or by qualifying certain generalisations, which might not be that general after all.

My conclusion is that the type of cabinet was not a decisive factor in understanding the drivers of fiscal responses, though the minority government (PSOE) found it more difficult to pass certain measures. Rather, additional attention should be paid to how partisan preferences interact with relevant external political-economic constraints. As constraints mounted, fiscal choices were increasingly dictated by them. Whether there was one party or two in office, or the government has a majority or a minority in parliament seemed less decisive in retrospect.

Finally, this thesis makes a more direct contribution to a burgeoning research agenda on “emergency politics”. Recently, this literature has been shaped by the works of Jonathan White (2015; 2019), Christian Kreuder-Sonnen (Kreuder-Sonnen and White, 2021), Christian Rauh (2021) and Vivien Schmidt (2021). These works have called attention to the rise of new forms of emergency politics beyond the state (White, 2019).

Eminently theoretical, this critical agenda has looked at questions of political, normative and sociological legitimacy, as well as issues of crisis management and exploitation. A common theoretical tenet of emergency politics is that emergency rule is “propelled by trans-institutional

executive power” (White, 2019:16) as that power is exercised by the European Commission, the ECB, the European Council or the Council of the EU.

In this dissertation, however, I have insisted that this is an empirical question. We cannot assume that emergency rule is necessarily driven by the actions of supranational actors. In fact, in the most empirical contribution to date, Christian Rauhends shows that “supranational executives, on average, are no more prone to employ emergency language than national executives” (2021:11). Rauhends ends his study of emergency politics in the EU with a call to “more *specific* expectations on *when* and *why* EU executives pro-actively embark on the emergency politics script” (ibid.:3; 11).

This thesis has offered one. Instead of using emergency appeals all the time, executives will tend to employ them in a more determined situation: when parties cannot credibly appeal to party ideology to justify their economic choices. This will most certainly occur, as I have taken great pains to show, under conditions of constrained partisanship. These conditions will arise at truly extraordinary times and will be propelled also by *domestic* sources, as the British case attests. In these circumstances, appealing to exceptionalism will be more politically expedient than appealing, for that matter, to any other reason. Emergencies and exceptions will get it right at the right time in the right way. These findings, I hope, have the potential to make an insightful and specific contribution to an already exciting scholarly discussion.

7.3. A coda: Constrained partisanship and the decline of party government

There is an obvious way in which the central idea of constrained partisanship relates to the theme of the decline of ‘party government’ (Mair, 2013). Indeed, several claims of this thesis echoed the observations that Mair made in his prolific work. For example, in his study of the waning of party government, Mair noted that “parties are less able –and perhaps less willing– to offer clear policy alternatives to voters” (2013:68). He also observed that “public policy is no longer so often decided by the party, or even under its direct control” as a result of the

“growing complexity of legislation and policymaking in a trans-national context” (ibid.:69).

Mair pointed out that “through the sharing of office, programmes and voters ... the parties have become markedly less distinct from one another, while partisan purpose is itself seen as less meaningful or even less desirable” (ibid.:58). For the parties “came to find themselves sharing the same broad commitments in government and confining themselves to the same ever-narrowing repertoire of policy-making” (ibid.: 51). Ultimately, Mair concluded, “the left-right divide is now finally losing coherence ... the meanings associated with these distinctions are becoming increasingly diverse and confused ... political stances on the left or on the right become almost unreadable” (ibid.:71; see, also, Mair, 2007:215-216).

All these claims ring true to the way in which parties conduct economic policy and justify their choices under constrained partisanship. Some of these developments can also account for why governing parties would do so. However, what Peter Mair diagnosed was a more *general* and *permanent* condition of crisis in contemporary representative democracies, and thus a different one in important respects.

Mair spoke of the passing of party democracy. He identified a growing ‘void’ between traditional parties and society at large, placing the popular withdrawal from conventional politics at the centre of his analysis. This crisis was the result of long-term shifts in European democracies. Mair highlighted the growing delegation of power to independent authorities, the increasing complexity of policymaking and the limited policy differentiation offered by mainstream parties – all familiar themes to this thesis. But Mair also associated the decline of party government with a series of trends, such as electoral fragmentation, increasing individualisation and decreasing party membership, and with a variety of arguments that this work has not discussed, nor considered.

This thesis has related the idea of constrained partisanship to more *immediate* political-economic conditions. I have associated these conditions with decision moments that arise during times of *crisis*. Crucially, accepting the idea of constrained partisanship does not presuppose that parties of the left and right no longer *want* to offer meaningful alternatives. Instead, it recognises that party differentiation

becomes impotent in the face of greater constraints. This will have a lasting effect on party politics.

The findings of this thesis cannot therefore foreclose the possibility of party government revival. What they suggest is that, as these constraints endure, non-partisan discourses will emerge. A shared political language will be increasingly used by political parties, which will have its own legacy. Party government might return, yet with a different distinctive language. Thus, the changing meaning of partisanship.

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Methodological Appendix

1. Use of Economist Intelligence Unit (EIU) Country Reports as a real-time narrative source

Section 1.4.2

The use of the *Economist Intelligence Unit Country Reports* as a real-time narrative source for the country chapters (4 and 5) has several advantages. First, these reports are published quarterly so no period of the year is left uncovered for any country. For a contextual analysis of external constraints *during* the Great Recession this is a relevant aspect. Second, every report has the same format and structure. This consistency facilitates the comparison across countries and within countries over time. Third, the range of topics covered and the scope and depth of the analysis is unique for this type of report. No other comparable source has a similar coverage. Fourth, it allows to gauge the external constraints that were perceived as more limiting for a government at the time the government was responding to the crisis, not only those that the analyst considers relevant *ex post*.

