RETHINKING THE ANGLO-AMERICAN ROAD TO NEOLIBERALISM: PUBLIC FINANCE AND WELFARE FROM THE GOLD STANDARD TO THE 2008 CRISIS AND BEYOND

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Abstract

This dissertation seeks to contribute to a new understanding of the American and British roads to neoliberalism. It develops a novel theoretical framework that combines Gramscian political economy with critical literature on the welfare state and social reproduction to provide a more integrated approach to the study of international and comparative political economy. This framework is applied to examine two interconnected themes in the developmental histories of the US and Britain that are typically studied independently.

First, this thesis explores the emergence of depoliticization as a model of liberal economic governance predicated on the insulation of economic policymaking from popular political contestation. Against a backdrop of uneven patterns of state formation and capitalist development, the origins of this approach to economic governance are traced in the US and Britain from the gold standard through the post-World War II period. I then examine its role in the emergence and consolidation of Anglo-American neoliberalism. Despite institutional variegation between the US and Britain, I argue that depoliticization has remained a cornerstone of macroeconomic governance in both countries since the late 1970s.

Second, this dissertation analyzes the political coalitions associated with the welfare state in each country, focusing on the social antagonisms and class divisions generated between the 'deserving' and 'undeserving' poor. I contend that the politics of anti-welfarism, and the historical blocs mobilized around welfare reform since the 1980s, have been deployed as a divide-and-rule hegemonic strategy to generate political support for Anglo-American neoliberalism. By examining these themes concurrently, this study offers an original analysis of how policies and practices that have eroded democratic control over economic policymaking in the US and Britain have nonetheless continued to generate popular political support.

Finally, this dissertation examines these themes amidst the re-emergence of crisis management, austerity, and welfare restructuring in the decade after the 2008 global financial crisis. It argues that both countries have experienced an ongoing crisis of social reproduction, which has contributed to an unfolding crisis of legitimacy within Anglo-American neoliberalism.

Key Words: Anglo-American political economy, neoliberalism, depoliticization, constitutionalism, macroeconomic policymaking, crisis, welfare state politics, democracy.

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List of Acronyms

ACA	Affordable Care Act
ACLU	American Civil Liberties Union
ADC	Aid to Dependent Children
AFDC	Aid to Families with Dependent Children
AMT	Alternative Minimum Tax
ARRA	American Recovery and Reinvestment Act
ASUPL	Authorized Under Prior Law
BBC	British Broadcasting Corporation
BEA	Budget Enforcement Act
BIS	Bank for International Settlements
BLS	Bureau of Labor Statistics
BRNA	Budget Responsibility and National Audit Act
CBO	Congressional Budget Office
CBS	Columbia Broadcasting System
CCDF	Child Care and Development Fund
CNBC	Consumer News and Business Channel
COLA	Cost of Living Adjustment
COVID	Coronavirus Disease of 2019
CPI	Consumer Price Index
CRS	Congressional Research Service
CTC	Child Tax Credit
DLC	Democratic Leadership Council
DSA	Democratic Socialists of America
DWP	Department for Work and Pensions
EEC	European Economic Community
EITC	Earned Income Tax Credit
EMU	Economic and Monetary Union
ERM	European Exchange Rate Mechanism
ESA	Employment and Support Allowance
EU	European Union
FAP	Family Assistance Plan
FDA	Food and Drug Administration
FDI	Foreign Direct Investment
FDR	Franklin Delano Roosevelt
FRA	Fiscal Responsibility Act
FY	Fiscal Year
GA	General Assistance
GBP	British Pound Sterling

GDP	Gross Domestic Product
HM	Her Majesty
IEA	Institute of Economic Affairs
IFS	Institute for Fiscal Studies
ILO	International Labour Organization
IMF	International Monetary Fund
IPE	International Political Economy
IR	International Relations
JSA	Job Seeker's Allowance
LIHEAP	Low Income Home Energy Assistance Program
MOE	Maintenance of Effort
MTFS	Medium Term Financial Strategy
MWP	Making Work Pay
NAFTA	North American Free Trade Agreement
NAIRU	Non-Accelerating Inflation Rate of Unemployment
NASBO	National Association of State Budget Officers
NHS	National Health Service
NICE	Non-Inflationary Constant Expansion
NRU	Natural Rate of Unemployment
NWRO	National Welfare Rights Organization
OBR	Office for Budget Responsibility
OBRA	Omnibus Budget Reconciliation Act
OECD	Organisation for Economic Coordination and Development
OMB	Office of Management and Budget
OPEC	Organization of the Petroleum Exporting Countries
PAYGO	Pay-As-You-Go
PCS	Public and Commercial Services
PFI	Private Finance Initiatives
PRWOA	Personal Responsibility and Work Opportunity Act
PSBR	Public Sector Borrowing Requirement
QE	Quantitative Easing
SNAP	Supplemental Nutritional Assistance Program
SRT	Social Reproduction Theory
SSA	Social Security Act
SSBG	Social Services Block Grant
SSI	Supplemental Security Income
TANF	Temporary Assistance to Needy Families
TARP	Troubled Asset Relief Program
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TUC	Trades Union Congress

UC	Universal Credit
UK	United Kingdom
UKIP	United Kingdom Independence Party
UN	United Nations
US	United States
USDA	United States Department of Agriculture
VAT	Value Added Tax
VoC	Varieties of Capitalism
WPA	Works Progress Administration

"The spirit of a people, its cultural level, its social structure, the deeds its policy may prepare—all this and more is written in its fiscal history, stripped of all phrases. He who knows how to listen to its message here discerns the thunder of world history more clearly than anywhere else."

Joseph Schumpeter (1917/1918), The Crisis of the Tax State.

Introduction

In late December 2017 and November 2018, the United Nations' special rapporteur on extreme poverty and human rights, Philip Alston, released the preliminary findings of two investigative reports on extreme poverty in the United States and the United Kingdom. The final reports, released in 2018 and 2019, were damning. After travelling through some of the most impoverished regions of the US, including California, Alabama, Georgia, Puerto Rico, West Virginia, and parts of Washington D.C., the US report detailed a "dramatic contrast between the immense wealth of the few and the squalor and deprivation in which vast numbers of Americans exist" (Alston, 2018, p. 4). In addition to the United States having over 40 million people living in poverty, the world's highest incarceration rate, the highest levels of youth poverty and lowest levels of voter registration in Organisation for Economic Cooperation and Development (OECD) countries, and the highest levels of income inequality amongst Western countries, the report described the resurgence of tropical diseases that were associated with extreme poverty and had typically been eradicated in wealthy countries (ibid). These findings were reported in the aftermath of the Trump administration's 2017 tax cuts and its budget proposal for the 2019 fiscal year, which outlined a radical vision for the recommodification of the US welfare state. These policy measures magnified the findings of the UN report. As Alston described, the recent tax cuts "overwhelmingly benefitted the wealthy and worsened inequality," while the planned welfare reforms seemed "deliberately designed to remove basic protections from the poorest" and would "essentially shred crucial dimensions of a safety net that is already full of holes" (Alston, 2018, p. 4). While the Trump administration dismissed Alston's report as "misleading and politically motivated," the report nonetheless distilled key features of an unfolding social crisis in the US (Pilkington, 2018).

The findings of Alston's 2019 UK report described strikingly similar conditions as in the US. Despite having the world's fifth largest economy, one fifth of the UK population lived in poverty, four million people lived more than 50 percent below the poverty line, and 1.5 million experienced destitutions in 2017 (Alston, 2019, p. 4). This was matched by a "shocking increase in the number of food banks and major increases in homelessness" and declining life expectancy for poorer segments of the population (ibid p. 4). The report identified a more concrete set of policies and practices, beginning largely in 2010, behind these trends in the UK. As the Coalition Government (2010-2015) between the Conservative and Liberal Democratic Party embraced austerity measures, the dramatic reconfiguration of the UK social security system, including the introduction of the Universal Credit system beginning in 2013, contributed to escalating social and economic dislocation. Alston (2019) described these reforms as a "punitive, mean-spirited and often callous approach apparently designed to impose a rigid order on the lives of those least capable of coping," likening them to a "sanitized version of the nineteenth century workhouse, made infamous by Charles Dickens" (p. 6). The release of the report elicited a similar response from government officials as was seen in the US. In the quagmire of the post-Brexit negotiations, officials at the Department for Work and Pensions dismissed the findings as "barely believable," while Chancellor of the Exchequer, Phillip Hammond, denied the existence of the poverty described in Alston's report (Davies, 2019).

The Alston reports provide a window into the unfolding social and political crises of Anglo-American neoliberalism emerging in the decade following the 2008 global financial crisis. A burgeoning literature has since sought to diagnose these crises in the aftermath of the political upheavals of the UK's June 2016 decision to leave the European Union and the presidential election of Donald Trump in November of 2016. Various analyses, spanning popular media and political science literature, have noted striking parallels in the political trajectories of the US and UK, especially since 2016. These political ruptures have been characterized as an authoritarian populist rebellion against neoliberalism (Brown, 2019), a revolt of those left behind by the forces of economic globalization (Streeck, 2017; Rodrik, 2018), or a rebuke of the technocratic foundations of policymaking (Kiely, 2018). Some of the most dramatic characterizations have described 2016 as the “end of the Anglo-American order” (Buruma, 2016).

This dissertation offers a comparative historical analysis of the origins, development, and contemporary trajectories of neoliberalism in the US and Britain that situates the social crises described above within longstanding patterns in the politics and political economy of each country. It does so by examining two interrelated themes that have conventionally been examined in isolation within literature on Anglo-American neoliberalism. First, I examine historical underpinnings and contemporary features of liberal economic governance in the US and Britain, focusing on the ways that control over key levers of macroeconomic policymaking, especially amidst crises, have been formally distanced from democratic control and popular political contestation. Second, I examine the political coalitions associated with the welfare state in each country. I focus on the social and class antagonisms that politicians and policymakers have sought to generate between the ‘deserving’ and ‘undeserving’ poor and examine how these conflicts reproduce political support for broader projects of economic restructuring and capitalist hegemony. I investigate these top-down and bottom-up dynamics concurrently, i.e., the elite forms of institutional restructuring that have sought to separate the ‘economic’ from the ‘political,’ as well as the forms of popular political support mobilized through the welfare state. In doing so, this dissertation provides a broader framework to explain the erosion of democratic control over economic policymaking in the US and Britain since the 1980s, as well as the ongoing forms of political support that Anglo-American neoliberalism has been able to generate.

This dissertation offers a methodologically holistic framework that builds on the insight that historical materialist analyses must study capitalism "from the bottom upwards, as well as the top downwards, in a dialectical appraisal of a given historical situation" (Gill, 1993, p. 25). It does so by advancing a novel theoretical framework that brings together approaches in Gramscian political economy, spanning international and comparative political economy, with critical literature on the welfare state and social reproduction. Methodologically, this dissertation contributes a long-run, comparative-historical analysis of the origins and development of neoliberalism in the US and Britain. This is intended both to provide historical context to assess continuities and discontinuities of liberal economic governance within the contemporary conjuncture, and to examine institutional and developmental similarities and differences in the American and British roads to neoliberalism.

Research Questions

This dissertation addresses the following research questions:

i) What practices of liberal macroeconomic policymaking have been deployed to manage political pressures associated with economic restructuring throughout the developmental histories of the US and Britain, particularly during moments of economic, political, or ideological crisis? How have these practices emerged and developed under neoliberalism in each country?

ii) What role have the political coalitions surrounding the welfare state played in the production and maintenance of authority and capitalist hegemony in each country, particularly since the late 1970s?

iii) What are the political, economic, and social consequences of the 2008 global financial crisis and the forms of crisis management adopted in its aftermath in the US and Britain? What are the implications of these post-crisis trajectories for the conditions of welfare and social reproduction and the political stability of neoliberalism in each country?

Outline of Arguments

In relation to the research questions informing this dissertation, I advance four central arguments regarding historical and contemporary features of the politics and political economy of the US and Britain. The first argument pertains to historical political economy. Despite institutional and political differences between each country, I contend that a similar model of liberal economic governance emerged within the US and Britain in the late 19th and early 20th centuries. This was predicated on the depoliticization of economic policymaking, a process by which ruling classes seek to "place at one remove the political character of decision-making" (Burnham, 2001, p. 128). Against a backdrop of variegated patterns of state formation and capitalist development, chapter 2 traces the development of this model of liberal economic governance in the US and Britain. From the era of the gold standard through the interwar period, I illustrate how ruling classes in each country sought to insulate levers of economic governance from the sphere of mass politics and institutionalize commitments to capital mobility and the deflationary adjustment mechanisms of the gold standard order. *My first central argument is that the depoliticization of economic policymaking has been a recurrent feature of economic governance throughout the developmental histories of Britain and the United States*. Despite substantial changes to global economic governance throughout the first half of the 20th century associated with the Great Depression, the Second World War, and the construction of the postwar Bretton Woods system (examined in chapter 3), depoliticization has remained a cornerstone of liberal macroeconomic governance that has continually been redeployed in each country, especially amidst crises.

This dissertation's second and third central arguments relate to the origins and development of Anglo-American neoliberalism throughout the post-1970s period. While there is an extensive critical literature on neoliberalism in Britain and the US (Hall, 1993; Gill, 1995; Peck, 2001; Prasad, 2006; Glyn, 2006; Harvey, 2007; Wacquant, 2009, 2010; Stedman-Jones, 2012; Davies, 2014; Dardot and Laval, 2017; Slobodian, 2018; Gerstle, 2022), this dissertation contributes to this literature by exploring the politics of two distinct yet overlapping areas of policy governance, macroeconomic policy and the welfare state. *My second central argument is that, despite institutional variegation and political differences between the US and Britain, a common pattern of depoliticizing macroeconomic policymaking has been a central, albeit incomplete and contested, feature of neoliberalism in both countries since the late 1970s.*

Chapters 4 and 5 trace the re-emergence of the depoliticization of economic policymaking from the 1970s through the 1990s. Following common understandings in the literature, I examine how neoliberalism in the US and Britain emerged from similar crisis conditions during the 1970s. More specifically, I analyze how an enduring feature of macroeconomic policymaking arose from attempts to resolve the ongoing 'fiscal crisis of the state' (O'Connor, 1973). Central to this approach was the deployment of a range of macroeconomic and budgetary measures intended to insulate policymaking from popular democratic pressures to resolve the 'fiscal crisis of the state' and restore financial market 'confidence.' While these themes have been explored in depth by critical literature (Burnham, 2001; Hay, 2007), my analysis adds to this literature in several ways. Critical and popular accounts of neoliberalism in the US and Britain often identify the electoral victories of Margaret Thatcher and Ronald Reagan as a defining moment of its historical emergence (Gamble, 1988; Harvey, 2007; Klein, 2007; Monbiot, 2016). However, as I seek to demonstrate in chapter 4, the first attempts to restore fiscal and social discipline through the market by depoliticizing macroeconomic policymaking emerged not from the political right but from the centre-left in the mid-1970s. Implemented at the behest of central bank and treasury officials, centrist political forces experimented with a range of crisis management policies that prefigured the political project and economic policymaking of the 'New Right' under the Thatcher and Reagan administrations.[1] While each country embraced a common pattern of depoliticization in relation to macroeconomic policymaking throughout the 1980s and 1990s, I also identify the institutional complexities and variegation of this Anglo-American trajectory. One central point of divergence that is underexamined in the literature, for example, is the differing fiscal trajectories of the US and Britain, which I explore in greater depth in chapter 4. Under the Reagan and Thatcher administrations, I illustrate how the US predominantly pursued a pattern of tax cuts whereas Britain adhered more closely to orthodox 'sound money' policies, reflecting the ongoing centrality of the 'City-Bank-Treasury nexus' within British developmental history and the institutional variegation of Anglo-American neoliberalism. Despite these institutional differences, I argue that both the Reagan and Thatcher administrations, and a broader historical bloc forged between neoliberal and conservative elements of the New Right throughout the 1970s and 1980s, contributed to a lasting ideological and political shift toward market discipline.

However, the return to market discipline and the depoliticization of economic policymaking in the US and Britain was not seamlessly imposed from above free from political contestation. In line with a growing literature that has illustrated the disjuncture between certain ideological

[1] The New Right refers to a constellation of ideologies and political forces that emerged in Britain, the United States, and other capitalist states in response to the economic and political crises of the 1970s and fused together both liberal and conservative elements (Gamble, 1988, pp. 28-60).

precepts associated with neoliberalism and the political and economic restructuring achieved under its aegis (Peck, 2010; Davies, 2014; Eagleton-Pierce and Knafo, 2020; Best, 2020; Clift, 2020), I contend that attempts to resolve the 'fiscal crisis of the state' were incomplete, uneven, and contested. Despite the Thatcher and Reagan administrations campaigning on the need to restore fiscal discipline, for example, as chapter 4 illustrates, the recessionary context of the 1980s and the deflationary central bank policies pursued under the guise of monetarism often inhibited a return to orthodox budget balancing and fiscal consolidation. Persistent federal budget deficits became an enduring feature of the political economy of the US for a variety of reasons, for example, ranging from the structural role of the dollar to the political popularity of tax cuts and the conservative 'starve the beast' strategy of the Reagan administration, which are explored in greater depth in chapter 4 (Prasad, 2018).

While the Thatcher and Reagan administrations contributed to a political realignment around core tenets of market discipline, it was not until the 1990s that the turn toward depoliticization in macroeconomic policymaking was solidified. As chapter 5 argues, it was under the aegis of new constitutionalism and a new macroeconomic consensus embraced by the 'Third Way' under Bill Clinton in the United States (1993-2001) and Tony Blair in the UK (1997-2007) that far-reaching reforms were institutionalized.[2] This included the implementation of far-reaching budgetary measures and technocratic reforms to macroeconomic governance, which were intended to resolve the ongoing fiscal crisis of the state and institutionalize commitments to price stability and fiscal

[2] The Third Way refers to a market-enhancing political project advanced by centrist and centre-left political parties primarily across North America and Europe beginning in the 1980s and 1990s. Third Way ideology sought to 'modernize' political parties away from the 'old' politics of organized labour and social movements of the 1960s and 1970s and disavow redistributive, Keynesian demand management, and economic planning policies tentatively associated with the postwar era to adapt to ostensible pressures associated with economic globalization (Giddens, 1998).

discipline. I argue that this contributed to an enduring political consensus of depoliticization in the US and Britain.

A central theme of this dissertation analyzes the top-down institutional reforms pursued under neoliberalism that have sought to depoliticize central levers of macroeconomic governance and insulate them from political contestation from below (Gill, 1998; Burnham, 2001; Brown, 2006; Streeck, 2014). However, as a growing literature has recognized (Hall, 1977, 1988; Seymour, 2014; Konings, 2016), neoliberal policies and practices have also continued to mobilize popular support, particularly in countries such as the US and Britain. Indeed, the political durability of market disciplinary policies in these countries cannot exclusively be ascribed to the arrogation of democratic politics by a narrow ruling class (Stanley, 2014; Konings, 2016, 2018). This dissertation seeks to explain an anomaly within critical literature: how is it that neoliberal economic policies and practices, which have contributed to escalating inequality (Piketty, 2013), socio-economic dislocation, and political disaffection (Mair, 2013), have nonetheless generated popular political support in the US and Britain? To examine this dilemma, I focus on the politics of the welfare state. *The third central argument of this dissertation is that the politics of anti-welfarism, and more specifically, the political coalitions and historical blocs mobilized around welfare reform beginning in the late 1970s and early 1980s, have played a central role in the organization of 'hegemonic projects' in the US and Britain*.[3]

While the modern origins of anti-welfarism in the US and Britain differ (see chapters 3 and 4), I contend that welfare state politics is crucial to understanding the trajectory of neoliberalism in both countries. Drawing on literature in Gramscian political economy (Hall, 1979, 1988; Jessop

[3] A hegemonic project "successfully links the realization of certain particular interests of subordinate social forces to the pursuit of a 'national-popular' programme which favours the long-term interests of the hegemonic force" (Jessop, 1990, p. 209).

et al., 1984, 1988; Jessop, 1990), I illustrate how the political coalitions surrounding anti-welfarism developed out of the crises of the 1970s. In its aftermath, the Thatcher and Reagan administrations, as part of a broader New Right political formation, were able to mobilize national-popular coalitions based in part on the stratification of 'deserving' and 'undeserving' social groups to flank their regressive and market disciplinary economic policies. Both administrations mobilized 'moralised antagonisms' (Jessop, 1990; Lavery, 2019) within the working class in opposition to the political coalitions underpinning the postwar welfare state order. As chapter 4 argues, while each administration was unable to realize the full-scale institutional retrenchment of the welfare state, introducing more gradual forms of marketization, 'Reaganism' and 'Thatcherism' nonetheless contributed to a realignment in the political, ideological, and class foundations of welfare state politics.

As chapter 4 illustrates, the greatest testament to this class and political-ideological realignment was the consummation of anti-welfarist politics under the 'Third Way' Clinton and Blair administrations. These governments affirmed the anti-welfarist politics of the 1980s, solidifying the turn toward a market disciplinary, work-based consensus on social policy, albeit in distinctive ways. While the Third Way differed ideologically and politically from the New Right, as chapter 5 argues, in the realm of social policy, both New Democratic and New Labour administrations upheld, and in some ways extended, disciplinary social policies, while also grounding them within more distributive, market-enhancing social policies. By rebuking the 'conventional' welfare state politics associated with New Deal and Great Society liberalism in the US and postwar social democracy in the UK, the Third Way contributed to the consolidation of neoliberalism (Hay, 1999; Ryner, 2003; Nunn, 2007; Geismer, 2022).

The fourth central argument of this dissertation pertains to the multifaceted political, economic, and social crises emerging within the model of neoliberal development of the US and Britain amidst the 2008 global financial crisis. *I argue that the revival of the politics of crisis management, austerity, and welfare restructuring in the US and Britain after 2008 further undermined conditions of social reproduction for poor and working classes, contributing to an ongoing crisis of legitimacy in both countries*. As chapter 6 argues, amidst the crisis conditions of 2008, policymakers and officials in both countries redeployed the political consensus surrounding new constitutionalism and depoliticization from the 1990s, seeking to externalize responsibility for implementing austerity measures. Rather than a neutral rebalancing of public finances, the trajectories of austerity were a distinctly class-based project, pursued in large part through the politics of welfare restructuring. Chapters 7 and 8 trace the revival of the politics of welfare reform in Britain and the US and the broader socio-political crises that followed. In Britain, I examine successive waves of welfare restructuring under the Coalition (2010-2015) and Conservative (2015-2019) governments, including the rollout of Universal Credit. In the US, I examine the return of the politics of welfare reform, which I argue emerged from the interstices of the Obama administration's attempts to orchestrate a Third Way 'Grand Bargain' on Social Security and the revival of the far right from the Tea Party to the rise of Trump. The trajectories of austerity and welfare restructuring throughout the 2010s differed in each country, however. While Britain experienced a more far-reaching transformation of its social security system and the onset of a prolonged period of stagnation and social crisis, federal welfare restructuring was more elusive in the US. Notwithstanding these differences, I contend that both countries experienced an ongoing crisis of social reproduction characterized by social and economic dislocation amongst growing ranks of poor and working-class populations associated with the restructuring of welfare and social security. I further argue that these trajectories of welfare restructuring, and post-crisis austerity more broadly, contributed to a burgeoning crisis of legitimacy in both countries, which manifested in a series of political upheavals as seen in the June 2016 vote to leave the European Union in the UK, and the November 2016 election of Donald Trump in the US.

This dissertation does not attempt to examine all the contours and determinants of these political upheavals in 2016. Rather, I suggest that by situating them within more longstanding patterns of depoliticization and welfare restructuring, they can be understood as part of a more deeply rooted ‘organic crisis’ (Gill, 2012; Jessop, 2017). This crisis has been characterized by a reorganization of social and political forces on the social-democratic left and authoritarian populist right in both countries, which have sought to challenge and repoliticize several features of technocratic economic policymaking and welfare restructuring. Rather than marking a clear break with established policies and practices of neoliberalism, I argue that these upheavals are better characterized as marking an interregnum in the politics of each country (Gill, 2012; Stahl, 2019; Babic, 2020), comprising elements of continuity and discontinuity.

Theoretical Framework and Methodology

My methodological approach is partly informed by French historian Fernand Braudel’s (1980) understandings of historical time and Italian Marxist Antonio Gramsci’s (1971) distinction between the “organic” and the “conjunctural” in historical situations. More specifically, my approach is rooted within Braudel’s (1980) delineation of three different ‘speeds’ of historical time. Amongst these are individual or journalistic time (*l’histoire événementielle*), the study of short-run events that fluctuate on a daily basis and are typically the subject of political histories; conjunctural time, which examine intermediate cycles of economic and social history that span decades (*l'histoire conjoncturelle*); and finally, long-run patterns of historical time often spanning centuries, comprising historical structures that “stand as limits…beyond which man and his experience cannot go” (*la longue durée*) (Braudel, 1980, pp. 27-31). While Braudel noted that these time spans were overlapping and interdependent, his analysis sought to shift historical analysis from event-based political history toward the study of long-run patterns of historical continuity and change. This methodological framework informs the historical approach of key chapters of this dissertation, which trace the modern foundations of liberal economic governance back to the era of the gold standard in Britain and the US.

This dissertation also draws upon Gramsci’s (1971) historical materialist methodology of the relation between the structure and superstructure of capitalist society. In his analysis of the relations of force, Gramsci distinguishes between ‘organic’ and ‘conjunctural’ movements amidst crises. Organic movements are relatively permanent features of politics and society that “give rise to socio-historical criticism, whose subject is wider social groupings,” while conjunctural movements are fleeting political “groups and personalities” with little “far-reaching historical significance” (1971, p. 399). Overlooking these distinctions in historical and political analysis, according to Gramsci (1971),

> consists in an inability to find the correct relation between what is organic and what is conjunctural. This leads to presenting causes as immediately operative…or to asserting that the immediate causes are the only effective ones. In the first case there is an excess of “economism” …in the second, an excess of “ideologism”. In the first case there is an overestimation of mechanical causes, in the second an exaggeration of the voluntarist and individual element (p. 401).

For Gramsci (1971), these distinctions were increasingly important to consider during moments of crisis in which broader contradictions in capitalist society revealed themselves and contending social and political forces struggled to conserve, defend, and overcome them.

With these considerations in mind, this dissertation examines both the *longue durée* of Anglo-American liberal economic governance (chapters 2-3) and historical conjunctures examined in Gramscian literature (Hall et al., 1978; Hall, 1988). Conjunctural analysis, which is associated with the study of crises that expose the relations of force in a given society and condense its social, political, and ideological contradictions, informs this dissertation's analysis of the comparative historical trajectories of Anglo-American neoliberalism (chapters 4-8). [4] More specifically, chapter 4 draws on Gramscian analyses of the crisis of hegemony in the postwar order in the 1970s and debates surrounding the nature of Thatcherism to examine the comparative trajectories of neoliberalism in the US and Britain (Hall, 1979, 1988; Jessop et al., 1984, 1988). Chapters 6-8 examine the 2008 global financial crisis and political responses to it in the US and Britain, suggesting that it is best conceptualized as an 'organic crisis' of capitalism (Gill, 2012; Jessop, 2017; Stahl, 2019; Babic, 2020), which has contributed to an ongoing crisis of legitimacy and reorganization of the social and political forces underpinning Anglo-American neoliberalism.

A central feature of macroeconomic governance within liberal capitalist countries relates to the historical relationship between the spheres of the 'political' and the 'economic,' and more specifically, attempts to redefine the former to contain the latter from popular contestation. To examine this relationship, this dissertation draws on the work of Karl Polanyi (1957 [2001]), but also on two adjacent literatures in critical international political economy (IPE) and political science literature. I utilize Stephen Gill's (1998; Gill and Cutler, 2014) understanding of 'new constitutionalism' and apply it to the governance of macroeconomic and budgetary processes in

[4] Stuart Hall described the study of the conjuncture in history as "a period during which the different social, political, economic and ideological contradictions that are at work in society come together to give it a specific and distinctive shape… As I see it, history moves from one conjuncture to another rather than being an evolutionary flow. And what drives it forward is usually a crisis, when the contradictions that are always at play in any historical moment are condensed, or, as Althusser said, 'fuse in a ruptural unity'. Crises are moments of potential change, but the nature of their resolution is not given" (Hall and Massey, 2010, para. 2).

the US and Britain, examining the disparate traditions of public finance in each country alongside the development of liberal capitalism. I trace the historical contours of these forms of economic governance throughout the 20th century, focusing primarily on moments of capitalist crisis and the emergence of neoliberalism since the 1970s. I examine the rise of new constitutionalism throughout the 1980s and 1990s, focusing on the legislative, regulatory, and macroeconomic policies that have sought to institutionalize market discipline and insulate economic policymaking from popular political oversight (Gill, 1998).

The second and closely related literature utilized to examine these trajectories is on depoliticization (Burnham, 2001, 2014; Hay, 2007; Fawcett et al., 2017). Indeed, a key principle of new constitutionalism can be understood as the depoliticization of economic policymaking (Wamsley, 2022). Depoliticization, according to the foundational definition provided by Peter Burnham (2001), is a governance strategy of policymakers in capitalist states that seeks to "plac[e] at one remove the political character of decision-making" (p. 128).[5] This describes how states, especially amid capitalist crises, seek to ensure the credibility of economic policies with perceived market expectations or to shield governments from the consequences of unpopular economic policies (Burnham 2001, 2014). Historically, this includes attempts to anchor domestic economies to 'external' disciplinary regimes (e.g., the gold standard or the European Exchange Rate Mechanism), as well as domestic forms of depoliticization, including the delegation of economic policymaking to 'independent' agencies, rules-based rather than discretionary policymaking, and practices that seek to externally validate 'sound' economic policy (Burnham, 2001, p. 131). This dissertation examines the historical foundations of depoliticization as a modality of liberal

[5] Colin Hay (2007) similarly defines depoliticisation as "the set of processes…that remove or displace the potential for choice, collective agency, and deliberation around a particular political issue" (cited in: Fawcett (ed.) et al., 2017, p. 5).

economic governance throughout the developmental histories of the US and Britain and seeks to understand how such practices have shaped trajectories of Anglo-American neoliberalism.

The second set of literature informing the theoretical framework of this dissertation relates to the politics of welfare, budgets, and social reproduction. More specifically, I build on and extend Gramscian literature by examining how the domestic politics of the welfare state, and conditions of social reproduction more broadly, feature centrally in the production and reproduction of political power, authority, and legitimacy in capitalist states (Jessop, 1990; Carroll, 2019; Lavery, 2019). Following Bakker (2007), social reproduction can be defined by three interlinking components, including:

> (a) [the] biological reproduction of the species, and the conditions and social constructions of motherhood; (b) the reproduction of the labour force which involves subsistence, education and training; and (c) the reproduction and provisioning of caring needs that may be wholly privatised within families and kinship networks or socialised to some degree through state supports (p. 541).

I draw on recent contributions in historical materialist social reproduction theory (SRT), and the framework established by Bakker and Gill (2003, 2019) in particular, which has illustrated the centrality of social reproduction as an organizing principle of the global political economy and a key feature of studying how political authority and capitalist hegemony is produced, contested, and reproduced. Seeking to bridge frameworks in Gramscian political economy with the politics of the welfare state, I also critically engage with comparative literature on Anglo-American political economy and the liberal welfare state, which has highlighted the causal importance of national institutions and domestic politics in shaping welfare states. I contend that Gramscian literature, and particularly the framework of variegated social reproduction (Bakker and Gill, 2019), provides a more methodologically rich framework than comparative literature to examine the politics of the welfare state, and the institutional unevenness but developmental similarities of neoliberalism in the US and Britain.

Overview of Chapters

This dissertation has three parts and nine chapters. Part I includes a literature review and exposition of the theoretical framework, as well as two historical chapters on the foundations of Anglo-American liberal economic governance from the gold standard through the post-World War II period. Part II's two chapters trace the emergence of neoliberalism from the crises of the 1970s through its consolidation in the 1990s. Part III's three chapters examine the return to crisis management, the politics of austerity, and the trajectories of welfare state restructuring in the US and Britain from 2008-2019, which are followed by a concluding chapter.

Part I: Conceptual and Historical Foundations of Anglo-American Liberalism

The first chapter provides a literature review of existing approaches to Anglo-American political economy in the US and Britain in international and comparative political economy. The first section of this chapter provides an overview of critical international political economy (IPE) and the approach pioneered by scholars within the tradition of Gramscian political economy. I highlight the epistemological and methodological insights of Gramscian literature compared to liberal and realist IPE, as well as the limitations of IPE literature more broadly in the study of domestic politics and the welfare state. I then turn to comparative literature on Anglo-American political economy, specifically related to 'liberal welfare states' and 'liberal market economies.' Despite this literature's insights on the causal importance of state institutions and domestic forces in shaping the politics of the welfare state, I conclude that Gramscian political economy and recent contributions in historical materialist social reproduction theory provide a superior conceptual framework to examine the historical trajectories of liberal economic governance and welfare state politics in the US and Britain. The second section then elaborates on key concepts utilized in the theoretical framework throughout the dissertation. I first discuss two concepts for understanding attempts to separate the 'political' and the 'economic' within liberal economic governance in the US and Britain, discussing literature on new constitutionalism and depoliticization. I then review the second strand of literature utilized throughout the dissertation on the politics of the welfare state in the US and Britain. Specifically, I discuss Gramscian literature that theorizes the welfare state and social reproduction as sites of hegemonic contestation in capitalist states. I then apply this framework to the study of welfare restructuring under Anglo-American neoliberalism in the US and Britain.

After this literature review and exposition of my theoretical framework, two historical chapters follow. Chapter 2 examines the historical underpinnings of Anglo-American liberal economic governance in the US and Britain throughout the late 19^{th} and early 20^{th} centuries. It focuses on what I contend are 'varieties of liberal constitutionalism' established in the US and Britain,[6] exploring the distinctive domestic fiscal regimes and budgetary politics of each country under the international gold standard system. This chapter provides a sketch of the contours of the fiscal and social order of the gold standard era and the traditions of liberal economic governance pioneered during this period, as well as their conflictual relationship with the emergence of mass politics and social welfarism. I argue that while the political consensus surrounding orthodox liberal economic policies was initially more openly contested in the US than in Britain, in both

[6] Liberal constitutionalism describes how ruling classes in liberal capitalist states such as the US and Britain have historically utilized legal and constitutional mechanisms to insulate economic governance from popular political accountability and institutionalize private property rights and the mobility and structural power of capital (Gill, 1998).

countries, the gold standard system was leveraged to insulate key monetary and fiscal policies from mass politics and institutionalize the structural mobility of capital, albeit in institutionally distinctive ways. In Britain, the trajectory of economic liberalism manifested in the rigidly defined economic orthodoxies of the 'City-Bank-Treasury nexus' of British capitalism (Ingham, 1984), whereas the US was shaped by a constellation of 'market-preserving federalism' (Harmes, 2019). This chapter then examines how the domestic fiscal consensus established under the late 19th and early 20th century gold standard order was increasingly destabilized alongside the rise of the politics of social welfarism. Across both countries, governments throughout the early 20th century, often led by 'new liberal' historical blocs, sought to channel the social pressures of organized labour and recently enfranchised working classes into social reformist and welfarist state building projects, which increasingly challenged the classical mechanisms of economic governance characteristic of liberal capitalism. Throughout the interwar period (1918-1939), while many ruling classes sought to return to the classical gold standard, social and class forces in the US and Britain increasingly contested the depoliticized fiscal adjustment mechanisms of this political-economic order. I examine how, as the Great Depression unfolded throughout the 1930s, the foundations of the international gold standard order were upended by a reorientation of liberal capitalism under the purview of the New Deal.

Chapter 3 focuses on the post-World War II period. It examines the roles of the US and Britain in the making of the Bretton Woods international order in conjunction with the domestic welfare state compacts established in each country. In the aftermath of the destruction wrought by the Second World War, the postwar period (1944-1971) institutionalized domestic welfare state accords in each country, temporarily subordinating the mobility of capital and the rigidities of fiscal and monetary orthodoxy to domestic welfare state and national developmental concerns, albeit within a socially stratified breadwinner model of social reproduction. While the postwar Bretton Woods order was underwritten by a period of exceptional growth, this chapter nonetheless highlights its internal tensions and contradictions, including the persistence of liberal economic governance, and the limitations of national macroeconomic autonomy and social citizenship. I examine key domestic struggles over the terrain of macroeconomic governance in the US and Britain, which resulted in successive periods of 'stop-go' political economy in the 1950s and 1960s, as well as internal tensions within the institutions governing the international Bretton Woods system. These domestic and global tensions are examined in conjunction with forms of exclusion and social stratification embedded within the postwar political economy, which portended more protracted conflicts within the domestic and international foundations of the postwar order crystalizing in the 1970s.

Part II: Neoliberalism in the US and Britain: Origins, Development, and Consolidation

Part II of the dissertation demarcates and analyzes critical phases in the emergence and development of Anglo-American neoliberalism in the US and Britain. Chapter 4 examines the 'fiscal crisis of the state' in the US and Britain and the turn toward neoliberalism, focusing on key episodes of crisis management throughout the mid-to-late 1970s. I contend that amidst a broad crisis of global capitalism, centre-left political forces, at the behest of central banks and treasury departments, first experimented with reimposing market discipline. New Right theories of overlapping fiscal and social crisis, which gravitated around the politics of the welfare state, increasingly gained traction. This period, I argue, marked the first phase in the emergence of neoliberalism, in which a historical bloc mobilized by the New Right was able to channel the politics of monetarism and anti-welfarism. Under the administrations of Ronald Reagan in the US and Margaret Thatcher in the UK, I illustrate how the politics of the New Right was able to successfully alter the political basis of social welfarism in each country, contributing to a lasting ideological and political shift, but failing to fully retrench the institutional foundations of the welfare state.

Chapter 5 then explores the rise of new constitutionalism embodied in the politics of the Third Way administrations of Bill Clinton (1993-2001) in the US and Tony Blair (1997-2007) in the UK. The Third Way was animated by an overriding objective of resolving the 'fiscal crisis of the state' and restoring financial market confidence. I examine the formation of a 'new macroeconomic consensus' predicated on aspects of New Keynesianism and neo-monetarism throughout the 1990s, and the fiscal restraint policies and forms of technocratic macroeconomic governance implemented under Third Way administrations. I argue that these wide-ranging institutional changes contributed to an embedded political consensus and new 'common sense' of fiscal austerity in the US and Britain, which sought to depoliticize key foundations of macroeconomic governance. This marked the second phase in the consolidation of neoliberalism. Despite temporary breaks with this overriding logic of fiscal discipline in the early 2000s, this political consensus on macroeconomic governance consolidating around new constitutionalism left a lasting imprint within the institutions of the American and British states, which resurfaced after 2008. These new constitutionalist measures were likewise flanked by a politics of welfare reform. Despite distinctive social policies implemented by the Third Way, which sought to 'make work pay' and included a range of concealed distributive transfers, both administrations, I contend, extended the turn toward disciplinary workfare policies and market-enhancing social policies, consummating a politics of anti-welfarism beginning in the 1970s. Despite their ideological and political differences from the New Right, Third Way administrations in the US and Britain served to consolidate the politics of neoliberalism in each country, foreclosing left political alternatives.

Part III: Crisis and Restructuring, 2008-2019

Part III of the dissertation analyzes the 2008 global financial crisis and forms of crisis management and welfare restructuring in the US and Britain from 2010-2019. These chapters comprise the bulk of the novel empirical research of the dissertation. Chapter 6 examines the 2008 global financial crisis as an 'organic crisis' of capitalism (Gill, 2012; Babic, 2020), and traces the forms of crisis management adopted and redeployed in its aftermath. After discussing a brief interlude of bailouts and fiscal stimulus from 2008-2009, I examine the resumption of the politics of austerity from 2010 through 2016. Alongside the rollout of an historic monetary policy regime by central banks, which constituted the dominant macroeconomic response to the crisis, I maintain that policymakers and state officials in both countries sought to revive the political consensus forged during the 1990s to institutionalize practices of fiscal constraint and deficit consolidation. Despite the uneven trajectories of the US and Britain, I argue that the legacy of the 1990s macroeconomic consensus was redeployed by policymakers and state managers in both countries to depoliticize macroeconomic responses to the crisis and externalize responsibility for fiscal austerity and market discipline.

Chapters 7 and 8 then examine the politics of welfare restructuring that flanked the rollout of post-crisis economic restructuring in each country. While both countries, and particularly the US, averted more stringent fiscal consolidation measures such as those of peripheral European Union (EU) countries, I maintain that a renewed assault on the welfare state and a revival of the politics of anti-welfarism was central to the politics of austerity. Across the US and Britain, politicians and policymakers mobilized social antagonisms related to key constituencies of welfare and social security to legitimize public sector austerity and offload the costs of economic adjustment onto politically disempowered poor and working-class populations. This was characterized by a process of *coercive commodification*, which refers to a constellation of market disciplinary measures and social policies, deepened and extended after 2008, that revoked and marketized social provisioning to reintegrate populations into labour and credit markets (Dukelow and Kennett, 2018).[7] Rather than a seamless process of recommodification, however, welfare restructuring was marked by contradiction and dislocation, contributing to escalating socio-economic displacement, as well as a burgeoning political crisis of legitimacy in both countries.

I trace these dynamics in Britain by examining the governance of austerity and welfare restructuring by the Coalition (2010-2015) and Conservative governments (2015-2019), focusing primarily on the rollout of Universal Credit and the regime of conditionalities and sanctions established under its aegis. I then turn to the US, first examining the forms of welfare restructuring emerging amidst the politics of the Tea Party and the Third Way social policy of the Obama administration. I trace these political undercurrents, particularly on the American Right, through the election of the Trump administration, and its wide-ranging attempts to commodify key aspects of the American welfare state. Despite the differences between Britain and the US from 2010-2019, I contend that post-crisis welfare restructuring contributed to an ongoing crisis of social reproduction in each country, which manifested in deepening socio-economic displacement, as well as an unfolding political crisis of legitimacy related to key aspects of neoliberalism. The

[7] Dukelow and Kennett (2018) describe this process as the "closing down any vestiges of choice and stripping back subsequent policy buffers, and locking people into a circuit of low paid work, debt and housing precarity" (pp. 485-486).

conclusion then briefly revisits the central arguments advanced throughout the dissertation and its contributions to the literature. I then discuss limitations of the study and future areas for research.

Part I: Conceptual and Historical Foundations of Anglo-American Liberalism

Chapter 1: Overview of Existing Literature and Outline of Approach

This chapter begins by surveying Gramscian political economy literature, arguing that it provides a more holistic, dynamic, and historically rooted framework than liberal and realist approaches in international political economy (IPE) literature. However, by privileging transnational political and economic processes, early accounts in Gramscian IPE often underemphasized the constitutive role of domestic macroeconomic policymaking and national political and social processes in capitalist states. I then survey approaches in comparative political economy that sought to fill this gap by focusing on nationally bound political institutions, classes, and social forces. A critique of comparative political economy and its institutionalist ontology then follows. This section concludes by suggesting that frameworks in Gramscian political economy and the power, production, and social reproduction approach provide more useful conceptual and theoretical frameworks for examining the developmental trajectories of the US and Britain and the politics of the welfare state.

I then provide an overview of some key concepts. First, I discuss *new constitutionalism* and *depoliticization*, both of which describe the processes by which capitalist states have sought to insulate macroeconomic policies from popular social and political contestation, displace responsibility for implementing unpopular economic policies, or institutionalize public policies that conform to perceived market expectations. I seek to historicize these concepts, examine their roles in American and British capitalist development, and apply them to a study of Anglo-American neoliberalism. Second, I then turn to critical literature on the politics of the welfare state, which has illustrated the centrality of the political coalitions mobilized around welfare state institutions and their importance in reproducing broader projects of economic restructuring in capitalist states. After providing a brief overview of literature on the 'fiscal crisis of the state,' I engage with Gramscian frameworks that have highlighted how welfare state institutions and government budgets are sites of hegemonic contestation, which have historically flanked, and often served to legitimize, forms of economic restructuring. I propose a novel conceptual synthesis between Gramscian political economy as well as critical literature on the politics of the welfare state, including social reproduction theory, and conclude by applying this framework to literature on welfare restructuring and neoliberalism within the US and Britain.

I. Theorizing Anglo-American Political Economy

IPE, Gramscian Political Economy, and the US and Britain

The roles of the United States and Britain within the global economy have long been a central object of study within both critical and mainstream studies in international political economy (IPE). The external and global positions of the US and Britain in the construction and maintenance of world order began with early studies of 'hegemonic stability theory' focusing on the interwar period and the Great Depression during the 1930s (Kindleberger, 1973). Realist and liberal frameworks within the field of IPE highlighted the roles each state played in stabilizing different periods of world order, either emphasizing their disproportionate coercive military and political-economic power, or the role of each state in constructing cooperative institutional frameworks conducive to the integration of the world economy (Keohane, 1984; Gilpin, 1987).

Seeking to move beyond existing realist and liberal paradigms, political scientist Robert Cox (1981, 1987) pioneered a Gramscian approach to IPE, developing an epistemological framework of the mutual and co-constitutive study of states, social forces, and world orders in the making of history. Similarly focusing on the centrality of Britain and the US, Cox's (1981) approach conceptualized states not as static or unitary actors outside the bounds of civil society operating in a horizontal interstate system, but rather as dynamic and historically contingent *state-society complex*es that operate in conjunction with social forces and broader conditions of world order. With his methodological emphasis on historical structures, which describes the dialectical interrelation of material capabilities, ideas, and institutions, Cox sought to move beyond the conceptual division of distinct spheres of state, market and civil society that informed liberal and realist literature in international relations (IR) and early studies of IPE. Through his use of Gramsci, Cox distinguished his approach by suggesting that power was constituted and reproduced not merely by disproportionate material resources or asymmetrical coercive power between states. Rather, the most powerful states contributed to formations of world *hegemony*, which describes constellations of political order that seek to represent themselves as operating in a general or universal interest, commanding the consent of subordinate states, classes, and social forces, while still reproducing the particular interests of dominant classes and political forces that hold power (Cox, 1981, pp. 141, 144). This methodology was deployed in his 1987 text, *Power, Production, and World Order*, which examined successive hegemonic world orders governing the global capitalist economy, spanning the 19th century Pax Britannia of the British empire to the United States in the post-World War II period of Pax Americana.[8]

Cox's approach to IPE paralleled a similar literature, often called the 'Amsterdam school' (Jessop and Overbeek, 2019), which deployed a Marxist conceptualization of 'class fractions' to examine patterns of transnational class formation (Overbeek, 1993; Van Apeldoorn, 2004; Van der Pijl, 1998, 2012). These accounts examined how hegemony was constituted through the universalization of the particular interests of different fractions of capital. These frameworks developed a set of conceptual tools and frameworks for comparing and historicizing different

[8] As subsequent analyses clarified, however, such world orders did not necessarily approximate the Gramscian conditions of hegemony on the global scale (Gill, 1993; Lacher and Germann, 2012).

models of capitalist development, particularly in countries such as the US and Britain. The 'Amsterdam school' is perhaps best exemplified in Kees Van der Pijl's (1998) analysis of 'Lockean' and 'Hobbesian' state/society complexes. Redeploying Cox's (1987) framework, Van der Pijl (1998) describes the emergence and articulation of a 'Lockean' model of transatlantic capitalism and class formation characterized by a self-regulating civil society and strong liberal state emerging in the aftermath of the 1688 bourgeois ('Glorious') revolution in England and consolidating into a transatlantic model through the 19th century.[9] Van der Pijl's (1998) framework provided the basis for a systematic comparison between models of capitalist development, epitomized by the imperial Anglo-American powers of Britain and the US of the 'Lockean heartland.' This framework illustrated how models of capitalist development permeated different regional and national contexts within and beyond the confines of specific nation states or national economies, illustrating how states were embedded within broader processes of transnational class formation. Together, Gramscian IPE and the Amsterdam school provided foundational contributions to the study of what Stephen Gill and David Law (1989) called 'global political economy,' an approach that emphasizes how power and authority is reproduced, contested, and articulated not merely *within* nationally contained domestic spheres or *between* nation states, but also through transnationally constituted spaces (see also: Bieler and Morton, 2018).

Gramsci, Hegemony, and Organic Crisis

Cox's (1981, 1987) approach comprised part of a growing field of study which came to be known as Gramscian political economy (Hall, 1979, 1988; Jessop, 1990; Gill, 1991, 1993, 2008;

[9] As Van der Pijl (1998) notes, from "the 1840s to World War I, the circuit of money capital and mass migration from the British Isles to the US combined the two economies into a single Atlantic one" (p. 72). The formation of a transatlantic ruling class from World War I through the post-World War II period under the aegis of the 'corporate-liberal synthesis' was further examined in Van der Pijl's (2012) subsequent work.

Arrighi, 1994; Bieler and Morton, 2003, 2018; Babic, 2020). Gramscian approaches applied some central concepts from the work of twentieth-century Italian Marxist theorist Antonio Gramsci to the study of global politics and political economy. Perhaps the central organizing concept of this literature is Gramsci's understanding of hegemony. Hegemony was used by Gramsci to examine the relations of force in capitalist society and explain the reproduction of political power through forms of leadership and authority. This was based on a configuration of political power within a given capitalist social order in which a dominant socio-economic or ruling class strata exercises political authority through a combination of coercion and consent around a putatively universal set of interests. This formation of political authority and rule is based not simply on the use of coercion and violence but also utilizes more consensual forms, e.g., forms of "intellectual and moral leadership" (Gramsci, 1971, p. 182 quoted in: Gill, 1993, p. 93).[10] Hegemony illustrates how the organization of power, especially in capitalist democracies, is not based on violence and coercion alone, but is also predicated on broader repertoires of political authority, persuasion, and consent that are actively "constructed, sustained, reconstructed by particular agents and agencies" over time (Corrigan and Sayer, 1985, p. 142). Gramsci's understanding of the construction and maintenance of hegemony was based on his notion of historical blocs, which refer to the correspondence of a set of class and social forces across the realms 'civil society' and 'political society,' i.e., across traditional state institutions and broader layers of capitalist society in social, cultural, and political spheres. Gill (2008) provides a succinct definition of historical blocs, which he describes as a "historical congruence between material forces, institutions and ideologies, or

[10] A hegemonic order is distinct from a 'supremacist' one, which is characterized by "rule by a bloc of forces that clearly serves partial or particular interests and that is experienced by subordinates as involving coercive, corrupt forms of rule that lack legitimate appeal and credibility" (Gill, 2014, p. 15).

broadly, an alliance of different class forces politically organized around a set of hegemonic ideas that gave strategic direction and coherence to its constituent elements" (p. 60).

While the formation of political authority and hegemony was central to Gramsci's analysis, so too was its disintegration and dissolution. This is captured in his understanding of organic crisis. Gramsci's analysis of organic crisis was formulated in the context of the rise of interwar fascism and the breakdown of the liberal capitalist order of the 1930s, which he described as a crisis of representation in which classes became detached from their traditional parties, metastasizing into a generalized crisis of hegemony amongst the ruling class. The situation was one in which "incurable structural contradictions have revealed themselves" and political forces were "struggling to conserve and defend the existing structure itself and are making every effort to cure them, within certain limits, and to overcome them" (Gramsci, 1971, p. 178). In these conditions, the "traditional ruling class" re-organizes itself and seeks to "reabsor[b] the control that was slipping from its grasp" (ibid, p. 453). As the ruling class loses consensus, it is "no longer 'leading' but only 'dominant', exercising coercive force alone" (ibid., p. 556). In these conditions, "The crisis consists precisely in the fact that the old is dying and the new cannot be born; in this interregnum a great variety of morbid symptoms appear" (ibid).[11] In Gramsci's time, such morbid symptoms referred to growing forms of political violence, popular discontent and political disaffection, and the rise of fascism, which signalled the decline of the liberal capitalist order (Babic, 2020).

[11] These concepts have been deployed to study the nature of American structural power in the global political economy (Gill, 1991), historical formations of hegemony at different periods of world order (Arrighi, 1994), capitalist state theory (Jessop, 1990), and more regionally centered conjunctural analyses of the breakdown of the postwar order and turn to neoliberalism in Britain (Hall, 1979, 1988). What united this field of Gramscian political economy was a focus on the centrality of examining the constitution of political authority and the organization of political power within capitalism, and the social forces that underpin such formations within historically specific constellations (Bieler and Morton, 2003).

This dissertation draws on this tradition of Gramscian political economy. It also seeks to extend and build on this literature by linking it to adjacent fields of critical political economy that have emphasized the ontological centrality of state institutions and domestic social and political forces in the reproduction of capitalist hegemony. I thus draw on both Gramscian approaches in the field of global political economy as well as more specific national and regional contexts to study conjunctural periods of hegemonic crisis, particularly in the US and Britain (Hall, 1979, 1988; Jessop et al., 1984, 1988; Jessop, 1990; Gill, 1993).

While Gramscian and critical IPE frameworks provided indispensable contributions in the field of IPE, embodying what Cox (1981) referred to as *critical* rather than *problem-solving* theories,[12] its topics of study often granted ontological primacy to global systems and world orders. This included an emphasis on patterns of international trade, transnational production, finance, and the structuring of power and authority within global institutions (Cohen, 2008; Nunn and Shields, 2022, p. 506). In these accounts, analyses of the political economy of the US and Britain were primarily centered on their external role in global economic governance and world order. This methodological emphasis often subordinated the co-constitutive role of national and subnational institutions, domestic social forces, and conditions of social reproduction in the governance of economic restructuring and the production and reproduction of political authority. While Cox's (1981, 1987) framework of social forces, states, and world orders provided a methodological template for such analyses, the epistemological focus of the field of IPE on transnationally mediated spaces, even in critical frameworks such as the Amsterdam school, often led to an under-

[12] As Cox (1981) described, problem-solving theory "takes the world as it finds it, with the prevailing social and power relationships and the institutions into which they are organised, as a given framework for action" while critical theory "stands apart from the prevailing order of the world as asks how that order came about" (pp. 128-129).

examination of the role of states and political and social forces within them (Ryner and Cafruny, 2017, pp. 56-57, 110).

Some commentators have described frameworks in IPE as reliant on an ‘outside-in’ approach to explain political and economic change (Panitch, 1994; Cohen, 2008, p. 120). This approach identifies the locus of political authority in transnational structures. The political agency and ‘relative autonomy’ of capitalist states and state managers in different institutional settings was thus often under theorized in early accounts of IPE (Poulantzas, 1968). As a result, specifying the institutional complexities of different models of capitalist development, and the roles of domestic political institutions such as the welfare state in reproducing political authority and legitimizing forms of economic restructuring, was often outside the explanatory purview of early IPE frameworks (Germain, 2021). In this vein, recent contributors, for example, have identified the “relative neglect of nationally and subnationally scaled processes of regulatory restructuring,” and the need for more geographically variegated accounts of global capitalist restructuring, particularly under neoliberalism (Brenner, Peck, and Theodore, 2010).

If some of critical IPE’s concepts were critiqued for ontologically privileging transnational and global forces under different world orders, some observers sought to overcome this by critically engaging with comparative political economy (Katzenstein, 1978; Blyth, 2009, p. 194; Clift, 2014, pp. 18, 40, 157). This methodological focus informed studies of the welfare state. As much of the literature embraced the importance of the domestic political underpinnings of welfare states (Pierson, 2001; Clift, 2014), welfare state scholarship was dominated by approaches in comparative politics and comparative political economy.

Comparative Political Economy: Liberal Welfare States, Liberal Market Economies

In contrast to prevailing frameworks in IPE, comparative politics and comparative political economy approaches often rely on an 'inside-out' theorization of political change and social transformation (Cohen, 2008, p. 126). That is, comparativists often identify the ontological primacy of states, domestic institutions, and classes as the primary agents of political change between different states or world regions (Clift, 2014). Within literature in comparative political economy, it is customary to conceptualize the political and economic development of the United States and Britain through a shared, ideal-type framework. Perhaps the most influential school of thought within comparative political economy, the varieties of capitalism (VoC) approach, for example, conceptualizes the US and Britain through a shared typology. Seeking to bring together the field of microeconomics through a focus on firm-level comparative advantages as well as comparative political economy, Hall and Soskice's (2001) widely influential text identified Britain and the US as chief representatives of the 'liberal market economy' cluster, which are "distinguishable from coordinated market economies by the extent to which firms rely on market mechanisms to coordinate their endeavors as opposed to forms of strategic interaction supported by non-market institutions" (p. 33). This framework has been particularly influential in studying the common developmental trajectories of the US and Britain throughout the neoliberal period. Despite the range of criticisms directed toward the VoC school (see below), its ideal-type conceptual framework, and particularly its conception of so-called liberal market economies, has remained widely influential within comparative political economy (Thelen, 2012). Most recently, a burgeoning literature within comparative political economy has sought to re-deploy VoC framings within a more critical framework to study the distinctive 'growth models' pursued by the

US and Britain throughout the neoliberal period, which have been described as exhibiting a common Anglo-liberal trajectory (Hay, 2013; Baccaro and Pontusson, 2016).

Another highly influential strand of literature within comparative political economy that has sought to link together the trajectories of the US and Britain in a common framework has been the comparative welfare state literature. This literature likewise identifies the US and Britain as exemplary ‘liberal welfare state’ regimes (Esping-Anderson, 1990, pp. 26-27; Hicks, 1999; Swank, 2002). The pioneering work of Gøsta Esping-Anderson (1990) examined the trajectory of welfare capitalism in each country through a political class coalition approach. Esping-Anderson (1990) identified how it was not only the organizational capacities of the working class identified by earlier power resource theories (Korpi, 1983), but also broader political class coalitions that lay behind the formation of regimes of ‘welfare capitalism’ in various world regions. He identified three distinct regime clusters to typologize different welfare states. In contrast to Scandinavian social-democratic and continental European conservative-corporatist regimes, Esping-Anderson (1990) identified how ‘liberal welfare states’ (e.g., the UK, the US, Ireland, Canada, Australia, New Zealand) were distinguished by the prevalence of means-tested rather than universalistic social welfare programs, strong ‘work ethic’ norms that adhered to the ‘less eligibility’ doctrine of social provisioning, as well as the persistence of market-based forms of social welfare (pp. 26-27). These features of liberal welfare state regimes, shaped by a division between middle-class constituencies that often drew on private forms of social insurance and low-income populations more dependent on means-tested social provisioning, resulted in a minimal decommodification of social life from market forces. In these conditions, welfare states served to reinforce the disciplinary compulsions of markets rather than provide relief from them (Esping-Anderson, 1990). While Esping-Anderson’s (1990) framework was critiqued by several commentators, perhaps most notably by feminist political economists who highlighted the implicit gendered social relations underpinning his typology (Orloff, 1993), it established a powerful explanatory scheme to study and explain the development of welfare capitalism and the ‘liberal welfare states’ in the US and Britain that remains highly influential within comparative literature.

Comparative approaches have since also been taken up in IPE as many have recognized the arbitrary methodological division between the two subfields (Seabrooke, 2007). Reflecting a gap within early accounts in IPE of the constitutive role of domestic political and economic forces, frameworks in IPE that sought to highlight the role of domestic politics often derived their concepts and frameworks from comparative politics (Katzenstein, 1978; Gourevich, 1978; Simmons, 1994).[13] Much of IPE literature has since incorporated a systemic focus on the role of national and domestic forces as a necessary component of the field (Frieden and Martin, 2002). Despite these methodological advances, however, much of the literature in IPE that incorporated such frameworks were wedded to a positivist ontology that left “little room… for holistic thinking,” as scholars increasingly confined their methodological focus to narrowly defined policy realms or comparative empirical indicators (Cohen, 2008, p. 127).[14] While more critical frameworks attempted to bridge the methodological gaps between comparative and international political economy (Blyth, 2002; Clift, 2014), much of this literature has sought to incorporate comparativist methodologies and institutionalist epistemological frameworks, which has often foreclosed more holistic and methodologically extensive analyses established in early critical IPE and Gramscian analyses.

[13] Contributions included scholars emphasizing the role of domestic politics in shaping foreign policy (Katzenstein, 1978), domestic economic policies shaping international monetary regimes (Simmons, 1994), and the inverse role of international economic pressures in shaping domestic political outcomes (Gourevitch, 1978).
[14] Cohen (2008) describes the simultaneous methodological widening and epistemological narrowing that has accompanied this trend in IPE: “while the forest has grown, the focus of scholarship has tended to become more and more concentrated on individual trees. In the pursuit of parsimony, relationships and variables are defined ever more narrowly” (p. 131).

The Comparative Approach and the Limits of Ontological Institutionalism

While this dissertation seeks to ground Gramscian frameworks in comparative historical literature that is attuned to the institutional diversity of Anglo-American liberalism in the US and Britain, I argue that the epistemological and ontological scaffolding of approaches in comparative political economy has led to number of limitations for conceptualizing the developmental trajectories of each country. Comparative political economy's methodologically internalist approach presupposes the existence of hermetically sealed, nationally or regionally constituted developmental trajectories. This often precludes the study of political, ideological, and material forces that have a constitutively global, and indeed transatlantic, dimension within and between countries (Shilliam, 2009, p. 18). This has posed several problems for critical theorizations of Anglo-American political economy, which, from the era of the British empire through the age of US hegemony, has been deeply entwined with the global political economy (Coates, 2014a). The causal importance of studying the US and Britain from a global or transatlantic lens, and the ways in which the external roles of each country have been central in shaping their developmental trajectories, has likewise often been marginalized in comparative literature. As a result, the global imperial roles of Britain and the US, and the unique advantages and structural privileges conferred to them, such as those associated with possessing global reserve currencies (Ingham, 1984; Panitch and Gindin, 2013), have largely remained underexamined. While there are numerous exceptions within the literature that have productively bridged the fields of comparative and international political economy, including through frameworks that posit the combined and uneven development of transatlantic capitalism in the US and Britain (Green, 2020), methodological nationalism continues to inflect much of the comparative welfare state literature (Brodie, 2014).[15]

Comparative approaches have similarly been characterized by a reliance on ideal-type abstractions to conceptualize and typologize the political-economic trajectories of models of capitalism in the US and Britain. Comparative ideal-types, while useful as heuristic devices (Hay, 2020), often gloss over the institutional and political-economic differences of the countries ascribed to common models and they relic on a static rather than dynamic conception of social change and development (Germann, 2021, p. 38). Notwithstanding the conceptual usefulness of ideal-type typologies for comparative inquiry, comparative welfare state literature's reliance of 'liberal welfare states' as a transhistorical demarcation for examining the welfare state in the US and Britain, for example, masks important variations and divergences in their developmental histories (see chapters 2 and 3). As a result, comparative welfare state's typologies can often impinge dynamic theorizations of change and transformation that are central to conceptualizing the uneven development of Anglo-American liberalism and welfare state politics.

Many of these critiques of the comparative methodology have been raised in relation to the VoC approach, which has faced sustained methodological and conceptual criticisms (see, inter alia, Crouch and Streeck, 1997; Boyer, 2005; Coates, 2014a). One of the most thoroughgoing critiques of the VoC school is that its methodologically nationalist framework, which presupposes nationally contained and institutionally determined models of development, cannot account for global hierarchies between states and the ways some states, more than others, have shaped the developmental patterns of other countries (Panitch and Gindin, 2005). These critiques are

[15] As Brodie (2014) notes, "the weight of social policy research remains firmly within the grip of methodological nationalism," an approach which assumes that "the relevant forces shaping social policy are contained within national boundaries and shaped by historically and institutionally generated path dependencies" (p. 248).

particularly apposite in the US and Britain. As Coates (2014b) notes, by focusing predominantly on the internal institutional complementarities of states, the VoC framework eschews the most distinguishing feature of the political economies of the US and UK, namely their "external global and hegemonic role" (p. 171). As a result, the common classification of liberal market economies ascribed to the US and UK "obscures more than it illuminates" (Coates, 2014b, p. 172). Many of these methodological criticisms stem from the ontological institutionalism on which comparative frameworks are based.

Institutionalism Old and New

Institutionalist frameworks within political science literature have long drawn attention to the different political and constitutional systems of the US and UK and their implications for understanding the political and economic development of each country. Amongst the most widely discussed differences include the system of federalism in the US and the UK unitary state, as well as the country's presidential and Westminster parliamentary systems (Dicey, 1927; Lijpart, 1999; Burgess, 2006). Within the US, institutionalist studies have examined the implications of the federalist system outlined in the Constitution, which formally provides for the division of powers between legislative, executive, and judicial spheres, delegates fiscal policymaking authority to Congress, and has historically devolved certain budgetary powers to state levels (Guess and Savage, 2021). Indeed, there is an extensive literature on 'fiscal federalism' which has sought to study the shifting governance dynamics of fiscal centralization and decentralization within federalist systems and their implications for public finance, spanning the era of postwar Keynesian centralization to the 'devolution revolution' of the 1980s and 1990s (Oates, 1999). The US federalist presidential system has been distinguished for its tendency to establish greater institutional ‘veto points’ within the policymaking process due to its division of powers and bicameral legislature (Tsebelis, 1995). More critical scholars have noted how the US division of powers doctrine has long served as one of several anti-majoritarian mechanisms embedded within the US political and constitutional order intended to minimize popular threats to property and oligarchic power (Beard, 1913; Harmes, 2019). By contrast, institutionalist scholars have noted how the centralized unitary British state confers greater authority in budgetary policy to the executive arm of the state (i.e., the Prime Minister and Chancellor of the Exchequer), is less prone to policy stalemate, and has a more influential role for the Treasury within the state than in the US (Guess and Savage, 2021).

In recent decades, institutionalist approaches within the social sciences have been informed by the ‘state debates’ of the 1970s, which saw successive disputes between Marxist and institutionalist frameworks (Barrow, 1993). From this literature, a new strand of state-centric accounts emerged, which sought to ‘bring the state back in’ by highlighting the autonomy of state institutions in shaping political and economic outcomes (Skocpol, 1985). This literature, which contributed to the emergence of a variety of ‘new institutionalist’ approaches, has strongly inflected comparative literature on the US and Britain. ‘State-centered’ approaches have pointed to the historical differences in administrative state capacities between the US and Britain, for example, to explain divergent patterns of welfare state development in each country (Orloff and Skocpol, 1984). Influential comparative welfare state approaches derived from historical institutionalism have sought to highlight the forms of ‘path dependency’ and institutional resilience that has characterized the politics of welfare state retrenchment under neoliberalism (Pierson, 1994, 2001).

Notwithstanding the insights derived from highlighting the ‘relative autonomy’ of state actors, however, these approaches largely abstract state institutions from capitalist social relations, reconstructing arbitrary distinctions between ‘state’ and ‘society’ that earlier critical and Gramscian approaches had sought to transcend (Mitchell, 1999). These limitations have inflected institutional accounts of the US and Britain, which have increasingly abstracted state institutions from more holistic conceptions of capitalist development.[16]

While this dissertation highlights the conceptual importance of institutional variegation between the American and British state institutions throughout their developmental history, it nonetheless contends that there are several ontological limitations within institutionalist frameworks. Notwithstanding the important institutional differences between the states of the US and Britain, especially with respect to fiscal and social policy, these institutions have been circumscribed within and mutually shaped by broader developmental models pursued by each country (Van der Pijl, 1998; Green, 2020). In other words, the US and Britain have been characterized by institutional unevenness and developmental similarities, which have been embedded within broader processes of capitalist restructuring. To move beyond some of the limitations of comparative and institutional approaches, I draw on historical materialist frameworks that have sought to incorporate the ontological role of state institutions, while also situating them within global processes and dynamics of capitalist accumulation and social reproduction.

[16] Some of the limitations of this literature are discussed by Adam Harmes (2019), who has identified how institutionalist frameworks, both old and new, have substituted different governance dynamics in studies of fiscal federalism, i.e., between centralization and decentralization, for political and ideological processes. In his mind, dynamics of fiscal federalism are better understood through the lens of competing normative-political projects, including interventionist social democratic and market-preserving neoliberal federalist approaches.

Historical Materialism, Critical Institutionalism, and Anglo-American Political Economy

In response to institutionalist literature, historical materialist approaches have sought to develop more institutionally rich conceptual frameworks, which incorporate the role of state institutions, while also grounding such analyses within dynamics of uneven and variegated global capitalist restructuring. One influential strand of literature in critical political economy that sought to account for the institutional diversity of capitalist development is the 'Regulation School' (Aglietta, 1979; Jessop and Sum, 2006). Building on neo-Marxist state theory (Poulantzas, 1968; Jessop, 1990), this framework emphasized the contradictory set of imperatives that capitalist states face, particularly amidst an unfolding crisis of capitalism during the 1970s (Jessop and Overbeek, 2019, p. 3). Comprised of French (Boyer and Saillard, 1995; Theret, 1994) and American variants (Kotz, McDonough, and Reich, 1994), as well as more recent contributions by critical geographers (Peck, 2001; Peck and Tickell, 2002; Brenner, Peck, and Theodore, 2010), Regulation theory sought to provide a more institutionally rich account of the different 'regimes of accumulation' (e.g., Fordism, post-Fordism) and 'modes of regulation' that mediate capitalist social relations over time. These frameworks suggest that capitalist social relations are inherently conflictual but are regulated through historically specific institutional compromises that displace, mitigate, or stabilize many of the internal contradictions of capitalist accumulation (Jessop, 1990). These accounts were well positioned to explain the stability and longevity of the institutions of the post-World War II global capitalist order, which was predicated on a Fordist model of accumulation, and the breadwinner model of national welfare states (Peck, 2001). More recently, regulation theorists described a shift toward a 'post-Fordist' regime of accumulation throughout the 1980s and 1990s based on a 'Schumpterian workfare state' that promoted "innovation and structural competitiveness in the field of economic policy; and a concern to promote flexibility and competitiveness in the field of social policy" (Jessop, 1993, p. 18). Within Regulation approaches, however, critics have noted a tendency to overstate the temporal disjuncture and conceptual breaks between different epochs of global capitalism and ideal type 'regimes of regulation' (Lacher, 2006). As sympathetic critics have noted, while Regulation theory provides an institutionally thick description of the 'modes of regulation' that modulate capitalism's internally contradictory features, these institutional fixes evince a lingering functionalism, whereby institutional comprises can be identified as evidence of capitalism's tendency to 'stabilize' itself in ways that affirm the theoretical presuppositions of the framework (Ryner and Cafruny, 2017, p. 55).

This dissertation draws on critical literature that has sought to account for agency of state institutions in capitalist development. These include frameworks, such as that of Geoffrey Ingham (1984), which foreground the institutions of the British state while also situating them within a broader developmental paradigm of the 'City-Bank-Treasury' nexus, i.e., a mutually reinforcing yet institutionally distinct assemblage uniting key apparatuses of the British state and financial sector around an 'orthodox' consensus on economic policy with world-wide effects. Similar accounts in the US context have analyzed a 'Treasury-Fed-Wall Street' nexus to highlight the imperial reach of US state institutions and their historical congruence in shaping global economic restructuring (Gowan, 1999; Panitch and Gindin, 2013). More recently, Green (2020) has sought to bring together these paradigms into an account of the interdependent transatlantic field of Anglo-American development, particularly throughout the post-World War II period. Others, such as Adam Harmes (2019), have outlined a conception of 'market-preserving federalism' to describe the institutional and developmental paradigm of American capitalism, particularly throughout the neoliberal period. This refers to a process whereby property rights and capital mobility have been centrally enforced federally by the US state, whereas economic and social policies surrounding workers' rights, redistribution, and welfare have been decentralized to state levels, thereby guaranteeing a structural 'exit option' for capital through devolved inter-jurisdictional policy competition (Harmes, 2019). These institutional ensembles, and their role within Anglo-American liberal capitalism, will be examined in greater depth in chapter 2.

Variegated Power, Production, and Social Reproduction

Situated within these literatures, accounts in feminist political economy have drawn attention to the myriad ways in which processes of global capitalist restructuring have differentially shaped social relations and domestic institutions. Accounts in historical materialist social reproduction theory (SRT) have identified how capitalist relations of production rely implicitly on the informal and often unpaid domestic labour of women to reproduce workers, communities, and capitalist social relations over time (Vogel, 1983; Picchio, 1992; Bakker and Gill, 2003; Bakker, 2007; Bakker and Silvey, 2007). As SRT frameworks have noted, mainstream approaches in macroeconomics, and indeed IPE, have relied on 'strategic silences,' namely, a tendency to conceptually mask the gendered social relations implicit within the formation of economic policy and socio-political change (Bakker, 1994). While literature in feminist political economy has sought to situate the structures of the global economy within gendered national, subnational, and household social relations (Elson, 1998; Picchio, 1992; Bakker, 1994), early frameworks in IPE, both critical and mainstream, largely neglected to engage with this literature. This has changed in recent decades, however, as the field of critical IPE has broadened its vista to include critical engagements with the global political economy of 'everyday life' (Davies, 2006; Steans and Tepe, 2010; Elias and Roberts, 2018), or to examine the domestic foundations of global patterns of economic restructuring (Seabrooke, 2008; Germain, 2021). This has been led by a growing literature which has sought to incorporate the insights of feminist political economy into critical IPE frameworks, drawing attention to the myriad ways in which processes of capitalist restructuring have shaped processes of social reproduction.

This dissertation draws on the methodological framework of power, production, and social reproduction of Isabella Bakker and Stephen Gill (2003, 2019), who have synthesized the insights of Gramscian IPE and feminist political economy. These contributions build on Cox's (1987) analysis of the reciprocal relationship of power and production in the capitalist global economy by integrating an additional focus on social reproduction. Bakker and Gill (2003, 2019) highlight the systemic tensions between the generation of conditions of adequate and progressive social reproduction (i.e., health, welfare, education, environmental sustainability), and systems of capitalist production, particularly throughout the neoliberal conjuncture. As Bakker and Gill (2003) note, social reproduction is both a "productive potential and a condition of existence for the expanded reproduction of capital and social formation" (p. 22). While numerous analyses in feminist political economy have highlighted the historical and ongoing ways in which gendered domestic and household work is systematically devalued in capitalist societies (Vogel, 1983; Picchio, 1992), Bakker and Gill (2003, 2019) widen this focus to examine the roles of production and social reproduction in the construction of capitalist hegemony and political orders (Bakker and Silvey, 2008; Carroll, 2019, p. 72; DiMuzio, 2015). These interventions parallel Regulation theory's focus on the institutional complexes and state institutions that mediate the tensions of capitalist accumulation but add an additional focus on how political forces and welfare state institutions shape conditions of social reproduction. In historical materialist SRT, these frameworks have argued that it is not only conditions of capital accumulation and legitimation that comprise the dual imperatives of states in capitalist societies (O'Connor, 1973), but also the maintenance of conditions of social reproduction in the reproduction of political power and authority (Carroll, 2019). Recent contributions in this literature have sought to move beyond the structuralism of previous historical materialist approaches by situating the politics of social reproduction as a key terrain in the formation and reproduction of political legitimacy and hegemony in capitalist states. Building on O'Connor's (1973) classic analysis of the dual imperatives facing capitalist states, Carroll (2019), for example, provides a recent synthesis of three interlacing conditions in the construction and maintenance of hegemony in the postwar Japanese political economy, adding an additional layer of social reproduction. Drawing on neo-Marxist state theory, Lavery (2019) has similarly provided an account of the reconciliation of the prerogatives of accumulation and legitimation through the formation of 'hegemonic projects' and legitimation strategies, including the politics of welfare, in pre- and post-2008 British capitalism.

This dissertation seeks to build on interventions in historical materialist and critical political economy which have noted that institutions, while important, are not independently determinative social forces on their own, nor can they be abstracted from the broader political, ideological, and social contexts in which they are embedded. Such institutions must be situated within the variegated and uneven contours of capitalist development and social reproduction. Bakker and Gill (2019) have recently sought to update and reflect upon their earlier 2003 analysis of power, production and social reproduction. Their recent analyses are motivated by an attempt to grapple with the methodological consideration of institutional variegation raised by critical geography and comparative frameworks. Bakker and Gill (2019) address the critiques of critical geography studies of the need for an incorporation of the variegated nature of regulatory regimes of capitalist restructuring at different geographical and spatial scales. However, they maintain that "if we are to accept a variegated capitalist world market, we must also incorporate variegated geographies of social reproduction that can be hypothesized" (Bakker, and Gill, 2019, p. 516). In other words, SRT theory must engage substantively with the ontological institutional variegation of different capitalist social formations and regimes of social reproduction. However, in incorporating the "*constitutively* and *systematically* uneven and internally differentiated" nature of capitalist restructuring and conditions of social reproduction in different local and national spheres, Bakker and Gill (2019) nonetheless maintain that such social formations are "more or less subjected, albeit unequally, to global forces and disciplines" (p. 516). In other words, Bakker and Gill (2019) have sought to acknowledge the constitutively uneven nature of capitalist production and social reproduction in different national and institutional contexts, while illustrating how such institutions are necessarily inscribed, albeit unevenly, within broader pressures and systemic tensions of global capitalism.

Bakker and Gill's (2019) epistemological reframing of the institutional variegation of capitalist restructuring within a critical IPE framework parallels a similar literature in historical materialism which has sought to engage with the diversity of different models of capitalism identified by new institutionalist frameworks. Responding to recent injunctions of the need for an institutionalist theory of capitalism (Streeck, 2011), Bruff and Horn (2012) note that, rather than an institutionalist theory of capitalism, what is needed instead is a focus on "capitalist theories of institutions" (p. 163). While attuned to the institutional diversity of capitalism, these frameworks nonetheless begin from the ontological starting point that "capitalism is a historically specific system of production and that institutions are part of this system, not in some ill-defined external relationship with it" (Bruff and Horn, 2012, p. 163).

This dissertation maintains that the framework of variegated power, production, and social reproduction provides a compelling methodological and epistemological framework to account for the domestic forms of political and institutional diversity between the US and Britain identified by comparative and institutionalist accounts. It does so by grounding this institutional diversity within more holistic and extensive frameworks pioneered by Gramscian political economy, which foreground dynamics of global economic restructuring and capitalist development. I contend that this analytical framework provides, at least with respect to the US and Britain, a fitting entry point to assess the institutional variegation of the two different capitalist regimes, as well as the common pressures, disciplines, and global forces that their welfare states are inscribed within.

II. Liberal Economic Governance, New Constitutionalism, and Depoliticization

One of the central themes of this dissertation pertains to the politics of economic restructuring, i.e., the political decisions embedded within seemingly neutral economic policies that allocate the burdens of economic restructuring across different social groups and classes. As a result, I draw on central concepts from historical materialism and critical political economy, which have positioned such processes at the centre of their analyses. One of the central contentions of historical materialism maintains that the apparent separation between different spheres of human social activity between the realms of the 'economic' and the 'political' is an historically specific feature of capitalist social relations (Wood, 1995). There is a considerable literature and ongoing debate devoted to examining whether this separation between the economic and the political is an ideological rather than substantive feature of capitalist development.[17] This dissertation focuses on how forms of liberal economic governance have historically insulated

[17] As Burnham (2014) describes, "the separation of the political and the economic in capitalism is best theorised as an 'apparent' separation which should not be taken at face value" (p. 194). Bieler and Morton (2018) similarly contend that this separation should be characterized as the "differentiation of the 'economic' sphere from the 'political' under capitalism" (p. 17). For a critique of the separation of the political and the economic within political Marxist approaches, see: Rioux (2013).

macroeconomic policies from popular contestation (Hay 2007; Burnham, 2001, 2014). This is especially apparent amidst capitalist crises when the acceptable bounds of political contestation over forms of economic restructuring and policymaking are determined.

This dissertation draws on Karl Polanyi's (1957 [2001]) insight that the foundation of capitalist 'market society' emerging in mid-19th century England and the forms of liberal economic governance on which it was based was predicated on the "institutional separation of society into an economic and a political sphere" (p. 74). Rather than a transhistorical feature of capitalism, Polanyi's analysis pointed to distinct forms of economic governance underpinning the 19th century capitalist market economy, which sought to contain and insulate the levers of economic policy from the realm of popular contestation. This was central to the governance of the international gold standard monetary system, which relied on a system of technocratic governance over central bank monetary policies and a rigid separation of government budgetary policy from the exigencies of mass politics. As Polanyi (1957 [2001]) illustrated, this allowed for top-down control over determining the domestic costs of economic restructuring, which fluctuated in response to changing global economic conditions and was, at least initially, largely insulated from social and political contestation. This was institutionalized perhaps most paradigmatically in Britain, for example, through the consensus on economic policy articulated in the 'City-Bank-Treasury nexus' throughout the late 19th century (Ingham, 1984).

