

**Of Paradigms and Power:  
British Economic Policy Making since Thatcher**

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**Abstract:**

How and why do ruling policy paradigms persist, even in the face of crises or bouts of accumulating evidence that they are not delivering the goods? And how come policy paradigms often undergo significant internal ideational changes instead of it necessarily amounting to a full-blown paradigm shift? Despite the profound impact of Peter Hall's approach to policy paradigms and social learning, there is a burgeoning consensus that transposing a rudimentary 'Kuhnian' understanding of paradigms into the context of public policy making leads to a notion of punctuated equilibrium style shifts as the only game in town. In effect, while Hall's approach can account for *inter*-paradigm change with reference to exogenous shocks, it does not allow for significant ideational change to occur *intra*-paradigm. In order to remedy this, we suggest that the concept of ideational power be placed more centrally in the study of policy paradigms. To demonstrate the general applicability of our framework, the paper examines the evolution of British macroeconomic policy making since 1990. We show that various Prime Ministers and their Chancellors were able to reinterpret and redefine the dominant neoliberal understanding of the economy to match their own specific ideas and policy priorities, resulting in significant but gradual ideational change.

**Key words:** Britain, economic policy, ideas, neoliberalism, paradigms, power.

**Word count:** approximately 12,500 words.

## **Introduction: Rethinking Paradigmatic Change**

Why and how do reigning policy paradigms persist over time? And how are paradigms maintained even in the face of accumulating anomalies and exogenous shocks, which serve as clear evidence that the overall body of ideas the paradigm contains is either dysfunctional or failed to deliver on its promise. Both the global financial crisis of 2007-9 and the euro crisis of 2010-13 were the kinds of large exogenous and systemic shocks many social scientists would have expected to lead to a radical change from the existing neoliberal paradigm to something new. Yet they did not. Neoliberalism, though heavily bruised and its reputation in tatters, simply adapted to the new situation, and largely endured (Schmidt and Thatcher 2013; Blyth 2013; Baker 2015; Matthijs and Blyth 2016). Even in normal times, policy paradigms often undergo significant internal ideational changes without it necessarily constituting a full-blown paradigm shift. In order to better understand why policy paradigms stand the test of time, we will focus in this paper on the battle of ideas that takes place *within* rather than *between* different paradigms. We build on Peter A. Hall's seminal 1993 contribution to the political economy literature, by showing that paradigms are a lot more flexible than has previously been theorized, and by re-emphasizing their 'political' rather than 'scientific' nature. We will then introduce the concept of ideational power to our approach in order to explain continuity and change within policy paradigms, and use our framework to explain the evolution of British macroeconomic policymaking since Thatcher was forced out of office in 1990.

The work of Peter A. Hall (1993) on the role of policy paradigms in public policy was both path breaking and agenda setting in the field of political economy. Unrivalled by any other publication in ideational scholarship in terms of citations and impact, it – together with the work of scholars like Sabatier and Jenkins-Smith (1993), Kingdon (2003), Baumgartner and Jones (2009), and Stone (1988) – drew on the social learning tradition of Hugh Hecllo (1974) to help bring ideas on the agenda of mainstream political science and policy studies (Béland and Cox 2013; Blyth 2013; Daigneault 2014). Despite the success of Hall's pioneering statement in carving out a central explanatory position for ideas in political science, opposition is increasingly being heard from within the ranks of ideational scholarship. Hall (1993) has thus been criticized for overemphasizing punctuated equilibrium-style change (Blyth 2002; Lieberman 2002; Béland 2007; Kay

2007; Cashore and Howlett 2009; Seabrooke 2009; Carstensen 2011a; Matthijs 2011; Orenstein 2013; Wilder and Howlett 2014), conceptualizing ideas as too static and monolithic, and downplaying the role of agency in processes of ideational change (Campbell 2004; Widmaier et al. 2007; Berman 2013; Wood 2015), by claiming that actors effectively internalize the policy paradigm they adhere to (Schmidt 2008; Jacobs 2009; Carstensen 2011b). Taken together, critics have shown that by basing his theory of policy paradigms on a rudimentary version of Kuhn's (1970) notion of science paradigms and scientific revolutions, Hall ends up with an overly systemic understanding of the role of ideas in policymaking (Schmidt 2011). Critics have also raised issues with Hall's (1993) analysis of British economic policymaking. Studies by Hay (2001), Oliver and Pemberton (2004), and to a lesser extent Matthijs (2011), have demonstrated that the processes of third order change were not always characterized as being revolutionary – as claimed by Hall (1993) – but rather as a series of iterative changes that develop through a more gradual process of 'punctuated evolution.' These studies thus raise concerns about the inability of Hall's paradigm approach to capture gradual – albeit significant – ideational change in lieu of large ruptures in the ideas that structure policymaking.

With the increasing recognition of some of the analytical limitations of key parts of the policy paradigm approach, it begs the question whether policy studies should at all invoke the concept of a "paradigm" in explanations of public policy developments. To us, the answer is yes. The concept of policy paradigms is intuitive, parsimonious, and powerful, and has gained wide recognition in the policy literature and beyond, a status worth defending. There is no need to throw away the proverbial paradigm baby along with the Kuhnian bathwater. Rather than suggesting that we dispense with the concept of a policy paradigm, further theoretical and empirical work is necessary to develop a more nuanced understanding of the dynamics of 'intra' or 'within' paradigm change, in addition to Hall's explanation of 3<sup>rd</sup> order 'inter' or 'between' paradigm change.

To contribute to a fruitful new agenda for research on policy paradigms, we suggest in this paper that the concept of ideational power take up a central position in accounts of paradigmatic stability *and* change. To be sure, throughout Hall's (1993) paper, various acts that may be thought of in terms of "ideational power" are pointed out as being central for developments in policy paradigms – for example with references to

the importance of media debates, or “organized interests trying to influence the political discourse of the day” (p. 290) – but these insights remain relatively underdeveloped and play a largely tangential role in the existing paradigm framework. In the end, the institutional power of political parties accrued from electoral success ends up in too singular an analytical position. Drawing on the earlier work of Matthijs (2011) and the more recent work of Carstensen and Schmidt (2016), this paper suggests that crisis narration, authority contests, and ideational power, play a much more central role than exogenous shocks, often leading to gradual ideational change within a paradigm rather than a wholesale shift theorized by Hall (1993).

Crisis narration by elites is central in determining whether a buildup of anomalies within the system will lead to merely *incremental* (within paradigm) rather than *radical* (between paradigm) change. Authority contests, though part of Hall’s framework without being fully fleshed out, are crucial in determining which crisis narrative wins out. Finally, ideational power explains the actual outcome of authority contests over the paradigm, and can be conceptualized as a form of power in its own right, which should be connected to other and more traditional forms of power, especially institutional or ‘agenda-setting’ power. We hope that by bringing together these concepts within a single framework of a more analytically developed notion of ideational power, we can gain a firmer grip on how different forms of power play into processes of stability and change in policy paradigms.

Our enhanced analytical perspective on policy paradigms will also translate into a more nuanced analysis of macroeconomic policy making in postwar Britain – the case that Hall (1993) applied his own policy paradigm framework to – by showing the gradual evolution of macroeconomic policymaking from Major to Cameron. We argue that successive British Prime Ministers and their Chancellors were able to reinterpret and redefine the dominant neoliberal paradigm to match the macroeconomic context as well as their own specific ideas and policy priorities through the use of ideational power. While Tony Blair and Gordon Brown wanted to use a growing state apparatus in order to improve health and education following a variant of post-neoclassical endogenous growth theory, David Cameron and George Osborne set out to shrink the state with the aim of bringing down debt levels in order to bring back business and consumer confidence, loosely subscribing to a view of expansionary fiscal austerity. Both significantly different

‘varieties of neoliberalism’ proved to be largely compatible with the reigning Thatcherite paradigm. Indeed, it could be argued that they ended up strengthening it.