However, using the EIU reports may come with a particular ideological bias: the publisher bias. Given The Economist's free-markets credo –one may claim– EIU reports are likely to incorporate such bias in their country analysis, framing political and economic developments in a

particular way. For this research purpose, however, the relevant question is not whether any bias exists but whether it has systematic effects on the country analysis. In other words, does The Economist editorial line prevent EIU analysts from identifying the factors of interest over the period of study?

My study of the source suggests that it does not. More specifically, the content of the reports is relevant for a contextual analysis and a historical reconstruction of the crisis developments in both countries; especially in light of the analytical framework of external constraints that I have presented in chapter 3. The following examples, reproduced directly from the reports, illustrate the suitability of the source:

1.1. Financial and bond markets

- (*short version*): “The public finances will deteriorate at an alarming rate in 2009-10. As pressure on the state balance sheet increases, so will concerns over the UK meeting its debt obligations.” (UK EIU 2009, April, Q2, p.2). The report adds the following observation to the paragraph in p.7: “This could trigger higher long-term interest rates and a possible sterling collapse”.
- (*long version*): “With fiscal deficits and public debt set to balloon to post-war record levels, the state exposed to huge contingent liabilities from the banking sector and monetary policy now focused on expanding the money supply (and *de facto* monetisation of the fiscal deficit), there is a risk that investors could question the medium-term credibility of the UK’s policy framework” (UK EIU 2009, April, Q2, p.6 [policy trends section]).
- “The government cannot run a fiscal deficit in excess of 10% of GDP for long *without risking a loss of investor confidence or a run on sterling*” (UK EIU 2009, July, Q3, p.21).
- “The weakness of the public finances now poses a *serious threat to the macroeconomic stability* of the UK economy.” (UK EIU 2009, July, Q3, p.21).
- “In early December 2009, *Standard & Poor’s, a credit-rating agency, revised its outlook for Spanish sovereign debt from stable to negative,*

unnerving both financial investors and policymakers. (...) S&P warned of a more pronounced and persistent deterioration in Spain's budget and a more prolonged period of economic weakness than it expected (...). The government responded by reaffirming its commitment to reduce the general government deficit to below 3% of GDP by 2012, down from just over 10% of GDP in 2009" [7% reduction in 2 years, or 2 budgets -2011 and 2012-] (Spain EIU 2010, February, Q1, p.20)

- *"The government argues that the direct negative impact of the cuts will be offset by the indirect benefits of increased domestic and international confidence. By restoring confidence in the sustainability of the public finances, the budget should help to reduce long-term interest rates and costs of servicing public debt, and help to underpin a recovery in private investment and consumption. This is something of a gamble, but one which the government has had little choice but to embark on, given the eruption of sovereign debt tensions earlier this year". (Spain EIU 2010, October, Q4, p.24).*
- *"The radical policy U-turn undertaken by the government since May 2010 has succeeded, for the time being, in restoring a degree of confidence and stability. The 2011 budget proceeds in the same policy direction". (Spain EIU 2010, October, Q4, p. 24)*
- *"Under pressure from the financial markets, the EU, IMF and the US, the prime minister announced a new round of austerity measures on May 12th, following the first round in January. The new measures are intended to reduce the general government budget deficit more quickly, in the hope that this soothes investor concerns" (Spain EIU 2010, August, Q3, p.30)*

1.2. Central banking

- *(short version): "Recent comments by Mr King openly criticising the governments' management of the public finances (...) have led to accusations of political manoeuvring by the governor ahead of the next election".*
- *Or, in the same report, (longer version): "A growing concern is (...) the increasingly tense relationship between the government and BoE governor over fiscal policy. On a number of occasions in the past month Mervyn*

King has called on the government to explain how it intends to return the country's public finances to a more sustainable footing, in effect accusing government policy of posing a threat to macroeconomic stability. (...) *Mr King's criticism of a sitting government is unprecedented -previous BoE governors have been far more cautious- and, in the eyes of the government at least, he is straying too far into the political realm by, in effect, aligning himself with the Conservative opposition.*" (UK EIU 2009, July, Q3, p.14).

- *"The Bank of Spain is less confident about the government's ability to implement its promised fiscal adjustment. The bank's governor, Miguel Angel Fernandez Ordoñez, has called on the government to design a contingency plan in the event of missing its budget targets. The minister of the economy and finance, Elena Salgado, immediately ruled out the proposal, insisting that the deficit targets would be met. Mr. Ordoñez also stirred political controversy by proposing that legislative ceilings be set on regional and local government budgets"* (Spain EIU 2010, November, Q4, pp.15-16).