To illustrate the centrality of the redrawing of the political and economic spheres within the *longue durée* of Anglo-American political economy and liberal economic governance, I also draw on a parallel literature in political science which has examined the *depoliticization* of economic policymaking (Burnham, 2001, 2014; Brown, 2003; Hay, 2007).[18] Often adopted amid capitalist

[18] There is a burgeoning literature on depoliticization. For a recent overview, see: Fawcett et al. (2017).

crises as a modality of crisis management, depoliticization is deployed to ensure the credibility of economic policies and their congruence with market expectations, or to shield governments from the consequences of unpopular economic policies through processes of externalization (Burnham, 2001, 2014). As Burnham (2014) clarifies, forms of depoliticization can take the form of 'international regimes,' i.e., when domestic political forces seek to link their economies to international systems such as the gold standard monetary system of the late-nineteenth and early-twentieth centuries, or the European Exchange Rate Mechanism (ERM) of the early 1990s. This form of depoliticization enables state managers and policymakers to avoid responsibility for imposing forms of economic restructuring and austerity by deferring to global forces and systemic pressures purportedly outside of their control. Conversely, depoliticization can also transpire domestically from internal political forces through the reorganization of state apparatuses. This type of depoliticization ranges from the delegation of control over economic governance to technocratic quasi-state bodies, such as policies that grant 'operational independence' to central banks, or by shifting from discretionary to rules-based policies, such as inflation targeting or balanced budget and fiscal responsibility legislation.[19] This dissertation shows how practices of depoliticization, particularly within the realm of macroeconomic policy, have been deployed to govern economic restructuring within both the US and Britain throughout their developmental history.

[19] More recent contributors have adapted the depoliticization framework, suggesting that the modality of liberal economic governance emerging under neoliberalism is more accurately characterized as 'de-democratization' (Brown, 2003; Stahl 2021).

New Constitutionalism

The concept of new constitutionalism is also used to examine these practices of liberal economic governance. Drawing on literature in IPE and political science (Gill, 1998, 2002; Hirschl, 2004; Dierckx, 2013), I utilize the work of Stephen Gill (1998; Gill and Cutler, 2014) who coined the term 'new constitutionalism' to describe political and juridical reforms emerging alongside neoliberalism in the 1990s intended to lock in patterns of accumulation and 'disciplinary neoliberalism' on a global scale. Described as the "de facto governance structure for the global political economy," new constitutionalism includes a range of institutional, regulatory, and juridical policies and practices, which attempt to lock in "privileged rights of citizenship and representation to corporate capital and large investors" and to institutionalize patterns of neoliberal accumulation (Gill, 1998, p. 23; Gill and Cutler, 2014, p. 13). A central feature of new constitutionalism includes the effort to redefine the boundaries of the economic and the political, and to insulate the governance of economic policies from democratic oversight and popular accountability (Gill, 1998, p. 25; Gill and Cutler, 2014, p. 6). As Gill (1998) notes, new constitutionalism is intended both to lock-in private property rights and the structural power and mobility of large businesses, corporations, and investors, while simultaneously insulating economic governance from popular or social threats from below (p. 25).

Contrary to some interpretations, new constitutionalism does not merely entail exogenous market pressures on states, but also includes attendant transformations within states institutions, which are often driven by technocrats, state officials, or policymakers.[20] While global trade and investment policies are often highlighted as paradigmatic features of new constitutionalism, it also

[20] Within states, new constitutionalist practices include the strengthening of juridical, administrative, and executive apparatuses of states at the expense of legislative bodies, and the subordination of domestic ministries to central banks and ministries of finance (Gill and Cutler, 2014, p. 7).

refers to legislative, regulatory, and macroeconomic practices *within* states intended to institutionalize market disciplinary policies (Gill and Cutler, 2014). These include balanced budget rules, fiscal responsibility legislation, 'independence' conferred to central banks, and the outsourcing of economic policymaking to technocratic cadres, which seek to establish 'mechanisms of restraint' to bolster government credibility (Gill, 1998, p. 25, 35). Adam Harmes (2006) has identified different forms of multilevel governance within new constitutionalist projects, which can be differentiated between 'horizontal' and 'vertical' forms of constitutionalism:

> …some of the new constitutionalist lock-in mechanisms identified by Gill—such as balanced budget amendments, independent central banks, and intellectual property provisions in trade agreements—work to separate the economic and the political in a 'horizontal' fashion in that they do not directly rely on the disciplinary effects of capital mobility and the exit option (p. 743).

These horizontal and often state-mediated forms of new constitutionalism are contrasted with 'vertical' forms of governance, which are predicated on the centralized enforcement of private property rights and capital mobility and the decentralization of social and economic rights, reinforcing the structural 'exit option' of capital through inter-jurisdictional competition (ibid). This is encapsulated in Harmes' (2019) analysis of market-preserving federalism. Both modalities of new constitutionalism nonetheless seek to differentiate the 'economic' from the 'political' and insulate the former from popular political contestation. While analyses of new constitutionalism often focus on regional and supranational institutions such as the Economic and Monetary Union (EMU) of the European Union, international institutions such as the World Bank or IMF, or regional trade agreements such as the North American Free Trade Agreement (NAFTA), this dissertation focuses primarily on horizontal new constitutionalist macroeconomic policies within the US and Britain as central features of their developmental history. More specifically, it analyzes balanced budgets mechanisms, deficit and debt consolidation measures, and the formal independence of central banks. This dissertation further seeks to contribute to new constitutionalist literature by integrating it with literature that has emphasized the relative agency of state officials and managers in initiating and retracting such processes, albeit in complex conjunction with market forces (Krippner, 2012; Burnham, 2014).

III. Anglo-American Neoliberalism, Welfare State Restructuring, and Coercive Commodification

Despite their common ascription as 'liberal welfare states' in comparative literature, the trajectories of the American and British welfare states have been far from uniform. Both the US and British welfare state regimes have nonetheless undergone substantial change and restructuring in the post-1970s period. From the 1980s and the rise of the New Right through the post-Cold War period and the consolidation of neoliberalism in the 1990s, the welfare state has been subjected to a range of pressures for retrenchment and reconfiguration, both global and domestic (Jessop, 1993; Albo, 1994; Peck, 2001; Pierson, 2001). Alongside such pressures, a growing literature, deriving both from critical and mainstream frameworks, posited a global 'race to the bottom' amongst welfare states (Strange, 1996; Gray, 1998; Friedman, 2005). Increasing capital mobility and economic integration was said to have contributed to a global convergence toward low-tax, residual welfare states as states sought to construct environments conducive to business and financial market confidence. Other critical frameworks described these transformations in qualitative terms, describing macro-regulatory shifts from the postwar era of the national welfare state to the post-Fordist 'workfare state' (Jessop, 1993; Peck, 2001). This was based on the reconfiguration of social policy and welfare states, particularly in Anglo-American countries, to conform to competitive pressures, including more residual and conditional forms of social support as a means of 'recommodifying' welfare and social provisioning to compel low-income populations back into labour markets (Offe, 1984; Peck, 2001). These analyses were contemporaneous with the rise of 'Third Way' politics in the 1990s and early 2000s, embodied in the administrations of Bill Clinton and Tony Blair, whose embrace of the politics of welfare reform initiated by the New Right and rhetorical affirmations of the end of the era of big government seemed to establish a consensus on welfare restructuring.

A more skeptical literature, by contrast, cast doubt on grand theories of economic globalization and welfare retrenchment (Hirst and Thompson, 1996). These approaches are exemplified in the highly influential literature on the 'new politics of the welfare state' and the historical institutionalist approach of Paul Pierson in particular (1994, 2001). This approach highlights the 'path dependence' of certain welfare state institutions, which have persisted throughout the era of neoliberal globalization despite pressures of 'permanent austerity' (Pierson, 2002).[21] Others similarly highlighted how aggregate public and social expenditures have endured in Organisation for Economic Cooperation and Development (OECD) countries throughout the 1990s (Garrett, 1998). Even within neoliberal states such as the US and Britain, enterprising welfare reformers in the Thatcher and Reagan administrations confronted substantial barriers in attempting to retrench welfare state institutions (Pierson, 1994).[22] Welfare reform, on this view, is best explained by different varieties and gradations, including recommodification, cost containment, and recalibration (Pierson, 2002). Based on the resilience and relative path

[21] Path dependence refers to the "causal relevance of preceding stages in a temporal sequence," and is often invoked to explain the persistence of policy outcomes or the resilience of institutions, particularly related to the welfare state (Pierson, 2000, p. 252). See also: Mahoney (2000, p. 507).
[22] Other suggests that welfare reformers of the New Right did not necessarily seek to abolish the institutions of the postwar welfare state order, but rather reconfigure them to benefit the interests of 'deserving' middle and upper-middle class constituencies to encourage market dependence (Sutcliffe-Braithwaite, 2012).

dependence of certain welfare state institutions throughout the 1990s and early 2000s, influential accounts in comparative welfare state literature concluded that entrenched domestic political forces, rather than exogenous global forces, underpin modern welfare state institutions (Swank, 2002).

New institutionalist literature has shifted the foundations of comparative welfare state scholarship, highlighting the continued role of domestic political forces in supporting popular social welfare and social insurance institutions, and the practical difficulties associated with institutional retrenchment. Welfare state institutions, as this literature has illustrated, continue to play a foundational role in capitalist societies and are supported by growing constituencies, particularly amongst middle classes (Schwartz, 2001). Notwithstanding the insights of the 'new politics of the welfare state' literature, however, it has remained wedded to a narrow institutionalist framework that has often overlooked qualitative changes within welfare state institutions, forms of social reproduction more broadly, and their changing role within advanced capitalist societies. This literature has placed too great on emphasis on quantitative measurements of aggregate social expenditures rather than examining qualitative and institutional shifts (Schwartz, 2001). This overlooks a methodological insight of Esping-Anderson (1990, p. 19), who long ago noted the limitations of approaches which substitute quantitative analyses of welfare state expenditures for social theory:

> Yet their focus on spending may be misleading. *Expenditures are epiphenomenal to the theoretical substance of welfare states*. Moreover, the linear scoring approach (more or less power, democracy, or spending) contradicts the sociological notion that power, democracy, or welfare are relational and structured phenomena. By scoring welfare states on spending, we assume that all spending counts equally (emphasis added).

As commentators have subsequently noted, part of the reason why welfare states have persisted despite pressures for retrenchment is because of their politically influential and growing beneficiaries and constituencies (Schwartz, 2001; Clift, 2014). This includes middle- and upper-middle class homeowners and pensioners and encompasses a growing variety of tax credits and social transfers. More broadly, as neo-Marxist commentators recognized in the 1970s, the political economy of advanced capitalism continually relies on the institutions of the welfare state to maintain conditions of aggregate demand, which often conflicts with political projects that advocate for its retrenchment and commodification (O'Connor, 1973). In short, while literature positing a global race to the bottom in welfare states during the 1980s and 1990s overstated their case, this does not preclude qualitative transformations that have occurred in the politics and institutions of welfare states in advanced capitalist countries.

In addition to overt and politicized forms of welfare restructuring since the 1980s, which identify cash transfers and income support programs for the 'undeserving poor' as the principal targets of retrenchment, recommodification has also operated outside the 'formal' bounds of welfare state institutions as politicians have sought to remove previously contentious decisions regarding welfare state spending from political contestation. This has included attempts to delink the value of unemployment, pensions and social insurance spending from wages and inflation, a form of 'stealth retrenchment' that has undercut the real value of welfare benefits and social insurance (Clayton and Pontusson, 1998; Hacker, 2004). These forms of welfare restructuring were particularly salient in the Thatcher and Reagan administrations in the US and Britain, as chapter 4 discusses. Similarly, changes in the governance of welfare, including a shift away from tax and transfer policies toward forms of 'concealed distribution,' such as the dramatic growth of means-tested tax credits, have become increasingly central to welfare politics in the US and Britain, especially under the 'Third Way' (Howard, 1997; Sloman, 2017). Some authors have identified a 'hidden welfare state' that has been submerged from formal welfare state politics (Howard, 1997), the distributive effects of which, especially in the US, have increasingly benefitted working middle- and upper-middle-class populations to the detriment of nonworking populations (Tach and Edin, 2017). These changes followed from a disciplinary shift in the politics of the welfare state, whereby traditional forms of social support for 'undeserving' social groups have been subjected to more wide-ranging restructuring, including the increasing use of punitive and surveillance-based measures to enforce more partial, contingent, and conditional forms of social support (Peck, 2001; Soss, Fording, and Schram, 2011; Wacquant, 2010; Dukelow and Kennett, 2018). Indeed, the use of such bureaucratic mechanisms of surveillance, conditionality, and criminalization, in addition to the political popularity of more universalistic programs for wider middle-class constituencies, has often been a contributing factor accounting for the persistence of social welfare expenditures under neoliberalism (Peck, 2001; Soss, Fording, and Schram, 2011).

Finally, analyses which confine their conceptual focus to the formal boundaries of the welfare state often overlook broader changes in conditions of social reproduction both within and outside the welfare state in capitalist societies. Amongst the most prominent transformation has been the rise of privatized or marketized forms of social reproduction (Bakker and Gill, 2003). This has included the systemic rise of consumer debt, especially in Anglo-liberal states (Soederberg, 2014; Roberts and Soederberg, 2014; Montgomerie, 2013), or the ownership of assets, which some have dubbed 'asset-based welfare' or 'privatized Keynesianism' (Finlayson, 2009; Crouch, 2009). Alongside the restructuring of public welfare institutions, these forms of private, market-based provisioning have been leveraged to protect against declining standards of living and have been deliberately encouraged by government policy in the US and Britain since the 1990s. These qualitative shifts in the nature of the welfare state and social reproduction suggest the need to return to sociologically informed frameworks of the politics of the welfare state in advanced capitalist societies. This dissertation will examine these qualitative changes in the governance of welfare and social reproduction that have ushered in wide-ranging transformations in the US and Britain.

Debates surrounding welfare state restructuring have garnered renewed attention since the 1990s. While welfare state restructuring appeared to reach its zenith in the 1990s, the politics of welfare reform returned after the 2008 global financial crisis. Indeed, several analyses have examined the revival of welfare reform alongside the return of the politics of austerity in the 2010s, not least in the UK where wide-ranging changes were ushered into its social security system with the rollout of Universal Credit (Taylor-Gooby 2012; Dukelow and Kennett, 2018). This dissertation aims to examine the trajectory of welfare restructuring and the politics of welfare reform after 2008 in the US and Britain. I draw on literature which has examined the continuities and discontinuities of social policy after 2008 within the broader history of neoliberalism, highlighting the increasingly coercive policies and practices associated with welfare restructuring in Anglo-American countries such as the US and Britain (Soss, Fording, and Schram, 2011; Murray, 2011; Dukelow and Kennett, 2018; Roberts, 2018).

IV. Toward a Gramscian Framework of the Capitalist Welfare State and Social Reproduction

While this dissertation examines forms of welfare restructuring and retrenchment in the US and Britain, particularly after 2008, it is concerned more broadly with examining the *politics* of the welfare state and struggles over the terrain of government budgetary decisions in the production and reproduction of political legitimacy within capitalist states. As such, I draw on critical literature on the welfare state, spanning Gramscian frameworks and historical materialist social reproduction theory, to examine role of political coalitions surrounding welfare state institutions in the US and Britain.

Marxist and historical materialist frameworks throughout the 1970s sought to understand how the postwar welfare state order intertwined and often conflicted with the logic of capitalist accumulation (O'Connor, 1973; Gough, 1979; Offe, 1984). One of the most influential neo-Marxist texts that theorized the role of government budgets within the unfolding crisis in Western capitalist welfare states throughout the 1970s was James O'Connor's (1973) *The Fiscal Crisis of the State*. One of the central insights from O'Connor's (1973) work was his postulation of the dual imperatives facing capitalist states:

> the capitalist state must try to fulfill two basic and often mutually contradictory functions—accumulation and legitimization. This means that the state must try to maintain or create the conditions in which profitable capital accumulation is possible. However, the state also must try to maintain or create the conditions for social harmony (p. 6).

A central facet of 'social harmony' that O'Connor described related to the burgeoning government expenditures devoted to social welfare programs emerging alongside the social movements and labour militancy of the 1960s and 1970s. O'Connor's (1973) analysis described how 'monopoly capitalism' increasingly relied on forms of state intervention to socialize the costs of production and, more broadly, to reproduce the conditions of aggregate demand necessary to sustain capitalist relations of production. In conditions of slowing growth and widespread reluctance to finance rising expenditures through taxation associated with 'social investment,' i.e., infrastructure spending, education, healthcare, and social welfare expenditures, government budget deficits became a recurring and seemingly implacable source of crisis. O'Connor's (1973) analysis became a benchmark for critical state theory that paralleled studies of a 'legitimation crisis' in capitalist democracies throughout the 1970s (Habermas, 1975; Block, 1981), as well as analyses seeking to make sense of the unfolding tensions of 'welfare state capitalism' throughout this period (Gough, 1979; Offe, 1984).

Despite the influence of O'Connor's (1973) analysis, critics maintained that it was characterized by a lingering structural functionalism wherein structural processes without clearly delineated political actors lay behind the fiscal crisis of the state. O'Connor's (1973) account, according to sympathetic critics, relied on a functionalist conception of the state as subservient to the requirements of 'monopoly capitalism,' which focused on sectoral rather than class and political determinants of the fiscal crisis of the state during the 1970s (Loxley, 1982). Critics thus maintained that neo-Marxist theories of the fiscal crisis of the state did not sufficiently account for the forms of political agency that inhere within fiscal and budgetary processes.[23]

Other literature, particularly from Gramscian frameworks, identified the forms of political agency underpinning capitalist welfare states and characterized the latter as sites of contestation in the formation of 'hegemonic projects.' Stuart Hall (1979, 1988), for example, identified the politics of anti-welfarism as foundational to the emergence of Thatcherism and the rise of neoliberalism in Britain alongside a deep-seated crisis of postwar British capitalism. Throughout the 1980s and 1990s, a debate between key figures in the UK elaborated on key dynamics of Thatcherism, hegemony, and welfare state politics, which chapter 4 explores in greater depth. This included contributions by Jessop et al. (1984, 1988), who redeployed Gramscian concepts to study welfare state politics and capitalist hegemony. Building on O'Connor's (1973) original distinction between the dual imperatives of accumulation and legitimation, Jessop (1990) later identified how 'accumulation strategies' and 'hegemonic projects' mutually shape the politics of capitalist states

[23] One of the most generative literatures in this area is the field of fiscal sociology, which dates to the writings of Austrian Marxist sociologist Rudolf Goldshied (1917) and Austrian economist Joseph Schumpeter (1918). There has recently been a renewal of scholarship in the field. For an overview, see: Martin, Mehrotra, and Prasad (2009).

(Jessop, 1990, p. 216). Accumulation strategies refer to the economic projects and patterns of capitalist accumulation pursued by policymakers and state managers within capitalist states, which are distinct from, albeit at times overlapping with, legitimation strategies. Redeploying the work of Gramsci, Jessop (1990) identifies the centrality of 'hegemonic projects' in the formation of political order and legitimacy. These projects comprise efforts to mobilize support "behind a concrete, national popular program of action which asserts a general interest in the pursuit of objectives that explicitly or implicitly advance the long-term interests of the hegemonic class (fraction)" and to resolve the "abstract problem of conflicts between particular interests and the general interest" (Jessop, 1990, pp. 208-209).

Jessop (1990) further specifies how hegemonic projects can be differentiated between 'one nation' and 'two nation' projects, with the former referring to a more "expansive hegemony in which the support of the entire population is mobilized through material concessions and symbolic rewards," such as postwar Keynesianism, while the latter described a "more limited hegemony concerned to mobilize the support of strategically significant sectors of the population and to pass the costs of the project to other sectors," such as Thatcherism (p. 211). While not necessarily meeting the conditions of conventional Gramscian understandings of hegemony, Jessop's (1990) distinctions have nonetheless contributed to a range of critical theorizations that illustrate how the politics of the welfare state is associated with, albeit not functionally reducible to, the accumulation projects of capitalist states (Lavery, 2019).

This dissertation draws on these recent Gramscian contributions, which conceptualize welfare state institutions and government budgets as sites of hegemonic contestation that have historically flanked, and often served to legitimize, forms of capitalist economic restructuring. It also seeks to develop this literature in a new direction by drawing on the insights of historical materialist frameworks in social reproduction theory. I utilize the power, production, and social reproduction framework of Bakker and Gill (2003, 2019), which has highlighted how conditions of social reproduction are a crucial feature of reproducing authority and political legitimacy in capitalist societies. This approach offers numerous advantages to existing literature, providing a wider conceptual lens than comparative welfare state literature, and highlighting how it is not merely formal institutions of the welfare state, but also conditions of social reproduction mediated co-constitutively through interlacing spheres of state, market, and civil society that shape the terrain of capitalist hegemony and welfare state politics.

Chapter 2: The *Longue Durée* of Anglo-American Liberal Economic Governance: Public Finance and Social Welfarism from the Gold Standard to the New Deal

> Belief in the gold standard was the faith of the age. With some it was a naïve, with some a critical, with others a satanistic creed implying acceptance in the flesh and rejection in the spirit. Yet the belief itself was the same, namely, banknotes have value because they represent gold.
>
> Karl Polanyi (1957 [2001]), *The Great Transformation* (p. 26).

> An 'automatic' gold currency is part and parcel of a laissez-faire and free-trade economy…It is extremely sensitive to government expenditure and…, in general, to precisely all those policies that violate the principles of economic liberalism…It imposes restrictions upon governments or bureaucracies that are much more powerful than is parliamentary criticism. It is both the badge and the guarantee of bourgeois freedom—of freedom not simply of the bourgeois interest, but of freedom in the bourgeois sense.
>
> Joseph Schumpeter (1954), *History of Economic Analysis* (pp. 382-383).

> On both sides of the Atlantic, politicians rode the new issues to power and popularity…Parties and pressure groups drew up sweeping social programs. For the rest of the twentieth century, although parties split and polarized over the new issues, no politics could be divorced from social politics.
>
> Daniel Rodgers (1998), *Atlantic Crossings: Social Politics in a Progressive Age* (p. 56).

Introduction

In *The Great Transformation*, Karl Polanyi (1957 [2001]) described the gold standard as "the one and only tenet common to men of all nations and classes, religious denominations, and social philosophies," which was the "invisible reality to which the will to live could cling" (pp. 26-27). After its collapse with the outbreak of World War I, efforts to restore the gold standard monetary system during the interwar period were, Polanyi further described, "the most comprehensive the world had ever seen," but nonetheless failed, resulting in a "complete destruction of the national institutions of nineteenth-century society" (ibid, p. 29). Perhaps no other institution was as central to the governance of liberal capitalism than the gold standard, the international monetary system that presided over the global economy from the late 1870s to World War I and briefly during the interwar period. Under its aegis, capitalist states implemented domestic economic policies and budgetary practices prioritizing 'sound money,' fiscal discipline, and capital mobility that upheld the convertibility of currencies into a fixed quantity of gold. Often envisioned by contemporaries as a core plank of laissez-faire liberalism and market-based automaticity, the gold standard system was synonymous with fiscal prudence, economic stability, and social order, serving as a lynchpin of the capitalist world economy that distanced the levers of economic policy from the vicissitudes of mass politics.

The outbreak of World War I upended the classical gold standard system and the domestic fiscal consensus established under its authority. As governments and ruling classes sought to return to the prewar fiscal and social order, the rigours of the gold standard were often envisioned as a mechanism to entrench budgetary discipline and re-establish a clear delineation of the distribution of fiscal burdens between social classes. Amidst the rise of organized labour, the extension of the franchise to popular classes in many countries after World War I, and political coalitions demanding increased social expenditures, however, systemic political pressures increasingly disrupted the economic adjustment mechanisms of the gold standard system. These systemic tensions generated deep-seated conflicts, particularly throughout the interwar period, as states implemented fiscal austerity and deflationary monetary policies to secure gold convertibility and financial market confidence. These socio-political contestations were particularly pronounced and had far-reaching consequences for the global economy within leading liberal-imperial capitalist powers, Britain and the United States.

This chapter traces the politics of public finance and social welfarism in Britain and the United States from the era of the 'classical gold standard' (1879-1914) through the interwar period

(1918-1939). While there is an extensive literature in economic history and IPE on the gold standard system, as well as the global roles of Britain and the US within it, few analyses have probed the comparative-historical development of domestic fiscal regimes and budgetary practices established under the gold standard system in each country. Throughout this chapter, I argue that, while the domestic fiscal institutions and budgetary politics of the US and Britain differed, each country developed under the tenets of liberal constitutionalism, seeking to formally distance economic policy governance from mass politics under the gold standard system. In Britain, longstanding traditions of Gladstonian fiscal discipline, centralized executive control over budgetary practices, and the congruence of the 'City-Bank-Treasury nexus' around an agenda of economic orthodoxy meant that the fiscal and monetary adjustment mechanisms of the gold standard remained largely outside the bounds of popular political contestation until the interwar period. In the US, by contrast, the distribution of the fiscal burden was more openly contested. With the defeat of the populist insurgency in the 1890s, however, and the restoration of capitalist power within the US system of market-preserving federalism, the gold standard was re-established alongside the consolidation of American capitalism, though the US economy often remained relatively insulated from its disciplinary rigours. These legacies of liberal constitutionalism under the gold standard, I argue, had a lasting influence on macroeconomic policy governance in both countries long after the dissolution of the gold standard monetary system.

Throughout the first decades of the 20th century, the principles of economic liberalism and the economic governance of the gold standard increasingly conflicted with a transatlantic historical bloc of social forces that imposed growing demands on states to address market-based social and economic insecurities.[24] In Britain, I trace the rise of New Liberalism, focusing on the social

[24] By historical bloc, I am referring to a "historical congruence between material forces, institutions and ideologies, or broadly, an alliance of different class forces politically organized around a set of hegemonic ideas that gave

legislation of the Liberal Government from 1906-1914, the constitutional crises related to the 1909 People's Budget, and the relationship between Britain's nascent fiscal-welfare state reforms and the principles of 'sound finance.' In the US, I examine the mixed legacy of the Progressive era (1896-1916), social reform movements and federal regulatory reforms, including the establishment of a federal income tax in 1913, alongside the consolidation of American capitalism and conservative politics. I then analyze the interwar period and austerity governance in each country. Following the ill-fated restoration of the gold standard in Britain in 1925, I examine how successive governments in Britain attempted to re-establish the deflationary mechanisms of the prewar period, implementing draconian cuts to social expenditures and particularly the unemployment insurance system, which was perceived by financial markets, investors, and political elites as the principal barrier to restoring fiscal and class discipline. While the US often leveraged its position in the global economy throughout the 1920s to avert the costs of economic adjustment of the gold standard, the eruption of the stock market crash in 1929 and Great Depression throughout the 1930s increasingly upended the existing monetary order and generated a deepening crisis of social reproduction. Following the deflationary governance of the Hoover administration and the Federal Reserve, I then examine the rise of the New Deal in the US throughout the 1930s. I focus on two aspects of the New Deal, including its relationship with economic orthodoxies and its legacy of social welfare reforms. Despite leveraging the power of the federal government to break with the constrictions of the gold standard system, institutionalizing a variety of social reforms including the 1935 Social Security Act, I argue that

strategic direction and coherence to its constituent elements" (Gill, 2008, p. 60). The historical bloc described in this chapter was comprised of state policymakers, intellectuals, professionals, social reformers, select liberal capitalists, and elements of working- and middle-classes across Britain, the United States, and Germany throughout the late 19th and early 20th century. Despite having different political interests, they broadly supported social reforms through enhanced state intervention in the economy. For contrasting accounts of this transatlantic historical bloc, see: Rodgers (1998) and Van der Pijl (2012).

fiscal orthodoxies characteristic of the gold standard era persisted throughout the New Deal and forms of social stratification and market dependence continued to plague the legacy of the US welfare state. Indeed, it was not until the destruction wrought by the Second World War, and the remaking of the global economy in its aftermath, that the systemic tensions between the economic orthodoxies of the gold standard and the politics of social welfarism were temporarily reconciled in a new model of welfare state capitalism.

This chapter has five sections. The first provides a broad overview of the differing roles of Britain and the United States within the global political economy of the classical gold standard era, drawing on Stephen Gill's (1998) concept of liberal constitutionalism to illustrate how the gold standard was leveraged to insulate economic governance from domestic mass politics. The second focuses on the uneven institutionalization of the gold standard within Britain and the US, exploring the institutions and political coalitions underpinning public finance and budgetary politics in each country. The third examines the uneven trajectories of social welfarism in each country, exploring how a historical bloc led by new liberals implemented a variety of social reforms that laid the foundations of the welfare state, albeit in ways that were tethered to the constraints of sound money and fiscal rectitude. The fourth examines the interwar period, focusing on efforts to revive the gold standard in Britain, the governance of austerity in both countries throughout the 1920s, and the outbreak of the Great Depression in the 1930s. The fifth and concluding section examines the New Deal in the United States and the collapse of the gold standard system.

I. Constitutionalism, the Gold Standard, and Anglo-American Liberalism

The gold standard international monetary system was at the foundation of the liberal capitalist economy. Predicated on commitments to fixed currency values in relationship to a specified quantity of gold, the ‘classical’ gold standard system presided over much of the global economy from the late 1870s to 1914 (Frieden, 2006, p. 6). The intellectual blueprint of the gold standard system is often attributed to David Hume’s ‘price-specie’ mechanism, which described how the convertibility of currencies to gold would function as an equilibrating mechanism between deficit and surplus countries, with gold flows in and out of countries serving as an automatic correction to balance of payments (Schwartz, 2010, pp. 161-163).[25] The gold standard’s fixed exchange rate system established a set of disciplinary constraints where market confidence in the capacity of states to maintain currency convertibility often acted as a constriction against domestic policies perceived to be inflationary or contrary to the norms of fiscal discipline or economic liberalism (Block, 1978, p. 6; Simmons, 1994). States were often able to mitigate or channel these pressures in numerous ways, however. Scholarship on the gold standard has illustrated how, contrary to the idealized image of self-equilibrating gold flows, the era of the gold standard was characterized by substantial discretionary state governance, endowing widely uneven roles to different states whose central banks often violated the ‘rules of the game’ to their advantage (Polanyi, 1957 [2001], p. 204; DeCecco, 1984; Eichengreen, 1994).[26]

At the centre of the gold standard system was the British imperial political economy (Cox, 1987). As the first country to adopt the gold standard, with pound sterling eventually becoming the global reserve currency, Britain was at the epicentre of the gold standard system, particularly during the last quarter of the 19th century as second wave industrializing powers challenged its industrial and imperial supremacy (Arrighi, 1994; Schwartz, 2010, p. 160). At its apex was the

[25] In practice, the gold standard relied less on physical gold flows to settle transactions and more on credit instruments denominated in pound sterling in the City of London. Similarly, central banks exercised significant control over domestic credit to finance balance of payments deficits (Cairncross and Eichengreen, 2003, p. 10; Schwartz, 2010, p. 163).

[26] Polanyi (1957 [2001]) was aware of the divergence between the theoretical and practical operation of the gold standard when he noted how “Central banking reduced the automatism of the gold standard to a mere pretense” (p. 204).

City of London, the centre of the global financial system, which served as an international clearing house and entrepôt for global trade and financial transactions (Ingham, 1984), settling 60 percent of world trade as the peak of its power (Eichengreen, 1994, p. 43). The system was superintended by the Bank of England, often in coordination with other major central banks and private houses of *haute finance* (Polanyi, 1949 [2001]), which synchronized global central bank discount rates through its Bank Rate and served as a lender of last resort amidst financial crises (Eichengreen, 1994, p. 8). These roles bestowed numerous advantages to the British state, which often relied on the Bank of England to utilize its Bank Rates to attract short-term capital, stem gold outflows, and pre-emptively impede constraints implied by the gold standard system (Strange, 1998, p. 101). Britain's status as a global imperial power of the 19th century was also advantageous in its governance of the global monetary system. Britain leveraged its role as global creditor and intermediary of world payments to control colonies' foreign exchange reserves to avert pressures for economic adjustment associated with the gold standard (DeCecco, 1984; Arrighi, 1994). Rather than a seamless mechanism of automaticity, the gold standard monetary system was part of a wider liberal-imperial capitalist order, which was a thoroughly politically governed system of hierarchical power (Knafo, 2013). And yet, despite these mechanisms of discretionary central bank governance, the gold standard system reproduced enduring and entrenched domestic political and class commitments to sound money and fiscal discipline, perhaps most significantly within Britain.[27]

The US, by contrast, occupied a starkly different role within the international gold standard system. These differences were in part related to structural features of the late-19th century US economy. The last quarter of the 19th century and first decade of the 20th century saw a historically

[27] As public choice theorists Buchanan and Wagner (1977) described, the pre-Keynesian liberal order was predicated on an 'informal fiscal constitution' based on enduring commitments to sound money and balanced budgets.

unprecedented expansion and consolidation of American capitalism (Sklar, 1988). This was predicated on an historic industrial and financial merger movement and the rise of the vertically integrated corporation toward the end of the 19th century, driven by the 'money trust' of Northeastern financiers, railroad and oil capitalists, and a highly productive agricultural sector (Arrighi, 1994; Maggor, 2017). In the aftermath of the Civil War, the gold standard system was gradually re-established between 1879 and 1900. As a rising industrial and established agricultural economic power and net borrower, the enormous and seasonally driven demand for gold in the US often encumbered the functioning of the gold standard, however (Eichengreen, 1994, pp. 54-55). Without a central bank, the US depended on the City of London (as well as financiers such as the Rothschilds and Morgans) to finance its balance of payments, which was often leveraged to evade the constrictions of the gold standard and pressures of internal adjustment (DeCecco, 1984, p. 114; Frieden, 2006, pp. 35, 36). In contrast to Britain, the mechanisms of the gold standard monetary order were also vigorously contested by a powerful domestic political coalition, which often undermined the credibility of the US commitment to gold convertibility (Eichengreen, 1994).

A wide-ranging literature in economic history and international political economy (IPE) has illustrated how the era of the classical gold standard was upheld by the unique global role of Britain, as well as other leading capitalist states, within the 19th century global economy (Kindleberger, 1973; Ruggie, 1982; Ingham, 1984; Gilpin, 1987; Cox, 1987; Arrighi, 1994). This literature often describes how the classical gold standard era coincided with the apogee of British financial power. After World War I, as the US gradually attained pre-eminence in manufacturing and emerged as a global creditor, Britain's declining competitiveness in manufacturing and postwar indebtedness contributed to its decline as a global hegemon, and with it, the stability of the gold standard system (Block, 1978, p. 13; Arrighi, 1994; Schwartz, 2010). In Kindleberger's

(1973) formulation, the interwar period was marked by an interregnum, in which "British inability and United States reluctance to assume responsibility" for superintending the global financial and monetary system led to a period of protracted instability (pp. 291-292).[28]

The gold standard system was not only upheld by a distinct constellation of global power; it was also contingent on domestic institutional and political configurations of economic liberalism. This was especially true of countries such as the US and Britain (Polanyi, 1957 [2001], p. 238). Building on the work of Polanyi, Eichengreen (1994, 2008) has illustrated how the 'success' of the classical gold standard system was predicated on the absence of popular control over monetary and fiscal policies and a dearth of political contestation over the 'adjustment mechanisms' implied by the gold standard system.[29] Central to the gold standard was the capacity of states, and central banks, to secure market credibility by ensuring their commitment to a set of economic policies favourable to bankers and financiers (i.e. 'sound money'), including the prioritization of external balance, maintaining the convertibility of their currencies into gold, and balanced budgets (Simmons, 1994, p. 18). Central to the politics underpinning sound money was thus a clear allocation of the domestic fiscal burden underpinning the gold standard system. This included a commitment to deflationary economic policies, either by contracting credit and tightening monetary policy, or by curtailing government spending to ensure a balanced budget, which was intended to facilitate a downward adjustment in internal prices and wages to boost domestic competitiveness and correct balance of payments deficits (Eichengreen, 2008, p. 66). During the decades leading up to World War I, it was the absence of systemic political power conferred to

[28] Others, by contrast, have emphasized that it was not merely US reluctance but rather the structure of its domestic-oriented economy, its limited insertion into the global financial system, and its underdeveloped central banking system that accounted for the instabilities of the global financial system during the interwar period (Ingham, 1984; Schwartz, 2010, p. 183; Green, 2020).
[29] As Eichengreen (1994) describes, "Domestic politics was largely responsible for the credibility of this system" (p. 30).

organized labour and domestic social forces capable of contesting austerity measures associated with the reproduction of the gold standard system that ensured its stability (Eichengreen, 1994). While countries such as the US and Britain were able to forestall some of the external disciplinary constrictions implied by the gold standard through discretionary central bank policies, the gold standard nonetheless reinforced powerful domestic class coalitions committed to sound money and austerity.

In his analysis of historical forms of constitutionalism, Stephen Gill's (1998) describes a constellation of 'liberal constitutionalism' that governed the 19th century liberal world order. Constitutionalism describes how ruling classes have deployed legal and constitutional mechanisms to insulate economic governance from popular political accountability, or to redefine the 'political' and the 'economic' to institutionalize the protection of private property rights and the mobility and structural power of capital (Gill, 1998; Hirschl, 2004). Within the 19th century, liberal constitutionalism "established virtually free capital mobility for investors" and was upheld by the gold standard international monetary system, which "served to lock in price and exchange rate stability" (Gill, 1998, p. 28). The gold standard was an exemplary mechanism of locking in practices of sound money, low inflation, and fiscal discipline, enabling ruling classes and central bankers to effectively depoliticize economic governance and "allow dominant economic forces to be increasingly insulated from democratic rule and popular accountability" (Gill, 1998, p. 23; Burnham, 2001). Domestically, this regime was largely constituted in the absence of mass democracy, which enabled the seamless imposition of a consensus of sound money and fiscal discipline. Central bankers, financiers, and politicians envisioned the gold standard as reinforcing 'rules-based' rather than discretionary approaches to monetary policy, which prioritized external balance and institutionalized counter-inflationary measures by effectively removing monetary policy from the sphere of mass politics (Burnham, 2001). In distinctive ways, both the US and Britain, as Gill (1998) argues, exemplified ideal-typical liberal states in the gold standard system. The US Constitution reinforced a Lockean 'bourgeois republic' whose division of powers effectively secured the protection of property from the vicissitudes of democratic politics (DiMuzio, 2014, p. 93).[30] As Polanyi (1957 [2001]) described, the separation of powers enshrined in the American Constitution served to "separate the people from power over their own economic life" (p. 234).[31] The British liberal capitalist unitary state, as will be discussed further below, likewise rigidly differentiated parliamentary democracy from the institutions of economic governance.

As this chapter will argue, however, the international gold standard system, and liberal constitutional states such as the US and Britain, had variegated domestic fiscal regimes, and its central principles were uneven and contested. The domestic institutionalization of the fiscal consensus underpinning the gold standard, for example, differed widely between the US and Britain, with the former experiencing a substantial challenge to the gold standard consensus in the 1890s. Across both countries, however, despite their uneven trajectories, the gold standard was viewed as a mechanism of insulating economic policy governance from mass politics, which had a lasting influence on the political economies of each country.

II. The Uneven Foundations of the Gold Standard Regime in Britain and the United States

Britain: Gladstonian Public Finance and the 'City-Bank-Treasury Nexus'

[30] For a classic account of the anti-democratic foundations of the US Constitution, see: Beard (1913).
[31] Historians have since noted that there were multiple competing visions behind the US Constitution, including the influence of Jeffersonian republicanism (Harmes, 2019, p. 197.).

It was not merely the external orientation of British capitalism, the role of pound sterling, and the City of London in global finance that underpinned the gold standard system. The insulation of domestic state practices governing economic policy and budgetary decision-making from political contestation, which ensured Britain's commitment to sound money and gold convertibility, solidified its centrality within the gold standard system. The technocratic governance of economic policy stemmed in part from the highly centralized nature of the unitary British state and the disproportionate influence it conferred to the executive arm of the state, particularly the Treasury, in shaping budgetary policy (Peden, 2000). While the history of state centralization in Britain dates to the aftermath of the 1688 bourgeois revolution if not earlier, it was during the mid-19th century that many of the modern budgetary practices of the British state came into place (Mumford, 2019). Following the accumulation of wartime debts associated with the Napoleonic wars, curtailing the debt load of the British state, and constructing a state apparatus committed to fiscal discipline, were central features of 19th century economic governance (Daunton, 2001). These reforms were initiated with the reintroduction of the income tax in 1842 under Prime Minister Robert Peel's Conservatives as part of a broader modernizing agenda, followed by William Gladstone's Liberal Party (ibid). Under Gladstone, Chancellor of the Exchequer and Prime Minister several times throughout the latter half of the 19th century, an enduring commitment to fiscal probity and balanced budgets became central features of mid-to-late 19th British state practices (Corrigan and Sayer, 1985; Daunton, 2001; Mumford, 2019).[32]

The principles of 'Gladstonian sound finance' instilled rigid conventions and institutional commitments of fiscal discipline within the British state (Green, 1992, p. 208; Campbell, 2004;

[32] Gladstonian fiscal probity was popularized as part of a broader commitment to economic liberalism and effort to cultivate perceptions of a 'neutral state' that could balance contending class interests and protect private property (Daunton, 2001).

Daunton, 2001). While promoted as a reformist agenda to reassert parliamentary control over public finance, Gladstonian sound finance also served to centralize budgetary decision-making within the executive arm of the British state, particularly within the Treasury department and the office of the Chancellor of the Exchequer (Ingham, 1984, p. 150; Bateman, 2020). In part promoted in line with popular expectations of low taxation (Campbell, 2004, p. 22), sound finance entrenched a set of conventions, norms and institutional guarantees of fiscal probity that insulated fiscal processes from emergent pressures for social expenditure associated with the rise of organized labour and the gradual enfranchisement of the male working class toward the end of the 19th century (Ingham, 1984; Bateman, 2020).[33] It was the extent to which the British state was able to shield its budgetary decisions from democratic oversight that led Joseph Schumpeter, the preeminent conservative Austrian economist, to praise it as a model 'tax state' committed to fiscal discipline and the gold standard system, which he described as the "badge and the guarantee of bourgeois freedom" (Schumpeter, 1954, pp. 380, 382-382).

While the dominance of the Treasury and the Exchequer's office within the British state shaped the trajectory of British budgetary practices, the Treasury was embedded within a broader nexus of state and market power that was central to the development of British capitalism and the institutionalization of the gold standard consensus. This has been characterized, in Ingham's (1984) classic formulation, as the 'City-Bank-Treasury nexus,' a mutually reinforcing yet institutionally distinct assemblage uniting key apparatuses of the British state and financial sector around an 'orthodox' consensus on economic policy. Dating to 1694, the Bank of England had

[33] As economic historian Martin Daunton (2001) notes, "Both Gladstone and the officials at the Treasury…were very conscious that new dangers arose from the pursuit of votes by competing politicians as well as from the ambitions of spending departments. The result, they feared, would be a replacement of retrenchment by expenditures unless there were clearly established, rigid, conventions" (p. 66).

played a central role in war financing and the development of British capitalism (Desan, 2014). As a private joint-stock company governed by shareholders, which simultaneously assumed public functions as a central bank, the Bank occupied a contradictory role within British capitalism, interceding the interests of the City and the British state and shaping government debt management through money markets (DeCecco, 1984, p. 83). While the institutional self-interests of the British Treasury, the Bank, and the City of London were distinct, the orthodox economic policy paradigm of the 19^{th} and early 20^{th} centuries, characterized by the well-known triumvirate of free trade, balanced budgets, and the gold standard, often situated them in similar territory (Ingham, 1984). Gladstonian public finance laid the fiscal foundation of the gold standard system, securing the confidence of investors in pound sterling and the global pre-eminence of the City of London in finance, while the demands of budgetary discipline in turn reinforced the Treasury's control over public finance (Ingham, 1984, pp. 127, 130, 181). Relatedly, fiscal orthodoxy and debt reduction pursued by the Treasury also fortified the Bank's control over domestic money markets (DeCecco, 1984), which in turn bolstered City influence within the state over economic policy. While the interests of the City-Bank-Treasury nexus would not always seamlessly converge, their mutual reinforcement enabled policymakers and state officials to insulate British budgetary and monetary policy from popular control, establishing an institutionally embedded and class-based delineation of the domestic fiscal burden underpinning the gold standard. While the constitutional crises of the early 20^{th} century and the labour militancy of the interwar years increasingly challenged this consensus, the rigid conventions of fiscal discipline within the British state would prove difficult to overturn.

US: Market-Preserving Federalism, Agrarian Populism, and Economic Heterodoxy

The budgetary politics and distribution of the fiscal burden underpinning the gold standard in the US differed from Britain. These differences were in part the result of the divergent institutional and constitutional systems of each country. In contrast to the unitary British state, which vested tax and fiscal policy authority largely within the centralized control of the executive arm of the state, the US Constitution largely conferred the power of taxation to Congress, while federal budgetary processes became a 'two-track' process between Congress and the Presidency throughout the 20th century (Primo, 2007). US federalism, however, entailed a complex division of governmental responsibilities. Article I, Section 8 of the US Constitution enumerated a narrow set of national responsibilities for the federal government and Congress, including the power of taxation (Hueglin and Fenna, 2015, p. 143).[34] Beyond these responsibilities, unstated 'residual powers' were left open to states, which paved the way for considerable variation in the provision of economic and social services and public spending between states. Budgetary authority and economic policymaking in the US were shaped by Congress, where Ways and Means and Appropriations committees often had central roles (Mumford, 2019),[35] and the Presidency, while also leaving considerable authority to states, leading to a complex intergovernmental grant system (Harmes, 2019, p. 198). While the enforcement of fiscal discipline was thus less centralized in the US federalist arrangement, an important legacy of fiscal federalism was the array of 19th century state-level constitutional and legislative restrictions on spending and borrowing. A product of the fiscal crises of the 1840s, most state constitutions across the US established strict limits on

[34] Other federal government responsibilities included money coinage, the regulation of commerce, the Post Office, roads, treaties, and military matters (Hueglin and Fenna, 2015, p. 143).
[35] Following the 1921 Budget and Accounting Act, the US President also played a role in proposing and authorizing federal budgets through the Office of Management and Budget (OMB) (Kincaid, 2012, p. 59). This dynamic changed in 1974 with the passage of the Congressional Budget and Impoundment Control Act, which created the Congressional Budget Office as a counterweight to the executive (Primo, 2007, p. 106).

government borrowing and spending, often requiring a balanced budget (Kincaid, 2012, pp. 70-78).

This federalist system, which established white male suffrage earlier than Britain and other capitalist states, was, in some ways, more open to political contestation than in Britain (Hacker and Pierson, 2002).[36] However, while aspects of economic policy were more openly politicized than in Britain,[37] US institutions magnified the political influence of the most powerful social and class forces (Daunton, 2001). In a society dominated by business interests, a fractured labour movement, and a formalized racial apartheid system after 1896, the US system conferred greater power and representation to politically powerful and organizationally coherent social groups. Within the late 19th and early 20th centuries in the US, as Hacker and Pierson (2002) argue, "business possessed significant structural power" over economic and social policies (p. 290). In conditions of largely unrestricted capital mobility, wherein the enforcement of labour, fiscal, and social policies were decentralized to state and local levels, US business interests retained a structural 'exit option,' whereby the threat of capital disinvestment enabled them to preemptively undermine threatening fiscal or social policies (Hacker and Pierson, 2002). Adam Harmes (2019) has identified this constellation as 'market-preserving federalism,' where policies relating to property rights and capital mobility are enforced centrally at the federal level (largely by the Supreme Court in the US), while redistributive measures, including labour and social policies, are decentralized to sub-national levels (p. 167). This legacy of relative political openness to certain social groups in its budgetary institutions and system of market-preserving federalism that upheld

[36] Political contestation in the US, however, was sharply delimited by race, class, and gender, particularly as African Americans were denied the franchise and citizenship rights well into the 1960s.
[37] The notable exception to this is the wide-ranging power of the US Supreme Court.

the structural power of capitalist classes strongly inflected the development of public finance in the US throughout the late 19th and early 20th century.

Each country also experienced divergent trajectories of state formation. Prior to the early 20th century, US federal government outlays largely comprised military expenditures and the Civil War-era veterans' pension system (Skocpol, 1995). Without a federal income tax until 1913, federal revenues were marginal and largely made up of tariffs and excise taxes, which were steeply regressive (Mehrotra, 2013). This did not mean that the American state was 'weak,' however (Novak, 1996). Rather, the US state dispersed considerable authority to the sub-national level and was comprised of "islands of state capacity" (Johnson, 2009, p. 89). This was particularly true of the US fiscal-tax state. From the 1840s through World War I, US public finance was dominated by local governments and financed predominantly by property taxes (Wallis, 2000). As late as 1927, for example, local government revenue as a percentage of GDP exceeded both state and federal incomes, standing at 6 percent of GDP compared to 4.7 and 2.1 percent for federal and state revenue respectively (see table 1) (Wallis, 2000).

Table 1: US Government Revenues as Percentage of GDP, 1927-1952

Year	National	State	Local
1927	4.7	2.1	6.0
1940	7.0	5.0	5.8
1946	22.3	3.7	3.6
1952	20.4	4.1	4.0

Source: Adapted from J.J. Wallis. (2000). "American Government Finance in the Long Run: 1790 to 1990." *The Journal of Economic Perspectives*, 14(1), p. 65.

From roads and infrastructure to sewage, education, and public utilities, local and municipal governments were often the centers of public service provision and the site of political contestation throughout the mid-to-late 19th century (Maggor, 2017).[38]

It was not merely institutional differences or divergent state capacities that accounted for the differing fiscal and budgetary trajectories of the US and Britain, however. Whereas political commitments to the gold standard and fiscal orthodoxy in Britain remained largely uncontested throughout the latter half of the nineteenth century, the largest social movement in the late-nineteenth century US sought its overthrow. In the aftermath of the American Civil War, the currency system was at the centre of popular political contestation, as the US phased out the wartime 'greenback' money system, demonetized silver, and gradually returned to the gold standard (Ritter, 1997; Sanders, 1999). From the 1870s through the late 1890s, a powerful coalition of farmers, labour unions, export-oriented small business organizations, and silver miners around the US mobilized around a political agenda that rejected the gold standard consensus and the deflationary bias implicit with a return to gold convertibility (Kazin, 1995, p. 28; Sanders, 1999).[39] This was rooted both in the historical context of the 'Long Depression' of the late nineteenth century (1873-1896), in which depressed global agricultural and commodity prices were popularly attributed to the gold standard system (Eichengreen, 1994, p. 30), as well as the class position of farmers and workers, who faced rising real costs of mortgage payments, rents, or loans, or the prospect of high unemployment exacerbated by commitments to gold convertibility (Sanders, 1999, p. 101). In sharp opposition to bankers and creditors, this anti-gold standard coalition

[38] The fiscal foundations of municipal tax revenue were gradually eroded, however, throughout the late 19th century. This was led by Northeastern capitalists and financiers who organized to remove their increasingly intangible assets from the sphere of government taxation and thereby undermine popular efforts to establish public service provision and democratic control of economic resources (Higgens-Evinson, 2003, p. 3; Maggor, 2017).

[39] In contrast to other 19th century European and British working-class movements, American farmer and populist movements were politicized around issues of currency and credit control, financial regulation, and monetary policy (Konings, 2011, p. 47).

championed a return to the 'greenback' system, and later, a return to silver, advocating public yet decentralized control over money and credit (Konings, 2011, p. 48).

This economically heterodox strand of agrarian populism eventually spawned the Populist movement and the People's Party in 1892, a radical national movement and political party fusing agrarian populism, labor progressivism, anti-monopolism, and a common opposition to the gold standard system, whose political program was famously outlined in Omaha Platform (Ritter, 1997). The Populist movement backed William Jennings Bryan's historic 1896 presidential run, a class-based campaign contesting the influence of 'money power' and the gold standard, which elicited widespread panic in financial and ruling class circles in the US (Sanders, 1999, p. 139; Frieden, 2006, pp. 14-15).

The combination of a politicized anti-gold standard coalition, the relative openness of certain elements of economic policymaking in the US state, and the volatility of the late 19th century American economy meant that the rigours of the gold standard did not exercise the same disciplinary effects over US domestic fiscal policy as in Britain (Konings, 2011). As a result, the trajectory of economic liberalism and the distribution of the fiscal burden in the US underpinning the gold standard was not as seamlessly and centrally imposed as it was in Britain. The defeat of the populist insurgency, however, marked by the 1896 presidential election victory by Republican William McKinley, heralded a return to the gold standard and economic liberalism within the US.

III. New Liberalism, Class Politics, and the Rise of Social Welfarism

Throughout the last quarter of the 19th century, the consolidation of industrial capitalism across the Atlantic coincided with novel forms of economic insecurity and social inequality, including the rise of systemic unemployment (Harris, 1984). These social inequalities, as well as the growth of organized labour, gave rise to a host of new political demands imposed on capitalist states (Hobsbawm, 1987). During this period, the role of the state in addressing market-based inequalities and socio-economic insecurity transformed significantly alongside the rise of what some scholars have called 'social politics,' i.e., political efforts to utilize the apparatuses of the state to address market-generated inequalities and new risks associated with industrial capitalism (Rodgers, 1998).[40] Social politics was advanced by a variety of politically heterogenous social forces throughout the late 19th and early 20th centuries.[41] With the growth of working-class electoral parties and mass labour unions across Europe and parts of the Americas from the 1880s through the early 1900s, pressures on states to expand public expenditures on social insurance and provide public services in health and education proliferated during the early 20th century (Huber and Stephens, 2001). Perhaps the most poignant commentator on the emergence of 'social politics' and the origins of social welfarism was Karl Polanyi. As he argued in *The Great Transformation*, in response to the commodification of the 'fictitious commodities' of land, labour and money throughout the mid-to-late 19th century, 'double movements' emerged, spanning progressive labour and social movements but also conservative-protectionist and imperialist political forces, seeking to contest the subjection of hitherto customary or socially embedded practices and processes to market forces. As Polanyi (1957 [2001]) noted, working classes, labour parties, and agrarian movements increasingly penetrated parliaments and halls of political power in the early 20th century in response to the socially destabilizing dynamics of capitalist market society, seeking

[40] This could similarly be understood as the politics of social reproduction (Bakker, 2007).
[41] There is a wide-ranging literature on the origins of the welfare state, spanning modernization and 'industrial society' theses (Wilensky and Lebeux, 1965; Kerr et al., 1964), structural Marxist theorists (O'Connor, 1973; Gough, 1979), power resource (Korpi, 1983) and class coalition approaches (Esping-Anderson, 1990). Other scholarship has also pointed to middle-class social reformers, intellectuals, and modern social scientists (Reuschemeyer and Skocpol, 1995), gender and feminist struggles (Skocpol, 1995), or the domestic foundations of imperialism (Searle, 1971; Shilliam, 2018).

to break with the differentiation of political and economic power that had been central to the ideology and governance of 19th century liberal capitalism.

Throughout the early 20th century, a transatlantic historical bloc of state policymakers, intellectuals, professionals, and social reformers (often supported by liberal capitalists) within Britain, the United States, and Germany increasingly sought to harness the political environment for social reform under the banner of 'New Liberalism' in Britain and Progressivism in the US (Kolko, 1967; Cox, 1987; Van Der Pijl, 2012; cf. Rodgers, 1998, pp. 56-58). Prominent liberal reformers of this era included politicians such as Henry Asquith, William Lloyd George, and Winston Churchill in Britain's Liberal Party, or Theodore Roosevelt and Woodrow Wilson in the Democratic Party (and briefly, the Progressive Party) in the US. Liberal politicians often drew on the work of middle-class social reformers, intellectuals, and social scientists highlighting increasingly visible forms of economic insecurity and urban poverty within growing industrial cities in Britain and the US, from Manchester and Sheffield to New York and Chicago (Rodgers, 1998; Boyer, 2019). It was not merely intellectual or moral concerns with social reform that buoyed social politics during this era, however. Concerns about industrial capitalism's rising inequalities were also linked to inter-imperial rivalries, as states across the Atlantic increasingly bolstered military capacities and sought to tie domestic populations to militarist projects abroad.[42] Most salient to the politics of social welfarism and the distribution of the fiscal burden, however, were the changing foundations of domestic politics associated with the gradual extension of the franchise to working classes, the rise of trade unions and mass social democratic political parties.

[42] Particularly during the 1890s, a variety of political forces, under the banner of protectionism or 'national efficiency' and often in line with eugenics ideology, sought to pass a range of social welfarist reforms, which some have argued were associated with anxieties of imperial decline (Searle, 1971; Ashford, 1986). For a critique of this position, see: Eley (1976).

These social, economic, and political forces increasingly disrupted the foundations of 19th century economic liberalism characteristic of the 'classical era' of the gold standard. The systemic rise of social expenditures and burgeoning struggles over the fiscal foundations of the state in the early 20th century increasingly challenged the mechanisms by which economic adjustments were typically imposed on domestic populations across the US and Britain. In contrast to the era of the classical gold standard, the imposition of fiscal austerity throughout the early 20th century was increasingly contested by workers and organized social movements.

New Liberalism and the Origins of British Social Welfarism, 1906-1914

Prior to the 20th century, poverty relief in Britain was undertaken by "a vast, ramshackle mass of voluntary, self-governing, local, parochial and philanthropic provision" (Harris, 1992, p. 116). Indeed, the edifice of Britain's system of poor relief and social supports functioned almost entirely through local authorities, the Poor Law system, and private charity (Peden, 2000, p. 31). This began to shift, however, throughout the late 19th century. Following a period of market liberalization during the 1870s (Rodgers, 1998),[43] a variety of social forces contested the policies and practices of economic liberalism. Chief amongst them was an increasingly mobilized working class, the Independent Labour Party (later the Labour Party), the rise of the British trade union movement in the Trades Union Congress (TUC) and 'friendly society' organizations (Thane, 1982).[44] Alongside the gradual extension of the franchise to working classes, the balance of political power shifted in Britain throughout the early 20th century. Popular perceptions of the

[43] Between 1870-1878, at the peak of Britain's late-19th century experimentation with market liberalization, for example, public poor relief spending in England and Wales was slashed by over one third (Rodgers, 1998, p. 7).
[44] As social historian Pat Thane (1982) describes, friendly societies in Britain, mutual aid institutions which provided temporary sickness or old-age insurance payments and funeral payments for working classes far exceeded trade unions: "The largest exclusively working-class organisations of the period were the friendly societies, which had about 5.6 million members in Great Britain in 1900, when trade union members totalled about 1.2 million" (p. 28).

inadequacies of existing poverty and social relief institutions also began to shift. Surveys conducted by social reformers and intellectuals in Britain, documented the widespread poverty, destitution, and malnutrition amongst Britain's urban and rural poor (Boyer, 2019).[45] It was not merely the gradual recognition by a broad public that led to social welfarist reforms, however. These concerns also overlapped with a variety of ruling class anxieties of Britain's declining imperial power,[46] particularly vis-à-vis Germany and the US (Thane, 1982, pp. 55-56), and rising domestic class conflict. This culminated in the formation of the 1905-1909 Royal Commission on the Poor Laws and Relief of Distress, a major national inquiry which produced two widely disseminated reports, the Minority and Majority Reports, which outlined different visions for reforming Britain's Poor Law system (Picchio, 1992).[47] Throughout the first decades of the 20th century, it was under the governance of New Liberals that these pressures for social reform and the foundations of Britain's modern fiscal-welfare state were put in place.

'New Liberals' in Britain sought to re-define the ideological and political parameters of liberalism beyond the doctrines of the Victorian era and the perceived failures of the 19th century laissez-faire model (Freeden, 1978). Intellectual progenitors of this movement in Britain, such as J.A. Hobson, L.T. Hobhouse, and T.H. Green sought to reconceptualize the role of the British state in addressing the inequalities generated by capitalism, advocating centralized state social programs

[45] This included figures such as Charles Booth in east London (1886-1902) who famously revealed that over 30 percent of London residents were living in relative poverty or want, Benjamin Seebohm Rowntree in York (1899), and A.L. Bowley (1912-1914), as well as social scientists such as Fabian intellectuals, Sydney and Beatrice Webb.
[46] One prominent event which gave impetus to social reform movements at the turn of the 20th century in Britain, for example, was the second Boer War (1899-1902), in which the first systemic evaluation of the health and fitness of British soldiers revealed a stark number of starving and impoverished working-class applicants. Some accounts have noted that this was linked to broad anxieties of the decline of 'the English stock' across Britain (Ashford, 1986).
[47] Contending visions within the Commission were comprised of conservatives, largely made up of Poor Law Guardians, advocating the strict preservation, and strengthening, of the 1834 poor laws in order to maintain work discipline; liberals, who, partially recognizing the failures of the poor law architecture in addressing the conditions of poverty, nonetheless advocated its improvement alongside voluntary charity to protect the integrity of the moral character of the poor; and Fabian progressives, advocating a breakup of the poor law system to implement publicly provided health insurance, education, and welfare (Picchio, 1992).

financed by moderately progressive taxation (Bell, 2014, p. 344). Amidst burgeoning social and political pressures, the Liberal Party emerged as the primary vehicle for social reform in the early 20th century. These priorities were largely intended to siphon working-class support away from other political parties including the rising Labour Party (Luebbert, 1991, pp. 18-19; Daunton, 2001, p. 39; Zevin, 2019, p. 140), and to offer a renewed defence of free trade and economic liberalism from the imperial preference and protectionism advanced by the Conservative Party (Murray, 1973, p. 555). Elected with the largest majority since 1832, the Liberal Party came to power in 1906 on an agenda that promised substantial social reforms (Zevin, 2019, p. 139). The political and ideological shifts channelled by the New Liberal movement set in motion the beginning of a new epoch of social welfarism in Britain.

From 1906-1914, New Liberal governments passed a range of nascent social welfare initiatives, spanning workers' compensation, old-age pensions, labour exchanges, education, housing, children and maternal health, and health and unemployment insurance (see table 2).

Table 2: Social Legislation in Britain, 1906-1914

Legislation	**Year**
Workmen's Compensation (Extension) Act	1906
Trade Disputes Act	1906
Education (Meals Provision Act)	1906
Education (Administrative Provisions) Act	1907
Children Act	1908
Old Age Pensions Act	1908
Housing and Town Planning Act	1909
Public Labour Exchange	1909
Trade Boards Act	1909
National Insurance Act	1911
Shops Act	1911
Statutory Minimum Wage for miners	1912
Education (Provision of Meals) Act	1914

Source: Adapted from P. Thane. (1982). *The Foundations of the Welfare State*, pp. 343-344, Appendix 1.

Between 1907/8 and 1913/14, central government expenditures associated with New Liberal social reforms rose from £17 million to £38 million, an increase of 125.5 percent (Peden, 2000, p. 31). Despite being considered radical for its time, the two major pieces of legislation, the 1908 Pensions Act and the National Insurance Act 1911, were, however, markedly restrictive in defining and adjudicating eligibility. As historian Pat Thane describes, the Pensions Act, while emerging from bottom-up social pressures, benefitted the "the very poor, the very respectable and the very old," limiting payouts to between 1 and 5 shillings per week to those over the age of 70 with incomes in a narrow threshold (Thane, 1988, p. 76). The second major piece of legislation, the 1911 National Insurance Act, inspired in part by Bismarck's social insurance model (Hannock, 2007), was likewise highly circumscribed and restrictive. The unemployment insurance component of the 1911 Act limited benefits to 7 shillings per week, excluding women and dependents entirely, and limiting maximum payouts to 15 weeks in a one-year period (Garside, 1990, p. 33). The legislation was deliberately crafted to ensure the re-entry of workers back into the workforce, viewing unemployment as a "transitory phenomenon" rather than a systemic feature of working-class life (ibid, p. 34).

New Liberal social legislation was not only restricted in its eligibility and scope, however; it also conformed to Gladstonian sound finance and the gold standard. Perhaps the most vigorously contested elements of these moderate social reforms related to how they would be financed, and which social groups and classes would bear the cost. A variety of proposals were articulated by various social and political groups to finance social reforms. Whereas labour unions and parliamentary socialist parties increasingly proposed universal non-contributory social insurance financed by redistributive progressive taxation (Thane, 1988, pp. 15-16), New Liberals continued to advocate budgetary discipline and sought to channel impulses of social reform toward more moderate ends. Indeed, the fiscal conservatism of the New Liberals, embodied in the 'Asquith doctrine,' was more stringent than the Conservative Party (Peden, 2000, pp. 39-40). This was shaped in no small part by the widespread concerns stemming from the City of London and financial markets that the social legislation of the New Liberals would unleash a crisis of confidence in pound sterling and undermine Britain's financial hegemony (Zevin, 2019, p. 149).

William Lloyd George's 1909 People's Budget, often referred to as Britain's 'first modern budget' (Gilbert, 1976, p. 1063), was one of the primary fiscal vehicles of these social reformist initiatives, proposing to finance a range of social insurance programs by moderate progressive taxation measures levied primarily on the land and estates of Britain's landlord class (Daunton, 2001). Posing a threat to the wealth of landholding classes, the People's Budget was initially blocked by the House of Lords (Peden, 2000). The New Liberals' budgetary proposals were indeed met with widespread opposition by Britain's landowning, capitalist, and banking classes, leading to significant protest from the financial quarters of London, for example, with the formation of the Budget Protest League (ibid; Zevin, 2019). Following a constitutional crisis that unfolded in response to the People's Budget, a new election in 1910, and the eventual passage of the 1911 Parliament Act, leading to the (relative) disempowerment of the House of Lords over economic policy, the passage of the New Liberals' budgetary measures included less radical redistributive taxation measures than those initially proposed (Peden, 2000; Mumford, 2019). The result was that Britain's nascent social welfare initiatives were financed by a combination of tripartite insurance, which dispersed the financing costs predominantly onto workers and employers, regressive indirect consumption taxes, as well as moderate progressive taxes levied by the income tax and newly implemented 'death' tax (Murray, 1973, pp. 562-563; Edgerton, 2019, p. 49; Zevin, 2019).[48]

[48] The cost of the health insurance proposal, for example, was estimated at £24,500,000, 11 million of which was financed by taxes on workers, 9 million from employers, and the remainder by the state (Zevin, 2019, p. 454).

On the eve of World War I, the British social insurance system, though significantly circumscribed in its reach and scope, was amongst the most advanced in the world (Esping-Anderson, 1990). Although it was only with the outbreak of the First World War that the British fiscal state fully emerged, New Liberal reforms laid the political foundations of social welfarism and presaged a form of social politics that would dominate much of the 20th century. While government expenditures for the first decades of the 20th century remained disproportionately devoted to military rather than social expenditures (UKPublicSpending, n.d.),[49] and moderate increases in social spending continued to operate within the gravitational pull of Gladstonian fiscal discipline, these dynamics became increasingly volatile in the interwar period.

The Mixed Legacy of the Progressive Era and the Consolidation of American Capitalism, 1896-1916

Within the US, this new brand of liberalism had a more ambivalent legacy. In the aftermath of 1896, alongside the historic defeat of the Populist movement, as well as the landmark Supreme Court decision of *Plessy v. Ferguson*,[50] a period of political conservatism and austerity swept the US under the 'system of 1896' (Burnham, 1981).[51] At the same time, throughout the years preceding World War I, a plethora of social movements and political campaigns emerged advocating social reform. These included the movement for widows' pensions, the settlement movement led by figures such as Jane Addams in Chicago, public intellectuals advocating fiscal

[49] In 1918, for example, government expenditures devoted to defence stood at 48.27 percent of GDP, while 'welfare' was merely 0.62 percent, and pensions 0.02 percent (UKPublicSpending, n.d.). Available from: https://www.ukpublicspending.co.uk/spending_chart_1900_1920UKp_17c1li011tcn_F0t30t50t40t00t_UK_Public_Spending_Since_1900 (Accessed 15 May, 2022).
[50] *Plessy v. Ferguson* was a US Supreme Court decision upholding the constitutionality of racial segregation through the 'separate but equal' doctrine.
[51] This refers to the conservative political settlement that, according to some interpretations, dominated the US national political system from 1896 to 1932, which was based on a business-friendly consensus of Democratic elites in the South and wealthy Republican elites in the North (Burnham, 1981).

reform, such as Richard T. Ely and Edwin R.A. Seligman, the rise of industrial unionism with the Industrial Workers of the World, as well as the persistent influence of agrarian populists (Trattner, 1999; Sanders, 1999; Prasad, 2013; Mehrotra, 2013; cf. Higgens-Evenson, 2003, p. 106). At the national level, presidential candidates attempted to harness the social reformism of the early 20th century. The Theodore Roosevelt administration campaigned on a quasi-populist, trust-busting platform against oligopolistic railroad companies and corporations such as Standard Oil and US Steel, passing social and economic reforms throughout the early 20th century.[52] The underlying political orientation of these federal initiatives, however, were largely based on the regulation, rather than curtailment, of financial and corporate power, avoiding comprehensive social reforms or lasting redistributions of wealth and political power (Kolko, 1967; Van der Pijl, 2012). Following the 1912 Presidential Election, which saw an unprecedented vote share to third parties in the Socialist and Progressive parties, Woodrow Wilson's Democratic administration passed a series of domestic social reforms under his 'New Freedom' agenda, from tariff and banking reform to anti-trust legislation, a federal progressive income tax, and the establishment of the Federal Reserve system. These initiatives, however, were accompanied by repressive domestic policies and de facto support of colonialism abroad (Kolko, 1967, p. 209; Getachew, 2019, p. 40).

Compared to Britain's New Liberalism, US progressivism was more fragmented and developed in tandem with the consolidation of American corporate capitalism.[53] While federal social provisioning from the post-Civil War period to the New Deal included a substantial Civil-

[52] Notable federal initiatives included the Sherman Anti-Trust Act of 1890, the regulation of railroads under the 1906 Hepburn Act, the Meat Inspection and Pure Food and Drug Acts of 1906, as well as support for the eventual establishment of the United States Children's Bureau (Kolko, 1963).

[53] An influential literature in American historiography described the consolidation of American capitalism throughout the Progressive Era as 'corporate liberalism' (Kolko, 1963; Sklar, 1988). For a critique of this school of thought, see: Berk (1991).

War era veterans' pension system and nascent 'maternalist' welfare system (Skocpol, 1995),[54] the US nonetheless lacked the foundations of other social insurance systems implemented by capitalist states in the early 20th century. A robust system of unemployment compensation, old-age pensions, health, and social insurance eluded the US (see table 3).[55]

Table 3: Social Policies of Early Industrialized Countries, 1880-1929

Legislation	Germany	Australia	New Zealand	Britain	US
Workmen's Compensation	1884	*1900-1914	1900	1906	*1911-1920
Old age Pensions	1889	1908	1898	1908/1925	No
Sickness Insurance	1883	No	No	1911	No
Unemployment Insurance	1927	No	No	1911/1920	No
Mother's Pensions	No	No	1912	No	**1911-1920

*Australia had laws in all 6 states and 42 US states had nascent workers' compensation legislation, though in many instances, employer liability was voluntary.
**40 states had mother's pensions.

Source: Adapted from: T. Skocpol. (1995). *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United* States, p. 9

The trajectory of social welfarism throughout the late 19th and early 20th century in the US was closely related to the fiscal structure of the US state. Until 1913, the US fiscal state lacked a federal income tax (Mehrotra, 2013). A graduated income tax had long been a central plank of progressive

[54] Perhaps the earliest example of a federal social welfare institution was the Freedman's Bureau (1865-1872), established in the aftermath of the American Civil War to assist formerly enslaved populations with housing, food, medical aid, and legal assistance. Other notable social measures in the early 20th century included the 1912 Children's Bureau, as well as the 1921 Shepperd-Towner Act, which provided federal funding for maternity and childcare (Skocpol, 1995).
[55] Scholars have posited a variety of reasons for the truncation of the US welfare state, including the role of 'liberal values' (Lipset, 1990), the nature of the US federalist system (Oates, 1999), the relative weakness of the labour movement (Stephens, 1979), racial division (Quadango, 1994), the continued power of Southern agricultural interests (Hacker and Pierson, 2002), amongst others.

organizations and left social forces, from labour organizations such as the Knights of Labor to the agrarian populist movements but was consistently blocked by the Supreme Court (Prasad, 2012). Following a constitutional change ratified in the 16th amendment, the 1913 national income tax, passed alongside the Underwood Tariff act as part of the Wilson's administration's free trade agenda, established the initial basis of the modern US fiscal state (Mehrotra, 2013). The income tax was modest in scope and scale, however, placing a mere 1 percent levy on incomes over $3,000 and a 1-3 percent surcharge on incomes over $20,000 (Sanders, 1999, p. 229), only reaching an estimated 2 percent of the US population (Prasad, 2012, p. 129).[56] On the eve of the First World War, US federal spending remained at 0.2 percent of GDP (Mehrotra, 2013, p. 298). The establishment of a federal income tax would nonetheless lay the basis for the subsequent development of the US fiscal state, which was extended during wartime. Federal state formation during the Progressive Era in the US thus did not see a socially or electorally powerful working-class political constituency portended during the years of the Populist insurgency, nor did the US establish many lasting social welfarist institutions.

IV. The Interwar Crises: Austerity, Class Conflict, and the Rebirth and Fall of the Gold Standard

World War I and its aftermath fundamentally shifted the roles of the US and Britain within the global economy and destabilized the domestic fiscal regimes underpinning the gold standard. While Britain's dominance of the global financial system had begun to wane with the outbreak of the war, the United States emerged in its aftermath as both a preeminent industrial power and

[56] The US taxation system was comprised of a variety of different state-level tax regimes across the bifurcated American political economy (Higgens-Evenson, 2003).

global creditor (Kindleberger, 1973; Arrighi, 1994; Tooze, 2014), possessing 40 percent of the global gold stock in 1922 (Eichengreen, 1994, p. 161). Throughout the war, virtually all countries suspended their commitment to the gold standard to finance the war effort. Interwar international economic governance by major capitalist states was dominated by efforts to restore the gold standard, which was viewed not only as the means to re-establish monetary 'stabilization' and peace, but more significantly, as a civilizational lynchpin to reinstate the liberal capitalist order of free trade, balanced budgets, and class discipline (Polanyi, 1957 [2001]; Arrighi, 1994, p. 281; Mattei, 2022). In the aftermath of the war, however, only the US, with its historically strong currency and position as global creditor, continued to adhere to the gold standard system, albeit often using its global position to transfer adjustment costs to other countries, particularly to Britain (Eichengreen, 1994). Following the war, the British state by contrast was heavily indebted, as war efforts had been financed by US loans and government bonds owed to Britain's domestic ruling class (Tooze, 2014; Edgerton, 2019). Throughout the 1920s, the British government adopted deflationary policies to re-establish the gold standard at prewar parity (Eichengreen, 1994). Britain's fateful return to the gold standard in 1925, which had redounding effects on US monetary and financial governance, would crucially shape the international economic context leading up to the stock market crash of 1929.

The deflationary governance of the Anglo-American powers throughout the 1920s also had well-defined domestic political purposes. Throughout the war, the imperative of financing war efforts had temporarily upended the fiscal consensus of the pre-1914 period, with many major capitalist states suspending the gold standard system, bypassing conventional budgetary processes, raising taxes, and blending the conventional tasks of treasuries and central banks to finance war efforts (Ingham, 1984, p. 181).[57] In Britain, the standard rate of income tax had been raised fivefold throughout the war (Peden, 2000, p. 144), while government expenditure rose above 50 percent of GDP, and stayed above 30 percent for much of the interwar period (UKPublicSpending, n.d.). As a result, anxieties surrounding inflation, and the suspension of the budgetary rigours of the gold standard, were pervasive in Britain. The postwar context was likewise characterized by the global rise of working-class militancy. In the aftermath of Russian revolution in 1917 as well as the brutalities of the war shouldered disproportionately by working classes, domestic class struggles proliferated, contributing to the extension of initially male and eventually female suffrage in many countries after the war (Reuschemeyer, Stephens, and Stephens, 1992). Re-establishing the gold standard consensus, and thereby re-affirming a commitment to a clearly delineated class foundation of the fiscal burden, became increasingly central to the interwar domestic politics of the US and Britain. In these conditions, class struggles crystallized over issues of budgetary governance and the gold standard as never before.

Reviving the Gold Standard: From Austerity and the Geddes Axe to the Great Depression

The interwar period in Britain was characterized by a clash of contending social forces. Throughout the war, Britain's trade union movement experienced an historic increase in membership and militancy, doubling from 1914 to over 8 million in 1920 (Taylor, 2001, p. 142). This was accompanied by male working-class enfranchisement in 1918, which saw most of the male British working class gain the franchise with the suspension of property qualifications for voting (ibid). Facing a militant labour movement and decommissioned soldiers, postwar British

[57] Some taxes had partially been levied on capital, as in the 1916 Revenue Act in the US under Wilson (Sanders, 1999, pp. 230-231), though across-the-board increases in taxation also saw the rise of indirect consumption taxes disproportionately levied on working classes.

governments promised substantial domestic social reform, including healthcare, education, and housing reforms (Mattei, 2022). Perhaps the most contentious area of social legislation that crystallized the contending class forces of Britain's interwar economy was over unemployment relief. Under sustained social pressure, Lloyd George's Coalition Government (1916-1922) substantially expanded the unemployment relief system in 1920 to cover over 12 million workers (up from 3 million in 1911), including most male British workers (Taylor, 2001, p. 148). In the same year, the Coalition Government established an Unemployment Grants Committee, which gave funds to local authorities to establish local public works programs (Peden, 1984, p. 169). The establishment of a relatively comprehensive system of unemployment insurance, and nascent postwar experimentation with public works marked a stark departure in social provisioning from the tradition of the poor laws and economic liberalism. As historian A.J.P. Taylor described, "[t]he foundations of *laissez faire* were shaken" (2001, p. 149).

These reforms, however, were passed during the twilight of Britain's brief postwar economic boom (Kindleberger, 1973, p. 32). By the early 1920s, the British economy experienced a steep deflationary slump, most sharply in coal, cotton, iron, and steel sectors (Garside, 1990, p. 11). Formal unemployment skyrocketed from 2 percent in 1920 to over 11 percent in 1921, inaugurating a period of mass unemployment, with conservative estimates placing unemployment between 7 and 12 percent throughout the 1920s (Hood and Himaz, 2017, p. 45; Garside, 1990, p. 5). Mass unemployment was in part the result of deflationary state efforts to drive down internal prices within Britain to re-establish prewar parity with the United States and return to the gold standard, with the Bank of England initiating this turn by raising its Bank Rate as high as 7 percent in 1920 (Mattei, 2018).[58] As the deflationary slump took hold in 1921, and mass unemployment

[58] In contrast to the global economic expansion following 1920, "Britain shared but little in the expansion, spending virtually all the 1920s in the doldrums" (Kindleberger, 1973, p. 58).

ballooned across the UK, coal miners went on strike against looming wage reductions (Garside, 1990). Successive strike actions continued into the mid-1920s. In conditions of unprecedented class militancy, growing real central government debt, and rising social expenditure, simultaneous pressures from the City of London, the Bank of England, and the Treasury sought to re-establish the gold standard system and return to its fiscal orthodoxy of balanced budgets. Throughout the 1920s, the long-established tradition and practices of Gladstonian sound finance, reinvented in the 'Treasury View' of the interwar era, increasingly clashed with class forces and political constituencies clamouring for wage increases, social security, and social transformation.

In his chapter on the 'conservative 1920s,' Polanyi (1957) [2001] describes how a return to the gold standard was a nearly universal creed of the interwar era: "The gold standard was the faith of the age,' and was the 'one and only tenet common to man of all nations and all classes, religious denominations, and social philosophies" (p. 26). Nowhere did a return to gold possess such zealous bipartisan support than in interwar Britain. The return to the gold standard was championed by a variety of social constituencies. Perhaps its chief advocate and beneficiary was the City of London, which almost uniformly viewed the return to the gold standard at prewar parity as a precondition to the resumption of London's prestige as a center of global finance (Ingham, 1984; Green, 1992, pp. 199-200; Eichengreen, 1995; Boyce, 2004, p. 219). This was likewise championed by the Bank of England as early as 1919 as outlined in the Cunliffe Report, which described the necessity of returning to the gold standard at $4.86 as a precondition of economic recovery (Cairncross and Eichengreen, 2003). It was not merely global prestige that impelled such fervent support for the gold standard system, however. The return to gold also coincided with domestic economic and political interests that sought to re-establish the class discipline implied by a commitment to gold and arrogate control over monetary policy from the instabilities of mass politics (Burnham, 2001,

p. 134). Within the context of rising labour militancy and wartime public finance, many, including much of the Labour Party, believed a return to gold would nullify Britain's political instability and restore the pre-1914 fiscal order (Pollard, 1970; Ingham, 1984, p. 182; Boyce, 2004, p. 217).

The British Treasury also championed a return to gold, albeit for distinct reasons. By the end of the war, British central government debt had risen to £7 billion (Edgerton, 2019, p. 121). Throughout the early 1920s, government debt service, exacerbated by the deflationary practices intended to bolster Britain's return to gold, would rise to 40 percent of the government budget, accounting for over 8 percent of GDP at its height (ibid., p. 122). The 'floating debt,' i.e., short-term Treasury bills originating from war finance, had likewise risen to over £1000 million (Peden, 2000, p. 140). Wartime loan finance was increasingly associated with inflation by the Treasury, and a swift return to budget balance and reducing government debt servicing costs was viewed as a necessity, with no greater guarantor than a return to the gold standard (Green, 2020, p. 6). These views were outlined in the 'Treasury View' that shaped much of economic governance in Britain throughout the 1920s. Influenced by economists such as Ralph Hawtrey, who outlined a theory of the unrelenting tendency toward inflation in credit-based market economies, the Treasury View articulated the 'crowing out thesis,' which held that deficit-financed government expenditure served to compete with private borrowing in the money markets, driving up the cost of government borrowing and decreasing investment and economic activity (Hawtrey, 1925). While the ideology of the Treasury View, which Keynes famously rebuked, exerted a strong influence over austerity governance during the 1920s, it was just as much the *political* threat posed by the rising tide of social expenditure and labour militancy, and the need to consequently reassert disciplinary authority over the levers of economic governance,[59] that shaped interwar British economic policy (Peden, 1984, p. 180).