### **Taking Stock of Hall’s Paradigm Approach**

Peter Hall’s (1993) paper was published in the slipstream of a broader push within American political science to bring the concept of the state ‘back in’ to policy analysis (Evans, Rueschemeyer and Skocpol, 1985). Hence, the basic starting point for Hall’s paradigm approach to understanding the dynamics of policy stability and change was the following question: what motivates state action? Hall’s (1993) approach fit well with broader ‘neo-statist’ theories triangulating between ‘statist’ and ‘pluralist’ approaches, and was part of an effort to combine ideas and institutions (see Adcock et al. 2007: 274). Writing at a time when the ‘rational choice’ offensive in political science was at its height (Blyth 2013, p. 212), Hall found a compelling way to straddle both institutional and ideational explanatory logics. Hall’s key analytical innovation was to transpose Thomas Kuhn’s (1970) theory of scientific revolutions into a theory of public policymaking, which proved useful for the attempt to develop an institutionalist understanding of the role of ideas in politics. Hall (1993) argued that politicians and state officials use interpretive frameworks – *paradigms* – that specify “not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing” (p. 279). Despite Kuhn’s recognition that his theory was ill-suited for understanding social science – and thus even less useful for studying society (see Schmidt 2011) – Hall (1993) applied three key parts of Kuhn’s framework to his analysis of the role of paradigms in policy development: (1) the incommensurability thesis, (2) the importance of anomalies, and (3) the division between ‘normal science’ and ‘paradigm shifts.’

First, with the basic argument that policy paradigms are incommensurable – given that “each paradigm contains its own account of how the world facing policymakers operates” (Hall, 1993, p. 280) – Hall took a strong position on both the internal purity of a paradigm and the mutual exclusivity of paradigms. Paradigms were therefore presented as *internally coherent*, composed of logically connected elements that originated in fundamentally different theories of how an economy works and should work. On both

counts, this approach has been subject to criticism. In their re-evaluation of Hall's (1993) case of British macroeconomic policy making, Oliver and Pemberton (2004) show that rather than exhibiting the incommensurability posited by Hall, the paradigm shifts that occurred were less than wholesale with new ideas being incorporated into the prevailing policy paradigm. By implication, paradigm replacement need not be as absolute as proposed in Hall (1993). This happened during the 1930s with HM Treasury's partial integration of Keynesian instruments into the prevailing classical framework, as well as in the 1960s and late 1970s where no real paradigmatic shift occurred but rather a "subset of the new ideas was incorporated into the prevailing framework of policy, which thereby underwent a marked evolution" (Oliver and Pemberton 2004, p. 436). Oliver and Pemberton's analysis of the British case showed that Hall's 'hard' version of the incommensurability thesis did not hold very well even in a specialized and theoretically heavy policy area like macroeconomic policymaking.

The second Kuhnian element in Hall's paradigm approach subject to critique is the central role of experimentation and policy anomalies in provoking processes of paradigmatic shifts in policy making. Thus, Hall (1993) argued that as the supporters of a paradigm encounter developments that contradict the basic tenets of the paradigm – i.e. a building up of anomalies – ad hoc attempts would be made to stretch the terms of the paradigm. In the end, Hall (1993) argued, this process is likely to slowly eat away at the authority of policymakers and experts who adhere to the failing paradigm, paving the way for a shift towards a new (or old) and competing paradigm. As pointed out by Mark Blyth, this argument in essence tries to juggle two competing ontologies. On one hand, what Blyth (2013) calls 'Bayesian social learning' – taking place in instances of both 'first order' (i.e. policy settings) and 'second order' (i.e. policy instruments) change – that views ideational change as occurring following information updates and experiments. On the other hand, a 'constructivist' approach that understands information updates and experiments as fundamentally in need of interpretation, i.e. as a process that can never be objective or unmediated and remains fundamentally structured by contests over authority and power that will determine 'third order' (i.e. policy paradigm) change. Although Blyth posits that this tension only reveals itself in the empirical part of Hall's paper, the question of *how* anomalies play into the competition for the authority over a paradigm, in

our view, remains largely open. Except for observing almost in passing that “the policy community will engage in a contest for authority over the issues at hand” (Hall, 1993, p. 280), Hall remains conspicuously silent on what exactly determines the capacity of the actors involved to authoritatively interpret an event as anomalous, and press for change.

Third and finally, the larger issue at stake underlying the question of the incommensurability of paradigms and the role of policy anomalies is how to conceive of dynamics of paradigm *change*. By distinguishing between two options of change – ‘normal policymaking’ and paradigm shifts – Hall (1993) employed a hard version of the Kuhnian (1970) take on paradigm shifts. The approach allows for only two forms of change: incremental shifts in either policy settings or policy instruments of the paradigm – which in Hall’s (1993) original version does not entail change in the ideas that structure the paradigm, and therefore does *not* amount to *significant* transformation – and a wholesale shift in the goals and discourse that structure policymaking through the introduction of a rival policy paradigm. In effect, Hall (1993) adopted a punctuated equilibrium model of change based on an assumption about the incommensurability of policy paradigms and the inability or unlikelihood of actors to incorporate elements from other paradigms. In other words, paradigms were “all or nothing” affairs one had to either accept or reject in its entirety (Blyth 2013, p. 208). Recent scholarship has objected that such a ‘punctuated equilibrium’ model of ideational and institutional change is ill suited to capture the more subtle but no less significant ideational changes that may over time take place *within* a policy paradigm, instead opting for a model of ‘punctuated evolution’ (Matthijs 2011; Carstensen 2011a; Hay 2011a; Skogstad and Schmidt 2011; Wilder and Howlett 2014; Wilder 2015).

### **Ideational Power, Policy Paradigms, and Political Change**

If we want to remedy the shortcomings of the Kuhnian components that Hall (1993) first employed to his paradigm approach, it begs the question: what should we put in its place? Given the centrality of the assumption of incommensurability to explain stability, and the important role assigned to policy anomalies in setting off processes of paradigm change, it is necessary to conceptualize alternative factors that might account for stability and change in policy paradigms. Instead of basing the drivers for stability and change on two

competing ontologies – one on Bayesian updating and another on sociological learning – we suggest that more analytical leverage may be gained by bolstering our understanding of elite crisis narratives and authority contests over paradigms with a focus on different forms of paradigmatic power, especially institutional and ideational power. However, to understand the processes through which gradual intra-paradigm ideational change may occur requires first a conceptualization of ideas and paradigms different from the one presented by Hall (1993).

### ***Ideational Power vs. Ideas Matter***

To some the suggestion to focus more strongly on ideational power might come as a surprise. After all, was ideational power not brought in the moment researchers started taking ‘the power of ideas’ seriously (Sikkink 1991; Berman 1998; McNamara 1998; Blyth 2002)? Yes and no. Yes, ideational research has been premised on the ontological argument that ‘ideas matter’ in politics, meaning that policy actors need inter-subjective ideas to make their interests actionable, and so ideas have been understood as ‘powerful,’ since they have a direct effect on how agents interpret their world (Parsons 2003, 2007). However, this basic argument that ideas matter – i.e. that ideas have direct causal effects – in political processes, has been conflated with the more specific claim that ideas are connected to relations of power. With most of the effort going into making the case that ideas matter and therefore should be included as a key independent variable in the mainstream of political science analysis, much less work has so far been done to conceptualize and typologize what is meant by the notion of “ideational power” and how it relates to other forms of power, e.g. institutional or structural forms of power (Béland, Carstensen and Seabrooke 2016; Carstensen and Schmidt 2016).

A further objection might be that Hall’s (1993) original framework already includes power as a central analytical component. While this is true to some extent, we posit that its focus is too one-dimensionally on institutional power, and what is left for ideational forms of power to explain remains underspecified. That is, on the one hand, it is evident that the paradigm is ‘powerful’ in the impact it has on policy actors’ views of the world. It is after all the prism through which policymakers view the world and thus instrumental in identifying what should be considered a problem and what kind of

solutions are appropriate. On the other hand, because Hall (1993) injects a strong assumption about the incommensurability of paradigms – that the merits of each cannot be determined through comparison or tests, and thus it is simply impossible to persuade competing factions about the merit of one’s paradigm – the battle over paradigms effectively takes place in the political arena. A paradigm shift will therefore not occur until the proponents of the new paradigm have secured a position of power from where they can set out to institutionalize that new paradigm. From this perspective, power relates more to gaining access to institutional positions of authority – for example, through democratic elections or political appointments – than to the ideational or discursive power of a paradigm.

How, then, are policy actors to attain these positional advantages? Hall (1993) is a bit ambiguous on this matter, but he observes that the authority contest “may well spill beyond the boundaries of the state itself into the broader political arena. It will end only when the supporters of a new paradigm secure positions of authority over policymaking and are able to rearrange the organization and standard operating procedures of the policy process so as to institutionalize the new paradigm.” (pp. 280-281). The formulation “may well” is what creates the confusion. Under what conditions do authority contests spill into the broader political arena? Does the contest end with elections or does it not? And is it not possible for authority contests to take place within governments or institutions?