2. Original corpus

2.1. Text classification and mapping (section 1.4.3)

UK corpus	Date	Venue	Government (Majority)	Speaker	Policy response	Code of files	Additional Notes
	2008 December 15	Parl	Brown (Labour)	Brown	Bank recap and nationalisation	UK LAB BROWN.PARL.2008	Plenary debate European Council meeting 11-12 December 2008. Main topic: Treaty of Lisbon
	2008 February 18	Parl	Brown (Labour)	Darling	Fiscal stimulus	UK LAB DARLING.PARL.2008.2	Northern Rock nationalisation: CON opposition to nationalisation
	2008 June 18	Parl	Brown (Labour)	Darling	Fiscal stimulus	UK LAB DARLING.FORA.2008	Annual Mansion House Speech
	2008 September 23	Partyconf	Brown (Labour)	Brown	Fiscal stimulus	UK LAB BROWN.PARTYCONF.2008	Manchester, Party Conference
	2008 October 13-14	Parl	Brown (Labour)	Darling	Bank recap and nationalisation	UK LAB DARLING.PARL.2008.11	Pre-Budget report - announcement Labour fiscal stimulus
	2008 November 24	Parl	Brown (Labour)	Darling	Fiscal stimulus	UK LAB DARLING.PARL.2008.11	BOS, Lloyds TSB and RBS recapitalisation/nationalisation
	2009 June 17	Parl	Brown (Labour)	Darling	Fiscal stimulus	UK LAB DARLING.FORA.2009	Annual Mansion House Speech
	2009 June 29	Parl	Brown (Labour)	Darling	Fiscal stimulus	UK LAB BROWN.PARL.2009.6	Annual Mansion House Speech
	2009 July 1	Parl	Brown (Labour)	Brown	Fiscal stimulus	UK LAB BROWN.PARL.2009.7	Building Britain's Future Debate in the Commons
	2009 September 29	Partyconf	Brown (Labour)	Brown	Fiscal stimulus	UK LAB BROWN.PARTYCONF.2009	Debate (Engagement) about Labour plans for fiscal spending cuts
	2010 March 29	Parl	Brown (Labour)	Brown	Fiscal stimulus	UK LAB BROWN.PARL.2010.3	Brighton, Party Conference
	2010 May 17	Parl	Brown (Labour)	Brown	Fiscal stimulus	UK LAB BROWN.PARL.2010.5	EU's new strategy for jobs and growth and plans for fiscal spending cuts/defense of stimulus
	2010 May 28	Fora	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment	UK CON OSBORNE.FORA.2010.5	First Speech at the Treasury; announcement of the OBR creation and spending cuts
	2010 June 16	Fora	Cameron I (Tories/Lib-Dem)	Cameron	Fiscal adjustment & Independent authorities	UK CON CAMERON.FORA.2010	Speech about coalition economic strategy, delivered in Shipley (+ BoE powers)
	2010 June 22	Parl	Cameron I (Tories/Lib-Dem)	Osborne	Independent authorities	UK CON OSBORNE.FORA.2010.6	Annual Mansion House Speech (OBR)
	2010 October 6	Partyconf	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment	UK CON OSBORNE.PARL.2010	Emergency Budget 2010
	2011 June 15	Fora	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment & Independent authorities	UK CON CAMERON.PARTYCONF.2010	Birmingham, Party Conference
	2011 March 23	Parl	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment	UK CON OSBORNE.FORA.2011	Annual Mansion House Speech (+ BoE powers)
	2011 October 5	Partyconf	Cameron I (Tories/Lib-Dem)	Cameron	Fiscal adjustment	UK CON CAMERON.PARTYCONF.2011	Budget Speech 2011
	2012 June 14	Fora	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment	UK CON OSBORNE.FORA.2012	Manchester, Party Conference
	2012 March 21	Parl	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment	UK CON OSBORNE.PARL.2012	Annual Mansion House Speech
	2012 October 10	Partyconf	Cameron I (Tories/Lib-Dem)	Cameron	Fiscal adjustment	UK CON CAMERON.PARTYCONF.2012	Budget Speech 2012
	2012 October 22	Parl	Cameron I (Tories/Lib-Dem)	Cameron	Fiscal adjustment	UK CON CAMERON.PARL.2012	Birmingham, Party Conference
	2013 June 19	Fora	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment & Independent authorities	UK LAB CAMERON.FORA.2013	Statement on European Council: EMU reforms, Greece and defense of austerity
	2014 June 12	Fora	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment & Independent authorities	UK CON OSBORNE.FORA.2013	Annual Mansion House Speech (+ BoE powers)
	2014 June 12	Fora	Cameron I (Tories/Lib-Dem)	Osborne	Fiscal adjustment & Independent authorities	UK CON OSBORNE.FORA.2014	Annual Mansion House Speech (+ BoE powers)
Esp corpus	2008 July 4	Partyconf	Zapatero II (PSOE)	Zapatero	Fiscal stimulus & Bank recap	ES PSOE.ZP.PARTYCONF.2008	Speech XXXVII Congreso PSOE
	2008 October 20	Parl	Zapatero II (PSOE)	Zapatero	Fiscal stimulus & Bank recap	ES PSOE.ZP.PARL.2008	2008 fiscal stimulus package - Real Decreto-ley Fondo para la adquisición de activos financieros y Real Decreto-ley de 13 medidas urgentes en materia económica-financiera
	2009 April 23	Parl	Zapatero II (PSOE)	Salgado	Bank recap and nationalisation	ES PSOE.SALGADO.PARL.2009	First Caja nationalisation - CCM Real Decreto-Ley 4/2009, 29 de marzo (first bank 'bailout')
	2009 May 12-13	Parl	Zapatero II (PSOE)	Salgado	Fiscal stimulus	ES PSOE.ZP.PARL.2009	Debate Estado de la Nación 2009 (2 docs: I & II)
	2010 May 27	Parl	Zapatero II (PSOE)	Salgado	Fiscal adjustment	ES PSOE.SALGADO.PARL.2010.5	Debate 2010 May's decree - PSOE's austerity U-turn
	2010 July 14-15	Parl	Zapatero II (PSOE)	Zapatero	Fiscal adjustment	ES PSOE.ZP.PARL.2010.7	Debate Estado de la Nación 2010 (2 docs: I & II)
	2011 June 28-29	Parl	Zapatero II (PSOE)	Zapatero	Fiscal adjustment & Bank recap	ES PSOE.ZP.PARL.2011.6	Debate Estado de la Nación 2011 (2 docs: I & II)
	2011 August 30/September 2	Parl	Zapatero II (PSOE)	Alonso	Constitutional reform	ES PSOE.ALONSO.PARL.2011.8-9	Constitutional reform art.135 (2 docs: I & II) - position PSOE
	2011 August 30/September 2	Parl	Zapatero II (PSOE)	Santamaría	Constitutional reform	ES PSOE.SANTAMARIA.PARL.2011.8-9	Constitutional reform art.135 (2 docs: I & II) - position PP
	2011 December 19	Parl	Rajoy I (PP)	Rajoy	Fiscal adjustment	ES PP.RAJUY.PARL.2011.12	Discurso de investidura 2011
	2011 December 30	Fora	Rajoy I (PP)	Gov	Fiscal adjustment	ES PP.GOV.FORA.2011	Press conference after first cabinet meeting - 2011 December 30 (announcement of austerity measures; PP's u-turn on tax raises)
	2012 January 11	Parl	Rajoy I (PP)	Montero	Fiscal adjustment	ES PP.MONTERO.PARL.2012	Debate to ratify 2011 December's decree - PP's austerity U-turn - Real Decreto-Ley 20/2011
	2012 February 7	Parl	Rajoy I (PP)	De Guindos	Fiscal adjustment	ES PP.DE GUINDOS.PARL.2012.2a	First intervention in the Parliamentary Committee explaining Ministry agenda
	2012 February 12	Partyconf	Rajoy I (PP)	Rajoy	Fiscal adjustment	ES PP.RAJUY.PARTYCONF.2012	Closing Speech XVII PP National Congress, Sevilla (last Congress, 2008: next 2017)
	2012 February 16	Parl	Rajoy I (PP)	De Guindos	Bank recap	ES PP.DE GUINDOS.PARL.2012.2b	Debate 2012 February's decree on banking resolution - Real Decreto-ley 2/2012, de 3 de febrero, de saneamiento del sector financiero
	2012 May 31	Parl	Rajoy I (PP)	De Guindos	Bank recap and nationalisation	ES PP.DE GUINDOS.PARL.2012.5	Real Decreto-Ley 18/2012 prior to Bankia nationalisation
	2012 June 13	Parl	Rajoy I (PP)	Rajoy	Bank recap and nationalisation	ES PP.RAJUY.PARL.2012.6	First parliamentary intervention post-2012 rescue approval: Selección respuestas vinculadas al rescate e impacto en política fiscal
	2012 July 11	Parl	Rajoy I (PP)	Rajoy	Bank recap and nationalisation	ES PP.RAJUY.PARL.2012.7	Plenary debate European Council meeting 28-29 June 2012 and government's economic policy.
	2013 February 20-21	Parl	Rajoy I (PP)	Rajoy	Fiscal adjustment & Bank recap	ES PP.RAJUY.PARL.2013	Debate Estado de la Nación 2013 (2 docs: I & II)
	2014 February 25-26	Parl	Rajoy I (PP)	Rajoy	Fiscal adjustment & Bank recap	ES PP.RAJUY.PARL.2014	Debate Estado de la Nación 2014 (2 docs: I & II)