Perhaps the most formidable opposition to Lloyd George's promises of postwar reconstruction came from the Anti-Waste League, a reactionary political party founded by media mogul Lord Rothermere championing a reduction of the tax burden and a slashing of government social expenditures (Peden, 2000). In response, Lloyd George appointed several businessmen and financiers to form the Committee on National Expenditure, which advocated across-the-board reductions in government expenditure, culminating in the 'Geddes Axe,' named after chair of the committee, Sir Eric Geddes (Zevin, 2019). The cuts were far-reaching, totalling over £57 million, with central government expenditure falling from 26 percent of GDP in 1921 to 21 percent in 1923 (Eichengreen, 1994, p. 474). Social expenditures were subjected to draconian cuts, slashed from £205.8 million in 1920-1 to £182.1 million in 1922-3 (Peden, 2000, p. 169). Promises of postwar healthcare reform, adult education, and public housing were swiftly abandoned (Mattei, 2022). The necessity of expenditure cuts to restore fiscal order and re-establish the gold standard system was not merely embraced by reactionary political forces, however. Throughout the 1920s, successive Coalition, Conservative, and Labour governments demonstrated a zealous adherence to the gold standard and budget balance (Eichengreen, 1994, p. 165; Morrison, 2021). This was particularly true of the Labour Party, which formed its first government in 1924, and its Chancellor of the Exchequer, Phillip Snowden, whom Polanyi fittingly described as a "a gold standard addict if there ever was one" (1957 [2001], p. 236). As Britain fatefully restored the gold standard at prewar parity in 1925, the adjustment mechanisms of liberal economic governance associated with

[59] Zevin (2019) highlights the class foundations of austerity in interwar Britain: "Austerity did more than balance budgets; it put the financial and mercantile interests of the City in control of economic policy to a greater extent than before, with the Bank retaking hold of short-term interest rates, while a Treasury veto over government spending was elevated for the first time into virtually a constitutional principle" (p. 181).

the old gold standard system, and the elusive financial market confidence on which it depended, conflicted with Britain's system of social welfarism and the increasingly militant class coalitions underpinning it.

Prime Minister Churchill's decision to return Britain to the gold standard in 1925,[60] which restored prewar parity between pound sterling and the dollar at $4.86, therefore reflected the culmination of longstanding efforts to restore the prewar fiscal, economic, and social order by the political and financial classes. The gold standard's capacity to insulate monetary policy from mass politics, and effectively constitutionalize a return to fiscal discipline, was put most succinctly by John Bradbury, senior Treasury official and economist, when he assured Churchill that the gold standard was 'knave proof' and immune to political interference, not least from the Labour Party and the labour movement (quoted in: Peden, 2000, p. 201). Britain's return to the gold standard, predicted accurately by Keynes that it would lead to a dramatic overvaluation of pound sterling, did little to restore economic stability, nor did it successfully insulate British economic policy from popular political forces and rising social expenditures. Rather, throughout the latter half of the 1920s, Britain's balance of payment position worsened, in large part due to the knock-on effects of an overvalued currency, declines in invisible earnings, and falling world prices (Simmons, 1994). As investors increasingly turned to the dollar and Britain's current account deficit widened, Britain became increasingly dependent on short-term capital inflows and confidence in pound sterling from financial markets (Green, 2020, p. 58). Pressures to implement internal economic adjustment, i.e., to bring down prices through sweeping wage and expenditure cuts, mounted (Eichengreen, 1994, p. 187). Britain's deflationary return to the gold standard, propped up by loans and support from New York bankers such as J.P. Morgan and the Federal Reserve Bank of New

[60] Rejecting Keynes' proposals, Churchill's decision was strongly influenced by Treasury officials such as Otto Niemeyer and Basil Blackett, and governor of the Bank of England, Montagu Norman (Peden, 2000, p. 201).

York (Block, 1978, p. 16), increasingly clashed with the power accrued by British working classes, which had now gained a partial foothold within the state. Following the Bank of England's rate hikes and persistent attempts to slash government spending, labour unrest reached its zenith with the 1926 general strike, which saw close to 2 million workers on strike for nine days (Garside, 1990).[61] Throughout the remainder of the 1920s, in conditions of mass unemployment, class conflict centered around the unemployment insurance system and persistent attempts to impose fiscal austerity by successive governments in order to placate financial market confidence.

Throughout much of the 1920s, the US leveraged its position as global creditor to export burdens of adjustment from the gold standard to other countries by pursuing a policy of gold sterilization to avoid internal price increases and economic adjustment (Eichengreen, 1994). Under the influence of Benjamin Pound at the New York Federal Reserve Bank, the US ran surpluses on its balance of payments and hoarded gold inflows, avoiding pressures to contract domestic prices and rebuking the traditional mechanisms of the gold standard (Green, 2020, p. 67). This policy paradigm coincided with the resumption of domestic political power by successive business-friendly Republican administrations in the US, spanning Presidents Harding, Coolidge, and Hoover (Katznelson, 2013). Under US Treasury Secretary and former banker, Andrew Mellon, successive administrations sought to roll back the burden of progressive taxation on wealthy classes and consolidate a more business-friendly fiscal environment (Higgens-Evenson, 2003, p. 6; Mehrotra, 2013, p. 351). Numerous wartime taxes on excess profits and income taxes were rolled back during this period, albeit not without some political pushback (Sanders, 1999). This era of Republican governance was also bolstered by more propitious economic conditions in the

[61] Unemployment was a central issue in the struggles of British labour in the interwar era, led by The National Unemployed Workers' Movement (Hayburn, 1983).

US. In contrast to the mass unemployment in Britain, the 1920s in the US were characterized by a stock-market and consumption-driven economic boom. This era of perceived economic stability and affluence, however, came to an abrupt halt with stock market crash of 1929 and the Great Depression of the 1930s, the deepest crisis of global capitalism the world had ever seen.

The Great Depression and the Downfall of the Gold Standard

The historic effects of the Great Depression were global. Nowhere were they as acute as in the US, where GDP fell 29 percent from 1929-1932, national unemployment levels climbed from 3.2 percent to 24.9 percent between 1929 and 1932, manufacturing output dropped 54 percent, investment dropped 98 percent, while almost half of US banks failed by 1933 due to bank runs (Katz, 1996, p. 214; Romer and Pells, n.d.). In the midst of this historic crisis, the inadequacies of the US system of social provisioning were laid bare, with local governments and private charity assuming the primary response to an escalating crisis of social reproduction (Abramovitz, 2010). The Depression was exacerbated by the deflationary governance of Republican administrations, with the Herbert Hoover administration, under the guise of 'self-help' and 'associationalism,' scandalously refusing to leverage federal government power to support unemployed and impoverished workers or deploy substantial fiscal interventions (Hawley, 1974). This was exacerbated by Fed policy, which pursued the dictates of 'liquidationism,' a deflationary policy paradigm prescribing high interest rates to purge the market of inefficiencies and compress prices and wages (Frieden, 2006, p. 176). In Britain, in the aftermath of the crisis, the siren song of satisfying financial market confidence by achieving budget balance and implementing internal economic 'adjustment' as Britain's balance of payments position worsened reached its pinnacle under the governance of the Labour Party. Forming a minority Labour Government in 1929 under

Ramsay MacDonald and Chancellor of the Exchequer, Phillip Snowden, the prioritization of debt reduction and budget balance to support pound sterling and the gold standard exceeded even that of the Conservative Party (Simmons, 1994, p. 232). These imperatives increasingly conflicted with Labour's constituencies, however, particularly organized labour, which resisted wage cuts and pressured for an expansion of unemployment insurance and a relaxation of its conditionalities.

Unlike the pre-1914 period, an adjustment of prices through fiscal austerity and monetary contraction was no longer 'automatic' (Eichengreen, 1994). Amidst burgeoning unemployment and rising social expenditures, the unemployment insurance system was increasingly perceived as the chief barrier to market confidence by the City, Wall Street, and capitalist classes more broadly (Cairncross and Eichengreen, 2003). This was not only because it constituted a large and growing source of government expenditure and borrowing, but also because it was viewed as a subsidization of class militancy by supporting striking workers (Peden, 2000 p. 218). Throughout 1930 and into 1931, amidst a run on pound sterling, the Labour Government commissioned a national committee on public expenditure (the 'May Committee'), chaired by Sir George May, an insurance company official from the City. It was through this committee, which produced the infamous 'May Report' in July of 1931, that the City exercised its most significant influence in campaigning for public retrenchment (Boyce, 2004). The report significantly exaggerated the extent of the budget deficit by including the Unemployment Insurance Fund in its assessment (ibid). The May Report recommended sweeping cuts of £96.5 million to government expenditure to balance the budget, £66.5 million of which was to come from cuts to unemployment insurance, the introduction of means-testing, and public sector wage cuts (ibid). Despite Snowden's zealous attempts to balance the budget by slashing social expenditures, and thereby prop up the gold standard, an internal split within the Labour Party unfolded. Amid the currency crisis, MacDonald and the Labour Government appealed to J.P. Morgan, the powerful investment banker from New York, to provide a loan of $200 million, though the loan was conditional on more stringent cuts to unemployment insurance to ensure the class and fiscal discipline required for financial market confidence (Green, 2020, p. 68; Temperley, 2002). The Labour Government resigned in August of 1931, which was replaced by a Conservative-dominated National Government, led by Labour's Ramsay MacDonald (Peden, 2000, p. 193). The National Government implemented austere and draconian retrenchment in social expenditures, implementing cuts of over 10 percent to the unemployment insurance system alongside a range of other reductions to social expenditures and public sector wages (ibid., p. 245). These efforts were insufficient to stave off the run on the pound sterling, however, which was magnified by threats of a navy mutiny over looming pay cuts (Peden, 2000, p. 245). Britain departed from the gold standard system in September of 1931.

The events of 1930-1931 crystallized mounting contradictions and systemic tensions that had plagued efforts to revive the gold standard and restore the domestic class foundations of the pre-1914 fiscal burden. As popular working-class forces increasingly breached hitherto insulated centers of economic governance, and pressures to maintain social insurance amidst escalating unemployment mounted, the gold standard's adjustment mechanisms, and the commitment to fiscal prudence, proved elusive. Amidst pressures to administer internal economic adjustment, the capacity of governments to administer sweeping cuts to Britain's nascent social welfarist system became the gauge by which financial markets and investors expressed confidence in the capacity to restore the fiscal burden of the gold standard system (Simmons, 1994).[62] This would not be the last time throughout the twentieth century in which Britain's ruling classes, abetted by Labour

[62] As Simmons (1994) details, "The "dole" became the market's gauge of how far Britain would go in taking internal adjustment measures. Labour's willingness to sacrifice its own sons became a measure of its faith—and the crucial determinant of the market's confidence in the pound sterling" (p. 233).

politicians, leveraged their power in response to the threat of deficit-financed social expenditures to mount economic and political pressure for fiscal austerity.

V. Snapping the Golden Thread: The New Deal, Fiscal Orthodoxy, and the Modern US Welfare State

The 1930s saw the breakdown of the remnants of the 19th century liberal capitalist world order, the dissolution of the gold standard system, and the further division of the world economy into rival autarchic blocs (Cox, 1987). As Polanyi (1957 [2001]) identified, the emergence of contending nationalist political formations during this period stemmed from a common crisis of liberal capitalism. Throughout the 1930s, while Britain doubled down on its commitment to budgetary austerity as attempts to restore the gold standard floundered, it was in the US, where the economic and social effects of the Great Depression were perhaps most severe, that a new political formation began to emerge. Within the US, a crisis of mass unemployment, hunger, and social reproduction deepened throughout the early 1930s (Katz, 1996). Following a period of protracted class struggle throughout the early 1930s, President Roosevelt was elected by a landslide in 1932, portending a substantial reconfiguration of existing political coalitions in the US and the role of the federal government in fiscal, social and economic policy (Katznelson, 2013).

There is an extensive literature on the New Deal and its multifaceted political and economic origins, and the range of ideologically heterogenous policies and programs established under its aegis.[63] Amongst the most salient New Deal measures implemented throughout the 1930s included

[63] Contrasting accounts describe the politics of the New Deal either as the product of bottom-up class militancy (Davis 2000), a government response to the unruly poor (Piven and Cloward, 1971), the end-point of a longstanding transatlantic network of progressive middle-class reformers (Rodgers, 1998), the culmination of a ‘corporate-liberal’ synthesis (Van der Pijl, 2012), or a contingent response to the existential crises of democratic capitalism and the liberal international order (Katznelson, 2013).

economic and social relief measures, public works programs under the Works Progress Administration (WPA), collective bargaining rights established under the 1935 Wagner Act, the establishment of a system of social insurance under the Social Security Act 1935, the 1935 Banking Reform Act, amongst numerous other regulatory reforms, which saw an unprecedented expansion of federal state capacities and contributed to a period of declining inequality and rising working class incomes and wages. For the purposes of this chapter, I will focus briefly on two aspects of the New Deal: its relation to orthodox economic policies, and its institutionalization of social welfarist reforms.

The New Deal represented both a break with and continuity of established economic policies. One of the most radical maneuvers of the Roosevelt administration was its decision in 1933, to the chagrin of bankers and financiers, to delink the dollar from the gold standard monetary system in order to devalue the currency and reinflate the US economy (Block, 1978). As the world's global creditor and largest economy, this decision effectively terminated the international gold standard system (Polanyi, 1957 [2001], pp. 237-238; Block, 1978). Alongside the 1935 Banking Reform Act, which expanded the capacity of the Fed's management over the economy, New Deal reforms challenged some of the disciplinary constrictions that investors and bankers possessed over government expenditures and monetary policy (Panitch and Gindin, 2013, p. 59). Indeed, the structural power that American capital had previously enjoyed under decentralized, market-preserving federalism shifted as the Great Depression undermined credible threats of disinvestment by expanding the authority of the federal government and curtailing the mobility of capital and the disciplinary constraints of the gold standard (Hacker and Pierson, 2002, p. 287).[64]

[64] In Polanyi's (1957 [2001]) mind, delinking from the gold standard was a precondition for the New Deal: "That social protectionism did not in this case result in a deadlock was due to the fact that the United States went off gold in time. For although the technical advantages of this move were slight (and the reasons given by the Administration were, as so often, very poor), the political dispossession of Wall Street was the result of this step. The financial

The New Deal likewise substantially expanded federal state capacities. This included the establishment of a federalist intergovernmental grant system comprised of federally financed welfare services, agricultural price supports, and public works, administered by states, as well as select national institutions, notably Social Security and the military (Wallis, 2000). This represented a turn toward what Adam Harmes (2019) calls 'social democratic federalism,' i.e., forms of governance that intend to "promote the policy autonomy of governments by limiting "harmful" forms of policy competition" by seeking to have "the private economy, in the form of trade and capital mobility, operate at the same level as that of tax and regulatory capabilities related to wealth redistribution and the correction of market failures" (Harmes, 2019, p. 57). This included an attempt to shift the fiscal burden of the tax state, which had been progressively eroded throughout the 1920s. The progressive taxation system of the US was gradually restored through measures such as the 1932, 1935 and 1937 Revenue Acts (Mehrotra, 2013). While many of the fiscal reforms of the New Deal established a progressive basis to levy taxes on the wealthy (Thorndike, 2010), the scope of taxation measures implemented under the New Deal were nonetheless relatively modest. As table 1 illustrates, while the federal government gradually increased its proportion of government revenue generation by 1940, it was not until the outbreak of World War II and the onset of the Cold War in the early 1950s that US federal state fiscal capacities increased substantially. Indeed, throughout the 1930s, no more than 3 percent of the US population paid income taxes, with state revenues predominantly deriving from excise taxes, payroll taxes, and select income taxes on the wealthy (Zelizer, 2004, p. 338).

market governs by panic. The eclipse of Wall Street in the 1930s saved the United States from a social catastrophe of the Continental type" (pp. 237-238).

Despite breaking with certain dogmas of the gold standard system and substantially expanding federal state capacities, the New Deal was nonetheless fashioned in the shadow of fiscal orthodoxy. Contrary to popular and scholarly perception, fiscal conservatism pervaded the New Deal from its inception, with the Roosevelt campaign in 1932 chastising the Hoover administration for failing to balance the budget (Zelizer, 2004). Once in power, despite presiding over an unprecedented deployment of federal governmental power in the economy, the Roosevelt administration went out of its way to ensure its economic policy conformed to the dictates of fiscal prudence, undertaking several expenditure cutting measures to attempt to balance the budget throughout the 1930s (Frieden, 2006, pp. 234-235).[65] Notwithstanding the publication of John Maynard Keynes' widely influential *The General Theory* in 1936, as well as the role of certain left-Keynesians in the FDR administration, an aversion to deficit spending and enhancing the fiscal capacities of the state persisted throughout the 1930s (Brinkley, 1996, p. 25; Zelizer, 2004). While there was experimentation with an 'Americanized' Keynesianism throughout the recession of 1937-8 that sought to emphasize the role of the federal government spending in boosting consumer purchasing power (Barber, 1996), these measures did not translate into substantial counter-cyclical fiscal interventions. Indeed, New Deal government deficits ran at only 3 to 4 percent of GDP, despite general increases in government spending (Frieden, 2006, p. 234). As a result, it was largely monetary rather than fiscal expansion that drove the US recovery throughout the 1930s (Romer, 2010). The reasons behind aversions to federal deficit spending and fiscal expansion were manifold, reflecting organized capitalist opposition to the New Deal (Phillips-Fein, 2009), as well as popular opposition to higher taxes (Zelizer, 2004). Despite its substantive break with monetary

[65] This included the Economy Act of 1933, which reduced federal expenditures by $500 million, as well as successive cuts to public aid and relief in the mid- and late-1930s, which were intended to balance the federal budget (Zelizer, 2004, pp. 333-349).

policy orthodoxy, legacies of fiscal discipline continued to pervade the New Deal and shape the trajectory of US macroeconomic policy, a logic that was only partially upended with US participation in the Second World War.

Perhaps the other most significant legacy of the New Deal was its establishment of social welfare reforms. The flurry of social reforms introduced throughout the 1930s deepened the initial basis of the US welfare state,[66] foremost amongst which was the Social Security system established under the 1935 Social Security Act (SSA). The Social Security Act established a national system of old-age insurance and federal grants for state-run unemployment compensation, as well as additional means-tested social assistance for populations not employed in the formal labour market or excluded from the act, including Aid to Dependent Children (ADC) and Old Age Assistance. Responding to a period of protracted social mobilization from labour unions, housewives, and national unemployment councils in the 1930s in response to what Abramovitz (2010) calls a 'breakdown in social reproduction' during the Great Depression, and outflanked by more radical policy proposals,[67] the SSA was likely the most durable social reform from the New Deal (Abramovitz, 2010).

Despite contributing to increased working-class economic security and declining inequality, the nascent US welfare state established by the Social Security Act and broader New Deal measures were nonetheless bound by lasting forms of social stratification and market dependence. In addition to being financed by a regressive contributory system of payroll taxes, eligibility for

[66] Rather than a novel historical break, however, the social reforms of the New Deal built on an established tradition of progressivism of the early 20th century. As Rodgers (1998) notes, "…as a legislative program, it is far more accurate to see the New Deal as a culmination: a great gathering in from the progressive political wings of a generation of proposals and ideas" (p. 415).

[67] More substantial proposals included the Townsend Plan, which would have dispersed a flat rate $200 monthly payment to all Americans over 60 years old with no eligibility restrictions, while a yet more radical proposal, the Lundeen Bill, proposed a living wage income for all unemployed, part-time workers, or those unable to work from sickness or old age, which was to be financed entirely by the US Treasury or taxes on the wealthy (Quadango, 1994, p. 638).

Social Security was significantly circumscribed.[68] Eligibility was restricted to those over 65, spouses and dependents were excluded, agricultural and domestic workers were omitted from eligibility in a concession to Southern business elites and members of Congress, and states retained authority to decide other eligibility criteria (Quadango, 1994). The austere financing schemes of the SSA were a product of fiscal orthodoxies that were consciously intended to avert the fate of the British unemployment insurance scheme, which had just recently been punished by financial markets leading to protracted austerity measures in 1931 (Zelizer, 2004, pp. 346-347). As a result, from 1930-1960, as table 4 illustrates, US government social expenditures as a percentage of GDP remained parsimonious, not least when compared to military expenditures.

Table 4: US Government Spending by Function as Percentage of GDP, 1930-1960

Year	Pensions	Health	Education	Welfare	Defense	Remaining
1930	0.09	0.56	2.47	0.37	1.59	7.85
1935	0.20	0.76	2.95	1.44	2.52	12.05
1940	-0.08	0.71	2.75	2.08	2.26	11.55
1945	-0.32	0.44	1.43	1.02	41.52	1.53
1950	-0.13	0.90	3.22	1.90	10.63	6.19
1955	0.49	0.81	2.99	1.43	13.11	6.02
1960	1.65	0.97	3.58	1.59	11.40	7.76

Source: Adapted from C. Chantrill (n.d.). "20th Century Spending by Major Function Fiscal Years 1900 to 2022." USGovernmentSpending. Retrieved November 7, 2021 from: https://www.usgovernmentspending.com/spending_chart_1900_2022USp_XXs2li011tcn_F0t00t10t20t30t40t_20th_Century_Spending_by_Major_Function.

While programs such as Social Security would later be expanded as they gained political popularity, the broader New Deal welfare reforms also reinforced a two-tiered 'male breadwinner-female homemaker' model of social provisioning, granting more unconditional and universal benefits to male workers while tying women (and unemployed, nonworking, and excluded

[68] Social Security eligibility, as Rodgers (1998) describes, "wound its way across the socioeconomic map like a gerrymandered congressional district, according to the political strength of affected groups" (p. 444).

populations) to more residual and means-tested benefits (Fraser and Gordon, 1994; Abramovitz, 2010). The foundations of the US welfare state similarly excluded many disenfranchised African American poor and working classes as New Deal reformers granted concessions to powerful Southern members of Congress (Quadango, 1994).[69] More broadly, the New Deal welfare state continued to reproduce recipients as workers, which, despite bolstering incomes, served to reinforce a model of consumer-based social provisioning predicated on the capitalist market (Panitch and Gindin, 2013). These axes of deservingness and market dependence, which delimited the capacity of New Deal reforms to de-commodify areas of social life and meaningfully redistribute wealth and power, would continue to plague the politics of the American welfare state for decades to come.

Conclusion

This chapter has sought to provide a broad historical overview of the contours of Anglo-American liberalism under the gold standard system, focusing on the domestic fiscal regimes and trajectories of state formation in the US and Britain from the late 19th century through the interwar period. While each country experienced divergent trajectories of state formation, with the US characterized by market-preserving federalism and relative economic heterodoxy, and Britain following a more rigid orthodox consensus surrounding the City-Bank-Treasury nexus, the prevailing model of liberal constitutionalism in each country sought to insulate economic governance from mass politics. With the outbreak of World War I, this social and fiscal order was increasingly disrupted by enfranchised working classes and pressures for social expenditure

[69] Scholarship remains divided whether New Deal reforms were deliberately racially exclusionary (Quadango, 1994), or a byproduct of other political dynamics, such as cost-cutting or congressional maneuvering (Zelizer, 2004).

channeled by a transatlantic historical bloc of social reformers and policymakers under the umbrella of New Liberalism and Progressivism. While social welfare reforms in the US and Britain were similarly uneven, the interwar period was characterized by attempts to restore commitments to economic liberalism and austerity, leading to a series of social conflicts between the forces of the gold standard and social welfarism, experienced most sharply in the Labour Government's draconian cuts to social spending in 1931. Despite portending a new model of capitalism, raising working-class incomes, and establishing the foundations of the US welfare state, the New Deal largely reproduced old fiscal orthodoxies, some forms of social stratification, and market dependence. As the next chapter will explore, it was not until the destruction wrought by the Second World War, and the remaking of the global economy under the purview of the US state, that the economic model of the New Deal would become more fully institutionalized, presaging a more hegemonic model of welfare state capitalism that, in turn, would nonetheless generate its own political tensions and forms of social contestation.

Chapter 3: Bretton Woods, Conservative Keynesianism, and the Limits of Social Citizenship in the Anglo-American Welfare States, 1944-1971

> [Gold in Fort Knox] is why the United States is in an enviable position . . . why we are in a powerful position in this Conference . . . why we dominate practically the financial world, because we have the where-with-all to buy any currency we want. If only England was in that position, or any of the other countries, it would be a very different story.
>
> Harry Dexter White (July 1944), instructing the American delegation at Bretton Woods (quoted in: Benn Steil (2013) *The Battle of Bretton Woods*, p. 208).

> [O]rganisation of social insurance should be treated as one part of a comprehensive policy of social progress…it is an attack upon Want. But Want is only one of five giants on the road to reconstruction…The others are Disease, Ignorance, Squalor and Idleness.
>
> William Beveridge (1942), *Report on Social Insurance and Allied Services*.

> The promise of a Great Society was shipwrecked off the coast of Asia, on the dreadful peninsula of Vietnam. The poor, black and white, are still perishing on a lonely island of poverty in the midst of a vast ocean of material prosperity.
>
> Martin Luther King Jr. (August 31, 1967), The Three Evils of Society. Address Delivered at the National Conference on New Politics.

Introduction

Long before the end of the Second World War in September 1945, US officials had undertaken extensive planning and preparation to map out the economic architecture of the postwar global economy. As early as 1940, world-famous British economist, John Maynard Keynes, and senior US Treasury Department official, Harry Dexter White, had been in close communication, drafting alternative plans for the reconstruction of the global monetary system (Frieden, 2006). Similar to the post-World War I period, the aftermath of the Second World War saw the Anglo-American powers once again play central roles in global economic governance. Unlike the interwar period, however, which was characterized by attempts to restore the foundations of the gold standard and 19th century world economy by competing capitalist powers, the post-World

War II period portended a period of transition and reform under the hegemonic supervision of the US (Cox, 1987). Simmering social tensions and class conflict throughout the interwar period, alongside the patent failures of deflationary policy trajectories, loomed large in the minds of policy elites and state planners meeting in Bretton Woods, New Hampshire in July of 1944 to map out the basis of the postwar global economy. Predicated on the internationalization of 'New Deal' capitalism, the architects of the postwar global economy, dominated by US state officials, sought to balance the objectives of domestic macroeconomic autonomy, national reconstruction, and the revival of an integrated liberal international economic order centered on the dollar. The institutions presiding over the global economy throughout the postwar era, often described as 'embedded liberalism,' sought to reconcile these objectives by establishing a multilateral global system of trade and payments that could accommodate forms of domestic macroeconomic intervention (Ruggie, 1982, p. 393). During the postwar period, states across the capitalist economy grappled with pressing domestic demands for postwar settlements, including commitments to expand and formalize nascent welfare state institutions established in the early 20th century.

This chapter examines the domestic and international underpinnings of the post-World War II order in the US and Britain from the 1944 Bretton Woods conference to the dissolution of the gold-dollar standard in 1971. I focus on the overlapping macroeconomic policy trajectories and welfare state accords established in the US and Britain under the Bretton Woods international monetary system and postwar capitalist order. Throughout the chapter, I contend that the foundations of the postwar order in each country were wrought by internal tensions, competing political coalitions, and divergent macroeconomic objectives. More specifically, I argue that the realization of postwar 'Keynesian' welfare settlements of each country presupposed wide-ranging international controls over capital mobility and domestic commitments to full employment and universal social citizenship—commitments which were never fully realized in Britain or the US throughout the postwar period.[70] These limitations were nonetheless largely obscured by a period of historically exceptional growth throughout the 1950s and 1960s, which temporarily concealed existing social and class inequalities and bolstered the ideological foundations of postwar capitalism in each country.

This chapter has four sections. The first examines the divergent roles of the US and Britain in the making of the Bretton Woods order. The second focuses on the comparative domestic politics of the welfare state and the solidification of a conservative consensus on macroeconomic governance in the late 1940s and early 1950s in the US and Britain, which was underwritten by a period of historic growth. The third then examines the launching of the Bretton Woods system throughout the 1950s and 1960s and erratic patterns of 'stop-go' political economy, especially during the 1960s. The fourth section provides a brief reflection on the militant politics of the 1960s and the rise of technocratic liberal administrations in the US and Britain. Despite implementing moderate social reforms, I nonetheless illustrate how each administration conceded to the logic of austerity and deflation amidst an unfolding crisis of the Bretton Woods order, presaging the more trenchant struggles of the crisis-prone 1970s.

[70] While the British economy more closely approximated full employment throughout the postwar era, albeit without substantial institutional controls to guarantee it, this was largely never achieved in the US. In the US, levels of unemployment (U-3) approached or exceeded 6 percent multiple times during the postwar period. In October 1949, unemployment reached 7.9 percent, reaching 6.1 percent again in September 1954, 7.5 percent in July 1958, 7.1 percent in May 1961, and persisting at over 5 percent until 1965 (Board of Governors of the Federal Reserve System, 2022). These rates far exceeded conventional standards of 'full employment' and were persistently higher, especially in African American communities, throughout the postwar period (Stein, 2014).

I. Dollar Hegemony, the Limits of Macroeconomic Autonomy, and the Making of the Postwar Order

The Bretton Woods negotiations, which established much of the institutional framework governing the postwar economic order, were dominated by the United States and Britain (Cox, 1987).[71] The aftermath of the Second World War portended a period of dramatic transition in the geopolitical and economic positions of each country, with the US emerging as the dominant global economic and military power controlling over half of the world's gold stock and the largest share of manufacturing capacity (Arrighi, 1994), while the UK was a declining imperial power facing 'financial Dunkirk' (Tomlinson, 2002). Contrasting visions of the postwar economic order were epitomized by the chief representatives of each country during the Bretton Woods negotiations, Harry Dexter White of the US and John Maynard Keynes of Britain.[72] Both figures recognized the economic-cum-political failures of the interwar era and the need to construct an alternative global capitalist order that could avert the instabilities of pre-1931 economic liberalism (Helleiner, 1994; Gill, 1998; Van Der Pijl, 2012). This meant that the deflationary governance of the gold standard system, and the 'hot money' flows of international capital that contributed to the destabilization of domestic currencies during the interwar period, needed to be subordinated to accommodate greater national macroeconomic autonomy as well as revive international trade flows and monetary stabilization (Eichengreen, 2008; Steil, 2013; Green, 2020).

Despite these similar objectives, the plans expounded by Keynes and White differed substantially. Keynes' conception of the postwar monetary system included an International Clearing Union to settle monetary transactions, which would enable governments to buy and sell

[71] Recent literature has highlighted the agency and contributions of countries from the Global South throughout the Bretton Woods conference (Helleiner, 2014), though there is little doubt that its central institutions conferred significant and disproportionate power to Anglo-American and European powers.
[72] There were also many divergent political and class interests within the US and UK (Cox, 1987, p. 213).

their own currencies denominated in international bank money, placing the onus of balance of payments imbalances largely on creditor, rather than debtor, nations (Steil, 2013, p. 143). This system, Keynes maintained, was to be bolstered by wide-ranging capital controls as a "permanent feature of the post-war system," enabling countries to set interest rates independently and thereby pursue domestic objectives such as full employment (quoted in: Steil, 2013, p. 145). Concerned with the national interests of Britain as a debtor country and declining imperial power, Keynes' plan nonetheless evinced a progressive architecture for the postwar economy, which was favourable to debtor countries, decentering the dollar and gold in the monetary system, and privileging national development and macroeconomic autonomy (ibid, p. 147). While White also sought to prioritize national macroeconomic discretion as part of the 'internationalization of the New Deal,' the overriding objective of his plan was to "elevate the status of the dollar to that of the world's sole surrogate for gold" (Steil, 2013, p. 128; Panitch & Gindin, 2013). Indeed, White envisioned an integrated world economy revolving around the dollar as the global reserve currency, with the US superintending the global financial system through an international agency, the IMF, whose remit for lending was far more constrained than in Keynes' vision, imposing few costs on creditor countries (Barber, 1996, p. 156). The struggle for dollar hegemony and the relation of creditor-debtor nations thus underlay the entirety of US-Britain Bretton Woods negotiations (Steil, 2013). Central to this objective from the US perspective was ensuring that the British empire relinquished control over the Imperial Preference system to cement a liberalized trade and payment system anchored by the dollar (Gardner, 1956; Kolko, 1968, pp. 484, 488; Cairncross, 1985).[73] Ultimately, White's vision, and the broader geopolitical interests of the US

[73] Formed in the aftermath of Britain's detachment from the gold standard in 1931, the Sterling Preference Area was a preferential trade, investment, and currency system under the aegis of the British empire in which countries pegged their currencies to pound sterling in exchange for access to British financial markets, a system which notably discriminated against the US economy and the dollar (Schenk, 2014, p. 2).

state, would largely shape the architecture postwar Bretton Woods system, reflecting the overwhelming leverage of the US and the centrality of the dollar in the postwar global economy (Glyn et al., 1992; Panitch & Gindin, 2013, p. 76).[74]

The global economic system established after the Bretton Woods conference differed in important respects from the liberal governance of the gold standard era, however. In contrast to the gold standard system, the 'adjustable peg system' of the dollar standard, centered the dollar, convertible to $35 per ounce of gold, as the world's reserve currency to which other countries pegged their currencies, permitting small exchange rate adjustments to address balance of payments issues (Eichengreen, 2008, pp. 95, 101-102; Eckes Jr., 2012).[75] Similarly, the implementation of capital controls, ostensibly the most prominent break with past forms of liberal economic governance (Helleiner, 1994, p. 4), was intended to enable domestic macroeconomic reconstruction and national development by curtailing capital mobility and thereby avoiding the speculative capital flows of the interwar period.[76] Indeed, the regulatory framework and international economic order established in the aftermath of the Second World War seemed to offer states more latitude and autonomy in institutionalizing national developmental priorities (Ruggie, 1982).

Despite the novelties of the postwar economic system, however, many of the preconditions of Keynes' more far-reaching vision, and particularly the range of capital controls he envisioned to foster domestic macroeconomic development, were never met (Steil, 2013). While the adjustable dollar standard represented a break with the classical gold standard system insofar as

[74] As Steil (2013) remarks, the United States "held virtually all the cards at Bretton Woods" (p. 209).
[75] The allowable adjustments, however, took place within strict parameters, allowing only one percent adjustments unless countries qualified for 'fundamental disequilibrium' in balance of payments (Eichengreen, 2008).
[76] For a contrasting view, see Panitch and Gindin (2013) who maintain that "contrary to what is often supposed, it was precisely the concern to lay a stable basis for the spreading and deepening of global financial markets that was embodied in the 1944 Bretton Woods agreement" (pp. 9-10).

countries were permitted room for macroeconomic adjustment, as Panitch and Gindin (2013) note, this also meant that countries "would simultaneously be subscribing to new constraints and responsibilities" including a stark "asymmetry of power" dominated by the US and the dollar at the centre of the new global capitalist order (pp. 74-75). Similarly, capital controls were not embraced fully by all states. While provisionally supporting capital controls in other countries in the early postwar years (Helleiner, 1994), the US never fully embraced extensive capital controls itself (Panitch & Gindin, 2013). The Bretton Woods system was also frustrated by the exigencies of the postwar global economy. In the early postwar years, dollar shortages meant that countries compelled onto the dollar standard, such as Britain, led to immediate convertibility crises (Cairncross, 1985).[77] It was only with the injection of $13 billion to Western European countries as part of the Marshall Plan, alongside accompanying institutional and social reforms, and currency convertibility policies in the late 1950s and early 1960s that the institutions of Bretton Woods were fully established (Kolko, 1968; Block, 1978; Cox, 1987, p. 224; Eichengreen, 2008, p. 107).

Internal tensions within the architecture of the postwar economic system were not merely the result of wartime contingencies or divergent national interests between the Anglo-American powers, however. They also reflected a deeper conflict at the centre of the postwar order. Enabling national macroeconomic expansion and institutionalizing domestic social compacts (i.e., capital-labour accords, welfare state reforms) was a central theme of the Bretton Woods negotiations, intended to secure political compromises from militant domestic political factions and construct a more stable and politically hegemonic model of liberal capitalism (Cox, 1981, pp. 141, 144; Burley, 1992; Van der Pijl, 2012, p. xxxii; Panitch & Gindin, 2013, p. 72). However, the postwar

[77] Contrary to the principles of a liberal payment system outlined at Bretton Woods, pound sterling only became fully convertible in 1958, while nine other European powers only made their currencies fully convertible in 1961 (Tomlinson, 2002, p. 31).

accords and the prioritization of national macroeconomic autonomy underpinning them presupposed extensive public and multilateral control over the global economy as some of Keynes' proposals had suggested, which conflicted both with the global aspirations of US state officials for the dollar as well as the class interests of financiers, bankers, and capitalist classes within the US and UK. Despite solidifying broad political support in conditions of unprecedented historical growth for several decades, and establishing lasting reforms to welfare state institutions, the tensions and conflicting objectives at the centre of the postwar order, manifesting unevenly within the variegated political economies of US and Britain, emerged at several junctures throughout the postwar period.

II. The End of Ideology and the Elusive Promise of Embedded Liberalism

In the aftermath of the destruction wrought by the Second World War, promises of domestic social reform featured prominently in the national politics of the US and especially Britain. Central to these promises were welfare state accords, which were envisaged by state policymakers and officials as a mechanism for stimulating national aggregate demand and growth, but also a means to placate discontented working-class populations that had shouldered the burdens of the war (Hay, 1994, p. 38). While lasting social reforms, particularly in Britain, were passed in the immediate postwar years in the name of fulfilling a postwar settlement, these reforms were significantly circumscribed by national political-economic opposition to more far-reaching Keynesian and social democratic reforms, as well as the differing external roles of the US and Britain within the global economic architecture of the postwar capitalist system.

The balance of domestic political forces in the US and Britain differed substantially in the postwar period. In the United States, which had long been far behind other wealthy capitalist countries in establishing social security and welfare state institutions, as we have noted, the New Deal of the 1930s implemented a range of public works, collective bargaining, and income support institutions, most notably the 1935 Social Security Act (Quadango, 1994). However, manifold inequalities and stratifications, most notably the systematic exclusion of African Americans from full citizenship status under Jim Crow, significantly delimited the reach of the New Deal American welfare state (Omi and Winant, 2015, p. 165).[78] Its federalist intergovernmental grant system, moreover, continued to coexist with private, employer-based forms of social insurance, creating a 'divided' public-private welfare state (Hacker, 2002). The public forms of social provisioning established during the New Deal were further hybridized between a two-tiered system comprised of a select few national programs (e.g., Social Security) predominantly for male breadwinners, as well as a range of more circumscribed, means-tested social programs administered by states (e.g., Aid to Families with Dependent Children) for less 'deserving' constituencies, disproportionately single women (Tani, 2016). In the immediate postwar period, obstinate political opposition to perceived federal government overreach in economic policy, as well as revanchist opposition to shared social provision with African Americans in social policy, remained fundamental divisions within the politics of the American welfare (Quadango, 1994).[79] Notwithstanding promises to pass an 'Economic Bill of Rights' following the Second World War,[80] much of the political radicalism

[78] As Omi and Winant (2015) describe, the "near-total disenfranchisement of black voters in the South…not only underwrote the New Deal coalition and vastly increased the legislative power of Southern legislators in Congress…but also undermined prospects for social legislation, not only in regard to civil rights but also in labor law, health, education, and other areas" (p. 165).

[79] As early as the 1950s, state-led initiatives to restrict access for African Americans to paltry New Deal-era social welfare programs, such as Aid to Families with Dependent Children (AFDC), emerged, portending the backlash of later years (Tani, 2016, p. 11).

[80] This was articulated in President Roosevelt's State of the Union address in January, 1944: "We have come to a clear realization of the fact that true individual freedom cannot exist without economic security and independence. "Necessitous men are not free men." …In our day these economic truths have become accepted as self-evident. We have accepted, so to speak, a second Bill of Rights under which a new basis of security and prosperity can be established for all—regardless of station, race, or creed" (Roosevelt, 1944).

associated with the class struggles of earlier New Deal reforms was lost by the postwar period (Davis, 2002).[81] Far from a postwar settlement associated with the unrealized promises of the New Deal, other than the G.I. bill and moderate extensions of Social Security,[82] few lasting institutional reforms were enacted in the postwar period (Kolko, 1976).[83] As Table 5 illustrates, US nonmilitary social expenditures, in aggregate terms and as a percentage of GDP, remained relatively marginal from the 1930s through 1960. Despite a decline in military expenditures following the end of the Second World War, the onset of the Cold War and US involvement in the Korean War saw a resurgence of military expenditures throughout the 1950s.

Table 5: Composition of US Federal Government Outlays, 1945-1975 in $US millions current dollars

Category	**1945**	**1950**	**1955**	**1960**	**1965**	**1970**	**1975**
National Defense	82,965	13,724	42,729	48,130	50,620	81,692	86,509
NonDefense	9,747	28,838	25,715	44,061	67,608	113,958	245,824
NonDefense HR*	1,859	14,221	14,908	26,184	36,576	75,349	173,245

*NonDefense Human resources includes Education, Training, Employment, and Social Services, Health, Medicare, Income Security, Social Security, and Veterans Benefits and Services.

Source: Adapted from Office of Management and Budget (OMB) Historical Tables 6.1 and 3.1 "Composition of Outlays: 1940-2027" and "Outlays by Superfunction and Function: 1940-2027." Retrieved January 20, 2021 from: https://www.whitehouse.gov/omb/budget/historical-tables/.

This shift reflected a reorientation of class power within the US state, characterized by the diminishing influence of left Keynesians and New Dealers in the Treasury Department (Weir, 1989), as well as a historic resumption of power by Wall Street and the military-industrial complex

[81] Postwar accords in the US were underwritten by a retrenchment in US labour relations solidified with the passage of the Taft-Hartley Act in 1947, which outlawed a series of strike and union solidarity tactics for organized labour (Davis, 2002; Panitch & Gindin, 2013).
[82] The Servicemen's Readjustment Act of 1944 (G.I. Bill) provided a range of time-limited subsidies for education, mortgages, and unemployment provisions for veterans returning from the war, though its provisions largely excluded non-white and women claimants (Katznelson, 2005).
[83] Despite promises of public health insurance, embodied in the Wagner-Murray-Dingell Bill, these efforts were stymied by powerful interest groups and lobbyists. As Thane (1996) describes, "A proposal by Truman in 1948 to nationalize health services was defeated by the American Medical Association" (p. 264).

within the American state (Kolko, 1976; Davis, 2002). From the late 1940s through the 1950s, the US could thus be characterized more as a 'warfare state' than a welfare state (Waddell, 2001).[84]

Postwar Britain, by contrast, saw the landslide election of Clement Attlee's Labour Party to a majority in 1945. The Labour Party's postwar compact included the nationalization of key sectors of the economy, the prioritization of industrial modernization, commitments to relatively full employment,[85] and a range of welfare state reforms. Emerging from heightened political expectations during austere years of wartime rationing and more longstanding pressures for social transformation, perhaps the most durable institutional changes ushered in by the Labour Party was the extension of the welfare state, and particularly the establishment of the National Health Service (NHS) (Thane, 1996; Tomlinson, 2002).[86] Britain's postwar welfare reforms were introduced by a flurry of legislative initiatives under Atlee's Labour Party (1945-51), which promised to usher in a 'New Jerusalem' following the war. This emerged in part from the recommendations of the immensely popular 'Beveridge Report,'[87] a 1942 report commissioned by William Beveridge, a British economist, liberal politician, and social reformer.[88] Proposing to slay the five giants of Want, Disease, Ignorance, Squalor, and Idleness, the report called for the establishment of a universal 'national minimum' of living standards through a comprehensive social security system. Many of the principles of the Beveridge Report were enshrined in the National Insurance Act

[84] Edgerton (2019) makes a similar claim regarding postwar Britain.
[85] Nominal commitments to full employment in Britain were spelled out in the 1944 White Paper on Employment. Notably, however, while full employment was "accepted in principle" in the postwar period, other macroeconomic objectives of the Atlee administration were, as Peden (2000) notes, "to finance reconstruction, hold down excess demand, and restore the external balance," which often conflicted with Labour's postwar compact (p. 425).
[86] While the conditions of the war likely contributed to the passage of these policies, rather than emerging *ex nihilo*, as Tomlinson (2002) notes, "that impact in many cases was to crystallise existing tendencies rather than bring about an abrupt change of line" (p. 21).
[87] In a subsequent 1944 book, *Full Employment in a Free Society*, Beveridge notably highlighted that the realization of the planned social insurance mechanisms was contingent on a wider array of economic and social policies, including a universal child allowance system, as well as systemic public control over unemployment, both of which largely remained unrealized in the postwar period.
[88] For a provocative historical account that contests this common depiction, see Edgerton (2019), who maintains that the post-1945 welfare state was "largely not new, and what was new was not centrally due to Beveridge" (p. 375).

(1946), which established a system of compulsory social insurance (pension, sickness, and unemployment) financed by a tripartite flat-rate scheme (Thane, 1996). In addition to social housing, education reform, and free school meals, other key pieces of legislation included the Family Allowances Act (1946), a weekly payment to families with two or more children,[89] and the National Assistance Act (1948), which formally abolished the poor law system and sought to provide a national minimum income for those ineligible for national insurance. Perhaps most significantly, the National Health Service Act (1946), passed under the influence of Aneurin Bevan, laid the foundation for the NHS, likely the world's most comprehensive socialized healthcare system at the time (Webster, 2002). While the introduction of such legislation was met with resistance, notably from Treasury department officials, the City, and members of the Conservative Party, opposition to the postwar accords were largely ineffective.[90] Indeed, the postwar accords that ensued were partly underpinned by a political convergence between the Labour and Conservative parties often described as 'Butskellism.'[91]

Enthusiasm with postwar reforms often led to triumphalist proclamations that Labour had ushered in a new historical epoch, fundamentally altering the basis of economic and political power within capitalism and eroding its historical pattern of class inequalities (Crosland, 1956).[92] This

[89] The Family Allowances Act (1946), as Pederson (1993) notes, "fit uncomfortably" within the Beveridge breadwinner insurance system, however, because it threatened the "unspoken rule against state benefits for women whenever a man was present" (354-355). As a result, payments were significantly curtailed below subsistence levels.

[90] Right-wing critics of Britain's postwar welfare reforms included Enoch Powell and Iain Macleod, as well as the Institute of Economic Affairs, early progenitors of British neoliberalism.

[91] This denoted the convergence of Conservative Chancellor of the Exchequer, Rab Butler, and Labour centrist, Hugh Gaitskell, around commitments to relatively full employment, welfare state expansion, and the labour accords, which some commentators describe as a consensus that dominated British politics for the next several decades (Addison, 1975). More recently, historians have contested the true extent of consensus. For an overview, see: Fraser (2000).

[92] As part of the centrist revisionist wing of the Labour Party, Anthony Crosland's 1956 book, *The Future of Socialism*, sought to redefine the meaning of socialism away from its Marxist origins, suggesting that the postwar British economy was no longer capitalist. Ralph Miliband (1964) highlighted the divergences between this view, which represented the Parliamentary Labour Party, and those of Labour Party activists: "For the activist saw the

was partly exemplified in T.H. Marshall's (1950) teleological conception of the 'social rights of citizenship' embodied by Britain's postwar social service reforms, which presented a Whiggish history of the unfolding of civil, political, and social citizenship rights culminating in the reforms ushered in by the postwar Labour Party.[93] Postwar welfare state reforms contributed to lasting social and political-economic changes. Britain's postwar welfare reforms established a centralized national social security system that transformed social provisioning in the UK, contributing to rising wages, increased working-class living standards and public health, and lasting institutional and political changes, particularly with the establishment of the NHS. By the late 1950s and early 1960s, however, as the heady atmosphere of postwar optimism abated, critical observers would point to a range of limitations of the British welfare state. Many would question the extent to which postwar reforms had meaningfully redistributed wealth and power in British capitalism, seriously addressed poverty and economic insecurity, or extended the fruits of social citizenship to all groups. Under conditions of historically high levels of growth and low unemployment, as well as the political conservatism associated with the onset of the Cold War, however, the inadequacies of the postwar British welfare state would largely remain marginalized from national politics.

Notwithstanding the substantial differences between the domestic political trajectories of the US and Britain, the foundations of the postwar order of 'embedded liberalism' in both countries were mutually circumscribed by the macroeconomic policies pursued in each country. While the postwar period is often interpreted through the diffusion of 'Keynesianism,' these characterizations often oversimplify the political orientation of macroeconomic policies in the

Welfare State and the nationalization measures of 1945-8 as the beginning of the social revolution…while his leaders took these achievements to *be* the social revolution" (p. 307).

[93] Historian Asa Briggs (1961) noted how Labour's post-1945 welfare reforms led to all-encompassing and teleological conceptions of the postwar 'welfare state' that both obscured existing inadequacies of Britain's social security system and contributed to Whiggish histories where the "past was seen as leading inevitably and inexorably along a broad highway with the "welfare state" as its destination" (p. 222).

postwar era. While the Keynesian revolution in macroeconomics undoubtedly reshaped government policy during this period, the implementation of Keynesian ideas in state institutions and policymaking circles in the US and Britain during the postwar period was more uneven and incomplete than is commonly acknowledged (Hall, 1989). In Britain, for example, while the postwar Labour Government briefly experimented with economic planning, nationalization, and industrial modernization, a policy program more radical in some respects than Keynesian macroeconomics, the late 1940s were also shaped by the policies of deficit and debt consolidation (Tomlinson, 2002). Moreover, as will be further argued below, postwar macroeconomic policy would likewise be influenced by the persistent, if temporarily restrained, role of orthodox economic policy through the influence of the 'City-Bank-Treasury nexus' (Ingham, 1984; Green, 2020). In this sense, postwar Britain was characterized neither by an embrace of Keynesian demand management policies nor an immediate return to liberal economic orthodoxy (Weir, 1989, p. 67). In the US, despite partial experimentation with 'Americanized' Keynesianism during the late 1930s and early 1940s under the influence of left Keynesians in the New Deal coalition (Barber, 1996), far more skepticism toward the use of moderate Keynesian demand management policies pervaded postwar America (Weir, 1989).[94] Despite early struggles to expand and democratize the discretionary fiscal powers of the US government to implement a postwar full employment policy in 1944 (Barber, 1996, p. 160-161), staunch opposition suffused congressional debates in the mid-1940s in Washington, driven by the lobbying efforts of Wall Street, the Chamber of Commerce, the National Association of Manufacturers, and abetted by a conservative coalition of Southern Democrats and Northern Republicans in Congress (Eckes Jr., 2012; Stein,

[94] As Weir (1989) elaborates, "strong opposition to Keynesianism on the part of business and agricultural interests prevented the institutionalization of Keynesian policies in the immediate postwar period. And, throughout the 1950s, the Eisenhower administration retained an ambiguous stance toward Keynesian economic management" (p. 73).

2014). These conservative political undercurrents crystallized with the dilution of government commitments to full employment in the 1946 Employment Act, which undercut governmental commitments to Keynesian fiscal policy (Kolko, 1976; Epstein and Schor, 1995, p. 17).[95] While aspects of Keynesian macroeconomics continued to inform government policymaking throughout the postwar era, as will be further argued below, postwar macroeconomic governance in the US and Britain was underwritten by a conservative consensus solidifying in the late 1940s and early 1950s.

The domestic political orientation and national macroeconomic policies in the US and Britain were further shaped by the starkly divergent roles of each country in the postwar global economy. Within postwar Britain, domestic macroeconomic policies were formulated in the shadow of its status as a debtor country and declining imperial power in an increasingly dollarized global economy. While domestic political forces were crucial in shaping Britain's postwar political trajectory, it was also a series of external crises of the late 1940s that contributed to a shift in economic policy. Following the termination of the Lend-Lease Act in 1945, persistent balance of payments issues meant that the Atlee Labour Government was highly dependent on external aid, especially from the US, to meet its payments (Cairncross and Eichengreen, 2003). As a result, commitments to fiscal probity meant that much of the postwar British welfare state was financed in an era of austerity as the government committed to servicing external payment demands (Tomlinson, 2002, p. 262). The broader conditions of macroeconomic volatility in which the postwar accords were established deepened throughout the late 1940s. In the aftermath of the conversion of the pound sterling to the dollar standard as a condition of the 1946 Anglo-American loan, a steep currency crisis erupted in 1947, followed by a substantial currency devaluation in

[95] As Maier (1987) describes, this "stalemate of forces precluded any consistent social-democratic trend for the American political economy" (p. 128).

1949 (Cairncross and Eichengreen, 2003). While alternative political trajectories may have been taken to address these instabilities, driven by American geopolitical concerns, the IMF, and internal forces within the Labour Party, government experimentation with economic planning largely fell by the wayside in the post-1947 period, and a resort to conservative macroeconomic demand management followed in subsequent years (Cairncross, 1985; Tomlinson, 2002).[96]

The sharp devaluation of the pound sterling in 1949, accompanied by promises to reign in social spending, presaged a period in which attempts to curtail inflation through budgetary policy and interest rates (Rollings, 1988), and thereby preserve the value of sterling amidst balance of payments pressures under the Bretton Woods fixed-exchange rate system,[97] often came in direct confrontation with macroeconomic policy commitments underpinning the domestic postwar accords (Davies, 2017; Green, 2020). The shift away from the early radicalism of the postwar era toward this conservative orientation was exemplified in the budgets of the late 1940s passed under the Labour Government. Amidst balance of payments issues in 1948 as the US wound down its loans, the Labour Government pursued austerity measures and wage controls that were primarily "reserved for wage earners" (Miliband, 1964, p. 305). Following the devaluation of pound sterling in 1949, on the advice of the IMF, the 1949 budget introduced by Labour Chancellor of the Exchequer, Stafford Cripps, proposed a retrenchment in social expenditures to alleviate pressures on British state finances. Labour's subsequent Chancellor of the Exchequer, Hugh Gaitskell,

[96] To Van der Pijl (2012), this policy paradigm was consistent with earlier political tendencies in the British Labour Party (p. 98, 99).
[97] While the political salience of balance of payments crises in postwar Britain was historically contingent and predicated, as Clift and Tomlinson (2008) maintain, on "socially and politically constructed interpretations of economic phenomena," these crises nonetheless had concrete effects in shaping British economic and social policy, especially throughout the 1960s (p. 608).

likewise introduced cuts to food subsidies, introduced fees for certain NHS services, and reduced subsidies to the National Insurance fund (Hood and Himaz, 2017, p. 94).[98]

The trajectory of economic policy in postwar America was also shaped by an imbrication of domestic political and class forces as well as its external role at the helm of the postwar order and global economy. The US shift toward prioritizing external geopolitical initiatives during the early postwar years was predicated on what Van der Pijl (2012) describes as a process of "class formation on the North Atlantic level," whereby a series of US-led geostrategic initiatives, from Lend-Lease to the Marshall Plan, and the 1946 Anglo-American loan deal, restructured transatlantic class relations and internationalized patterns of capital accumulation between Europe, Britain, and the United States, laying the "material foundations for an Atlantic economy" (p. xxxiii, 27, 149). While competing visions of the postwar economy between US officials persisted, these geostrategic initiatives were ultimately based on a similar political-economic vision of productivity enhancement and growth, led by the US economy, which was to be solidified through an integrated liberal economic architecture. The curtailment of the New Deal in the aftermath of the war also coincided with a pivot in American state policy toward policing the postwar order abroad,[99] entailing a reorientation in domestic economic policy from its "national-corporatist format to a more liberal internationalist strategy of expansion" in which working-class demands could be "in part evaded, in part compromised" while the US sought to integrate the British empire into a liberal capitalist order (Van der Pijl, 2012., p. xxxii; Block, 1978, p. 9). With the announcement of the Truman doctrine in 1947 and US involvement in the Korean war in the early 1950s, as arms

[98] These reforms led Aneurin Bevan to resign shortly before the 1951 election, "crystalizing the party's left wing as an identifiable group associated with his name" (Baldwin, 1990, p. 232).
[99] This included defanging the domestic political radicalism of the UK, which had just elected a putatively socialist government. As Kolko (1968) describes, "With a loan the United States might well define the limits of British socialism…and neutralize it insofar as that was possible" (p. 492).

manufacturers and Wall Street bankers saturated state policymaking apparatuses, promises of a postwar settlement and Economic Bill of Rights already seemed to be in the distant past.

Notwithstanding the substantial differences in the domestic political and macroeconomic trajectories of the US and Britain, a powerful ideological narrative was forged across both sides of the Atlantic during the postwar period, which maintained that the earlier inequalities, insecurities, and instabilities associated with 19th and early 20th century liberal capitalism had been transcended in the 'liberal democratic West' (Gill, 2002; Van der Pijl, 2012). Central to this narrative was the idea that post-New Deal liberalism in the United States, and the postwar British welfare state,[100] had transcended class and social conflict, ideological opposition, and partisan politics (Lipset, 1960; Bell, 1965). Anticipating the 'end of history' doctrine later declared at the end of the Cold War, this ideological orientation was underwritten by a period of exceptional growth in the US and Britain throughout the 1950s and driven by what Charles Maier (1987) calls 'the politics of productivity,' an American-centered developmental model premised upon "superseding class conflict with economic growth" (p. 146). This project of US-centered growth and productivity, which sought to transcend political conflict and class division through apolitical means, was remarkably successful. Throughout the 1950s and into the 1960s, a period of extraordinary growth, rising investment, and relatively low unemployment emerged in the US, Britain, and especially Western Germany and Japan, which gave credence to the dominant narrative that the 'end of ideology' had been achieved (Glyn et al., 1992, pp. 41, 42). While these historically exceptional macroeconomic conditions bolstered the political foundations of the postwar order, obscuring existing social and class inequalities with perceptions of affluence and prosperity, soon after the

[100] Despite the divergent domestic politics of the US and Britain in the postwar years, for example, Stafford Cripps, Labour Chancellor of the Exchequer under the Atlee administration, justified acceding to US economic demands because "the philosophy of a post-New-Deal USA was not as divergent from that of Britain as often alleged by critics of the USA" (quoted in Tomlinson, 2002, p. 36).

mechanisms of the Bretton Woods system came into operation, the foundations of 'embedded liberalism' were wrought by internal tensions and competing political coalitions and macroeconomic objectives. Grasping the scope of these tensions, and the differentiated ways in which the power of capital contributed to the truncation of an embedded liberal order in each country, is crucial to understanding the postwar trajectories of the US and Britain and the foundations of the postwar welfare state order in each country.

III. Bretton Woods Launched: Stop-Go, Conservative Keynesianism, and the Power of Capital

The incongruities between promises of domestic macroeconomic autonomy underpinning the Bretton Woods system and the constraints of the postwar capitalist economy in the US and Britain can be conceptualized through the lens of the 'direct' and 'structural' power of capital. As Gill and Law (1989) highlight, the direct power of capital refers to the various "direct aspects of business power and influence relative to labor, including its financial resources, expertise, contacts with government, and control over much of the media," including the lobbying capacities of organized capitalist interests within states (p. 480). By contrast, the structural power of capital "is associated with both material and normative dimensions of society, such as market structures and the role of ideology," and especially the ways in which capital can "indirectly discipline the state" through investment strikes and capital exit (Gill and Law, 1989, pp. 480, 481). Historically, the power to indirectly discipline state policy is associated with capital mobility and the capacity to compel states to establish favourable economic climates conducive to 'business confidence' (Block, 1978; Gill and Law, 1989).[101] While the postwar Bretton Woods order temporarily

[101] As a recent literature has noted, this power is often expressed through complex and mutually entangled infrastructural linkages between state institutions and market forces (Konings, 2011; Braun, 2020).

subordinated global capital mobility and private finance to domestic macroeconomic objectives, throughout the 1950s and 1960s, key fractions of bankers, financiers, and capitalists across the Atlantic, as well as conservative policymakers and state authorities, mobilized against the constrictions of the postwar order from its inception (Phillips-Fein, 2009). This contributed to a range of burgeoning tensions between competing coalitions of the postwar order, perhaps most significantly in macroeconomic policy governance.

Beginning in earnest during the Keynes-White negotiations, bankers and financiers from New York and London voiced their opposition to national control over domestic macroeconomic policy, public multilateral financial institutions, and long-term restrictions on international capital flows (Helleiner, 1994, pp. 39-47).[102] While the Bretton Woods institutions represented a partial break with the disciplinary constrictions of the gold standard system preferred by many bankers and financiers, bankers nonetheless played a central role in diluting the scope of restrictions and controls placed on capital mobility. This was most evident in the reversal of obligatory postwar capital controls considered during the Bretton Woods negotiations, in which bankers and financiers, especially from New York (Helleiner, 1994, p. 47; Panitch and Gindin, 2013), dissuaded policymakers from implementing the full force of capital controls (Germain, 1997, p. 82). While critical IPE literature has closely examined these structural tensions in the institutional architecture established under the Bretton Woods system (Germain, 1997), less studied is the complex ways in which the organized interests of bankers, financiers, and corporate capital also had a more direct influence over the trajectory of postwar macroeconomic governance within state institutions in the US and Britain.[103]

[102] The ‘Key Currency Plan’ proffered as an explicit alternative to the restrictions of the Bretton Woods monetary system by head of the Federal Reserve Bank of New York, John Williams, was the preferred system by many financiers and bankers (Endres, 2005).
[103] Exceptions to this trend include the work of Cox (1987), Gill (1991), and Van der Pijl (2012).

Throughout the late 1940s and early 1950s, key struggles emerged on the terrain of central bank governance in the US and Britain, which would dramatically shape the trajectory of macroeconomic policies underpinning domestic postwar accords. In the United States, while the Federal Reserve had undertaken a substantial role within the domestic economy during wartime (Epstein and Schor, 1995),[104] the postwar period saw a shift toward market-oriented domestic macroeconomic policy. While the role of the Fed had been subordinated to government financing imperatives during the Second World War, which included enforcing ceilings on Treasury yields to underwrite low-cost government debt (Garbade, 2021), amidst postwar inflation, the early 1950s saw a dramatic effort to lobby the government to shift toward a more 'flexible,' i.e. market-oriented monetary policy and secure the 'independence' of the Fed from the Treasury and democratic oversight (Epstein and Schor, 1995).[105] These efforts were led by a 'historic bloc' of financiers and Wall Street bankers, central bankers, and multinational capital, with extensive networks within US Federal Reserve System (ibid). This coalition mobilized against proposals to expand government commitments to full employment and credit control policies considered in the postwar period, as well as the tentative efforts of President Truman and Treasury Secretary John Snyder to assert more executive control over the Fed (Woolley, 1984). Bankers such as Russell C. Leffingwell, former chair of J.P. Morgan and head of the Council on Foreign Relations, as well as key figures in the Federal Reserve system such as president of the Federal Reserve Bank of New York, Allan Sproul, "tirelessly mobilized finance and other business to support them in their struggle" (Epstin and Schor, 1995, p. 21). These efforts culminated in the 1951 Treasury-Fed

[104] As Konings (2011) notes, "for some time the Federal Reserve essentially came to function as an assistant to the Treasury" (p. 101).
[105] In reality, central bank 'independence,' as Epstein and Schor (1995) note, "makes central banks more independent of some groups—for example, labour—while making central banks less independent of other groups, in this case, the financial community" (p. 13).

Accord, which rolled back the Federal Reserve's monetary backing of US government securities and established central bank 'independence' from the federal government (Garbade, 2021). This accord cemented a long-term shift toward a market-oriented monetary policy throughout the postwar period (Konings, 2011, p. 111), not only increasing the structural power of markets in shaping government bond prices, but also signalling a conservative turn in macroeconomic governance toward interest rate manipulation to stem inflation and aggregate demand (Panitch & Gindin, 2013, pp. 85-87).

In Britain, notwithstanding the largely symbolic nationalization of the Bank of England under the Labour Government, British bankers continued to a play a role in influencing postwar macroeconomic policies (Tomlinson, 2002; Davies, 2017, p. 11).[106] In the early 1950s, amidst a prolonged shift toward currency convertibility, attempts to restore the prestige of the City, and thereby uphold the external value of pound sterling, played a central role in British economic governance throughout the 1950s (Schenk, 2010, p. 111). British bankers sought to revive the international role of sterling and the City as a global financial centre, which resulted in the reopening of London's foreign exchange markets in 1951 under sustained pressure from organized financial and banker groups (Germain, 1997, p. 85), as well as the revival of a commercial gold market in London (Schenk, 2010, p. 111). Other efforts by bankers included a concealed plan (Operation Robot), led by figures such as merchant banker and deputy governor of the Bank of England, George Bolton, to float sterling and unilaterally extricate it from the Bretton Woods exchange rate system, which would have entailed extensive deflationary measures to achieve external balance, thereby compromising postwar promises of full employment and domestic

[106] As Kynaston (1995) describes, despite its nationalization, the Bank "kept its essential institutional autonomy, quite unlike that of a government department; governors were to be appointed for a fixed term of years and could not be dismissed" (p. 29).

reconstruction (Schenk, 2010; Green, 2020, p. 96).[107] While never implemented, this plan revealed the continued agency of bankers and financiers within the British state and the 'City-Bank-Treasury nexus,' which increasingly found representation within the newly elected Conservative Government in 1951 (Ingham, 1984). While efforts to restore sterling's international role were frustrated by the realities of an increasingly dollarized world system, the continued role of the City in the global financial system was realized by a calculated shift, particularly after the 1956 Suez crisis and as British, European and Japanese economies implemented currency convertibility policies, that its future lay in its role as an offshore market for US dollars (Germain, 1997; Burn, 1999; Green, 2016).[108] These economic orthodoxies, affirmed by a broader constellation of conservative Keynesianism in British macroeconomic policy, generated a number of tensions throughout the 1950s and 1960s that often directly conflicted with the commitments of the postwar economic and social settlement.

Stop-Go Political Economy and the Contradictions of the Postwar Order

The direct mobilization by bankers, organized capitalist classes, and central bankers within the apparatuses of the US and British states contributed to a political shift toward 'conservative Keynesianism' (Burkhead, 1971; Weir, 1989).[109] This policy paradigm entailed the use of fiscal and monetary policy to control aggregate demand and inflation through interest rate manipulation and fiscal austerity (Burkhead, 1971). Throughout the 1950s and especially the 1960s, this manifested in what became known as 'stop-go' economic policies. This was characterized by

[107] As Burn (1999) describes, even before the Bretton Woods system came into operation in 1958, "its spirit had already been circumvented by events in the City" (p. 227).
[108] However, as Susan Strange (1971) remarked, it was not until 1967, in the aftermath of the devaluation of sterling and the rejection of Britain's requested entry into the European Economic Community, "that the truth began to dawn in Whitehall and Threadneedle Street that sterling would never—could never—really recover its former status" (p. 308).
[109] Left-Keynesian economist, Joan Robinson, called this 'bastard Keynesianism.'

erratic patterns of domestic expansion, high growth, declining unemployment, and increasing social expenditures, in accordance with promises of postwar settlements, followed closely by budgetary austerity and deflationary monetary policies intended to avert inflation and downward pressures on currencies by stifling aggregate demand (Jessop, 1980; Eichengreen, 2008; Davies, 2017).

The sequence of stop-go moved at difference velocities in the US and Britain during the postwar period. In Britain, following the shift away from tentative economic planning as well as the abandonment of central bank rate pegging in 1947,[110] the newly elected Conservative government in 1951 liberalized a range of government controls over the economy (Tomlinson, 2002; Davies, 2017). As government controls over credit were lifted, economic policy was increasingly shaped by 'flexible' monetary policy and a commitment to macroeconomic 'demand management' or 'fine tuning' policies to address ostensible threats of inflation and to protect the value of sterling, especially through the Bank of England's Bank rates (Ingham, 1984; Weir, 1989). Under the Conservatives throughout the 1950s, the Bank Rate was raised numerous times to curtail inflation alongside persistent attempts to curb government expenditures. In 1956 and 1957, for examples, the Bank Rate was increased successively to 5.5 and 7 percent respectively, accompanied by fiscal austerity and restrictions in public expenditures to suppress inflation and achieve external balance (Bank of England, 2023). The result, as Eichengreen (2008) contends, "involved cutting rates, inflating consumer demand, and allowing incomes to rise, especially with the approach of elections, followed by a rise in rates to restrict demand, generally too late to avert a crisis" (p. 109). These volatile macroeconomic patterns of stop-go, reflecting the contending

[110] From 1945-1947, the Labour government under Hugh Dalton pursued an "ultra-cheap money" policy, which sought to bring down long-term yields on government bonds to 2.5 percent. This was largely abandoned by 1947, however, "when the Treasury's instinctive preference for 'sound financing' overcame its loyalty to the ultra-cheap money policy" (Allen, 2012, p. 21).

interests of the ‘City-Bank-Treasury nexus’ on the one hand, and the political coalitions underpinning the postwar welfare state accords on the other, undermined the full embedding of a domestic Keynesian order within Britain’s postwar political economy. While the institutions of the postwar order persisted, stop-go became more pronounced throughout the 1960s and 1970s, as resurgent inflation, deteriorating balance of payments, and a persistent reluctance to devalue sterling in British economic policy conflicted with the coalitions underpinning the postwar accords (Jessop, 1980; Hay, 1994, pp. 43-44; Davies, 2017). In the US, by contrast, a relative absence of expansionary domestic economic pressures, alongside the role of the US as provider of the world’s reserve currency, meant that it initially averted this pattern of macroeconomic volatility until later in the 1960s (Cox, 1987, p. 221).

Instabilities in the Bretton Woods system emerged shortly after currency convertibility came into place. From 1958 through the early 1960s, shortly after currency convertibility was implemented in many European countries, short-term speculative capital flows, facilitated by the growing Eurodollar market, put increasing pressures on national currencies. In the US, concerns surrounding gold outflows and consequent declining trust in the dollar pervaded US monetary authorities. Anglo-American monetary authorities attempted to stabilize the $35 an ounce dollar-gold peg underpinning the Bretton Woods system by intervening in the increasingly interconnected financial systems of the US and UK, including through the burgeoning commercial gold market in London (Garbade, 2021, pp. 275-280; Green, 2020, p. 151). These efforts intensified throughout the 1960s with the opening of the London gold pool, an effort led by the US Fed and UK monetary authorities to stabilize the dollar-gold peg (Collins, 1999). As critical IPE literature has closely examined, it was during this period that the growth of the Eurodollar market, offshore markets facilitated by the City of London for dollar-denominated assets outside national legal boundaries, would play a central role in the shift toward financial liberalization and the undermining of the Bretton Woods fixed exchange rate system throughout the 1960s and early 1970s (Strange, 1971; Helleiner, 1994; Germain, 1997; Burn, 1999; Cohen, 2008; Green, 2016). Recent scholarship has highlighted how the organized interests of British merchant bankers within the UK, alongside likeminded policymakers at the Bank of England, played a central role in facilitating the opening of the Eurodollar markets, which were viewed as a strategic mechanism to revive the international role of the City as a global financial centre (Green, 2016, p. 428). Alongside persistent capital outflows from the US, the City emerged as a central venue to obviate the regulatory constraints of New Deal-era banking regulations and the constraints of Bretton Woods more broadly (Konings, 2011, pp. 117-118).

Waning confidence in the dollar was exacerbated throughout the 1960s as US capital outflows and military expenditures contributed to a burgeoning US balance of payments deficit, deepening a contradiction at the centre of the Bretton Woods monetary system. This contradiction was encapsulated by Belgian-American economist Robert Triffin's dilemma of national currencies functioning as international reserves, which noted that, as the US balance of payment deficit worsened, with growing dollar outflows serving global liquidity needs to finance world trade, confidence in the capacity to redeem dollars for gold declined. Despite attempts to stem capital outflows throughout the 1960s in the US, such as the 1963 Interest Equalization Tax, the Fed's 'Operation Twist,' as well as Johnson's later announcement of capital controls in 1968, these measures were ultimately unsuccessful in remedying the growing payments deficit in the US and dollar outflows (Konings, 2011, p. 97). As this structural contradiction became more intractable in the mid-1960s, global tensions within the dollarized Bretton Woods monetary system became closely intertwined with both British and US macroeconomic policy, which would successively experience their own periods of stop-go political economy amidst a confluence of global economic tensions and rising domestic social contestation.

IV. The Radical '60s: Growing Fissures of the Postwar Order

The 1960s were a period of heightened social contestation and political upheaval in the US and Britain. In the US, the emergence of the civil rights movement in the late 1950s and early 1960s, spanning protests against Jim Crow segregation and voter discrimination laws, the March on Washington for Jobs and Freedom in 1963, and the Black Power movement, began to shift domestic politics throughout the 1960s. In Britain, the rise of New Left social movements similarly precipitated a reckoning with the inadequacies of the postwar British social order. Across both countries, this period also saw the rise of liberal technocratic administrations which increasingly sought to mitigate and assuage these growing socio-political demands. In the US, throughout the early 1960s, the Kennedy administration's New Frontier agenda sought to stave off the militancy of burgeoning social demands,[111] embracing a conservative variation of Keynesianism by opting for deficit-financed tax cut stimulus policies to promote growth and stimulate consumption (Weir, 1989).[112] Under sustained pressure from the galvanizing civil rights movement, New Left social movements, and heightened labor militancy throughout the 1960s, Lyndon B. Johnson launched the Great Society Programs in 1964 and 1965, which attempted to establish an 'equal opportunity welfare state' that had eluded the New Deal (Quadango, 1994).[113] This included the passage of the

[111] While the Kennedy administration rhetorically embraced elements of social welfare, and established the Public Welfare Amendments in 1962, federal social welfare expenditures remained marginal.
[112] The 1964 Revenue Act, proposed by Kennedy and eventually passed by the Johnson administration, slashed top marginal income tax rates from 91 to 72 percent, cut income tax across the board by 20 percent, and cut corporate tax rates from 52 to 48 percent (Tempalski, 2006).
[113] The Great Society programs were outflanked by a more comprehensive and radical proposal outlined by leaders of the civil rights movement, including Asa Phillip Randolph, Bayard Rustin, and Martin Luther King Jr., as well as left Keynesian economist, Leon Keyserling, who proposed a federal jobs guarantee and guaranteed income to

1964 Civil Rights Act and 1965 Voting Rights Act, which established formal citizenship and voting rights to African Americans, as well as the War on Poverty, enshrined in the 1964 Economic Opportunity Act and the establishment of the Office of Economic Opportunity. The War on Poverty included a broad range of social and economic reforms, including health insurance legislation (Medicaid and Medicare), expenditures on education, expansions in Social Security, means-tested anti-poverty and welfare programs, such as food stamps, and jobs training programs, which were underwritten by commitments to expansionary macroeconomic policies (ibid).

These reforms were spearheaded by a wave of militant protests, uprisings, and social movements, including the National Welfare Rights Organization (NWRO). Led by tens of thousands of poor and low-income populations, disproportionately poor black women hitherto denied access to social relief due to a range of discriminatory regulations and barriers, the organization launched a national movement across major cities in the US during the mid-1960s, contesting bureaucratic, means-tested social provisioning and advocating for universal income support as a social right (Piven and Cloward, 1971). Alongside the dismantling of discriminatory legal and regulatory barriers, the welfare rights' movement contributed to a marked expansion of public social relief, with as many as 800,000 additional recipients receiving social relief through the Aid to Families with Dependent Children program between 1960 and 1969 (Piven and Cloward, 1993). Johnson's Great Society programs marked the most significant expansion in welfare state spending since the New Deal. From 1964-1970, federal expenditures on health, education and welfare tripled, comprising over 15 percent of the federal budget by 1970 (Bailey and Duquette, 2014). As a percentage of GDP, mandatory government expenditures rose from 4.8 to 7.1, while discretionary non-defense expenditures rose from 3.3 to 4.0 during the same period

establish full employment and abolish poverty. These proposals were largely dismissed by Congress, but would nonetheless become the basis of the Poor People's Movement in 1968 (Randolph and Rustin, 1967).

(OMB Table 8.4). Notwithstanding sustained increases in social expenditures, these measures nonetheless failed to generate a far-reaching redistribution of wealth or power or establish more universal forms of public provisioning in the US welfare state, in part due to the internal political tensions of the growing 'anti-poverty' coalition of the 1960s (Chappell, 2010, ch. 1).[114] Moreover, commitments to the social demands of the 1960s were predicated on expansionary domestic macroeconomic policies, and promises to establish (relatively) full employment throughout the 1960s, which soon conflicted with an interlacing set of domestic and global crises and political responses to them.

While Britain did not experience the fervent of the US civil rights movement, a range of social movements also contested the foundations of the postwar welfare state order. As early as the late 1950s, Richard Titmuss, founder of the modern discipline of social policy, highlighted the inadequacies of British social services. Titmuss (1958) noted that, contrary to popularly held beliefs that the postwar welfare state redistributed wealth from the rich to the poor, welfare provision in British society was increasingly divided between what he called social welfare (social services and income support provided by the state), fiscal welfare (tax expenditures offered by the state), and occupational welfare (forms of private and public occupation-based insurance). Collectively, these fragmented forms of social provision meant that "powerful economic and political forces" and the "strength and tenacity of privilege" continued to inflect postwar British society (Titmuss, 1969, p. 54). Implemented under conditions of austerity as the British state

[114] Despite passing notable reforms in civil rights, social, and economic reforms, as Taylor (2016) notes, "The War on Poverty and Great Society programs reflected Cold War antipathy toward total government control by emphasizing public-private partnerships and 'equal opportunity,' as opposed to economic redistribution" (p. 40).

embarked on a protracted period of fiscal consolidation after the war, many of the postwar welfare reforms, dispersing the fiscal burden of the welfare state broadly between national insurance contributions, income tax, and indirect taxes, were likewise predicated on a relatively regressive distribution of the fiscal burden (see table 6).

Table 6: UK Distribution of Fiscal Burden as Percentage of GDP by Item, 1930-1960

Year	Income/Capital	National Insurance	Indirect	Business/Other
1930	8.17	0.00	8.16	1.49
1935	7.72	0.00	7.89	1.58
1940	7.97	0.00	6.79	1.23
1945	20.86	0.00	12.72	1.21
1950	16.03	3.43	14.25	6.11
1955	12.28	2.77	11.76	6.18
1960	10.97	3.46	10.97	5.00

Source: Adapted from UKPublic Revenue (n.d.). “Time Series Chart of UK Public Revenue.” Retrieved November 9, 2021 from: https://www.ukpublicrevenue.co.uk/revenue_chart_1930_1960UKp_17c1li011tcn_10t30t40t60t.