It seems safe to assume, however, that given the central role of the electoral triumph of Margaret Thatcher in the empirical part of Hall’s (1993) paper, and Hall’s statement that “[t]he monetarist paradigm ultimately triumphed over its Keynesian rival by means of partisan electoral competition” (p. 288), what makes and breaks paradigmatic authority is institutional power secured through electoral contest. While there is little doubt that who holds government power can be essential for which paradigm structures the policy making process, and that electoral triumph matters for a change in paradigm, it is also clear that it is not the sole factor of importance in understanding the dynamics of paradigms in policymaking – a point also recognized by Hall, but one he does not elaborate further.

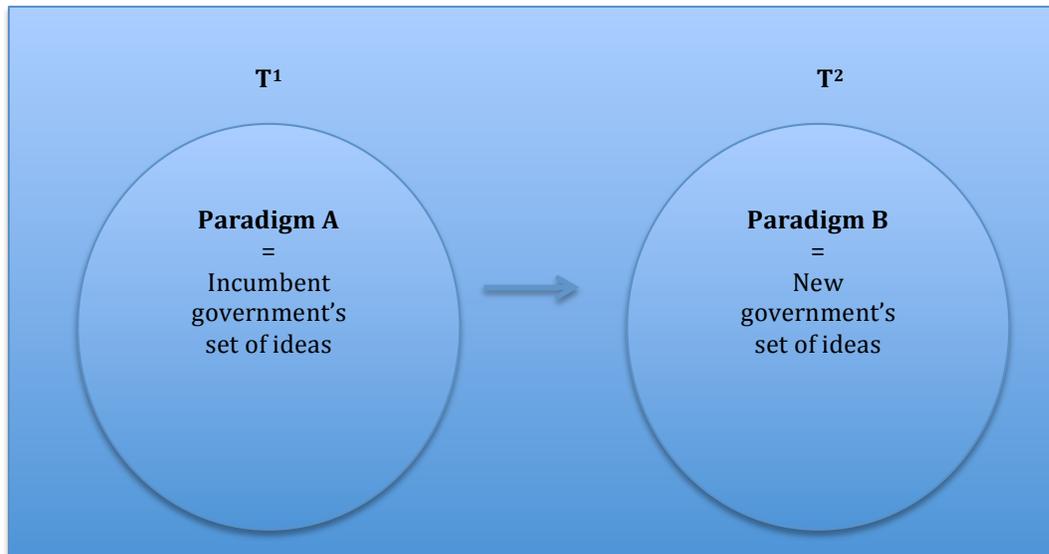
### ***The Power of Ideas and Agency in Intra-Paradigm Ideational Change***

In Hall's approach, the power of ideas is based on actors' internalization of a particular economic theory – incommensurate with other economic theories – that dictated the issues that would be considered a problem in the first place, along with the solutions that could then be legitimately employed. The paradigm works as a lens – the only lens available to policymakers over an extended period of time – through which policy may be enacted. Although it is clear that the authority of a policy paradigm is based to a significant extent on its ability to provide a clear-eyed diagnosis of current developments in the economy, and a way forward in terms of steering it in a more productive direction, we submit that the authority of a paradigm does not rest on its coherence or parsimony, but rather on the overall *perception* of the paradigm as coherent and parsimonious (Matthijs 2011; Wood 2015). Furthermore, whether this perception is shared in policymaking circles, and supported by societal elites and large parts of the electorate, will enable the formation of alliances and coalitions that may support the continuing institutionalization of the policy paradigm (Blyth 2002; Culpepper 2008). We thus follow recent theorizing on paradigms as more composite, flexible and historically specific (e.g. Schmidt and Thatcher 2013; Mondou et al. 2014; Wilder 2015; Béland and Cox 2016), which opens the possibility that new ideational elements may be included in and affixed to the existing paradigm, or that certain existing ideational elements within the paradigm are given relatively more or less prominence in actual policymaking (Carstensen 2015).

Viewing the structure of the ideas that make up a paradigm from this perspective places our approach squarely on the sociological or constructivist rather than the rational and Bayesian side of Hall's framework. Our approach emphasizes the struggles between actors to provide the authoritative definition of economic problems and the solutions that are considered viable. It also opens up the possibility for gradual ideational change within the paradigm, i.e. somewhere in the space between 2<sup>nd</sup> and 3<sup>rd</sup> order change. In Hall's (1993) approach, real ideational change only occurs as one paradigm replaces the existing one, a process crucially enabled by a change in institutional power brought about through a change in actual governing power. Although a range of different actors makes up the coalition that prepares the ground for the paradigm shift, since the new paradigm is

institutionalized following a change in government power, the newly elected government is the primary agent of change (see figure 1).

Figure 1: Third Order Change in Hall (1993)



Hall's (1993) approach however does little in way of theorizing how ideas may change even though the paradigm does not go through a wholesale shift from old to new. Neither does he consider the possibility that the policy ideas that guide a newly elected government can differ substantially from the interpretation of the reigning paradigm its predecessors subscribed to. This is consistent with the incommensurability thesis, which in effect means that the ideas that the government seeks to promote *are* the actual paradigm. In other words, if the paradigm does not change, there is no real ideational change in the overarching policy goals; only change in settings or instruments is possible. Arguably, a full-blown paradigm shift brought about by a shift in governing power is a relatively rare occurrence – an outlier, one could claim – and there are therefore very good reasons to consider alternative processes of ideational change within a paradigm.

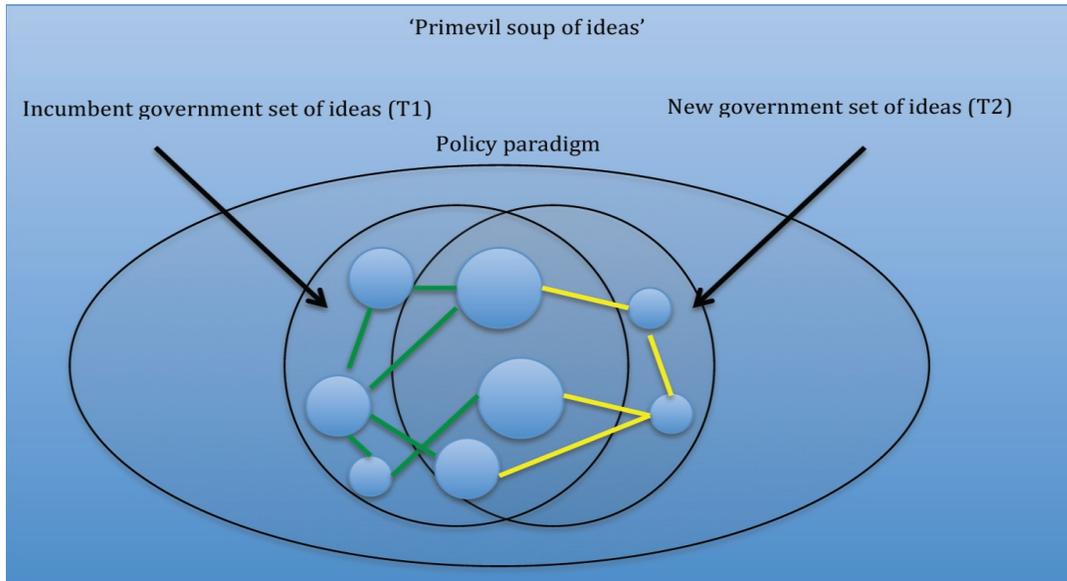
At any one time, a number of ideas are available for policymakers to consider and employ in their work. Naturally, given that ideas have different power-distributional implications (Blyth 2002), and that there are strict limits to the amounts of issues that a political system can deal with at any one time (Baumgartner and Jones 2009), only very few of these ideas actually receive a hearing. Most ideas hence often live a quiet life in

relative obscurity, in what Kingdon (2003) called the “primeval soup of ideas.” In short, although many ideas exist in society, only very few ever reach the policy agenda and come to have an actual impact on policymaking. Among the more ‘privileged’ ideas we find the ones that make up a policy paradigm. Functioning as the basis of policymaking in one or multiple policy areas, they help policymakers identify problems and solutions, and work as a collective lens through which a government – along with other parties, societal elites, and likely also the electorate at large – deal with issues deemed of importance. But how can ideas change *within* a paradigm?

To simplify things, imagine economic policymaking within a political system where two parties seek government power, and where they do so based on their respective sets of ideas. Consider further that policymaking in the area of macroeconomic policy is guided by a certain paradigm that was first brought to prominence and then institutionalized by the incumbent government (or further back in time). The existing paradigm now generally serves as ‘common knowledge’ and the taken-for-granted standard operating procedure for macroeconomic policy (Culpepper 2008). A shift towards a different paradigm would require a dramatic loss of authority on part of the existing paradigm, and a clear alternative paradigm to be available that is promoted by a powerful alliance of elite actors, including political parties in opposition with the power to institutionalize the alternative paradigm once in government (Hall 1993).