2.2. Corpus classification: Variable and metadata

Date. Date of the speech-debate. Format: Year-Month-Day

Venue. Setting where the speech was delivered

- *Parl*: Parliament
- *Partyconf*: Party Conference or Party Congress
- *Fora*: Other venues. Example: House Mansion, Press Conference, etc.

Government (majority). Government classified by the name of the PM and number of government if more than one term (governing parties with the largest number of seats in the parliament): *Brown (Labour)*, *Cameron I (Tories/Lib-Dem)*, *ZP II (PSOE)*, *Rajoy I (PP)*

Speaker: Name of the person delivering the speech or parliamentary intervention

Policy response: Where relevant, type of policy response(s) covered in the speech.

- *Fiscal stimulus*: Discretionary (public) spending, tax cuts associated with a fiscal stimulus.
Fiscal adjustment: Discretionary spending cuts, tax raises associated with a fiscal adjustment
- *Bank recap and nationalisation*: Public interventions in the financial sector of various kinds (recapitalisation, nationalisation, higher capital requirements)
- *Independent authorities*: Creation or transfer of competences to (new) independent authorities (central bank, independent fiscal authorities)

Code of files (unique identifiers): Unique corpus identifiers for each text file. Code format: Country Party.Speaker.Venue.Year [month]

* When a file contains a speech given by the same 'speaker' (e.g. DE GUINDOS) of the same 'party' (e.g. PP) in the same 'venue' (PARL)

in the same 'year' (e.g. 2012), the month is included in numerical format as an additional variable for classification (January=1; February=2; March=3, and so on). Thus, a file ending with '2012.2' refers to a speech given in January 2012. If several speeches were delivered in the same month by same speaker of the same party etc., a letter will be added in ascending order (a, b, c...) at the end. This coding gives a unique classification to each file. Example: *ES PP.DE GUINDOS.PARL.2012.2a*

2.3. Most frequent words and Wordclouds (section 1.4.3)

'Stop words' lists in English and Spanish to generate the 'Word Cloud' in Voyant Tools.

⇒ English 'stop words' list: Stopwords list used to generate the 'wordcloud' for the UK corpus in Voyant Tools.

	added	already	anymore	as
'll	adj	also	anyone	aside
've	affected	although	anything	ask
a	affecting	always	anyway	asking
able	affects	am	anyways	at
about	after	among	anywhere	auth
above	afterwards	amongst	apparently	available
abst	again	an	approximatel	away
accordance	against	and	y	awfully
according	ah	announce	are	b
accordingly	all	another	aren	back
across	almost	any	arent	be
act	alone	anybody	arise	became
actually	along	anyhow	around	because

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become	by	didn't	end	fix
becomes	c	different	ending	followed
becoming	ca	do	enough	following
been	came	does	especially	follows
before	can	doesn't	et	for
beforehand	can't	doing	et-al	former
begin	cannot	don't	etc	formerly
beginning	cause	done	even	forth
beginnings	causes	down	ever	found
begins	certain	downwards	every	four
behind	certainly	due	everybody	from
being	co	during	everyone	further
believe	com	e	everything	furthermore
below	come	each	everywhere	g
beside	comes	ed	ex	gave
besides	contain	edu	except	gentleman
between	containing	effect	f	get
beyond	contains	eg	far	gets
biol	could	eight	few	getting
both	couldnt	eighty	ff	give
brief	d	either	fifth	given
briefly	date	else	first	gives
but	did	elsewhere	five	giving