Rather than financing social provisioning primarily through progressive taxation, the British social security system relied heavily on flat-rate contributions and indirect taxes, which contributed to the diminution of its redistributive properties (Thane, 1996). These revelations were matched by a ‘rediscovery of poverty’ within Britain throughout the 1960s, precipitated in large part by the publication of Brian Abel-Smith and Peter Townsend’s 1965 book, *The Poor and the Poorest*. The landmark book revealed that, contrary to the lofty rhetoric of postwar governments, the number of households living in poverty had increased steadily throughout the 1950s, rising from 4 million in 1953/4 to over 7.5 million in 1960, or over 14 percent of the UK population (Abel-Smith and Townsend, 1965, pp. 36, 39-40). While the 1942 Beveridge report had hoped to extinguish the legacy of the old poor law system in the UK by providing a system of universal national minimum income through social insurance, in reality, postwar British capitalism had seen an increasing reliance on means-tested social provisioning through National Assistance,[115] a growing fragmentation of social provisioning, as well as a substantial population outside the bounds of social support offered by the welfare state (ibid; Jessop, 1980, p. 67). Rather than eliminating class inequality through growth, as critics would observe throughout the 1960s, both Britain and the US were increasingly characterized by the persistence of poverty amidst affluence.[116]

The 'rediscovery of poverty' and the inadequacies of the British social security system throughout the 1960s were laid bare by the broader ascendence of the New Left and organized labour in Britain. Throughout the 1960s, organized labour and new social movements, spanning tenants' rights, the student movement, women's liberation, anti-racist movements, anti-war and socialist groups, anti-poverty groups such as the Child Poverty Action Group, and militant welfare rights' groups such as the Claimants' Union, sought to contest the limitations of the bureaucratic postwar social order, revealing the systemic barriers and social inequalities that belied the putative universality of the British welfare state (Widgery, 1976). As feminist analyses would point out, far from a neutral, universalist system of social provisioning, the postwar social security system was predicated on a gendered political economy of the 'male-breadwinner' model. This was reinforced by the two-tiered system of social provisioning built into postwar welfare states, which conferred asymmetrical social status to men as presumed breadwinners with access to more universal social insurance, reinscribing women's dependence on male incomes by providing them with more residual, means-tested benefits and taking for granted domestic household labour in the reproduction of the workforce (Pateman, 2006). These divisions were embedded in the Beveridge Report and postwar welfare reforms, which sought to remunerate the domestic (and national) role

[115] As early as 1954, over 1.8 million people continued to receive means-tested National Assistance payments (Thane, 1996, p. 279).
[116] Equally influential analyses in the US included John Kenneth Galbraith's 1958 *The Affluent Society* and Michael Harrington's 1962 book, *The Other America: Poverty in the United States*.

of the housewife, and therefore female dependency on the male wage earner, while largely excluding less deserving women, i.e., single or unmarried women, from social provisioning (Pederson, 1993, p. 340; Orloff, 2009). Similarly, alongside the decline of Britain's empire and the rise of decolonization in the postwar period, Black and Asian Commonwealth immigrants to Britain in the 1950s and 1960s faced persistent discrimination inhibiting access to the full fruits of the postwar welfare state through the informal colour bar system in education, housing, and the labour market throughout the 1950s and early 1960s (Shilliam, 2018). Race resentment exemplified in the 1958 race riots in Notting Hill, and the rise of a mass anti-immigrant movement in the 1960s led by Enoch Powell, laid bare such inequalities. As a result, rather than a socially or politically neutral system establishing universal social citizenship, social movements and the New Left throughout the 1960s increasingly described the British social security state as a system of social stratification (Fraser, 2009).[117]

In addition to promises of industrial modernization and nominally socialist incomes policies, the Harold Wilson Government (1964-1970) was elected in 1964 based on promises of addressing these growing social demands. In addition to decriminalizing homosexuality, reforming divorce laws, passing equal pay legislation, and the Race Relations Act (1968), the Wilson administration presided over increases in pension and social security benefits, with average annual spending on health, education, social security and housing increasing by 6 percent (Sandbrook, 2006). Other reforms included the replacement of means-tested National Assistance payments with supplementary benefits, reforms to discriminatory elements of the breadwinner social provisioning

[117] As Fraser (2009) notes, second-wave feminists "joined their New Left and anti-imperialist counterparts in challenging the economism, étatism, and…the Westphalianism of state-organized capitalism, while also contesting the latter's androcentrism" (p. 103). Provocatively, Fraser (2009) further argues that the initially emancipatory thrust of second-wave feminists' anti-statist critiques of postwar state capitalism "unwittingly provided a key ingredient of the new spirit of neoliberalism" (p. 110).

model, and perhaps most importantly, the introduction of earnings-related benefits for unemployment, sickness, and widow benefits, which increased benefit payments and moved away from the regressive contributory model (Whiteley, 2018, p. 179).[118] Despite these modest social reforms, however, and the persistence of low unemployment as well as other aggregate macroeconomic metrics into the mid-1960s, growing discontent amongst the New Left with the inadequacies of the Wilson Government,[119] and the shallowness of its election promises to usher in social transformation, coalesced in the latter half of the 1960s as economic instabilities intensified.[120]

The Breakdown of Key Aspects of the Postwar Economic Order

Across both Britain and the US in the mid-1960s, liberal technocratic approaches to economic management predominated in each country. Under the intellectual influence of the Keynesian-neoclassical synthesis in economics, the Kennedy-Johnson administrations in the US and the Wilson's Labour Government in the UK sought to manage interlacing domestic and global pressures within the Bretton Woods system throughout the latter half of the 1960s through short-term technical fixes (Best, 2004).[121] As balance of payments positions worsened in both countries, associated with the growth of the Euromarkets and foreign direct investment (FDI) outflows,

[118] Struggles to establish a system of superannuation and earnings-related benefits had plagued internal factions of the Labour Party and its constituencies since the 1950s (Baldwin, 1990).
[119] As Panitch and Leys (2020) note, these modest increases in social spending would be dramatically overshadowed by the compounding effects of "wage controls, inflation, and higher taxation on working-class incomes" during the latter half of the 1960s (p. 34).
[120] As *The May Day Manifesto* (1967) described, a collection of left analyses edited by Stuart Hall, Raymond Williams, and E.P. Thompson, despite campaigning on radical critiques of British capitalist society, once in power, the Wilson government's agenda "narrowed to the more ambiguous call to 'the nation' to build the 'new Britain' based on elusive appeals to modernization, a term which had become the 'theology' of the new capitalism" (Hall, Williams, and Thompson, 1967, p. 118-119).
[121] As Joan Robinson described, "The bastard Keynesian doctrine, evolved in the United States, invaded the economics faculties of the world, floating on the wings of the almighty dollar" (Robinson and Wilkinson, 1977, p. 6).

speculative attacks against currencies led to a series of rearguard attempts to balance the precarious foundations of the Bretton Woods system. Despite initially attempting to assuage the more radical demands emerging from the political fervent of the 1960s with modest social reform, as the contradictions of the Bretton Woods system worsened, administrations in Britain and the US largely abandoned the social and economic promises of the 1960s, opting instead for deflationary, austerity-based policies.

The genesis of the economic instabilities emerged from speculative short-term capital flows placing increasing pressure on sterling, and later, the dollar. As early as 1958, as Bretton Wood's currency convertibility policies kicked in, speculative currency flows threatened sterling, intensifying throughout the 1960s. The structural causes of these pressures were rooted, as Susan Strange (1971) described, in "frantic and excessive" capital outflows on the UK's balance of payments position from the mid-1950s through the 1960s, which reflected an ongoing reluctance amongst policymakers to relinquish Britain's "top currency status" in the global economy (Strange, 1971, p. 310). Throughout the mid-1960s, volatility in short-term capital flows against sterling, accompanied by a persistent reluctance amongst British authorities to countenance currency devaluation or impose more far-reaching capital controls to protect its external position, led the Fed to prop up the British currency continually from 1964-1967 (Block, 1978).[122] Domestically, the Wilson administration imposed a series of deflationary measures, including statutory wage controls in 1966, to attempt to quash rising inflation by diminishing aggregate demand (Block, 1978). These efforts failed to assuage foreign exchange markets, however, leading the Wilson administration to reluctantly devalue sterling by 14 percent in 1967 after yet another

[122] As Block (1978) notes, sterling during this period was "both a lightning rod for speculative pressure and a bulwark in defense of the dollar" as US officials realized that a speculative pressure against it meant pressure against the dollar would soon follow (p. 185).

run on the currency. These reforms marked the onset of a period of deflationary economic policies, the dissolution of the administration's industrial modernization policies, and heightening political militancy and disaffection amongst broad ranks of the British New Left.

In the US, by the mid-1960s, a deteriorating US balance of payments position and consequent declining confidence in the dollar contributed to a shift in US domestic macroeconomic governance. This shift was accelerated by emerging conflicts between US authorities attempting to curb capital outflows and banks and investors frustrated with the constrictions of New Deal-era banking legislation, which, alongside rising inflation, had begun to eat into profit margins (Panitch and Gindin, 2013). As the yields from secondary deposit markets available to US banks began to surpass domestic earnings, pressures to raise Regulation Q ceilings and enable US banks to compete on secondary markets and boost their profitability conflicted with the Fed's efforts to stem capital outflows and restore the US balance of payments (Panitch & Gindin, 2013, pp. 128-129; Garbade, 2021). Domestic macroeconomic policy during the late 1960s, and particularly the anxieties surrounding inflation that permeated the Fed, were also rooted in domestic ruling class concerns surrounding working-class militancy and the radical wing of the civil rights movement mobilizing for a full employment guarantee (Stein, 2014).

These systemic domestic and international tensions resulted in bouts of stop-go during the mid-to-late 1960s, as US officials, unwilling to countenance a devaluation of the dollar, sought to stem what they perceived to be an overheating economy to restore confidence in the dollar (Collins, 1996). Building on the 'independence' endowed to the Fed in 1951, the Fed deployed pre-emptive rate increases throughout the 1960s to ensure 'price stability,' often clashing directly with the Council of Economic Advisors who sought to protect the Johnson administration's domestic agenda of social reforms and macroeconomic expansion (Shreve, 1995, p. 373). From 1966 through the gold panic of 1968, the Johnson administration initially resisted political and systemic pressures to implement a domestic austerity package to restore confidence in the dollar (Collins, 1996). As attempts to halt bank lending and prop up confidence in the dollar faltered, and as systemic inflation worsened associated in part with expanding military expenditures amidst the US' imperial interventions in Vietnam, the Johnson administration shifted toward domestic austerity measures. In response to the effects of the 1967 devaluation of sterling in Britain, which in turn undermined confidence in the dollar as investors turned to gold, the Johnson administration implemented a series of partial and largely ineffective capital controls to stem capital outflows, as well as the Revenue and Expenditure Control Act of 1968. The legislation passed a substantial surcharge on corporate and individual taxes and involved a $6 billion package of spending cuts for fiscal year 1969, which, as Collins (1996) notes, "cut to the heart of the Great Society" (p. 411).

The Wilson and Johnson administrations' fiscal austerity measured intended to suppress aggregate demand and restore confidence in their currencies represented the culmination of longstanding and deep-seated tensions in the Bretton Woods system. From its inception, the Bretton Woods system failed to fully institutionalize national macroeconomic autonomy, and the consolidation of a conservative consensus on macroeconomic policymaking meant that domestic economic and social policy reforms throughout the postwar era in both countries were increasingly compromised as speculative capital flows outstripped the regulatory foundations of the postwar order. As both the Johnson and Wilson administrations opted to address interlacing domestic and global crises by suppressing aggregate demand, the writing was already on the wall of the demise of the postwar Bretton Woods system. Amidst a worsening US balance of payments position and persistent inflation, countries' confidence in the capacity of the US to exchange dollars for gold waned, culminating in the ‘Nixon shock’ of 1971 which formally annulled the Bretton Woods gold-dollar exchange rate system (Gowa, 1983).

Conclusion

This chapter has sought to provide a reexamination of the domestic and international underpinnings of the postwar order from 1944 to 1971 in the US and Britain. The postwar Bretton Woods system was intended in part to reconcile the systemic conflicts that had accompanied earlier forms of liberal capitalism in a new model of welfare state capitalism. At a critical transitional moment in the balance of global power, an international architecture was constructed to govern the global economy, which was intended, at least in part, to subject the mobility and free flow of capital to the political authority of states for purposes of security, welfare, and national macroeconomic intervention. While the postwar period, especially throughout the 1950s and 1960s, was characterized by a period of historic growth, which conferred a powerful veneer of legitimacy, the foundations of ‘embedded liberalism’ were wrought by competing political coalitions and conflicting macroeconomic objectives. Assurances of domestic discretion and macroeconomic autonomy contemplated during the Bretton Woods negotiations were ultimately overridden by US state officials and the agency of key fractions of capital at domestic and international scales.

While the domestic politics of postwar Britain and the US were widely uneven, the macroeconomic trajectories of both countries were circumscribed by a conservative Keynesian political consensus and persistent forms of social stratification, which resulted patterns of stop-go political economy. Drawing on Gill and Law’s (1989) distinction between the ‘direct’ and ‘structural’ power of capital, I examined this conservative policy consensus in the US and Britain during late 1940s and early 1950s, which entailed the use of fiscal and monetary policy to control aggregate demand and inflation through interest rate manipulation and fiscal austerity. While more radical political demands associated with organized labour and the New Left emerged throughout the 1960s to contest the limitations of the postwar welfare state order, I illustrated how the technocratic liberal administrations of the Kennedy-Johnson administrations in the US and Wilson administration in Britain were unable to assuage these growing domestic demands. Amidst burgeoning balance of payments deficits and volatile short-term capital flows throughout the late 1960s associated with the rise of Eurodollar markets and the growing structural contradictions of the dollar-gold monetary standard, each administration ultimately conceded to domestic austerity measures to suppress aggregate demand and attempt to restore confidence in their currencies. While many of the institutions of 'embedded liberalism' and postwar welfare state capitalism endured into the 1970s after the formal dissolution of the dollar-gold exchange rate in 1971, these episodes of stop-go political economy exposed some of the deep-seated tensions between divergent political coalitions, class interests, and competing macroeconomic objectives at the heart of the postwar order.

The post-1971 period heralded an era of interlacing crises, including the onset of a capitalist profit squeeze, a historic convergence of inflation and economic stagnation, and a deepening 'fiscal crisis of the state' amidst increasingly volatile capital flows. As this chapter has sought to demonstrate, however, long before this more volatile period, the postwar capitalist order in the US and Britain was characterized by deep-seated tensions in which belated social and economic settlements were followed closely by retrenchment and a commitment to a conservative variety of Keynesianism. As the elixir of capitalist growth faltered throughout the 1970s, these instabilities metastasized into a more generalized crisis of hegemony, contributing to new political fault lines that would redefine the political economies of the US and Britain for a generation.

Part II: Neoliberalism in the US and Britain: Origins, Development, and Consolidation

Chapter 4: Rescuing Budgets from the ‘Sea of Democratic Politics’: The Return to Market Discipline, 1971-1989

> Budgets cannot be left adrift in the sea of democratic politics.
>
> James M. Buchanan and Richard Wagner (1977), *Democracy in Deficit* (p. 182).

> Once upon a time…man looked to God to order the world. Then he looked to the market. Now he looks to government.
>
> Anthony King (1975), Overload: Problems of Governing in the 1970s (p. 288).

> In a sense, this role in stabilizing expectations was once a function of the gold standard, the doctrine of annually balanced budget, and fixed exchange rates. Those disciplines are gone, or so attenuated as to be almost meaningless. In effect, I view the ‘monetary targeting’ approach as an effort to adopt a new, and in many ways, more sensible and comprehensible symbol of responsible policy.
>
> Paul A. Volcker (1978), The Role of Monetary Targets in an Age of Inflation (p. 332).

Introduction

The 1970s was characterized by deep-seated and interlocking instabilities in the global economy. Volatile capital flows and fluctuating exchange rates, the emergence of ‘stagflation,’ and a historic profit squeeze across capitalist countries sharpened political and social conflicts across the US and Britain. As socio-political contestation increasingly centered on competing claims over government budgets, rising government expenditures accompanied by a growing reluctance to finance them through taxation contributed to a persistent gap between revenues and expenditures and an apparent ‘fiscal crisis of the state.’ Alongside mounting perceptions of the failures of conventional Keynesian macroeconomic governance to assuage these relatively novel crises, the New Right across the US and Britain advanced influential theories in economics, political economy, and social theory that identified organized labour, the radical political coalitions of the 1960s, and deficit-financed social welfare spending as the root causes of social disorder and economic malaise.

This chapter re-examines the origins of neoliberalism in the US and Britain from the decade of crises in the 1970s through the political realignments associated with the rise of the New Right in the 1980s. I focus on a dual fiscal crisis of the state and perceived crisis of social discipline associated with ‘overburdened’ welfare states throughout the 1970s and 1980s as central arenas of political conflict. Throughout the first half of the chapter, I illustrate how the origins of neoliberalism in the US and Britain emerged within the context of deep-seated economic and political crises. After discussing the nature of the economic instabilities within the post-1971 global economy, as well as the intellectual origins of New Right theories of crisis, I focus on forms of crisis management throughout the latter half of the 1970s, including the 1976 IMF ‘bailout’ and the 1979 Volcker Shock. Imposed at the behest of treasury and central bank officials and endorsed by centre-left political parties including by the Callaghan-Healey Labour Government in the UK and Carter administration in the US, these market disciplinary macroeconomic policies were intended to restore fiscal and social discipline. Despite originating from the theories of the New Right, this chapter highlights the role of centre-left political forces in experimenting with neoliberal policies and practices at the behest of treasury and central bank officials, which later consolidated as a political project throughout the 1980s and beyond.

The second half of the chapter then examines the rise to political power of Margaret Thatcher in the UK and Ronald Reagan in the United States. Revisiting debates over ‘Thatcherism’ within Gramscian literature in the UK during the 1980s, I contend that the Thatcher and Reagan administrations built on the conditions and latent political trends of the late 1970s to address fiscal and social crises identified by the New Right and attempt to restore market discipline from the institutional constrictions of the postwar order. Alongside their prioritization of suppressing inflation at all costs, which included an orchestrated assault on organized labour, I argue that one of the most lasting political and ideological shifts associated with Thatcherism and Reaganism was the elevation of anti-welfarism as a central feature of national politics.

The third and final section of the chapter then assesses the comparative policy changes and institutional reforms ushered in under the Thatcher and Reagan administrations in fiscal and social policy. Rather than implementing a coherent transatlantic program of policy reforms, each administration confronted a series of barriers within the divergent political and institutional conditions of the US and Britain. Presiding over a deepening recession ushered in by quasi-monetarist central bank policies, the fiscal trajectories of the Thatcher and Reagan administrations nonetheless diverged between the prioritization of 'sound money' versus supply-side tax cuts throughout the 1980s, a lasting difference in the trajectories of neoliberalism in the US and Britain. While the Thatcher and Reagan administrations also implemented social spending cuts and fiscal and administrative reforms to social security and welfare in the midst of a recession, contributing to a deterioration in the conditions of social reproduction for poor and working-class populations, the broader vision of the commodification of the welfare state of the New Right was largely unrealized. Notwithstanding these institutional impediments, however, I suggest that one of the most durable legacies of the 1980s was the formulation of a 'common sense' of anti-welfarism, which became a central axis on which political coalitions in the US and Britain were based to undergird forms of capitalist economic restructuring.[123]

[123] By 'common sense,' I am referring to Italian Marxist Antonio Gramsci's use of the term, which described the seemingly self-evident truths that people arrive at in their everyday lives. As Hall and O'Shea (2013) further describe, common sense can be understood as "a form of popular, easily-available knowledge" that is "pragmatic and empirical, giving the illusion of arising directly from experience, reflecting only the realities of daily life and answering the needs of 'the common people' for practical guidance and advice" (pp. 7-8).

I. The 1970s Global Economy: Mobile Capital, Stagflation, and the Fiscal Crisis of the State

In the aftermath of President Nixon's decision in August of 1971 to suspend the convertibility of dollars to gold established under the Bretton Woods system, the global economy shifted from the adjustable peg gold-dollar system of the postwar order toward a more flexible, market-based system of 'floating' exchange rates (Cohen, 2008; Norfield, 2017, p. 39).[124] The 'Nixon shock,' which formally annulled the gold-dollar exchange rate mechanism and sought to preserve the domestic macroeconomic policy discretion of the US rather than implement politically unpopular deflationary measures, marked the beginning of an historic transformation in global financial markets and state economic policies (Gill, 1991; Krippner, 2012; Green, 2020). In contrast to aspects of the early postwar period, the aftermath of the Nixon shock and the 1973 Organization of the Petroleum Exporting Countries (OPEC) oil price shock saw the increasing role of private banks and financial markets, flooded with 'petrodollars' from oil-exporting states, in financing balance of payments deficits and shaping exchange rate policies (Germain, 1998; Cohen, 2008). While the post-1971 order appeared to loosen the constrictions of the Bretton Woods exchange rate controls, affording states with macroeconomic discretion to engage in forms of deficit-financed stimulus, it simultaneously exposed them to increasingly liquid and mobile global financial markets (Krippner, 2012; Streeck, 2014; Konzelman, 2014, p. 719). As states rolled back capital controls throughout the 1970s, with President Nixon formally abandoning capital controls in 1974, and Britain following suit in 1979, state economic policies were formulated in the context of increasingly mobile capital and financial markets (Helleiner, 1994). As a result, public policy

[124] As Cohen (2008) notes, despite these shifts, world money continued to be stratified according to a 'currency pyramid' dominated by the dollar, which was "narrow at the top, where the strongest monies dominate; and increasingly broad below, reflecting varying degrees of competitive inferiority" (p. 255).

throughout this period was increasingly shaped by a dynamic of governments and policymakers anticipating, and seeking to assuage, the ‘confidence’ of investors and financial markets by committing to inflation reduction, reduced government expenditures and borrowing, and aggregate monetary targets to establish market ‘credibility’ (Gill, 2000).[125]

The increasing volatility of global financial markets was merely one of several interlacing instabilities in the 1970s economy, however. Even before the 1971 Nixon shock, many Western capitalist countries experienced the onset of a prolonged squeeze on capitalist profits.[126] This was in part associated with the rise of systemic inflation across Western capitalist countries (Lindberg and Maier, 1985), which emerged in the late 1960s and would not fully be extinguished until the late 1980s or early 1990s.[127] As early as 1967, US inflation began its upward climb from under 3 percent to almost 6 precent in 1970 (Board of Governors of the Federal Reserve System, 2022). In Britain, which experienced some of the highest levels of inflation of all OECD countries, inflation reached over 9 percent in 1971 (Office for National Statistics, 2022). While inflation reached peaks of 11 percent in 1974 in the US and 24 percent in Britain in 1975 (Board of Governors of the Federal Reserve System, 2022; Office for National Statistics, 2022),[128] the uniqueness of the

[125] This was expressed in what Gill (2000) terms the ‘three Cs’ that increasingly shaped economic policies, particularly throughout the 1990s, in which “public policy has been redefined in such a way that governments seek to prove their *credibility*, and of the *consistency* of their policies according to the degree to which they inspire the *confidence* of investors. In this way, new political and constitutional initiatives in the sphere of money and finance are linked to the imposition of macro-economic and microeconomic discipline in ways that are intended to underpin the power of capital in the state and civil society” (p. 4).
[126] Conflicting accounts of the dynamics driving the profit squeeze of the 1970s range from explanations that emphasize the strength of organized labour and union militancy in anticipating inflation in their contract negotiations (Glyn and Sutcliffe, 1972), the role of increasing global industrial competitiveness and consequent overcapacity, especially in manufacturing from Western Europe and Japan (Brenner, 1998), or exogenous supply-side shocks in commodity prices, largely driven by the successive OPEC oil price increases in the 1970s (Blinder, 1982).
[127] In the UK, for example, inflation re-emerged in the late 1980s and early 1990s, rising to 9.2 percent in 1990 (Office for National Statistics, 2022).
[128] The peak of the US inflationary trajectory, however, would reach 13.5 percent in 1980, with Britain experienced another spike to 17.8 percent in the same year (Board of Governors of the Federal Reserve System, 2022; Office for National Statistics, 2022)

macroeconomic conditions of the 1970s was the concomitance of spiralling inflation alongside stagnant growth and rising unemployment, a phenomenon which would be described as 'stagflation.'[129] Largely outside the explanatory framework of the Phillips Curve, an influential economic theory derived from A.W. Phillips (1958) positing an inverse relationship and trade-off between levels of unemployment and inflation, which shaped the 'fine-tuning' macroeconomic governance of the postwar era, stagflation posed a fundamental challenge to key tenets of Keynesian macroeconomics. Following the 1973 OPEC oil price shock, which was part of a broader upward trend in oil prices that escalated by over 400 percent between 1970 and 1974 (DiMuzio, 2015, p. 125), a sharp recession gripped the world economy from 1973-1975. As inflation climbed to double digits, levels of unemployment in the US also shot up to 9 percent in 1975 and more gradually to over 5 percent in the UK (Board of Governors of the Federal Reserve System, 2022; Office for National Statistics, 2022). In response, governments in the US and Britain imposed a series of price and wage controls. In the US, the Nixon administration implemented wage and price freezes from 1971-1973. In Britain, though 'incomes policies' had been in place since Harold Wilson's first Government, the Wilson-Callaghan administrations reaffirmed commitment to incomes policies in the latter half of the 1970s, albeit with limited effectiveness (Panitch and Leys, 2020).

On top of these intertwining economic instabilities was a burgeoning 'fiscal crisis of the state.' As macroeconomic conditions worsened in the early 1970s, increasing claims on government expenditures coincided with a secular decline in tax revenues, producing a growing gap between government revenues and expenditures as a seemingly interminable feature of the

[129] The origins of the term are generally attributed to a 1965 speech in Parliament given by conservative Member of Parliament, Iain Macleod.

political economies of the US and Britain (O'Connor, 1973).[130] While national debt-to-GDP ratios during the mid-1970s were relatively low by historical standards,[131] the return of significant annual government budget deficits, often financed by short-term credit in a global economy dominated by increasingly mobile capital, meant that budget deficits became increasingly politically salient.[132] Throughout the mid-1970s, theorists both on the left and the New Right identified the 'fiscal crisis of the state' as evidence of a profound disorder in 1970s capitalism.[133] While quasi-Keynesian and corporatist economic frameworks remained in place for much of the 1970s, growing perceptions of their inability to assuage the interlacing crises of the era, nurtured by a rising tide of New Right politics, contributed to a historic political and ideological shift in the US and Britain.

[130] Neo-Marxist James O'Connor (1973) described this dynamic in his widely read *The Fiscal Crisis of the State*, noting how "every economic and social class and group wants government to spend more and more money on more and more things. But no one wants to pay new taxes or higher rates on old taxes" (p. 1).
[131] In fact, public net debt in the UK declined precipitously from a high of 245 percent of GDP in 1947 to 45 percent of GDP in 1975 (UKPublicSpending, n.d.). Available from: https://www.ukpublicspending.co.uk/spending_chart_1940_1976UKp_17c1li011tcn_G0t_Total_Debt_As_Percent_GDP (Accessed 2 July 2022).
[132] The systemic political threat posed by persistent budget deficits and full employment to capital was observed perhaps most presciently by Polish economist, Michal Kalecki. In his 1943 essay, *Political Aspects of Full Employment*, Kalecki described the *political* opposition that would emerge from businesses and financiers to full employment and persistent deficit-financed government spending. As Kalecki (1943) explained, so long as the state had a minimal role in directing investment spending, capitalists possessed "powerful indirect control over government policy" in their ability to threaten disinvestment and capital flight (p. 325). However, once states learned the "trick of increasing employment by its own purchases, this powerful controlling device," Kalecki argued, "loses its effectiveness. Hence budget deficits necessary to carry out government intervention must be regarded as perilous" (1943, p. 325).
[133] On the left, Marxists identified a structural fiscal gap within welfare state capitalism, pointing not to democratic excess but the imperatives of 'monopoly capitalism,' which demanded an increasing socialization of production costs by capitalist states. Matched by a refusal by broad swaths of the population, also including transnational capital, to finance such expenditures through taxation amidst economic stagnation, neo-Marxists described a 'fiscal crisis of the state' (O'Connor, 1973), or a series of structural tensions between the imperatives of capital accumulation, political legitimacy, and the welfare state (Gough, 1979; Offe, 1984).

II. The Intellectual Origins of the New Right: Toward an Integrated Theory of Fiscal and Social Crisis

Throughout the 1970s, social theorists, economists, and commentators sought to make sense of the interlacing social and economic crises afflicting capitalist welfare states. Several theories in economics and political economy, spanning monetarism, supply-side economics, and public choice, provided influential theorizations of these crises in the US and Britain. While each theory focused on a distinctive feature of perceived economic and social disorder, a common feature of each school of thought was the inability of Keynesian macroeconomic institutions to address economic crises throughout the 1970s, as well as an overburdened welfare state incapable of assuaging the excessive demands of militant social movements and political constituencies (Cooper, 2017). This confluence of New Right critique, which tied together conservative anxieties associated with the social movements and legal reforms of the 1960s with a neoliberal critique of the political economy of Keynesianism, linked by their common criticism of the welfare state, became increasingly dominant within the political coalitions of the late 1970s and 1980s.

One of the most influential economic theories of the New Right was monetarism, stemming in large part from the economics department at the University of Chicago and the work of figures such as Milton Friedman, Anna Schwartz, and Allan Meltzer. Predicated on a revival of the 'quantity theory of money,' monetarists maintained that inflation was 'always and everywhere a monetary phenomenon' driven by expansions in the money supply and central bank policy (Friedman and Schwartz, 1963). To stem inflation, these theorists prescribed strict and often rules-based reductions in the money supply through deflationary central bank monetary policies that targeted monetary aggregates (Friedman, 1969). This was framed as a direct challenge to the dictates of Keynesian macroeconomics, suggesting that activist Keynesian fiscal policy was incapable of reducing unemployment below its ‘natural rate’ without leading to accelerating inflation (Modigliani and Papademos, 1975). Providing an alternative conception of the root causes of stagflation, monetarism became increasingly influential in shaping government and particularly central bank policy throughout the 1970s, albeit in uneven and conditional ways (Davies, 2017).[134] Milton Friedman, whose academic work became increasingly popular throughout the 1960s and 1970s, was the most influential ‘organic intellectual’ of monetarism in the US (Peck, 2010).[135]

Another influential economic theory, particularly in the US, was supply-side economics. While monetarist theories largely emphasized the need to restore monetary stability, supply-side economists focused on the economic dilemma of stagnation throughout the 1970s, seeking to stimulate growth and restore the foundations of capitalist prosperity, which its proponents claimed would in turn restore monetary and budgetary stability (Gilder, 1981). One of the more extreme theories of this doctrine derived from the ‘Laffer curve,’ an economic theory propounded by American economist and future member of the Reagan administration’s Economic Policy Advisory Board, Arthur Laffer, which held that substantial tax cuts for the wealthy, by transferring income to high-income earners who would in turn invest this newfound revenue, would stimulate growth and productivity and even government revenue (Niskanen, 1988). Other influential economic theories pioneered during the 1970s included rational expectations theory popularized by figures such as Robert Lucas (1976), as well as political business cycle theory, which held that politicians and public officials artificially elevated rates of inflation in accordance with their

[134] As Gamble (1988) notes, the rise of monetarism was based “not its coherence as a doctrine not its academic credentials…What was decisive was the breakdown of the regime of fixed exchange rates in 1971/2” (p. 39).
[135] ‘Organic intellectual’ is derived from the work of Antonio Gramsci (1971). In contrast to conventional understandings of socially disembedded intellectuals, Gramsci maintained that intellectuals are rooted within a particular social and class milieu, and often played central ideological roles in the formation of hegemonic projects, especially amongst ruling class segments in society.

preferences for re-election (Kydland and Prescott, 1977). Together, these economic theories provided generative critiques of the inability of the paradigm of Keynesian macroeconomics to address the historic crises of the 1970s.[136]

While these theories provided much of the intellectual scaffolding for economic theories of the New Right, one of the most influential theories of political science was public choice theory. Originating from figures such as Kenneth Arrow (1951) and Anthony Downs (1957),[137] public choice theory developed in American political science circles during the 1950s and 1960s. Its most influential strand in the US emerged from the 'Virginia school,' a network of universities in Virginia whose most influential theorist, particularly his work on public finance and constitutional economics, was James Buchanan. Predicated on the precepts of 'methodological individualism,' public choice theorists sought to extend the assumptions of self-interested, utility-maximizing individuals from the sphere of economics to politics. They held that political actors, and particularly public officials, bureaucrats, and their electoral constituencies, acted out of self-interest (Buchanan and Tullock, 1962). Self-consciously formulated against the influence of Keynesian and welfare economics, the new social movements of the 1960s,[138] and the institutions of the postwar welfare state, public choice theorists held that by the 1960s and 1970s, pre-Keynesian 'fiscal constitutions' had been broken. Whereas public finance and budgetary policy had previously been governed by fiscal prudence and opposition to deficit-financed spending, under the influence of Keynesian macroeconomics, and particularly its radical adaptation in

[136] The influence of these theories in shaping economic policy was more complex and uneven than is commonly understood, however. As recent literature has shown, the direct implementation of theories such as monetarism was often frustrated by institutional barriers and the new realities of financial globalization (Krippner, 2012; Clift, 2020; Best, 2020).
[137] For a comprehensive overview of the different strands of public choice theory and their influence in neoliberalism, see: Hay (2007), pp. 90-123.
[138] Maclean (2017) highlights the centrality of opposition to the civil rights movement in shaping the thought and politics of Buchanan throughout the 1950s and 1960s.

'functional finance,' this constitution had been ruptured, contributing to spiralling inflation, budget deficits, and an over-supply of public resources (Buchanan and Wagner, 1977), creating a 'fiscal drag' from 'unproductive' public sectors (Bacon and Eltis, 1978).

While monetarists identified aggregate increases in the money supply as the main driver of inflation, public choice theorists focused more squarely on its fiscal and budgetary determinants, outlining a theorization of the interrelation between a growing public sector, deficit spending, and inflation.[139] Relying on a longstanding tenet of neoclassical economics that resources mobilized by the public sector are inherently less productive, Buchanan and Wagner (1977) maintained that, short of strict reductions in government spending and the money supply, the secular trend toward public-sector growth "must be inflationary" (p. 72).[140] While similar in some respects to the 'crowding out' thesis of the interwar period, Buchanan and Wagner (1977) incorporated an additional focus on the mediating role of state institutions in the 1960s and 1970s. Buchanan and Wagner (1977) maintained that "existing political and monetary institutions operate to make the supply of money increase in response to budget imbalance" (p. 60). Public choice theorists thus attributed a causal role to budget deficits in driving inflation. The political and economic foundations driving these budget deficits, in their mind, emerged from the supposed independence of macroeconomic policies conferred to policymakers in the post-1971 regime of 'floating exchange rates,' self-serving bureaucrats increasing social spending to meet the needs of 'clientele groups,' and the militant domestic political coalitions underpinning the welfare state in the 1960s

[139] As Buchanan and Wagner (1977) assert, "Permanent budget deficits, inflation, and an expanding and disproportionately large public sector are all part of a package" (p. 71).

[140] More sophisticated left-Kaleckian theories of inflation would later note that while the increasing political power conferred to organized labour and social movements during the late 1960s and early 1970s had disrupted the classical adjustment mechanisms of capitalist economies, resulting in the "greater politicization of economic life" and the generalization of the "ability to escape the authority and discipline of the market," these political changes had not necessarily caused the inflationary dynamics of the 1970s but rather altered its distributive implications (Lindberg and Maier, 1985, p. 45).

and 1970s. In response, Buchanan and Wagner (1977) proposed tethering macroeconomic and particularly budgetary policy to constitutional norms beyond the sphere of democratic politics. As Buchanan and Wagner (1977) described, “Budgets cannot be left adrift in the sea of democratic politics” but rather ought to be “constructed within constraints that impose external form and coherence on the particular decisions about size and distribution which an annual budget reflects” (p. 182).[141]

While constitutional restrictions on budgetary policy proved difficult to implement, a policy only later reaching the height of its influence during the 1990s, its interrelated theory of fiscal and social crisis was highly significant in the mid-1970s. Linking the economic crises of inflation to fiscal irresponsibility and the supposed moral dangers of the social and labour movements of the 1960s and 1970s, these arguments increasingly appealed to an ascendent anti-welfarist ethos (Cooper, 2017). During the 1970s, think tanks, sponsored by organized business interests and foundations, played a significant role in propagating these theories through a rising ‘transatlantic neoliberal politics,’ which included “constant communication between American and British think tanks” (Stedman-Jones, 2012, pp. 156, 170). Influential think tanks in Britain included the Institute for Economic Affairs (IEA), the Adam Smith Institute, and the Center for Policy Studies, while the Heritage Foundation and Cato Institute played a more central role in the US (ibid, pp. 161-165). As I will argue, however, the translation of these ideas to political practice was tortuous and complex, and it was just as much the historical context of interlacing crises, and forms of crisis management first experimented with by forces on the centre at the behest of state institutions, that lay at the origins of neoliberalism in the US and Britain.

[141] In the US, this required a “constitutional rule” to prohibit budget deficits, which was not only legally but also “morally binding” and was to be “explicitly written into the constitutional document of the United States” (Buchanan and Wagner, 1977, pp. 183-4).

Perhaps the most influential doctrines throughout the mid-1970s that rose to the moment of crisis management were political and bureaucratic 'overload' theories that identified a 'crisis of democracy.' As a derivative of public choice, these theories maintained that the ascension of a politicized bloc of social movements throughout the 1960s and 1970s, including the renewal of militant trade unionism, the civil rights, feminist, anti-war, and welfare rights movements, led to ever-increasing social demands on welfare states and a breakdown of traditional citadels of social and economic authority.[142] Shepherded in by self-interested bureaucrats and policymakers, who either acquiesced to these growing social demands through deficit-financed social spending, or erratically sought to manage them through income and wage controls, the result was that capitalist democracies were ensnared within a mutually reinforcing set of economic, social, and political crises. An article in 1975 by influential Canadian-British political scientist and BBC commentator, Anthony King (1975), captured the essence of this thesis of the crisis of governability in mid-1970s Britain:

> It was once thought that Britain was an unusually easy country to govern, its politicians wise, its parties responsible, its administration efficient, its people docile. Now we wonder whether Britain is not perhaps an unusually difficult country to govern, its problems peculiarly intractable, its people increasingly bloody-minded (p. 162).

This crisis of governability and social indiscipline was driven, he continued, by the secular increase in the role of government in society, which has amplified "dependency relationships" amongst recipients of government services, in turn promoting "acts of non-compliance" across social, economic, and political spheres of society (King, 1975, p. 168). Perceptions of these entrenched crises were so widespread in mid-1970s Britain that articles frequently appeared in leading

[142] As Stuart Hall et al., (1978) illustrated in *Policing the Crisis*, the perceived breakdown of social discipline and interlacing crises of the 1970s in Britain were often interpolated through the politics of race and the propagation of moral panics associated with rising crime stoked by tabloids and media outlets, right-wing politicians and policymakers.

newspapers from influential journalists such as Peter Jay, son-in-law and future advisor of Prime Minister James Callaghan, suggesting that there was a fundamental incompatibility between mass democracy and policies of full employment, collective bargaining, and stable prices (Jay, 1974). As another influential journalist and vocal exponent of monetarism for the Financial Times, Samuel Brittan, expressed in a widely read 1975 article, liberal democracy suffered from "internal contradictions," which ultimately boiled down to a "lack of budget constraint among voters" (Brittan, 1975, p. 139). This was caused by the rise of "excessive expectations" from militant social constituencies pressing for endless socio-economic demands from states, resulting in "excessive burdens" imposed on states (ibid, p. 130).

Similar theses pervaded US culture, particularly amongst the neo-conservative right (Bell, 1976). Perhaps the most influential report was published in 1975 by the Trilateral Commission, an international organization founded by David Rockefeller and authored by organic intellectuals from North America, Western Europe, and Japan, entitled *The Crisis of Democracy: On the Governability of Democracies*. Reflecting the broad concerns of ruling classes across the capitalist world at the height of the 1970s crises (Gill, 1991), the report decried an 'excess of democracy' within advanced capitalist states, stemming from the social demands of mobilized social movements and working classes. As its authors described, "The demands on democratic government grow, while the capacity of democratic government stagnates. This, it would appear, is the central dilemma of the governability of democracy which has manifested itself in Europe, North America, and Japan in the 1970s" (Crozier et al., 1975, p. 9). This report advanced an interlacing theory of crisis that linked both the economic ills of inflation and fiscal crisis with the perception of social indiscipline and declining respect for authority encouraged by a bloated welfare state (Cooper, 2017).[143] Describing the US context, Samuel Huntington suggested that excessive government social spending and an overburdened welfare state, driven by a "welfare shift" beginning in the 1960s, was directly linked to the rise of systemic inflation, the "economic disease of democracies" (Huntington, 1975, p. 164).[144] To restore the foundations of capitalist democracy, Huntington and other authors of the Trilateral Commission called for "desirable limits to the indefinite extension of political democracy" (ibid).

Whether contributing to labour market 'rigidities,' excessive budget deficits, inflationary increases in the money supply, or a loosening of the mores of traditional authority, these crisis theorists of the New Right identified the militant domestic political coalitions underpinning increased welfare state spending and the macroeconomic institutions of Keynesianism as a common source of economic and social turmoil. Throughout the 1970s, these theories increasingly gained traction on both sides of the Atlantic as stagflation persisted. Rather than being translated directly from academic circles into a coherent political program on the Right, however, these ideas and doctrines first found resonance amidst a series of contingent political crises of the mid-to-late 1970s in which the American and British states, often with the blessing of centre-left political forces, sought to reimpose fiscal and social discipline.

[143] As Cooper (2017) notes, the Trilateral Commission of 1975 was "one of the first to posit a causal relationship between rising public deficits, inflation, and welfare spending that would soon accrue the aura of incontrovertible truth" (pp. 53-54).

[144] Notably, according to Huntington, while all hitherto functioning capitalist democracies had relied on an excluded population that "had not actively participated in politics," in the US, the legal and political inclusion of African Americans into the political process with the civil rights movement in the 1960s threatened "overloading the political system" (Crozier et al., 1975, p. 164).

III. Crisis Management and the New Financial Discipline in the US and Britain, 1976-1979

From the IMF 'Bailout' to the Winter of Discontent in the UK

While the UK experienced a deteriorating balance of payments position throughout the 1960s, implementing austerity and relying on external credit to arrest downward pressures on sterling, these dynamics became more volatile throughout the early 1970s. Following the Nixon shock of 1971, as well as the OPEC crisis of 1973, the UK was increasingly dependent on movements in volatile foreign exchange and currency markets to meet its balance of payments financing requirements (Davies, 2017; Green, 2020). Ensuring domestic and foreign investors held onto sterling as the UK increasingly borrowed in foreign markets thus became central to averting pressure on its currency and exchange rate (Helleiner, 1994). However, securing the 'confidence' of investors and foreign exchange markets became contingent on stemming domestic inflation, the root causes of which were increasingly identified with the demands of organized labour and the political coalitions underpinning the paradigm of deficit-financed government spending and welfare state expansion.

Under both Conservative and Labour Party administrations in the UK, inflation and the 'fiscal crisis of the state' dominated British politics throughout the 1970s. Throughout the early 1970s, the Heath administration (1970-1974) was elected on promises to dismantle residual aspects of state interventionism and modernization stemming from the Wilson administration. Its early reforms included a liberalization of the banking sector, the loosening of exchange controls, cuts to direct taxation, and the passage of the Industrial Relations Act (1971) intended to supress trade union militancy (Hood and Himaz, 2017). This agenda was part of a broader strategy to boost competitiveness amidst the UK's entrance into the European Economic Community (EEC) and

Common Market (Norfield, 2017). Amidst persistent stagflation and rising industrial militancy, however, the Heath Government pivoted in its economic policy in anticipation of the 1974 election.[145] This 'U-turn' entailed a shift from market disciplinary policies to deficit-financed stimulus and credit expansion, including cuts to the income tax and increased pension and social security spending financed largely through government borrowing, leading to a period of temporary growth known as the 'Barber boom' (Green, 2020).[146] With escalating inflation reaching 16 percent in 1974, which was exacerbated by the floating of the pound and the Barber boom, as well as a historic contraction in the economy (Weldon, 2021),[147] rising tensions with organized labour reached an inflection point. In response to the Heath's administration's repressive labour legislation and freeze on wages, industrial militancy culminated in the coal miner strikes of 1974 and the onset of the Three-Day Week.[148] Following an election in 1974, Wilson's Labour Party formed a government.[149] Based on its promised 'Social Contract,' Labour governance was supposed to entail a more conciliatory approach with the Trades Union Congress (TUC) based on voluntary wage restraint to suppress inflation in return for increased public spending in pensions, welfare benefits, and social housing (Panitch, 1976). However, amidst a series of interlacing crises in 1975-6, the Labour Government reversed course and experimented with monetarist policies, which included trenchant cuts in social spending and an attack on the welfare state, marking a

[145] Heath's political shift was resented by a growing right-wing faction of the Conservative Party. This included, amongst others, Keith Joseph, Margaret Thatcher, and Geoffrey Howe.
[146] This was named after the Chancellor of the Exchequer, Anthony Barber, in the Heath administration.
[147] In the first quarter of 1974, GDP fell by 2.7 percent, which was the "largest drop in a single three-month period the economy would experience before the COVID-19 shutdown of 2020" (Weldon, 2021, p. 237).
[148] This included limits of three consecutive days of commercial electricity consumption implemented in Britain in January of 1974.
[149] The Heath government's 1974 election campaign, based on the theme of 'who governs Britain?' sought to portray militant trade unions as holding the country hostage, presaging the tactics and ideology of the Thatcher administration (Hall, 1988, p. 46).

critical turning point in British politics and the political economy of the postwar order more broadly.

The political crisis in British politics from 1975 through 1976 was shaped by several overlapping domestic and international dynamics. By 1975, the British economy was still in the throes of the 1973-1975 recession, the steepest economic crisis since the 1920s, and its current account deficit climbed to -4.1 percent in 1974, significantly steeper than in the period leading up to the 1967 devaluation (Weldon, 2021, p. 235). Because the UK's balance of payments deficit was increasingly financed by short-term credit, perceived or real fluctuations in the value of the pound often prompted significant selloffs of sterling by investors in foreign exchange markets, accompanied by increasing bond yields and government borrowing costs. Throughout 1975 and 1976, maintaining the 'confidence' of external creditors and thereby plugging the short-term financing requirement of Britain's external deficits became an overriding, if increasingly elusive, policy aim of the British state (Wass, 2008, p. 317). Central to this dynamic was controlling inflation. By 1975, inflation had continued its upward trajectory reaching a historic peak of 24 percent (Office for National Statistics, 2022), leading the Wilson Government to backtrack on its election promises and imposing a weekly wage freeze of £6 for the working class. While these measures were described by Wilson in July of 1975 as part of a promise to "reject massive panic cuts in expenditure," these promises too would prove to be elusive (New York Times, 1975).

While UK authorities and policymakers continually sought to make sterling appealing to foreign investors, officials eventually concluded that a source of external finance was necessary to fill the financing gap (Wass, 2008, p. 183). As the crisis unfolded, reducing the Public Sector Borrowing Requirement (PSBR) of the British government,[150] was deemed central, both by the

[150] The PSBR measured the estimated amount in gilt-edged stock that the British government would have to sell (in effect to borrow) to finance central government, local government, and nationalized industry debt. As former Labour

IMF (and, by extension, the US state) as well as British Treasury and Bank officials, to maintain the confidence of foreign investors (Wass, 2008).[151] This coincided with the gradual ascent of monetarism within academic economist circles, amongst policymakers, journalists, and financial markets, which identified aggregate money supply targets and Britain's total borrowing costs as a source of inflation and financial volatility (Davies, 2017, p. 197). In its 1974-5 budget, the Wilson Government initially adhered to its electoral promises, increasing public expenditures by 9.5 percent largely through deficit-financed spending to avert unemployment (Wass, 2008, p. 331). Given the composition of short-term credit on which government financing depended, the pound fluctuated significantly in response. By April of 1975, after a significant sell-off of the pound, Chancellor of the Exchequer, Denis Healey, announced his 'rough, tough budget,' which sharply raised direct and indirect taxes and announced swingeing spending cuts to follow, which a New York Times journalist referred to as a "full scale attack" on the wage demands of labour unions (Eder, 1975, p. 3). Facing pressure from the US Treasury and the IMF to roll back government spending and curtail borrowing costs as the UK balance of payment position worsened, there was nonetheless initial pushback from forces within the Labour Party, including a defeat of the government's March 1976 White Paper for public expenditure cuts (Hood and Himaz, 2017).[152] As Wilson stepped down following the budget defeat, however, the victory of James Callaghan as Labour leader and Prime Minister marked the beginning of the political ascendence of monetarism (Panitch and Leys, 2020).

Chancellor of the Exchequer Denis Healey (1990) later noted in his memoir, this was a "far wider definition of the fiscal deficit than is used in any other country" (p. 380).

[151] As Dennis Healey would later claim, however, the PSBR had been dramatically overestimated by UK Treasury officials. As he recounts in his memoir, "…in 1976, the Budget estimate of the PSBR was £2000 million too high; and in November that year I handed an estimate to the IMF which turned out to be twice as high as it should have been…If I had been given accurate forecasts in 1976, I would have never needed to go to the IMF at all" (Healey, 1990, p. 381).

[152] In March of 1976, the Wilson administration proposed significant and sustained reductions in public expenditure by implementing wide-ranging controls over public spending (Hood and Himaz, 2017, p. 138).

Negotiations with the Bank for International Settlements (BIS), the IMF, and the US Federal Reserve and Treasury to extend credit to the British state began in earnest. Extending its supportive role of the British state initiated in the 1960s, it was the BIS that initiated the process. In June of 1976, a loan of US $5.3 billion co-ordinated by the BIS was extended to Britain by G10 countries,[153] financed predominately by the US Treasury (Helleiner, 1994, p. 125; Wass, 2008, p. 199).[154] After its failure to induce 'confidence' in the pound, British Treasury officials led by Chancellor Dennis Healey, in line with increasing pressures from the US Federal Reserve, Treasury, and the IMF, maintained that a substantial cut in public expenditures (and the PSBR) was needed to restore market confidence (Helleiner, 1994; Panitch and Gindin, 2013).[155] Following negotiations with US Treasury officials William Simon and Edwin Yeo at the height of the crisis, under Callaghan and Healey, the Labour Party turned to the IMF in September 1976 for a loan of $4 billion (close to $30 billion in today's dollars), the largest loan ever given by the IMF at the time, accompanied by attendant severe cuts to public spending, tax increases, a targeted reduction in Britain's PSBR, and increasing interest rates as required 'conditionalities' (Capie, 2012, p. 658). While only half the loan was drawn on, the Labour Party implemented a wide-ranging program of austerity. This comprised over £1 billion in cuts to public expenditures for fiscal year 1977/8, a £1 billion increase in National Insurance contributions and further increases in regressive sales taxes, £1.5 billion in planned cuts for fiscal year 1978/9, and guarantees to cap total public borrowing (Hood and Himaz, 2017, pp. 127, 130; Davies, 2017). This was also

[153] The 'Group of Ten' (G10) economies included Belgium, Canada, France, Italy, Japan, the Netherlands, the UK, the US, Germany, and Sweden.
[154] This negotiated credit and the implications of its conditions, as Wass (2008) notes, was "done with very little consultation of Ministers outside the Treasury—apart of course from the Prime Minister" (p. 200).
[155] There are competing accounts of what drove the 1976 loan and consequent budget cuts. For a recent account emphasizing the external roles of the IMF and US state, see: Green (2020). For a contrasting account, which maintains that the IMF merely provided cover for pre-existing policy preferences in the Labour Party, see: Tomlinson (2021)

accompanied by increases in the Bank Rate, which had risen from 9 percent in March, to a peak of 15 percent by October (Bank of England, 2023).

The austerity package entailed a substantial reorientation of fiscal and monetary priorities and social expenditures, reneging on a central tenet of Labour's Social Contract. More broadly, the public spending cuts explicitly targeted the political coalitions and macroeconomic commitments underpinning the foundations of the postwar British welfare state. While pressured by external creditors including the IMF and US state, leading figures of the Labour Party, led by James Callaghan and Denis Healey, foreclosed pursuing alternative policy trajectories, such as Tony Benn's 'Alternative Economic Strategy.' Instead, they advocated an agenda of draconian austerity measures that disproportionately targeted the foundations of the welfare state and exacerbated the conditions of social reproduction of Britain's poor and working classes.[156]

Accompanying these social spending cuts and debt reduction measures were Denis Healey's 1976 and 1977 announcements of targeted reductions in the money supply.[157] The effects of the monetarist shift embraced by Callaghan and Healey, alongside the liberalization of domestic credit policies, entailed a mutually reinforcing dynamic whereby government announced monetary targets, alongside the increasing scrutinization of such targets by investors in gilt-edged and foreign exchange markets, led to a mutual bidding up of interest rates and tumultuous movements in government debt and foreign exchange markets (Davies, 2017).[158] Throughout 1976, Bank

[156] As Stuart Hall would note in his analysis of Thatcherism, "It was Labour, not Conservatives, which applied the surgical cut to the welfare state" in the 1970s, which was led by "Mr. Healey's not wholly unexpected conversion to orthodox monetarism and fiscal restraint" (Hall, 1988, p. 40)
[157] As Gill (1991) remarks, in the aftermath of the IMF loan, "Denis Healey became Britain's first monetarist chancellor" (p. 287).
[158] Davies (2017) describes this mutually reinforcing dynamic between investors and government targets: "[S]et against the background of vast inflationary pressures and the collapse of the global fixed exchange rate regime after 1973, financial markets attached considerable value to the money supply by employing it as a yardstick with which to measure the government's commitment to countering inflation. This started a feedback loop in which the financial markets, by behaving as if the government was attempting to control the money supply, began to act on the

Rates fluctuated from a low of 9 percent to 15 percent, declining again to 5 percent in 1977, and rising once again to 14 percent in February 1979 (Bank of England, 2023). This shift in macroeconomic policy and financial markets heralded what some have called a 'new financial discipline on the state' (Davies, 2017, p. 213), in which increasingly mobile, volatile, and integrated financial markets exerted a heightened discipline on government public policy. Alongside the increasing ideological embrace of some of the precepts of monetarism, this marked the onset of an era whereby legislators, policymakers, and central bank authorities increasingly shaped economic and social policy in the shadow of seemingly pervasive pressures of financial markets by announcing fiscal and monetary commitments to appease the 'confidence' of investors (Gill, 2000; Kripper, 2011, p. 125).

While public expenditure cuts to protect sterling and appease financial markets were by no means new, occurring several times at the height of postwar 'Keynesianism,' 1976 constituted a significant turning point insofar as it marked a shift away from the demand management policies and political commitments to full employment and counter-cyclical macroeconomic policies that had, at least in part, underpinned the political coalitions of the postwar welfare state. This shift was articulated in Callaghan's 1976 speech to the Labour Party conference heralding the end of the Keynesian paradigm of demand management policies pursuing full employment toward monetarist price stability (Callaghan, 1976).[159] Despite a brief moderation in financial markets, 1978-1979 would see a dramatic conflict between the Callaghan Government and successive militant

assumption that the government would implement policies designed with that end in mind—which, in turn, placed pressure on the government to fulfil this expectation" (p. 212).

[159] As Callaghan announced at his 1976 speech in Blackpool, anticipating Thatcher's 'There is no alternative' mantra, "We used to think that you could spend your way out of a recession, and increase employment by cutting taxes and boosting Government spending. I tell you in all candour that that option no longer exists, and that in so far as it ever did exist, it only worked on each occasion since the war by injecting a bigger dose of inflation into the economy, followed by a higher level of unemployment as the next step." Available at: http://www.britishpoliticalspeech.org/speech-archive.htm?speech=174 (Accessed 13 August 2022).

industrial actions. In response to an almost decade-long period of economic malaise, alongside wage controls and draconian cuts to social expenditures that undermined the social reproductive conditions of Britain's poor and working classes amidst persistent stagflation, this dramatic conflict laid the basis for a historical political realignment in Britain.

By the late 1970s, the political and economic crises in Britain reached an inflection point. Throughout the winter of 1978 and 1979, as the Labour Government's policies of wage restraint and public sector austerity destabilized the Social Contract, a series of wildcat strikes catalyzed widespread labour action across the UK, including by public sector gravediggers and refuse collectors. Dubbed the 'Winter of Discontent,'[160] prolonged strike action and trenchant opposition by the government to concede to labour's demands coincided with a severe and long-lasting winter. What was most politically salient about the crisis, however, was the discursive construction that informed it. British tabloids and media played a central role in constructing a dominant narrative of the crisis, which in effect sought to erect a "common sense" of its root causes. This included depictions of hostile and overly militant trade unions, an overburdened state, a nation in crisis with rubbish in the streets and dead bodies left unburied, and an inept and aloof Callaghan Government (Hay, 1996).[161] Building on perceptions of a crisis of governability since the early 1970s, these crisis narratives reinforced collective perceptions that the Labour Government was unable to govern (Jackson and Saunders, 2012), representing labour disputes and stagflation as symptomatic of a broader crisis of the state that opened the way for a "moment of decisive intervention" (Hay, 1996, p. 254). Unexpectedly elected as party leader of the Conservatives in 1975 amid Heath's

[160] This phrase was coined by Larry Lamb, editor of the right-wing Murdoch-owned tabloid, *The Sun*. This adage was probably adopted from the opening lines of Shakespeare's Richard III: "Now is the winter of our discontent/Made glorious summer by summer by this sun of York/And all the clouds that lower'd upon our house/In the deep bosom of the ocean buried." Available at: http://www.shakespeare-online.com/plays/richardiii_1_1.html (Accessed 14 August 2022).
[161] This was epitomized in the headline ran by *The Sun* in 1978, which falsely attributed the phrase 'Crisis? What Crisis?' to Prime Minister Callaghan upon returning from a trip to the Caribbean.

political fallout, Margaret Thatcher's rise to political power was aided by the historical conjuncture of interlacing crises during the late 1970s. In an influential televised address in the lead up to the general election in January 1979, Thatcher reinforced prevailing crisis narratives, describing towns "under siege" by militant trade unionists that threatened to "bring the country to its knees" and make the public suffer, calling for a reconsideration of "the role of trade unions in a free society" (Thatcher, 1979). After a dramatic shift in the polls in the leadup to the election, Margaret Thatcher was narrowly elected to power in 1979.

'A New Sense of Discipline': Inflation, Monetarism, and the Anti-Welfarist Backlash from Nixon to Volcker

The perceived crisis of Keynesianism in the 1970s in the US was prefigured by a more trenchant right-wing backlash against the politics of the welfare state than in Britain. From the mid-1960s onward, social movements and renewed labour organizing in the US had resulted in notable increases in federal government social expenditures as part of the Great Society programs (Board of Governors of the Federal Reserve System, 2023).[162] Throughout the course of the 1970s, manifold right-wing social forces identified the growing economic malaise of the United States with the political power and socio-cultural rights afforded to poor, working class, and historically marginalized populations from expanding social welfare protections (Panitch and Gindin, 2013; Cooper, 2017).[163] In the US, this was refracted through a conservative political backlash against

[162] Total federal government social benefit transfers rose from under $25 billion in 1965 to close to $200 billion in 1979 (Board of Governors of the Federal Reserve System, 2023). Available from: https://fred.stlouisfed.org/series/B087RC1Q027SBEA. (Accessed 14 August 2022). These data are less dramatic when considered as a percentage of GDP, however. From 1965 to 1979, for example, US social expenditures as a percentage of GDP rose merely from 6.7 percent to 11.8 percent, while total government spending as a percentage of GDP was roughly constant at 29.8 percent in 1965 and 33.9 percent in 1979 (Ortiz-Ospina and Roser, 2016). Available from: https://ourworldindata.org/government-spending. (Accessed 14 August 2023).
[163] This was encapsulated best by chair of the Fed, Arthur Burns, who described how the relationship between capital and labour had been fundamentally altered by the expansion of the welfare state: "Labor seems to have become more insistent, more vigorous, and more confident in pursuing its demands, while resistance of businessmen

expanding welfare rights, particularly those afforded to poor Black women through expansions in Aid to Families with Dependent Children (AFDC), and the 'crisis' of the family and social discipline associated with expanding welfare rolls, concentrated poverty, and the urban black uprisings of the late 1960s (Piven and Cloward, 1971).[164]

From 1969-1972, the Nixon administration sought to pass the Family Assistance Plan (FAP), a de facto basic income policy that would provide $1600 a year to a family of four, gradually being phased out up the income scale.[165] Nixon's efforts to persuade conservatives with this policy, who comprised key constituencies of his 'silent majority' coalition formed from the growing racialized backlash against civil rights and the Great Society programs, ultimately failed (Chappell, 2010, pp. 65-67). Its defeat was driven both by a backlash by conservatives who sought to protect the 'traditional' male breadwinner-female homemaker model, but also by business coalitions, such as the Chamber of Commerce, who railed against the potential sapping of work efforts and escalating fiscal burdens embodied in basic income proposals (ibid, pp. 81-85). While other social spending initiatives were passed under the Nixon administration (Quadango, 1994), this early anti-welfarist politics intensified throughout the mid-1970s.

Under successive administrations throughout the 1970s, including Presidents Nixon, Ford, and Carter, inflation became the pre-eminent economic issue of the decade (Maier and Lindberg, 1985). Despite the growing right-wing political forces courted by the Nixon campaign, market

to these demands appears to have weakened....the balance of power—so important to the outcome of wage bargaining—may have been influenced by expansion in the public welfare programs which can be called upon to help sustain a striking employee and his family (Burns, 1978, pp. 126-7).

[164] This conservative reaction, and the racialized foment against the civil rights movement on the American Right, was embodied in George Wallace's 1968 presidential run, which fused states' rights segregationism with an early embrace of neoliberal economic policies (Stedman-Jones, 2012, p. 175).

[165] The policy in part reflected the persistent influence of Great Society liberals in the Nixon administration, who, based on a stringent critique of the welfare 'crisis' supposedly precipitated by AFDC, sought instead to tie welfare to income and valorize the male breadwinner family wage and extend it to poor African American families (Chappell, 2010).

discipline in the United States remained elusive for much of the 1970s. Despite initially experimenting with raising interest rates to quell inflation, during the early 1970s, the Nixon administration embraced a quasi-corporatist wage and price control policy, refusing to countenance internal deflation and austerity-based measures to address growing US balance of payments issues and mounting pressure on the dollar (Panitch and Gindin, 2013). Declaring himself a Keynesian in 1971, the Nixon administration generated modest budget deficits to address rising unemployment, which had risen to 6 percent in 1971 (New York Times, 1971). However, as the economic crisis deepened throughout the early 1970s, commitments to Keynesian macroeconomic policy became more tenuous. By 1973, chair of the Fed, Arthur Burns, advocated for a "new sense of discipline" in budgetary policy to stem the tide of inflation (Burns, 1978, p. 279).

Throughout the mid-1970s, conditions of stagflation in the US worsened. While inflation declined from a peak of 11 percent in 1974 amidst the recession of 1973-1975, unemployment reached a high of 9 percent in May 1975 (Office for National Statistics, 2022). As Keynesian doctrines appeared increasingly bereft of solutions to the economic crises, monetarist and public choice theories increasingly gained traction in the US. These economic theories overlapped with the rise of anti-welfarist politics in the US, which was narrated through the lens of a 'fiscal crisis of the state.' From Nixon's failed Family Assistance Plan to the Carter administration's attempts to pass the Program for Better Jobs and Income legislation from 1977-1979,[166] politicians and policymakers tethered welfare policies to the identities of the 'working poor' and middle classes as taxpayers (Chappell, 2010). This was rooted in a growing tide of anti-taxation movements led

[166] The Carter administration's Program for Better Jobs and Income was a complex fusion of an amalgamated cash transfer system and a federal jobs program, which sought to reimpose work requirements for AFDC recipients. As historian Marisa Chappell (2010) notes, the botched program "epitomized the dilemma of welfare reform in an age of austerity and amidst increasingly conflicting ideas about family and gender roles" (p. 158).

by middle-class homeowners. In contrast to the industrial militancy of Britain in the mid-1970s, the taxpayer revolt emerged as one of the largest social movements in the US of the mid-1970s (Martin, 2008; Michelmore, 2013). Numerous state-level, anti-property tax initiatives, particularly the 1978 campaign surrounding proposition 13 in California, became central to the fiscal and social politics of the late 1970s. Proposition 13 was a state-level campaign that passed an amendment to California's constitution to decrease current property taxes for homeowners and prevent future increases, which became a bellwether of the emergent anti-taxation, anti-welfarist politics of the late 1970s and 1980s (Martin, 2008). This reflected a growing political sensibility amongst broad swaths of the middle-class, homeowning suburban American electorate of opposition to 'bracket creep' associated with inflation as well as increases in taxation to finance government spending (Clarence Lo, 2018).[167] Throughout the mid-1970s, these growing political grievances were exploited in numerous welfare reform initiatives, including attempted welfare-to-work programs by then-governor of California, Ronald Reagan in 1975, as well as numerous federal welfare initiatives that sought to increase work requirements and expand tax credits for middle classes, especially through the Earned Income Tax Credit (Chappell, 2010).

By the mid-to-late 1970s, the politics of anti-welfarism became tied to a growing 'common sense' that attributed escalating inflation to public sector expenditures, government budget deficits, and increases in the money supply. Alongside deepening stagflation, the tenets of the neoclassical-Keynesian synthesis that dominated postwar economic thinking were increasingly displaced by new economic theories and political coalitions that fused anxieties about public spending and taxation, declining social authority, and economic crisis into a common political project. The

[167] As Clarence Lo (2018) illustrates, while anti-taxation initiatives initially had substantial grassroots support, they were increasingly channelled into a business-friendly agenda to oppose taxation on capital rather than simply homeowners.

growing prevalence of these themes became increasingly evident in the Carter administration's economic and social policies. Despite being pressured by a concerted left-wing coalition for a full employment guarantee, the Carter administration's policy agenda was likewise shaped by an overriding imperative of cost containment and budgetary restraint in the presence of rising inflation (Fink and Graham, 1998).[168] Despite briefly experimenting with fiscal stimulus and rhetorical commitments to industrial policy, the Carter administration, urged by officials at the Treasury and Office of Management and Budget, as well as Arthur Burns at the Fed, embraced a framework that not only linked inflation to government spending and budget deficits, but also to the 'excessive demands' of the social and political constituencies underpinning them. As economist Alfred Kahn, Carter's inflation czar and Chair of the Council on Wage and Price Stability described, "[inflation] was not just an economic problem but a profoundly social problem…in which individuals and groups seek their self-interest and demand money compensation and government programs that simply add up to more than the economy is capable of supplying" (quoted in: Schulman, 1988, p. 60).

The Carter administration's economic policy agenda reached an inflection point in the late 1970s. Not unlike Britain during the mid-70s, pressures began to mount on the US dollar amidst a declining position on its balance of payments. This culminated in a dramatic selloff of dollars in international currency markets in August 1978, heightening inflationary pressures. This was, as Helleiner (1994) notes, "the most severe external constraint on [US] policy autonomy in the postwar period" (p. 132). In an attempt to placate financial markets, Carter promised that the 1980 budget would be "very tight, with severe cutbacks" on government borrowing and spending to

[168] Historian Marisa Chappell (2010) underscores the fiscal probity underlying the Carter administration's attempted welfare reforms in 1977 and 1978: "Carter stunned staffers and outside interest groups alike when he insisted they design a welfare plan at "no higher initial cost than the present system's"" (p. 186).

address inflation (Carter, 1978). In 1979, the second OPEC oil shock sent inflation further into double digits at 11 percent (Board of Governors of the Federal Reserve System, 2022). Ruling out alternative macroeconomic strategies of capital controls or seeking to revive industrial competitiveness, in 1980, Carter promised a balanced federal budget by 1981 and strict fiscal discipline (Carter, 1980). Most consequential, however, was Carter's 1979 appointment of Paul Volcker, a long-time Rockefeller associate and anti-inflation hawk, as chair of the Federal Reserve. In a world-historic move marking the peak of the influence of monetarism at the heights of state policy, in October of 1979, Volcker announced the Fed's agenda of limiting the growth of the US money supply, which included dramatically increased interest rates, inducing a deflationary shock and steep recession in the US economy (Henwood, 1998).[169] Interest rates rose from around 10 percent in early 1979 to an unprecedented high of over 19 percent in January and June of 1981 (Board of Governors of the Federal Reserve System, 2022).

The effects of the Volcker shock from 1979-1982 were historic, inducing the steepest recession in the US since the Great Depression and a global debt crisis (Gill, 1990). US unemployment skyrocketed from under 6 percent in the summer of 1979, rising to a peak of 10.8 percent in December 1982, and persisting at above 7 percent until 1986 (Board of Governors of the Federal Reserve System, 2023). Alongside this shock-induced recession, levels of inflation began to consistently trend downward from a peak of 13.5 percent in 1980 to 3.2 percent in 1983 (Board of Governors of the Federal Reserve System, 2022). While Volcker's suppression of the Great Inflation was achieved less through the elusive aggregate money targets identified by

[169] As Volcker declared during a press conference on October 6, 1979, the Federal Reserve was changing its policies under his tenure. Rather than simply targeting the Federal Funds rate, it would pursue a "somewhat different approach where the primary emphasis is put on the supply of reserves which ultimately controls the money supply" (Federal Reserve Archival System for Economic Research, 1979, pp. 2-3). Available from: https://fraser.stlouisfed.org/title/statements-speeches-paul-a-volcker-451/transcript-press-conference-held-board-room-federal-reserve-building-washington-dc-8201. (Accessed 4 November, 2022).

monetarism than through an historic recession that decimated the power of organized labour and its wage claims (Ratner and Sim, 2022), the primary lesson discerned by policymakers from the Volcker Shock was its heroic removal of monetary policy from the inflationary dynamics of democratic politics (Hay, 2007). Similarly, for international investors and creditors, at a time of waning confidence in the dollar, the Volcker Shock reaffirmed the American state's commitment to imposing market discipline on its own population to secure its credibility (Henwood, 1998; Panitch and Gindin, 2013, p. 172). The result, contrary to many predictions within international relations literature, would be a renewal of American structural power in the global economy (Gill, 1990), realized through the continued role of the global reserve status of the dollar and an influx of foreign capital in the 1980s that enabled the US to finance its current account and budget deficits indefinitely (Krippner, 2012; Bartel, 2022, pp. 111-126, 340).

Within this new global configuration, on both sides of the Atlantic, the electoral victories of Margaret Thatcher in 1979 and Ronald Reagan in 1980 seemed to mark the beginning of a historic political realignment within Anglo capitalist countries.

IV. Thatcherism, Reaganism and the Return of Market Discipline

During the 1980s, an influential debate unfolded within the UK left that sought to analyze the politics of 'Thatcherism' (Gallas, 2016). Each analysis, including Stuart Hall and others at *Marxism Today*, as well as Bob Jessop, Kevin Bonnett, Simon Bromley, and Tom Ling at *New Left Review*, distilled important features of the politics of Thatcherism. Perhaps the most influential analysis came from Stuart Hall's 1979 essay, 'The Great Moving Right Show,' which popularized the term 'Thatcherism' as a socio-political formation within the broader context of the rise of the

New Right and an 'organic crisis' of the postwar British capitalist order (Hall, 1979).[170] Hall (1979) identified Thatcherism as a form of 'authoritarian populism,' which he described as "an exceptional form of the capitalist state" that "has retained most…of the formal representative institutions in place, and which at the same time has been able to construct around itself an *active popular consent*" ([emphasis added] p. 15). Focusing primarily on the ideological foundations of the New Right social base underpinning Thatcher's politics, Hall described how Thatcherism was able to combine elements of "organic Toryism," which tied together conservative themes of nation, family, duty, authority and traditionalism, with a "revived neo-liberalism" based on self-interest, competitive individualism, and anti-statism (Hall, 1988, p. 8).[171] This was emblematic of Thatcher's unification of economic liberals and conservatives of the New Right embodied in the precepts of the 'free economy and the strong state.'[172]

Perhaps most perceptive in Hall's (1979) analysis was his description of how Thatcherism was able to popularize the principles of monetarism by converting "hard-faced economics" into the "language of compulsive *moralism*" (Hall, 1988, p. 47).[173] Indeed, Thatcher was able to tap into forms of popular 'common sense' related to diverse social issues and weave them together into a broad political coalition. This included the propagation of tropes and idioms that resonated

[170] Drawing on Gramsci's notion of hegemony, Hall described Thatcherism as part of a reorientation of socio-political rule in advanced capitalism amidst a crisis of hegemony in the 1970s. He maintained that the "repertoires of 'hegemony through consent' have been exhausted" and the "pendulum within the exercise of hegemony" had tilted to "that condition in which coercion becomes…the natural and routine form in which consent is secured" (Hall, 1988, p. 33).

[171] Contrary to some depictions, however, Hall's analysis of Thatcherism was not a purely socio-cultural or ideological critique, but was rather rooted in a Gramscian understanding of ideology's material and political-economic underpinnings (Gamble, 1988, p. 187).

[172] This phrase was coined by Andrew Gamble. This political formation was predicated, as Gamble (1988) describes, on a "traditional liberal defence of the free economy with a traditional conservative defence of state authority," which advocated for the state to be "simultaneously rolled back and rolled forward" and could at once appear "libertarian and authoritarian, populist and elitist" (p. 28).

[173] As Hall describes in his essay, "Neither Keynesianism nor Monetarism win votes in the electoral marketplace. But in the doctrines and discourses of "social market values"… "Thatcherism" has found a powerful means of popularizing the principles of a Monetarist philosophy: and in the image of the welfare "scavenger" a well-designed folk-devil" (Hall, 1988, p. 47).

with the everyday life of voters, such as the equivalence drawn between the government and household budget, or the invocation of moral panics related to crime or economic dependency, which served to legitimate political interventions. As Hall further described, perhaps most central to Thatcher's politics was the construction of "the image of an over-taxed individual, enervated by welfare-state coddling" and the "emotive image of the 'scrounger': the new folk-devil'" (ibid). This shift in British politics represented by Thatcherism described in Hall's article identified how Thatcherism sought to construct lasting political coalitions and popularize forms of economic restructuring by mobilizing sentiments of anti-welfarism that internally divided the working class between 'deserving' and 'undeserving' elements. This included deliberate moralizing dichotomies drawn between public and private-sector workers, unionized and nonunionized labour, and welfare recipients versus 'self-sufficient' workers (Valentine and Mansfield, 2014). While such conceptions had a longstanding history predating Thatcherism (Novak, 1989), this political logic was remobilized by both the Thatcher and Reagan administrations as part of a broader political-economic project, cementing a lasting shift in the basis of welfare state politics in the US and Britain.

Jessop et al.'s 1984 rejoinder to Hall's analysis in *New Left Review* identified several distinct elements of Thatcherism (Gallas, 2016). [174] They disagreed with Hall's assessment that Thatcherism constituted a 'successful' and transformative hegemonic project able to secure mass popular consent (Jessop et al., 1984). In their mind, Thatcherism was rather a top-down political project that failed to achieve mass popular political support necessary to underpin a hegemonic project, relying instead on a more passive and demobilized social base, and seeking to contain and

[174] For an overview of the debate between Hall and Jessop et al., as well as the conceptual and methodological implications of these differences, see: Gallas (2016).

diminish what populist fervent it was able to generate (ibid).[175] Instead, Jessop et al. classified Thatcherism as a 'two nations' hegemonic project, which was defined not by a national-popular project, as in the tradition of 'One Nation Conservatism,' but rather aimed at a "more limited hegemony concerned to mobilize the support of strategically significant sectors of the population and to pass the costs of the project to other sectors" (Jessop, 1990, p. 211). Jessop et al.'s (1984, 1988) analysis provided an important corrective, illustrating how Thatcherism was a more contingent form of political rule with more limited popular support than is often implied by the invocation of hegemony (Nunn, 2014).[176] However, a common thread in both accounts illustrated how Thatcherism relied on strategic divisions intended to divert the costs of economic restructuring onto weaker and less politically powerful constituencies, especially through the welfare state, which became increasingly central to the politics of neoliberalism throughout the 1980s.

Jessop et al. (1984) further maintained that not only had Thatcherism failed to secure a mass, politically active base, but it also confronted a number of institutional barriers within the state that had inhibited the full realization of its economic program and the articulation of a coherent accumulation strategy.[177] As Jessop et al.'s (1984, 1988) analyses implied, there were numerous gaps between the ideological tenets espoused by Thatcherism and the institutional and material transformations it was able to achieve. These were, as Gamble (1988) describes, "the differences…between the politics of support and the politics of power" (p. 207). As similar

[175] For an attempted synthesis of these two accounts of Thatcherism, which posits its 'incremental yet cumulative' effects as a political project, see: Hay (1996).
[176] As Hall (1988) later acknowledged, his early analysis of Thatcherism was not intended to be comprehensive and he agreed that Thatcherism was not fully hegemonic in Gramscian terms. As Nunn (2014) describes in a more recent analysis, Thatcherism had both short-and long-term effects and is best understood as "partial and largely negative, in that it cleared the way for a longer-term and more constructive attempt to embed neoliberal political economy" (p. 303).
[177] One of the most significant aspects of the Thatcher administration's economic reforms was its far-reaching liberalization of financial markets in 1986, often called the 'Big Bang.'

scholarship has recently emphasized, rather than establishing a fully coherent and solidified transatlantic policy agenda, the Reagan and Thatcher administrations presided over variegated economic and social policies (Prasad, 2006; Jackson and Saunders, 2012; Clift, 2019; Best, 2020), which were refracted through the politics of crisis management within different institutional settings and state forms (Peck, 2010). Perhaps most notable were the divergent fiscal and budgetary policy trajectories of each administration, which will be explored in greater depth below. Despite these policy differences, however, and the gaps between rhetoric and institutional change, each administration built on latent political trends of the late 1970s to address the interlacing fiscal and social crises identified by the New Right and attempt to restore market discipline from the institutional constrictions of the postwar order.

Addressing the Fiscal Crisis: 'Starve the Beast' versus Sound Money

Building on earlier experimentation with monetarism throughout the 1970s, one of the defining characteristics of both the Thatcher and Reagan administrations was their prioritization of supressing inflation. Characterizing inflation as the culmination of the excesses of the Keynesian paradigm, both administrations initially championed monetarist ideas that linked inflation to the growth of the money supply, as well as public overspending and borrowing costs (Prasad, 2006). While both countries experienced a protracted deflationary recession in the early 1980s engineered by steep increases in interest rates, the fiscal and budgetary politics of Thatcher and Reagan differed sharply, marking a central difference in the trajectories of neoliberalism in the US and Britain.

Within the UK, the politics of 'sound money' and monetarism had been central to the Thatcher administration's envisioned plan to reduce inflation. As the Conservative 1979 White

Paper on Public Expenditure proclaimed, "Public expenditure is at the heart of Britain's present economic difficulties" (quoted in: Dean, 2013). As Chancellor of the Exchequer, Geoffrey Howe, described in his budget speech to the House of Commons on June 12, 1979, in order to "squeeze inflation out of the system," it is "crucially important to re-establish sound money," which was to be achieved through "firm monetary discipline" and "strict control over public expenditure" (Howe, 1979). The Thatcher-Howe Budgets in 1979 and 1980 included steep increases in interest rates, rising from 12 percent in April 1979 to 17 percent by November (Office for National Statistics, 2022). This was accompanied by announced monetary aggregate targets, a firm commitment to reducing the Public Sector Borrowing Requirement (PSBR), which Howe nonetheless conceded was "a fickle and elusive statistic," reductions of current public expenditures by £1.5 billion with a further £1 billion in planned expenditures, a shift from direct toward indirect taxation, and a repeal of all exchange controls (HM Treasury, 1979). These measures were intensified in 1980 in a centrepiece of the Thatcher-Howe budget, the four-year Medium Term Financial Strategy (MTFS), which sought to establish a 'formal commitment' mechanism for reigning in public spending and borrowing costs and to limit the growth of the money supply (Hood and Himaz, 2017).[178]

Building on the policies already enacted by the Labour Government, the Thatcher administration's monetary and fiscal targets nonetheless proved to be elusive as economic crisis fighting complicated a strict commitment to fiscal and monetary discipline. Driven by deflationary monetary policies from 1979-1981, as well as a deepening global recession, levels of unemployment levels climbed to over 2.5 million in 1981 and 3 million in 1983 (Hood and Himaz, 2017, p. 141), prompting riots in many towns and cities across the UK. Indeed, unemployment

[178] If aggregate reductions in the money supply of public spending and borrowing were not met, this formal mechanism would trigger automatic changes in government fiscal and monetary policy (Gamble, 1988, p. 100).

persisted for much of Thatcher's administration, reaching a peak of 11.9 percent in 1984, and only slowly declining to 7 percent in 1989, accelerating de-industrialization and contributing to historic decline in trade union density across the UK (OECD, 2021).[179] Throughout Thatcher's first term and the recession of the early 1980s, public expenditures increased to 48.5 percent of GDP in 1982-3, persisting at 48.1 precent through 1984-5 even as the early 1980s recession subsided (Jackson and Saunders, 2012, p. 15). The borrowing costs of the central government likewise rose during Thatcher's first term, rising to over 5 percent of GDP (UKPublicSpending, n.d.). As the Thatcher administration lifted exchange rate controls in 1979 accelerating inflows of foreign capital, and the unemployment crisis persisted, the government's money supply targets were consistently readjusted and eventually abandoned as a dominant guide to monetary policy by the mid-1980s (Clift, 2019; Best, 2020).

While the Thatcher administration's promises to 'roll back the frontiers of the state' were thus frustrated by the exigencies of crisis fighting and the deflationary recessions over which it presided from the late 1970s through the early 1980s, it nonetheless committed to stringent budgetary cuts in certain areas of state expenditures accompanied by a shift in the distribution of the taxation burden. Some of the principal targets of budgetary cutbacks were local authorities. This included the imposition of strict ceilings on local authority spending and the abolition of the Greater London Council, a bastion of the Labour left, and six metropolitan councils in 1986, policy measures which were in part influenced by the proposition 13 tax revolts in the US (Martin, 2019). While aggregate reductions in public expenditure were frustrated both by increased social security expenditures associated with the recession, as well as government commitments to increase law

[179] The percentage of the UK workforce that was unionized declined from 50.7 percent in 1979 to 39.6 percent in 1990 (OECD, 2021). Available from: https://stats.oecd.org/Index.aspx?DataSetCode=TUD. (Accessed 20 August 2022).

enforcement and military expenditures, the Thatcher administration remained wedded to regressive fiscal measures to finance tax cuts and uphold its commitments to fiscal discipline. While initial cuts to direct taxation included a reduction of the basic rate from 33 to 30 percent and the top income tax rate from 83 to 60 percent in 1979, disproportionately benefitting the wealthy, this was followed by an increase in direct taxation in 1981 amidst an escalating budget deficit. This was combined with a contractionary fiscal policy and tight money policies that generated almost universal opposition from members of Thatcher's Party, the Opposition Party, and the working class more broadly as unemployment and deindustrialization intensified (Gamble, 1988, p. 109). This was accompanied by a shift in the burden of taxation in the UK from direct to indirect taxation, which was intended to bolster work and investment 'incentives.' This included substantial increases in the regressive value added tax (VAT), which was increased from 8 percent to 15 percent in 1979, and was accompanied by other forms of consumption-based taxation such as the motor fuel tax, National Insurance contributions, and National Health Service (NHS) charges, all of which increased the proportional tax burden on the poor and working class (Gamble, 1988, p. 105; Jackson and Saunders, 2012, p. 5).