However, in our imagined case, while there is an actual change in power from government to opposition, the incoming government party may not seek to change the paradigm. In fact, the set of ideas that frame the policy priorities of the new government is based on the existing paradigm, although it differs substantially from the outgoing government in the weight it assigns to the ideas that make up the paradigm. In this case, if the incoming government is able to (1) change the common perception among policymakers (in the party, opposition, among civil servants, public debate, etc.) to accept the changed focus of the policy paradigm, and (2) effect this re-prioritization in actual policymaking, we will have witnessed a shift in the relative weight of the ideational elements within the paradigm. This is illustrated in figure 2, where the set of ideas promoted by both the governing incumbent and the incoming opposition parties are part of the same broad paradigm, but the set of ideas that each actor attaches priority to differ.

Figure 2: Gradual change: A Shift in Relative Weight of Ideas within Paradigm

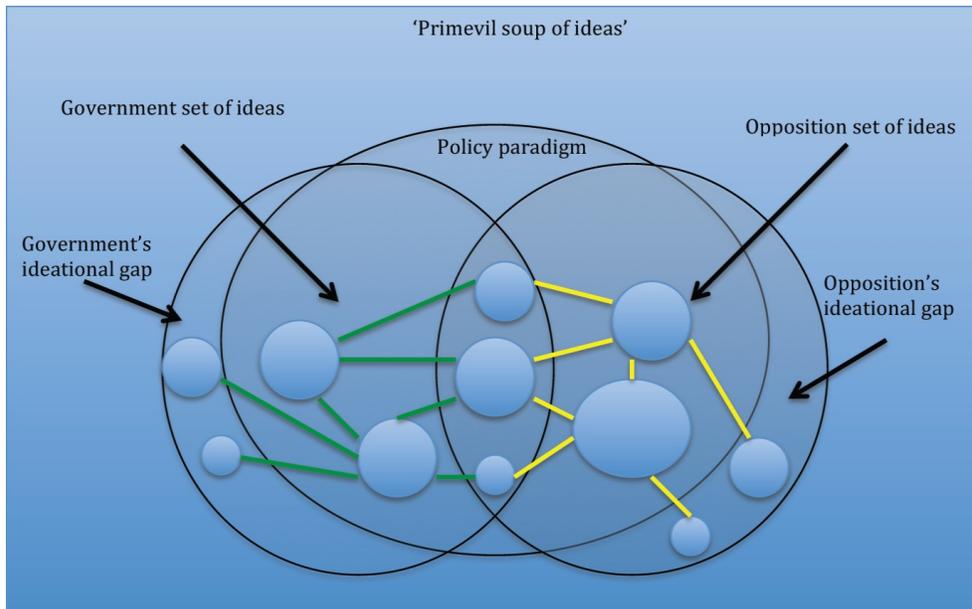


Given that the two sets of ideas are both within the scope of the existing policy paradigm, the degree of change effected as a result of change in government power is limited rather than radical, although it may have profound consequences for the evolving policy agenda of the government, and will also determine the parameters for its potential successor down the line, especially if the intra-paradigm ideational shift proves to be relatively successful in terms of actual outcomes. For example, in the UK, New Labour in 1997 felt compelled to accept the Conservatives' austere spending plans, and were only able to start investing in health and education once re-elected in 2001. By 2005, Labour's spending plans had become the new norm, and the Tories accepted a bigger state – including higher taxes and higher levels of public spending – in their election manifesto.

Now consider a different scenario, where the two parties share some basic idea, like the importance of price stability or low levels of sovereign debt, from within the paradigm – and thus both support the paradigm – but also each support ideas that are *not* currently in the paradigm (see figure 3). There is thus a gap between the ideas that each party supports and what is currently in the paradigm (called the 'ideational gap' in figure 3). The ideas that actors seek to include in the existing policy paradigm may originate in a contending paradigm (as in Europe's short-lived Keynesian turn of 2008-9, or the

inclusion of ideas of macro-prudential regulation into post-crisis financial framework, see Baker 2015). Or the new ideas may not belong to any particular paradigm but may have caught the attention of elite actors in power. If the parties want their respective sets of ideas to become part of the ruling paradigm, and to have a real political effect in the long term, it is necessary to frame their ideas as a natural extension of the paradigm.

Figure 3: Ideational Gap between Paradigm and Government/Opposition Set of Ideas



This obviously presents both parties with a challenge, namely to somehow move their ideas from the ‘ideational gap’ into the existing policy paradigm. This can be to accept permanently higher income taxes to pay for better public services (in the case of a social democratic party) or a dramatic cut in the size of the government (in the traditional case of a conservative party). This is no mean feat for any of the parties, but since we are here imagining a two-party majoritarian system, whoever holds government power, and thus enjoys most institutional power, clearly stands in the better position to do so. That being said, the battle of ideas is a dynamic one, where ideational power more often than not trumps institutional power (Carstensen and Schmidt 2016), and thus the government will have to work actively for the endeavor to be successful in the longer term.

Thinking of a policy paradigm in these terms offers a view of how within-paradigm change may occur, but it leaves open the question not only which factors help

stabilize the paradigm, and potentially keeps new ideas from becoming part of it, but also how agents can move their idea from the ideational gap into the policy paradigm. To shed some light on these issues, the next section brings in three types of ‘ideational power’ as key explanatory concepts.

### ***Using Ideational Power to Explain Intra-Paradigm Change***

To develop an account of how ideational power plays into intra-paradigm change it is necessary first to provide an actual definition of ideational power. Following Carstensen and Schmidt (2016), we may think of ideational power as the capacity of actors (whether individual or collective) to influence other actors’ normative and cognitive beliefs by using ideational elements. This may occur directly through persuasion or imposition, or indirectly by influencing the ideational context that defines the acceptable range of possibilities or alternative policy options. From this perspective, acts of ideational power – whether successful or not – only occur in a subset of the relations relevant for understanding how ideas matter, namely when actors seek to influence the beliefs of others by promoting their own ideas at the expense of others. Building on this conceptual basis, we may specify three forms of ideational power that are relevant for understanding developments in policy paradigms, including both continuity and change.

First, *power over ideas* refers to the capacity of actors to define and rule over the meaning of the body of ideas that constitute a paradigm. This form of power may take multiple shapes, including when actors deploy ideational power to ensure that their ideas remain predominant so as to guard against direct challenges to their exercise of coercive power, or questioning of their structural and institutional powers (e.g. most authoritarian regimes). At the other end of the scale, normally powerless actors could successfully employ discursive means to pressure otherwise powerful actors to act in ways they would not otherwise have done (e.g. social movements). But, in the case of policy paradigms, the most relevant deployment of power over ideas comes in the form of the ability of actors – usually quite powerful also in terms of institutional position and authority – *not* to listen, i.e. a capacity to resist alternative ideas (Matthijs and McNamara 2015). What often characterizes such policy actors, clustered in closed groups of people – as a part of, for example, epistemic communities, discourse coalitions, interest groups, or advocacy

coalition networks – is that they are able to harness enough legitimacy around their policy ideas to avoid considering alternative approaches. This form of ideational power is also present in Hall's (1993) framework, when he emphasizes the power of public officials during periods of 'normal policymaking' to control incremental changes to the policy paradigm. However, power over ideas shows itself both during 'normal policymaking' and in more fluid and uncertain periods of crisis when elite narrative construction matters greatly for actual outcomes (Matthijs 2011).

As argued above, in policy areas where policy making is structured by a policy paradigm, actors vying for power will share and support central ideas in the paradigm, while at the same time seeking to shift the relative weight given to ideas within the paradigm or, more ambitiously, try to add new ideas to the paradigm. Actors enjoying institutional power may do so using its power over ideas – that affords it the capacity to influence which theories or professional groups are given a hearing in policy making – while actors without such privilege (e.g. opposition parties, interest groups, NGOs, etc.) may try to add ideas to the paradigm by way of media campaigns, negotiations with the government, lobbying, etc. What thus matters in addition to the privileged institutional position granted to public officials supporting the paradigm is the legitimacy of certain professional groups – i.e. lawyers, economists, accountants, or scientists – and their ability to "power their ideas through expertise" (Seabrooke and Wigan 2016). This will limit the ability of the government to introduce what could be considered 'heterodox' ideas into economic policymaking.