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go	hereupon	immediate	keep	line
goes	hers	immediately	keeps	little
gone	herself	importance	kept	look
got	hes	important	kg	looking
gotten	hi	in	km	looks
h	hid	inc	know	ltd
had	him	indeed	known	m
happens	himself	index	knows	made
hardly	his	information	l	mainly
has	hither	instead	largely	make
hasn't	home	into	last	makes
have	hon	invention	lately	many
haven't	how	inward	later	may
having	howbeit	is	latter	maybe
he	however	isn't	latterly	me
hed	hundred	it	least	mean
hence	i	it'll	less	means
her	i'll	itd	lest	meantime
here	i've	its	let	meanwhile
hereafter	id	itself	lets	merely
hereby	ie	j	like	mg
herein	if	just	liked	might
heres	im	k	likely	million

PLATO Report 3

miss	necessary	nowhere	otherwise	poorly
ml	need	o	ought	possible
more	needs	obtain	our	possibly
moreover	neither	obtained	ours	potentially
most	never	obviously	ourselves	pp
mostly	nevertheless	of	out	predominantl y
mr	new	off	outside	present
mrs	next	often	over	previously
much	nine	oh	overall	primarily
mug	ninety	ok	owing	probably
must	no	okay	own	promptly
my	nobody	old	p	proud
myself	non	omitted	page	provides
n	none	on	pages	put
n't	nonetheless	once	part	q
na	noone	one	particular	que
name	nor	ones	particularly	quickly
namely	normally	only	past	quite
nay	nos	onto	per	qv
nd	not	or	perhaps	r
near	noted	ord	placed	ran
nearly	nothing	other	please	rather
necessarily	now	others	plus	

rd	same	shes	sometimes	taking
re	saw	should	somewhat	tell
readily	say	shouldn't	somewhere	tends
really	saying	show	soon	th
recent	says	showed	sorry	than
recently	sec	shown	specifically	thank
ref	section	shows	specified	thanks
refs	see	shows	specify	thanx
regarding	seeing	significant	specifying	that
regardless	seem	significantly	still	that'll
regards	seemed	similar	stop	that've
related	seeming	similarly	strongly	thats
relatively	seems	since	sub	the
research	seen	six	substantially	their
respectively	self	slightly	successfully	theirs
resulted	selves	so	such	them
resulting	sent	some	sufficiently	themselves
results	seven	somebody	suggest	then
right	several	somehow	sup	thence
right hon	shall	someone	sure	there
run	she	somethan	t	there'll
s	she'll	something	take	there've
said	shed	sometime	taken	thereafter

thereby	through	unfortunatel	via	when
thered	throughout	y	viz	whence
therefore	thru	unless	vol	whenever
therein	thus	unlike	vols	where
thereof	til	unlikely	vs	whereafter
therere	tip	until	w	whereas
theres	to	unto	want	whereby
thereto	together	up	wants	wherein
thereupon	too	upon	was	wheres
these	took	ups	wasnt	whereupon
they	toward	us	way	wherever
they'll	towards	use	we	whether
they've	tried	used	we'll	which
theyd	tries	useful	we've	while
theyre	truly	usefully	wed	whim
think	try	usefulness	welcome	whither
this	trying	uses	went	who
those	ts	using	were	who'll
thou	twice	usually	werent	whod
though	two	v	what	whoever
thoughh	u	value	what'll	whole
thousand	un	various	whatever	whom
throug	under	very	whats	whomever

whos	with	wouldnt	you'll	yourselves
whose	within	www	you've	z
why	without	x	you'd	zero
widely	wont	y	your	
will	words	yes	you're	
willing	world	yet	yours	
wish	would	you	yourself	

⇒ Spanish 'stop words' list: Stopwords list used to generate the 'wordcloud' for the ESP corpus in Voyant Tools

	de	erais	estaban	estarás
a	del	eran	estabas	estaré
al	desde	eras	estad	estaréis
algo	donde	eres	estada	estaría
algunas	durante	es	estadas	estaríais
algunos	e	esa	estado	estaríamos
ante	el	esas	estados	estarían
antes	ella	ese	estamos	estarías
como	ellas	eso	estando	estas
con	ellos	esos	estar	este
contra	en	esta	estaremos	estemos
cual	entre	estaba	estará	esto
cuando	era	estabais	estarán	estos

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estoy	estéis	habidos	haya	la
estuve	estén	habiendo	hayamos	las
estuviera	estés	habremos	hayan	le
estuvierais	fue	habrá	hayas	les
estuvieran	fuera	habrán	hayáis	lo
estuvieras	fuerais	habrás	he	los
estuvieron	fueran	habré	hemos	me
estuviese	fueras	habréis	hube	mi
estuvieseis	fueron	habría	hubiera	mis
estuviesen	fuese	habríais	hubierais	mucho
estuvieses	fueseis	habríamos	hubieran	muchos
estuvimos	fuesen	habrían	hubieras	muy
estuviste	fueses	habrías	hubieron	más
estuvisteis	fui	habéis	hubiese	mí
estuviéramos	fuimos	había	hubieseis	mía
estuviésemos	fuiste	habíaís	hubiesen	mías
estuvo	fuisteis	habíamos	hubieses	mío
está	fuéramos	habían	hubimos	míos
estábamos	fuésemos	habías	hubiste	nada
estáis	ha	han	hubisteis	ni
están	habida	has	hubiéramos	no
estás	habidas	hasta	hubiésemos	nos
esté	habido	hay	hubo	nosotras