These measures reflected not only ideological commitments of the Thatcher Government but also the institutional role of the 'City-Bank-Treasury nexus' in the British state in advancing the politics of 'sound finance' (Prasad, 2006). As a result, Thatcher's fiscal priorities largely prioritized budgetary stabilization before tax cuts.[180] Across the Atlantic, the Thatcher administration's commitment to fiscal probity was sharply criticized by American advocates of

[180] As Prasad (2006) argues, the Thatcher administration's fiscal and monetary policies conflicted with the hardline proponents of the monetarist creed such as Milton Friedman, who prioritized a more direct curtailment of the money supply rather than an attendant commitment to fiscal probity. It was rather Treasury and Bank officials, Prasad (2006) argues, as well as various Conservative Party members who had long advocated a reduction of the Public Sector Borrowing Requirement, that advocated fiscal discipline (pp. 106-111).

supply-side economics. As investor and staunch proponent of supply-side economics, George Gilder (1981), lamented in his best-selling book *Wealth and Poverty*,

> Conservatives around the world, elected on promises of tax cuts—from Herbert Hoover through Dwight Eisenhower and Richard Nixon in the United States…and even Margaret Thatcher, who initially raised value-added taxes more than she cut income levies—end up increasing the tax burden on grounds of 'fiscal responsibility' when confronted with the rigid calculus of monetary economics (p. 227).

This approach, he suggested, left "no room for creativity and inspiration" or "supply-side responses that are the mustard seeds of the capitalist miracles of growth" (ibid, pp. 227-228).

As the recession subsided, the policy priorities of the Thatcher administration shifted, though its commitment to financing tax cuts largely remained.[181] From 1986-1988, corporate taxation was further cut from 50 to 35 percent and income tax from 30 to 27 percent, followed by further cuts in 1988 (Jackson and Saunders, 2012). However, as a proportion of GDP, overall taxation rose under Thatcher's time in power from 38.8 percent in 1979 to 39.3 percent in 1990 alongside its prioritization of indirect taxation (Butler and Butler, 2010, p. 451). The Thatcher administration's commitment to finance tax cuts through regressive taxation reached a tipping point with its passage of the poll tax in 1989-1990. Seeking to upend the local authority property tax system and replace it with a regressive flat tax, thereby disproportionately burdening poor and working-class populations, the introduction of the poll tax in Scotland in 1989 and England and Wales in 1990 provoked "the largest single campaign of civil disobedience in twentieth-century Britain" (Martin, 2019). This included mass demonstrations and refusals to pay the new tax, leading to its repeal in 1993.

The fiscal policy agenda in the US under the Reagan administration differed in several respects from that of Margaret Thatcher. Elected amidst the unfolding Volcker shock, the Reagan

[181] In its second and third terms, the Thatcher Government principally pursued financial liberalization and privatization policies (Jackson and Saunders, 2012).

administration's economic agenda, predicated on monetarist and supply-side economic theories, initially sought to limit non-military government expenditure, slash taxation, and curtail the money supply, which was intended to produce a balanced budget (Prasad, 2006). Drawing on the precepts of the Laffer Curve and supply-side economics, which 1980 Republican primary candidate George H.W. Bush famously derided as 'voodoo economics,' early forecasts by Reagan's economic advisors, including director of the Office of Management and Budget (OMB), David Stockman, projected a balanced budget by 1984. This was based on the anticipated effects that a commitment to cutting taxes and controlling the money supply would have on reducing 'inflationary expectations,' which was projected to spark growth, investment, and in turn, even government revenue (Roy, and Denzau, 2004, p. 71; Best, 2020, pp. 606-607).[182] The 1981 Economic Recovery Tax Act, affirming earlier Republican efforts under the Carter administration to pass sweeping tax cuts, included across-the-board tax cuts disproportionately benefitting the wealthy, including reductions of the top marginal tax rate from 70 to 50 percent, reduced capital gains and corporate taxes, and the indexation of tax rates to inflation (Economic Recovery Tax Act, 1981). Alongside spiralling unemployment, which peaked at 10.8 percent in November 1982, and increased military expenditures, the Reagan administration presided over an escalating federal budget deficit and increasing borrowing costs (Board of Governors of the Federal Reserve System, 2023).[183] Indeed, the federal budget deficit increased from 2.58 percent in 1980 to 5.72 percent in 1983 as a percentage of GDP and grew in nominal terms from $79 to $212 billion from 1981-1985 (Primo, 2007; Board of Governors of the Federal Reserve System, 2023). While it became

[182] Journalist William Greider explained this logic in a profile of David Stockman in *The Atlantic* in 1981 (Greider, 1981). Available from: https://www.theatlantic.com/magazine/archive/1981/12/the-education-of-david-stockman/305760/. (Accessed 22 August 2022).
[183] During the two Reagan terms, for example, federal government interest payments rose from $126 billion in January 1981 to $263 billion in January 1989 (Board of Governors of the Federal Reserve System, 2023). Available from: https://fred.stlouisfed.org/series/A091RC1Q027SBEA. (Accessed 23 August 2022).

increasingly apparent that the tax cuts would not be financed by the indirect effects of the Laffer Curve, the Reagan administration doubled down on resisting tax increases. As Reagan declared in his 1982 State of the Union Address, rebuking the calls for fiscal discipline in the Republican Party, "Raising taxes won't balance the budget; it will encourage more government spending and less private investment…So, I will not ask you to try to balance the budget on the backs of American taxpayers" (Reagan, 1982).

The logic of the Reagan tax cuts was multifaceted. Politically, the Reagan administration was intimately familiar with the growing popularity of tax cuts, as seen in anti-property tax revolts of the 1970s and the rise of organizations such as the National Taxpayers Union.[184] There was also a deeper ideological dimension that was intended to constrain the spending capacities of the federal government.[185] This was captured in what conservative strategists in the Reagan administration called the 'Starve the Beast' strategy,[186] which held that significant initial tax cuts and ensuing budget deficits would impose a systemic constraint on the capacities of the federal government, compelling successive governments to pare back government spending, and particularly social programs.[187] This political strategy, later endorsed by Milton Friedman, generated tension both within the American New Right and the US state, not least from the chair of the Fed, Paul Volcker, whose historic monetary tightening during the early 1980s often conflicted with Reagan's

[184] As Governor of California, Reagan arguably contributed to the beginning of the modern anti-tax movement, proposing a constitutional amendment to limit the California Government's taxation authority in 1973 (Niskanen, 1988, p. 14).
[185] George Gilder (1981) distilled the political logic of deficit spending through tax cuts in the supply-side imaginary, describing how "Deficit spending can be a way of protecting the private sector" (p. 226).
[186] This strategy was captured by Alan Greenspan's testimony in the Senate Finance Committee in support of the 1981 tax cuts when he maintained that the purpose of tax cuts "is to reduce the momentum of expenditure growth by restraining the amount of revenues available and trust that there is a political limit to deficit spending" (quoted in Bartlett, 2007, p. 9).
[187] Reagan explicitly outlined this logic in a 1981 televised address: "But there were always those who told us that taxes couldn't be cut until spending was reduced. Well, you know, we can lecture our children about extravagance until we run out of voice and breath. Or we can cure their extravagance by simply reducing their allowance" (Reagan, 1981). Available from: https://www.reaganlibrary.gov/archives/speech/address-nation-economy-february-1981. (Accessed 24 August, 2022).

expansionary tax cuts. Commenting on the Reagan government's federal budget deficit, for example, Volcker noted before the Joint Economic Committee in January of 1982 that "deficits approaching the current magnitude…threaten prolonged strain and congestion in financial markets" and fiscal policy needed to be "directed toward the progressive and substantial reduction of the deficit" (Volcker, 1982, pp. 6-7). Opposition from the Reagan administration was in turn voiced at the Fed's inability to contain the money supply (Fuerbringer, 1982), though both figures ultimately agreed on anti-inflationary measures realized through an offensive on organized labour.[188]

Strong opposition from deficit hawks within both the Republican and Democratic parties were levelled against the Reagan deficits, compelling the Reagan administration to reverse some of its tax cuts in the 1982 and 1984 (Bartlett, 2007). A more doctrinaire budget balance movement likewise emerged during the mid-1980s in response to the escalating federal budget deficit and the inability of the Reagan administration to implement more substantial spending cuts. Under the lobbying efforts of the National Taxpayer's Union, the 1985 Gramm-Rudman-Hollings Act required annual federal budget deficit targets, mandating deficit-neutral measures to accompany increases in federal spending or tax cuts through budgetary sequestration, a process which would trigger across-the-board cuts to federal spending (Primo, 2007, p. 110).[189] The legislation included numerous loopholes that exempted several areas of federal spending, however, and was ruled unconstitutional by the Supreme Court in 1986 (Niskanen, 1988).[190] While the politics of fiscal

[188] As Volcker (2018) revealingly notes in his memoir, "Reagan also made one important but little-recognized contribution to the fight against inflation. In August 1981 he fired thousands of striking air traffic controllers," which "sent a powerful psychological message that there would be limits on wage demands" (p. 178).
[189] As Phill Gramm, Republican Senator and co-sponsor of the bill declared, "The time has come to set out binding constraints and make Congress make hard decisions, to force the President and Congress to come to grips with a problem that the American people want to see someone come to grips with" (quoted in Primo, 2007, p. 110).
[190] This was followed by a more flexible deficit target often called Gramm-Rudman-Hollings II and then the 1990 Budget Enforcement Act (see chapter V).

consolidation at the federal level was marginalized under the Reagan administration, whose supply-side tax cuts had a lasting impact on the Republican Party (Prasad, 2018, p. 3), budget balance and tax limitation rules nonetheless had a widespread impact across dozens of states in the US throughout the late 1970s and 1980s,[191] resurfacing within federal politics during the early 1990s amidst a deep economic recession.

The divergent fiscal trajectories of the Reagan and Thatcher administrations were not only the result of economic theories or political differences between the US and Britain, however.[192] They also reflected the differing structural positions of the American and British economies. Throughout the 1980s, alongside the increasing integration of global capital markets, as the US raised interest rates substantially as part of the Volcker shock, foreign capital was increasingly channelled into the US, particularly from Japan. To the surprise of US policymakers, this enabled the Reagan administration to continue to finance mounting US budget and current account deficits without facing the disciplinary constraints of global financial markets. As Krippner (2012) describes, "access to foreign capital provided ample financing for mounting U.S. deficits, while a restrictive monetary policy suppressed the inflationary pressures associated with excess credit expansion" (p. 104). As the state re-imposed market discipline on the American working class

[191] In the aftermath of the proposition 13 vote in California, similar attempts to constitutionally or legislatively limit state property taxes or spending were passed in many states across the US throughout the late 1970s and 1980s, including Idaho, Iowa, Louisiana, Michigan, Nebraska, Kentucky, Nevada, New Mexico, Texas, Arizona, Massachusetts, Mississippi, Missouri, Oregon, Arkansas, New York, North Dakota, Colorado, Georgia, Rhode Island, Montana, and Connecticut (Paquin, 2015, p. 22).

[192] These political differences over fiscal policy were articulated most plainly by Milton Friedman in an open letter in the *Financial Times* in 1987, which rebuked Margaret Thatcher's advice to the Reagan administration to reduce the US federal budget deficit. As Friedman described, not only were tax increases bad politics, but they also "will not reduce the deficit" but would "simply increase government spending" (Friedman, 1987, para. 4). Passing higher taxes "unless in return for constitutional amendments providing a line-item veto and requiring a balanced budget…would be a major setback to the cause that both of you and he have fought for so valiantly by cutting back the size of the government" (ibid, para. 6). Available from: https://miltonfriedman.hoover.org/objects/56654/an-open-letter-from-milton-friedman-to-margaret-thatcher. (Accessed 22 August 2022).

during the early 1980s, the US once again became a safe haven for global creditors in an era of increasingly globalized financial markets.

With the dollar's status as the global reserve currency cemented, and the US Treasury market occupying a unique role in attracting currency flows and foreign investment capital, the seigniorage power of the dollar enabled the historic tax cuts of the Reagan administration and persistent US current account deficits (Cox, 1987; Gill, 1990; Eichengreen, 2008; Panitch and Gindin, 2013). This marked a critical difference in the political economy of fiscal policy between the US and Britain beginning in the 1980s. As will be argued in the next chapter, however, this structural privilege of the US economy did not placate the domestic and class coalitions behind austerity in the US. Despite the differing fiscal policy trajectories of the Thatcher and Reagan administrations, both positioned the 'fiscal crisis of the state' and the imperative of market discipline at the centre of national politics. Other than curbing inflation, achieved in large part through a targeted anti-labour offensive,[193] arguably the most significant shift generated by each administration occurred in the realm of welfare state politics.

Addressing the Social Crisis: Toward a New 'Common Sense' of Anti-Welfarism

Both the Thatcher and Reagan administrations ascended to power articulating a common anti-welfarist politics. At the height of the crises of the late 1970s, anti-welfare politics attracted diverse constituencies, dovetailing with opposition to an 'overweening' Keynesian welfare state perceived to be contributing to the inflationary dynamics of the 1970s, growing anti-tax movements, as well as socially conservative opposition to the 'permissive society' of the late 1960s

[193] This was largely achieved through the imposition of recessionary high interest rate policies and the attendant quashing of organized labour's wage claims (Ratner and Sim, 2022). Aided by the systemic unemployment induced by the early 1980s recession, each administration's trenchant opposition to trade unions were central to their anti-inflationary agendas. This crystallized in the repression of the 1984-5 miners' strike in Britain and the 1981 air traffic controllers' strike in the US.

and the breakdown of the ‘traditional family’ (Cooper, 2017). In response, politicians throughout the 1970s and 1980s castigated the welfare state and the ‘undeserving poor’ whom it allegedly subsidized (Jones and Novak, 1999; Katz, 2002).

In the US, the politics of anti-welfarism was rooted in a racial backlash against the War on Poverty and particularly the expansion of Aid to Families with Dependent Children throughout the late 1960s (Cooper, 2017). Throughout his presidential campaign, Reagan courted a broad anti-welfarist coalition, spanning anti-state economic liberals to socially conservative and evangelical voters, anti-tax suburban homeowners, and a layer of blue-collar ‘Reagan Democrats.’[194] Central to Reagan’s message was a strategic politicization of Aid to Families with Dependent Children, which, despite only accounting for a marginal proportion of the federal budget, was excoriated not only by the New Right but also by anti-poverty liberals and centre-left politicians (Chappell, 2010). Disproportionately comprising poor single black women following its expansion in the late 1960s, Aid to Families with Dependent Children was a persistent scapegoat for opposition to civil rights, labour, and new social movements of the 1960s (Quadango, 1994). Even segments of the left offered their own criticisms of the program, deriding its bureaucratic and stigmatizing administrative structures (Chappell, 2010).

Criticisms of welfare in the US had indeed become mainstream by the 1970s. Then-President Carter, for example, described Aid to Families with Dependent Children as “anti-work and anti-family…unfair to the poor and wasteful of taxpayers’ dollars” (Carter, 1977). As sensationalized media coverage increasingly conveyed racialized images of poverty in the US (Gilens, 1999, ch. 5), and the discourse of a threatening underclass dominated national media and politics in the 1970s, Ronald Reagan elevated racialized and gendered stereotypes of welfare recipients in his

[194] The foundations of this coalition dated to the 1960s and was exemplified by the electoral coalitions mobilized by George Wallace and, more successfully, Nixon’s ‘Southern Strategy’ (Carter, 1999).

campaign messages, both in his candidacy for the Republican nomination in 1976 and his 1980 presidential campaign (Gustafson, 2011). Reagan cast an image of the 'welfare queen' based on a distorted and sensationalized news story of an unemployed black woman defrauding the welfare system.[195] This dovetailed with a broader critique of the welfare state promoted by the New Right in the early 1980s. Some of its chief adherents included figures such as George Gilder, Charles Murray, Irving Kristol, and later, Lawrence Mead, whose work was propagated through think tanks such as the Manhattan Institute, the Heritage Foundation, and the Cato Institute. As Murray (1984) described in his widely influential book, *Losing Ground*, the source of economic and social malaise in America could be traced to the Great Society programs of the 1960s and the secular expansion of the American welfare state. According to Murray (1984), not only had these expanding social programs failed to alleviate poverty but they also made it "profitable for the poor to behave in the short term in ways that were destructive in the long term," constructing "poverty traps" that not only sapped work efforts but also subsidized a "lifestyle that grated so harshly on the values held by a consensus of white middle-class Americans" (pp. 9, 19). This moralistic critique of the US welfare state, which identified the root causes of poverty in individual behavioural pathologies, became a potent message championed by the Reagan administration and the New Right (Chappell, 2010). While its political valence was articulated through the politics of gender and race, anti-welfarism in the US contributed to broad internal divisions within the American working class, which were central to Reagan's 1980 and 1984 electoral strategies.

[195] Reagan delineated this stereotype in a campaign speech in Gilford, New Hampshire in 1976: "There's a woman in Chicago. She has 80 names, 30 addresses, 12 Social Security cards and is collecting veterans' benefits on four non-existing deceased husbands. And she's collecting Social Security on her cards. She's got Medicaid, getting food stamps and she is collecting welfare under each of her names. Her tax free cash income alone is over $150,000" (Levin, 2013). Available from: http://www.slate.com/articles/news_and_politics/history/2013/12/linda_taylor_welfare_queen_ronald_reagan_made_her_a_notorious_american_villain.html. (Accessed 3 October 2022).

In the UK, the politics of anti-welfarism was likewise central to Thatcherism, though its trajectory was somewhat different from the US. Just as Reagan promoted the myth of the welfare queen, Thatcher also drew on tropes of benefit ‘scroungers’ that had become increasingly prevalent in British culture throughout the 1970s. Alongside mass unemployment, sensationalized news stories of welfare fraud were continually elevated by right-wing papers such as the *Daily Express*, which exaggerated stories such as the ‘King Con’ Derek Deevy, who was convicted for welfare fraud (Sloman, 2017, p. 151; O’Grady, 2022). Thatcher’s critique, however, was rooted in the particularities of British politics, and was mobilized more directly against the alleged threat of ‘creeping socialism’ in response to the crises of social democracy and the militancy of trade unions. The trajectory of anti-welfarism in the UK was likewise more rooted in a moralistic critique of state paternalism, worklessness, and dependency associated with perceptions of British industrial decline and deindustrialization (Sutcliffe-Braithwaite, 2012). Despite these political differences, across both the US and UK from the 1980s onward, alongside the secular decline of organized labour, dichotomies between the deserving and undeserving poor became increasingly central to the coalitions mobilized by politicians and policymakers seeking to legitimize neoliberal economic programs, contributing to a new ‘common sense’ of anti-welfarism.

V. The Recommodification of the Welfare State and its Limits

While both the Thatcher and Reagan administrations sought to radically reconfigure the basis of the welfare state away from Great Society liberalism and postwar social democracy, the institutional reforms they were able to achieve never fully matched their political rhetoric or the aspirations of the New Right (Pierson, 1994; Prasad, 2006). Due both to the role of the ‘automatic stabilizers’ of the welfare state in response to the mass socio-economic displacement associated with the recession of the early 1980s, as well as continued political opposition to full-scale retrenchment, many public services and income support programs remained largely intact in terms of aggregate social expenditures. Despite these limits to recommodification, each administration nonetheless ushered in significant reforms to the fiscal basis of the welfare state, contributed to a shift toward the intensification of means-testing, and enhanced the role of work-based social provisioning that gradually marketized and recommodified aspects of the welfare state and social reproduction (Bakker, 2003).

Longstanding institutional and political differences in the British and American states contributed to variegated dynamics of welfare state restructuring throughout the 1980s. Predicated on a highly centralized social security system founded on the principles of contributory social insurance, the barriers in the way of the Thatcherite reconfiguration of the British welfare state were substantial. The Thatcher administration's 1979, 1981 and 1982 budgets froze a range of social benefits and reconfigured the fiscal basis of the British welfare state in a more regressive direction (UKPublicSpending, n.d.).[196] Notable reforms included the reduction of the real value of sickness, unemployment and social security benefits, as well as the restructuring of the 'double lock' pension benefits, which shifted indexation of benefits away from wages and/or prices to only price indexation (Hood and Himaz, 2017, p. 144). Presaging a modus operandi of 'stealth austerity' pursued by subsequent governments, this contributed to a significant reduction in the real value of benefits over the long run. From 1979 to 1996, for example, the value of unemployment benefits as a proportion of average earnings would fall from 21% to 14%, while the value of the basic State

[196] Indirect taxes (sales, excise, rates, and value-added taxes), for example, rose from 8.99 in 1979 to 10.75 in 1990 as a percentage of GDP (UKPublicSpending, n.d.). Available from: https://www.ukpublicrevenue.co.uk/revenue_chart_1970_1990UKp_17c1li011tcn_40t30t10t. (Accessed 4 October 2022).

Pension declined by 20 percent throughout the 1980s (Edmiston, 2018, p. 19; Swank, 2002, p. 230).

The Thatcher administration's more radical plans to reconfigure the basis of the welfare state nonetheless fell short, in part because of their widespread unpopularity (Travis and Bowcott, 2009).[197] In response to the displacement caused by deindustrialization, facilitated by the Thatcher administration's deflationary and fiscally contractionary policies, spending on unemployment benefits doubled in real terms between 1980 and 1982 under Thatcher's first term (Sloman, 2017, p. 152). By the time she left office, social spending as a percentage of GDP remained virtually the same as when she was first elected (Ortiz-Ospina and Roser, 2016).[198] While unemployment spending declined following the early 1980s recession as part of a broader spending squeeze, the number of long-term incapacity benefits claimants climbed dramatically throughout Britain's northern post-industrial regions, rising from roughly 750,000 in 1979 to over 2.5 million in the early 2000s, reflecting the long-term displacement of deindustrialization and a deep crisis of social reproduction (Beatty and Fothergill, 2020).

Throughout the remainder of her tenure, the Thatcher administration continued to erode the foundations of the social security system, culminating in the 1986 Social Security Act. These reforms significantly altered the benefit formula for recipients of social security, mandating increasing work requirements, and reducing income replacement rates for unemployment down from an already paltry 25 to 20 percent of previous earnings (Swank, 2002, p. 230).[199] Passed shortly after an historic recession, as well as the ongoing demographic shift toward an ageing

[197] Recently released documents from 1979 in the National Archives illustrate the extent of public retrenchment and cuts to the civil service that Thatcher intended to implement upon being elected (Travis and Bowcott, 2009).
[198] Social expenditure as a percentage of GDP in the UK stood at 15.5 percent in 1979, rising to over 18 percent in 1985, and 15.2 percent in 1990 (Ortiz-Ospina and Roser, 2016). Available from: https://ourworldindata.org/government-spending. (Accessed 5 October 2022).
[199] Income replacement ratio refers to the percentage of net income received while out of work compared to previous net income while in work.

population which saw most capitalist states increase pension expenditures, these cuts in the real value of social security benefits were substantial (Pierson, 1994). Thatcher's restructuring of the social security system also significantly increased the proportion of means-tested and conditional transfers administered by the British state, accelerating a further shift away from the contributory system of horizontal risk pooling characteristic of the postwar system. As Suttcliffe-Braithwaithe (2012) remarks, "the 1986 Act marked the final abandonment of Beveridge's hope that National Insurance could eventually remove the need for means-tested benefits" (p. 169). Marketed as a means of alleviating the alleged 'poverty trap' of the benefit system that ostensibly disincentivized work, these reforms included significant reductions in Housing Benefits and the 'rationalization' of other targeted transfers. Additionally, the 'Stricter Benefit Regime' in 1986 introduced JobCentres for the long-term unemployed, requiring recipients to seek out work in return for benefits or else face sanctions (Peck, 2001). Subsequent reforms in 1988 also increased the restrictive and conditional nature of benefit dispersal, replacing grants with repayable loans, and restricting budgetary control over social security expenditures more broadly (Dilnot and Webb, 1988). These cumulative reforms amounted to what some scholars have called 'death by a thousand cuts' (Pierson, 1994). While Thatcher's more far-reaching plans to reconfigure social security were never realized, the effects of her social and economic policy agenda were stark, contributing to long-term displacement, mass unemployment, and a deterioration in the conditions of social reproduction of the British working class (Nunn, 2014).

Campaigning on a similarly anti-welfarist platform that promised to curtail non-military government expenditures, the Reagan administration faced a different set of institutional and political constraints. In contrast to the centralized contributory social security system of the UK, the US 'delegated' federalist welfare state was a patchwork of means-tested cash transfers as well as a select few federally financed social insurance programs (Morgan and Campbell, 2011). It entailed a more complex jurisdictional division between state and federal boundaries, as well as an array of private providers of employer-based insurance (Hacker, 2002). Despite having more control over cabinet and ministry appointments than Thatcher, the Reagan administration never controlled both houses of Congress and consequently had little control over the central levers of federal economic and social policy (Jackson and Saunders, 2012, p. 11). As a result, Reagan's efforts to retrench the welfare state were also limited. Nonetheless, as part of his 1981 and 1982 budgets, alongside historic tax cuts disproportionately benefitting the wealthy and corporations, the Reagan administration retrenched several areas of social expenditure. As part of the Omnibus Budget Reconciliation Act (OBRA) in 1981, Reagan explicitly targeted Aid to Families with Dependent Children (AFDC), tightening eligibility requirements for recipients and cutting federal expenditures by 12 percent or $1 billion. These measures contributed to a reduction of AFDC caseloads by an estimated 400,000 and the reduction of monthly benefit payments for many more recipients (Peck, 2001; Cooper, 2017). More broadly, the 1981 Omnibus legislation also restructured, froze, or cut elements of food stamps, Medicaid, public housing, Old-Age, Survivors and Disability Insurance, Supplemental Security Income, and other means-tested programs (Chappell, 2010).[200] Overall, the federal budget was slashed by $37 billion in fiscal year 1982, with over half of the cuts targeting income security, education, training, employment, and social services, while military expenditures increased from $176 to $221 billion (Danziger and Haveman, 1981). Implemented in the midst of a deepening recession, these cuts to social expenditures had wide-ranging effects on the economic security of poor, unemployed and particularly low-income

[200] With the help of Office of Management and Budget director, David Stockman, the Reagan administration was also able to pass cuts to federal discretionary and mandatory expenditures through a little-known budgetary rule known as the reconciliation procedure, which circumvented appropriations processes and prevented a Senate filibuster (Tolchin, 1981).

women (Chappell, 2010),[201] prompting substantial protests at the Capitol (Geismer, 2022, p. 181). Despite the severity of the effects of these cuts, the "basic structures" of income support programs in the US were largely left intact (Pierson, 1994, p. 116). To the disappointment of the American Right seeking more far-reaching cuts to the US welfare state, Reagan's cuts in the early 1980s failed to target Social Security or Medicare (Prasad, 2006).[202]

Perhaps the most substantial forms of welfare restructuring occurred on the administrative and fiscal side, where Reagan's efforts to undermine welfare programs through his 'starve the beast' agenda of successive tax cuts and devolution of fiscal and social spending had more success (Prasad, 2018). As part of a broader program of tax reform, Reagan experimented with a 'new federalist' approach to fiscal policy. This was based on the competitive devolution of fiscal and social policy to the state level through the use of block grants, which entailed more lax funding requirements for social spending (Harmes, 2019). Indeed, a central feature of Reagan's 1981 budget was the consolidation of 77 categorical grants into 9 more flexible block grants, which decentralized the distribution of federal money allocated to states and local governments and reduced their value by 25 percent (Conlan, 1984). The pursuit of block grants and competitive devolution had been a central feature of right-wing politics in the US since the early 1970s, which were intended to undermine the centralized power of federal government programs and expand the administrative discretion of states subject to less regulatory opposition from organized business and corporate lobbying groups (Conlan, 1984). These structural reforms were more successful than efforts to unilaterally retrench federal social expenditures, leading to various state-level experiments with welfare-to-work reforms and laying the basis for future Republican efforts to

[201] Between 1978 and 1985, the number of poor Americans "increased by ten million, and those who were poor found themselves even farther below the poverty line" (Gustafson, 2011, p. 37).
[202] Amidst a rising federal budget deficit, 'workfare' reforms, i.e., work-based requirements for receipt of income support, were ruled out by the Reagan administration on the basis of cost (Pierson, 1994).

enforce budgetary cuts through decentralization (Harmes, 2019). These efforts were further taken up in the 1988 Family Support Act, which was passed by Congress and approved one month before Reagan left office. This legislation further devolved administrative control over income support programs to the state level through the Job Opportunities and Basic Skills Program (JOBS), affording states with the autonomy to pursue workfare programs (Peck, 2001, p. 97).

Despite continuities in levels of total social expenditure under both Reagan and Thatcher, the qualitative restructuring of income support and social security programs throughout the 1980s coincided with new market-based insecurities associated with stagnating wages, rising inequality, and the casualization of work alongside the secular decline of the unionized workforce (Pierson, 1994).[203] Amidst these new social risks and market insecurities, even modest cuts to social spending had wide-ranging effects on poverty, inequality, and socio-economic insecurity during the 1980s, amounting to de facto welfare retrenchment (Clayton and Pontusson, 1998).[204] In addition to market risks outside the bounds of the welfare state, however, there were also internal shifts in the institutional foundations of the fiscal-welfare state in the US and Britain throughout the 1980s. Amidst the acceleration of deindustrialization, as the remnants of Fordist employment patterns were continually eroded (Office for National Statistics, 2017; Bureau of Labor Statistics, 2019),[205] the apparatuses of the welfare state were actively reconfigured to channel the working

[203] Pierson (1994) describes the immiseration and rising poverty in both countries throughout the 1980s: "In Britain, the number of households living on less than half the average income…more than doubled between 1979 and 1987, rising from 9 percent to 19 percent. In the United States, the poverty rate was 13 percent in 1980 and 13.5 percent in 1990, but was substantially higher for most of the decade, peaking at 15.2 percent in 1983" (p. 100).
[204] As one scholar has put it, welfare state restructuring during the 1980s and 1990s amounted to the privatization of risks without the privatization of the welfare state (Hacker, 2004).
[205] Perhaps the most striking illustration of the transition to a 'post-Fordist' economy is the secular decline in levels of employment in the manufacturing sectors of the US and UK. Between 1978 and 2016, the proportion of jobs in the UK economy in manufacturing, mining, and quarrying sectors fell from 26.4 to 7.8 percent (Office for National Statistics, 2017). Available from: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/may2017. (Accessed 25 April, 2023). Similarly, in the US, in 1979 manufacturing employment accounted for 19.6 million jobs, roughly 22 percent of total nonfarm employment, falling to 12.8 million or 9

and nonworking poor into a burgeoning low-wage sector and to stimulate market-enhancing forms of social provisioning (Peck, 2001).

From the late 1970s onward, across both the US and Britain, the tax code increasingly became a central feature of administering social policy alongside welfare state restructuring. Both countries adopted and extended a range of tax credit policies, i.e., forgone tax revenue channelled to select social groups, as a means of social provisioning. Offering a more politically concealed venue than traditional welfare state politics, tax credits increased under both the Reagan and Thatcher administrations (Howard, 1997; Sloman, 2017). Within the US, out of the experimentation with basic income proposals during the early 1970s, the Earned Income Tax Credit (EITC), a means-tested refundable tax credit, was passed into law in 1975 and made permanent in 1978 and part of President Carter's fiscal reforms (Howard, 1997). Envisioned as a means of rewarding 'earned income,' EITC united factions of both the anti-tax and socially conservative right as well as the centre-left, with the latter viewing EITC as a less politically contentious mechanism of poverty relief. Under Reagan's tenure, the 1986 Tax Reform Act included unprecedented increases to EITC (Crandall-Hollick, 2018). In addition to other tax expenditure and tax credit policies, e.g., Targeted Jobs Tax Credit and Mortgage Interest Deduction, what Howard (1997) calls the 'hidden welfare state' grew substantially in the US from the mid-1970s through the 1990s. Administering social policy through means-tested tax credits to 'deserving' social groups became increasingly central to the reorientation of the welfare state. As a result, social policy increasingly functioned to subsidize market-based income and channel poor

percent of total nonfarm employment in 2019 (Harris, 2019). Available from: https://www.bls.gov/opub/btn/volume-9/forty-years-of-falling-manufacturing-employment.htm. (Accessed 25 April 2023).

and unemployed populations into a burgeoning low-wage service sector (Peck, 2001), which largely benefitted affluent working and asset-owning classes.[206]

The UK under Thatcher also saw the extension of means-tested transfers through the tax code, which were deployed "as a way of flanking and legitimizing free-market policies" (Sloman, 2017, p. 143). As Pierson (1994) notes, as a proportion of the social security budget, means-testing expenditures in Britain rose from 15 percent in 1980-1981 to 28 percent in 1985-6 and 24 percent by 1990-1 (p. 145). Prominent means-tested reforms were passed to programs including Income Support, Housing Benefit, Invalidity Benefits (disability benefits), and Family Credit (ibid). Perhaps Thatcher's most lasting market-based social policy reform, however, was in the realm of social housing. Alongside the monetarist onslaught on labour unions and the public sector, the Thatcher administration offered working-class tenants the 'opportunity' to purchase council housing flats and houses through right-to-buy schemes throughout the 1980s (Adkins, Cooper, and Konings, 2020, p. 44). Central to Thatcher's vision of a 'property-owning democracy,' which valorized individual property ownership over collective social provisioning, the privatization of the housing stock in the UK was a paradigmatic feature of the state-led re-commodification of social provisioning throughout the 1980s. The sell-off of council estates, disproportionately benefitting wealthier tenants, constituted part of a substantial shift within the British state that sought to integrate 'respectable' working classes into market provision (Albertson and Stepney, 2020).[207]

[206] Howard (1997) describes the distributive implications of Reagan's fiscal and social policy agenda: "The CBO study was a more comprehensive evaluation of Reagan's fiscal policies. The good news, as far as the administration was concerned, was that the average family had $840 more in income in 1984 as a result of cuts made in 1981. The bad news was that these benefits were skewed in favor of the affluent. Families earning less than $10,000 per year actually lost $390 in income, and those earning between $10,000 and $20,000 basically broke even. Those making more than $80,000 per year, however, pocketed an additional $8,270" (p. 146).
[207] The Reagan administration similarly championed 'pension-fund capitalism' and 'democratized asset ownership' throughout the 1980s, seeking to tie working- and middle-class income streams into credit and property markets (Adkins, Cooper, and Konings, 2020, p. 42).

Conclusion

This chapter has re-examined the origins and development of neoliberalism in the US and Britain through an analysis of the fiscal and social crises identified by New Right theorists in the 1970s. At several critical junctures during the latter half of the 1970s, centre-left political forces in the US and Britain, often at the behest of state officials and policymaking authorities, sought to address these crises by implementing forms of market discipline, which constituted an early embrace of neoliberalism. Emerging from conditions of crisis and the growing perception of the failures of Keynesian macroeconomics and the ‘overburdened’ welfare state, the Thatcher and Reagan administrations mobilized political coalitions throughout the 1980s based on the politics of anti-welfarism to advance broader neoliberal economic reforms. While each administration presided over declining inflation, the decimation of the organized labour movement, and the gradual reconfiguration of the fiscal and administrative basis of the welfare state, their policies and institutional reforms often fell short of their rhetorical and ideological claims. Institutional barriers, divergent political coalitions, and structural changes in the global economy led to lasting differences in the trajectory of neoliberalism in the US and Britain, perhaps most centrally in their fiscal policies. Despite these gaps between the rhetoric and reform of the Thatcher and Reagan administration, as this chapter has sought to illustrate, their elevation of the politics of anti-welfarism contributed to lasting political and ideological shifts across the US and Britain. Throughout the early 1990s, attempts to further solidify market discipline to secure the ‘confidence’ of increasingly globalized markets would find a political home not merely in the ascendent New Right but increasingly in the centre-left.

Chapter 5: From Crisis to Credibility: New Constitutionalism, the New Macroeconomic Consensus, and Welfare State Restructuring Under the Transatlantic Third Way, 1992-2007

> Greenspan haunts every budget meeting, though his name never comes up directly. Instead, it's our 'credibility' with Wall Street.
>
> Robert Reich (1997), *Locked in the Cabinet*, (p. 64), Former Secretary of Labour in the Clinton administration (1992-1996).

> The challenge is real and there are only three choices: resist change - futile; let it happen - laissez-faire - each person for themselves, each country for itself; or, the third way, we manage change, together.
>
> Tony Blair (1998), Speech at the Labour conference.

> Late in 2002 Lady Thatcher came to Hampshire to speak at a dinner for me. Taking her round at the reception one of the guests asked her what was her greatest achievement. She replied, 'Tony Blair and New Labour. We forced our opponents to change their minds.'
>
> Conor Burns (April 11, 2008), Tory MP, conservativehome.blogs.com.

Introduction

Throughout the late 1980s and early 1990s, as systemic alternatives to globalized liberal capitalism collapsed (Fukuyama, 1992), international institutions and political forces within capitalist states around the world sought to establish long-term frameworks to institutionalize market disciplinary reforms.[208] Within the US and Britain, while the effects of the economic crises of the early 1980s and the ascendence of the New Right laid the basis for the rise of neoliberalism, its monetarist policies and practices failed to establish stable frameworks to undergird capitalist restructuring. Throughout the early 1990s, alongside ongoing concerns with the 'fiscal crisis of the state' and the latent threat of inflation amongst policy elites, a consensus around

[208] These transformations coincided with a new policy paradigm promoted by international financial institutions such as the IMF and World Bank often referred to as the 'Washington Consensus,' which mandated market-based economic, social, and regulatory policies in exchange for debt relief to debtor countries across many world regions, predominantly in the Global South (Williamson, 2004).

macroeconomic policy predicated on ‘price stability’ and fiscal discipline was embraced by central bankers, policymakers, and politicians, who sought to formally distance economic policymaking from conventional arenas of political contestation. Under the banner of establishing a new political formation that could provide an alternative to both the ‘old’ political left as well as the New Right, centrist ‘Third Way’ governments across the US and Britain emerged at the forefront of these efforts to institutionalize market-enhancing policies.

This chapter examines the reconfiguration of macroeconomic policymaking and welfare restructuring in the US and Britain, primarily under the Third Way governments of Bill Clinton (1992-2001) and Tony Blair (1997-2007). I argue that wide-ranging institutional reforms, which sought to establish long-term commitments to price stability, global competitiveness, and fiscal discipline, became deeply embedded within the American and British states. While the Third Way had its own distinctive political and ideological traditions, I contend that its embrace of a new macroeconomic consensus and its approach to social policy, which both incorporated the market disciplinary politics of the New Right, but also established more long-term institutions to embed such policies, served to consolidate the politics of neoliberalism in the US and Britain.

This chapter has four sections. The first outlines the historical context and conceptual framework of the chapter. Drawing on Gill’s (1998) framework of new constitutionalism and Burnham’s (2001) analysis of depoliticization, I examine the rise of a new macroeconomic paradigm throughout the 1990s that sought to institutionalize policies of price stability and fiscal discipline by insulating key levers of policymaking from popular oversight and democratic contestation. Amidst the recessions of the early 1990s, some of the most faithful adherents of this policy paradigm emerged not from the New Right but from the centre. The second section then examines the emergence of the transatlantic Third Way. Tracing the rise of the New Democratic

Party in the US and New Labour in the UK, I focus on the macroeconomic consensus embraced by the Third Way. Predicated on neo-monetarist and New Keynesian economics, I illustrate how this consensus subordinated the role of government fiscal policy to the imperatives of price stability and fiscal discipline and relegated social policy to the priorities of supply-side competitiveness and noninflationary growth. Despite contributing to escalating social and economic inequalities, I argue that the macroeconomic consensus embraced by the Third Way and the much-vaunted macroeconomic stability associated with the 'New Economy' of the late 1990s and 2000s embedded lasting political and institutional commitments to neoliberalism in the US and Britain.

The third section examines the macroeconomic policy consensus implemented under the Clinton and Blair administrations. In addition to the operational 'independence' conferred to central banks, I focus on the institutionalization of budgetary reforms throughout the 1990s, including deficit-neutral discretionary spending caps and 'pay-as-you-go' (PAYGO) rules implemented in the US, as well as the 'fiscal golden rules' of the UK. The fourth section then turns to the policies and practices of welfare state restructuring. Based on the logic of supply-side competitiveness and noninflationary growth, but also informed by a political strategy of distancing social policy from 'conventional' welfare state politics, I survey a range of social policy reforms implemented in the US and Britain. This includes disciplinary 'workfare' and conditionality measures as well as means-tested transfers administered through the tax system. Together, I contend that these market-enhancing forms of welfare restructuring consummated the politics of anti-welfarism, as Third Way administrations in the US and Britain increasingly relied on the social antagonisms identified by the New Right in shaping their political coalitions and historical blocs. I conclude by briefly surveying ostensible breaks with the logic of fiscal discipline in the

US and Britain throughout the early 2000s and growing instabilities associated with the developmental model underpinning the 'New Economy.'

I. New Constitutionalism, Depoliticization, and the Ongoing Fiscal Crisis of the State

While the 1980s was characterized by recessionary and market disciplinary measures intended to suppress inflation and rollback the foundations of the postwar order, it was throughout the 1990s that more concerted attempts to institutionalize long-term reforms that could resolve the 'fiscal crisis of the state' and secure 'market confidence' were most forcefully implemented. In the aftermath of the downfall of the Soviet Union in 1991 and the seemingly global embrace of liberal capitalism (Fukuyama, 1992), bipartisan political forces within capitalist states, including from centrist political parties, increasingly sought to establish long-term institutional reforms to undergird market disciplinary policies that could avert the chaotic and recessionary policies associated with monetarism (Peck and Tickell, 2002).

Stephen Gill's concept of new constitutionalism encapsulates these institutional reforms. Defined as the "de facto governance structure for the global political economy" and "the juridical-political counterpart to disciplinary neoliberalism," new constitutionalism encompasses a broad range of legal, institutional, regulatory policies and programs intended to lock-in the political preferences of investors and big capital (Gill and Cutler, 2014, pp. 6-7). This entails the conferral of "privileged rights of citizenship and representation to corporate capital and large investors" and the "locking-in" of "free market policies through use of legal guarantees and sanctions to favour private determination of economic policy" (Gill, 1998, pp. 23-27; Gill and Cutler, 2014, p. 6). Throughout the 1990s, these legal and quasi-constitutional reforms included global intellectual property rights agreements, such as the 1994 Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement, bilateral trade and investment deals such as the North American Free Trade Agreement (NAFTA) (1994), supranational trade and currency blocs such as the Euro and Economic and Monetary Union (EMU) in the European Union (EU), as well as national and subnational liberal macroeconomic and regulatory policies (Gill and Cutler, 2014). While global trade and investment policies are often identified as most emblematic of new constitutionalism, it also refers to legislative, regulatory, and macroeconomic practices *within* states intended to institutionalise market disciplinary policies (Gill and Cutler 2014).[209] Throughout the 1990s, prominent new constitutionalist macroeconomic reforms included balanced budget legislation, constitutional and legislative limits on borrowing and spending (e.g., fiscal responsibility legislation), operational 'independence' conferred to central banks, and the outsourcing of economic policymaking to technocratic cadres, which seek to establish "mechanisms of restraint" to bolster government credibility in financial markets (Gill 1998, pp. 25, 35). These reforms are intended to institutionalize policies of market discipline by redefining the boundaries of the 'economic' and the 'political' and thereby insulating the governance of economic policies from the vicissitudes of democratic accountability and political contestation (Gill 1998, p. 25, Gill and Cutler 2014, p. 6).

A key principle of new constitutionalism can be understood as the depoliticization of economic policies (Wamsley, 2022). Depoliticization, according to Burnham (2001), is a governance strategy of capitalist states that seeks to "plac[e] at one remove the political character

[209] New constitutionalist practices also entail the internal restructuring of states, including the relative strengthening of juridical, executive, and technocratic apparatuses at the expense of legislative bodies, and the subordination of government ministries to central banks and ministries of finance (Gill and Cutler 2014, p. 7).

of decision-making" (p. 128).[210] This describes how states, especially amid capitalist crises, seek to ensure the credibility of economic policies with perceived market expectations or to shield governments from the consequences of unpopular economic policies (Burnham 2001, 2014). Historically, this includes attempts to anchor domestic economies to 'external' disciplinary regimes (e.g., the gold standard or the European Exchange Rate Mechanism, ERM), as well as domestic forms of depoliticization, including the delegation of economic policymaking to 'independent' agencies, rules-based rather than discretionary policymaking, and practices that seek to externally validate 'sound' economic policy (Burnham 2001, p. 131).

Throughout the 1990s, politicians and state officials in the US, Britain, EU, and other capitalist states around the world increasingly embraced these measures. Perhaps the most lasting institutional innovation of this period included the establishment of 'independent' central banks.[211] In the aftermath of the Volcker Shock (1979-1982) and the suppression of the inflationary spirals of the 1970s and 1980s, the primary lesson drawn by policymakers and central bank technocrats was that price stability was too important of a macroeconomic objective to be left to the whims of democratic masses and self-interested politicians (Hay, 2007). Bolstered by the growing influence of a new consensus on macroeconomic policy, throughout the 1990s, most of the major central banks of the world were conferred formal 'independence' from legislatures (Fernández-Albertos, 2015). While commitments to monetarism provided the political cover to orchestrate a recession to indirectly reduce inflation during the early 1980s, as the strict control of the money supply

[210] Colin Hay (2007) similarly defines depoliticisation as "the set of processes…that remove or displace the potential for choice, collective agency, and deliberation around a particular political issue" (cited Fawcett et al., 2017, p. 5).
[211] While the operational 'independence' of central banks often connotes disinterested technocratic governance, in practice, central banks, particularly in the US and UK, are deeply entwined both ideologically and materially with private financial interests (Epstein and Schor, 1995).

identified by monetarist theory was increasingly abandoned as a reliable monetary policy,[212] a new regime emerged that was predicated on inflation targeting and publicly announced inflation targets to establish credible commitments to price stability in financial markets (Krippner, 2012, pp. 115-125). This market disciplinary regime of monetary policy governance, overseen by state policymakers and central bankers, subordinated fiscal and social priorities to the imperatives of price stability on behalf of increasingly powerful bondholders and mobile capital (Roberts, 2010).

While the dictates of central bank independence and inflationary targeting appeared to bind the hands of central bankers to financial market expectations, this was also partly predicated on the obfuscation of their political agency.[213] As Burnham (2014) describes, while forms of depoliticization often outsource control over economic policy to technocratic authorities, which can appear to bind the authority of state officials to market expectations, it can simultaneously "enhance political control" of state managers and state capacities "while giving the appearance of having transferred elements of that control" (p. 195). This dynamic became increasingly important to central banks during the 1990s, which often pre-emptively raised interest rates on the pretence of maintaining the 'confidence' of financial markets, enabling them to avoid political responsibility for implementing deflationary monetary policies (Krippner, 2012).[214]

Alongside this new macroeconomic consensus of 'independent' central banks and price stability, fiscal consolidation became a primary watchword of economic policymakers and state

[212] As critical scholarship has recently demonstrated, the policies of central banks throughout the 1990s broke with the monetarist doctrines of aggregate targets of the money supply, combining a degree of discretion in policymaking characteristic of the 'New Keynesian' synthesis of the 1990s (Krippner, 2012; Clift, 2019).

[213] The continued discretionary capacities of central bank policies throughout the 1990s was illustrated in their socialization of the risks of banks, financial institutions, and multinational corporations through bailouts and liquidity provision, which entailed a significant extension of the traditional 'lender of last resort' functions (Panitch and Gindin, 2013). Adkins, Cooper, and Konings (2020) describe this as a "pre-emptive bailout regime" (p. 42).

[214] Krippner (2012) identifies the emergence of this approach of obfuscation within central bank policy under Alan Greenspan at the Federal Reserve in 1994: "Policymakers, it increasingly appeared, did not set policy: they merely validated market expectations of policy, consistent with the balance of risks in the economy" (p. 134).

officials seeking to establish 'credibility' within financial markets. Notwithstanding the embrace of market discipline under the Reagan and Thatcher administrations, the 'fiscal crisis of the state' continued to unfold alongside the recession of the early 1990s. Within the US, Reagan-era federal budget deficits persisted under the George H.W. Bush administration as the aftermath of the Savings and Loan Crisis and the 1990-1991 recession contributed to escalating federal borrowing and spending (OMB Historical Table 14.6, n.d.).[215] While interest rates had gradually come down since the heights of the Volcker shock, they remained high by historical standards (Board of Governors of the Federal Reserve System, 2023).[216] Under the watchful eye of Alan Greenspan, an adherent of monetarism and admirer of far-right libertarian philosopher, Ayn Rand, who was appointed as chair of the Federal Reserve in 1987, pervasive concerns surrounding government budget deficits, and its alleged downstream contributions to inflation remained pivotal concerns of the Fed into the early 1990s (Greider, 1989; Epstein, 2019).[217] Similarly, in the UK, the early 1990s were characterized by a steep economic recession, a worsening balance of payments position, rising government borrowing costs, and the return of inflation (UKPublicSpending, n.d.; Bonefield and Burnham, 1998).[218] The instabilities in the UK economy were magnified during its entrance to the European Exchange Rate Mechanism (ERM) in October 1990. Within the ERM,

[215] The federal budget deficit climbed from $222.1 billion in 1989 when Bush Sr. took office to over $392.8 billion in 1991 (OMB Historical Table 14.6, n.d.). These figures include so-called 'off budget' figures such as debt interest payments. Available from: https://www.whitehouse.gov/omb/budget/historical-tables/. (Accessed 20 October 2022).
[216] In March of 1989, for example, the federal funds rate stood at 9.59, remaining at 8.2 percent throughout the recession in September 1990 and 6.12 percent toward the end of the formal recession in March 1991 (Board of Governors of the Federal Reserve System, 2023). Available from: https://fred.stlouisfed.org/series/FEDFUNDS. (Accessed 20 October 2022).
[217] Bush Sr. later blamed the tight monetary policies of Greenspan's Fed during the early 1990s for his loss of the 1992 presidential election. As he remarked in an interview in 1998, "I think that if the interest rates had been lowered more dramatically that I would have been re-elected president because the [economic] recovery that we were in would have been more visible" (Wall Street Journal, 1998). Available from: https://www.wsj.com/articles/SB904002475770183000. (Accessed 21 October 2022).
[218] In nominal terms, UK public sector net debt rose from £151 billion in 1990 to £347 billion by 1997, though as a percentage of GDP, public net debt only increased from 22 to 36 percent in the same years (UKPublicSpending, n.d.). Available from: https://www.ukpublicspending.co.uk/spending_chart_1900_2022UKp_17c1li011tcn_G0t. (Accessed 22 October 2022).

European countries pegged their currencies to the value of the Deutschemark to stabilize exchange rates. As the forerunner to the euro, the ERM represented a means of outsourcing and depoliticizing monetary policy to the anti-inflationary German Bundesbank (Bonefield and Burnham, 1998).[219] Unable to match the high interest rate policies of the German central bank, the UK left the ERM on September 16th, 1992, resulting a steep devaluation of sterling, an event which came to be known as Black Wednesday. Across both the US and UK, while the deflationary recession of the early 1980s and the ascendence of the New Right seemed to lay the basis for a political and ideological reorientation toward market discipline, its institutionalization remained elusive throughout the early 1990s.

Wolfgang Streeck (2014) identifies the 1990s as the era of the 'consolidation state.' In his view, after assuming a more structurally salient role in the global economy following the debt-fuelled 1980s and capital account liberalization policies, creditors exerted increasing political pressure on states to curtail debt burdens, which was realized largely through spending cuts rather than taxation increases. However, commitments to fiscal consolidation during this period were not only exerted externally on states by investors, financiers, and mobile capital, but were also embraced by a broader historical bloc of monetary authorities, state policymakers, academics and 'organic intellectuals,' and broad swaths of the populace. Indeed, the politics of fiscal consolidation and budget balancing became increasingly hegemonic during the 1990s. While it was primarily the New Right that had, in theory if not always in practice, taken up the mantle of fiscal discipline throughout the 1980s, perhaps the most concerted attempts to institutionally resolve the 'fiscal crisis of the state' were taken up by centrist political forces.

[219] As Bonefield and Burnham (1998) suggest, the ERM was envisioned as a "counter-inflationary anchor," which could "impose financial discipline upon social relations from the 'outside' and thereby achieve what the government had failed to achieve 'domestically'" (p. 16).

II. The Third Way, the New Macroeconomic Consensus, and the Consolidation of Neoliberalism

Throughout the 1990s, a new generation of centrist politicians rose to power on each side of the Atlantic. Politicized in the stagflationary and fiscal crises of the 1970s (Cebul, 2019), the 'Third Way' was typified in the administrations of Bill Clinton in the US (1993-2001) and Tony Blair (1997-2007) in the UK. Politically and ideologically, the Third Way was characterized by an embrace of the supposed historical necessity of adapting to the competitive pressures associated with economic globalization.[220] Its political philosophy was based on the mantras of 'equal opportunity,' 'no rights without responsibility,' and the need for an 'empowering government' (Giddens, 1998).[221] This market-oriented political philosophy was predicated on a commitment to 'modernize' centre-left and social democratic parties away from the 'old' political coalitions associated with organized labour and militant social movements (Hay, 1999). The Third Way also disavowed universal social policies, Keynesian demand management, public ownership, and economic planning tentatively associated with the politics of the postwar era (Giddens, 1998). This was defended on the basis of embracing the 'new realities' of economic globalization that had purportedly foreclosed the possibility for national macroeconomic policy discretion and adapting

[220] As Tony Blair later described, the 'new reality' of capital market integration and the technological forces unleashed by globalization rendered attempts to assert public authority over the economy to constrain markets futile and self-defeating: "The temptation is to use government to try to protect ourselves against the onslaught of globalization by shutting it out, to think we protect a workforce by regulation, a company by government subsidy, an industry by tariffs. It doesn't work today, because the dam holding back the global economy burst years ago" (Blair, 2005, para. 15). Available from: https://www.theglobalist.com/tony-blair-on-globalization/. (Accessed 12 July 2021).

[221] A co-authored manifesto by Tony Blair and Gerhard Schroeder (1998) distills the essence of Third Way politics: "Similarly, we need to apply our politics within a new economic framework, modernised for today, where government does all it can to support enterprise but never believes it is a substitute for enterprise. The essential function of markets must be complemented and improved by political action, not hampered by it. We support a market economy, not a market society" (p. 2). Available from: http://web.inter.nl.net/users/Paul.Treanor/drittemitte.html. (Accessed 25 April 2023).

to the supposedly changed voter preferences of post-industrial electorates following the political victories of the New Right (Hay, 1999).

Seeking to distance themselves both from the political coalitions and policies of the postwar left, as well as the monetarist economics of the New Right, these politicians instead embraced a more ostensibly ‘inclusive’ approach to adapt to competitive global market pressures, which sought to ‘reinvent’ rather than retrench the state (Geismer, 2022). This included a commitment to modernizing the supposed ‘inefficiencies’ of postwar welfare state institutions and labour markets to embrace imperatives of global market competition, while also promoting human capital development to enhance the competitive capacities of workforces for the ‘New Economy’ (Giddens, 1998; Ryner, 2003, pp. 6-17). Eschewing the social democratic rhetoric of ‘social rights of citizenship,’ Third Way social policy was above all market-enhancing and sought to integrate populations into labour and credit markets (Adkins, Cooper, and Konings, 2020, pp. 45-49; Geismer, 2022). While the politics of the Third Way had its own ideological and political traditions,[222] its embrace of a new macroeconomic consensus and approach to social policy, which both adopted policies of the New Right but also established more long-term institutional frameworks, served to consolidate the politics of neoliberalism across the Atlantic, foreclosing left political alternatives.

Within the US, the origins of the Third Way date to the electoral victories of a new brand of Democrats in Congress and state houses during the late 1970s and early 1980s, and the subsequent founding of the Democratic Leadership Council (DLC) in 1985 following the defeat of Walter Mondale by Ronald Reagan in the 1984 presidential election (Geismer, 2022). Founded by Al From and former advisors to the Carter administration, and politicians such as Al Gore, Leon

[222] Some of these views were articulated by one of the chief ‘organic intellectuals’ of the Third Way, who provided arguably the most comprehensive articulation of its political philosophy, Anthony Giddens (Ryner, 2003).

Panetta, Arkansas governor, Bill Clinton, and later figures such as Joseph Liberman and Joseph Biden, the DLC was a self-consciously centrist institution that sought to 'modernize' the Democratic Party and articulate a new ideology and political orientation (Cebul, 2019). This was predicated on distancing itself from the 'old' political coalitions of the New Deal and Great Society, i.e., organized labour and social movements, and embracing a more explicitly market-enhancing political program that appealed to affluent white suburban voters, corporate campaign donors, and financial and hi-tech capital in the so-called 'New Economy' of post-industrial America (Geismer, 2022, p. 47).[223] The mantle of the 'New Democratic Party' was taken up most stridently by Bill Clinton, former chair of the DLC from 1990-1991, in his two terms as President of the United States, who drew on the ideological precepts of the DLC and its growing network of think tanks, technocrats, and politicians as key advisors in his administration.

The Third Way was transatlantic in its inception and development. In the UK, following the defeat of Callaghan and the Labour Party in 1979, efforts to 'modernize' the Labour Party away from its putatively socialist origins had been underway throughout the 1980s under Neil Kinnock and John Smith, crystallizing with the *Policy Review* process of the late 1980s and the defeat of Tony Benn in the election for Labour Party leader (Hay, 1999). Central to this 'modernization' process was an attempt to rebrand the Labour Party as a 'credible' party capable of governing the British economy that could distance itself once and for all from the historical record of the Labour Party and the stagflationary turmoil of the 1970s (Panitch and Leys, 2020). Seeking to snap the dominance of the Conservative Party, which was in power from 1979-1997, these trends culminated in the rise of 'New Labour,' which solidified the Third Way in the Labour Party. In power from 1997-2010, New Labour reshaped British politics under the influence of Prime

[223] Jesse Jackson, who ran for the Democratic presidential nomination on a more left-wing political platform in 1984 and 1988, quipped that the DLC stood for "Democrats for the Leisure Class" (Geismer, 2022).

Minister Tony Blair, Chancellor of the Exchequer, Gordon Brown, as well as influential advisors such as Peter Mandelson, Ed Balls, and Alisdair Campbell. Strongly influenced by the electoral victories of the Clinton administration and the New Democrats in the United States, New Labour maintained close connections and harboured numerous ideological affinities with key members of the Clinton administration, the US Treasury, and the Federal Reserve (Roy and Denzau, 2004).[224] Indeed, New Democrats and New Labour met consistently before, during, and after their time in power, implementing a range of similar economic and social policies, and seeking to lay the foundations for a 'Third Way international' (From, 2013).[225] Nowhere was this transatlantic influence more pronounced than in the realm of economic policy, where an emerging consensus was embraced by both administrations.

The Political Economy of the Third Way

As Third Way politicians were elected to power across both sides of the Atlantic, some of the ideas associated with an emerging macroeconomic consensus throughout the 1990s strongly shaped their economic policies. While the prescriptions of monetarism proved to be untenable as a pragmatic guide for monetary policy throughout the 1980s (Krippner, 2012), subtle alterations of many of its core theses were adopted in macroeconomics and policymaking circles. This was

[224] A highly influential economic advisor in the Blair-Brown administrations, Ed Balls, for example, had studied under one of the most influential members of the Clinton administration, Lawrence Summers (Roy and Denzau, 2004, pp. 75-76). A 1997 article in *The Economist* captured these deep-seated transatlantic connections, emphasizing the close parallels between the administrations, and the marked influence of American New Keynesian academic economists on New Labour economic policy (*The Economist*, November 8 1997, p. 63). Available from: https://www.proquest.com/docview/224082523/90B22EABC9594FAEPQ/1?accountid=15182. (Accessed 25 April 2023).

[225] Founder of the DLC and advisor to Bill Clinton, Al From, describes the close relationship between New Democrats and New Labour during the founding of the Third Way: "I had come to Chequers in 1997 as part of a small delegation led by Hillary Clinton to begin a dialogue on Third Way politics—the reform politics that manifested itself as New Democrat in the United States and New Labour in Great Britain. Those discussions would continue intermittently for the next three years, and eventually involve more than a dozen leaders of center-left governments from around the world, all of whom committed, in varying degrees, to our Third Way reforms" (From, 2013, p. 239).

predicated on what came to be known as the ‘new neoclassical synthesis’ in macroeconomics, a convergence between new classical theories, such as the rational expectations theory of Robert Lucas (1976), as well as key element of ‘New Keynesianism’ (Arestis, 2009). A central assumption of new classical theories, including ‘political business cycle’ theory, suggested that a fundamental ‘time-inconsistency problem’ beleaguered discretionary economic policy governance. Influential analyses suggested that due to the unintended consequences of consumers and investors adjusting their ‘inflationary expectations’ to government policy announcements, policymakers tended to backtrack on long-term policy commitments and thereby artificially drive up the rate of inflation and reduce levels of investment and growth (Kyland and Prescott, 1977; Barro and Gordon, 1983). These theories contributed to a growing neo-monetarist consensus that government macroeconomic policymaking, and particularly monetary policy, was best left in the hands of ‘independent’ central banks that could credibly commit to long-term inflation reduction by insulating policymaking from inflationary political pressures (Hay, 2007).

Perhaps the most influential economic theory of the 1990s was the non-accelerating inflation rate of unemployment (NAIRU). The supposed ‘natural rate of unemployment’ (NRU) identified by Milton Friedman (1968) suggested that there was a fixed level of unemployment at which inflation would remain constant. Throughout the 1990s, subtle alterations were made to this thesis by an influential school of American ‘New Keynesian’ academic economists (Mankiw and Romer, 1991).[226] Despite underlying differences with monetarism (Stockhammer, 2008), NAIRU also reproduced some of its core assumptions, including the notion that there was a long-term equilibrium level of unemployment below which accelerating inflation was said to emerge (Storm

[226] Influential New Keynesian economists within the Clinton administration included Alan Blinder, vice chair of the Fed appointed by the Clinton administration, Janet Yellen, nominated to the Fed Board of Governors and chair of the Council of Economic Advisors by Clinton, as well as Lawrence Summers, Deputy Secretary of the Treasury under Robert Rubin from 1995-1999, and Treasury Secretary in the Clinton administration in 1999.

and Naastepad, 2012). Predicated on an artificially determined level of unemployment, foundational to NAIRU was the imperative of supressing the inflationary foundations of working-class militancy associated with tightening labour markets and declining unemployment. Moreover, it also retained an assumption that there was a fundamental trade-off facing governments between egalitarian labour market regulation policies and 'structural' unemployment (Storm and Naastepad, 2012). Overgenerous wage protections, bargaining rights, or welfare state institutions were said to contribute to labour market 'rigidities' that inhibited competitiveness and growth, while labour market deregulation and welfare marketization were regarded as net positive contributions to non-inflationary growth (ibid).

The economic policy prescriptions of this emerging paradigm throughout the 1990s maintained that 'price stability' rather than 'full employment' was the primary macroeconomic policy objective of central banks and policymakers, which was best secured by outsourcing monetary policy to independent authorities and committing to rules-based macroeconomic policy. New Keynesian frameworks largely subscribed to these dictates, albeit advocating for a more flexible approach often called 'constrained discretion,'[227] which sought to adopt overarching commitments to price stability and fiscal discipline to command government credibility in financial markets that would allow for government discretion amidst 'economic shocks' (Balls, 1997, p. 10).[228] As central bank 'independence' and anti-inflationary mandates became

[227] These principles were outlined by Gordon Brown, Chancellor of the Exchequer under Tony Blair's New Labour Government, in a 2001 speech to the Royal Economic Society. As Brown described, "in the era of global capital markets…it is only within a credible framework that governments will command the trust they need to exercise the flexibility they require" (Brown, 2001, p. C 34). Effective economic policy "is possible only within an institutional framework that commands market credibility," which requires the "discipline of a long-term institutional framework" (ibid, pp. C 34, 35).

[228] This framework is encapsulated in the 2003 remarks by then-member of the Board of Governors and future chair of the Fed, Ben Bernanke, who noted that "constrained discretion is an approach that allows monetary policymakers considerable leeway in responding to economic shocks, financial disturbances, and other unforeseen developments. Importantly, however, this discretion of policymakers is constrained by a strong commitment to keeping inflation

institutionalized within capitalist states throughout the 1990s, the imperative of 'price stability' increasingly circumscribed the role of public investment and macroeconomic demand management (Hay, 2004). Indeed, fiscal policy was increasingly deemed to be an untenable macroeconomic lever to bring down levels of unemployment and was "downgraded to a passive instrument of economic policy, the job of which is essentially to balance the government budget" (Arestis and Sawyer, 2003 p. 13; Romano, 2006, p. 38). While disagreements persisted about precise measurements of NAIRU and their translation into policy, that the economy could no longer be stabilized by aggregate demand management or counter-cyclical fiscal policy became a central tenet of Third Way political economy (Arestis and Sawyer, 2003; Hay, 2004). With fiscal policy and demand-side interventions eschewed as outmoded forms of public policy, government economic and social policy was relegated to enhancing labour market competitiveness and 'flexibility' through supply-side interventions, including labour market deregulation and welfare state residualization, or underwriting private forms of social provisioning through consumer and financial markets (Crouch, 2009). This macroeconomic consensus provided generative policy material for Third Way governments seeking to establish the intellectual basis for a new market-enhancing politics.

There is a considerable literature on the politics and political economy of the Third Way in the US and UK. Some frameworks suggest that New Democrats and New Labour represented a 'pragmatic' reorientation of social democratic and centre-left politics in an age of globalization that retained elements of Keynesian policymaking (Clift and Tomlinson, 2007), while a more critical literature has cast the Third Way as an accommodation to, or embrace of, the political and ideological parameters of the New Right (Leys and Panitch, 1997; Hay, 1999). More sympathetic

low and stable" (Bernanke, 2003, para. 6). Available from: https://www.federalreserve.gov/boarddocs/speeches/2003/20030203/default.htm. (Accessed 22 October 2022).

to this latter literature, this chapter nonetheless argues that the Third Way in the US and Britain was characterized both by attempts to retain key policies and political-ideological framings of the New Right, but also sought to embed market disciplinary policies within more long-term institutional frameworks. As Peck and Tickell (2002) have argued, while the quasi-monetarist policies of Thatcher and Reagan that sought to dismantle aspects of the postwar order could be described as 'roll-back neoliberalism,' the regulatory reforms and institution-building of the 1990s under the Third Way was more akin to 'roll-out' neoliberalism.[229] Predicated on a macroeconomic consensus emerging in the 1990s and unique approach to social policies that sought to enhance supply-side competitiveness, the Third Way in the US and Britain consolidated the politics of neoliberalism across the Atlantic.

III. Institutionalizing Fiscal Discipline: PAYGO and the Fiscal Golden Rules

The Politics of Austerity in Clinton's Third Way

Following the state-level tax revolts of the 1970s, efforts to place limits on spending and taxation became an increasingly important feature of US politics (Martin, 2008). While attempts to put in place statutory and constitutional limits on the federal budget deficit during the mid-1980s at the height of the Reagan tax cuts were unsuccessful,[230] these efforts re-emerged in the early 1990s (McGahey, 2013, p. 731). The wave of anti-deficit politics in the early 1990s was rooted in the ongoing 'fiscal crisis of the state' amidst a burgeoning recession as well as the political

[229] Nunn (2007) similarly describes New Labour's project as the "second phase in attempts to secure neo-liberal hegemony," which utilized "social policy in a redefined politics of 'social justice' to create the conditions for competitiveness" (p. 3). See also: Ryner (2003).

[230] Several legislative initiatives in the mid-1980s called the Gramm-Rudman-Hollings Act, which sought to institutionalize targeted annual deficit reductions, were found to be unconstitutional by a Supreme Court ruling in 1986 shortly after being signed into law. Despite a subsequent version of this legislation passing in 1987, it ultimately included too many exemptions and loopholes to enforce substantial reductions of the federal budget deficit (Primo, 2007, pp. 108-110).

consolidation of neoliberalism in the US. Amidst pressure from Alan Greenspan's Federal Reserve, and a concerted anti-deficit bloc in Congress, the Bush Sr. administration reached an agreement with the Democrat-controlled Congress with the passage of the 1990 Omnibus Budget Reconciliation Act. Seeking to curtail the federal budget deficit, the legislation included a range of tax increases and spending cuts, reneging on a core pledge made by the Bush Sr. administration to Republicans not to raise taxes.[231]

The legislation also introduced a little-known budgetary mechanism with passage of the Budget Enforcement Act (BEA). A more flexible version of the Gramm-Rudman-Hollings Act, the BEA was intended to establish institutional commitments to deficit reduction primarily by containing federal spending, enforcing five-year caps on discretionary spending and preventing future spending increases or tax cuts without accompanying tax increases or spending cuts (Roberts 2015). Additionally, 'pay-as-you-go' (PAYGO) rules were established for 'entitlement' spending and taxation policies, i.e., mandatory federal spending including social programs such as Social Security and Medicare. Intended to lock in the tax increases and spending cuts established by Congress in 1990, PAYGO prevented new government entitlement spending without attendant deficit neutral spending cuts or tax increases (Primo, 2007, p. 113).[232] This was enforced through the enhanced institutional power of the Office of Management and Budget, the chief executive budgetary agency of the Presidency, which was tasked with determining and tracking the federal government's spending 'baseline.' If this baseline was broken, the legislation enabled the President to enforce spending cuts via the sequestration process to meet deficit-neutral commitments (Huq,

[231] At the 1988 Republican National Convention, George Bush Sr. famously pledged not to raise taxes, which was encapsulated in a soundbite from his speech "read my lips: no new taxes" (Rothman, 2018). Available from: https://time.com/3649511/george-hw-bush-quote-read-my-lips/. (Accessed 25 April 2023).
[232] Notwithstanding the passage of these spending rules, however, Social Security and other key programs were taken off the budget to avoid being subjected to the same cuts (Guess and Savage, 2021, p. 18).

2014, p. 1630). These little-known legislative changes would have a substantial impact in shaping the deficit-reduction and fiscal consolidation politics of the 1990s, establishing an institutionally embedded political consensus around austerity and fiscal discipline.

The presidential election of 1992 revolved around the politics of the federal deficit. This was crystallized in Texas billionaire Ross Perot's 1992 Third Party Presidential campaign, which, based on a platform opposing NAFTA and pledging to implement a balanced budget amendment to the US Constitution, garnered substantial support in the 1992 election (McGahey, 2013, p. 731). While Bill Clinton's presidential victory was based in part on campaign promises of public investments in infrastructure, hi-tech research and development, and health and education spending, these priorities were subordinated to the imperatives of deficit reduction, which dominated his two terms as president.[233] Members of the Clinton administration included a range of anti-deficit Democrats and members of the American ruling class, including the 'gang of four' comprised of Lloyd Bentsen, a deficit hawk and business-friendly Texan Democrat as Treasury Secretary; former banker at Goldman Sachs, Robert Rubin,[234] who headed the National Economic Council in Clinton's first term and was later appointed as Treasury Secretary in Clinton's second term; budget director, Leon Panetta; and deputy budget director, Alice Rivlin (Morgan, 2004).

A week after his inauguration, Clinton had a fateful meeting with Alan Greenspan, Chair of the Federal Reserve, in Little Rock, Arkansas. Greenspan outlined meticulously to Clinton the need for a substantial reduction in the federal budget deficit as a necessary precondition to investment and economic growth. Predicated on dubious neoclassical theories of the supposed

[233] Many of these campaign promises were based on Harvard professor Robert Reich's 1991 book, *The Work of Nations*, which promoted human capital development and government interventions in education and training for the 'New Economy.'
[234] As journalist Bob Woodward explains in his revealing account of the Clinton presidency, Clinton had selected Rubin as a close economic advisor following his meeting with Alan Greenspan because he "wanted someone who knew Wall Street and the bond market close to him" (2005, p. 50).

crowding out effects of federal budget deficits (Wray 1997), Greenspan explained how, while the Fed controlled the short-term interest rates through the federal funds rate, it was the *confidence* of the bond market that controlled long-term rates, which in turn shaped investment and growth prospects in the US economy (Woodward, 1994).[235] According to Greenspan and other denizens of the Wall Street confidence doctrine, unless the government committed to radical deficit consolidation, government borrowing would 'crowd out' investment funds from the private sector, resulting in lenders demanding higher interest rates which would in turn drive down private investment and productivity and even precipitate a return to inflation (Reich, 1997, p. 65).[236] While Greenspan downplayed the agency of the Federal Reserve in controlling interest rates under the guise of market confidence (Kripper, 2012, p. 136), this meeting reflected a new political reality and modality of macroeconomic governance across capitalist states consolidating during the 1990s: establishing bond market confidence through fiscal consolidation became accepted as an economic necessity by many of the most powerful policymakers and monetary authorities in capitalist states around the world.

Following meetings with Greenspan, and at the bidding of his own advisors, concerns over bond market confidence remained a foundational concern underlying Clinton's economic policy (Roy and Denzau, 2004). As Secretary of Labour, Robert Reich, details in his memoir *Locked in the Cabinet*, reducing the federal budget deficit became an all-encompassing "conceptual prison" promoted ad nauseum by the 'gang of four' and Alan Greenspan on behalf of Wall Street 'confidence' from the very beginning of the Clinton administration. Describing budget meetings,

[235] Bob Woodward explains the most important message conveyed by Greenspan to Clinton in their meeting: "The long-term rates were also the most sensitive to the federal budget deficit. Credible evidence that the federal deficit was going to be controlled could cause long-term interest rates to drop" (quoted in: Woodward, 1994, p. 66).
[236] US policymakers and monetary authorities such as Greenspan, based on theories of the 'natural rate of unemployment,' retained a belief that an unemployment rate of 6 percent was the threshold below which accelerating inflation would occur (Reich, 1997, p. 177).

Reich (1997) notes how “Greenspan haunts every budget meeting, though his name never comes up directly. Instead, it’s our “credibility” with Wall Street” (p. 64). The spectre of bond market confidence peaked during the fall of 1994, during what came to be known as the Great Bond Massacre, in which ten-year rates on US Treasuries rose from 5.2 percent to over 8 percent in November as the Fed raised short-term rates throughout 1994 for fear of declining unemployment (Borio and McCauley, 1995). This event continued to pervade the Clinton presidency and played a significant role in shaping his fiscal policy agenda.[237]

The Clinton administration’s campaign promises of public investment were soon abandoned as it confronted not only the spectre of bond market confidence, but also a growing tide of anti-deficit politics consolidating around the principles of new constitutionalism. While political economy literature has highlighted the influence of hostile bond markets on the agenda of the Clinton administration (Henwood, 1998; Panitch and Gindin, 2013; Streeck, 2014), less acknowledged is the political consensus surrounding new constitutionalist legislative measures already in place under the Budget Enforcement Act (1990), supported politically by the Democrat-controlled Congress, which enforced fiscal consolidation. Indeed, as the Clinton administration considered its promised public investment stimulus package in 1993, it was just as much the political consensus upholding state-enforced budgetary caps established in 1990 under Bush Sr.’s presidency, which institutionalized statutory limits on spending policies until FY 1995, that contributed to the Clinton administration accepting the supposed imperative of widespread spending cuts to rein in federal spending (Woodward, 1994). Controlling both houses of Congress and the Presidency, it would not be the last time that Democrats played a central role in curtailing

[237] As Clinton reportedly said in utter disdain upon his advisors describing the impossibility of his promised public investment and stimulus package due to bond market fears, “You mean to tell me that the success of the program and my re-election hinges on the Federal Reserve and a bunch of fucking bond traders?” (Woodward, 1994, p. 84).

stimulus measures and enforcing fiscal consolidation measures to placate the perceived interests of Wall Street.

Following the conflagration of Greenspan's meeting, the spectre of bond market confidence, as well as the belated realization by the Clinton administration of the Bush-era spending caps,[238] in 1993, Clinton extended and deepened the Bush legislation. In 1993, the Omnibus Budget Reconciliation Act (OBRA), often referred to as the 'Deficit Reduction Act,' was signed into law by President Clinton. Intended to cut the federal deficit in half by 1997, the legislation extended Bush's caps on discretionary spending for three years to fiscal year 1998, establishing statutory limits on discretionary spending as well as the continuation of PAYGO limits on mandatory spending (Omnibus Budget Reconciliation Act, 1993). As table 7 illustrates, federal budget deficit reduction became the overriding outcome of Clinton's fiscal policy agenda (Pollin, 2000). In 1992, right before Clinton took office, the federal budget deficit stood at roughly $-290 billion. By the time he left office in 2000, this deficit has shifted to a *surplus* of $236 billion, the first budget surplus in over a decade, far outpacing the fiscal retrenchment policies of his two Republican predecessors. Similarly, the Clinton administration also substantially reduced federal net debt from 49.5 percent in 1994 to 34.7 percent in 2000 as a percent of GDP, which marked the lowest level since 1984 (Romano, 2006, p. 58).

Table 7: US Federal Budget Deficit in Constant (FY 2012) Dollars and as Percentage of GDP, 1993-2000

Fiscal Year	Surplus/Deficit % GDP	FY (2012) Dollars (Billions)
1993	-3.8	-387.5
1994	-2.8	-303.4
1995	-2.2	-237.7

[238] Reich (1997) describes Clinton's response to his cabinet members and budget officials informing him that the Bush-era spending caps, which Democrats refused to raise, would essentially veto his stimulus agenda: "Why didn't anyone tell me about the spending caps? We spent week after week going over every little budget item, and no one said a word about the caps!" His face turns beet red, and he hollers. 'Why didn't they tell me?'" (Reich, 1997, p. 104).

1996	-1.4	-152.6
1997	-0.3	-30.4
1998	0.8	95.5
1999	1.3	171.2
2000	2.3	313.9

Source: OMB Historical Tables 1.2 and 1.3. "Summary of Receipts, Outlays, and Surpluses or deficits (-) as Percentages of GDP: 1930-2028" and "Summary of Receipts, Outlays, and Surpluses or deficits (-) in Current Dollars, Constant (FY 2012) Dollars, and as Percentage of GDP: 1940-2028." Retrieved November 22, 2021 from: https://www.whitehouse.gov/omb/budget/historical-tables/.

As tables 8 and 9 highlight, while total federal outlays declined from 13.2 to 12.9 percent during Clinton's first term (1992-1996), the preponderance of cuts targeted discretionary spending, particularly in defence but also housing and transportation, while 'entitlement' or mandatory spending remained stagnant in accordance with the newly established PAYGO rules. This was matched by tax increases including a blend of moderate increases of the top marginal tax on high-income earners, taxes on middle-class retirees, as well as regressive consumption taxes (Roy and Denzau, 2004).

Table 8: Clinton Fiscal Policy Term 1: Outlays by Budget Enforcement Category as Percentage of GDP (Mandatory)

Fiscal Year	*Total	Social Security	Medicare	Medicaid	**Other	Other
1992	10.7	4.4	1.8	1.1	1.2	2.2
1993	10.5	4.5	1.9	1.1	1.2	1.8
1994	10.5	4.4	2.0	1.1	1.3	1.7
1995	10.4	4.4	2.1	1.2	1.3	1.4
1996	10.4	4.4	2.2	1.2	1.2	1.4

*Excluding net interest and 'undistributed offsetting receipts'
**Other Means Tested Entitlements

Source: OMB Historical Table 8.4. "Outlays by Budget Enforcement Act Category as Percentages of GDP: 1962-2028." Retrieved January 22, 2022 from: https://www.whitehouse.gov/omb/budget/historical-tables/.

Table 9: Clinton Fiscal Policy Term 1: Outlays by Budget Enforcement Act Category as Percentage of GDP (Discretionary)

Fiscal Year	Total	National Defense	Non-Defense
1992	8.3	4.7	3.6
1993	8.0	4.3	3.7
1994	7.5	3.9	3.6
1995	7.2	3.6	3.6
1996	6.7	3.3	3.4

Source: OMB Historical Table 8.4. "Outlays by Budget Enforcement Act Category as Percentages of GDP: 1962-2028." Retrieved January 22, 2022 from: https://www.whitehouse.gov/omb/budget/historical-tables/.

Fiscal consolidation and the politics of locking-in commitments to deficit reduction only deepened in Clinton's second term. The 1994 congressional midterms saw Newt Gingrich's Republicans substantially expand their political power, establishing control over the House for the first time in 40 years, as well as the Senate (McGahey, 2013, p. 732). Based on the promises outlined in Gingrich's 'Contract with America,' which included commitments to constitutionalize a balanced budget, a punitive workfare program, tough-on-crime measures, and wide-ranging tax cuts primarily for the wealthy through capital gains, far-right Republicans held the balance of power within the American state for the next several years (Republican National Committee, 1994). Throughout the mid-1990s, anti-deficit populism arguably reached its pinnacle. Not dissimilar from the recommendations of public choice theorists such as James Buchanan and Gordon Tullock, Republicans sought to put in place a constitutional amendment to permanently guarantee a balanced federal budget. In 1995, the US House of Representatives passed legislation to amend the constitution to approve an enforced budget balancing mechanism by 2002, an amendment which fell short by merely one vote in the Senate (Chen and Ross, 1995). Despite not passing a constitutional amendment, these efforts contributed to further fiscal consolidation measures at the federal level. Amidst several standoffs in the mid-1990s, Gingrich's Republicans refused to raise the federal debt ceiling unless the Clinton administration acquiesced to its desired budgetary cuts, leading to two government shutdowns and presaging the political conflicts over the debt ceiling in years to come (McGahey, 2013, p. 733). These shifting political currents also coincided with renewed warnings from Alan Greenspan of the inadequacy of Clinton's first-term reductions in the federal budget deficit (Woodward 1994).[239] Despite these growing political pressures for fiscal consolidation, the Clinton administration ultimately played a central role in advancing the politics of austerity well before the Republican midterm victories, and subsequently conceding to many of the Republicans' demands.