It matters then not only who has the institutional position to set the political agenda, but also that certain ideas and discourses have become entrenched in the way policy actors think and communicate about a policy area, making it difficult to put alternative ideas on the agenda in spite of having gained governmental power. The fact that power over ideas is connected with broader developments in which theories have the upper hand in battles within professions (Seabrooke 2014) – or even within academia (Fourcade 2009) – means that gaining institutional position is not enough to inject new ideas into a paradigm, let alone effect a radical third order shift. A more effective strategy may often turn out to be an incremental 'layering' of new ideas onto the already existing paradigm (Béland 2007).

Power over ideas also matters for when anomalies in a paradigm set off processes of significant change. What is important is how and when policy actors are able to successfully frame instances that threaten the authority of the paradigm as anomalies. Succinctly put, given that paradigms are fundamentally political in nature, *they cannot be proved wrong* (Blyth 2013). The process is ‘political’ rather than ‘scientific,’ with policy actors seeking strategic advantage and bending interpretations of reality to suit their needs (Wood 2015). To this end, Wilder and Howlett (2014: 194) usefully employ the term ‘gatekeeper’ to designate the policy actors that adapt evidence, either positively or negatively, to conform to political preferences, and amend existing solution sets or complement cognitive schemas. Such gatekeepers enjoy significant ‘power over ideas’ in that they may frame what may be considered an anomaly (think banks being ‘too big to fail’) as possible to handle within the existing paradigm (think regulation on ‘systemic risk,’ ‘living wills,’ or the need for a Banking Union to make the single currency work).

Second, “power through ideas” refers to the capacity of actors to convince other actors to accept and adopt their views of what to think and do through the use of ideational elements (Carstensen and Schmidt 2016). Persuasion is clearly central to this form of ideational power. Rather than viewing power as making someone do what they would otherwise not have done based on force, threats, institutional position, or material resources, the ideational power actors exert is based on their capacity to induce other actors to do something through reasoning or argument. This form of power relates both to the efforts of elites to convince each other about the appropriateness of certain programmatic ideas – effected through the use of coordinative discourse, and perhaps enhanced by actors’ ability to accumulate authority from combining knowledge from different kinds of policy areas (Seabrooke 2014), as well as the communication that goes on between elite and the mass population, what Schmidt (2002) referred to as communicative discourse. In both cases, the exercise of power is strategic. That is, although actors are dependent on the paradigm they seek to support, the selection of symbols and rhetoric is a “deliberate activity because framers are acutely aware that a frame that fits the prevailing public mood is important in generating support for policy proposals” (Campbell 1998, p. 397).

Equally, if actors are seeking to promote the rise of a new paradigm, this requires a perception of crisis in the existing paradigm, which turns on the ability of actors to develop and communicate a convincing crisis narrative that explains what went wrong and how things can be fixed (Blyth 2002; Matthijs 2011). In terms of intra-paradigm ideational change, power through ideas may work to shift the relative weight of ideas within the paradigm. This could be done during ‘normal’ times, by justifying a growing state sector to correct for market failures or by reframing state ‘spending’ as state ‘investment.’ During periods of crisis, ‘saving the economy’ may require either a short-term boost in demand or longer-term supply-side measures. This will depend on whether the crisis is constructed as a crisis of ‘too little growth’ or one of ‘too much debt.’ We may likewise imagine that proponents of the reigning paradigm are able to attach a new idea to the paradigm by constructing it as a necessary answer to building anomalies in the system, as Brown’s New Labour did in the early 2000s to use state action to increase productivity, or Osborne’s Tories increased the powers of the Bank of England to more effectively regulate the country’s banking sector.

Third, and finally, ideational power manifests itself as *power in ideas*, which refers to the popular authority certain ideas enjoy in structuring thought at the expense of other ideas (Carstensen and Schmidt, 2016). This power works through background ideational processes – constituted by systems of knowledge, discursive practices and institutional setups – that in important ways affect which ideas enjoy authority at the expense of other ideas that may have been largely discredited or have gone out of fashion, like for example communism as an economic system or authoritarianism as a political system for effective government.

One way to think about this kind of authority of ideas at the expense of others is in terms of the power of public philosophies (Schmidt, 2008), public sentiments (Campbell, 1998), or national economic traditions such as *ordoliberalism* in Germany (Matthijs 2016) or industrial policy in France (Clift 2012), that form the background of policy making processes. That is, while the other forms of ideational power are focused more directly on the interaction going on between elite ideational agents, *power in ideas* concerns the deeper-level ideational and institutional structures that actors draw upon and relate their ideas to in order for them to gain recognition among both elites as well as the

mass public. For example, George Osborne deftly used the financial chaos surrounding the Greek bailout in May 2010 to warn the country's elites and broader electorate that if Britain continued 'Labour's profligate ways,' it would eventually end in a similar Greek tragedy like the one playing out on the streets of Athens at the time.

Power in ideas also affects how actors are able to exert power over ideas. That is, if over time certain sets of ideas become so firmly entrenched that they become part of the public philosophy of a polity (Schmidt 2016), it may enhance the ability of actors to maintain and defend their ideational authority. However, deep-seated ideational structures may also work as a resource for actors seeking to challenge the reigning interpretation of the idea, that may – if successful – force the government to focus on other issues, leading to a shift in relative weight of ideas within ideas, or, alternatively, the government may seek to appease its critics by taking on opposition ideas, and in this way potentially over time adding it to the existing policy paradigm.

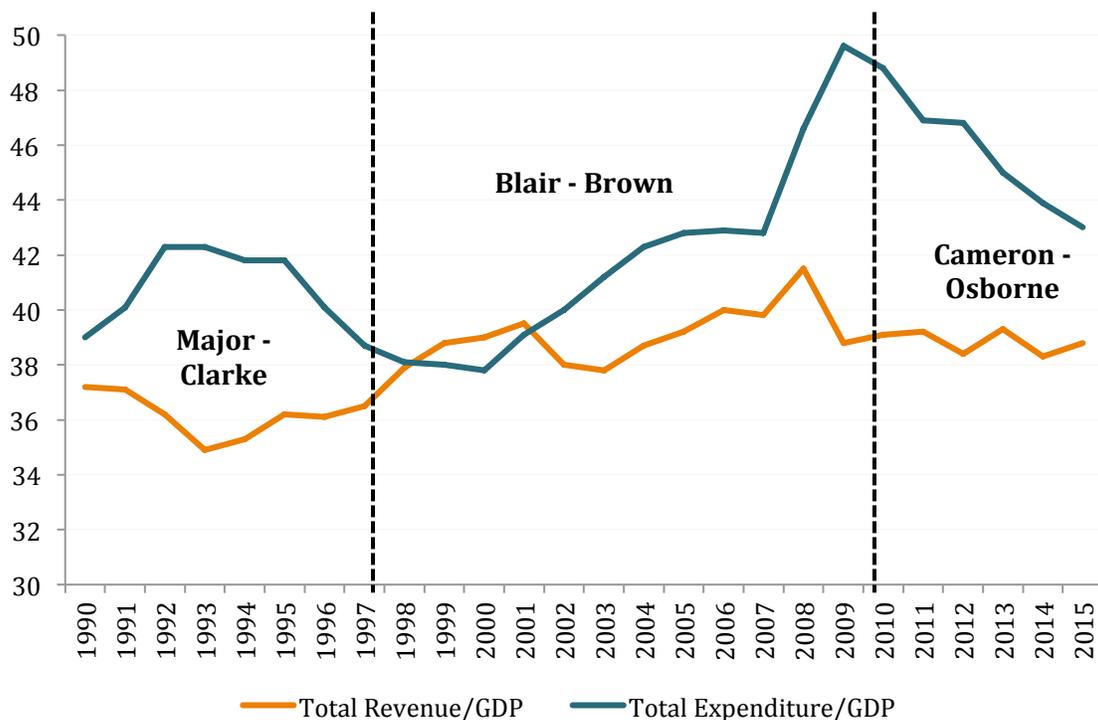
### **“Varieties of Neoliberalism:” Ideational Power in British Economic Policymaking**

Since Margaret Thatcher swept to power in May 1979, the neoliberal paradigm has reigned supreme over UK economic policymaking. The main goal of macroeconomic policy has been to keep inflation – rather than unemployment – low. A high level of employment was achieved through microeconomic policies, such as labor market deregulation, while faster growth stemmed from supply-side policies aimed to increase the long-term potential of the UK economy, including the privatization of state owned enterprises, product market deregulation, financial market liberalization, and free trade (Matthijs 2011, p. 122). Over the course of the 1980s, there was plenty of learning and experimenting with various policy ‘settings’ (targeting the money supply, interest rates, or the exchange rate) and different policy ‘instruments’ (monetary, fiscal, trade, and labor market policy), but the neoliberal paradigm was always guiding the overall economic policy framework (Hall 1993).