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nosotros	sea	sin	tendría	tenías
nuestra	seamos	sintiendo	tendríais	ti
nuestras	sean	sobre	tendríamos	tiene
nuestro	seas	sois	tendrían	tienen
nuestros	sentid	somos	tendrías	tienes
o	sentida	son	tened	todo
os	sentidas	soy	tenemos	todos
otra	sentido	su	tenga	tu
otras	sentidos	sus	tengamos	tus
otro	seremos	suya	tengan	tuve
otros	será	suyas	tengas	tuviera
para	serán	suyo	tengo	tuvierais
perez	serás	suyos	tengáis	tuvieran
pero	seré	sí	tenida	tuvieras
poco	seréis	también	tenidas	tuvieron
por	sería	tanto	tenido	tuviese
porque	seríais	te	tenidos	tuvieseis
que	seríamos	tendremos	teniendo	tuviesen
quien	serían	tendrá	tenéis	tuvieses
quienes	serías	tendrán	tenía	tuvimos
qué	seáis	tendrás	teníais	tuviste
rubalcaba	si	tendré	teníamos	tuvisteis
se	siente	tendréis	tenían	tuviéramos

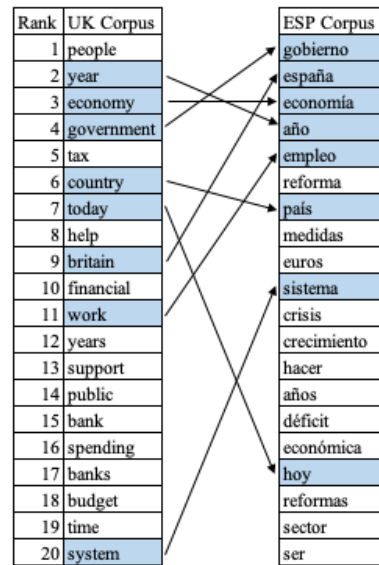
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tuviésemos	tuyos	unos	vuestro	él
tuvo	tú	vosotras	vuestros	éramos
tuya	un	vosotros	y	
tuyas	una	vuestra	ya	
tuyo	uno	vuestras	yo	

Top 20 most common words in the corpus, using stopwords

TOP 20

	UK corpus	Frequency	ESP corpus	Frequency
1	people	262	gobierno	311
2	government	200	españa	282
3	year	190	economía	185
4	economy	186	año	167
5	country	180	país	166
6	today	178	empleo	155
7	help	143	medidas	144
8	britain	125	hacer	132
9	work	124	años	131
10	time	121	hoy	123
11	years	121	económica	122
12	support	115	reforma	121
13	tax	104	ser	120
14	public	95	crisis	118
15	future	92	crecimiento	114
16	financial	91	euros	113
17	system	89	ello	113
18	business	86	sistema	110
19	bank	83	situación	107
20	set	82	ahora	105



3. Content analysis: Software and coding Sections 1.4.2 and 6.2

NVIVO: Files and 'codes'

The screenshot displays the NVivo software interface. On the left, a hierarchical tree shows the project structure under 'DATOS', including folders for 'Archivos', 'Original files', 'Sub-corpus EU re...', 'Clasificaciones de a...', and 'Elementos externos'. Below this, there are sections for 'CÓDIGOS', 'CASOS', 'NOTAS', 'BUSCAR', and 'MAPAS'. The 'CÓDIGOS' section is expanded to show a list of codes such as 'EU reference', 'Exceptionalism', 'Emergency', 'Exception', 'Urgency and speed', 'Legalism', 'Legal-reasoning', 'Legality', 'Partisan', 'Policy response', 'Banking-financial', 'Fiscal', 'Austerity', 'Stimulus', 'Monetary', 'Other', 'Technocracy', 'Competence and expe...', 'Evidential-reasoning', and 'Typical quotes'. On the right, a table lists files with their names and counts.

Count	Referen...	Nombre
2	5	ES PSOE.ZP.PARTYCONF.2008
2	10	ES PSOE.ZP.PARL.2011.6
2	6	ES PSOE.ZP.PARL.2010.7
2	4	ES PSOE.ZP.PARL.2009
2	4	ES PSOE.ZP.PARL.2008
2	4	ES PSOE.SANTAMARIApp.PARL.2011.8-9
2	5	ES PSOE.SALGADO.PARL.2010.5
2	80	ES PSOE.SALGADO.PARL.2009
1	1	ES PSOE.ALONSO.PARL.2011.8-9
2	2	ES PP.RAJJOY.PARTYCONF.2012
2	25	ES PP.RAJJOY.PARL.2014
2	12	ES PP.RAJJOY.PARL.2013
2	13	ES PP.RAJJOY.PARL.2012.7
5	13	ES PP.RAJJOY.PARL.2012.6
2	5	ES PP.RAJJOY.PARL.2011.12
2	5	ES PP.MONTORO.PARL.2012
2	35	ES PP.GOV.FORA.2011
9	19	ES PP.DE GUINDOS.PARL.2012.5
4	8	ES PP.DE GUINDOS.PARL.2012.2b
2	4	ES PP.DE GUINDOS.PARL.2012.2a
2	7	
2	17	
2	4	
2	97	
2	15	

Sketch Engine

SELECT CORPUS

Account expires in March 2022 - [Get more space](#)

BASIC ADVANCED **MY CORPORA** SHARED WITH ME

Corpus or language...	Name ↑	Words
Spanish	ESP Corpus	150,769 ...
English	UK corpus	124,113 ...