Re-elected in 1996 based on promises to assuage concerns surrounding budget balancing and accommodate the growing right-wing political currents, Clinton's second term saw the deepening of fiscal consolidation and yet steeper contractions in spending. In 1997, under the influence of newly appointed Treasury Secretary, Rob Rubin, Clinton once again extended the legislative mechanisms establishing formal commitments to budget balancing. In the summer of 1997, he signed into law the Balanced Budget Act, which sought to balance the federal budget and establish $247 billion in savings between 1997 through 2002, a benchmark which was surpassed as early as 1998 (Romano, 2006). Despite achieving a balanced budget in 1997, the Clinton administration implemented substantial additional cuts to federal spending, intending to eliminate all outstanding Federal debt (Pollin, 2000). During his second term, however, Clinton's fiscal policy agenda did not spare 'entitlement' spending. As tables 10 and 11 show, cuts to federal government spending throughout Clinton's second term derived not only from discretionary or defence spending cuts, but also from mandatory spending. Substantial cuts were implemented to

[239] Members of Clinton's cabinet, such as Treasury Secretary Lloyd Bentsen, under the guise of the 'natural rate of unemployment' doctrine, often suggested supporting Greenspan's monetary tightening to maintain Wall Street's confidence (Reich, 1997).

most areas of federal entitlement spending, disproportionately to a range of means-tested programs for the poor such as Food Stamps and Aid to Families with Dependent Children, which will be discussed further below.

Table 10: Clinton Fiscal Policy Term 2: Outlays by Budget Enforcement Act Category as Percentage of GDP (Discretionary)

Fiscal Year	Total	National Defense	Non-Defense
1996	6.7	3.3	3.4
1997	6.5	3.2	3.3
1998	6.2	3.0	3.2
1999	6.0	2.9	3.1
2000	6.1	2.9	3.2

Source: OMB Historical Table 8.4. "Outlays by Budget Enforcement Act Category as Percentages of GDP: 1962-2028." Retrieved January 22, 2022 from: https://www.whitehouse.gov/omb/budget/historical-tables/.

Table 11: Clinton Fiscal Policy Term 2: Outlays by Budget Enforcement Category as Percentage of GDP (Mandatory)

Fiscal Year	*Total	Social Security	Medicare	Medicaid	**Other	Other
1996	10.4	4.4	2.2	1.2	1.2	1.4
1997	10.2	4.3	2.2	1.1	1.2	1.3
1998	10.2	4.2	2.1	1.1	1.2	1.5
1999	9.9	4.1	2.0	1.1	1.2	1.6
2000	9.8	4.0	1.9	1.2	1.1	1.6

*Excluding net interest and 'undistributed offsetting receipts'
**Other means-tested expenditures

Source: OMB Historical Table 8.4. "Outlays by Budget Enforcement Act Category as Percentages of GDP: 1962-2028." Retrieved January 22, 2022 from: https://www.whitehouse.gov/omb/budget/historical-tables/.

The Macroeconomic Synthesis of the 'New Economy'

The Clinton administration's fiscal policy agenda marked an historic shift in the trajectory of macroeconomic policies across advanced capitalist states. As central banks were endowed with formal 'independence' from democratic oversight, the imperatives of price stability and fiscal consolidation came to the forefront of government macroeconomic policy. Seeking to institutionally resolve the last vestiges of the 'fiscal crisis of the state' from the 1970s and secure credibility in increasingly hostile bond markets, the 1990s marked the highwater point of new constitutionalism in which states sought to institutionalize budget balancing and other market disciplinary measures (Gill, 1998). The relative macroeconomic stability that coincided with the Clinton administration's fiscal agenda seemed to affirm the credence of Third Way fiscal probity. Reversing the slow growth of the early 1990s recession, real GDP growth increased above 4 percent per year from 1995 through 2000, driven in part by a stock-market and consumption boom, while the official unemployment rate fell from 7.8 percent in 1992 down to 4 percent in 2000 (Kotz, 2003; Board of Governors of the Federal Reserve System, 2023). Declining unemployment was also matched by declining levels of inflation, which remained below 5 percent for Clinton's two terms, seemingly reversing the stagflationary dynamics of the 1970s and 1980s (Pollin, 2000). These trends seemed to betoken a new macroeconomic synthesis. In contrast to the days of the Phillips Curve and the era of stagflation, *both* unemployment and inflation were declining simultaneously. As a result, interest rates remained relatively low with the federal funds rate falling from 5 percent throughout the late 1990s to 1 percent during the early-to-mid 2000s as part of a changing directive of Greenspan's Fed (Board of Governors of the Federal Reserve System, 2023).[240]

One of the primary reasons for this new synthesis was revealed in Alan Greenspan's testimony to Congress in 1997 (Pollin, 2000). As Greenspan described, the lack of wage pressures, despite historically tight labour markets throughout the late 1990s, "appears to be mainly the consequence of greater worker insecurity" and the "willingness of workers in recent years to trade

[240] This was part of the 'Greenspan put,' in which Greenspan's looser monetary policies coincided with sustained asset price inflation from the late 1990s to the end of his tenure in 2006 (Adkins, Cooper, and Konings 2020).

off smaller increases in wages for greater job security" (Greenspan, 1997). In short, a shift in the balance of power between capital and labour during the 1980s and 1990s, which inaugurated a new era of worker insecurity, seems to have underwritten the much-vaunted stability of the 'New Economy' championed by Third Way governments throughout the 1990s.[241] These trends were bolstered by a private investment boom associated with the 'dot-com bubble' and financialization of the late 1990s and early 2000s, which was predicated in part on an historic increase in stock market and consumer-led growth (Kotz, 2003). While these macroeconomic aggregates masked a dramatic escalation of social and economic inequality, the economic stability ostensibly associated with the Clinton administration contributed to the political and institutional embrace of new constitutionalist measures across the capitalist world, particularly in the UK.

New Labour and the Fiscal Golden Rules

Following the steep recession of the early 1990s and the accompanying rise in the central government spending and borrowing costs in the UK, New Labour came to power with the intention of establishing price stability and fiscal discipline to secure confidence from financial markets (Lavery, 2019). The objectives underpinning the political economy of the Blair government were clear. As Tony Blair described in a Mais lecture in 1995, "the growing integration of the world economy" and the free movement of capital meant that "it is not possible for Britain to sustain budget deficits or a tax regime that are wildly out of line with the other major industrial countries" (Blair, 1995, p. 114). In an era of globalized and integrated capital markets,

[241] These historic shifts were most evident in changes to the labour share of national income in the US and UK, a key metric of class power quantifying the total portion of national income as a percentage of GDP captured by labour. From 1970-2014, the labour share of national income dropped by over 10 percent in the US and over 6 percent in the UK, a consistent trend across the advanced capitalist world throughout the neoliberal period (Bengtsson and Ryner, 2015).

'sound fiscal policy' would ensure low borrowing costs and low inflation, in turn stimulating private investment and growth (Blair, 1995, p. 112; Roy and Denzau, 2004). Indeed, New Labour's persistent and pervasive concern with financial market credibility became the overriding principle informing their economic and social policy agenda (Hay, 2004). As one of their first major economic policy reforms, which was passed shortly after Gordon Brown and Ed Balls met with Alan Greenspan and Robert Rubin in a trip to Washington, New Labour granted 'operational independence' to the Bank of England in 1997 and enabled the Monetary Policy Committee to determine control of short-term interest rates based on pre-established inflation targets (Smith, 2010, p. 53). As a central facet of new constitutionalism and depoliticization, control over monetary policy was outsourced to an independent monetary authority to institutionally guarantee price stability, a reform that received a ringing endorsement from *The Economist*.[242]

Following closely from its commitment to price stability, New Labour's adoption of a new regime of fiscal policy was strongly influenced by the policies pursued under the Clinton administration. New Labour adopted macroeconomic policies that subordinated fiscal policy and discretionary spending to the imperatives of monetary stabilization (Arestis and Sawyer, 2003). Their far-reaching re-configuration of fiscal policy became known as the 'golden rules' of public finance. Similar in some respects to the Budget Enforcement Act passed under Bush Sr. and extended under the Clinton administration, the golden rules presented by HM Treasury to Parliament maintained that i) the British state would only borrow to finance long-term investments rather than current expenditures, and that ii) public sector net debt (the PSBR) should rise no higher than 40 percent of GDP (Blair 1998; Treasury 2006). These principles were enshrined in the Code

[242] "Free at last" (10 May 1997). *The Economist*, Vol. 343, Iss. 8016, pp. 53-54. Available from: https://www.proquest.com/docview/224094991/793810D68C4644FBPQ/40?accountid=15182. (Accessed 25 April 2023).

of Fiscal Stability passed under Section 155 of the (1998) Finance Act. Under the pretense of establishing 'transparency' 'reliability' and 'openness' of public finance matters with the public, New Labour sought to monitor and enforce adherence to budgetary decision-making, mandating the publication of a range of pre- and post-budgetary reports on government expenditure and debt levels (OECD 2016). In contrast to the US, in which multi-pronged institutional controls imposed primarily through Congress inhibited discretionary and entitlement spending, austerity in Britain was imposed centrally by the executive arm of the state, primarily the Treasury and the Chancellor of the Exchequer, which enforced performance metrics on other government ministries (Roy and Denzau, 2004; Bateman, 2020).[243] This resulted in a substantial reconfiguration of the fiscal and social priorities of the British state (Romano, 2006). Under New Labour's fiscal golden rules, discretionary spending shifted from a counter-cyclical device and lever of demand management to stimulate full employment to a mechanism of budget balancing (Sawyer, 2007). Building on trends toward fiscal consolidation since the late 1970s, New Labour contributed to an historic shift in the trajectory of fiscal policy within the British state.

From 1997 to 2001, New Labour under the Blair administration pursued a stringent policy of fiscal consolidation. Determined to demonstrate a renewed commitment to fiscal discipline without raising taxes, much of New Labour's first budget measures was financed by a windfall tax on privatized utility companies (Hood and Himaz, 2017, p. 172). The UK central government's budget deficit stood at 2.75 as a percentage of GDP in 1997 upon New Labour's ascension to power. By 2001, after a period of protracted fiscal consolidation, the UK posted a budget surplus of 1.73 as a percentage of GDP, a substantial reconfiguration of UK public finances and the largest

[243] Gordon Brown extended the centralized power of the Treasury in the late 1990s by introducing a wide-ranging system to scrutinize and review departmental expenditures, known as the Comprehensive Spending Review (Berry, 2021, p. 10).

fiscal surplus since the early 1970s (UKPublicSpending, n.d.). Similarly, as table 12 illustrates, total government expenditures were reduced from 34.14 as a percentage of GDP in 1995, down to a low of 31.28 in 2000. While total expenditures declined every year from 1996/7 to 2000/1, as table 13 indicates, the most substantial reductions occurred in welfare, which declined from a high of 7.05 as a percentage of GDP, to a low of 5.01 in FY 2002, marking some of the largest retrenchments in welfare since the rising expenditures associated with the recession of the early 1980s. Perhaps most significantly, public net debt as a percentage of GDP, associated with the much-vaunted Public Sector Borrowing Requirement variable that dominated British politics since in the mid-1970s, declined precipitously under New Labour from 36 percent in 1997 to 26 percent in 2002 (UKPublicSpending, n.d.).

Table 12: UK Total Government Expenditures as Percentage of GDP, 1995-2000

Fiscal Year	**Total Spending % GDP**
1995	34.14
1996	33.69
1997	32.50
1998	32.12
1999	32.26
2000	31.28

Source: Adapted from UKPublicSpending (n.d.). "Time Series Chart of UK Public Spending." Retrieved October 31, 2022 from: https://www.ukpublicspending.co.uk/spending_chart_1990_2007UKp_17c1li111tcn_G0tF0t.

Table 13: UK Public Expenditures by Function as Percentage of GDP, 1996-2003

Fiscal Year	**Pensions**	**Healthcare**	**Welfare**	**Protections**	**Defence**	**Transport**
1996	5.03	4.39	7.05	1.74	2.73	0.53
1997	5.21	4.36	6.79	1.54	2.65	0.5
1998	5.25	4.35	6.26	1.71	2.46	0.84
1999	6.0	4.56	5.32	1.74	2.59	0.82
2000	6.04	4.55	5.42	1.68	2.55	0.8
2001	6.5	4.81	5.11	1.79	2.64	0.82
2002	6.62	5.07	5.01	1.94	2.4	0.96
2003	6.38	5.29	5.23	1.94	2.4	1.18

*Welfare includes spending on 'family and children', unemployment, housing, social exclusion, R and D social protection, and social protection
*Protection includes police, fire, courts, prisons, research and development, public order and safety, public order and safety

Source: UKPublicSpending (n.d.). "Various Items United Kingdom from FY 1996 to FY 2007." Retrieved November 22, 2021 from: https://www.ukpublicspending.co.uk/spending_chart_1996_2007UKp_17c1li011tcn_00t10t40t50t60t30t.

Despite campaigning on a platform of *increased* public investment to enhance 'human capital,' New Labour public finance from the late 1990s through the early 2000s, similar to the Clinton administration, was characterized by fiscal consolidation and retrenchment (Romano, 2006).[244] Indeed, the logic of financial market credibility and fiscal probity took precedence over the Third Way rhetoric of enhanced industrial competitiveness and human capital development (Hay, 2004). Though sustained cuts especially in social expenditures were a central component of New Labour public finance reform, rather than presiding over a simple retraction of the state, public finance underwent a qualitative shift under the Blair government. As Sawyer (2007) argues, conventional metrics of public spending fail to capture how New Labour used a variety of accounting gimmicks to enhance the 'credibility' of the British state. This included the rise of so-called Private Finance Initiatives (PFIs), which were partnerships with private finance for public infrastructure and services that were intended to offset financing costs. New Labour precluded interest payments paid to private finance initiatives as part of its 'current expenditures,' and enabled retroactive modifications in the dating of 'economic cycles' on the budget (Sawyer 2007). These modifications in accounting, alongside a fortuitous period of sustained private investment, inherited low interest rates, and declining unemployment enabled the Blair government to enhance

[244] As Romano (2006) notes, the "declared enthusiasm" of increased public investment "not only failed to materialize under the Blair Government but has actually declined, as a share of GDP, to postwar lows" (p. 97).

its claims to financial credibility and gave credence to the new doctrine of price stability and fiscal prudence (Office for National Statistics, 2023).[245]

Policymakers, central bank technocrats, and the architects of the new era of price stability described the period from the late 1990s through 2007 as 'The Great Moderation' or the Non-Inflationary Constant Expansion (NICE) period. Ruling class complacency with the apparent never-ending macroeconomic stability of this era was encapsulated in Gordon Brown's rumoured claim that New Labour 'put an end to boom and bust' (Summers, 2008). The perceived successes of the Third Way's consensus of fiscal consolidation and price stability became deeply embedded in the American and British states. Underlying this new-found macroeconomic stability, however, was a significant reorientation of social and class power, characterized by increasing economic insecurity, escalating financial instability, and social inequalities. Nowhere were the social effects of these commitments to fiscal consolidation more evident than in the restructuring of social policy and welfare, which had far-reaching effects on the livelihood and conditions of social reproduction of poor and working-class populations and played a central role in the political coalitions underpinning the Third Way.

IV. Welfare State Restructuring Under the Third Way

> Previous governments were satisfied simply to dole out money…We believe that the role of the welfare state is to help people help themselves, to give people the means to be independent. We are creating an active welfare state focused on giving people the opportunities they need to support themselves, principally through work.
>
> Tony Blair (1999), Beveridge Lecture

[245] Official unemployment in the UK declined from over 10 percent during the early 1990s recession to under 5 percent in the mid-2000s (Office for National Statistics, 2023). Available from: https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/mgsx/lms. (Accessed 25 April 2023).

> When I ran for President four years ago, I pledged to end welfare as we know it. I have worked very hard for four years to do just that.
>
> Bill Clinton (August 1, 1996), Announcement on Welfare Legislation

> Welfare reform itself is a factor weighing against any close investigation of the conditions of the poor. Both parties heartily endorsed it, and to acknowledge that low-wage work doesn't lift people out of poverty would be to admit that it may have been, in human terms, a catastrophic mistake.
>
> Barbara Ehrenreich (2001), *Nickel and Dimed: On (Not) Getting by in America*

Throughout the 1980s and 1990s, substantial changes to the governance, structure, and politics of welfare states were ushered in across capitalist states. Some scholars described the emergence of a 'Schumpeterian workfare state' throughout this period alongside the shift toward a post-Fordist global economy, which was characterized by "innovation and structural competitiveness in the field of economic policy" and a "concern to promote flexibility and competitiveness in the field of social policy" (Jessop, 1993, p. 18). These 'macro-regulatory' reforms included substantial transformations from the postwar national welfare state toward a more flexible, decentralized, market-oriented system of 'workfare,' involving the "imposition of a range of compulsory programs and mandatory requirements for welfare recipients with a view toward *enforcing work while residualizing welfare*" (Peck, 2001, p. 10). Others likewise identified the rise of the 'enabling state' (Gilbert, 2002 quoted in: Quadango and Street, 2006), the 'supply side state' (Romano, 2006), or 'social investment state' (Ferrara, 2009) to describe shifts in social and economic policy away from demand management schemes based on income transfers and risk socialization toward more targeted, market-enhancing policies that redirected risks from the state onto families and individuals (Gilbert, 2002; Bakker and Gill, 2003).[246] These social policy

[246] Hacker (2019) describes the substantial reorientation of risk socialization during this period: "Instead of pooling risks through social insurance, those with the power to make policy have been offloading them" onto individuals and families, resulting in "a massive transfer of economic risk from broad structures of insurance" (p. xiv).

reforms were intended to promote 'competitiveness' and 'flexibility' in labour markets, and to reduce 'waste' and 'dependency' in national systems of social welfare (Labour Party, 1996).[247] A 1998 OECD report captured these prevailing shifts in social policy throughout the 1990s:

> By shifting from a social expenditure to a social investment perspective, it is expected that considerable progress can be made in transforming the welfare state. Without losing sight of the important variations across OECD countries, implementation of these new approaches aims to provide a degree of security and social protection that encourages individuals to take risks and be flexible, without hindering job mobility or abandoning those facing long-term exclusion from the labour market (p. 14).

While numerous countries undertook substantial reforms in the realm of social policy throughout the 1990s, these reforms, particularly in the US, constituted a deepening and extension of extant market-enhancing features of existing welfare state institutions. While popular public services and social insurance programs, such as Social Security in the US or the National Health Service in the UK,[248] averted full retrenchment, other programs such as unemployment insurance, pensions, and income support were increasingly reconfigured and recommodified to channel welfare recipients into proliferating low-wage labour and credit markets (Peck, 2001; Dukelow and Kennett, 2018). By reimposing the market as the primary mechanism of securing social reproduction, which had uneven effects across class, race, gender, and citizenship, these processes also facilitated the emergence of a 'poverty industry,' which sought to extend precarious forms of consumer credit to the displaced poor (Bakker, 2003; Soederberg, 2014; Roberts, 2018).

Welfare state restructuring was a central feature of fiscal consolidation promoted by New Democrats and New Labour in the US and Britain throughout the 1990s and early 2000s. While

[247] These reforms were outlined in part in the Labour Party's 1996 manifesto, *Getting Welfare to Work: A New Vision for Social Security* (Labour Party, 1996).
[248] The Clinton administration contemplated the marketization of Social Security in his 1999 State of the Union address, though this was abandoned in large part due to its unpopularity. Aspects of marketization were, however, introduced in the National Health Service, first under the Thatcher administration and subsequently under New Labour including the promotion of 'internal markets' (Leys and Player, 2011).

Third Way politicians, policymakers, and intellectuals often proclaimed the need for a ‘lean’ and ‘efficient’ state to enhance market forces and curtail government expenditures, the institutional restructuring of the American and British welfare states was more complex. Rather than a neoliberal small state, many areas of government social provisioning associated with welfare restructuring became more coercive, surveillance-based, paternalist, and interventionist, particularly in the lives of the unemployed poor (Piven and Cloward, 1993; Soss, Fording and Schram, 2011; Murray, 2011). Rather than across-the-board retrenchment, welfare state restructuring was more accurately reconfigured by a logic of Benthamite ‘inspectability’ (Gill, 1995), or ‘coercive commodification’ (Dukelow and Kennett, 2018), which entailed extensive surveillance and categorization of recipients to generate market-conforming behavioural reforms.[249] As will be discussed below, these reforms were informed by distinctive political-economic objectives as part of the Third Way’s agenda of promoting supply-side competitiveness and noninflationary growth.

During the mid-2000s, governments across the US and UK passed several means-tested transfers administered through the tax code, as well as moderate increases in health and education spending, seemingly mitigating some of the early workfare reforms and trends toward fiscal consolidation. However, as I will discuss below, these reforms were nonetheless predicated on a repudiation of ‘conventional’ welfare state politics that acceded to the political and ideological parameters of anti-welfarism emerging in the late 1970s and 1980s, serving to consolidate the politics of neoliberalism and underwrite capitalist restructuring.

[249] Gill (1995) delineates this logic of Benthamite state restructuring: “…the key to Benthamite political economy was the stress on the need for a strong (but not necessarily large) governmental apparatus and state planning to sustain the free market, especially a free labour market,” which “depended upon systems to classify and to organize populations and to measure their activity” (p. 9).

The Political Economy of Welfare State Restructuring: NAIRU, Supply-Side Competitiveness, and Noninflationary Growth

The new economic policy consensus embraced by Third Way governments throughout the 1990s conferred a substantially different role to government social policy. Under the umbrella of NAIRU and other neo-monetarist theories,[250] while conventional Keynesian macroeconomic demand management in pursuit of full employment was abandoned as a policy objective, supply-side interventions in labour markets and welfare state institutions were increasingly regarded by as necessary to promoting competitiveness and 'noninflationary growth.' Rather than stimulating aggregate demand by boosting working-classes incomes through cash transfers and social insurance, under the political economy of the Third Way, unemployment was, as Hay (2004) notes, "recast […] as an exclusively supply-side phenomenon" that was said to stem in part from the 'rigidities' of labour market protections and benefit systems (p. 46). As Gordon Brown (1999) described in a Mais lecture, rather than the macroeconomic 'fine tuning' of the postwar era, full employment in the "new more open economy" of the 1990s was contingent on 'fiscal prudence' and monetary 'stability,' moving people from welfare to work and thereby strengthening 'employability,' as well as productivity enhancement (Brown, 1999, p. 181). As overly generous welfare state institutions and labour market protections were regarded as fundamental barriers to eradicating 'structural unemployment' (Storm and Naastepad, 2012), labour market deregulation and reconfiguring the social benefit system to compel under- and unemployed populations back to work became central objectives of Third Way social policy. As Gordon Brown (1999) described at the height of the period of fiscal consolidation under New Labour, "the new Government has taken a decisively different approach to employment policy over the past three years aimed at

[250] Gordon Brown (1999) outlined the framework of post-monetarism, illustrating both the convergences and subtle differences between monetarism and New Keynesianism, suggesting that "while Friedman's diagnoses was right his prescription" of stringent monetary targets "was wrong" (p. 186).

reducing the NAIRU. All of our reforms" in social and employment policy, he noted, "are designed for the modern dynamic labour market, now being transformed by the new information technologies" (p. 191). While one side of these reforms entailed deregulating labour markets to promote 'flexibility,' the other entailed reconfiguring benefits systems to 'incentivize,' indeed, to compel, unemployed populations to pursue work activities in exchange for social relief. These workfare reforms were often articulated under the guise of promoting 'responsibility' over 'dependency,' tackling 'social exclusion' and worklessness, and cracking down on 'benefit fraud' by Third Way governments in the US and Britain (Clinton, 1996; Blair 1998).

Gordon Brown (1999) described how such reforms were formulated to conform to the prescriptions of NAIRU and noninflationary growth: "The more our welfare to work reforms allow the long-term unemployed to re-enter the active labour market, the more it will be possible to reduce unemployment *without increasing inflationary pressures*" ([emphasis added], p. 191). While the macroeconomic objectives often prescribed by theories such as NAIRU, i.e., of maintaining at least an unemployment level of 6 percent to avoid inflationary pressures (Pearlstein, 1996), often seemed to conflict with workfare reforms intended to promote employment through supply-side interventions,[251] these objectives were reconciled in a macroeconomic synthesis of the 'New Economy' emerging in the late 1990s and 2000s. With declining levels of unemployment failing to produce escalating inflation as job insecurity and working-class powerlessness became endemic features of the Anglo political economies, welfare reform to promote low-wage job growth no longer generated the same inflationary fears of central bankers and policymakers (Greenspan, 1997).

[251] Robert Reich described these contradictory economic policy objectives between NAIRU and welfare reform in the Clinton administration: "We can't have it *both* ways. Welfare recipients will be at the end of the job queue. If *at least* eight million people have to be unemployed and actively seeking work in order to keep inflation at bay, the additional four million on welfare simply won't find jobs" (Reich, 1997, p. 179).

New Paternalism, Coercive Conditionality, and the Transatlantic Workfare Offensive

Cumulative changes to the structure of the British and American welfare states had been underway since the late 1970s and early 1980s. While qualitative and fiscal changes were implemented within welfare and social security institutions under the Reagan and Thatcher administrations, more far-reaching reforms were frustrated due to the pragmatic difficulties associated with the massive economic dislocations of the 1980s' recessions and the political popularity of certain welfare state institutions (Pierson, 1994; Sutcliffe-Braithwaite, 2012). Welfare state restructuring was subsequently taken up in the late 1990s by Third Way administrations across the US and Britain.

Initially, these changes tracked the period of fiscal consolidation during the late 1990s and early 2000s pursued by both administrations. Social welfare and income support were subjected to perhaps the most wide-ranging cuts and restructuring. As seen in table 13, spending on welfare as a percent of GDP in the UK declined from 6.79 in 1997 to 5.01 in 2002, its lowest since 1973. In the US, under the Clinton administration, and particularly his second term (1996-2000), social welfare spending was similarly consolidated. In addition to eradicating the means-tested federal cash transfer program, Aid to Families with Dependent Children (AFDC), the Clinton administration also slashed spending on food stamps from $21.3 billion in 1992 to $14.6 billion in 2000, in addition a range of other cuts to nutritional support, disability assistance, and social services (CRS Report for Congress, 2001). Mandatory spending as a percentage of GDP in the US fell from 12.9 percent in 1996 to 11.6 percent in 2000 during the Clinton administration's second term (see table 11).

The politics of welfare state restructuring was more complex than across-the-board retrenchment, however. In administering cuts to cash transfer programs, for example, both administrations often targeted social programs with a relatively miniscule price tag in the name of fiscal consolidation. In the US, for instance, the social program that received the most political attention, AFDC, "consumed less than 1% of total mandatory federal spending," so its abolition had "virtually no impact on larger budgetary issues" (Quadango and Street, 2006, p. 307). Grounded in the racialized and gendered politics of American anti-welfarism dating to the 1970s, these cuts were predicated more on the perceived political benefits of formulating a coalition of anti-welfarism than orthodox fiscal consolidation.

Despite the 'lean state' rhetoric deployed by Third Way politicians, workfare reforms often entailed the deepening of state bureaucratic measures to promote the (re)commodification of social provisioning. These reforms were based in part on a new philosophy of governance emerging throughout the 1990s called 'new paternalism' (Soss, Fording, and Schram, 2011). Predicated on the work of figures such as Charles Murray and Lawrence Mead, new paternalist philosophies maintained that a 'culture of dependency' had taken hold within liberal capitalist democracies, whereby populations had come to depend on state social support rather than taking risks in labour markets, creating a new 'underclass' of citizens. The solution, they maintained, required an 'active state' and the extensive regulation and supervision of the poor to reintroduce norms of responsibility and civic obligation (MacGregor, 1999, p. 92). Rather than across-the-board cuts, the imposition of 'workfare' reforms often entailed an *extension* of coercive state efforts to channel the poor into labour markets and mould their behaviour into market-conforming activity (Soss, Fording, and Schram, 2011; Murray, 2011; Dukelow and Kennett, 2018). Whereas welfare-to-work schemes were promoted as a means of downsizing wasteful government expenditures and enhancing the flexibility of labour markets, the imposition of these reforms required an extensive apparatus of state supervision and surveillance to enforce work requirements, sanction non-compliance, and enforce means-testing and eligibility requirements, whether through the centralized JobCentre system in the UK or the de-centralized, state-run workfare programs in the US (Squires and Lea, 2012). This included millions spent on case managers as well as digitized (and often error-prone) reporting systems to monitor the behaviour and compliance of welfare recipients (Quadango and Street, 2006). Rather than surveillance for the sake of state discipline, these expansions in the coercive arm of neoliberal welfare states emerged as part of a broader project of supply-side competitiveness and recommodification that could simultaneously increase the labour supply while avoiding the inflationary wage-price spirals of the 1970s. The result was the reproduction of an insecure, service-based workforce for the low-wage New Economy (Peck, 2001, p. 27; Dukelow, 2021).

Punishing the Poor and Ending Welfare as We Know It

In the lead up to the 1996 presidential election, the Clinton Administration passed the Personal Responsibility and Work Opportunity Act (PRWOA), which effectively abolished the means-tested federal cash transfer program, AFDC, replacing it with a far more time-limited, curtailed, and contingent program, Temporary Assistance to Needy Families (TANF). This included a host of work and behavioral requirements and devolved spending and administrative control to states (Piven and Cloward, 1993; Peck, 2001). In accordance with the draconian reforms promoted by Newt Gingrich's Republicans, a five-year lifetime cap was placed on receipt of TANF, stringent work-related requirements were established, as well as far-reaching behavioral requirements, particularly for single women, with income eligibility thresholds and benefit amounts subject to increasingly restrictive federal conditions that incentivized states to reduce welfare caseloads (Congressional Research Service, 2020).[252]

These reforms were not merely the result of the influence of the Republican Party, however. The Clinton administration had sought to pass welfare reform since its first term based on its earlier campaign promises to 'end welfare as we know it.' Under the influence of Democratic Leadership Council (DLC) strategists such as Bruce Reed, a radical reconfiguration of AFDC based on promoting 'responsibility' for the poor and ending 'welfare dependency' was a top priority of New Democrats (Geismer, 2022, pp. 173-177). In the leadup to the 1996 election, Newt Gingrich's Republicans promoted yet more punitive welfare reforms bills, which barred immigrants from social welfare and included wide-ranging cuts to food stamps. Under the influence of DLC policy elites as well as former Republican political consultant, Dick Morris, who shaped Clinton's 1996 presidential campaign on the basis of a strategy of 'triangulation,'[253] Clinton signed the welfare reform bill in the summer of 1996 (Reich, 1997, p. 272).

Heralded as a 'success' by contributing to aggregate declines in total welfare rolls alongside the broader economic recovery and declining unemployment of the late 1990s, workfare reforms concealed a range of escalating inequalities. Many former recipients of AFDC, for example, took up jobs in large numbers within the low-wage labour market, often losing access to healthcare and other benefits.[254] Similarly, as a growing literature has illustrated, declining unemployment—the dominant metric of welfare reform's ostensible success—was increasingly distorted by the

[252] Quadango and Street (2006) highlight some of the moralistic, behavioural reforms promoted by this legislation: "The major focus of the legislation involved regulating the moral behavior of poor women. To promote th[ese] objectives, PROWA allocated US$100 million to reward states that reduced illegitimate births and provided US$50 million annually for abstinence education and marriage promotion programs" (p. 307).

[253] Triangulation was based on an attempt to appeal to suburban swing voters by embracing the policies and ideological framings of right-wing Republicans to co-opt some of their uncommitted constituencies.

[254] Some estimates indicate that approximately one third of women who left TANF to work lost health insurance (Quadango and Street, 2006).

substantial rise of the prison population, disproportionately amongst poor African American populations, throughout the 1980s and 1990s (Western and Beckett, 1999; Wacquant, 2009, 2010). Following the passage of TANF, sanction levels for benefit recipients skyrocketed across many states in the US, disproportionately in jurisdictions with low-income black populations (Soss, Fording, and Schram, 2011). As a result, total populations using government assistance declined precipitously. In 1994, for example, roughly 5 million families per month received AFDC. By 2001, following the reforms, this dropped to 2.2 million, a decline of 44 percent in merely five years, continuing to fall to 1.96 million in 2006 (Office of Family Assistance, 2018). These reforms overwhelmingly affected low-income single women across the US. Moreover, the real value of the funds distributed through TANF declined consistently following the 1996 reforms. Because the value of the federal block grant to states remained unchanged (regardless of levels of poverty, unemployment, or cost of living), the real value of TANF benefits declined by 22.2 percent from 1997-2007 (Falk and Landers, 2021, p. 2), varying widely between different states. The proportion states spent on cash assistance for the poor also continued to decline, as states used block grant funds for other services and purposes, ranging from subsidies for employers to hire former welfare recipients, to money unspent or used to fill budgetary shortfalls (Soss, Fording and Schram, 2011; Tach and Edin 2017). States that failed to meet reductions in total TANF caseloads or fulfill their work participation requirements faced increasing penalties from the federal government and were conversely rewarded with extra credit from the federal government for caseload reductions (Falk and Landers, 2021).[255]

[255] As part of the new agenda of fiscal consolidation and marketization, numerous attempts were made to outsource these responsibilities to private companies across both US states and in the UK, including data technology and consultancy firms hired to surveil welfare recipients and oversee eligibility requirements. Substantial contracts were offered to large multinational corporations such as IBM, Lockheed Martin, and Maximus Inc. to oversee state-level workfare programs in TANF, child welfare, and Medicaid, for example, in states ranging from Texas and Wisconsin, to California, New York, and Massachusetts throughout the late 1990s (Nightingale and Pindus, 1997).

These changes took place alongside a range of other cuts and reforms to Food Stamps, Unemployment Insurance, as well as the proliferation of various state-level workfare reforms throughout the late 1990s, from Wisconsin to California (Peck, 2001). Indeed, the model of AFDC restructuring requiring work participation and behavioral modification was extended to recipients of public housing support, food stamp recipients, amongst other programs (Soss, Fording and Schram, 2011). These reforms were modelled on so-called 'active labour market' programs pursued under the guise of 'activating' the unemployed and channeling populations back into labour markets. These conditional and contingent forms of social spending, which some scholars have aptly called 'coercive commodification' (Dukelow and Kennett, 2018), comprised part of the disciplinary turn in social welfare and economic policy throughout the late 1990s. While more far-reaching institutional changes to other aspects of the US welfare state such as Social Security largely never came to pass, the effects of these reforms were substantial. In the aftermath of the late-1990s reforms, many populations were caught between the precarity of part-time, low-wage service jobs,[256] and social benefit ineligibility (Edin and Schafer, 2015), living in conditions of abject poverty and often cast aside to a burgeoning informal economy and carceral pipeline (Wacquant, 2009).[257] Indeed, underlying Greenspan's optimism of the new macroeconomic consensus was a burgeoning multitude of insecure poor and working-class populations. This model of welfare restructuring, pioneered in the US, was emulated in many world regions, particularly in Britain.

Despite these attempts at marketization and outsourcing, social welfare largely remained the prerogative of the state, albeit in an increasingly public-private hybrid form.

[256] The pervasive insecurities of working-class life in the aftermath of the 1996 welfare reforms are perhaps best encapsulated in the late journalist and activist, Barbara Ehrenreich's 2001 book, *Nickel and Dimed*.

[257] There is considerable evidence indicating that the historic increase in the US prison population closely tracked the retraction of social welfare, particularly during the 1990s (Soss, Fording, and Schram, 2011, p. 113; Wacquant, 2010).

JSA, New Labour's 'New Deal,' and the Job Centre Panopticon

Stemming in large part from the transatlantic influence of US social and economic policies (King and Wickham-Jones, 1999; Daguerre and Taylor-Goody, 2004), Britain also embarked on a substantial reconfiguration of its social security system throughout the 1990s. Substantial changes had been ushered into the British welfare state under the Major administration with the introduction of the Jobseeker's Allowance (JSA) in 1996. Intended to "transform the benefits system from one that perpetuated dependency to one that rewarded work," JSA introduced a host of work requirements for receipt of benefits, tightened means-testing for eligibility, compelled unemployed populations to 'actively seek work' as a requirement for benefits, and extended the scope and applicability of benefit sanctions and disallowances (Peck, 2001, p. 282; Adler, 2016).[258] These requirements included attending biweekly interviews, demonstrating proof of job search, amongst other behavioral requirements, including the alteration of recipients' personal appearance to appear more 'employable' (Fletcher and Wright, 2018). Similar to the US, albeit imposed more centrally by the central government, JSA marked a turning point in the shift toward workfare by expanding a range of surveillance and conditionality measures, particularly for the unemployed poor. In the UK, these trends toward the convergence of social security and employment resulted in the establishment of the Department for Work and Pensions, a government department responsible for administering Jobcentre Plus (2002-2011). Jobcentre Plus was an executive agency overseeing a centralized, nation-wide panoptic system of workfare intended to enforce new conditions and sanctions for benefit recipients and administer a proliferating system of employment matching, largely for low-wage employers (Wiggan, 2007; Fletcher & Wright, 2018).

[258] Adler (2016) describes these substantial shifts in conditionality requirements for recipients of social security in the UK over the past several decades: "It is no longer enough for claimants to show that they are *available for work*: they now have to demonstrate that they are *actively seeking work* and that they have met the increasingly elaborate demands of those who administer the benefits in question" (p. 199).

One of the central campaign promises of New Labour was to address persistent long-term unemployment, and particularly the dramatic increase in 'incapacity' benefit recipients following the recession and deindustrialization of the 1980s (Albertson, 2020). Under the pretense of combating 'social exclusion,' and 'making work pay,' New Labour embarked on far-reaching efforts to compel unemployed populations back to work and re-integrate them into low-wage labour markets (Nunn, 2007). This included the establishment of a Social Exclusion Task Force in 1997, which drew on prevailing American discourses of the supposed behavioral pathologies behind unemployment and welfare 'dependency,' rather than structural political-economic and social factors (Daguerre and Taylor-Goody, 2004).[259] While skepticism of 'American-style workfare' programs persisted in British politics into the early 1990s, a burgeoning common sense of anti-welfarism encouraged by politicians and think tanks, and growing perceptions of the 'problem' of welfare dependency contributed to a shift in a substantial share of popular opinion. Indeed, by the time of the 1997 election, "cross-party support for workfare-style reforms had emerged" (Peck, 2001, p. 264).

Initially targeting the unemployed youth, New Labour's principal social policy reforms were rolled out as part of the multi-pronged 'New Deal' programs.[260] New Labour's 'New Deal' programs oversaw a range of reforms to the UK social security system, including the extension of compulsory work training through the newly formed Jobseeker's Allowance. These reforms tethered eligibility and receipt of social assistance to work and behavioral requirements based on US models of workfare (MacGregor, 1999; King and Wickham-Jones, 1999; Daguerre and Taylor-

[259] Social exclusion was defined by the new taskforce as "what can happen when people or areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high crime, bad health and family breakdown" (Batty, 2002). Available from: https://www.theguardian.com/society/2002/jan/15/socialexclusion1. (Accessed 16 November 2022).

[260] Despite invoking the legacy of the US New Deal of the 1930s, New Labour's reforms had a substantially different political and ideological thrust that sought to compel the poor back to work, primarily through the coercive hand of the state, without any substantial public investment, jobs program, or redistributive measures.

Gooby, 2004).[261] Most centrally, the 'New Deal' programs rolled out multiple pathways to employment for youth and single parents, including subsidizing employers for employment placements, select education and training, amongst other 'active labour market programs' to be overseen by personal advisors for benefit recipients. While initially only mandatory for particular parts of the population, i.e., the youth and the long-term unemployed, New Labour increasingly made such measures mandatory and expanded the scope and severity of conditionality and welfare-to-work requirements to other populations, e.g., single parents (Adler, 2016). New Labour's reforms also imposed caps on receipt of benefits, elevating the penalties and sanctions for those unable to take up work placements or meet increasing work requirements and behavioural criteria (Peck, 2001, pp. 280-281).[262] Influenced by the US, New Labour's reforms represented a "powerful new consensus…on coercive conditionality," consolidating on both sides of the Atlantic (Fletcher and Wright, 2018, p. 328).

Welfare state restructuring in the UK was likewise applied to a range of other social policy areas under New Labour, as cuts to social security were also followed by declines in the real value of state pensions as a percentage of GDP (see table 13). Perhaps most significantly, it was New Labour's decision, contrary to the promises of the 1992 Labour Party campaign, *not* to reverse Thatcher-era legislation that untethered benefit calculation for public pensions from worker earnings (replacing it with the rate of inflation) that had the largest material implications for recipients (Hay, 1999; Swank, 2002). Indeed, from 1979 to the mid-2000s, the real value of state pensions as a percentage of earnings (the benefit 'replacement' rate) declined from 26 percent to just 15 percent (Rutherford, 2013).

[261] This highly centralized reconfiguration of the social security regime in the UK, however, differed in some respects from the devolved state administered programs in the US.
[262] From 2001 through 2008, the number of sanctions and disqualifications imposed on JSA claimants climbed from 300,104 to over 380,028 in 2008 (Adler, 2016, p. 209).

The Carrot of Third Way Neoliberalism: Means-Tested Tax Credits, the Hidden Welfare State, and 'Social Justice' through the Market

While these coercive reforms in social policy comprised key components of Third Way welfare restructuring, they were also flanked by other, more concealed, distributive transfers. As part of promises to promote 'social justice' and 'equality of opportunity,' Third Way governments in the US and Britain increasingly relied on the administration of tax credits for social policy. As Nunn (2007) contends, central to the politics of New Labour was its utilization of social policy in a "redefined politics of 'social justice,'" in which welfare was "no longer about protection from the market but a pathway to it" (p. 3). Less politically visible than 'conventional' social welfare, New Democrats and New Labour substantially expanded the 'hidden welfare state' of fiscal welfare, particularly in the realm of tax credits (Howard, 1997). In the US, building on gradual reforms underway since the mid-1970s, the Clinton administration increased means-tested tax credit programs such as the Earned Income Tax Credit (EITC) as well as the Child Tax Credit (CTC) as a means of rewarding employment-based income. These foregone expenditures, which undermined the fiscal capacity of the state and rewarded employment, garnered support from both Republicans and conservative Democrats averse to the perceived political liabilities of more directly redistributive social programs (Chappell, 2010). These tax credits bolstered the emerging political consensus on welfare reform by rewarding income in the labour market and, by not being counted as income against TANF recipiency, further incentivizing labour market participation (Quadango and Street, 2006). Under Clinton, Earned Income Tax Credit expenditures increased in the 1993 and 1996 budgets substantially. In 1975, the program covered roughly 6 million families with an average amount of $609 per family; by 1996, this grew to upwards of 20 million families, who received an average of $1,076, with annual expenditures reached $25 billion (Pollin, 2000). While there is disagreement about the distributive effects of the Earned Income Tax Credit program,[263] it comprised part of a qualitative shift in the American welfare state, which solidified a work-based, means-tested consensus on social welfare, and subsidized low-wage employers across the US economy.[264] While moderate increases in the minimum wage were also passed under the Clinton administration, the increasing proportion of means-tested tax credits, in addition to the retrenchment of other forms of social support for the unemployed poor, bolstered the foundations of the low-wage, insecure New Economy for employers (Pollin, 2000).

Under New Labour, after a period of substantial fiscal consolidation from 1997-2001, the Blair administration significantly increased means-tested tax credits. Modelled on US reforms, New Labour introduced the Working Families Tax Credit (2001), and the Child Tax Credit and Working Tax Credit (2003), with total expenditures on tax credits rising to more than £20 billion in 2010 (Sloman, 2019), which contributed to observable reductions in child poverty (Institute for Fiscal Studies, 2007). Marketed as a means of 'making work pay' and alleviating child poverty, the allocation of tax credits to working families was also accompanied by the introduction of a National Minimum Wage, which was more redistributive than in the US. Table 14 illustrates the substantial rise of tax credits administered by the British welfare state during the early 2000s. These social policy reforms constituted a more consensual strategy by New Labour to attempt to

[263] While some suggest that it has lessened poverty, as Tach and Edin (2017, p. 553) indicate, "The EITC is one of many forms of redistribution offered via tax policies, which primarily benefit middle-class and wealthy Americans." See also: Bruenig (2020).

[264] Pollin (2000) distills the mutually reinforcing dynamics of the low-wage economy and the inadequacies of tax credits for the American poor and working class: "Structurally, the interactive effects of a low minimum wage and widened EITC have allowed business to continue to offer rock-bottom wages, while shifting onto taxpayers the cost of alleviating the poverty of even those holding full-time jobs. In sum, the Clinton Administration's anti-poverty programmes have not increased income transfers to the poor as a share of GDP" (p. 27).

live up to its promises of 'social justice' by valorizing employment-based income, as well as bolstering support for its broader agenda of 'inclusive' neoliberalism.'[265]

Table 14: UK Tax Credit Expenditures, 1999/2000-2006/2007* in £GBP million, nominal

Year	Expenditures
1999/2000	1,097
2000/2001	4,469
2001/2002	5,673
2002/2003	6,648
2003/2004	13,438
2004/2005	15,896
2005/2006	17,332
2006/2007	18,684

*Based on the Child Tax Credit, Working Tax Credit, Working Families Tax Credit, and Disabled Person's Tax Credit

Source: Department for Work and Pensions (2013). "Tax Credit Expenditure in Great Britain." Retrieved November 20, 2022 from: https://www.gov.uk/government/publications/benefit-and-tax-credit-expenditure-in-great-britain-january-2013.

Notwithstanding these moderately redistributive measures, increased tax credits emerged alongside other reductions and retrenchment in welfare and social security expenditures. Historic lows in social welfare spending, which had declined to 5.01 percent in 2002, remained virtually stagnant at 5.42 percent into 2007 (see table 13). After a period of steep fiscal consolidation from 1997-2001, New Labour's post-2001 reforms saw both an increase in the real value of certain social programs and tax credits (e.g., the basic state pension, Income Support, and Child Benefit), and a decline in others (e.g., Income Support for couples with no children or single recipients and Jobseeker's Allowance) (Edmiston, 2018, p. 21).[266] The shift toward tax credits was also part of a

[265] As Sloman (2017) describes "If jobseekers' contracts and benefit sanctions form the 'stick' of the activation policies which governments have introduced since the 1980s, tax credits provide a 'carrot' for workers which helps stabilize, reproduce, and legitimize neoliberal capitalism" (p. 19).
[266] Leading up to 2008, New Labour also considered further ways to restrict and render more conditional disability benefits, contributing to the political discourse behind far-reaching reforms of later periods (see chapter VII).

new means-tested, employment-based consensus that largely excluded organized labour as a political constituency, and which continued to preside over the disciplinary restructuring of social security and welfare benefits for the unemployed. Across both the US and Britain, despite modest increases in social expenditures during the early to mid-2000s, both countries continued to spend considerably less on cash assistance for the poor compared to the Organisation for Economic Co-operation and Development (OECD) average (OECD, 2021).[267] These market-enhancing, tax-based social policies were also promoted as part of a broader agenda to sponsor private forms of social provisioning, including through the channels of asset ownership, consumer credit, and financialization as part of the much-vaunted New Economy.[268]

The Third Way Hegemonic Project and the Consolidation of Anti-Welfarism

This strategic shift in social policy promoted by Third Way governments in the US and Britain was intended to circumvent the 'old' politics of the welfare state, and to construct the basis of centrist political coalitions to undergird neoliberal restructuring. Despite moderate increases social expenditures and tax-administered distributive transfers, the Third Way's eschewal of the 'old' politics of the welfare state consummated the politics of anti-welfarism. This included a rebuke of the policies and coalitions of the 1960s and 1970s, including both the nominally class-based politics of redistributive transfers and social insurance financed through progressive taxation and led by organized labour, as well as the social programs associated with the gendered and racial

[267] In 2008, OECD countries on average contributed 10.9 percent of GDP to cash transfers, while the UK stood at 9.8 percent and the US devoted merely 7.7 percent (OECD, 2021). Available from: https://www.compareyourcountry.org/social-expenditure/en/1/datatable/. (Accessed 14 August 2021).
[268] During the late 1990s and early 2000s, both New Democratic and New Labour governments promoted asset ownership as a means of poverty alleviation. The American Dream Demonstration (1997-2002) in the US, for example, passed under the Clinton administration opened targeted savings accounts for low-income populations to encourage private savings and asset ownership, while in the UK, New Labour announced the Child Grant program in 2002, which extended grants to newly born British children to encourage savings and financial literacy (Gamble and Prabakhar, 2005).

politics of militant social movements (e.g., AFDC in the US). As Third Way governments sought to forge a new historical bloc, growing popular ire cultivated against the so-called 'undeserving poor,' first promoted by the New Right, was largely embraced by Third Way administrations. Alongside the secular decline of organized labour and the broader defeat of the left across the US and Britain, popular hostility toward welfare recipients, which was imbricated within the politics of race, gender, and citizenship, served as a mechanism of securing political legitimation.[269]

This was part of a broader 'hegemonic project' articulated by the Third Way, which sought to embed the disciplinary policies of the New Right within an ostensibly more socially inclusive agenda to underwrite economic restructuring (Jessop, 1990; Nunn, 2007; cf. Lavery, 2019).[270] As this chapter has sought to show, this included both a concession to and embrace of disciplinary social policies that targeted the nonworking and 'undeserving' poor, combined with more politically discreet market-enhancing social policies. This included changes to the tax code that dovetailed with the new political-economic agenda of the Third Way, seeking to distribute income to the 'deserving' poor and reward middle-class families with employment and asset ownership, while sanctioning unemployed workers and lower echelons of the class hierarchy unable to attain these socio-economic outcomes.

[269] In both the US and UK, the targeting of the unemployed and 'undeserving poor' by New Democrats and New Labour was accompanied by substantial increases in spending toward policing the poor. In the US, this was borne out by unprecedented expansions of policing, particularly in inner city black neighborhoods, throughout the 1980s and 1990s and increasingly punitive sentencing laws for a range of minor crimes and misdemeanors, contributing to historic increases in the prison population (Wacquant, 2009). In the UK, this included increased policing in deindustrialized neighborhoods, as well as the rise of 'anti-social behavioural orders' (ASBOs), which sought to criminalize the behaviour of the poor (Roberts, 2018).

[270] In contrast to the argument advanced in this chapter, Lavery (2019) contends that the politics of New Labour was a 'one nation' hegemonic project that included significant transfers for low-income populations as well as measures such as the National Minimum Wage and is thus best understood as a combination of social democracy and neoliberalism. However, this overlooks the extent to which the Third Way rebuked the left political coalitions of the welfare state and embraced the *politics* of anti-welfarism. While the Third Way was distinct from the New Right politically and ideologically, New Labour (and New Democrats) also played a central role in politicizing ostensible behavioural pathologies of the so-called 'undeserving poor' through disciplinary social and criminal justice policies. Similarly, its more 'socially inclusive' policies were deliberately crafted to be less politically visible and to evade the 'old' politics of the Left.

In the US, drawing on the longstanding image of the undeserving poor, the Clinton administration radically restructured AFDC, seeking not only to assuage the far-right Gingrich Republicans, but also to appeal to the ostensible electoral preferences of an upper-middle-class suburban political constituency (Reich, 1997). While such reforms likely had minimal immediate effects on shifting mass public opinion on welfare (Soss and Schram, 2007), these transformations nonetheless solidified the longstanding project of anti-welfarism shared both by antipoverty liberals and the New Right in the US dating back to the 1970s.

In the UK, social policy reforms arguably had a more substantial impact in shifting the basis of popular opinion toward an anti-welfarist ethos. According to the *British Social Attitudes Survey*, public support for increasing social security spending peaked in 1984 at 15 percent of the public, declining steadily since the early 1990s and mapping directly onto mainstream party policy discourse and the decline of the organized Left (Clery, Lee, and Kunz, 2013, pp. 29-30; Nunn, 2014). Negative public views toward the unemployed shifted substantially during New Labour's time in office, with an increasing proportion of Labour voters holding the view that the unemployed "could find a job if they really wanted to" rising from roughly 50 percent in 1997 to over 70 percent in 2005 (ibid., 39). Indeed, public opposition toward increasing spending on social security fell precipitously amongst all social classes and supporters of different political parties, most sharply amongst Labour Party voters, suggesting that the post-1997 anti-welfarist position adopted by New Labour contributed to a notable decline in popular attitudes toward welfare spending (Nunn, 2014; Clery, Lee and Kuntz, 2013, pp. 34-35).[271] In this sense, New Labour's

[271] Clery, Lee, and Kunz (2013) highlight the role of the Labour Party in this transformative shift: "Support for extra spending on social security has declined steadily from the early 1990s and it has been argued elsewhere that this reflects the Labour Party's adoption of a less left-wing stance in relation to this area, from the period prior to their election in 1997" (pp. 29-30)

political program was markedly successful, embedding a key plank of Thatcherism within a new historical bloc in the UK.

Conclusion and Prospects

This chapter examined the emergence of a macroeconomic consensus and approach to social policy embraced under the aegis of the Third Way in the US and Britain. As part of a broader approach to macroeconomic governance associated with new constitutionalism and the depoliticization of macroeconomic policymaking, Third Way governments institutionalized lasting commitments to budgetary discipline and technocratic macroeconomic governance. Intended to resolve, once and for all, the ongoing 'fiscal crisis of the state' and secure 'credibility' in financial markets by establishing long-term commitments to price stability, global competitiveness, and fiscal discipline, New Democrats under the Clinton administration in the US and New Labour in Britain embedded lasting changes within macroeconomic and social policy.

Following the period of sustained fiscal consolidation from the mid-1990s through the early 2000s, the trajectory of fiscal policy in the US and Britain seemingly began to reverse. After the historic budgetary surpluses of the Clinton administration associated with the apparent prolonged macroeconomic stability of the global economy, many of the institutional mechanisms prohibiting deficit spending in the US were relaxed. In 2002, for example, PAYGO rules were allowed to expire in the US Congress (Center on Budget and Policy Priorities, 2019). Under the Bush administration, there was a substantial reversal of the fiscal probity of the Clinton administration driven by exorbitant military spending and tax cuts for the wealthy.[272] Alongside the Bush administration's successive tax cuts for corporations and the wealthy, including the Economic

[272] Some estimates indicate that from 2001-2021, total spending and borrowing costs associated with post-9/11 US wars approximated nearly $6 trillion (Crawford, 2021).

Growth and Tax Relief Reconciliation Act (2001), and Jobs and Growth Tax Relief Reconciliation Act (2003), Republican governance in the early 2000s made a mockery of the doctrine of fiscal consolidation previously embraced by the Clinton administration and Gingrich Republicans.[273] In Britain, fiscal consolidation was similarly relaxed in the period from 2001-2008 and stringent commitments to the 'fiscal golden rules' were moderated, often through accounting loopholes that redrew the budgetary cycle (Sawyer, 2007). This enabled, under the influence of Gordon Brown, the expansion of tax credits and increases in health and education spending under New Labour from the mid-2000s through 2007 (Lavery, 2019).[274]

Despite these ostensible breaks with fiscal consolidation, the political and institutional durability of the macroeconomic consensus associated with new constitutionalism embraced during the 1990s resurfaced amidst an historic crisis of capitalism. Underneath the elite consensus of optimism and stability associated with the 'New Economy' of the 1990s and 2000s, the neoliberal model of development pursued by successive governments in the US and UK, and across the North Atlantic more broadly, included a widening and deepening of financial accumulation (Epstein, 2006, p. 3). Extended by New Labour's 'light touch' regulation of the City of London and, most significantly, by the systemic rise of increasingly exotic financial securities on Wall Street associated with the US real estate market, the 2008 global financial crisis augured a new era of crisis fighting unprecedented in peacetime. As bailouts and stimulus policies were leveraged to address an historic crisis, the political consensus of new constitutionalism,

[273] Under Bush, federal debt as a percentage of GDP climbed from 54.8% in 2001 to 67.5% in 2008. Similarly, total government expenditures as a percentage of GDP increased from 29.4 to 32.6 percent from 2001 to 2008, primarily in the realm of defence spending (OMB Historical Tables 7.1 and 14.3, n.d.).

[274] In the UK, for example, total government spending as a percentage of GDP increased modestly from 32.41% in 2001 to 36.85% in 2008, while the trend toward public net debt consolidation was likewise reversed from a low of 27.18% in 2001 to 34.4% in 2008 as a percentage of GDP (UKPublicSpending, n.d.). Available from: https://www.ukpublicspending.co.uk/spending_chart_1990_2008UKp_17c1li111tcn_G0tF0t. (Accessed 14 November 2022).

institutionalized fiscal discipline, and depoliticization once again reared its head, with far-reaching implications for the functioning of welfare states and the conditions of livelihood and social reproduction of the poor and working classes.

Part III: Crisis and Restructuring

Chapter 6: Crisis Management, Depoliticization, and the Return to Austerity in the US and Britain, 2008-2016

> The age of irresponsibility is giving way to the age of austerity.
>
> David Cameron (April 26, 2009), Keynote Speech to Conservative Party.
>
> [F]amilies across the country are tightening their belts and making tough decisions. The federal government should do the same.
>
> President Barack Obama (2010), State of the Union Address.
>
> So what to do? To solve the serious problems facing our country, we need to minimize the harm from legislative inertia by relying more on automatic policies and depoliticized commissions for certain policy decisions. In other words, radical as it sounds, we need to counter the gridlock of our political institutions by making them a bit less democratic.
>
> Peter Orszag (September 14, 2011), 37th Director of the Office of Management and Budget, Too Much of Good Thing: Why We Need Less Democracy, *The New Republic*.

Introduction

The 2008 global financial crisis was the deepest crisis in global capitalism since the Great Depression of the 1930s (Eichengreen and O'Rourke, 2010). Stemming from the systemic instabilities of the US subprime housing market, and the North Atlantic financial system more broadly, the crisis also crystallized broader political, ideological, and social instabilities endemic to neoliberal capitalism. In this sense, 2008 represented not merely an historic economic crisis, but it also signified a broader 'organic crisis' of global capitalism, the social, political, and economic effects of which were felt long after 2008 (Gill, 2012; Jessop, 2013; Seymour, 2014, p. 4; Bieler and Morton, 2018; Stahl, 2019; Gill, Bakker, and Wamsley, 2021).

As the 2008 crisis unfolded, wide-ranging state interventions in the form of bailout policies, fiscal stimulus measures, and 'unconventional monetary policies' intended primary to stabilize financial markets increasingly undermined the ideological foundations of prevailing neoliberal orthodoxies, which suggested that the role of the state was confined to a limited policing and regulation of markets (Davies, 2014).[275] Upending the ruling class hubris associated with the macroeconomic stability of the pre-2007 period of the 'Great Moderation,' the 2008 crisis revealed the centrality of extensive and prolonged state interventions necessary to stabilize the global capitalist order. In the aftermath of 2008, numerous commentators proclaimed an imminent return to Keynesianism (Skidelsky, 2009), or the end of neoliberalism (Mason, 2009). More circumspect observers, however, characterized the post-2008 conjuncture as a crisis *in* rather than a crisis *of* neoliberalism (Saad-Filho, 2011; Gill, 2012). This described the onset of a period in which ever-more state resources were deployed to stabilize and contain a series of ongoing crises, but concrete alternatives to advance lasting political and economic transformation failed to materialize.[276] Social and political forces emerged after 2008 contesting key elements of the neoliberal consensus, including the Occupy Wall Street movement and anti-austerity protests on the Left, and authoritarian populist movements such as the Tea Party on the Right. However, as I will argue in this chapter, what was most striking about the post-2008 period was the dramatic restoration of an embedded elite political consensus on macroeconomic policymaking from the 1990s, which was redeployed after 2008, albeit in new conditions of crisis.

As central banks assumed primary control over containing the crisis, the brief period of bailouts and fiscal stimulus in the US and Britain from 2008-2009 was short lived. In its aftermath, the post-2010 period saw a swift return to fiscal austerity in many world regions (Ortiz et al., 2015), championed by leading international institutions such as the Organization for Economic

[275] Long before 2008, critical scholars identified the increasing frequency and depth of financial crises associated with neoliberal capitalism (Henwood, 1998), as well as the associated role of states, and particularly the US state, in managing and containing such crises (Gill, 2012; Panitch and Gindin 2012). Indeed, crisis management has been deeply linked to the governance of neoliberalism throughout the post-1970s period, in part accounting for its resilience and endurance as a political project and set of social practices.

[276] Stahl (2019) similarly describes the decade after 2008 as a Gramscian interregnum, characterized by a "lack of consensus, political dysfunction, competing hegemonic projects, and a reconfiguration of social forces" (p. 352).

Coordination and Development (OECD), the Bank for International Settlements (BIS), and a broad consensus of policymakers and state officials within and between states (OECD, 2009; BIS, 2009, p. 115). Within the US and Britain, this was propelled by a revival of key features of new constitutionalist macroeconomic governance, including the redeployment of budgetary and fiscal disciplinary measures and the outsourcing of key facets of economic policymaking to 'independent' technocratic authorities. As this chapter will argue, this consensus on macroeconomic policymaking, which became institutionally embedded throughout the 1990s under the political aegis of the Third Way, was redeployed after 2010 by policymakers seeking to depoliticize economic policymaking and externalize responsibility for implementing austerity measures (Burnham, 2014).

This chapter traces the sequence of crisis management policies, from bailouts, stimulus measures, and historic central bank monetary policies to the dramatic revival of the politics of austerity and the broader consensus of new constitutionalist macroeconomic policymaking across the US and Britain from 2010 to 2016. In contrast to prevailing discussions by governing politicians and neoclassical economists that post-2008 fiscal policies were a technical matter to be managed by economic experts, the return to fiscal austerity after 2010 involved deeply political decisions regarding the management of the crisis, the distribution of resources, the determination of which social groups and classes were to bear the brunt of the crisis, and the reconfiguration of the state (Gill, 2012, p. 25; Seymour, 2014). As this chapter will argue, the prevailing logic of crisis management and macroeconomic policymaking after 2008 in the US and Britain was shaped by distinctive class underpinnings. This was characterized by an historic extension of discretionary central bank risk socialization measures in the form of quantitative easing, on the one hand, and a swift return to the politics of austerity, realized disproportionately through cuts to public services and social spending, on the other. While post-crisis austerity measures across the US and Britain did not adhere to doctrinaire fiscal consolidation measures or the small-state rhetoric of neoliberal politicians, the trajectory of post-crisis austerity in both countries had wide-ranging effects on the conditions of social reproduction of poor and working classes, contributing to a burgeoning crisis of legitimacy within neoliberalism, as chapters 7 and 8 will further explore.

This chapter has three sections. The first provides a brief comparative analysis of the forms of crisis management deployed by policymakers and state officials in the US and Britain from 2008-2009. While the trajectories of bailouts and stimulus measures in the US and Britain differed, across both countries, fiscal stimulus was short-lived while central bank crisis fighting became a more long-lasting feature of post-2008 capitalist governance. The second section examines the turn toward austerity beginning in late 2009 and early 2010. After briefly discussing the socio-political forces behind austerity in the US and Britain during 2008-9, I focus on two elements of the revival of the new constitutionalist consensus in the post-2010 period. First, I examine the redeployment of legislative and budgetary mechanisms of automatic fiscal constraint, including rules-based commitments to deficit reduction and budget balancing. In Britain, I examine the new 'fiscal golden rules' implemented first under New Labour in 2010 and then under the Coalition Government (2010-2015). In the US, I assess the re-establishment of the 'pay-as-you-go' (PAYGO) regime and budget sequestration during the 'fiscal cliff crisis' from 2010-2013 under the Obama administration. As part of a political consensus established throughout the 1990s, I illustrate how these budgetary mechanisms were redeployed to shape the trajectory of post-2010 austerity in both countries, offering policymakers an enduring avenue to circumvent the constraints of formal democratic procedures and externalize responsibility for austerity and market discipline (see: Wamsley, 2022). Second, I examine the role of 'independent' technocratic fiscal institutions, including the Office for Budget Responsibility (OBR) in the UK and the Congressional Budget Office (CBO) and Office of Management and Budget (OMB) in the US. I argue that these institutions served to reinforce a technocratic 'common sense' of fiscal austerity in the US and Britain. The third and final section then briefly examines the differing institutional and scalar features of austerity in the US and Britain from 2010-2016, as well as their contribution to escalating dislocation and social crisis across both countries.

I. Bailouts, Stimulus, and 'Unconventional Monetary Policy'

In 2007-2008, as some of the world's largest investment banks and financial institutions faced insolvency, credit dried up in global financial markets, and businesses shuttered. Global annualized GDP contracted by over 6 percent in the fourth quarter of 2008, with 'advanced' countries experiencing a steep decline of 7.5 percent of GDP in the fourth quarter of 2008 (IMF, 2009, pp. xv, 4). From 2008-2011, major economies saw an average decline in output of 8 percent of GDP (Blyth, 2013, p. 46). During the fall and winter of 2008 until 2010, unemployment skyrocketed. In the US, from December 2007-2010, almost 9 million jobs were lost (Schmitt and Jones, 2012), though mainstream employment indices likely significantly underestimated the true scale of unemployment (Howell, 2010). Home foreclosures also escalated dramatically, rising 81 percent in 2008, with more than 3.1 million foreclosure filings—or one in 54 US households—that year alone (Christie, 2009).

While the depth of the financial crisis was historic, it likewise provoked the largest interventions of state resources in peacetime in the history of global capitalism. Central banks and treasury departments around the capitalist world deployed massive resources in response to the crisis. While the lion's share of resources was extended through multi-trillion-dollar central bank swap lines initiated by the Fed (McDowell, 2012; Tooze, 2018), states also purchased toxic financial assets and government bonds, guaranteed loans, and re-capitalized insolvent banks, financial institutions, and corporations. Within the US and UK, historic bailouts were deployed to rescue banks and financial institutions declared 'too big to fail' (Culpepper and Reinke, 2014). In countries with hypertrophied financial sectors exposed to the crisis, such as the US and UK, the scale of bailout policies was dramatic, albeit in ways that were overwhelmingly favourable to banks and financial institutions (Suskind, 2011). In the UK, for example, total financial support offered to banks and the financial sector throughout the global financial crisis amounted to 21.1 percent of GDP compared to the 9.8 percent OECD average (Pontusson and Raes, 2012), totalling over £1,162 billion from 2007-2010 (National Audit Office, 2020).

In response to the crisis, governments across the world implemented stimulus measures amidst the prospect of a looming economic depression (Ortiz et al., 2015). Fiscal responses by capitalist states were shaped by a combination of discretionary and automatic spending. While the former required legislative approval and was typically devoted to financing government department budgets and infrastructure, the latter was associated with forms of social protection (e.g., unemployment insurance), which, alongside declining tax burdens associated with falling incomes, comprised the 'automatic stabilizers' of capitalist crisis management.[277] The trajectory of fiscal responses between different countries varied widely, however, even between the US and UK.

[277] 'Automatic stabilizers' refer to "those elements of fiscal policy which reduce tax burdens and increase public spending without discretionary government action" (Dolls, Fuest, and Peichl, 2012, p. 1)

The United States: Restoring Market Confidence, Tax Cut Stimulus, and Unstable Stabilizers

Within the US, as the Obama administration took power, the economy was shedding over 800,000 jobs a month (Uchitelle, 2009). In 2008, more jobs were lost in the US economy than in any year since 1945 (ibid). US household net worth fell $13 trillion during 2008 alone (Krugman, 2012). Indeed, the effects of the economic crisis in the United States were severe, not least due to the outsized role of the financial sector within the American economy and its exposure to the securitized subprime mortgage market. The Troubled Asset Relief Program (TARP), signed into law during the last days of the outgoing Bush administration, totaled roughly $700 billion and was based predominantly on the purchase of toxic financial assets and securities from banks and financial institutions (Sahadi, 2008). With interest rates slashed to zero and levels of unemployment skyrocketing, however, it became clear that a fiscal stimulus package was needed to avert an economic depression. With Democrats extending their majority in both houses of Congress in the 2008 elections, including a brief supermajority in the Senate, the Obama administration seemed to have an historic mandate to address the crisis.

The Obama cabinet and its economic policy advisors, however, was pervaded both by 'Rubinite' Democrats, i.e., 'New Democrats' from the Bill Clinton era who harbored a shared fiscal conservatism promoted by former Goldman Sachs executive and secretary of Treasury under Bill Clinton, Robert Rubin, as well as sundry members of the American ruling class (Van Apeldoorn and de Graaff, 2017).[278] The ideological inclinations of many members of Obama's cabinet was outlined in the Hamilton Project, a Washington D.C. economic policy think tank whose founding principles included a staunch commitment to fiscal discipline and aversion to

[278] Of 19 selected policymakers in Obama's cabinet, 14 members had previously occupied top-level corporate positions, specifically in the finance and technology industries, one third of which were F-500 companies (Van Apeldoorn and de Graaff, 2017).

budget deficits.[279] Amongst the most prominent and influential members of the Obama administration were Secretary of Treasury and Wall Street ally, Timothy Geithner; Peter Orszag, founding director of the Hamilton project and former Citigroup executive, who headed the highly influential Office of Management and Budget (OMB); Chief of Staff and Clintonite Democrat, Rahm Emanuel; as well as two highly influential economic advisors, Paul Volcker, who chaired Obama's Economic Recovery Advisor Board, and New Keynesian economist and former Secretary of Treasury under Bill Clinton, Larry Summers. The Obama administration's stimulus package was overwhelmingly shaped in the shadow of fiscal conservatism and the macroeconomic consensus forged during the 1990s, championed forcefully by Geithner and Orszag (Tooze, 2018).[280] Proposals for a larger $1.8 trillion dollar stimulus package were swiftly rejected, particularly due to the influence of Summers, who viewed it not only as an electoral liability but also thought it may 'crowd out' private investment and induce of a lack of confidence within financial markets (Summers, 2008). Notwithstanding declining bond yields on US treasuries amidst an unprecedented quantitative easing (QE) program being rolled out by the Federal Reserve (see table 15), concerns surrounding bond market confidence, precisely the apprehensions that had overwhelmed the Clinton presidency, pervaded the Obama administration.[281] Re-establishing

[279] The economic policies promoted by the Hamilton project are an intellectual descendent of the politics of the Third Way. As the 'Mission and Vision' section of its website reads, "Our strategy calls for combining public investment, a secure social safety net, and fiscal discipline" (The Hamilton Project, n.d.). Available from: https://www.hamiltonproject.org/about/mission/. (Accessed 23 November 2022).

[280] As Tooze (2018) puts it, "What became evident in the spring of 2009 was that the historical memory that was most alive in the Obama administration was not that of FDR or JFK but that of the last Democratic administration, under Bill Clinton in the 1990s" (p. 281).

[281] These concerns were outlined in a 2008 memo drafted by Larry Summers to President-elect Obama. As the subsequently declassified memo read, "An excessive recovery package could spook markets or the public and be counterproductive." What was needed, the memo further notes, was for "accompanying recovery actions with strong measures to reinforce medium term fiscal credibility" (Summers, 2008, p. 11). Available from: https://www.theguardian.com/commentisfree/cifamerica/2012/jan/24/larry-summers-memo-hobbled-obamas-stimulus. (Accessed 25 April 2023).

market confidence and the stability of the financial sector was thus the overriding objective shaping stimulus measures.

Table 15: Interest Rates on Ten-Year Government Bonds US and UK, 2008-2016

Year	UK	US
2008	4.49	3.74
2009	3.67	2.52
2010	4.00	3.73
2011	3.72	3.39
2012	2.11	1.97
2013	2.07	1.91
2014	2.91	2.86
2015	1.59	1.88
2016	1.78	2.09

Sources: Adapted from International Monetary Fund. (2016). "Interest Rates, Government Securities, Government Bonds for United Kingdom." Retrieved from Federal Reserve Economic Data, Federal Reserve Bank of St. Louis on April 21, 2022 from: https://fred.stlouisfed.org/series/INTGSBGBM193N; and Organization for Economic Co-operation and Development. (2016). "Long-Term Government Bond Yields: 10-Year: Main (Including Benchmark) for the United States." Retrieved from FederL Reserve Economic Data, Federal reserve Bank of St. Louis on April 22, 2022 from: https://fred.stlouisfed.org/series/IRLTLT01USM156N.

Despite its substantial price tag, the principal stimulus measure of the Obama administration, the American Recovery and Reinvestment Act (ARRA) signed into law February 2009 was described by centrist New Keynesian economist, Paul Krugman, as "woefully inadequate to the task" (Krugman, 2012, p. 109). In concessions both to conservative Democrats and the sole three Republicans who voted for the bill, the Obama administration significantly curtailed its initial stimulus proposal, cutting over $100 billion in additional aid to state and local governments (Krugman, 2012). The ARRA totaled $787 billion, the largest stimulus in US history and the largest post-2008 fiscal package in the Western capitalist world (Tooze, 2018). Of that figure, however, almost 40 percent was devoted to tax cuts (Rasmus, 2019), while the remaining funds were divided between mandatory ($296 billion) and discretionary spending ($227 billion) (Tooze, 2018, p. 279; Ramus, 2019).[282] In the aftermath of the crisis, states faced dramatic budgetary shortfalls from falling tax revenues, which declined on average by 13 percent between 2007 and 2009 (Crotty, 2012, p. 97). In this respect, the ARRA provided a temporary lifeline for state budgets,[283] accounting for upwards of 40 percent of state tax receipts in 2010 (Jonas, 2012, p. 24). The remainder of the funds went to discretionary funding on infrastructure, transportation, building upgrades, etc., while spending on social programs comprised a marginal proportion of the stimulus package. The most significant increases occurred in changes to unemployment relief with $40 billion earmarked for a temporary unemployment benefit extension (and a further extension of $55 billion in the summer of 2009), which lengthened entitlement periods for receipt of unemployment assistance. $19.9 billion was allocated for Supplementary Nutritional Assistance Program (SNAP), with $14 billion for Social Security top ups and Supplemental Security Income (SSI) payments, and a mere $3.2 billion for Temporary Assistance to Needy Families (TANF) (US House of Representatives Committee on Appropriations, 2009). Many of these payments were temporary, however, and only moderately cushioned the dramatic socio-economic fallout and dislocation from the crisis, the effects of which will be discussed in subsequent chapters.[284]

In comparative terms, the US discretionary fiscal measures far outpaced countries in the EU (Pontusson and Raes, 2012). This was in part due to the relatively miniscule role of automatic stabilizers in the US, which, in contrast to countries in the EU, were marginal (Dolls, Fuest, and Peichl, 2012; Russek and Kowalewski, 2015). While the ARRA served as a discretionary form of

[282] Later additional fiscal measures in 2009 included $75 billion to auto and housing sectors, as well as $55 billion to extend unemployment insurance (Rasmus, 2019).
[283] Roughly 18 percent of ARRA was comprised of direct relief to states and localities, primarily through Medicaid extensions, with more funds channeled to sub-national jurisdictions through other transfers.
[284] Perhaps most inadequate was the paucity of assistance offered by the Obama administration to the millions of renters facing eviction and homeowners facing foreclosures (Merle, 2016). Available from: https://www.washingtonpost.com/news/business/wp/2016/12/30/after-helping-a-fraction-of-homeowners-expected-obamas-foreclosure-prevention-program-is-finally-ending/. (Accessed 23 November 2022).

stimulus, unlike the automatic stabilizers of other countries, its measures were more time-limited, partial, and incomplete. Moreover, the trajectory of American stimulus was, as Rasmus (2019) describes, led by tax cuts and tax credits, which were "the primary vehicle for offering relief to most Americans" (pp. 85-86). In comparison to enhanced social spending, tax cuts are widely viewed as less effective in cushioning income shocks and boosting aggregate demand, contributing to a further deterioration of public services from declining tax revenue (Dolls, Fuest, and Peichl, 2012, p. 1). Notwithstanding the size of the US fiscal response in absolute terms, its trajectory was deeply constrained by the logic of fiscal conservatism, and the foundations of the fragmented US welfare state, which failed to cushion the fallout of the historic 2008-2010 crisis.

Britain: The Collapse of City Revenues and Means-Tested Stabilization

The effects of the economic crisis were similarly severe in Britain. While levels of unemployment and foreclosure did not reach those of the US, the financialized UK economy was likewise vulnerable to the unfolding crisis. The fallout was compounded by a steep decline in tax revenue from financial services, which comprised a significant and growing proportion of tax revenue in the UK since the 1990s. Between 2006-2007, under New Labour's 'light touch' regulation of the City, the financial sector's contribution to net corporate tax revenue stood at £10.73 billion; by 2009-2010, amidst the fallout from the crisis, this fell dramatically to £4.57 billion, a 40 percent drop in overall tax revenue in two years (Thompson, 2013, pp. 483-484). Following the shockwaves sent through the global economy in the fall of 2008, Gordon Brown's New Labour administration put together an emergency budget in November of 2008.

In contrast to the US, the preponderance of the British fiscal response came from its automatic stabilizers, and particularly from declines in tax liabilities (Paulus and Tasseva, 2020).[285] With a relatively parsimonious unemployment insurance system compared to OECD countries (OECD, 2019),[286] income support was provided in large measure through means-tested social assistance and tax credits, which were less capable of cushioning socio-economic displacement than unemployment insurance (Saldago et al., 2014). The 2008 stimulus package was principally oriented toward reducing tax liabilities, including cuts to the value added tax (VAT) and the basic rate, tax relief for businesses, some additional capital spending, and temporary increases in Child Benefit payments, Child Tax Credits, unemployment, and mortgage assistance, totalling roughly £20 billion excluding loan guarantees (HM Treasury, 2008; Elliot and Wintour, 2009). Including additional measures in 2009, from 2007-2010, there was a 7 percent increase in government discretionary spending (Stanley, 2016).

Due primarily to the cushioning effect of automatic stabilizers, and the protection of social services from cuts, the immediate post-crisis response of the Brown administration in the UK was moderately redistributive. From 2008-2010, incomes grew fastest for the poorest fifth of the population (3.4 percent), and slowest for the richest two-fifths (0.3 percent) (Oxfam, 2013). At the subnational level, compared to the US, UK local authority fiscal responses were more counter-cyclical and fiscally expansionary (Jonas, 2012, p. 28). As a result, inequality in the UK as measured by the Gini coefficient fell slightly from 2007/8 to 2012 for the first time in decades (Institute for Fiscal Studies, 2014; referenced in: Lavery, 2019, p. 162). This was due to the

[285] While net public debt rose from 2.9 percent of GDP in March 2008 to over 8 percent of GDP in November, for example, only 1.1 percent of GDP was attributed to discretionary spending with the rest deriving from automatic stabilizers (Sawyer, 2012, p. 206).

[286] See, for example, the OECD's 'net replacement rate in unemployment' (OECD, 2019). Available from: https://stats.oecd.org/Index.aspx?DataSetCode=NRR. (Accessed 24 November 2022). The net replacement rate refers to the difference between the recipient's previous employment income and the support provided by unemployment benefits.

protection of nonworking household incomes and those receiving government social support, whereas incomes in the private sector declined substantially (Lupton et al., 2015). These trends, however, were temporary, and stood in stark contrast to dominant patterns of rising inequality of the past several decades (Oxfam, 2013). As a proportion of its economy, the total UK stimulus response, including automatic stabilizers, was similar to the US (Pontusson and Raes, 2012).[287] Despite historically low levels of social spending preceding the crisis, and the limitations of tax cut-led stimulus policies, the US and UK implemented comparatively large stimulus measures relative to the OECD average (Dolls, Fuest, and Peichl, 2012, p. 10). Amidst a profound and deep-seated crisis of capitalism, and in apparent contrast to the macroeconomic consensus embraced during the 1980s and 1990s, leading neoliberal states, it seemed, were capable of substantial fiscal intervention.

Despite this temporary juncture of fiscal stimulus, concerns surrounding escalating national deficits and public borrowing costs soon followed. In the UK, public spending rose from 38.9 percent of GDP in 2007-2008 to over 44.9 percent in 2009-2010, with declines in tax revenues falling from 36.2 percent of GDP to 35 percent, generating a deficit of £153 billion (Institute for Fiscal Studies, 2018). At its height, the UK central government budget deficit stood at 11 percent of GDP in 2009-2010 (HM Treasury, 2010, p. 8). While public sector net debt was not considerably high by historical standards (UKPublicSpending, n.d.), these fiscal trends nonetheless provided fodder for opportunistic accusations of fiscal profligacy by the Conservative Opposition and media, which dominated the 2010 election cycle. In the US, federal government spending rose from 19.7 as a percentage of GDP in 2007 to 24.1 percent in 2011, while the budget deficit increased to 10 percent of GDP in 2009, declining to 8.9 percent in September 2010 (Congressional

[287] Between 2008-2010, average annual stimulus as a percentage of GDP was 2.5 percent in the UK and 2.58 percent in the US, though the US economy was very much larger (Pontusson and Raes, 2012).