However, while the policies of the three Thatcher governments from 1979 to 1990 were remarkably consistent in their policy approach, subsequent governments – led by John Major, Tony Blair, Gordon Brown, and David Cameron – would use their ideational power to mold the neoliberal paradigm to their own image and beliefs. While the main

goal of British macroeconomic policy, i.e. price stability, was never questioned, their ideas as to *the role of the state in the economy* as well as the *overall size of the state* (as shown in figure 4 below) would be significantly different. This ideational change did not manifest itself purely on the level of Hall’s ‘settings’ (1<sup>st</sup> order change) or ‘instruments’ (2<sup>nd</sup> order change), but somewhere between those two levels and the level of the actual ‘goals’ of the paradigm (3<sup>rd</sup> order change). We could refer to them as the ‘secondary’ goals – after price stability was achieved – of what the main characteristics of the British economy should be, and which actual outcomes should be prioritized.

Figure 4: UK Government Expenditures and Revenues (% of GDP)



Source: European Commission (2016), Ameco Database.

The size of the state in Britain’s economy (figure 4), as measured in total expenditure as a percentage of GDP, varied substantially over time. While Major kept the size of the state at roughly 39 percent (expenditures went up to 42 percent after the recession of 1990-92, but were brought down again), Tony Blair and Gordon Brown increased the size of the state during the boom to reach 43 percent in 2007, culminating in a post-global financial

crisis recessionary peak of 49.6 percent in 2009. David Cameron and George Osborne then set out on a path of fiscal austerity, which would reduce the size of the British state from 48.8 percent in 2010 to 43 percent in 2015, with a 2015 Tory manifesto goal to reduce it to just 38 percent by 2020.<sup>1</sup> But as we will show, ideational power will not just affect the overall size of the state but also the role of the state in the British economy.

### ***Intra-Paradigm Ideational Change from Major to Blair and Brown (1990-2007)***

When John Major took over the reins of 10 Downing Street from Margaret Thatcher, it was clear that his two governments (1990-92 and 1992-97) would make a conscious effort to consolidate the neoliberal paradigm, while at the same time start to shave off some of the sharp edges of Thatcherism. In the meantime, Labour went through its own ideational conversion after its fourth consecutive general election defeat in 1992, becoming a full-fledged convert of neoliberalism. Though the party's change of ideas on economic policy was initially embedded within "Third Way" thinking, they actively embraced the core tenets of neoliberalism. Once in office, though, they would promote a growing and 'enabling' state in order to achieve certain outcomes, including lower levels of poverty and inequality, and significantly improved results in health and education.

### ***Thatcherism with a Human Face (1990-1997)***

The Conservative Party's 1992 general election victory on the back of a steep recession proved to be crucial for the evolution of economic policymaking in Britain. With 41.9 percent of the vote, John Major's Tories were reelected with an absolute though much diminished majority in the House of Commons and set out to complete the Thatcher revolution with further privatizations and continued deregulation. After the Black Wednesday debacle in September 1992, which saw the pound sterling forced out of the European Exchange Rate Mechanism (ERM), the British economy began its longest sustained period of growth ever. Low interest rates spurred investment, a weaker pound fueled exports, and newly appointed Chancellor Kenneth Clarke's policy of tight spending control brought back business confidence. This led to five years of economic

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<sup>1</sup> Of course, Osborne's plans were derailed after the June 2016 "Brexit" vote, which saw his sacking from the cabinet, and meant the end of fiscal austerity as the new chancellor, Philip Hammond, was expected to increase spending to deal with a pending recession.

growth between 1992 and 1997, with the fruits of the new income spread more widely as the steep rise in income inequality during the 1980s came to a halt in the 1990s.

With Michael Heseltine at the Department of Trade and Industry, and later as Deputy Prime Minister under Major, the Conservative government even started to move away from its rhetoric of raw free market capitalism, by bringing back the possibility of a more activist industrial policy to help reverse the decline in manufacturing. Heseltine made space within the existing paradigm for the old idea of more actively intervening, by famously promising to “intervene before breakfast, lunch, and tea” with a relentless focus on UK global competitiveness. Rather than picking winners, the many White Papers that were published under Heseltine focused on correcting market failures, including for example to reap the positive externalities and spillovers from public investment in R&D.

But as Major’s Tories were making space within the paradigm for new ideas, the Labour Party fully embraced a pure and Thatcherite version of neoliberalism after Blair became its leader in 1994, and Brown was given quasi monopoly power over the party’s economic policy. In their 1997 election manifesto, though Labour promised to pursue a third way policy “that differs from the old left and the Conservative right,” in effect they accepted the neoliberal paradigm.<sup>2</sup> Brown promised to pursue price stability as his main goal, and pledged not to veer away from Ken Clarke’s tax and spend policies for the first two years if New Labour was elected to form a new government. Blair and Brown were convinced that four consecutive electoral defeats at the hands of the Tories was because of the old left’s loss of control over the economic narrative, which was no longer persuasive to either policy elites or the general public.

By fully co-opting the Tory ideas on economic policy, they in effect fought the last war, as by 1997 it was clear that New Labour would have been elected no matter what, and did not have to sacrifice all their other social democratic goals at the neoliberal altar. Even the Conservatives under Major had already slowly moved towards more activist government intervention, and no longer took a dogmatic view of the virtues of a minimal state and privatization as the cure for all the government’s ills.<sup>3</sup>

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<sup>2</sup> Labour Party Manifesto (1997), “New Labour because Britain Deserves Better.” Available at: <http://www.politicsresources.net/area/uk/man/lab97.htm>

<sup>3</sup> Including a significant spending increase in professional sports, which would pay off later as Britain ended 2<sup>nd</sup> and 3<sup>rd</sup> in the medal count during the Olympics in London (2012) and Rio (2016) respectively.

*Prudence for a Purpose and the Third Way (1997-2007)*

Once New Labour was in power, they would make good on their promise and further cement the neoliberal consensus, even though they explained the Treasury's first moves as 'prudence for a purpose' (Keegan 2004, our emphasis). A mere five days after being elected into office, Chancellor of the Exchequer Gordon Brown took the financial world by surprise by announcing the formal independence of the Bank of England (BoE). While this was hailed at the time as a stroke of genius, what it did was to institutionalize once and for all low inflation as the primary goal of monetary policy. The BoE would define price stability as within a one-percent symmetrical band of a 2 percent target. Brown also kept his promise to continue with the Tories' fiscal spending plans, creating what he called a "platform of stability" (Matthijs 2011, p. 165). He introduced a fiscal "golden rule" which committed the government to only borrow to invest (and not fund current expenditure) and to maintain a budgetary balance over the business cycle. This resulted in budget surpluses in 1999, 2000, and 2001, allowing New Labour to pay down the national debt, and reduce the debt-to-GDP ratio from 48.7 percent in 1997 to 37.1 percent by 2002.<sup>4</sup> Until Blair's reelection in 2001, there was basically zero ideational change from the Major years. Quite the contrary, the neoliberal paradigm had in effect reversed back to a pure version of Thatcherism. By 2001, the New Labour government "was actually managing to spend less on core public services as a percentage of GDP than the much derided government of John Major" (Gamble 2005, p. 435).

Ideational change would come in Blair's second term as the whole idea of the 'Third Way' would prove itself to be rather less vapid than many critics believed at the time (Hay 1999; Heffernan 2001). Often dismissed as a mere electoral strategy of 'triangulation' and a clever tacking towards the center, or a new politics to bring the government closer to the people, Third Way thinking was given shape as a policy agenda. The Third Way combined economic efficiency with social justice during Blair's second and third terms in office, and was given more coherence over time.<sup>5</sup> Gordon Brown's main objective was to fight for social justice and against widening income inequality by

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<sup>4</sup> Eurostat (2016)

<sup>5</sup> Brown would have continued with this agenda as Prime Minister from 2007 onwards, but instead most of his administration's energy was spent fighting the global financial crisis.