NEW CORPUS

DASHBOARD

UK CORPUS **CORPUS INFO** **MANAGE CORPUS**

- Word Sketch**
Collocations and word combinations
- Word Sketch Difference**
Compare collocations of two words
- Thesaurus**
Synonyms and similar words
- Concordance**
Examples of use in context
- Parallel Concordance**
Translation search
- Wordlist**
Frequency list
- N-grams**
Multiword expressions (MWEs)
- Keywords**
Terminology extraction
- Trends**
Diachronic analysis, neologisms
- Text type analysis**
Statistics of the whole corpus
- OneClick Dictionary**
Automatic dictionary drafting
- Bilingual terms**
Bilingual terminology extraction

MY SEARCH HISTORY **ANNOTATIONS**

DASHBOARD

ESP CORPUS **CORPUS INFO** **MANAGE CORPUS**

- Word Sketch**
Collocations and word combinations
- Word Sketch Difference**
Compare collocations of two words
- Thesaurus**
Synonyms and similar words
- Concordance**
Examples of use in context
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Multiword expressions (MWEs)
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- Trends**
Diachronic analysis, neologisms
- Text type analysis**
Statistics of the whole corpus
- OneClick Dictionary**
Automatic dictionary drafting
- Bilingual terms**
Bilingual terminology extraction

4. Operationalisation of the three discourses: A complete view

Exceptionalism, Legalism and Technocracy – Definitions, description, examples
(section 6.1)

Discourses and linguistic constructs	Description	Examples from the corpus
Exceptionalism	An exceptionalist discourse rationalises departures from conventional practice. Exceptionalism (i) appeals to emergencies in order to highlight the severity and gravity of circumstances (emergency); (ii) it emphasizes the need for urgent and immediate action (urgency—speed) and (iii) presents decisions that are beyond what is usual in magnitude or degree as unavoidable (exception)	
<i>Emergency</i>	Appeals to emergencies (exceptional state in the course of a crisis). An ostensibly hyperbolic language to highlight the severity and gravity of circumstances	“If that decree-law had not been approved, if it had been rejected by Parliament <i>it would have been a catastrophe</i> for the Spanish economy and for Europe... We must admit that this is a <i>very different crisis</i> from those we have experienced before...that has had the <i>capacity to surprise all the regions</i> of the world, <i>all the international organisations</i> , and that has given rise to <i>emergency situations not foreseen by anyone</i> , to which we <i>have had to respond with extraordinary measures</i> ” (Zapatero, 2010, p.17)

<p><i>Urgency and speed</i></p>	<p>Emphasis on the need for immediate action. An urgent response must be given now and takes priority over other matters</p>	<p>“It was only a year ago that <i>the world was looking over a precipice</i> and Britain was <i>in danger</i>. I knew that <i>unless I acted decisively and immediately</i>, the recession could <i>descend into a great depression</i> with millions of people’s jobs and homes and savings <i>at risk</i>. And <i>times of great challenge</i> mean choices of <i>great consequence</i>” (Gordon Brown, 2009)</p> <p>“It is therefore <i>urgent</i> to rethink the pace of the exit strategy from the crisis. This is being done by the major countries around us, which have also announced measures to <i>accelerate the reduction</i> of their public deficits. (...) It is <i>imperative and urgent to make a further extraordinary effort</i> of budgetary adjustment and austerity in order to reduce public deficits <i>more rapidly</i>...As regards the constitutional requirement enabling <i>the extraordinary and urgent need</i>, I believe that my intervention has been <i>sufficiently explicit on the obvious need</i>, in the government's view, to adopt and implement these measures to reduce the public deficit <i>without delay</i>” (Elena Salgado, 2010)</p>
<p><i>Exception</i></p>	<p>Decisions that are beyond what is usual in magnitude or degree (abnormal, extraordinary, or irregular) are presented as unavoidable. References to deviation from general or normal practice</p>	<p>“Of course, you should know that my policy, <i>unless extraordinary circumstances</i>, such as those we are currently experiencing, <i>dictate</i> otherwise, <i>will never be one of high taxation</i>” (Mariano Rajoy, 2011)</p>

<p>Legalism</p>	<p>A legalistic discourse <i>insists</i> on rule-compliance as the basis for policy choice. Legalism (i) presents decisions as a matter of rule-following and lawfulness (<i>legality</i>), and (ii) displays a particular way of reasoning based on legal duties and rights (<i>legalistic reasoning</i>)</p>	
<p><i>Legality</i></p>	<p>Decisions are a matter of lawfulness (rule-following and conformity to rules) vis-à-vis political judgement. References to the need to comply with the law(s) as the basis for political action. Common references to legal instruments</p>	<p>“Both the <i>Decree-Law</i> and the <i>Budgets</i> are in keeping with the <i>spirit</i> of what will be the Government’s <i>first major economic policy law: the Budgetary Stability Act</i>, which will <i>implement the constitutional reform</i>...In this <i>Act</i>, the Government will assume <i>all of Spain’s commitments to the European Union</i>” (Mariano Rajoy, 2011) “Whatever business plan is approved <i>has to meet the European state aid rules</i>, which are there to <i>ensure</i> that there is not <i>unfair competition</i> when an institution has a degree of support from a Government.” (Darling, 2008)</p>
<p><i>Legal-reasoning</i></p>	<p>A particular way of justification; that based on legal duties and rights</p>	<p>“And do you know why we cannot have a public deficit? <i>First of all, because we have a commitment</i> to our partners in the European Union and we <i>have to honour that commitment, unless you say that we should leave</i> the European Union or <i>fail to honour</i> our commitment. In that case you say so here, that you want Spain to leave the European Union”</p>