Budget Office, 2010). Gross government debt as a percentage of GDP rose from 67.2 percent in 2007 to 102.9 percent in 2011 (Jonas, 2012). While public spending from stimulus measures made a small contribution to the federal budget deficit (see table 16), and notwithstanding declining government borrowing costs (see table 15), an anti-deficit bipartisan political consensus re-emerged during late 2009 and 2010.

Table 16: Sources of US Federal Budget Deficit, 2009-2019

Source	Contribution to Deficit by Percentage
Bush-era tax cuts	41 percent
Lost revenue from economic downturn	25 percent
ARRA stimulus	9 percent
Other economic recovery measures	7 percent
Afghanistan/Iraq War costs	9 percent
TARP, Fannie Mae, and Freddie Mac bailouts	2 percent
Other	7 percent

Source: R. McGahey (2013) “The Political Economy of Austerity in the United States.” *Social Research*, 80(3), p. 721.

Central Bank Crisis Fighting, Risk Socialization, and Depoliticization

Far outstripping these temporary stimulus measures, the primary avenue of crisis fighting was undertaken by central banks, and principally the Federal Reserve in the US. From 2008 onward, both the Federal Reserve and the Bank of England dramatically expanded their remit. A regime of ‘unconventional monetary policy’ emerged that was based on rock-bottom interest rates as well as historic expansions in central bank balance sheets. In the US, successive rounds of ‘quantitative easing’ (QE) took place from 2008-2014 as the Fed purchased trillions of dollars’ worth of toxic financial assets and Treasury bonds at an unprecedented speed and scale (Tooze, 2018). Initially rolled out in 2008 and 2009, QE become an ongoing feature of macroeconomic governance in advanced capitalist states throughout the 2010s.[288] This was accompanied by a dramatic reduction of the Fed's benchmark interest rate, the federal funds rate, from 5.25% in 2007-8 to 0.25% in 2009 and as low as 0.07% in October 2011 (Board of Governors of the Federal Reserve System, 2022). In the UK, the Bank of England similarly expanded its QE measures, purchasing gilt-edged securities on a substantial scale in 2009 and afterward, while also dropping its base rate from 5.5% in 2007 to 0.5% in March 2009 (Bank of England Annual Report, 2012).

This new regime of QE was based on the logic of purchasing historic amounts of mortgage-backed securities and government bonds, driving down bond yields, and increasing investor demand for alternative high-return assets to generate trickle-down stimulus and bank lending (Watkins, 2014; Green and Lavery, 2015; Srnicek, 2017). Despite contributing to declining government borrowing costs and likely preventing rising unemployment, QE also functioned as a price floor beneath the bonds and toxic assets owned by financial institutions and investors behind the 2008 crisis, amounting to a historic socialization of the losses of financial institutions and a broad underwriting of the value of investor assets (Montecino and Epstein, 2015; Green and Lavery, 2015; McBride and Evans, 2017). Extending the de facto bailout policies and socialization of the risks of financial institutions that emerged amidst the financial instabilities of the 1980s and 1990s under the purview of the Fed (Konings, 2011), post-2008 monetary policy saw central banks undertake an even more interventionist role in preferentially shielding propertied classes and social groups from market risks (Green and Lavery, 2018).

The discretionary capacities deployed by central banks to undertake these extraordinary measures amidst the 2008-2010 crisis was rooted in decades-long efforts to fortify central bank 'independence' and insulate them from political oversight and democratic accountability, a key

[288] Within the US, the largest experimentation of QE from mid-2008 to 2014, for example, included an expansion of the Fed balance sheet by an estimated $3.5 trillion (Federal Reserve Board, 2023).

facet of new constitutionalism (Gill, 2012, pp. 241-242). While the regime of QE rolled out after 2008 upended the Fed's approach of obfuscating its agency under the guise of 'market confidence' (Krippner, 2012), revealing the centrality of the Fed in stabilizing global capitalism, its approach to crisis fighting was rooted in the policies and practices of depoliticization. While depoliticization, as chapter 5 illustrated, often entails the outsourcing of policymaking to technocratic authorities that seemingly bounds them to market expectations and curtails state capacity, as Burnham (2014) notes, it can also paradoxically enhance state capacities while nonetheless *appearing* to bind the hands of policymakers to market expectations (Wamsley, 2022). This dynamic was central to post-2008 central bank crisis fighting, an enduring legacy of new constitutionalism, which both allowed for the substantial and relatively novel discretionary interventions of central banks but also enabled policymakers to continue to externalize responsibility for macroeconomic policymaking.

Rather than a politically neutral policy response, the effects of QE combined with the trajectory of fiscal policies and fallout from the crisis contributed to a steeply unequal macroeconomic 'recovery.' Reflecting longstanding material networks and ideological affiliations between 'independent' central banks and financial and banking sectors (Epstein and Schor, 1995), QE functioned as a safety net and asset floor for the wealthy, stabilizing a deeply unequal and financialized political economy that saw investors and corporations channel subsidized wealth into stock buybacks and financial assets rather than long-term investment (Adkins, Cooper, and Konings, 2020). Indeed, the combined effect of QE and fiscal austerity in the US and Britain contributed to a period of 'regressive redistribution' from 2010-2016, in which monetary policy subsidized asset prices for financiers, investors, and affluent homeowners, while fiscal policy imposed the burdens of economic adjustment onto politically disempowered poor and working classes (Green and Lavery, 2015).

Another consequence of QE, however, was to drive down long-term yields on government bonds, which enabled governments to dramatically expand public spending and borrowing without the looming threat of 'bond vigilantes' (Stubbington and Fletcher, 2020). In countries with their own central banks and currencies such as the US and Britain, as central banks indirectly drove down the costs of government borrowing,[289] market 'confidence' and the structural power of creditors, in theory, no longer seemed to possess the same power over government fiscal policy in the post-2008 period. Indeed, to the surprise of many, US and UK government borrowing costs plummeted despite the persistent fallout from the crisis amidst the rollout of unconventional monetary policy and central bank QE policies (IMF, 2012).[290] Despite historically low government borrowing costs (see table 15), however, concerted efforts by domestic political coalitions and a historical bloc across the US and Britain sought to reimpose fiscal austerity, often under the guise of appeasing market confidence. In the aftermath of the unprecedented socialization of the losses of financial institutions and corporations, as budget deficits increased and government spending devoted to income supports for poor and working classes increased modestly, policymakers and politicians drew on the political consensus forged during the 1990 to depoliticize macroeconomic policy and externalize responsibility for a return to austerity.

II. The Return to Austerity, 2010-2016

Rather than signifying an enlightened reorientation of policy governance amongst the Anglo-American ruling class, the temporary embrace of fiscal stimulus from 2008-2009 was forged in

[289] By 2011, for example, the Bank of England balance sheet accounted for almost 30 percent of government issued bonds (Thompson, 2013, pp. 486-487).

[290] As the 2012 IMF Fiscal Monitor report remarked in disbelief, "Remarkably, interest payments as a percentage of GDP in Canada, France, Germany, the Netherlands, and the United States will be lower in 2012 than they were before the crisis" (IMF, 2012, p. 15).

the crucible of crisis containment. Already in the early months of 2009, even as official unemployment levels climbed toward 9 percent in the United States and foreclosures continued to reach record levels, the siren song of fiscal consolidation and deficit containment was encircling the highest levels of policymaking in the US and Britain. Speaking to the Treasury's Committee in March 2009, governor of the Bank of England, Mervyn King, warned of the UK's growing budget deficit and the need to be "sensible" and "cautious" about further stimulus measures (Hopkins, 2009). In the Obama cabinet, Secretary of Treasury, Timothy Geithner, and Director of the OMB, Peter Orszag, pushed for extensive deficit consolidation shortly after the passage of Obama's stimulus measures. At the April 2009 G20 summit hosted in London, surrounded by mass protests in the streets decrying the post-2008 bailout policies, banker bonuses, and inaction on climate policy, state officials largely emphasized the need to maintain stimulus measures and implement regulatory reforms within the financial sector. Despite this emphasis, the G20 communique also contained intimations of what was to come, highlighting the need for "credible exit strategies" from post-2008 stimulus measures to ensure "long-term fiscal sustainability and price stability" (OECD, 2009, para. 11). The tone struck at the subsequent G20 summit held in September 2009 in Pittsburgh magnified this theme, as members emphasized the need to "shift from public to private sources of demand" in the global economy and to "develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support" (OECD, 2009, para. 14). Within both the US and Britain, the balance of political and social forces from late 2009 through early 2010 seemed to suggest that, despite the opening of the fiscal taps amidst an historic crisis, austerity was not far off from the centers of political and economic power.

In the aftermath of the 2008 crisis, the revival of neoclassical economic theories justifying fiscal consolidation functioned as political ammunition for policymakers and often served as direct justification for curtailing public debt burdens and consolidating budgets (Krugman, 2012; Blyth, 2013).[291] Similarly, in the aftermath of 2008, social movements emerged in response to the social and economic dislocation caused by the crisis, the one-sided bailout of banks and financial institutions, and the patchwork and short-lived stimulus measures. Despite the emergence of nascent Left movements such as Occupy Wall Street, it was largely the political forces of the Right that gained the most traction. In the United States, the explosion of the Tea Party movement, a far-right, oligarch-funded political formation that combined discontent of the bailout packages with broad opposition to government deficits and social spending, transformed the political landscape with the Republicans gaining significant ground in the 2010 midterm elections (William, Skocpol, and Coggin, 2011). Alongside the more doctrinaire anti-deficit fiscal conservatism of governing Democrats, a political consensus of spending cuts, albeit with substantially different orientations toward taxation measures, took hold in the US. In Britain, the Conservative Opposition quickly changed tack from its earlier embrace of 'Big Society' conservatism to impugn the Brown administration's alleged fiscal profligacy as the source of the UK's economic malaise (Lavery, 2019).

Neither post-2008 electoral opportunism nor discursive shifts in economic policy, however, alone accounted for the revival of the politics of austerity across the US and Britain in 2010. Rather, in both countries, longstanding policies and practices of new constitutionalism seeking to

[291] In May of 2010, economists Carmen M. Reinhart and Kenneth S. Rogoff published a paper purporting to find historical evidence that governments with debt-to-GDP ratios exceeding 90 percent experienced catastrophic reductions in levels of economic growth (Reinhart and Rogoff, 2010). These papers, alongside the revival of theories of 'expansionary fiscal consolidation,' were used to justify austerity measures by politicians. As George Osbourne remarked in his Mais lecture in 2010, "As Rogoff and Reinhart demonstrate convincingly, all financial crises ultimately have their origins in one thing - rapid and unsustainable increases in debt" (Lyons, 2013). Retrieved April 28, 2023 from: https://www.mirror.co.uk/news/uk-news/george-osbornes-favourite-economists-reinhart-1838219.

enforce fiscal discipline in order to satisfy the elusive confidence of financial markets and insulate macroeconomic policymaking from popular democratic pressures had become deeply embedded in state institutions (Gill and Cutler, 2014; Wamsley 2022). As the practices of fiscal prudence and orthodoxy were abandoned to rescue banks throughout 2008-9, these budgetary practices were drawn upon and redeployed by policymakers and state officials to externalize responsibility for austerity measures. Across both countries, policymakers and state officials implemented disciplinary budgetary measures and fiscal rules intended to institute automatic constraints on government spending and borrowing and established numerous quasi-independent technocratic bodies and fiscal watchdogs to embed a 'common sense' of fiscal austerity within the state and elements of civil society (Seymour, 2014).

UK: New Fiscal Golden Rules & the OBR

Leading up to the May 2010 election, anti-deficit hysteria reached fever pitch in the UK. In the aftermath of the 2008 crisis, public finances had borne much of the brunt of the losses induced by the banking sector and declining tax revenues from the City. By 2010, the UK's budget deficit stood at roughly 10 percent of GDP with government debt as a percentage of GDP over 75 percent, while sterling dropped by 20 percent (Weldon, 2021, p. 286). While these budget deficit and national debt figures were not unprecedented by historical standards, and though the British government's capacity to service its debts was never truly in question (Gamble, 2015), the specter of a bond market panic and credit downgrading was continually invoked during 2010, particularly in relation to Greece's unfolding crisis (HM Treasury, 2010). Facing backlash from the media and Conservative Party, it was the Labour Party that initiated the turn toward fiscal consolidation. Speaking to an annual conference of business groups in April of 2009, Chancellor of the

Exchequer, Alisdair Darling reassured attendees that there was not a "single item of government expenditure" that would escape scrutiny under the impending cuts (Falloon, 2009). In February of 2010, the Labour Party's Fiscal Responsibility Act (FRA) was signed into law, which mandated that public borrowing would be slashed in half by 2014 and government debt as a percentage of GDP was to fall each year through 2015/2016; if these targets were missed, the legislation further required the Treasury to report to Parliament (Fiscal Responsibility Act, 2010). This new legislation, which established statutory targets on public spending and borrowing and was unable to be repealed without new legislation, represented a deepening of fiscal responsibility measures put in place during the 1990s under New Labour (Burnham, 2014).[292]

FRA comprised part of a wider trend in post-2008 fiscal policy governance in which many capitalist states around the world passed budget balancing and fiscal consolidation measures, either through 'soft law,' i.e., non-binding measures in public finance/international law, or by statutorily or constitutionally enforced measures (Mumford, 2019). These fiscal discipline laws, extending and deepening new constitutionalist measures from the 1990s, sought to control deficits and institutionalize debt sustainability by depoliticizing fiscal policy. Framing fiscal policy as a matter of technocratic governance, these reforms, as Burnham (2014) describes, were intended to "externalize the imposition of discipline/austerity on social relations," thereby distancing the political nature of economic decision making (pp. 195, 196). In doing so, these reforms primarily sought to enhance executive power over matters of public finance.[293]

[292] As Burnham (2014) notes, the 2010 FRA established a "much tougher framework than the Code for Fiscal Stability" introduced in 1998, with more severe budget consolidation measures (p. 201).
[293] As Bateman (2020) argues, fiscal responsibility laws, such as those passed in the UK in 2010 and 2011, "were oriented entirely toward executive governments, rather than parliaments," strengthening the executive agencies of the state (primarily the Treasury in the UK) to institutionalize fiscal discipline (p. 119).

In keeping with the class-orientation of fiscal austerity measures since the 1990s, fiscal disciplinary measures after 2010 were imposed largely through spending cuts to public services, overwhelmingly affecting the poor and working class, rather than being funded by progressive tax increases on the wealthy. While there was internal disagreement between Gordon Brown and Alisdair Darling over the extent of the cuts (Hood and Himaz, 2017, p. 183), that cuts were necessary to 'restore' public finances was not called into question. As Darling urged in a BBC interview in March 2010 leading up to the election, New Labour's cuts to public spending would be "deeper and tougher" than those of Margaret Thatcher during the 1980s (Elliot, 2010). In its final 2010 budget, Labour opted to announce tax increases, as well as plans to balance the 'structural' budget deficit over the next two parliaments through spending cuts, effectively delaying the imposition of austerity measures but nonetheless conceding to its inevitability (ibid., 184).[294] Labour's 2010 reforms would prove to be just the beginning of a historic revival of the politics of austerity.

The May 2010 election revolved around the budget deficit and involved catastrophist rhetoric on the UK's public finances, producing a hung parliament for the first time since 1974. The Conservatives, possessing the lion's share of electoral seats, eventually formed a coalition government with the Liberal Democrats following Gordon Brown's resignation. With Conservatives David Cameron as Prime Minister and George Osbourne as the Chancellor, and Liberal Democrat Nick Clegg as Deputy Prime Minister, the Coalition Government embarked on a wide-ranging reconfiguration of British fiscal policy. As Osbourne remarked in his post-election speech, "the first part of our approach is the boost credibility and confidence in the UK's fiscal

[294] The 'structural deficit' referred to those elements of the budget that were not affected by the cyclical changes in the economy, i.e. that were projected to be 'permanent.' These distinctions were based, however, on a series of highly contingent and dubious projections about future trajectories of the economy and budget (Weldon, 2021).

framework," which would entail "long-lasting change in the way we put together budgets in this country" (HM Treasury, 2010). In addition to establishing the Office for Budget Responsibility (OBR), the Coalition government's June 2010 budget, dubbed the 'Emergency budget,' imposed wide-ranging cuts with an aim to eradicate the 'structural' budget deficit in one parliament by 2015-2016, with government borrowing projected to fall from 10.1 percent to 1.1 percent by 2015-2016 (Onanuga, 2010).

This historic fiscal consolidation was to follow the 80:20 'rule of thumb' with 23 percent in tax increases and 77 percent in spending cuts. All non-protected departments (i.e., other than the NHS and education) were to see an average cut of 25 percent in departmental budgets (Lavery, 2019). Other measures included a two-year pay freeze for public sector workers, increases in the state pension eligibility age, changes in the indexation of state benefits, the freezing of a variety of social benefits from the Child Benefit to Housing Benefits, the reconfiguration of assessments for disability living allowances, as well as a trebling of university tuition fees in a major reversal of Liberal Democratic campaign promises (Onanuga, 2010; Hood and Himaz, 2017, pp. 187-188). On the taxation side, the Coalition government's measures included significant increases in the VAT and capital gains tax, but also included *reductions* in the corporate tax from 28 to 24 percent implemented under the guise of enhancing competitiveness, exposing the class orientation of the austerity agenda (Lupton et al., 2015). While the 2010 October spending review would scale back the severity of some of these measures, purporting to find £81 billion in savings, the cuts initiated in 2010 still marked the steepest spending contraction since 1945 (Lavery, 2019, p. 117).

While these cuts were severe, the Coalition Government sought to institutionalize more long-term changes in the trajectory of British fiscal policy. In November, as fiscal consolidation measures were at the front of international financial institution's agendas, the UK government had an 'article IV' consultation with the IMF, a key component of the IMF's surveillance regime of public finances and economic policy (Clift, 2018, p. 98). Praising the Coalition government's fiscal consolidation efforts thus far, the IMF (2010) report nonetheless lamented the lack of more long-term institutional changes to public finance:

> Although the current fiscal mandate is appropriate to guide the consolidation process, in due course it should be replaced with more permanent fiscal rules. The credibility of a fiscal rule would be supported by input from the OBR. Fiscal rules, such as a structural balance rule or a rule that responds to deviations in output growth relative to trend growth, rather than changes in the output gap, could work well in the UK (p. 31).

Institutional reforms came in March of 2011 when the Coalition government passed the Budget Responsibility and National Audit Act (BRNA). BRNA replaced Labour's previous legislation as the dominant fiscal policy framework. Its overarching thrust was, as Mumford (2019) describes, "that debt, for governments, is problematic" (p. 70). BRNA conferred further power to the Treasury to entrench a range of budgetary responsibility measures, mandating reporting requirements for the Treasury including the Charter for Budget Responsibility (Budget Responsibility and National Audit Act (BRNA), 2011; Bateman, 2020, p. 119).

While BRNA fell short of institutionalizing or constitutionalizing rigid spending and borrowing requirements, it nonetheless deepened technocratic and executive control over fiscal policy and signaled the return of the politics of austerity within the British state. Perhaps the most significant institutional changes came in the formation of 'independent' executive fiscal forecasting institutions, principally the Office for Budget Responsibility (OBR), which was given statutory footing under BRNA. Conceived by the Conservative shadow government in 2009 under the pretense of alleged Labour fiscal irresponsibility, the OBR was nonetheless in keeping with the legacy of fiscal 'transparency' and technocratic governance initiated under New Labour in the 1990s (Burnham, 2001). As Osbourne described in May of 2010, the intention of the OBR was to “create a rod down my back down the line, and for the backs of future chancellors” by establishing a body responsible for a “truly independent assessment of the state of the nation’s finances” (HM Treasury 2010). The OBR was a putatively independent executive body, which was responsible for producing annual five-year fiscal and economic forecasts on public finances to accompany the Chancellor’s budget announcements and serve as the official source of budgetary/economic forecasts for the Treasury (BRNA, 2011). The OBR would thus serve as the official authority of knowledge on public finance, assessing each government’s commitments to spending and borrowing targets, and generating numerous reports on long-term public finance and social spending. Moreover, the Treasury would be subject to a ‘comply or explain’ clause, in which any deviation from the OBR’s forecasts had to be sufficiently explained and justified to Parliament (BRNA, 2011). The formation of the OBR was part of a wider trend toward establishing ‘independent fiscal councils,’ which became increasingly prominent across advanced capitalist states, particularly in the aftermath of 2008.[295] As an IMF (2013) paper indicates, fiscal councils are intended to promote “discipline-enhancing fiscal frameworks” (p. 17). While not directly shaping policy, fiscal councils shape policy and knowledge about public finance through “influence and persuasion” by establishing official forecasts and serving as a watchdog for government’s fiscal agendas (ibid).

[295] Fiscal Councils are defined as “a permanent agency with a statutory or executive mandate to assess publicly and independently from partisan influence government’s fiscal policies, plans and performance against macroeconomic objectives related to the long-term sustainability of public finances, short- [and] medium-term macroeconomic stability, and other official objectives. In addition, a fiscal council can perform one or several of the following functions: (i) contribute to the use of unbiased macroeconomic and budgetary forecasts in budget preparation (through preparing forecasts, or proposing prudent levels for key parameters), (ii) identify sensible fiscal policy options, and possibly, formulate recommendations, (iii) facilitate the implementation of fiscal policy rules, and (iv) cost new policy initiatives.” (IMF, 2013, p. 8).

Compared to fiscal councils established in other countries, the OBR, responsible for the official government forecast, had a comparatively privileged role within the British state (ibid).[296] While cast as a neutral, apolitical body, the formation of the OBR represented the elevation of technocratic governance over economic policy, embedding a host of assumptions and speculative projections about the state of public finance and the economy in the British state. Indeed, the OBR's remit would treat public finance as a matter of apolitical governance, free from social and distributive implications and democratic contestation. As Connor (2017) notes, the OBR's forecasts "have a tendency to project existing social practices, visions and interests, so that the future is little more than a linear projection of yesterday" (p. 18). As a result, the "hegemonic present" of public finance "becomes the norm against which futures deviate and need to be restored" (ibid.). The 'hegemonic present' projected by the OBR was also deeply entwined with the institutional power of the Treasury and its long-run preferences of fiscal consolidation and probity. In this sense, the OBR served to entrench the 'Treasury view' on economic policy and thereby codify a particular fiscal common sense, as well as reinforce the institutional supremacy of the Treasury over other departments within the British state (Berry, 2021, p. 31).

By 2012, the Coalition Government was forced to modify the timeline of initial debt and deficit consolidation targets. As the British economy continued to stagnate, exacerbated by a steep contraction in investment in part induced by cutbacks in public spending and capital expenditures by the Coalition Government, public borrowing accounted for an increasing portion of GDP, precisely the opposite outcome projected by theories of 'expansionary fiscal consolidation' used to justify fiscal consolidation measures (Blyth, 2013). Despite low tax revenues from continued

[296] While the OBR lacks formal power, as Burnham (2017) notes, its scope, role, and responsibilities as a fiscal forecasting agency exceeds the recommendations of the IMF, as well as the independent fiscal agencies of most other advanced capitalist states (p. 371).

fallout from the economic crisis, the Coalition Government further slashed taxes for the wealthy, including reductions in the corporate tax rate from 26 to 24 percent in the 2012 budget (further reduced to 22 percent in 2014), which would be dubbed the 'millionaire's budget' by the leader of the Labour Party Opposition (Mulholland, 2012).[297] Indeed, the class orientation of fiscal 'adjustment' policies in these budgetary measures was palpable under the Coalition Government's post-2010 fiscal policy agenda. Though the Coalition Government continually missed its own fiscal targets, rather than scaling back fiscal consolidation, it merely delayed the further implementation of cuts (Lavery, 2019). Even as the contractionary effects of austerity measures persisted in 2012 and into 2013, and notwithstanding increasing evidence that the Coalition government's measures were failing on their own terms, many of the institutional and political parameters of austerity were largely entrenched within the British state.

United States: Manufactured Crisis, PAYGO, and the Sequestration Trigger

With an historic Republican victory in the 2010 midterms, far-right politicians and policymakers significantly extended their power and influence within the US legislative apparatus, occupying numerous important roles in House and Senate budgetary committees.[298] It was not merely the far-right that targeted government spending and the burgeoning federal budget deficit, however.[299] In his January 2010 State of the Union Address, Obama embraced the rising tide of

[297] From 2010-2015, however, the Coalition Government moderately increased net revenues by roughly £10 billion, which included tax cuts of £50 billion and increases in regressive taxation (chiefly the VAT) of £60 billion (Emmerson, 2017).
[298] Paul Ryan, for example, was chair of the House Budget Committee from 2011-2015 and chair of the House Ways and Means Committee in 2015.
[299] In a recently declassified roundtable interview with former President Obama shortly after the election of Donald Trump, Obama revealed what he believed to be the pragmatic political reasons for his embrace of post-2010 austerity measures, highlighting the persistent role of Rubinite Democrats and their financial backers within the Democratic Party: "And what is also true is, is that we couldn't have blown through a hole in the deficit because there'd be at least five, six, seven Democrats who were -- you do remember the whole Bowles-Simpson thing. I mean, it wasn't like I was dying to do that. I got a bunch of folks on my side that I'm trying to keep in line, and if

fiscal austerity championed by Democrats and Republicans alike, signaling the need for steep fiscal consolidation and spending cuts.[300] While 'mandatory' spending programs from Medicare and Medicaid to Social Security would initially be protected, all other discretionary spending was open to cuts and consolidation (Obama, 2010). Even the costs associated with coveted social programs of Medicare, Medicaid, and Social Security would "continue to skyrocket" in the coming years, Obama suggested, and would therefore require scrupulous review (ibid, para. 70). To address these concerns, the Obama administration announced the formation of a bipartisan fiscal commission, the National Commission on Fiscal Responsibility and Reform, which was often referred to as the Simpson-Bowles Commission and was named after its co-chairs, Republican Senator, Alan Simpson, and investment banker and former Chief of Staff for Bill Clinton, Erskine Bowles. The Simpson-Bowles Commission produced a report in December 2010, entitled "The Moment of Truth," which struck an alarmist tone declaring that US public finances had reached an impasse. Rising national debt and debt-servicing costs threatened to 'crowd out' other spending priorities and undermine the credibility of the US state in financial markets, the report warned (The National Commission, 2010). Calling for a $4 trillion reduction of the federal deficit, the report recommended sweeping spending cuts (over $2 trillion), by raising the retirement age for Social Security, capping Medicare costs, and implementing strict enforcement mechanisms and rigid caps on discretionary spending to "give the limits real teeth" (The National Commission, 2010, p. 15). While the committee's recommendations failed to achieve a supermajority, and a subsequent

they didn't -- partly because they read The Wall Street Journal, and they do fundraisers in Manhattan, and they're being told all the time and they're getting calls from Bob Rubin and others, hey, this is a problem, we've got to be responsible. So it's true, we don't have the luxury of saying at any given point deficits don't matter. And that's not ideological, that's just political" (Leopold, 2022). Available from: https://www.bloomberg.com/news/articles/2022-09-30/obama-on-trump-1-presidential-term-is-okay-but-8-years-would-be-a-problem-l8t1lk89?sref=KczNubwY. (Accessed 25 November 2022).

[300] As Obama declared in his State of the Union address, "Starting in 2011, we are prepared to freeze government spending for three years" (Obama, 2010, para. 68).

iteration of its proposals failed to pass Congress, its support of budgetary enforcement mechanisms and the revival of automatic restraint on fiscal policy nonetheless gained traction.

Amidst the political gridlock over fiscal policy that beleaguered the American state from 2010 through 2013, the primary institutional basis for the imposition of austerity and fiscal discipline came through a less publicized and little-known set of rules revived from the 1990s. As contending factions of the Democratic and Republican parties jostled over the best method of slashing the budget deficit and curtailing national debt, the caps on discretionary spending and ‘pay-as-you-go’ (PAYGO) rules in place during the 1990s under the Clinton administration were continually invoked, both by many Republicans eager to cut social spending, as well as ‘Blue Dog Democrats’ committed to doctrinaire budget balancing, as a secure way to institutionalize long-term fiscal discipline.[301] Prescribed under the Budget Enforcement Act (BEA) in 1990 under the Bush Sr. administration, the caps on discretionary spending placed a firm limit on federal expenditure bills in Congress, which had played a central role in shaping the Clinton administration’s agenda of fiscal consolidation. The legislation also established statutory PAYGO rules authorizing deficit neutrality in mandatory spending, which were tracked by the executive budgetary agency of the White House, the Office of Management and Budget (OMB). If either of these budgetary aims were violated, the legislation empowered the President to unilaterally issue a sequestration order, i.e., a mechanism of automatically vetoing past spending exceeding caps, or new, non-deficit-neutral spending, by implementing across-the-board cuts to non-protected areas of government expenditure (Lynch, 2015).

While these rules were repealed in 2002, following the tax cuts and military spending of the Bush administration, proposals to revive them resurfaced during the 2008 crisis. Both the House

[301] The ‘Blue Dog Coalition’ are a group of centre-right, fiscally conservative Democrats in the House of Representatives formed amidst the Republican revolution of the mid-1990s (Rubin, 2017).

and Senate established their own PAYGO rules (the House in 2007 and the Senate in 2010), which were scored by the congressional fiscal watchdog, the Congressional Budget Office (CBO).[302] However, these rules did not include caps on discretionary spending and incorporated numerous exemptions for emergencies, such as post-2008 stimulus spending, and therefore had little automatic legislative heft (Primo, 2007). Throughout 2009 and 2010, in the aftermath of bailout and stimulus measures, efforts to renew the statutory PAYGO rules returned in force. Supported in principle both by fiscally conservative Democrats and many Republicans, disagreements occurred over which forms of spending were to be exempt (such as Social Security, Medicare, and Medicaid), and whether to apply such principles to tax cuts as well as spending increases. The value of PAYGO as a mechanism of fiscal automaticity to restrain democratic pressures for social spending was clear in the eyes of Peter Orszag, director of the Obama administration's OMB. As he described in testimony before the House in 2009, PAYGO had functioned in the 1990s to "encourage tough choices to help move the Nation from large deficits to surpluses" (Statutory PAYGO Hearing, 2009, p. 5). While the 2007 rules passed by the House were an important initial step, they ought to be strengthened by an additional statutory rule that would "allow us to adopt a belt-and-suspenders approach to fiscal discipline" (ibid). As Orszag later explained in an article for the Nation in 2011, such fiscal mechanisms and 'backstop rules,' alongside other technocratic institutions, were necessary in order to circumvent the legislative constraints of American economic policy and, as he put it, to "make them a little bit less democratic" (Orszag, 2011). Indeed, some of the highest officials in the Obama administration supported PAYGO and

[302] From the 1990s onward, the CBO worked in tandem with PAYGO rules to assess and rank budgetary measures and were used both by Republicans and Democrats to leverage anti-deficit politics. Republicans lambasted Clinton's modest healthcare proposals in the mid-1990s based on CBO scores, for example, while Democrats attacked Bush-era tax cuts on similar grounds (Rocco, 2021).

discretionary caps due to its capacity to depoliticize the foundations of macroeconomic policy, a key legacy of the policy consensus consolidating in the 1990s.

In February 2010, the Obama administration signed into law the Statutory PAYGO Act. The Act revived key provisions from the 1990s, prohibiting spending legislation that increased the deficit and putting in place the sequestration trigger (PAYGO, 2010). The PAYGO Act would function in tandem with the White House's budget agency, the OMB, which produced five- and ten-year scorecards of Congressional bills to ensure compliance with the act and ensure deficit neutrality in new spending measures (Friel, 2010; Rocco, 2021). While not enjoying the same elevated status of the OBR in the UK, the OMB and Congressional Budget Office nonetheless served similar functions, partially entrenching fiscal probity and deficit neutrality into key policymaking institutions of the US state. However, the new 2010 PAYGO legislation included several exemptions and loopholes. Critical exemptions from the rules included mandatory spending on popular social programs such as Social Security, unemployment, and Medicaid, as well as an array of tax credits (Friel, 2010). The legislation also included exemptions for 'emergency spending,' which enabled discretionary fiscal stimulus measures to obviate PAYGO constraints (PAYGO, 2010). Unlike the BEA of the 1990s, no hard caps on discretionary spending were enforced. As a result, many Republicans as well as fiscally conservative Democrats lamented the lack of institutionalized enforcement mechanisms in PAYGO.[303] Despite these exemptions and the continued increases in the federal budget deficit that followed, the norms of fiscal discipline solidified by the OMB and CBO, and the sequestration trigger established in the new PAYGO

[303] As New Jersey Republican representative Scott Garrett bemoaned in Congressional Hearings on the new PAYGO provisions, "I am discouraged that […] this proposal applies […] to increases or reductions in tax rates and not any new expanded entitlement programs. It does nothing to affect the wave of entitlement spending as Paul was talking about before that we are going to see come in" (Statutory PAYGO Hearing, 2009, p. 20).

regime, would form part of a political consensus surrounding automatic fiscal mechanisms shaping the trajectory of post-2010 American austerity.

That the political maneuvering and clamor for fiscal probity in the US was informed by a distinctive class agenda was clear by 2010. As the US economy continued to stagnate in the aftermath of Obama's stimulus measures, negotiations for a second stimulus act persisted. In December 2010, the Obama administration signed into law a 'bipartisan' stimulus act, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act. While the bill totaled $858 billion, $802 billion was devoted to tax cuts (Mildner and Howard, 2013, p. 18). Despite campaigning on opposing the Bush-era tax cuts, the Obama administration extended the 2001 and 2003 Bush tax cuts for two additional years (which would be partially extended again in 2012). The tax cuts represented an historic transfer of wealth to the American capitalist class: the top 1 percent of US earners would receive fully 25 percent, while the bottom 40 percent of the US population would merely see 9 percent (Crotty, 2012, p. 86). Despite the alarmist rhetoric surrounding the federal budget deficit, it was predominantly the Bush-cum-Obama tax cuts that accounted for over 40 percent of the federal budget deficit between 2009-2019 (see table 16). It was in this context, in which enormous wealth was channeled upward through tax cuts and foregone revenue, that the debt ceiling and fiscal cliff 'crisis' took place in Congress. Throughout 2011, Republicans leveraged congressional power to demand social spending cuts in return for agreeing to raise the statutory level at which the US Treasury could borrow funds, i.e., the so-called debt ceiling. Raising the debt ceiling was typically a routine Congressional practice of approving the financing of past expenditures. However, since the radicalization of the Republican party under Newt Gingrich, this process had been instrumentalized to manufacture a crisis to secure tax and social spending cuts, which became a central tactic of Tea Party Republicans

(Jessop, 2014). This led to uncertainty amongst creditors in the Treasury market, resulting in the downgrading of the US's AAA credit rating by Standard and Poor's rating agency in August of 2011 (Riley, 2011). In a mutation of previous trends under neoliberalism, whereby governments deemed to be fiscally profligate or excessively radical in their fiscal and social spending priorities were threatened with prohibitive borrowing costs by financial markets, it was now the depth of austerity measures and the commandeering of the American fiscal apparatus by the far-right Republican Party that appeared to undermine US credibility in financial markets.

The Budget Control Act was passed in August 2011, which temporarily raised the debt ceiling in exchange for mandated spending cuts in federal spending, amounting to almost $1 trillion, and the establishment of a 'supercommittee' on deficit reduction, the Congressional Joint Select Committee on Deficit Reduction. The committee was tasked with constructing a 'bipartisan' deficit reduction plan. If an agreement could not be reached, the legislation would trigger automatic and across-the-board spending cuts via sequestration. The recommendations of the committee failed and much of 2011 and 2012 was characterized by congressional gridlock. In the process, House and Senate Republicans, led by Tea Party candidates such as Paul Ryan, sought to pass a balanced budget amendment,[304] as well as legislation calling for over $4.5 trillion in cuts, including widespread cuts to social programs, the privatization of Medicare, the abolition of the Affordable Care Act, as well as a range of tax cuts for corporations and the wealthy (Ryan, 2012). While none of these measures were signed into law, and though the Obama administration was reelected in 2012, the residualization of federal spending (see table 17) and the embrace of the politics of fiscal

[304] This proposal included an amendment that sought to preclude federal government spending exceeding 18 percent of GDP unless approved by a two third vote in Congress (Crotty, 2012, p. 99).

austerity was already underway in the US, with the threat of sequestration looming in the background.

Table 17: US Federal Government Outlays as Percentage of GDP by Category, 2008-2018

Year	Discretionary	Mandatory	Net Interest
2008	7.7	12.1	1.7
2009	8.6	15.9	1.3
2010	9.1	14.2	1.3
2011	8.7	14.5	1.5
2012	7.9	14.1	1.4
2013	7.2	14.1	1.3
2014	6.8	13.7	1.3
2015	6.5	14.1	1.2
2016	6.4	14.3	1.3
2017	6.2	14.4	1.4
2018	6.2	13.7	1.6

Source: OMB Historical Table 8.4 "Outlays by budget enforcement act category as percentages of GDP, 1962-2027." Retrieved November 22, 2021 from: https://www.whitehouse.gov/omb/budget/historical-tables/.

2013-2015: The Zeitgeist of Austerity

While the institutional framework for automatic fiscal restraint and the formulation of a 'common sense' of austerity reemerged in 2010, it was from 2013 onward that it came into full effect. In Britain, the Coalition Government continued to miss its 2010 deficit and debt reduction targets. While the government projected that the public sector net borrowing requirement would decline to £60 billion by 2013, the actual figure totaled £108 billion (Lavery, 2019, p. 123). Indeed, under Osbourne, the UK government borrowed £48, £60, and £67 billion more than its projections in fiscal years 2013/14, 2014/15, and 2015/16, respectively (Hood and Himaz, 2017, p. 194). Despite missed targets, from 2013 through 2015, the Coalition Government nonetheless intensified its commitment to fiscal austerity measures even as economic forecasts remained stark. In 2013, for example, the OBR substantially downgraded its economic growth forecasts, projecting GDP growth of merely 0.6 percent in 2013 (OBR Economic and Fiscal Outlook, 2013). Based on continually sluggish growth and rising debt as a percentage of GDP, bond rating agencies, first Moody's and then Fitch's, downgraded the UK's AAA credit rating in 2013 for the first time since 1978 (BBC, 2013). While the economic rationale intended to justify the government's mandate of fiscal austerity, i.e., its promises of establishing financial market credibility and eliminating the structural budget deficit, thus seemed to lose much of its credence, fiscal consolidation measures nonetheless deepened (see table 18).

Table 18: UK Public Spending as Percentage of GDP, 2010-2016 (remaining spending percentage of GDP)

Year	Public Spending % of GDP
2010	42.98
2011	43.75
2012	42.99
2013	42.66
2014	40.90
2015	40.13
2016	40.25

Source: Adapted from UKPublicSpending. (n.d.). "Total Spending United Kingdom from FY 1995 to FY 2025." Retrieved April 22, 2022 from: https://www.ukpublicspending.co.uk/spending_chart_2006_2021Ukp_17c1li111tcn_F0t70t_Recent_Public_Spending.

From 2013 through 2015, spending cuts came primarily in the form of substantial reductions of central government grants to local authority budgets across the UK, as Osbourne sought to devolve responsibility for fiscal retrenchment under the pretense of empowering local authorities in the North as part of his 'Northern Powerhouse' agenda (Lee, 2016). As will be discussed in chapter 7, some of the steepest cutbacks came into effect in 2013, and again in 2015, in the realm of welfare and social security, which underwent a significant reconfiguration through the Department for

Work and Pensions. In its March 2014 budget, the Coalition Government also established a £119 billion cap on the central government budget, which included a range of freezes on public spending and social benefits (BBC, 2014).

The commitment by the Coalition Government to 'stay the course' on fiscal consolidation was given a second wind by a moderate rebound in macroeconomic prospects in 2014. Largely driven by a revival of the British model of financialized accumulation and asset appreciation, particularly in the housing market (Green and Lavery, 2015), Osbourne nonetheless took credit for the UK's marginally improved 2014 economic outlook, attributing it to the government's commitment to long-term fiscal discipline and debt consolidation (Gamble, 2015). As he boasted in his 2014 Autumn statement, the OBR's forecast projected the UK to be the fastest growing advanced economy in the world and was expected to post a budget surplus of £23 billion by 2019-2020 if it were re-elected in 2015 (HM Treasury, 2014). This would be achieved through an historic reduction in public spending, which was estimated to fall to 35.2 as a percentage of GDP in 2019/20, the lowest proportion in the last 80 years (OBR, 2014). As Osbourne triumphantly declared, the UK would become "a country that inspires confidence around the world because it seeks to live within its means" (HM Treasury, 2014). While the May 2015 election saw social contestation against austerity measures resurface, with the Liberal Democrats handed an historic electoral loss, the Conservatives nonetheless won a slim majority, gaining a disproportionate seat share in part due to the distortions of the first-past-the-post electoral system (Lavery, 2019). By 2015, after a further £30 billion in fiscal consolidation measures and 5 percent cuts to all non-protected departments (Lee, 2016), Osbourne would lay claim to a total of over £98 billion in annual spending cutbacks, and the curtailment of over 1 million public sector jobs, larger figures than under either the Margaret Thatcher or John Major administrations (Tooze, 2018, p. 350).

While the scope of spending cuts was often partially scaled back, the newly elected Conservative administration nonetheless upheld Osbourne's promises of historic cuts to welfare and social spending and committed to deficit consolidation measures outlined in the 2015 Charter for Fiscal Responsibility, even floating the idea of making fiscal surpluses a constitutional requirement in the UK (Stanley, 2016).

In the United States, the fiscal cliff stalemate continued. While the threat of sequestration seemed a remote prospect when PAYGO was first signed into law, the deadline established in the 2011 Budget Control Act was fast approaching. Contentious negotiations between the Obama administration and Republican Speaker of the House, John Boehner, during late 2012 revolved around the soon expiring Bush-era tax cuts and the prospect of sequestration if Congress could not pass deficit-neutral or deficit-reducing legislation. The back-and-forth negotiations entailed Boehner leveraging the threat of government default to extract concessions for spending cuts from the Obama administration, while the latter sought to modestly raise taxes in exchange for cuts to social spending (Woodward, 2012). The American Taxpayer Relief Act, signed into law on January 1, 2013, predominantly addressed the tax side of the fiscal equation, extending several components of the Bush-era tax cuts in yet another concession to Republicans, while also passing slight tax increases in income and capital gains taxes and tax deductions of high-income earners (American Taxpayer Relief Act, 2012). Reducing the federal budget deficit by $737 billion, to the dismay of House Republicans and Tea Party sympathizers, the bill did not touch 'entitlement' programs (Mildner and Howard, 2013).

Perhaps most importantly, however, the bill did not address the looming sequestration trigger, merely delaying its imposition by two months. As subsequent negotiations fell through, sequestration came into effect on March 1, 2013 (McGahey, 2013). As the Budget Control Act had mandated, sequestration triggered across-the-board cuts to federal discretionary spending aimed at reducing the deficit. In 2013 alone, the cuts amounted to over $85 billion, estimated to climb to over $1.2 trillion over the next ten years (Mildner and Howard, 2013). While roughly half of the cuts affected the defense budget, many other non-defense departmental budgets faced widespread cuts, from the Food and Drug Administration (FDA) to special education (ibid, p. 20). The full force of austerity, however, was felt at state and local levels, where federal transfers had served as a lifeline as states faced balanced budget requirements and depressed revenues amidst a continually stagnating economy (Oliff, 2012). After a partial federal government shutdown in October amidst continual debt ceiling intransigence, which saw over 850,000 employees placed on leave, sequestration caps were partially raised in December 2013 for the following fiscal year—with the proviso that they would stay in place until 2022 (Bipartisan Budget Act, 2013). During 2014/2015, the Obama administration put forth a belated and modest reversal of fiscal austerity measures in anticipation of the 2016 election, while the House Republicans led by Paul Ryan advanced an alternative budget proposing $5 trillion in spending cuts, a balanced budget by 2024, and the de facto eradication of the American welfare state (A Better Way, 2016). The damage of fiscal austerity measures, however, had already been done.

In the aftermath of unprecedented bailouts and a brief experimentation with fiscal stimulus, the politics of austerity returned in force in the US and Britain from 2010 to 2016. While policymakers, politicians, and 'organic intellectuals' in both countries sought to shift the blame from the banking sector and financial class that had precipitated the crisis by propagating misleading notions of government profligacy, it was the legacy of the 1990s, and the mechanisms of automatic fiscal constraint and technocratic governance within the British and American state apparatuses that provided policymakers with the political basis to externalize responsibility for austerity. Initially applied in the 1990s in an era of increasing capital mobility, in which securing the elusive confidence of financial markets became the principal objective of fiscal and monetary policy, the fiscal rules established in the US and Britain during the 1990s under the politics of the Third Way established a set of embedded institutional practices. These policies and practices were redeployed in the post-2010 period as governments transferred the costs of economic adjustment onto poor and working classes and committed to further cut taxes for the wealthy.

III. 'A Lost Decade': Social Crisis and Dislocation in the Liberal Capitalist Heartlands

Post-2010 austerity measures across the US and Britain did not neatly adhere to the small-state rhetoric of politicians and policymakers. Compared to peripheral countries in the EU, such as Greece, austerity measures in aggregate terms were less severe, particularly in the US (Kohler and Stockhammer, 2021). Across the US and UK, national debt as a percentage of GDP *increased* rather than decreased from 2010-2016, due in large part to an historically weak economic recovery. In the UK, the Coalition Government's fiscal consolidation measures were often deferred and postponed, while the cuts to government spending and borrowing outlined in the fiscal caps were often adjusted, modified, and adapted (Stanley, 2016). The severity of cuts to government expenditure were also widely uneven across different areas of government expenditure. Transfers to local governments, social security and income support, and areas of discretionary spending were often subjected to the most substantial cuts, especially in the UK, while other areas of expenditure, including the military, select public services or popular universal social insurance programs, were more resistant to retrenchment (Emmerson, 2017). In this sense, the trajectory of post-crisis austerity across the US and UK was not characterized by doctrinaire fiscal consolidation, but rather reflected an ongoing reorganization of the state that was rooted in changing dynamics of capitalist crisis management and macroeconomic governance, imbalances in class and political power, and institutional variegation (Seymour, 2014). While post-crisis austerity and the return to market discipline was thus uneven in the US and UK, across both countries, macroeconomic governance in the post-crisis era and the return to the politics of austerity contributed to heightened inequality, economic dislocation, and declining conditions of social reproduction for poor and working classes.

In the US, after a brief period of bailouts, discretionary spending, and tax-cut stimulus, the return to austerity was imposed disproportionately at state and municipal levels of government when budget sequestration came into effect. In 2009, amidst the ongoing fallout from the crisis, state and local tax receipts registered their largest declines since 1963 (Jonas, 2012, p. 13). Combined with increased social spending from rising unemployment, there was an annual gap of $140 billion between state revenues and expenditures in 2010 (Crotty, 2012). As states exhausted reserve funds, in 2009, 41 states implemented mid-year budget cuts amounting to over $31.3 billion (NASBO, 2013, p. 28). While the passage of ARRA and federal transfers from 2009-2010 partially offset these losses, bringing in an additional $32 billion in state revenue in 2009, the fiscal fallout from the crisis at the state level was an estimated $87 billion in 2009, leaving a substantial gap in state finances (Jonas, 2012). Even after the passage of ARRA, in 2010, 39 states cut an additional $18.3 billion in mid-year budgets (NASBO, 2013, p. 28). This was exacerbated in states with Republican governors or state legislatures, where 19 states opted out of the extension of Medicaid under the Affordable Care Act, the means-tested health insurance program for low-income populations across the US, due to intransigent Tea Party opposition, thereby refusing the largest source of potential stimulus (Bivens, 2016). Compared to previous recessions in the early

1990s and 2000s, state-level fiscal retrenchment in the aftermath of 2008 was substantial (Bivens, 2020).

The principal reason why states implemented substantial cuts, however, was not merely due to Republican obstinacy but also because of state-level budget balancing requirements, a more stringent mechanism of new constitutionalism than existed at the federal level that undermined counter-cyclical fiscal measures. Unlike the federal government, virtually all states across the US (except for Vermont) have some form of a balanced budget requirement,[305] which range from statutory to constitutional mandates, and either require the governor or the state legislature to propose or implement a balanced budget each fiscal year (Hou and Smith, 2006; Jonas, 2012). As the funds provided to states by ARRA expired in June of 2011, and states largely ruled out substantial tax increases, severe spending cuts were implemented to meet annual budget balancing requirements.[306] This entailed a dramatic halt to increases in federal transfers to just 1 percent in 2011, a *decline* of 9.8 percent in 2012, and further decline of 2.6 percent in 2013 (ibid). Retrenchment occurred in the form of firing or placing on furlough public sector employees, decreasing social benefits and income support, and the scaling down of public services (NASBO, 2013, p. 7). From 2009-2013, for example, 566,000 state and local public sector jobs were lost from state-level, post-crisis austerity measures (Bivens and Wolfe, 2020). This was superimposed on a broader crisis of economic dislocation and unemployment across the United States, which experienced a 21.7 percent increase in the share of the unemployed who were jobless for a year or longer from 2007-2009 (OECD Employment Outlook 2011). As sequestration came into effect in

[305] As Jonas (2012) notes, a balanced budget requirement included one or more of the following: "(i) the governor must propose a balanced budget; (ii) state legislation must enact balanced budget; and (iii) no deficit can be carried from one fiscal year into the next. These requirements could be statutory, or constitutional, or both" (p. 8).
[306] As a National Association of State Budget Officers Report describes, "In fiscal 2012, the amount of total state spending (including general funds, other state funds, bonds, and federal funds) *declined for the first and only time* in the 28-year history of the *State Expenditure Report*" ([emphasis added] NASBO, 2015, p. 1).

March of 2013, these trends intensified, as across-the-board cuts to federal non-defense discretionary spending fell from 4.4 percent of GDP to 3.3 percent between 2010 and 2015 (Reich, 2015), and prolonged economic stagnation, exacerbated by public sector retrenchment, further compounded state revenue shortfalls.

Perhaps the most scandalous revelation of the effects of post-2008 American austerity and social neglect was exposed in Flint, Michigan, where a public health crisis related to lead poisoning within the municipal water supply erupted in 2014. At the height of the city's fiscal crisis in 2011, the Republican governor of Michigan, Rick Snyder, had outsourced control over several areas of municipal policy to an unelected body of emergency managers on the advice of a Koch-brothers funded think tank (Maclean, 2017), which diverted the city's water supply to the Flint River in a cost-saving measure. Lead from aging pipes subsequently filtered into the water supply, leading to the exposure of upwards of 100,000 people to toxic levels of lead poisoning and likely an outbreak of Legionnaires' disease, with untold (and ongoing) health and social effects on the poor and disproportionately African American residents of the deindustrialized city at the centre of the American Rustbelt (Fasenfest, 2017). This high-profile instance of neglect and social immiseration, which, despite receiving national attention, persisted for years on end, was merely the tip of the iceberg of Americanized austerity.

Post-crisis austerity in Britain, by contrast, was more centrally enforced and implemented through the levers of central government, and particularly the Chancellor's office and the Treasury. While the Coalition Government (2010-2015) and subsequent Conservative Government (2015-), to some extent scaled back its initial expenditure cuts, post-2010 austerity measures were nonetheless substantial. Between 2009-10 and 2012-13, central government spending on public services was cut in real terms by £41 billion (10.1 percent), with a further £4 billion cut between

2012-2013 and 2016-2017 (Emmerson, 2017). Throughout this period, 63 percent of public sector workers experienced a pay freeze or cut (Green and Lavery, 2015, p. 910). The distribution of these expenditure cuts was imposed asymmetrically. The largest departmental cuts were implemented in the Department for Transport, the Department for Work and Pensions, and the Department for Communities and Local Government (Emmerson, 2017). Similar in some respects to the US, the burden of austerity was felt most acutely at sub-national levels, with local governments losing over half their total central government funding from 2010-2015 (Gray and Barford, 2018). On average, from 2009-2010 to 2016-2017, English local governments reduced spending by 24 percent (ibid). The proportion of cuts between local jurisdictions was starkly imbalanced, with local governments in the north of England seeing the most substantial retrenchment. Cities such as Liverpool, Manchester, Birmingham, Portsmouth, Oldham, Middlesbrough, Newcastle, Nottingham, and Doncaster, for example, saw cuts of over 25 percent to local authority service spending (ibid). These cuts most significantly affected discretionary spending in areas such as planning, housing, highways, and transport, as well as public services such as adult and children social care, libraries, and parks (Emmerson, 2017).

Paralleling the US, the most high-profile instance of social neglect and austerity in Britain occurred in June of 2017 when a fire engulfed Grenfell tower, a high-rise council housing flat in North Kensington in West London. The fire killed 72 residents, including two who later died in hospital with many more injured in its aftermath, who were disproportionately poor black and brown immigrants and refugees (Boughton, 2019). As subsequent analyses revealed, the fire had likely been exacerbated by the decision to install cheaper and more combustible cladding and insulation as well as lax fire safety protocols, crystallizing longstanding issues related to the under provision of social housing, outsourcing to private commercial interests, a lack of accountability over social housing management, and cost-cutting austerity measures (ibid).

The macroeconomic trajectory of the US and Britain from 2010-2016 was characterized by escalating inequalities and persistent economic stagnation. The combined effects of QE and fiscal austerity were sharply delineated by class in each country. Monetary policy, despite likely contributing to declining unemployment (Montecino and Epstein, 2015), subsidized asset prices for financiers, investors, and wealthy homeowners, while fiscal policy, cutting taxes for the wealthy and slashing spending for public service users, largely imposed the burdens of economic adjustment onto poor and working classes (Bank of England, 2012). These trends were borne out in wealth and income inequality data, particularly in the US. While the income share of the top one percent of Americans declined slightly in 2009 to 18.12 percent due to the recession, this reversed course dramatically in the next few years, rising to 22.83 percent by 2012 (Piketty and Saez, 2016). From 2009 to 2015 in the US, the top one percent of income earners saw their income and wealth grow faster than the bottom 99 percent of income earners. As one US report put it, "In 2015, a family in the top 1 percent nationally received, on average, 26.3 times as much income as a family in the bottom 99 percent" (Sommeiller and Price, 2018). Similar distributive trajectories occurred in Britain, albeit not quite as steep as in the US (Green and Lavery, 2015).

Combined with a period of concentrated wage stagnation and the deepening of part-time, insecure employment across both countries (Schmitt, Gould, and Bivens, 2018; Partington, 2018),[307] the decade following 2008 was characterized by stagnations or declines in the standard of living for many poor and working-class populations, alongside skyrocketing levels of inequality

[307] Average wage growth was the lowest in Britain amongst all G20 countries from 2008-2017, which experienced a loss in real wage growth of 5 percent (Partington, 2018). Available from: https://www.theguardian.com/business/2018/nov/26/uk-wage-growth-g20-nations-ilo-pay. (Accessed 22 November 2022).

as the upper echelons of the Anglo-American ruling class captured an increasing proportion of national income. Compared to previous economic recoveries, the post-2008 period saw a protracted period of anemic growth, stagnant government expenditures, and escalating inequality (Bivens, 2020).[308] These interlacing social and economic trends led numerous commentators across the US and Britain to declare the post-2008 period a 'lost decade' (Haldane, 2018).[309]

Conclusion

This chapter has sought to trace the trajectory from crisis fighting measures (bailouts, stimulus, and QE) to fiscal austerity in the US and Britain from 2010 to 2016. Following an historic escalation of state intervention in the aftermath of 2008, which saw leading neoliberal states temporarily cast aside legacies of fiscal prudence and macroeconomic orthodoxy from 2008-2009, the period from 2010 through 2016 in the US and particularly Britain was characterized by a prolonged period of crisis-fighting monetary policy measures and a return to fiscal austerity. Following a brief period of fiscal stimulus in both countries, policymakers and state officials revived and redeployed the political consensus of macroeconomic policymaking from the 1990s, including mechanisms of fiscal and budgetary discipline and technocratic outsourcing of economic policymaking to externalize responsibility for the imposition of austerity. The course of post-crisis macroeconomic policies in the US and Britain, moreover, was shaped by distinctive class underpinnings, contributing to a period of prolonged inequality and escalating social crises.

[308] Bivens (2020) highlights the historic stagnation in government spending in the post-2008 decade in the US: "Growth in state and local spending was far slower during the recovery following the Great Recession than in any other post–World War II business cycle on record" (Bivens, 2020, para. 3).
[309] Chief economist of the Bank of England, Andy Haldane, suggested the 2008-2018 period was a 'lost decade' for workers in Britain (Haldane, 2018). Available from: https://www.proshare.co/articles/pay-power-and-the-future-of-work?menu=Economy&classification=Read&category=Opinions%20and%20Analysis. (22 November 2022).

While these channels of capitalist crisis management enabled policymakers to depoliticize responses to the crisis and circumvent the formal constraints of democratic politics to institutionalize a return to austerity, these measures were also able to garner a degree of political legitimacy throughout the 2010s. Indeed, it took several years before a discernable 'legitimacy crisis' of neoliberalism began to emerge. Even as the trajectory of austerity was deeply asymmetrical, targeting areas of social spending and government expenditure disproportionately affecting the least politically powerful segments of the class hierarchy while continuing to finance tax cuts for the wealthy, from 2010 through 2016, the politics of austerity was supported politically by formidable historic blocs across the US and Britain. The next two chapters examine the politics of welfare restructuring across both countries in the post-2008 period, one of the primary avenues through which the class politics of austerity was realized. This process not only had wide-ranging social and material effects on the livelihood of poor and working classes, but also contributed to an unfolding crisis of legitimacy within neoliberalism across the US and Britain in the post-crisis era.

Chapter 7: Universal Credit, Coercive Commodification, and Socio-Political Crises in Britain, 2010-2019

> When one individual inflicts bodily injury upon another such that death results, we call the deed manslaughter; when the assailant knew in advance that the injury would be fatal, we call his deed murder. But when society places hundreds of proletarians in such a position that they inevitably meet a too early and an unnatural death…when it deprives thousands of the necessaries of life, places them under conditions in which they cannot live…its deed is murder just as surely as the deed of the single individual; disguised, malicious murder, murder against which none can defend himself…But murder it remains.
>
> Friedrich Engels (1845), *The Condition of the Working Class in England*.

> [W]e are embarking on the most far-reaching programme of change that the welfare system has witnessed in generations.
>
> Iain Duncan Smith (November 2010), Universal Credit: Welfare that Works, presented to Parliament by the Secretary of State for Work and Pensions.

> It might seem to some observers that the Department for Work and Pensions has been tasked with designing a digital and sanitized version of the nineteenth century workhouse, made infamous by Charles Dickens, rather than seeking to respond creatively and compassionately to the real needs of those facing widespread economic insecurity in an age of deep and rapid transformation.
>
> Phillip Alston (2019), Report of the United Nations Special rapporteur on extreme poverty and human rights, Visit to the United Kingdom of Great Britain and Northern Ireland.

Introduction

This chapter examines the restructuring of the UK welfare state from 2010 to 2019 by successive Coalition and Conservative governments. It situates welfare restructuring during this period within the politics of austerity and the broader social and political instabilities of British capitalism throughout the 2010s. From 2010 onward, successive governments in the UK leveraged welfare reform, redeploying political coalitions, policy paradigms, and ideologies of neoliberal welfare governance to legitimate the turn toward austerity and impose the costs of economic adjustment associated with the post-2008 bailout and stimulus measures onto poor and working-class populations. Welfare reform was thus a primary avenue through which the class foundations of post-2010 austerity described in chapter 6 was realized, disproportionately imposing market discipline on layers of poor and working-class populations, while other elements of British fiscal and monetary policy shielded wealthy classes and social groups from the rigors of market discipline (Green and Lavery, 2018).

The restructuring of the UK social security system after 2010 was not sui generis, however, nor was it merely shaped by dynamics of electoral politics or austerity after 2008; it also deepened broader trends in disciplinary neoliberalism (Gill, 1995). A central thread of disciplinary neoliberalism since the 1980s, particularly in the Anglo-American countries of the US and Britain, was the articulation of a punitive, anti-welfarist consensus.[310] In the aftermath of 2008, social policy was characterized by what Dukelow and Kennett (2018) describe as a process of *coercive commodification*, or the "closing down any vestiges of choice and stripping back subsequent policy buffers, and locking people into a circuit of low paid work, debt and housing precarity" (pp. 485, 486). Central to this process in the UK was the reconfiguration and recommodification of the social security system. As this chapter will contend, while post-2010 reforms drew on longstanding policies and reforms characteristic of disciplinary neoliberalism, there was also a qualitative shift in social policy in the aftermath of 2008. Alongside the pivot toward austerity in 2010 and the onset of a period of historic stagnation in British capitalism (Office for National Statistics, 2019),[311] social policy reforms by Coalition and Conservative governments became increasingly

[310] Welfare and social policy reforms constituted part of a wider punitive turn, particularly in Anglo-liberal countries, in which the criminalization of poverty and social marginality informed diverse fields of policy, from criminal justice to social and labour market policies (Wacquant, 2009; Roberts, 2018; Wamsley, 2019; Nunn and Tepe, 2022).

[311] Measurements of the historic economic stagnation in the UK in the post-2008 period include declining levels of growth, real wages, public investment, as well as a historic collapse in labour productivity (the 'productivity gap') (Office for National Statistics, 2019; Burn-Murdoch, 2022). As a recently published report on the period of historic stagnation in Britain since 2008 describes, "on the eve of the financial crisis, GDP per capita in the UK was just 6 per cent lower than in Germany, but this gap had risen to 11 percent by 2019," while labour productivity "grew by

coercive, extending benefit sanctions, conditionalities, and workfare reforms beyond the parameters of the 1990s, combining the old and the new of market disciplinary social policy.

Salient reforms implemented after 2010 included the escalation of supply-side, work-based reforms, which were ostensibly informed by a logic of austerity, but also sought to 'activate' the unemployed and compel low-income and 'welfare dependent' and populations into the labour market. This ranged from a historic escalation of benefit sanctions and benefit deductions, the rollout of a new digitized and surveillance-based infrastructure of social security provision under Universal Credit, and enhanced conditionality and workfare measures applied to hitherto exempt populations. These reforms were implemented within conditions of low growth, relative stagnation, and heightened inequality, exacerbated by successive governments' commitments to austerity, which generated a range of contradictions. Rather than merely cutting costs within the UK social security system and seamlessly reintegrating populations back into the labour market, post-2010 reforms generated deep-seated dislocations and displacement.[312] While the experiences of benefit claimants were wide-ranging, I maintain that post-2010 welfare reform was constituted by *uneven commodification*, i.e., a process by which populations were cycled between states of short-term, insecure employment, residual, conditional and surveillance-based social support, sanctions, deductions, and penalties, and conditions of economic dislocation, subsistence, and poor health. This manifested in a variety of 'morbid symptoms' throughout the 2010s (Gramsci, 1971),[313] contributing to an escalating crisis of social reproduction characterized by declining

just 0.4 per cent a year in the 12 years following the financial crisis, half the rate of the 25 richest OECD countries" (Resolution Foundation, 2022, p. 8).

[312] These dislocations and contradictions generated by welfare reform, and the failure to fully reintegrate populations into the labour market, however, does not, as Greer (2016) has noted, "necessarily prevent re-commodification effects" (p. 167). In other words, as Polanyi (1957 [2001]) long ago understood, attempts to commodify the 'fictitious commodity' of labour have always been uneven, contested, and wrought by tension and contradiction.

[313] This phrase is drawn from Italian Marxist Antonio Gramsci's (1971) analysis of the crises of capitalism in the interwar era and was invoked to describe a period of impasse, and the emergence of a variety of social and political

health and well-being of Britain's poor and working-class populations combined with a broader political crisis of legitimacy in neoliberalism in Britain.

This chapter has four sections. The first reviews the political origins of welfare reform preceding the 2008 global financial crisis, which was situated between New Labour's unfinished ambitions for welfare reform and the rise of Conservative and right-wing political forces. The second section turns to the 2010 election, the Coalition government's first tranche of welfare reforms in 2012, and the new regime of conditionalities and sanctions ushered into the UK social security system. The third section examines the 2015 election, the second tranche of austerity and welfare reform introduced by the Conservative government, and its relationship to growing political contestation and the Brexit crisis. Drawing on literature on the social determinants of health and social reproduction, the fourth section examines the accelerated rollout of Universal Credit and the ongoing crisis of social reproduction unfolding across the UK, particularly from 2016 to 2018. The conclusion then briefly examines changing political undercurrents amidst the 2019 election, arguing that British politics during this period was characterized by an interregnum, with popular support for key policies and practices of austerity, welfare reform, and neoliberalism in decline but without the set of political forces needed to bring about social transformation.

I. New Labour's Unfinished Project, 'Broken Britain,' and the Roots of Post-2008 Welfare Reform

Well before the 2008 financial crisis and the subsequent pivot to fiscal austerity in 2010, plans to further reconfigure the welfare state were at the centre of the British political mainstream. It was under New Labour that some of the most far-reaching institutional changes to the British

pathologies in its wake, including the rise of fascism: "The crisis consists precisely in the fact that the old is dying and the new cannot be born; in this interregnum a great variety of morbid symptoms appear" (p. 276).

welfare were implemented, spanning both disciplinary workfare policies and more concealed, market-enhancing tax credits and distributive transfers. The Blair administration sought further reforms to the social security system before 2008, however. As part of its initial campaign promise in 1997 to 'think the unthinkable' and substantially reconfigure the welfare system, New Labour promised to address the 'problem' of rising numbers of Incapacity Benefits claimants.[314] Several reports were commissioned during the mid-2000s outlining plans for substantial reform. In 2006, the Department for Work and Pensions under John Hutton commissioned a report, *A New Deal for Welfare*, which lamented rising benefit claimants which "trap people into a lifetime of dependency" (Hutton, 2006, p. 4). The report called for the further introduction of a range of work requirements and new 'responsibilities' for claimants. Similarly, in 2007, shortly before Blair stepped down as leader of the Labour Party, he appointed David Freud, former investment banker and great grandson of Sigmund Freud, to review the welfare and benefits system.[315] In 2007, Freud commissioned a report, *Reducing Dependency, Increasing Opportunity*, which outlined many of the principles of the subsequent Universal Credit system. The report described the need to dramatically restructure the welfare state to target "inactive groups," and called for a reduction of over 1 million claimants on Incapacity Benefits and a further reduction of those on Income Support (Freud, 2007, p. 5). The report maintained that the government should enlist "outcome-based, contracted support," i.e., private companies contracted by the government to channel populations off benefits and back into work, to enhance public savings and achieve a goal of 80 percent employment of the entirety of the working-age population (ibid, p. 6). The modality of these

[314] While New Labour introduced several changes for working-age claimants with disabilities (Drake, 2000), pressure for further reform mounted within the party during the mid-2000s.
[315] After Gordon Brown halted the adoption of Freud's measures, the latter left the Labour Party and joined the Conservative Party in 2008, serving as the Under Secretary of State for Welfare Reform where he was central in the rollout of Universal Credit.

welfare reforms was to be implemented through a deepening of 'personalised conditionality,' i.e., enhanced work-related requirements for differentiated benefit claimants. The model of these reforms was outlined in Paul Gregg's 2008 commissioned report, which called for a "radically reformed welfare system" to "reduce the numbers on workless benefits to around three million or so over the coming decade" (2008, p. 6).

New Labour's efforts culminated in the 2007 Welfare Reform Act, which replaced Incapacity Benefit, Income Support, and Severe Disablement Allowance, social benefits for populations facing long-term illness or disability, with Employment and Support Allowance (ESA), a means-tested benefit that subjected hitherto exempt populations to work requirements and participation in work-related assessments, and increased the threat of sanctions for non-compliance (Welfare Reform Act 2007).[316] The rollout of ESA saw successive private companies awarded lucrative contracts to oversee the digitized work assessment program, including Atos and Maximus, which were paid according to their ability to reduce claimant caseloads (Gentleman, 2011). While further reforms were halted, in part due to internal conflict and changing leadership within the Labour Party, the political impetus to reconfigure the welfare state was at the centre of British politics well before the 2008 global financial crisis.

While New Labour had undertaken substantial changes to the welfare state, to the dismay of Blairites in the Labour Party and right-wing political forces in the media, think tanks, and Conservative Party, persistent spending on social security benefits and tax credits belied the sweeping promises of radical welfare reform by New Labour in 1997.[317] Perhaps the most

[316] While New Labour enshrined certain rights for disabled people by ratifying the United Nations Convention on the Rights of Persons with Disabilities in 2009, they also sought further work-based reforms and extended some of the central principles of punitive work assessments for people with disabilities (Sutcliffe-Braithwaite, 2023).
[317] As Blair noted in his 2010 memoir, "We wanted to cut the welfare bill radically as the costs had risen sharply and now ran into the billions" and we "were looking for every way we could to trim the welfare costs", in particular the Incapacity Benefit, which, in his mind, "became open to systemic abuse" (2010, p. 124). Despite their ambition for

trenchant critic and influential figure in the push for radically transforming the British welfare state was Iain Duncan Smith. After a failed stint as leader of the Conservative Party in the early 2000s, Smith founded the think tank, the Centre for Social Justice in 2004, which, alongside right-wing tabloids in the media, served as the primary venue advocating the commodification of the welfare state (Morrison, 2019). Importing the doctrine of neoliberal paternalism pioneered in the US during the 1990s, the Centre for Social Justice constructed a narrative of 'Broken Britain,' which played a central role in shaping the post-2010 pursuit of welfare reform (Slater, 2014; Hills, 2017). This narrative was articulated in highly influential reports in 2006 and 2007 by the Centre for Social Justice. The 2007 report, entitled *Breakthrough Britain*, revived discourses that foregrounded the pathological behaviours of welfare claimants and an over-generous welfare state as the root causes of poverty and worklessness, as seen in its identification of the supposed 'five paths to poverty': family breakdown, serious personal debt, drug and alcohol addiction, failed education, worklessness and dependency (Duncan-Smith, 2007, p. 5). Lamenting the pervasiveness of 'benefit dependency' and rising social security payments, the report called for sweeping changes to the UK welfare state, including strengthened conditionalities for out-of-work benefits and heightened sanctions for non-compliance (ibid, pp. 66, 284). The report further called for the delivery of welfare and care "beyond the state," i.e., through the voluntary, self-help, and private sectors (ibid, p. 309), [318] both as a potential source of public savings and as a route to 'independence' for welfare claimants. This influential report provided much of the justification

reform, however, Blair lamented that they "in reality we were only scratching the surface on whole swathes of policy, on public services, welfare and pensions" (2010, p. 133).

[318] The notion of 'welfare without the welfare state' also directly shaped the 'Big Society' platform of the 2010 Conservative campaign manifesto, which called for a shift from "big government that presumes to know best, to the Big Society that trusts in the people for ideas and innovation" (Conservative Party, 2010, p. viii).

and ideological thrust behind the social policy agenda of the 2010 Coalition government (Clegg, 2015).

The Centre for Social Justice drew on age-old constructs from Victorian England revived by the Thatcherite historical bloc during the 1980s, which sought to drive a wedge between the so-called 'deserving' (respectable, employed, working-and middle-class families) and 'undeserving' (unemployed, welfare-dependent, lone-parent, and often gendered and racialized) poor. These formulations found resonance in layers of British society, particularly during the late 1990s (Jones, 2012). Valentine and Harris (2014) identify the rise of these social antipathies in British popular culture through the trope of 'strivers,' i.e., hard-working, employed working and middle-class populations, versus 'skivers,' i.e., dependent and lazy citizens living off welfare benefits (see also: Jones, 2011).[319] These deeply rooted socio-cultural framings, a constituent part of neoliberal 'common sense' emerging in the 1980s, provided generative ideological scaffolding for the Coalition government in the aftermath of 2008 (Morrison, 2019). As the Coalition government took power in 2010 and sought to implement one of the steepest austerity packages across Europe, post-crisis austerity was shaped by a distinctive class agenda that inflected the politics of welfare reform.

II. Governing Post-2010 Austerity: Universal Credit and the Coercive Turn

Fiscal restraint, budget balancing, and welfare reform loomed large in the 2010 election. Indeed, *all* of the major contending parties in 2010 promised public spending cuts, a cap to public

[319] As Fraser and Gordon (1994) note in their analysis of US welfare reform, dependency is an ideologically charged term that "serves to enshrine certain interpretations of social life as authoritative and to delegitimize or obscure others, generally to the advantage of dominant groups in society and to the disadvantage of subordinate ones" (p. 311).

sector pay, and to deliver savings through reforms to the welfare system.[320] However, it was the Conservative Party that most stridently championed austerity and welfare reform. Promising to fix "Britain's broken society" and the "tidal wave of worklessness," the 2010 Conservative manifesto called for an immediate freeze to public sector pay, raising the public sector pension age, halting tax credits, slashing discretionary spending, and substantially reforming the welfare and social security system to "give unemployed people a hand up, not a hand out" (Conservative Party, 2010, pp. viii, 15, 16). After the Coalition government took power in May 2010, which was dominated by the Conservatives in partnership with the Liberal Democrats, welfare reform became central to the government's aims of eliminating the 'structural' budget deficit. As Chancellor of the Exchequer, George Osbourne, highlighted in his June budget speech, "It is simply not possible to deal with a budget deficit of this size without lasting reform of welfare" (HM Treasury, 2013). The first wave of social policy reforms were implemented in the 2010 budget, which included the adoption of the Consumer Price Index (rather than the Retail Price Index) for the indexation of working-age benefits, tax credits, and public services beginning in April 2011, a lower measurement of inflation enabling the government to implement de facto austerity by reducing the real value of benefit provision (Lupton et al., 2015).[321] This reform was part of a wider agenda outlined by the Coalition government in the 2010 October Spending Review to generate £11 billion

[320] The 2010 Labour Party manifesto, for example, promised a one percent cap on public sector pay increases, £5 billion in cuts to spending, and £1.5 billion in savings by implementing "touch choices" on welfare to "increase fairness and work incentives" (Labour Party Manifesto, 2010, p. 0:6). The Liberal Democrats promised a £400 pay rise cap for public sector workers, the restriction of tax credits, reforming public sector pensions to "ensure that they are sustainable," as well as over £15 billion savings from cuts to government spending (Liberal Democrat Manifesto, 2010).

[321] While the Coalition Government targeted working-age benefits for widespread restructuring, it opted to protect pensions by uprating pension benefits through a 'triple lock' scheme to keep pension benefits in line with earnings, which disproportionately benefitted older and more affluent populations, key constituencies of the Conservative Party (Lupton et al., 2015).

in savings in welfare reform by 2014-2015 by implementing a range of reforms and cuts to working-age benefits and tax credits (HM Treasury 2010).

The flagship welfare reform program of the Coalition government was outlined in a White Paper presented to Parliament by Iain Duncan Smith, who was appointed as Secretary of State of the Department for Work and Pensions from 2010-2016, entitled *Universal Credit: Welfare That Works*. Based on the Centre for Social Justice's 2009 report, the White Paper provided the template for the rollout of Universal Credit, the amalgamated benefit and tax credit system implemented under the Coalition and subsequent Conservative governments. Universal Credit, which proposed consolidating six working-age benefits and tax credits into one digitized benefit system,[322] was justified by familiar exhortations of boosting competitiveness and combating 'worklessness' that was central to welfare reform throughout the 1980s and 1990s, but also on the basis of a revivified consensus on austerity. As the White Paper outlined, drawing on longstanding caricatures of a bloated welfare state and undeserving welfare recipients, Universal Credit was intended to tackle "welfare dependency" by improving "incentives to work," encouraging a "flexible working pattern that modern employers and individuals need," reducing "the level of fraud and error in the welfare system," and finding savings by reducing the size of the "vast, sprawling bureaucracy" of the welfare state that "maintains, rather than really challenges, poverty" (Department for Work and Pensions, 2010, pp. 2, 8, 10, 11).[323] Universal Credit, alongside a wider ensemble of social policy reforms, was introduced in the 2012 Welfare Reform Act and rolled out progressively over the

[322] These include the Child Tax Credit, Housing Benefit, Income Support, income-based JSA, income-related ESA, and the Working Tax Credit (Department for Work and Pensions, 2021).

[323] These rhetorical framings of the UK social security system paralleled what the late development economist Albert Hirschman identified as the 'perversity thesis' in conservative thought. As he describes in *The Rhetoric of Reaction*, the perversity thesis is a staple of reactionary thought, which describes the "*perverse* effect of some "progressive" or "well-intentioned" public policy. Attempts to reach for liberty will make society sink into slavery, the question for democracy will produce oligarchy and tyranny, and social welfare programs will create more, rather than less, poverty" (Hirschman, 1991, p. 12).

next several years. The legislation proposed shifting recipients of virtually all working-age benefits and tax credits onto the Universal Credit benefit system.

Amongst other things, this would transfer recipients onto a monthly automated payment schedule credited to recipients' bank accounts that adjusted in real time based on changes in weekly earnings; consolidate in-work and out-of-work benefits through an integrated tax and earnings reporting system; shift applications and management of claims online (from in-person JobCentre Plus offices to Universal Jobmatch) through a surveillance-based 'digital-by-default' design; deepen existing conditionalities and work requirements for claimants and introduced new conditionalities and work requirements for previously exempt populations; strengthen the scope and severity of sanctions for non-compliance; introduce an earnings-based taper system to incentivize work; increase penalties for 'benefit fraud' and ramp up efforts to recover 'fraud debt' through higher benefit sanctions; and replace hardship payments, i.e. support for destitute claimants who had been sanctioned, with conditional loans (Welfare Reform Act, 2012).

These wide-ranging changes to the delivery, structure, and provision of benefits within the British welfare state, which one leading comparative welfare state scholar described as "the most far-reaching and precipitate attempt to achieve fundamental restructuring in an established welfare state in a larger Western economy in recent years" (Taylor-Gooby, 2012, p. 61 quoted in: Lupton et al., 2015, p. 16), were accompanied by a workfare scheme for the long-term unemployed called the Work Programme. Rolled out in 2011,[324] the Work Programme extended workfare reforms from the 1990s, mandating long-term unemployed recipients of ESA or Job Seeker's Allowance (JSA) to take part in a marketized employment scheme. The workfare arrangement outsourced

[324] This was in addition to other workfare schemes such as the introduction of 'Work-Related Activity Groups' for Employment and Support Allowance claimants, mandating attendance of work-focused interviews with a 'work coach' and reduced benefit levels for populations deemed capable of work (Hobson, 2020).

employment services to large multinational firms, including G4S, Serco, Ingeus, and Maximus, which were contracted on a 'payment-by-results' basis. However, the scheme was plagued by manifold failures shortly after it was put in place. These ranged from incentivizing and publicly subsidizing practices of 'parking,' i.e., placing benefit recipients most capable of taking up employment in short-term, low-paying jobs, while abandoning more impoverished or disabled, and therefore more 'costly,' populations; mandating low-paying and often short-term work, including unpaid 'voluntary' employment, which was described as "slavery by another name" by one commentator; systemic abuse of government contracts by companies to enrich company shareholders, including Conservative Party donors; and the abysmally low number of recipients who were able to maintain long-term, well-paid employment (Stone, 2015; Carter and Whitworth, 2015).

While this scheme was discontinued in 2015 after political contestation and the revelation of further scandals, numerous other systemic reforms to social security were ushered in under the Coalition government. Also included in the 2012 welfare reform legislation, for example, was the introduction of the Personal Independence Payment, which replaced Disability Living Allowance, introducing more stringent 'work capability assessments.'[325] These reforms were explicitly framed as a cost-saving measure to reduce disability benefit caseloads by 20 percent (Hobson, 2020, p. 13). Other social policy reforms between 2010-2015 included the restructuring of Housing Benefits, the removal of the spare room subsidy, which infamously became known as the 'bedroom tax,' and the abolition of the Social Fund.[326] The Coalition also passed an across-the-board benefit

[325] Work capability assessments reintroduced a stricter definition of who was deemed fit for 'work-related activity,' and was predicated on "the principle that a health condition or disability should not automatically be regarded as a barrier to work" (Kennedy, 2012). Available from: https://commonslibrary.parliament.uk/research-briefings/sn05850/. (Accessed 17 April 2022).

[326] The bedroom tax reduced housing benefits to tenants with a spare bedroom from 14 to 25 percent and was roundly criticized after it was revealed to disproportionately target households with a disabled family member or

cap implemented in 2013, which established a ceiling on total payments that populations could receive in social security benefits or tax credits at £26,000 per year or £500 per week (Keen, Kennedy, & Wilson, 2016). These caps followed a series of public sector pay freezes in 2010-11 and 2011-12 (Lupton et al., 2015). Caps and pay freezes were leveraged as part of the Conservative government's political project of cultivating 'moralised antagonisms' between working and nonworking households, as well as public and private sector workers, and particularly lowering the living standards of welfare recipients relative to working households (Lavery, 2019). As the Government's 2010 Spending Review articulated, the reforms were intended to ensure that "no workless family can receive more in welfare than median after tax earnings for working households" (HM Treasury, 2010, p. 28).[327] This social policy reform offensive was underwritten by a substantial reconfiguration of the governance structures of the social security and welfare system.