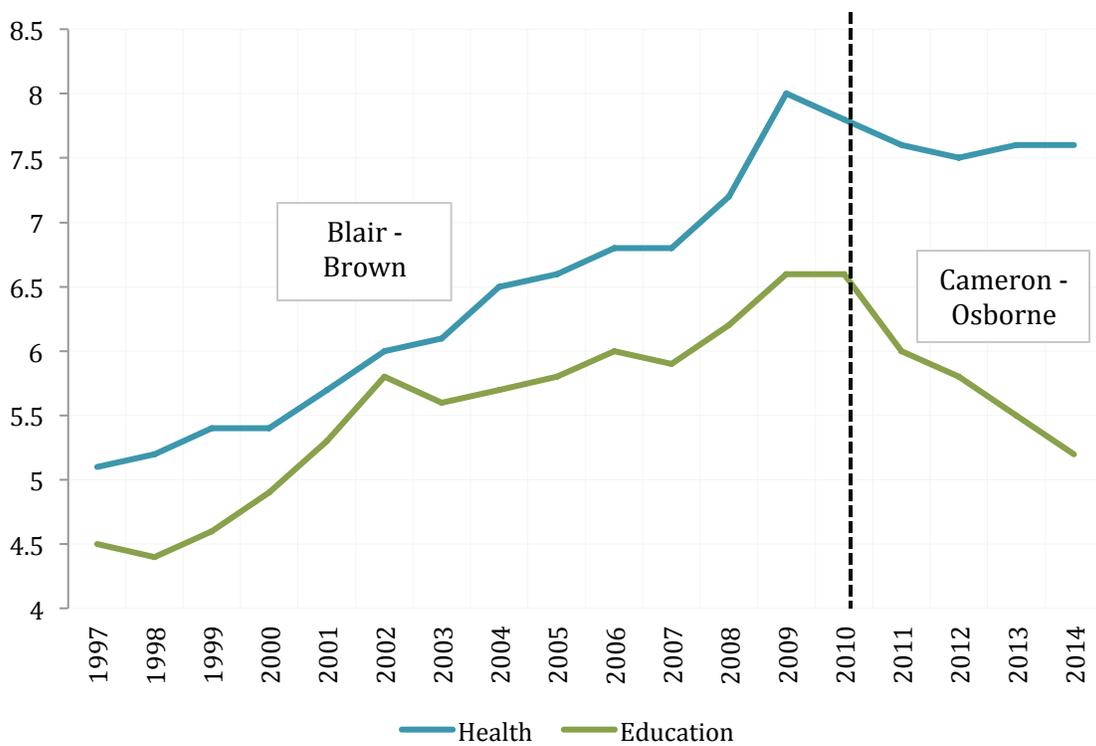
gradually pushing British welfare standards closer towards the levels of provision enjoyed by the citizens in continental European welfare states (Gamble 2005). Back in the 1990s, prodded by his economic adviser Ed Balls, Brown got his inspiration from new developments in institutional economics, especially from endogenous growth theory, which put an ‘enabling state’ back at the center of the equation, by allowing an important role for government to achieve a highly productive labor force by sustaining investment in areas such as health, education, public infrastructure, and research and development (Matthijs 2011, p. 159). The endogenous growth literature was situated well within the neoclassical economic tradition, far away from any neo-Keynesian or Marxist influences.

In a direct challenge to the Thatcherite neoliberal paradigm on tax and spend, however, Blair and Brown set out to expand the size of government during the 2002 spending review, by announcing an annual increase of 8.6 percent in health and 5.2 percent in education, to be paid for by a hike in national insurance contributions. While Blair and Brown had been very reluctant back in 1997 to raise taxes, by 2002 they had come to believe that the British people were willing to pay more in taxes as long as they could see where the money was going (Seldon 2005, p. 418). Figure 5 illustrates how health spending steadily rose during New Labour’s time in office, from a measly 5.4 percent of GDP in 2000 to a high of 8 percent of GDP in 2009, with public spending on education increasing from a low point of 4.4 percent of GDP in 1998 to 6.6 percent of GDP in 2009. Also, median equivalized net income rose from £11,558 in 1996 to £18,778 in 2007, or the ten years Blair was Prime Minister (Eurostat 2016).

While resources for Britain’s National Health Service (NHS) and school system were dramatically increased under New Labour, progress was also made from 2001 onwards in the areas of child and pensioner poverty, while income inequality stopped widening. Brown was a much more ‘activist’ chancellor between 2001 and 2007 than Clarke had been between 1992 and 1997, constantly tinkering with the tax code to improve social indicators and standards of living for workers. One indicator of this change is the reversal of labor’s overall compensation as a percentage of total income after it came to power. Labor’s share of national income peaked in Britain in 1975 at 63.4 percent of GDP, and steadily fell to an all-time low of 48.5 percent in 1996. By 2009, it was back at 53.5 percent (Ameco 2016). Neoliberalism had not been replaced under New

Labour by a new paradigm, but it had morphed into something very different from the Thatcher or Major years. Showing the powerful appeal of New Labour’s narrative across political elites, the Tories matched Labour’s spending targets during the 2005 elections, just like New Labour had matched the Conservatives’ fiscal plans in 1997.<sup>6</sup> But the voters did not trust the Tories and voted Labour back into office for an unprecedented third consecutive term. This happened despite Blair’s growing unpopularity after the Iraq war fiasco of 2003, and therefore underlined the mass appeal of New Labour’s ideas.

Figure 5: UK Government Expenditure on Health & Education (% of GDP) ('97-'14)



Source: Eurostat (2016)

***Ideational Change from Brown to Cameron and Osborne (2007-2016)***

By June 2007, Gordon Brown took over as Prime Minister from Tony Blair, and most of his time in office would be spent dealing with the fallout of the US subprime mortgage crisis and ensuing global financial meltdown until he was voted out of office in May

<sup>6</sup> Conservative Party Manifesto (2005), “Are You Thinking What We’re Thinking? It’s Time for Action” Available at: [http://news.bbc.co.uk/2/shared/bsp/hi/pdfs/11\\_04\\_05\\_conservative\\_manifesto.pdf](http://news.bbc.co.uk/2/shared/bsp/hi/pdfs/11_04_05_conservative_manifesto.pdf)

2010. While Brown had embraced Keynesian tools to boost demand during the 2009 recession, and all fiscal prudence had gone out of the window, the episode proved to be a brief flirtation rather than a full-blown embrace of a new paradigm. Furthermore, though there were efforts to rein in some of the most egregious excesses of the City of London, they did not amount to a rejection of Britain's "Anglo-liberal growth model" that remained heavily dependent on the financial sector (Hay 2011b, p. 241). During the 2010 general election, David Cameron's Conservative Party managed to frame the crisis narrative successfully as a crisis of excessive debt rather than a crisis of deficient growth. New Tory Chancellor of the Exchequer George Osborne steered the battered neoliberal paradigm back from 'tax and spend' towards fiscal austerity and deficit reduction, with cuts in public spending on a scale unprecedented in modern times. The overall goal of Osborne was to reduce the size of the state in the British economy back to the level of the mid-1990s, i.e. from close to 50 in 2009 back to 38 percent (Johnson and Chandler 2015).

*Brown's Inter-Paradigm Borrowing: The Brief Return of Keynes (2007-2010)*

The advent of the global financial crisis saw swift action on the part of Prime Minister Brown and his Chancellor Alistair Darling. In October 2008, they announced a large rescue package for the country's banking sector amounting to a whopping 28 percent of Britain's GDP. The Bank of England cut interest rates from 3 percent in November 2008 to 0.5 percent by February 2009, the lowest rate in the Bank's over 300 years existence. A large fiscal stimulus – coordinated personally by Gordon Brown on a global level during the G-20 meetings in London during the spring of 2009 – ensued, including a £2.3 billion package to rescue the ailing automotive industry, as the Bank of England moved from rate cuts to consecutive rounds of quantitative easing. In a further move away from the neoliberal paradigm, Darling announced an income tax increase for incomes higher than £150,000 from 40 to 50 percent, as well as an additional 'supertax' on bankers' bonuses above £250,000 (Matthijs 2011, p. 194). The latter was a far cry from New Labour's earnest commitment in 1997 that there would be "no increase in the basic or top rates of income tax."<sup>7</sup>

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<sup>7</sup> Labour Party Manifesto (1997).

But rather than using the global financial crisis as evidence of the culmination of a long building up of anomalies within the neoliberal paradigm, Brown's temporary turn to Keynesian tools amounted to a brief spell of what Colin Hay has called "inter-paradigm borrowing," used to rehabilitate the existing growth model (Hay 2011b, p. 253). In effect, Brown and Darling managed to stabilize rather than supplant the neoliberal paradigm. It would however signify the end of the Third Way 'variant' of neoliberalism, as British government debt increased in just three years from 43.7 percent in 2007 to 78.4 percent in 2010. The focus of economic policy switched from combining efficiency with social justice through a growing and enabling state, to reducing the fiscal deficit and restoring confidence in markets through measures of austerity and a shrinking state apparatus. This shift would come into clear focus during the general election campaign in the spring of 2010, when the Tories' power over the narrative – 'Gordon Brown's recession,' 'New Labour's irresponsible spending,' 'avoiding a Greek scenario' and a 'crisis of debt' – took hold. Cameron and Osborne managed to persuade both British elites and general public of the need to shift the neoliberal paradigm towards austerity and smaller state.