		<p>(Mariano Rajoy, 2013) “The <i>limits</i> set by our <i>Constitution</i> are not random, they remind us that our economy is linked to the Europe of the euro and they <i>tie us definitively to the rules of European stability</i>. The margins marked out by the European Union thus constitute an <i>absolute limit</i> which all public administrations <i>may not exceed</i>. We can, of course, be more demanding on ourselves than we are asked to be, but <i>we guarantee constitutionally that we will never be less demanding</i>” (Sáenz de Santamaría, 2011)</p>
Technocracy	<p>A technocratic discourse appeals to (i) competence and expertise (‘knowledgeable actors’) as the basis for policy choice (<i>competence—expertise</i>), and (ii) follows a particular way of reasoning based on specialised knowledge, scientific evidence and factual claims (<i>evidential reasoning</i>)</p>	
<i>Competence and expertise</i>	<p>References to technical abilities, skills or competences; claims to “effectiveness” and “efficacy”. References to “knowledgeable actors”. Examples: IMF, OECD, experts</p>	<p>“Our <i>thinking is informed</i> by this <i>insight: only independent central banks have the broad macroeconomic understanding, the authority and the knowledge</i> required to <i>make the kind of macroprudential judgements</i> that are <i>required</i> now and in the future” (George Osborne, 2010) “There is one issue that</p>

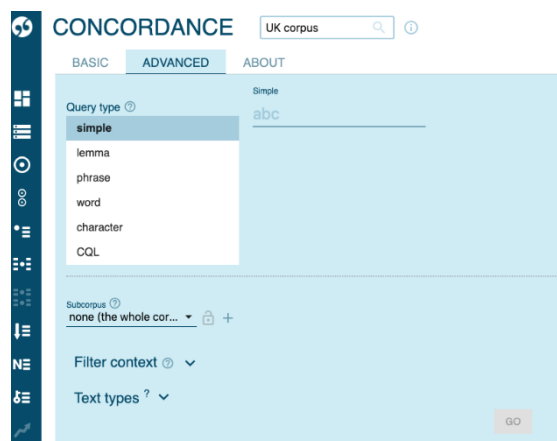
		<p>seems <i>important</i> to me, which is the <i>opinion that all international bodies have expressed</i> on this matter. For the first time in years, <i>the European Commission</i> has not made any observations on the <i>Spanish labour market reform</i>, which has been <i>supported and praised by the European Central Bank, the International Monetary Fund, all the international bodies and the OECD itself</i>" (Mariano Rajoy, 2013)</p>
<p><i>Evidential-reasoning</i></p>	<p>Decisions presented as the result of impartial and objective deliberations based on scientific evidence and facts. 'Value-based' questions turned into questions of 'technical facts'</p>	<p>"You have called the UK's economic strategy a '<i>textbook response</i>' to this situation. I agree... <i>Theory and evidence</i> suggest that tight fiscal policy and loose monetary policy is the <i>right</i> macroeconomic <i>mix</i> to help rebalance an economy in the state I've just described" (George Osborne, 2012)</p>

5. Technocratic discourse: use of 'right' and 'wrong'

Section 6.2

This section explains in more detail the methodological process for analysing key terms. Specifically, for the study of the use of 'right' and 'wrong' in the original corpus. For that end, the most helpful technique is the use of 'concordance' analysis, which provides the context of a given word or set of words in any given unit of analysis.

In Sketch Engine, the software used for this technique, the procedure is simple. The researcher identifies the relevant terms for the search. Then the results are *displayed in context* in the form of a concordance. This concordance can then be sorted, filtered, counted and processed further to obtain the relevant results.





One objective of studying technocratic discourse has been to concentrate on potential markers, as I explained in the relevant section. In this respect, I have suggested that the use of 'right' and 'wrong' by politicians may yield meaningful results in the appropriate context.





After identifying all the existing references in the UK sub-corpus, I filtered the results one by one. All 'irrelevant' uses of the term were eliminated. Specifically, the filtering removed:

- All references to 'Right Hon.' (adv., title in parliamentary jargon), common form of referring to certain MPs.



- All references to ‘right now’ (or equivalent) but maintaining references to, for example, the ‘right’ time. Example: “... about growth, about employment, about interest rates, and about inflation in those years. We will do so when it is *the right time*. I would caution the hon. [REMOVED] Gentleman against making such statements. We have taken the **right** decisions to take”.
- All references to ‘rights’ as in “by changing and reducing the reporting requirements for police officers on stop-and-search forms, as well as new *rights* to ensure that women are better protected against violence”
- All references to ‘RIGHT to buy’, the government program on housing policy.
- All references to ‘right’ as a reference to ideology as in, “What failed was the Conservative idea that markets always self-correct but never self-destruct. What failed was the *right wing* fundamentalism that says you just leave everything to the market and says that free markets should not just be free...”, or “But the biggest risk comes from the tendency in parts of our body politics – the left and now too the *populist right* – to wage a war on enterprise, regulate prices, propose penal taxes, close Britain to business and return to the old ways”
- Remove ‘right’ as in “right across the economy”, or “right across the world”.




After removing all the ‘irrelevant’ references, the result was **185 unique** relevant hits. Then I created create a sub-corpus including all the sentences containing ‘right’ for a more detailed qualitative analysis.

Doc.government	Frequency	Relative %
LAB	102	129.4 
CON	83	78.2 

Doc.speaker	Frequency	Relative %
DARLING	64	144.7 
CAMERON	45	116.3 
BROWN	38	109.9 
OSBORNE	38	56.3 

In the main text of the thesis, I only present the analysis of the use of right. This analysis was enough to establish the core claim. But the same process has been applied for the use of 'wrong'. For the sake of interest, transparency and potential replication, I include the results for this term here. The concordance analysis of 'wrong' displays **53 relevant hits**. In comparison to the use of 'right', wrong is a relatively less polysemic word. A majority of results were relevant and meaningful in this research context (the Supplementary materials provide the complete list).

Doc.government	Frequency	Relative %
LAB	25	110.7 
CON	28	92 

Doc.speaker	Frequency	Relative %
BROWN	20	201.9 
CAMERON	13	117.3 
OSBORNE	15	77.6 
DARLING	5	39.5 