*Cameron and Osborne's Austere Variant of Neoliberalism (2010-2016)*

The election manifestos of Labour and Conservative parties were noticeably different in 2010. Gordon Brown and Labour focused on 'growth' and 'living standards' in the first two chapters of their manifesto under the heading 'rebuilding our economy.'<sup>8</sup> While they admitted that tough choices needed to be made over the next parliament, they were careful to frame the crisis as one of deficient growth. Brown promised not to put the recovery at risk by "reckless cuts to public spending," but instead pledged to more than halve the deficit by 2014 through "economic growth, fair taxes, and cuts to lower priority spending."<sup>9</sup> David Cameron and the Tories tellingly started their manifesto with a section on "get the economy moving" with the following words: "Gordon Brown's debt, waste and taxes have wrecked the economy and threaten to kill the recovery."<sup>10</sup> The emphasis of the Conservative manifesto was on ensuring macroeconomic stability, promising

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<sup>8</sup> Labour Party (2010), "Labour Party Manifesto 2010: A Future Fair for All." Available at: [http://www.cpa.org.uk/cpa\\_documents/TheLabourPartyManifesto-2010.pdf](http://www.cpa.org.uk/cpa_documents/TheLabourPartyManifesto-2010.pdf)

<sup>9</sup> Ibid., p. 1:2.

<sup>10</sup> Conservative Party (2010), "Invitation to join the government of Britain." Available at: <https://www.conservatives.com/~media/Files/Manifesto2010>

urgent action to reduce debt if elected and “eliminate the bulk of the structural deficit” over their first term in office. The Tories also proposed to set up an independent Office for Budget Responsibility (OBR) to “restore trust in the government’s ability to manage the public finances.”<sup>11</sup> In other words, Brown’s Labour framed the crisis as one of too little growth while Cameron’s Conservatives’ crisis narrative was one of too much debt.

The 2010 election saw the Conservative Party win 36.1 percent of the overall vote (a gain of 3.7 percent compared to 2005) and 306 seats (a gain of 97), while Labour lost 6.2 percent of its 2005 vote share to poll just 29 percent and 258 seats (a loss of 91). A hung parliament was overcome when Cameron’s Tories formed a coalition government with Nick Clegg’s Liberal Democrats, which with 23 percent of the vote only had 57 seats due to Britain’s first-past-the-post electoral system. Given the Tories’ relative weight in the coalition, they would be able to push through the bulk of their economic ideas, with George Osborne as Chancellor. Indeed, as observed by Johnson and Chandler (2015, p. 167), “in the list of contents in the coalition’s programme for government there [was] no heading for ‘growth’ or ‘the economy’ – just ‘deficit reduction.’” This captured in succinct terms the direction of economic policy making for the next five years.

While the Bank of England continued its ultra loose monetary policy, George Osborne set out to shrink the size of the British state, starting with an ‘emergency’ budget in June 2010, which outlined his plans to consolidate the public spending to the tune of 7 percent of GDP, with roughly three quarters of this coming from spending cuts and one quarter from new revenue, including a hike in VAT (Johnson and Chandler, p. 168-69). While the NHS, schools and foreign aid were largely protected from the cuts, unprotected departments saw a cumulative cut of 17 percent over the course of the parliament between 2010 and 2015 (Johnson and Chandler, p. 176). Figure 1 shows how total expenditure as a percentage of GDP fell from 48.8 percent in 2010 to 43 percent by 2015. The main trouble for Osborne, however, was that his drastic austerity cuts put a damper on growth, explaining why total revenue as a percentage of GDP remained stagnant between 39.1 percent in 2010 and 38.8 percent in 2015. This meant that the budget deficit, though reduced dramatically from 9.7 percent of GDP in 2010, remained high at 4.4 percent in 2015, and was a long way off from being eliminated, as promised.

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<sup>11</sup> Ibid., p. 7.

The independent Office of Budget Responsibility (OBR) was duly created immediately after David Cameron became Prime Minister, and would quickly become an integral part of the new austerity consensus, as Labour's shadow chancellor Ed Balls "was calling for its powers to be significantly extended to enable it to cost the policies put forward by the major parties in their general election manifestos" (Johnson and Chandler, p. 164). Indeed, by the 2015 general election, Labour's new leader Ed Miliband promised to match the Tories' proposed spending plans for 2015-16, even though this meant a different distribution of the actual cuts. The 2015 Labour manifesto started with a "Budget Responsibility Lock" promising that every new policy would be paid for and would not result in additional borrowing.

With Cameron and the Conservatives returning to Downing Street in May 2015 with an absolute majority, this new and austere variant of neoliberalism would be cemented in the corridors of Whitehall as Osborne continued with his plans for further fiscal consolidation and a new round of spending cuts. However, the shock referendum result of June 2016 in which the British people voted to leave the European Union led to the premature ouster of Cameron and Osborne, and their replacement by Theresa May and Philip Hammond in Downing Street 10 and 11 respectively. While a new Keynesian spell is likely to deal with the 'chilling effect' of the Brexit vote, and there is once again renewed enthusiasm for industrial policy, the neoliberal paradigm is unlikely to be challenged, though it may well herald the beginning of yet another, less austere variant, as the economic policy ideas of May and Hammond are gradually put into place.

### **Conclusion: Of Paradigms and Power**

Conceptualizing ideational power has important implications for how we think about policy paradigms and why they can persist for long periods of time. First, bringing ideational power into the equation points us towards the importance of authority. Where Hall (1993) created an analytical split between the Bayesian quasi automatic loss of authority following the onslaught of policy anomalies, and the constructivist sociological contests for authority between incommensurate policy paradigms, a perspective on ideational power instead puts the emphasis squarely on the constructivist battle of ideas, as shown in the evolution of ideas within the neoliberal paradigm in Britain since

Thatcher left office in 1990. This aligns with Blyth's (2013, p. 204) point that coalitions of policy actors "may both 'power and puzzle,' but successful ones authoritatively dictate what a puzzle is and how power should be applied to solve it."

The question then becomes: how are certain paradigms identified by policy actors as being incommensurate and what kind of material and non-material resources are policy actors able to muster in the fight over who has the authority to make such a call and have it accepted? When is something considered an anomaly and when are the opinions of experts considered controversial? Why are actors able to resist the interpretation of their paradigm as failing while keeping alternative paradigms off the table? A focus on ideational power opens up the question of how actors perceive paradigms and their ability to solve problems, and it connects the question to relations of power – during as well as outside periods of crisis – rather than to the rational effects of experience and information updating.

Second, by analytically granting actors the ability to think outside and strategically about the policy paradigm they support, bringing in ideational power opens up the possibility for gradual, but significant, change within paradigms. As noted, a Kuhnian understanding of paradigms has the effect of disposing the paradigm approach for only acknowledging punctuated equilibriums, but if we open up the possibility that actors are able and willing to significantly adjust or 'mold' a paradigm, for example in the effort to broker between coalitions of actors, or in adjusting it to unforeseen consequences, the approach is better able to detect significant gradual change either over long periods of time, or following a crisis. The ideational power of policy actors is important in this context, since it helps account for the cases where actors have had to defend the status quo by acknowledging competing ideas and discourses.

Finally, the agency-orientation of our understanding of ideational power should be distinguished from the structural theories of theoretical dominance inherent in Hall's paradigm approach. In this paper, we have emphasized actors' abilities to stand outside and engage critically with the ideas they hold and promote. This follows from the distinction between ideational power at the subjective and inter-subjective level implied by the inclusion of *power through ideas* as central for understanding processes of paradigmatic change. In such a perspective, ideas are not thought of as internalized or

‘contained’ in the minds of actors, but instead as a resource – a toolkit and not a coherent system – that exists between and not inside the minds of actors, and the use of ideas thus demands some creativity and critical faculty of the actor (Carstensen 2011b), at times enabling him or her to ‘buck the system’ (Widmaier et al., 2007). From this perspective, ideas do indeed become powerful when they are taken for granted (Baumgartner, 2014: 476), but here ‘taken for granted’ does not mean that the ideas have become internalized. Instead it means that an inter-subjective consensus has arisen – a consensus subject to challenge from competing coalitions and in need of continual ideational power wielding to remain stable and maintain the authority of its proponents.

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