Universal Credit, Digitized Inspectibility, and the Rise of the Sanctions Regime

Perhaps the most distinctive feature of Universal Credit, and the broader agenda of welfare state restructuring ushered in by the Coalition government, was the highly centralized, national regime of conditionalities and sanctions that it introduced. While conditionalities, i.e., work-related and behavioural requirements mandated for receipt of social benefits, had long been a feature of liberal governance in Britain, particularly since 1997, post-2010 legislation expanded its reach and severity substantially. As leading critical social policy scholars have described, Universal Credit constituted "the most all-encompassing manifestation of conditionality in any

foster carers (Butler and Siddique, 2016). Available from: https://www.theguardian.com/society/2016/jan/27/the-bedroom-tax-explained. (Accessed 2 December 2022).

[327] For a comprehensive overviews of the social policy record of the Coalition Government, see: Lupton et al. (2015) and Hobson (2020).

developed welfare system” (Wright and Dwyer, 2022, p. 22). Work-related conditionalities were introduced for virtually all social benefits claimants. The progressive escalation of conditionalities meant that those in receipt of social support not only had to be ‘available for work’ but also ‘actively seeking work’ (Adler, 2016). This entailed a minimum of 35 weekly job search hours, the attendance of various work-focused interviews with a work coach, training sessions, amongst other surveillance-based behavioural requirements (including mandating recipients to alter their appearance to appear more ‘employable’) for receipt of benefits (Fletcher and Wright, 2018).

The largest constituency subjected to conditionalities were Job Seeker’s Allowance (JSA) claimants, i.e., unemployed populations. New conditionalities were likewise introduced for Employment and Support Allowance (ESA) claimants, those conventionally understood to have a limited capacity to work due to long-term sickness or disability. While conditionalities and work requirements were introduced in 2007, the Universal Credit regime further reformed ESA by rigidly differentiating claimant populations based on their perceived labour market value. Those deemed ‘fit to work’ were subjected to a range of requirements, including maintenance of work availability, upwards of 35 mandated hours of job search and preparation, and the attendance of work-focused interviews (Wright and Dwyer, 2022). Those with ‘limited capability for work’ were placed in Work Related Activity Groups and were likewise mandated a range of job search requirements, while a smaller percentage with more severe disabilities were exempt (ibid). ‘Lone parents,’ overwhelmingly poor and working-class women who were long the object of stigmatization by policymakers and welfare reformers, were also subjected to numerous reforms in 2008 and again under Universal Credit under the Lone Parents Obligations reforms. These reforms transferred recipients off Income Support to JSA, mandating recipients to ‘actively’ seek work, attend work-focused interviews, spend a minimum time searching and applying for jobs, amongst other workfare requirements once parents' children reached an age threshold (Avram, Brewer, and Salvatori, 2013). The age at which lone parents' children were exempt from such conditionalities was lowered substantially down from age 12 (in 2008) to those with children ages 5 and over and was intended to funnel recipients into paid employment by dramatically reducing the scope and length of support (ibid). Even the most residual forms of benefit dispersal for the most desperate populations were also restructured. As part of the 2012 reforms, for instance, 'hardship payments,' a last resort payment worth 60 percent of normal benefits for destitute populations who had been sanctioned, were now withheld for two weeks after sanctions and converted from benefits into loans repayable by the end of each month (Welfare Reform Act, 2012). Similarly, in an effort to extract expenditures from welfare claimants, the 2012 reforms also targeted outstanding debts, which could now be deducted from benefit payments via sanctions (Welfare Reform Act, 2012).

Under Universal Credit, it was not only those out of work who were subjected to stringent conditionalities. As part of its structural consolidation of out- and in-work benefits, 'in-work conditionalities' were also introduced for low-wage and part-time workers receiving benefit or tax credit support (Universal Credit Regulations, 2013). These reforms, intended to promote 'in-work progression,' applied to working households below a certain income threshold, mandating work requirements to increase working hours or take on additional employment (Work and Pensions Committee, 2016). Previously, conditionalities ceased after claimants had taken up 16 hours of paid work; under Universal Credit, however, this threshold was abolished, with full conditionalities applied to working populations working more than 16 hours (Wright and Dwyer, 2022, p. 22).

While means-tested, work-based tax credits had long been a plank of neoliberal social policy in Britain (Sloman, 2017), Universal Credit sought to pare back such benefits, which were characterized as having grown unsustainably (BBC, 2015). Several changes were introduced to make the Child Tax Credit less generous, reduce eligibility, and increase work requirements for recipients (Lupton et al., 2015, p. 23), though more far-reaching plans were delayed amidst substantial opposition. As part of the Coalition government's across-the-board restructuring of the British welfare state, not even the most 'deserving' working-class populations were exempt from restructuring. Working households were now subjected to a range of conditionalities and job search requirements if their income fell below a given threshold (Welfare Reform Act, 2012). This was based on a higher earnings threshold, equivalent to a 35-hour work week at the national minimum wage, below which working claimants (an estimated 1.2 million adults) would be subject to work-related requirements (Pennycook and Whittaker, 2012, pp. 7-8). 'In-work conditionalities' adopted under Universal Credit were without historical or comparative precedent (Clegg, 2015), subjecting low-wage workers to the 'double conditionality' of workfare requirements on top of existing employment conditions (Wright and Dwyer, 2022). As a later report revealed, these additional requirements often led low-wage workers to relinquish benefits for which they were eligible, and thereby reduce their standard of living, due to the over-bearing behavioural and work requirements mandated on top of part- or full-time employment (Welfare Conditionality Project, 2018).

A growing literature has sought to make sense of the post-2010 reforms to the UK welfare state, including the rollout of Universal Credit. Some analyses have linked welfare reform efforts to the 'systematic violence' of austerity in the post-2010 period (Burnett and White, 2017).[328]

[328] Other scholars maintained that the reforms introduced by the Coalition and Conservative governments emerged as a response to the secular growth of means-tested tax credits, which had grown since the 1980s and especially

Others have situated post-2010 reforms within distinctive electoral and political dynamics, emphasizing how politicians constructed a series of 'moralised antagonisms' between working, and nonworking populations, as well as public- and private-sector workers, to construct electoral coalitions as part of a 'two nations' project to undergird capitalist accumulation strategies (Lavery, 2019).[329] Political economy literature focuses on the economic imperatives behind these forms of restructuring. Similar to the 'workfare' policies of the 1990s, post-2010 welfare reforms were based on the disciplining and recommodification of labour, intensifying competition in the UK's low-wage, service-sector labour market (Greer, 2016). Others highlight the far-reaching changes to the structure and governance of the British welfare state, including a significant escalation of benefits sanctions and punitive measures toward welfare recipients, which critical observers have likened to a 'new Leviathan' (Adler, 2016), and a 'secret penal system' (Webster, 2014). As will be further illustrated below, the rollout of Universal Credit was perhaps more accurately characterized as a neo-Benthamite system of 'inspectability,' characterized by widespread digitized surveillance and the rigid differentiation of claimants for the purposes of market integration.[330]

Post-2010 reforms introduced under the Coalition Government both extended and went beyond established neoliberal social policies. Whereas the strategy of New Labour sought to rigidly divide constituencies between working and non-working households by validating employment-based income through a combination of coercive and consensual social policies and

under New Labour as a means of cushioning the dislocations associated with deindustrialization and neoliberalism (Clegg, 2015; Sloman, 2017).

[329] The Coalition Government's post-2010 welfare reforms, however, arguably went beyond a distinctive 'two nations' hegemonic strategy. While the administration sought to target and stigmatize the nonworking poor through its slate of welfare reforms, it also implemented a range of coercive policies toward the 'working poor,' including the extension of in-work conditionalities through Universal Credit, thereby undermining a clear distinction between the 'deserving' and 'undeserving' poor.

[330] I would like to thank Stephen Gill for this observation.

tax deductions (cf. Lavery, 2019), across-the-board conditionalities introduced under Universal Credit extended market disciplinary policies to both working and nonworking populations. Indeed, merging in-work and out-of-work benefits into a single amalgamated system was at the core of Universal Credit's central principles. As a result, the market-based, work-first logic of neoliberal social policy assumed an increasingly disciplinary and coercive character in post-2008 austerity Britain.

At the forefront of this shift and the rollout of heightened conditionalities throughout the British social security system was an unprecedented expansion of a sanctioning regime for benefit recipients. Initiated in 2010 and deepening following the 2012 Welfare Reform Act, the new sanctioning regime established a multi-tiered system of sanctions for welfare recipients. These included 'lower-level sanctions,' i.e., the least severe of the sanctions imposed for various 'infractions,' including failure to attend or to merely appear a few minutes late to a meeting with a work coach, failure to participate in a work training regimen, or failure to "do something to look for work that you agreed with your work coach" (Department for Work and Pensions, 2021). For income-based JSA claimants, the largest benefit recipiency pool, these sanctions resulted in claimants losing *all* benefits for a minimum of 4 weeks for the first 'offence' and up to 13 weeks for the second, plus the additional time to correct the infraction; 'intermediate-level sanctions' administered to claimants who failed to be available or 'actively seek' work, resulted in 4 week and 13 week sanctions for first and second strikes; and 'higher-level' sanctions, administered for failure to comply with the 'most important' job-seeking requirements,[331] led to a loss of *all* benefits for 13 weeks for a first offence, 26 weeks for a second, and 156 weeks (three years) for a third (Department for Work and Pensions, 2013). Open-ended sanctions were also a new feature

[331] This was applied, for example, to those who left a job 'voluntarily' (Department for Work and Pensions, 2013).

introduced, in which benefits were suspended *indefinitely* until compliance with certain conditionalities (Wright, Fletcher, & Stewart, 2020). This dramatic escalation in the severity and applicability of sanctions escalated the maximum benefit sanction from a previous high of 28 weeks to a 100% reduction of benefits for up to 3 years (ibid). Similar sanctions were applied to ESA and disabled populations deemed 'fit to work' (DWP, 2013). Unlike other administrative or criminal fines and fees, the imposition of benefit sanctions took immediate effect following infractions (and before appeals), and recipients immediately lost their primary or only source of income, even during the appeals process if they were wrongfully sanctioned (Adler, 2016).[332]

Independent analyses have since tracked the dramatic expansion of benefit sanctions from 2010 through 2016, which increased in aggregate and proportional terms (Webster, 2016).[333] As table 19 illustrates, between 2007 and 2013, the number of sanctions imposed on JSA claimants escalated from an annual total of 351,341 sanctions to a high of 1,037,000 sanctions in 2013 (not including ESA sanctions).

Table 19: Jobseeker's Allowance Claimant Count (annual average) and Number of Sanctions (annual total), 2007-2013

Year	Claimant Count	Number of Sanctions
2007	864,500	351,341
2008	906,100	380,028
2009	1,527,700	471,476
2010	1,496,400	742,030
2011	1,534,300	738,850
2012	1,505,600	904,965
2013	1,424,300	1,037,000

[332] The UK is comparatively severe in its immediate revocation of benefit support. In other jurisdictions, an independent review process is required first before benefit sanction (Adler, 2016).
[333] While data on the demographics of populations affected by sanctions are sparse, that they have disproportionately affected the marginalized and vulnerable is clear. As one expert concludes, "What is abundantly clear is that vulnerable people, for example, homeless people, those with learning disabilities, and immigrants with a limited understanding of English, are more likely to be sanctioned than others" (Adler, 2016, p. 219).

Source: M. Adler (2016). “A New Leviathan: Benefit Sanctions in the Twenty-First Century.” *Journal of Law and Society*, 43(2), p. 49.

Between 2010 and 2015, under the Coalition government’s term, roughly one quarter of *all* JSA claimants were sanctioned (before challenges or appeals) (Webster, 2017, p. 6). Between 2008 and 2014, there was a 69 percent increase in JSA sanctions and an 84% increase in ESA sanctions (Edminston, 2017, p. 261 cited in: Grover, 2019, pp. 338-339).[334] Compared to the previous administration, between 2010 and 2016, there were roughly 1.65 million more JSA sanctions than would have occurred if the rate of sanctions from the previous government continued (Webster, 2016). The rate of sanctions for recipients of Universal Credit was found to be similarly high, with the monthly rate of UC sanctions at 7.4 percent of claimants between August of 2015 to March of 2017, over three times the rate of JSA sanctions (Webster, 2017).

Most benefit sanctions throughout this period were imposed for non-participation in the workfare scheme, the 2011 Work Programme, and those deemed not to be ‘actively seeking work’ by JobCentre Plus offices and its digitized equivalent, Universal Jobmatch after 2013 (Webster, 2016). The primary factors behind the dramatic expansion of the sanctioning regime were a combination of tacit pressures by cabinet ministers beginning in 2010 from the Department for Work and Pensions to increase sanction referrals as part of the government’s welfare reform campaign agenda, as well as the perverse incentives baked into the Work Programme (Webster, 2016). Indeed, the 2011 Work Programme was “set up from the start in such a way as to maximise sanctions” (Webster, 2016, p. 5). Driven by its payment-by-results contracts with private firms, the workfare program compelled contractors to refer claimants for sanction for any breach of strict requirements even if they were otherwise fully co-operating (ibid). Firms were thus incentivized

[334] Benefit sanctions for lone parents also escalated dramatically during this period, rising from an average of 3 percent of recipients in 2008-2009 to over 14 percent in 2012-2013 (Katikireddi et al., 2018).

to increase referrals for sanctions as a means of channeling claimants off benefits. The result was that by 2016, the Work Programme oversaw a total of 843,000 sanctions, 881,615 cancelled referrals,[335] and merely 483,827 job placements for JSA recipients, with 175,000 sanctions, 162,970 cancelled referrals, and only 36,986 job outcomes for ESA recipients (Webster 2016). In short, the workfare programme of the Coalition government functioned as a racket for contracted firms, which profited off the systemic sanctioning of low-income, impoverished, and disabled benefit recipients, achieving few of its stated intended objectives, i.e., long-term job placements.[336]

The post-2010 conditionality and sanctioning regime was overseen by the introduction of a highly centralized and digitized surveillance system. While the accelerated automation of the UK social security system was introduced gradually, this 'digital-by-default' design system meant that all interactions by new benefit claimants with the social security system were to be automated through a self-administered online portal and call centers (Alston 2018). While many would continue to use Jobcentre offices for in-person appointments, the legislation gradually introduced a 'mandatory digital self-help' infrastructure in which claimant registration, income calculation, benefit dispersal, sanctions, and an array of panoptic surveillance mechanisms were all transferred online (Fletcher and Wright, 2018). Alongside the Coalition Government's efforts to consolidate tax and spending functions, the legislation also introduced a real-time information system that collated HM Revenue and Customs data on income from employers to calculate recipient earnings

[335] These are referrals for sanction that were later overturned but which nonetheless temporarily halted benefit dispersal for claimants.

[336] The nature of the appeal process for benefit sanctions was likewise substantially reconfigured in 2013. Changes to the appeal process introduced in October 2013, i.e., Mandatory Reconsideration, which were intended to reduce the number of appeals, added administrative complexity and tedium to the appeal process. As a result, due to the length of the appeal process and 'appeal fatigue,' the number of JSA claimants appealing sanctions declined dramatically from 3,800 per month in 2013 to 100 per month in 2014 (Adler, 2016, p. 212). The proportion of appeals under Universal Credit likewise continued to decline. From 2016 to 2017, the proportion of UC sanctions challenged by claimants was only 16 percent, and of those challenges, only 29 percent were appealed successfully. Under five percent of Universal Credit sanctions were overturned in total (Beatty and Fothergill, 2016).

and adjust benefits accordingly (Alston, 2018). For recipients, this system was based on the Claimant Commitment and the Universal Jobmatch. The Claimant Commitment functioned as a digitized ledger and contractual obligation to monitor and surveil recipients and ensure their commitment to conditionalities and work requirements, and, if necessary, to administer sanctions (Reeves and Loopstra, 2017). Alongside this self-administered online system, the Coalition Government introduced a new online job vacancy system, Universal Jobmatch. This self-administered job vacancy system was, as Fletcher and Wright (2018) maintain, “laced with compulsion and intrusive surveillance,” introducing a range of digital mechanisms to monitor potential infractions for benefit sanctions (p. 332). Rolled out to ‘modernize’ Britain’s social security system and establish greater surveillance over alleged ‘benefit fraud,’ the unprecedented digitization of social security introduced a host of ethical, political, and human rights-related concerns shortly after its implementation (Alston, 2019).

The manifold changes and reforms to the British social security system ushered in by the Coalition Government in the post-2010 period were rooted in the paternalist discourses and ‘active labour market policies’ of the 1990s, importing US-style workfare policies borne out of the logic of boosting competitiveness through coercive, supply-side interventions. At the same time, there were also many distinctive and novel features surrounding post-2010 social policy reforms. Unlike the much-vaunted macroeconomic stability associated with the ‘New Economy’ of the 1990s and early 2000s, the post-2008 period in the UK was characterized more transparently by a period of slow growth and stagnant productivity, declining real wages, precarious employment, escalating insecurities in the labour market, and rising inequality (Lavery and Green, 2015; Office for National Statistics, 2019). These structural pathologies in British capitalism, which meant that the UK labour market was largely unable to offer any meaningful path to economic security for welfare recipients pushed off benefits, were exacerbated by the embrace of austerity from 2010 onward. As the Coalition Government deepened a range of disciplinary social policy reforms, including a dramatic escalation in the severity of benefit sanctions, workfare measures, and coercive conditionality applied to hitherto exempt populations, the social, economic, and political effects of this welfare offensive contributed to a series of interlacing crises in Britain.[337]

III. Deepening Austerity, Brexit, and Escalating Crises, 2015-2019

The social and material effects of the Coalition Government's embrace of austerity on poor and working-class livelihoods were far-reaching. As Table 20 indicates, the annual financial losses of claimants were substantial, particularly due to changes in tax credits, child benefits, and Personal Independence Payments.

Table 20: Estimated Annual Financial Losses to Claimants Arising from Welfare Reform (pre-2015 reforms) as of March 2016, £GBP millions

Program	**Annual Financial Losses**
Tax Credits	4,210
Child Benefits	3,030
1 percent uprating	2,700
Housing Benefit	1,670
Personal Independence Payments	1,190
Employment and Supper Allowance	650
Council Tax Support	370
Housing Benefit: 'Bedroom tax'	360
Non-Dependent Deductions	210
Benefit Cap	100
Total	14,490

Source: C. Beatty and S. Fothergill (2016). "The uneven impact of welfare reform: the financial losses to places and people." *Project Report*. Retrieved April 25, 2023 from: https://shura.shu.ac.uk/id/eprint/15883.

[337] The punitive orientation of post-2010 welfare reforms and the social humiliation endured by benefit recipients in their wake are perhaps best captured by socialist filmmaker Ken Loach's 2016 film, *I, Daniel Blake*.

From 2009-2010 to 2012-13, expenditures on Sure Start, childcare components of the Working Tax Credit, and early education fell by 21 percent, while Child Tax Credit and Child Benefit payments were frozen (ibid). Combined with declining real wages for UK workers, which, according to some estimates, declined in real terms by 10.4 percent between 2008 and 2015 (Trades Union Congress, 2017),[338] post-2010 social policy reforms contributed to a rise in poverty during the Coalition government's tenure, particularly child poverty and those with children under five (Joseph Rowntree Foundation, 2022).[339] Despite the Coalition Government's apparent devotion to fiscal probity, welfare restructuring had minimal overall effects on public finances. As part of its regressive and class-based macroeconomic policy trajectory, welfare retrenchment was accompanied by cuts to capital gains and corporate taxes (slashed from 28 in 2010 to 20 percent in 2015), as well as the protection of middle-class pensions, offsetting any putative balance in public finances (Lupton et al., 2015).[340] The Coalition Government's austerity agenda was thus informed by a clear class agenda, which, alongside its broader post-2010 macroeconomic policies, escalated inequalities and redistributed wealth upward (Green and Lavery, 2015). From 2010-2015, for instance, the poorest quintile of the population lost on average 3 percent of their income, while income groups at the upper half of the income scale saw net gains in living standards (Lupton et al., 2015).

Notwithstanding the substantial transformations to the delivery and structure of welfare and social security portended by Universal Credit, its rollout was plagued by manifold technical

[338] This was according to a study done by the Trades Union Congress (2017), which was based on data from the International Labour Organization. Available from: https://www.tuc.org.uk/news/uk-near-bottom-global-rankings-real-wage-growth-—-new-tuc-analysis-finds. (Accessed 5 December 2022).
[339] The child poverty rate, for example, climbed from 27 percent in 2010/11 to 30 percent by 2016/2017 (Joseph Rowntree Foundation, 2022). Available from: https://www.jrf.org.uk/report/uk-poverty-2022. (Accessed 27 March 2022).
[340] As Lupton et al. (2015) observed, "the changes to direct taxes and benefits have had no real effect overall on the public finances. Almost all of the savings achieved by cutting benefits were offset by gains for richer groups" (p. 30)

failures, delays, and malfunctions. The ‘digital-by-default’ design of welfare reform, which had enlisted private firms and Big Tech giants from Accenture and IBM to HP with the rollout of UC’s software and digital infrastructure, was a technical calamity. As a 2013 report by the National Audit Office revealed, the Department for Work and Pensions had “no detailed ‘blueprint’ and transition plan” to rollout Universal Credit on a national scale and had a “limited understanding of how spending related to progress, poorly managed and documented financial governance and insufficient review of contractor performance before making payment” (National Audit Office, 2013, pp. 6, 8). Technical failures with the software intended to transfer claimants online and more efficiently monitor and punish ‘benefit fraud’ led to successive delays, resignations by key ministers overseeing the program, and escalating costs as the government continually wrote off the costs of software assets (Wintour, 2013). Initially forecast to cost £2 billion, the rollout of UC was later upscaled to £12 billion and yet again to over £16 billion (Syal and Mason, 2015).

It was not merely technical and administrative failures that scandalized the rollout and implementation of Universal Credit, however. Its underlying political and economic logic, which included a substantial escalation of punitive workfare measures, sanctions, conditionalities intended to ‘activate’ the unemployed and cut costs, contributed to a burgeoning social crisis. As early as 2012, reports by independent think tanks and non-profits predicted declining living standards for the poorest segments of the population under Universal Credit, suspicions that were later confirmed by the government itself, which conceded that over 2.8 million claimants would be worse off (Ramesh, 2012). One of the most punitive features associated with Universal Credit were the delays that claimants being rolled onto the new program faced. As part of the new benefit infrastructure, recipients would have to wait a full calendar month (as part of the program’s objectives to mirror salaried employment payment periods), a seven-day waiting period to decipher eligibility, and an additional seven days to process benefit claims in their bank account (Work and Pensions Committee, 2017).[341] This meant the most destitute and impoverished populations could face six weeks, barring any glitches or further delays, with no income or social support. As a document by the Trades Union Congress (TUC) observed, "it seems particularly bewildering that a system designed specifically to simplify benefits when a person's circumstances change adds on waiting days for eligibility at the start" (Packman, 2014, p. 8). As a result of delays and reforms, numerous reports by charities and food bank organizations documented a dramatic spike in food bank use amidst the rollout of Universal Credit (Trussell Trust, 2015). Other critics later noted that, notwithstanding the techno-optimism proclaimed by the government, a significant proportion of claimants simply could not afford or did not have access to computers necessary to navigate the new digitized social benefit infrastructure (Citizens Advice Scotland, 2018).

Initially intended to be rolled out beginning in 2013, the government was forced to delay Universal Credit by several years. In 2013, the Department for Work and Pensions dramatically reduced its planned pilot program to one locality, Ashford-Under-Lyne in Greater Manchester at the Tameside local authority. The pilot program included several hundred claimants and only applied to the most 'manageable' clients, i.e., those who were single, under 25 with no housing payments (Gentleman, 2013). The pilot provoked an over two-years-long daily protest by welfare recipients and activists outside the Tameside Jobcentre, with protestors reporting traumatic experiences ranging from sanctions applied to dying or disabled populations, and frequent mental

[341] In addition to mirroring salaried payments as part of its project of inculcating market responsibility, the austerity-based logic behind the government's waiting period was clear. As a later inquiry into the waiting periods noted, "The purpose of this change was primarily fiscal. The Government estimates that waiting days save the Exchequer £150 million per year, which may rise to around £260 million once Universal Credit is fully rolled out" (Work and Pensions Committee, 2017, p. 7). Available from: https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/336/33603.htm. (Accessed 25 April 2023).

health breakdowns from over-bearing work search meetings and benefit sanctions, with one recipient even threatening self-immolation in an act of desperation in the Jobcentre (Ryan, 2015).

The calamities at Tameside were a microcosm of the wider social crisis rooted in post-2010 austerity and welfare restructuring, as well as the burgeoning forms of political contestation that emerged in response from claimants, JobCentre service providers, organized labour, and wider layers of the populace. In 2013, for example, as parts of its botched rollout of Universal Credit, the DWP sought to dramatically reduce the number of JobCentre service providers and freeze public sector pay to cut costs from the welfare and social security bill, provoking mass successive protests and walkouts by the Public and Commercial Service (PCS) union, which represents JobCentre workers (BBC, 2013). Similarly, a growing social movement against the imposition of the Coalition government's 2011 Work Programme swept numerous parts of the UK throughout the early 2010s. 'Boycott Workfare' enlisted a broad base of claimants, activists, and trade unions to resist the government's workfare program, leading to the withdrawal of several high-profile charities and businesses from participating in the program and likely contributing to the program's eventual discontinuation (Greer, 2016). These burgeoning forms of contestation coalesced with a wider opposition to austerity alongside the mass anti-austerity protests in 2014 and 2015, led by groups such as *Disabled People Against Cuts* and *The People's Assembly Against Austerity*, which later percolated within the Labour Party and Momentum, the socialist political organization behind Jeremy Corbyn's 2015 bid for leader of the Labour Party. Leading up to the 2015 election, the DWP persisted in its attempted rollout of Universal Credit, albeit with only 100,000 people transitioned to it by the 2015 election, far lower than what the government had promised. The determined effort to restructure Britain's social security system continued despite reports of people being driven into destitution by delayed payments, including long-term sick and disabled populations deemed 'fit to work' (Butler, 2015), and a dramatic rise in food bank use (especially in localities where Universal Credit had been implemented), which had risen 30 percent 12 months after the rollout of Universal Credit and 48 percent after 24 months (Trussell Trust, 2019).

The 2015 Election and the Second Welfare Offensive

Despite burgeoning discontent with post-crisis austerity measures, and mounting evidence of rising poverty and worsening inequality under the Conservative-led Coalition government, the 2015 election saw the Conservatives return to power with a majority government. In part due to the distortions of the seat share associated with the first-past-the-post electoral system, the Conservatives' majority was aided by the rise of the far-right, a dramatic decline in support for Liberal Democrats, and the failure of the Labour Party to offer a clear political alternative (Panitch and Leys, 2020). While much of the electoral campaign revolved around promises to hold a referendum on the UK's membership in the European Union amidst the meteoric rise of the far-right, anti-immigrant nationalist United Kingdom Independence Party (UKIP) led by Nigel Farage, the politics of austerity and welfare reform continued to play a dominant role in the election. As in 2010, each of the main parties campaigned on promises to rein in public spending and reduce public borrowing. Even the Labour Party, under the leadership of Ed Miliband and Blairite shadow Chancellor, Ed Balls, campaigned on 'austerity lite' reforms (Panitch and Leys, 2020). Indeed, the 2015 Labour manifesto was dominated by the logic of fiscal conservatism, failing to provide a compelling alternative to the Conservative Party's platform of welfare reform. The opening lines of the Labour manifesto, for instance, promised to adhere to the so-called Budget Responsibility Lock, which ensured that "Every policy in this manifesto is paid for. Not one commitment requires additional borrowing" (Labour Party Manifesto, 2015, para. 2).[342] In attempting to distance itself from accusations of fiscal profligacy, the Labour Party once again acceded to the logic of austerity.[343] In May of 2015, the Conservatives returned to power to continue to advance their project of welfare state restructuring.

Once elected, the Conservatives escalated austerity measures and welfare reform. In the 2015 July 'emergency budget,' Chancellor of the Exchequer, George Osbourne, maintained that "Britain still spends too much, borrows too much, and our weak productivity shows we don't train enough or build enough or invest enough" (HM Treasury 2015). Central to achieving an alleged re-balancing of public finances was the further restructuring of the welfare state, an objective that had been frustrated in part due to the error-prone rollout of Universal Credit under the previous administration. Signalling the growing influence of the hard right in the Conservative Party, the Conservatives promised to "move Britain from a low-wage, high-tax, high-welfare society to a higher-wage, lower-tax, lower-welfare economy" (ibid).[344] The July budget promised an additional £37 billion in spending cuts in one Parliamentary sitting, with £12 billion promised in welfare alone (ibid). The spending cuts were advanced primarily by an across-the-board freeze on working-age benefits, estimated to reduce spending by £4 billion by 2020, a substantial reduction of tax credit and work entitlement eligibility, estimated to save £6 billion, as well as an additional reduction of the total benefit cap (ibid). As a scathing analysis by the Institute for Fiscal Studies

[342] As the Manifesto reads, "Our manifesto begins with the Budget Responsibility Lock we offer the British people. It is the basis for all our plans in this manifesto because it is by securing our national finances that we are able to secure the family finances of the working people of Britain" (Labour Party Manifesto, 2015, para. 1). Available from: https://manifesto.deryn.co.uk/labour-manifesto-2015-britain-can-be-better/. (Accessed on 27 April 2022).
[343] As Richard Seymour described, "Labour has been unable and even unwilling to avoid blame for the crisis, since it fundamentally accepts an austerity solution whose premise is that public spending is to blame" (Seymour, 2016, p. 34).
[344] The political-economic agenda of the far-right in the Conservative Party was encapsulated in a book published in September 2012 by five Conservative British MPs entitled, *Britannia Unchained: Global Lessons for Growth and Prosperity*.

revealed shortly after the Conservative government's announcements, this escalation of welfare restructuring would lead to an estimated 13 million families losing an average of £260 per year from the benefit freeze, and an estimated 3 million people losing £1,000 a year from changes to tax credits and Universal Credit (Hood, 2015). The overtly punitive and regressive orientation of the July budget marked an escalation in the trajectory of post-2010 austerity measures. As the Institute for Fiscal Studies report revealed, the reforms would hit the second- and third-lowest decile of the population hardest, declining in inverse proportion up the income scale. The ninth decile, or the second highest tier of the UK class hierarchy, would see net income gains from these reforms, as the Conservatives sought to siphon benefits from poor and low-income populations to more affluent and well-off layers of the populace, which comprised key elements of the Conservative voter base (Hood, 2015).

Notwithstanding mass protests against austerity following the government's announcements, with upwards of 150,000 taking to the streets of central London alone (Gayle, 2015), the Conservative Government's Autumn update reaffirmed its project of continued restructuring. Despite reversing certain proposed changes to tax credits (Hobson, 2020), some of the most stringent commitments to fiscal consolidation and welfare reforms were implemented in the post-2015 period. Reviving a plank of new constitutionalist fiscal policy, the government sought to lock in its reforms through the 2015 Charter for Budget Responsibility, which proposed establishing a permanent surplus in public sector net borrowing in 'normal times' by instituting limits to both current and capital expenditures and committing to annual reductions in national borrowing (Charter for Budget Responsibility, 2015, p. 7; Berry, 2019). As the Charter outlined, these fiscal aims would be achieved in large part through cuts to welfare and social security, and particularly through the cap on welfare benefits, which would be "contained through a predetermined ceiling"

(Charter for Budget Responsibility, 2015, p. 8).[345] While the Charter held no legally binding authority, relying on the authority of the Office for Budget Responsibility to enforce its objectives, substantial cuts and restructuring were implemented in the name of fulfilling its promises.

Social Contestation, A Looming Crisis of Legitimacy, and the Shadow of Brexit

The Conservative Government's further changes to the welfare and social security system were implemented in the 2016 Welfare Reform and Work Act. Foremost reforms included a lowering of the across-the-board household benefit cap from £26,000 for a family and £18,200 for a single person, to £23,000 in London (£15,410 for a single person), and £20,000 (£13,400 for a single person) everywhere else in the UK; a four-year benefits freeze; curtailing Child Tax Credits and child support through UC; the abolition of ESA Work-Related Activity Component; as well as reductions in social housing rent levels, changes to conditionality for responsible carers and mortgage interest support (Welfare Reform and Work Act 2016). This tranche of reforms marked the second major round of austerity-based welfare restructuring since 2010, affecting the livelihood of hundreds of thousands. The number of households facing a Housing Benefit cap, for example, one of the most widely used social benefits, trebled from roughly 20,000 in October of 2016 to over 70,000 in April 2017 when the new benefit cap came into effect (Work and Pensions Committee, 2019). Subsequent analyses estimated that post-2015 welfare reforms would reduce claimant benefits by almost £13 billion a year by 2020-2021 (Beatty and Fothergill, 2016). The freeze in working-age benefits alone was estimated to contribute to a decline in the real value of

[345] Illustrating the entrenched role of fiscal conservatism in the Parliamentary Labour Party notwithstanding the recent nomination of Jeremy Corbyn as party leader in May of 2015, the Labour Party accepted the proposed Charter in Parliament as "fully consistent" with its approach (BBC, 2015). Available from: https://www.bbc.com/news/uk-politics-30794472 (Accessed 25 April 2023).

working-age benefits by 5 percent with similar effects due to changes in Universal Credit and tax credits (Cribb, Hood, and Joyce, 2017).

The reforms disproportionately targeted low-income and working-class populations. As a subsequent report revealed, those primarily affected by the post-2015 cuts included working-class households with dependent children, lone parents, and particularly working-age tenants in the social rented sector, who were estimated to lose upwards of £1,700 a year (Beatty and Fothergill, 2016, pp. 27, 28). Disabled populations were likewise significantly affected by the reforms following the abolition of the ESA Work-Related Activity Component, another putative cost-saving measure intended to reduce the real value of ESA benefits to JSA levels. The effects of the reforms were widely uneven across the country, with the most deprived regions most dependent on social support, especially in northern post-industrial towns, depressed seaside jurisdictions, and some London boroughs, facing significant declines in living standards (ibid, p. 17). By 2018, following successive freezes and caps, the value of JSA, the most widely drawn on benefit for the unemployed, was worth merely 12.8 percent of median wages (Wright, Fletcher, and Stewart, 2020). Similarly, the cumulative effects of conditionality and workfare measures imposed since 2010 contributed to a broader reconfiguration of the scope, generosity, and reach of the British welfare state. By 2016, fully 60 percent of working-age benefits now went to households with adults in work, which had risen substantially from less than 40 percent in 1995 (Farnsworth, 2021).

While there was mounting evidence of an unfolding social crisis in the UK by 2016, the effects of post-2010 austerity were overshadowed by the build up toward, and results of, the 2016 referendum of the UK to leave the European Union. Based on his electoral campaign promise, David Cameron announced that a national referendum on the UK's position in the European Union would be held in June 2016. Attempting to assuage rising anti-immigrant nationalist populism in the Conservative Party with his own variety of 'business-driven globalism,' the results of Cameron's June 2016 referendum upended conventional polling wisdom, media predictions, and much of the British political establishment (Tooze, 2018). Despite campaign efforts by virtually all of the mainstream political parties in the UK to remain in the European Union, the 'Leave' side secured 52 percent of the vote while the 'Remain' side garnered 48 percent.

While there have since been many post-mortems of the demographics of the Brexit vote and its political, economic, and cultural determinants (Dorling, Stuart, and Stubbs, 2016),[346] 2016 seemed to mark a turning point in an unfolding 'organic crisis' of the British state (Jessop, 2017), which was shaped by the conjuncture of post-crisis austerity and also the wider inequalities and dislocations of neoliberalism (Dowling, 2021). While there were many short- and long-term factors behind the Brexit vote, the results of the 2016 referendum signalled a repudiation of some key dictates of the prevailing neoliberal order. This included the politics of expertise and depoliticized technocracy, but also post-2010 austerity measures, all of which was inflected through the politics of nationalism and sovereignty (Gamble, 2018; Hay, 2020). More specifically, recent analyses have provided robust evidence of the linkages between post-crisis austerity measures, social spending cuts, and support for the Leave campaign. Relying on data of the effects of austerity by district and electoral support for the Leave or Remain vote, Fetzer (2019) argues that "individuals exposed to various welfare reforms experienced distinct, sizable, and precisely estimated increases in their tendency to express support for UKIP and, in turn, to support Leave in 2016" (p. 3850). Using individual survey data, he reveals how individuals increasingly shifted to support the United Kingdom Independence Party (UKIP) after they experienced benefit cuts

[346] For a concise overview, see: Dorling, Stuart, and Stubbs (2016). Available from: https://blogs.lse.ac.uk/politicsandpolicy/brexit-inequality-and-the-demographic-divide/. (Accessed 20 December, 2022).

(Fetzer, 2019). A substantial portion of populations on welfare benefits, particularly older populations residing in post-industrial northern regions, were drawn toward right-wing political parties and Brexit due at least in part to the effects of post-2010 austerity measures.

The next several years of British politics revolved ad nauseum around the terms of the UK's exit from the European Union. While the spectacle of Brexit negotiations dominated headlines, evidence of the socio-economic effects of post-2015 welfare reforms, and the long-delayed rollout of Universal Credit, continued to surface. Shortly after David Cameron's resignation and replacement by Theresa May as leader of the Conservative Party, a snap election was called by May in 2017, in large part to secure a mandate for Brexit negotiations. While the Conservatives were overwhelmingly favored to win the election by polls and media outlets, the performance of the Labour Party upended conventional wisdom. Garnering substantial support, particularly from a coalition of young people, precarious workers, and a broad cross-section of British populations affected by post-2010 austerity measures, Jeremy Corbyn's Labour Party was able to increase its vote share substantially to 40 percent of the popular vote, netting an additional 30 seats, while the Conservatives lost 13 seats (Baker et al., 2019).

The growing anti-austerity movement and the insurgent campaign of Jeremy Corbyn's Labour Party in the 2017 election seemed to portend a shift in the political undercurrents of neoliberalism and the social base underpinning austerity measures since 2010. Indeed, Labour's 2017 campaign drew on burgeoning popular discontent with austerity, which was increasingly reflected in population surveys. As the 2017 *British Social Attitudes Survey* revealed, for the first time since the 2008 financial crisis, more people wanted increased taxation for increased social spending (48 percent) than those who wanted it to stay the same (44 percent), while more people agreed that the government should redistribute income from the well-off to the least well-off (42 percent) than those who did not (28 percent) (Clery, Curtice, and Harding, 2017). Similarly, in a reversal of the trajectory of popular sentiment since the 1990s, the proportion of those surveyed who believed that ‘dole claimants’ were ‘fiddling’ dropped from 35 percent in 2014 to 22 percent in 2016, while those who believed social security claimants did not deserve help polled at record lows (Clery, Curtice, and Harding, 2017). While polling data can be fickle, the results of the *British Social Attitude Survey*, which had polled the same questions since the 1990s, revealed a deepening crisis in the legitimacy of key planks of neoliberal social and fiscal policy. Evidence of changing attitudes toward welfare policies and the anti-welfarist consensus that dominated British politics since the 1980s and 1990s was mixed, however. As some recent analyses have suggested, amongst unemployed populations at the forefront of the most punitive benefit sanctions, support for disciplinary social policies for the ‘undeserving poor’ arguably remains high (Fletcher and Redman, 2022), suggesting that political support for welfare reform persisted amongst certain layers of the populace, even amongst those subjected to its most punitive measures (cf. Nunn, 2014).[347]

These changing political undercurrents and apparent growing rebuke of austerity, however, which percolated again in the summer of 2017 following the tragedy of the Grenfell Tower fire, did not result in a substantial policy-based shifts from the trajectory of austerity and welfare state restructuring. While politicians and policymakers increasingly adopted rhetorical commitments to renewing industrial policy, public investment, and the softening of austerity measures, spending cuts continued apace under the minority Conservative Government of Theresa May and Chancellor

[347] Drawing on survey data and interviews from the Welfare Conditionality Project, Fletcher and Redman (2022) contend that “the unemployed are broadly supportive of punitive welfare reforms,” particularly for immigrant populations and those perceived to be gaming the system (p. 15). Other analyses, however, have illustrated how comparative support amongst the population for enhancing welfare spending was no lower in Britain when compared to other European countries, and remained notably higher than in the US, suggesting that the political legitimacy of welfare reform is nuanced and complex (Nunn, 2014).

of the Exchequer, Phillip Hammond, during 2017 and 2018 as the infrastructure of Universal Credit continued to be rolled out.

IV. The Contradictions of Recommodification: Morbid Symptoms and a Crisis of Social Reproduction

> Welfare conditionality within the social security system is largely ineffective in facilitating people's entry into or progression within the paid labour market over time. Stasis, a lack of significant and sustained change in employment status, is the most common outcome for the substantial majority across the repeat interviews.
>
> Final Findings Report, Welfare Conditionality Project, 2013-2018

> Austerity has taken a significant toll on equity and health, and it is likely to continue to do so. If you ask me if that is the reason for the worsening health picture, I'd say it is highly likely that is responsible for the life expectancy flat-lining, people's health deteriorating and the widening of health inequalities.
>
> Sir Michael Marmot, 2020, "Marmot Review 10 Years On."

By 2017 and 2018, the government's stated objectives of post-2010 welfare reform to combat poverty by reducing welfare 'dependency' and reintegrate people back into paid employment were failing. Rather than facilitating nonworking populations into long-term employment, the most common effect of post-2010 welfare reforms was to cycle benefit recipients between intermittent low-paid employment, benefit ineligibility, and immiseration (Welfare Conditionality Project, 2018). Several studies noted the ineffectiveness of benefit sanctions and conditionalities associated with welfare reform and the rollout of Universal Credit. As one study on 346 jurisdictions in Britain from 2009 through 2014 revealed, "rising sanction rates […] increased the off-flow rate (the number of people leaving JSA) *without increasing employment rates*" ([emphasis added] Reeves, 2017, pp. 130-131). Sanctions administered to long-term sick and disabled populations, as part of the reforms to Employment and Support Allowance and the ‘fit to work’ assessments, were associated with a “rise in the economically inactive disability rate” suggesting that “sanctioning disabled people may be pushing people away from unemployment toward inactivity, that is, further away from the labour market” (ibid, p. 143). By substantially expanding the scope of ‘fit to work’ criteria to poor and disabled populations who, in the absence of adequate and well-paying jobs or the capacities to sustain employment, were targeted with benefits sanctions and stripped of eligibility for social support, welfare reform immiserated a growing layer of the British lower classes. As one report on several dozen Universal Credit claimants in two northeastern England localities between April and October of 2018 concluded, “…the negative financial, health and social impact of UC is effectively undermining its aim of moving people into employment” (Cheetham, Moffatt, and Addison, 2018, p. 36). One of the largest studies was conducted by the Welfare Conditionality Project, a project spanning 2013 through 2018 in England and Scotland, which interviewed almost 500 claimants. The findings of the report were conclusive: welfare conditionality and sanctions were “largely ineffective in facilitating people’s entry into or progression within the paid labour market over time” (Welfare Conditionality Project, 2018, p. 4). Rather than being channelled into long-term paid employment, most recipients experienced “[r]ecurrent movements between one short-term, low-paid, insecure job and another; interspersed with periods when people returned to unemployment or capacity benefits, as contracts ended or illness/impairment intervened” (ibid, p. 18).

This process was perhaps best characterized as a process of punitive and uneven commodification. As conditionalities and sanctions were expanded substantially to populations traditionally deemed unable to sustain long-term employment, many subsisted in the informal economy or relied in high-cost loans or family members to meet their basic social reproductive needs (Dagdevirin et al., 2020; Wright, Fletcher, and Stewart, 2020). Rather than seamlessly facilitating welfare recipients back into the labour market, in the absence of well-paying jobs in conditions of relative stagnation in the post-2008 British economy, welfare recommodification was thus marked by displacement, dislocation, and contradiction, contributing to an escalating social and health crisis in Britain. As one influential Marxist analysis describes, welfare reform was characterized by a process of 'violent proletarianization,' in which vulnerable working-class populations were not only stripped of basic social support and coercively compelled to re-enter the lower rungs of the labour market, but also exposed to premature death or 'social murder' (Grover, 2019).[348]

As of April 2019, over two million people had been transferred to Universal Credit, with plans to relocate all remaining recipients of legacy benefits by 2023 (Department for Work and Pensions, 2019). While national data documenting the experiences of those at the margins of the social security system are sparse, numerous studies and reports following the gradual rollout of Universal Credit and the post-2010 welfare reform legislation described a similar set of outcomes. The brunt of the new conditionality and sanctions was often imposed disproportionately on the most precarious, low-income and marginalized segments of the British working class often incapable of sustaining and maintaining long-term employment. Indeed, several studies have documented a higher rate and more severe application of sanctions in jurisdictions with more lone parents or those with disabilities (Reeves and Loopstra, 2017), while others have similarly illustrated how sanctions and Universal Credit reforms disproportionately affected working-class women, minorities, the elderly, and migrants (Adler, 2016). The state of hyper-precariousness between short-term, partial employment and residual social support described by recipients of

[348] As noted above, social murder is a term coined by Friedrich Engels (1845) in *The Condition of the Working Class in England* to describe how British capitalism systematically exposed working classes to premature death by subjecting them to socio-material conditions of deteriorating health and well-being.

Universal Credit was in large part the result of its institutional design. As Universal Credit was rolled out, new recipients were subjected to a waiting period before benefits commenced that ranged from 5 to 12 weeks (Cheetham, Moffatt, and Addisson 2018). Reports surfaced of claimants experiencing destitution in the interim period, forced to rely on family members for support, food banks, high-cost lenders, or to skip meals, sell personal possessions, miss household bill payments, or resort to crimes of survival (Hobson, Spoor, and Kearton, 2019).

In addition to prolonged periods without any support, new data revealed that a substantial portion of Universal Credit claimants faced manifold deductions to their benefit payments. In the month of September 2018 alone, for example, Department for Work and Pensions data revealed that more than half of all Universal Credit claimants, roughly 474,000, had a deduction applied to their benefits (Hobson, Spoor, and Kearton, 2019). By May of 2019, these numbers increased substantially. Out of 1.75 million Universal Credit claimants that month, over 1 million had a deduction applied to their benefits (Jayanetti, 2019). Indeed, deductions were baked into its design as part of a sweeping effort to pare back social spending and coerce recipients into the labour market. These deductions included subtractions from advance payment loans, overpayment deductions from administrative errors or earnings miscalculations often from several years past, and 'third party deductions' applied to claimants in rent, utility, water, or council tax arrears (Jltendra et al., 2019). While amounts varied, most deductions could be up to 40 percent of claimants' total benefits (ibid).

As Universal Credit was rolled out, burgeoning evidence suggested that a deep-seated crisis of social reproduction was underway in the UK. As early as 2016, a National Audit Office report concluded that the use of benefit sanctions from 2010 through 2016 had contributed to "hardship, hunger, and depression" (National Audit Office, 2016, p. 6 quoted in: Reeves, 2017, p. 130). As an annual report by the Joseph Rowntree Foundation confirmed, in 2017, in the aftermath of successive bouts of austerity and welfare reform, over 1.5 million people, 365,000 of which were children, were ‘destitute’ in the UK during 2017, which was defined as lacking income to purchase “two or more of a basket of six essentials over the past month” (Fitzpatrick et al., 2018, p. 14). The precipitous rise in levels of deprivation and destitution was associated with the rollout of Universal Credit and post-2010 welfare reform, as well as stagnating wages and precarious work in the post-2010 era more broadly. As StepChange, a charity helpline, revealed in its 2016 report, out of 827 clients on Universal Credit facing deductions that it had assisted throughout the year, 71 percent reported that benefit deductions had caused hardship, with over 40 percent reporting falling behind on household bills, 26 percent reporting having to cut back on spending for food, and 25 percent cutting back on heating their homes (StepChange, 2016). The social effects of welfare reform and Universal Credit were likewise registered in the dramatic rise of food bank use. As Trussell Trust, the UK’s largest food bank, illustrated in its annual reports, food bank use escalated dramatically in the post-2010 period and was closely linked to benefit sanctioning and the rollout of Universal Credit (Loopstra et al., 2018).[349] In 2011, for example, Trussell Trust reported 129,000 instances of food bank dispersal at local food banks, rising dramatically to 1.1 million by 2014/15 (Trussell Trust, 2015 quoted in: Loopstra et al., 2018). While jurisdictions on Universal Credit for 12 or more months experienced a 52 percent average increase in food bank use in 2018, areas not yet rolled onto Universal Credit only saw a 13 percent rise (Trussell Trust, 2018). This pattern continued from 2014 through 2019, with reported food bank use rising another 73 percent (Reeves and Loopstra, 2021).[350]

[349] As Loopstra et al. (2018) conclude, “Our findings suggest a strong, dynamic relationship exists between the number of sanctions applied in local authorities and instances of adults receiving emergency food parcels.” (p. 450).
[350] As the authors remarked, “UC seems to be more systematically related to the acceleration in the rise in hunger in the UK in recent years” (Loopstra et al., 2021, p. 805).

As a growing literature on the social determinants of health has illustrated, the rollout of Universal Credit was also associated with numerous intersecting health crises. As longitudinal studies have revealed, this ranged from higher rates of mental health and psychological distress reported by recipients and those subjected to sanctions, as well as growing rates of suicide or contemplated suicide amongst recipients subjected to benefit sanctions, particularly for disabled and long-term sick populations (Cheetham et al., 2019; Wickham, et al., 2020). The widespread health issues associated with the Universal Credit system and welfare reform coincided with a broader health crisis in the UK. In 2017 and subsequent years thereafter, critical analyses revealed that, for the first time in over 100 years, the average life expectancy in Britain stalled, and even declined for low-income populations in post-industrial regions in the UK and those reliant on social security benefits (Marmot et al., 2020). Similar analyses highlighted how artificial spending constraints placed on National Health Service and social care funding since 2010, which led to widespread nursing shortages, contributed to an estimated 120,000 'excess deaths,' i.e., an increase in the rate of mortality above what is conventionally expected in normal conditions in a given population (Watkins et al., 2017). These stark biopolitical effects of post-2010 austerity and welfare reform were part of a deep-seated social crisis of British capitalism (Murray, 2015),[351] defined by historic declines in the living standards, well-being, and conditions of social reproduction of broad swaths of the British poor and working class.

'Subsistence Debt' and Digitized Dystopia

As a result of the systemic issues associated with welfare restructuring and changes to the structure and architecture of the UK social security system, a variety of morbid symptoms began

[351] For a conceptual framework that synthesizes Foucault's understandings of bio-politics with capitalist urbanization and austerity, see: Murray (2015).

to emerge, particularly in relation to the changing nature of indebtedness as well as practices of debt collection. As a growing critical literature has noted, the systemic rise of consumer debt has been a constitutive feature of liberal capitalist countries such as the US and UK alongside practices of welfare retrenchment, particularly in the post-2008 period (Montgomerie, 2013; Soederberg, 2014; Roberts, 2016). Particularly for displaced and marginalized populations often at the margins of formal labour or credit markets, a reliance on high-cost credit, often from predatory lenders, has become increasingly prevalent for populations unable to meet their social reproductive needs. Estimates of 'unsecured household debt' in the UK, for example, rose from an average of £2800 in 2006-2008 to £4000 in 2014-16 (Dagdeverin et al., 2020).

In the post-2015 period in the UK, however, alongside the deepening of austerity and welfare reform, the nature of indebtedness, particularly for those navigating the Universal Credit system, began to shift. As a variety of charities and anti-poverty advocacy organizations reported, while consumer debt had become a systemic feature of the UK economy since the 1990s if not earlier, for the those at the bottom of the class hierarchy, it was not merely consumer debt owed to private companies and creditors, but increasingly debt owed to government agencies and public creditors for bare subsistence needs, which became increasingly common in the post-2010 and post-2015 periods (Lane, McCay, and Thorne, 2018).[352] As a report by Citizens Advice, perhaps the largest agency responsible for assisting Universal Credit claimants concluded, "Many of the most common debts for the people we help do not result from money they have borrowed, but from the bills they have fallen behind and debts to the government," which reflected the "changing nature of debt in recent years" (Hobson, Spoor, and Kearton, 2019, pp. 15-16). These 'problem debts' or

[352] Lane, McCay, and Thorne (2018) indicate the limits of frameworks that only emphasize consumer debt: "The rapid growth of unsecured household debt since 2016 has rightly attracted the attention of government and regulators. However, that attention often ignores a large stock of hidden debt - money owed to government and essential service providers" (p. 2).

'priority debts' were often owed to local authorities and essential service providers and ranged from rent arrears, unpaid heating and utilities bills to council tax debts, court fines, unpaid parking tickets, and unpaid income tax (Drake, 2017). The consequences of not paying these debts are often more severe than unpaid consumer debt, leading to eviction by landlords, benefit sanctions, or even incarceration (Fitzpatrick et al., 2018). While data related to these precarious debts are sparse, several organizations have documented their systemic growth in recent years, which has coincided with the range of reforms to the British welfare system, particularly after 2015. In 2017, Citizens Advice estimated in their analysis of over 50,000 debt cases that 79 percent of all their clients on Universal Credit had 'priority debts' (Drake, 2017). In 2018, the organization estimated that the total level of household bill debt owed to government or essential service providers to be £19 billion across the UK, rising over 73 percent from 2010 to 2017 (Lane, McCay, and Thorne, 2018). Of their client base in 2018, Citizens Advice assisted with more than 690,000 instances of household debt bill issues compared to 350,000 consumer credit issues (ibid).

While relatively few analyses have probed this recent trend, Dagdeverin et al. (2020) note that 'subsistence debt' has become a constitutive feature of post-crisis austerity Britain. As they remark, the rising debt burdens of impoverished households have been "closely associated with the regressive changes in the welfare system during the austerity period" (Dagdeverin et al., 2020, p. 166). Since 2010, debt from low-income households has increasingly been accounted for by "debt to local authorities and central government while in the same period debt problems caused by private creditors were more than halved" (ibid). These subsistence debts have been accompanied by a transformation in debt-collection practices by austerity-ridden local authorities. Indeed, the collections practices of bailiffs have become increasingly intrusive and aggressive in recent years, with authorities showing up at residences at all hours of the night to harass debtors

(Lane McCay and Thorne, 2018). As Dagdeverin et al. (2020) describe, public authorities and local governments have increasingly "resorted to more authoritarian practices for debt collection, using debt management companies, court actions, bailiffs and evictions" to collect missed rent or utilities bills payments or court fines and fees (p. 169). Under the constraints imposed by austerity measures, local and public authorities in Britain became more dependent on the collection of unpaid debts, fines and fees, with the most marginalized and destitute populations often subjected to the most authoritarian and punitive pressures for repayment.

On top of these persistent material insecurities associated with systemically intermittent payments and widespread deductions from Universal Credit, a range of issues emerged in response to its 'digital-by-default' design, which was accelerated after 2017. As part of its wide-ranging 'Industrial Strategy' announced in 2017, the May government touted Artificial Intelligence and the Big Data revolution as central to the UK's growth strategy and public service reform (HM Government, 2017). Central to this was the rollout of automated delivery in public services and particularly the Universal Credit system. Over the next several years, the Department for Work and Pensions hired over 1,000 new IT staff and contracted Big Tech giants such as UiPath, IBM, and others to develop an automated benefit system, including a "virtual workforce" to adjudicate benefit eligibility and to crack down on 'fraud' (Booth, 2019). As Phillip Alston, the UN's Special Rapporteur on poverty and human rights, described in a series of reports from 2018 and 2019, however, error and maladministration were endemic to Universal Credit's automated system. Systematic errors were widely reported, ranging from miscalculations of claimants' monthly earnings leading to benefit underpayments to errors in benefit applications leading to denial of social support with no prospects for appeal (Booth, 2019; Human Rights Watch, 2020). The transformation to the UK welfare state portended by these changes were significant. As Alston

(2018) ominously noted, “We are witnessing the gradual disappearance of the postwar British welfare state behind a webpage and an algorithm. In its place, a digital welfare state is emerging. The impact on the human rights of the most vulnerable in the UK will be immense” (p. 7). The range of barriers imposed by Universal Credit’s digitized infrastructure were particularly concerning for disabled, illiterate, and English second language populations, as well as the millions in the UK without the requisite digital know-how, or financial wherewithal, to access digital infrastructure necessary to navigate the claims process. As Alston (2019) reported, an estimated 22 percent of the UK population lacked the ‘essential digital skills’ needed for a digitized social benefit system, a majority of whom were low-income households.[353]

Conclusion

This chapter has examined wide-ranging changes to central features of the governance and structure of the UK welfare state amid the politics of austerity from 2010 to 2019. Coalition and Conservative governments implemented far-reaching changes to the UK welfare state, including the rollout of a highly centralized regime of benefit sanctions and conditionalities, a renewed workfare program, and the gradual reconfiguration of the architecture of welfare provision through the digitized Universal Credit system. These reforms were not only a central dynamic through which the class politics of austerity in post-crisis Britain was realized, but also marked a significant escalation in the coercive governance of social policy. As part of a broader atmosphere of political contestation in the UK, welfare reform and austerity contributed to an emergent legitimacy crisis

[353] Despite being marketed as a means of recovering costs, the bureaucratic complexity associated with monitoring claimants, systemic administrative errors, costly IT contracts, and untold social costs imposed by welfare reforms meant that the reforms ushered in by Universal Credit, as Alston, (2018) concluded, “have almost certainly cost the country far more than their proponents will admit” (p. 3).

in neoliberalism. While the most widely reported effect of this crisis was registered in the UK decision to leave the European Union in the summer of 2016, there was also a deeper social crisis underlying the Brexit vote. Characterized by a process of uneven commodification, post-crisis welfare reforms subjected growing ranks of Britain's poor, working class, and disabled populations to extreme insecurity, deprivation, and economic marginality, which contributed to an escalating crisis of social reproduction across the UK.

In the aftermath of Brexit and the mounting failures and dislocations of almost a decade of austerity, politicians both on the Labour left and Conservative right increasingly sought to distance themselves from the conventions of austerity and, at least rhetorically, embrace a new discourse of neo-statist protectionism and a relaxation of social spending cuts. While the Conservative May Government (2017-2019) was primarily occupied with negotiating the terms of the Brexit agreement, it faced pressures throughout 2018 to address the unfolding social crisis and halt the rollout of Universal Credit. Despite a rhetoric of economic rejuvenation and the purported softening of austerity, spending cuts continued apace throughout 2017 and 2018 as Universal Credit was continually rolled out (Berry, 2019). As Chancellor Phillip Hammond proclaimed in his 2018 budget speech, "austerity is coming to an end – but discipline will remain" (HM Treasury, 2018).

The 2019 election saw the Labour Party embrace its most radical manifesto since the 1970s, calling for the renationalization of key public services and infrastructure, a Green Industrial Revolution climate change proposal, an end to zero-hours contracts, a revitalization of public services, and the abolition of the Universal Credit system (Labour Party Manifesto, 2019). The electoral cycle, however, was dominated once again by the politics of Brexit, with the Conservative Party under right-populist leader, Boris Johnson, running on little else than its promise to 'get

Brexit done.' Plagued by centrist and Blairite factions that sought to relitigate the Brexit vote, as well as a concerted smear campaign of Jeremy Corbyn with media allegations of systematic anti-Semitism in the Labour Party, the 2019 election was catastrophic for Labour, which lost much of its support in northern post-industrial regions (Halliday, 2019). The Conservatives under Johnson took power with a substantial and increased majority in 2019, its largest since 1987. To appease its new electoral coalition, it promised an end to austerity and a reversal of past social spending cuts. Despite lofty rhetoric as well as some partial reversals of spending cuts, promises of 'levelling up' and substantial public investment in depressed regions of the UK proved elusive under the Johnson administration's authoritarian populist politics. By 2019, British politics seemed to be caught in an ongoing interregnum, characterized by the declining popular ideological appeal of the now mainstream combination of austerity, welfare reform, and neoliberalism, but without an attendant shift in the balance of political and class forces needed to engender a significant shift away from these core political parameters and social practices (Gill, 2012; Stahl, 2019).

From 2010 to 2019, almost a decade of austerity and welfare reform had produced dramatic changes in the British welfare state and the social fabric of the bottom rungs of Britain's class hierarchy. By 2019, a damning report by the Institute for Public Policy Research indicated that UK social security payments had reached their lowest levels since 1948, the founding of the modern British welfare state (Institute for Public Policy Research, 2019). The ongoing rollout of Universal Credit and the manifold changes to the structure, provision, and dynamics of social provisioning that it engendered continued to uproot and displace poor and working-class families across Britain. Overshadowed by an ongoing crisis of legitimacy plaguing the British state, the social crisis induced by the UK's prolonged embrace of austerity and welfare reform progressed unabated.

Chapter 8: Discipline, Crisis, and Contestation: The Politics of Welfare Restructuring from Obama Through Trump, 2010-2019

> We should also acknowledge that conservatives—and Bill Clinton—were right about welfare as it was previously structured: By detaching income from work, and by making no demands on welfare recipients…the old AFDC program sapped people of their initiative and eroded their self-respect.
>
> Barack Obama (2006), *The Audacity of Hope*: *Thoughts on Reclaiming the American Dream*.

> There are 47 percent of the people who will vote for the president no matter what…who are dependent on government, who believe that they are victims, who believe government has a responsibility to care for them, who believe that they are entitled to healthcare to food to housing to you name it. But that's entitlement… These are people who pay no income tax. Forty-seven percent of Americans pay no income tax…I'll never convince them they should take personal responsibility and care for their lives.
>
> Mitt Romney (May 17, 2012), Republican candidate for the 2012 Presidential Election, speaking at a private event to campaign donors.

> The secret to the 1996 Welfare Reform Act's success was that it tied welfare to work. To get your check, you had to prove that you were enrolled in job-training or trying to find work. But here's the rub: the 1996 Welfare Reform Act only dealt with one program, Aid to Families with Dependent Children (AFDC), not the other seventy-six welfare programs which, today, cost taxpayers more than $900 billion annually. We need to take a page from the 1996 reform and do the same for other welfare programs. Benefits should have strings attached to them.
>
> Donald Trump (2011), *Time to Get Tough*: *Make America Great Again!*

Introduction

The decade following the 2008 global financial crisis was characterized both by forms of upheaval and continuity in US politics. Amidst an unfolding economic crisis, Barack Obama's election in 2008 as the first African American President in United States' history seemed to signal a paradigm shift. Despite being elected on a quasi-left populist presidential campaign, once in power, the Obama administration was teeming with Wall Street bankers, and its ideological orientation and economic policy trajectory was more akin to Clintonite New Democratic politics than a transformative alternative (Suskind, 2011; Ali, 2011) (see chapter 5). The eruption of the Occupy Wall Street movement and the Tea Party in the early 2010s, however, signalled the emergence of an unfolding crisis of legitimacy. Amidst congressional deadlock between the Third Way politics of the Obama administration and the radicalism of the Tea Party wing of the Republican Party, the period from 2010 through 2016 was characterized by an historically anemic economic recovery exacerbated by austerity measures, deepening inequality, and the revival of attempts to substantially reconfigure the basis of the US welfare state. With the election of Donald Trump in 2016, unforeseen by most commentators, pundits, and pollsters, US politics seemed once again to be on the precipice of a fundamental shift, with many analyses proclaiming the political upheaval of 2016 as a rupture in the trajectory of American politics and the harbinger of a deep-seated political crisis of neoliberalism (West, 2016; Brown, 2019).

This chapter examines these political, ideological, and social crises in American politics and political economy in the decade following the 2008 global financial crisis and contextualizes them within broader continuities and discontinuities in the trajectory of neoliberalism. It does so by focusing primarily on the politics of the welfare state in relation to the broader macroeconomic policies and practices shaping US capitalism after 2008. As chapter 5 argued, the politics of austerity after 2010, embraced by the Obama administration and augured by a radical rightward shift in American politics with the rise of the Tea Party, was neither politically neutral nor imposed evenly across layers of the American class hierarchy. Rather, as this chapter will seek to illustrate, the revival of austerity in the US was articulated through a return of welfare reform to the mainstream of American politics. With the ascendence of the Tea Party as a putatively anti-tax, pro-austerity social movement, Obama’s moderate extension of time-limited, post-crisis stimulus measures in 2008 and 2009 became a galvanizing force of the American Right. Attempts to recommodify the US welfare state were elevated to the forefront of national politics during the 2012 presidential election, the Obama administration's attempt to orchestrate a 'Grand Bargain' to curtail 'entitlement' and Social Security spending, and the Trump administration's attempted recommodification of income support and social spending programs from 2017-2019. While a more radical form of welfare retrenchment envisioned by the Tea Party and Republican Party was largely stifled, this chapter contends that the politics of welfare was nonetheless central to understanding the political upheavals, social conflicts, and dynamics of inequality in the US from 2010 through 2019.

This chapter proceeds in five sections. The first examines the social policy response of the Obama administration to the 2008 global financial crisis. I contend that the time-limited and moderate extensions of social spending and tax credits under the Obama administration's stimulus measures, alongside more deep-seated structural issues relation to the decentralized and employment-based federalist welfare system in the US, failed to alleviate the socio-economic dislocation wrought by the 2008-2010 crisis. The second examines the social and political splinters emerging in response to the crisis, focusing primarily on the rise of the Tea Party and the tensions between its oligarchic and popular foundations. I characterize the Tea Party as a reactionary form of *petit bourgeois producerism*,[354] which sought to revive the disciplinary 'common sense' of welfare reform characteristic of the 1990s. The third section focuses on the second term of the Obama administration (2012-2016). I argue that while the failed Romney-Ryan 2012 presidential bid illustrated the limited national-popular support for the sweeping welfare commodification

[354] Others have similarly identified the lineage of producerism in the US and its role within the Tea Party on the modern American right (Michael, 2013, p. 18). While the historical roots of producerism emerged from the left-wing Populist movement of the late 19th century, which sought to critique the parasitic role of monopolies and financiers, in the modern parlance of the Tea Party, this rhetoric is deployed to attack low-income and immigrant populations that are ostensibly dependent on welfare.

envisioned by the Tea Party, attempts to further residualize the American social safety net persisted, including Obama's bid for a Third Way 'Grand Bargain' on entitlements and Social Security. While these efforts faltered, shortfalls in the US welfare system amidst a broader trajectory of Americanized austerity after 2010 contributed to deepening immiseration, economic inequality, and declining conditions of social reproduction leading up to 2016. The fourth section examines the Trump administration from 2017-2019. After briefly assessing the political economy of Trumpism, situating its primary domestic legislative achievement, the 2017 tax cut, within the trajectory of post-2008 US macroeconomic policy. I examine the centrality of welfare reform in the election and governance of the Trump administration, which was successively able to bridge the political divisions between the Tea Party, the American Right, and layers of the American populace by promising to protect universalistic elements of social provisioning for the 'deserving' poor, while elevating the reactionary politics of welfare recommodification for the 'undeserving' poor. This was, I contend, part of a 'two nations' hegemonic strategy of divide and rule intended to establish a reactionary electoral and historical bloc (Jessop, 1990; Lavery, 2019). The Trump administration's efforts were partially stifled, however, by political and institutional barriers. Notwithstanding these obstructions, welfare reform from 2010-2019, primarily at state levels, had far-reaching effects on the conditions of livelihood and social reproduction of American poor and working-class populations as well as the political base of neoliberalism in the US. The fifth section explores the social effects of these reforms and briefly surveys the revival of a nascent counter-hegemonic left politics in the United States.

I. America's Patchwork Welfare State Through the Crisis

Prior to the outbreak of the 2008 crisis, welfare reform assumed a subsidiary role within American national politics. The 1996 Clinton-era reforms, which radically reconfigured the federal means-tested cash transfer system, appeared to mark the culmination of the commodification of welfare provision in the US. This was seemingly affirmed with the Bush administration's abortive attempt to privatize Social Security in 2005 (Singh, 2017, p. 157). However, while issues of poverty, welfare, and social reproduction were ostensibly decentered from federal policy and national political focus, welfare state restructuring continued throughout the 2000s, albeit largely obscured from popular political debate. As part of the 2005 Deficit Reduction Omnibus Reconciliation Act, for example, the Bush administration substantially reconfigured income support programs. This included increasing work participation and reporting requirements for states, allowing the real value of Temporary Assistance to Needy Families (TANF) block grants to decline, and strengthening sanctions for noncompliance with new conditionalities, all of which increased incentives for states to further residualize income support and cash transfers for the poor (Allard, 2007).[355]

Throughout the 2008 primary campaign, Barack Obama positioned himself as an anti-establishment candidate, deploying populist rhetoric and garnering the support of a multiracial working-class electorate (Sirota, 2008). Indeed, Obama often situated his political views within the lineage of New Deal and Great Society liberalism, deploying the language of social reform (Bertram, 2015). Despite the broad appeal Obama garnered during the 2008 primary and presidential election, and his campaign rhetoric of social reform, once in power, his political

[355] From 1997 to 2004, for example, the percentage of federal welfare payment transfers devoted to cash assistance fell from 77 to 33 percent as states increasingly devoted federal money toward other budgetary measures, including social services promoting work activity (Allard, 2007, p. 308).

orientation was carefully calibrated to appease perceived middle-class sensibilities, Rubinite Democrats, corporate campaign donors, and to maintain Wall Street 'confidence' (Ali, 2011). Prior to his election, Obama's Third Way political inclinations often surfaced in his discussion of welfare state politics and social policy. Largely overlooked even amongst critical commentators amidst the rhetoric of hope and optimism that pervaded the 2008 Obama campaign (cf. Reed, 2008),[356] was his earlier writing or campaign speeches. In *The Audacity of Hope*, for example, Obama (2006) had enumerated conservative tropes about the political successes of Ronald Reagan, which he ascribed to the fact that "government at every level had become too cavalier about spending taxpayer money," that the "liberal welfare state had grown complacent and overly bureaucratic," and welfare had "some perverse incentives when it came to the work ethic and family stability" (pp. 48, 244-245). Doubling down on the Clinton administration's infamous 1996 restructuring of Aid to Families with Dependent Children (AFDC), Obama (2006) further suggested that the old welfare system made "no demands on welfare recipients" and had "sapped people of their initiative and eroded their self-respect" (p. 400). This paternalist tone and concession to the politics of workfare also re-emerged on the 2008 campaign trail (Obama, 2008).[357] These early indications of Obama's Third Way orientation toward welfare and social

[356] Perhaps the most prescient critical observations were offered by Adolph Reed Jr., who in 2008 offered this acerbic assessment of the Obama campaign for the presidency: "I've never been an Obama supporter. I've known him since the very beginning of his political career, which was his campaign for the seat in my state senate district in Chicago. He struck me then as a vacuous opportunist, a good performer with an ear for how to make white liberals like him. I argued at the time that his fundamental political center of gravity, beneath an empty rhetoric of hope and change and new directions, is neoliberal" (Reed, 2008). Available from: https://progressive.org/magazine/obama/ (Accessed 24 April 2022).

[357] In his speech on 'A More Perfect Union' in the leadup to the Democratic nomination for the presidency in Philadelphia in March of 2008, for example, Obama reiterated old shibboleths of the supposed pathologies of black behaviour that lay behind disproportionate levels of poverty in black communities, allegedly worsened by the incentives of welfare policies. He lectured onlookers to "take full responsibility for their own lives" and suggested that "A lack of economic opportunity among black men, and the shame and frustration that came from not being able to provide for one's family contributed to the erosion of black families — a problem that welfare policies for many years may have worsened…For the African-American community, that path means embracing the burdens of our past without becoming victims of our past…And it means taking full responsibility for our own lives — by demanding more from our fathers, and spending more time with our children, and reading to them, and teaching

policy, however, were largely unscrutinized as he swept to power in the 2008 presidential election in the throes of a deepening economic crisis.

Falling Through the Cracks: the US Welfare State in Crisis

As the 2008 global financial crisis unfolded, evidence of a crisis of social reproduction in the US soon emerged. Amidst the subprime housing market crash, the number of homes with at least one home foreclosure filing climbed from 717,522 in 2006 to over 2.3 million in 2008 (Pew Research Center, 2009). According to Feeding America, a network of over 200 foodbanks across the US, foodbanks reported a 30 percent increase in the number of people seeking food assistance in 2008 (Goldman, 2009). The national unemployment rate (U3) steadily rose from 5 percent in December of 2007 toward a peak of over 10 percent in October of 2010 (Bureau of Labor Statistics, 2012), though more comprehensive measures revealed the true scope of unemployment to be much higher.[358] From 2007 to 2009, measurements of 'deep poverty,' i.e., those with incomes below half of the national poverty line, increased from 5.2 percent to 6.3 percent, the highest on record since 1975 (Pavetti, Trisi, and Schott, 2011). Many of these metrics of economic distress were magnified along racial and gendered axes (Dymski, Hernandez, and Mohanty, 2013), though they were shouldered broadly by the US working class.

As this historic crisis unfolded, the deficits of the US welfare state were put in sharp relief. Compared to many European welfare states, which largely relied on 'automatic stabilizers' to address socio-economic dislocation and unemployment during economic crises, many components

them that while they may face challenges and discrimination in their own lives, they must never succumb to despair or cynicism; they must always believe that they can write their own destiny" (Obama, 2008). Available from: https://www.npr.org/templates/story/story.php?storyId=88478467. (Accessed 25 April 2022).

[358] The U-6 measurement by the Bureau of Labor Statistics, for example, which utilizes a more comprehensive metric of labour market 'underutilization' indicated that true unemployment reached a high of 17.2 percent in April of 2010. (Bureau of Labour Statistics, 2023). Available from: https://www.bls.gov/charts/employment-situation/alternative-measures-of-labor-underutilization.htm. (Accessed 26 April 2023).

of the US welfare state had ceased to function as countercyclical stabilization measures, i.e., to expand their reach automatically in response to increasing socio-economic displacement and lower aggregate demand. Due in part to reforms in the late 1980s and 1990s but also more longstanding features of US federalism, much of the American welfare state mandated paid employment as a condition of social assistance (Peck, 2001). In conditions of spiralling unemployment, these features severely hampered the capacity of a coordinated response from federal and state programs to cushion socio-economic displacement. The number of people claiming TANF, for example, barely increased as the 2008 crisis unfolded. Between December 2007 and December 2009, caseloads increased by merely 13 percent before falling consistently despite marked increases in poverty and socio-economic insecurity (Pavetti, Trisi, and Schott, 2011). In the same period, state-level TANF caseload expansions were marginal, with 22 states responding ‘very little or not at all’ to the recession, while 16 states had increases of less than 10 percent, and 6 states had caseloads *decline* during the crisis as states moved to restrict access (ibid).

Much of the initial relief provided by the Obama administration thus came in the form of time-limited discretionary fiscal policy and social spending enacted through legislation. As part of its $787 billion stimulus policy, the 2009 American Reinvestment and Recovery Act (ARRA), the Obama administration devoted roughly $95.7 billion to welfare provisioning (Bertram, 2015, p. 308). This was comprised of $40 billion to the extension of unemployment benefits, $6 billion for time-limited funding for Supplemental Nutritional Assistance Program (SNAP), one-time payments of $250 for those on Social Security or Supplemental Security Income (SSI), $5 billion in funding for TANF, as well as additional supports for job training, education, Medicaid funding, and extensions of tax cut programs (American Recovery and Reinvestment Act, 2009). While these temporary stopgap measures staved off more extreme poverty and economic insecurity (Sherman, 2014), the pathologies of American welfare governance pervaded the stimulus measures. Despite ad hoc federal assistance in extending unemployment compensation, which led to approximately 60 million Americans receiving $310 billion in state unemployment insurance benefits between 2008 and 2013, many states across the US embarked on a period of draconian cuts shortly after the crisis (Wentworth, 2017). Under sustained levels of unemployment, states quickly depleted their unemployment insurance trust funds. Refusing to countenance additional taxes on employers and facing trenchant balanced budget requirements, many states (often controlled by Republican governors and legislatures) implemented strict cuts to decrease unemployment payments, implementing rigid eligibility requirements and disqualification measures, often under the guise of modernizing benefit delivery through digitization (Wentworth, 2017).[359] Other means-tested income support programs, spanning TANF, Supplemental Security Income (SSI), and General Assistance (GA), were similarly cut, retrenched, or suspended at the state level, which inhibited the effectiveness of federal discretionary extensions (Chang, 2015).

Perhaps the most effective counter-cyclical anti-poverty program was Supplemental Nutritional Assistance Program (SNAP), which became increasingly important in enabling poor and working-class populations to meet basic nutritional needs. Unlike almost all other OECD countries, the US welfare system increasingly relies on food assistance programs rather than providing direct cash assistance to the poor (Poppendieck, 2014, p. 177). The American Recovery and Reinvestment Act significantly expanded SNAP, waiving previous state-level work requirements for able-bodied adults (American Recovery and Reinvestment Act, 2009).[360] As a result, average monthly participation rates in SNAP rose by 70 percent between 2007 and 2011

[359] The paradigmatic case of welfare retrenchment through digitization was pursued in Indiana. See: Eubanks (2018).
[360] Despite being eligible for such waivers, however, 14 states voluntarily re-imposed work requirements for receipt of SNAP benefits between 2010 and 2016 (Harris, 2019).

(ibid), with more than one in seven Americans receiving payments from the food assistance program by 2011 (McCorkell and Hinkley, 2018). Despite preventing an estimated 8.4 million from falling below the national poverty line (Dean, 2015), SNAP was far from a comprehensive means of cushioning the displacement of the 2008 crisis. Indeed, at the height of the financial crisis, according to some estimates, over 50 percent of those that had received food support in the previous 12 months were deemed to be 'food insecure,' (Poppendieck, 2014, p. 180), which is defined as without adequate nutrition for a healthy and active life.[361] As critics noted, not only was the US welfare state inadequate in staving off hunger, poverty, and economic displacement, it also served as a de facto subsidy to highly profitable American corporations (such as Walmart), whose workers disproportionately drew on SNAP and other means-tested welfare programs to top up their wages, which were unable to provide the income necessary to meet their basic social reproductive needs (Government Accountability Office, 2020).

While Republican state legislatures and state-level balanced budget requirements were responsible for some the most draconian restrictions in delimiting the scope of welfare provision in response to the crisis, it was similarly due to a lack of political will by the federal government under the Obama administration to undertake a more far-reaching response to the crisis. Rather than embarking on a federal jobs program of the New Deal variety or providing comprehensive relief to homeowners and renters, the Obama administration included over $300 billion in tax cuts in its response to the crisis as an overture to Republican legislators. The Making Work Pay (MWP) tax credit, a central component of the American Recovery and Reinvestment Act, extended over $116 billion in temporary tax credits to middle-class constituencies as a form of stimulus (Bertram,

[361] This is based on a definition from the US Department of Agriculture's website. Available from: https://www.ers.usda.gov/topics/food-nutrition-assistance/food-security-in-the-u-s/ (Accessed 14 December, 2022).

2015).[362] Widely recognized as a less effective anti-poverty measure and means of fiscal stimulus than government spending, tax cuts—a core legacy of welfare politics throughout the neoliberal era—were central to the Obama administration's post-crisis stimulus measures. Not unlike the previous generation of Third Way Clintonite Democrats in the US and New Labour in the UK, the Obama administration embraced a 'make work pay' agenda of work-based tax credits, rather than universal social support.[363] As critics noted, the Earned Income Tax Credit, the primary tax credit program in the US, has a limited capacity to reduce poverty or efficiently transfer funds to low-income populations (Bruenig, 2020).

Despite controlling both houses of Congress and the presidency, the Obama administration's post-crisis stimulus measures simply served as a stopgap, averting some of the more dire consequences of the crisis but also deepening the pathologies of the American welfare state. From prioritizing employment-based provision and tax cuts, to its decentralized, patchwork intergovernmental governance structure, crisis response measures laid bare the brittle foundations of the US welfare state. Evidence of the inadequacies of the stimulus package in response to the crisis abounded. Median real household cash income, for instance, fell from $57,357 in 2007 to $52,690 in 2011, and the national poverty rate climbed from 12.5 percent in 2007 to over 15 percent in 2010 (McCorkell and Hinkley, 2018).[364] As the message of social reform conveyed by the 2008 Obama campaign became increasingly shallow, and the economic fallout of the financial

[362] The regressive distributive orientation of these tax cuts was likewise in keeping with neoliberal social policy. As one analysis noted, "About 43 percent of benefits in the MWP credit went to those in the top two quintiles" (Steuerle et al., 2018, p. 8). Available from: https://www.urban.org/research/publication/helping-workers-during-recessions (Accessed 15 December 2022).

[363] As Dylan Riley (2017) notes, under neoliberalism, "In place of wage hikes and social programmes, tax cuts [are] meant to serve as the material basis of consent" (p. 24). Available from: https://newleftreview.org/issues/ii103/articles/dylan-riley-american-brumaire. (Accessed 15 December 2022).

[364] As one commentator remarked, despite the optimism of social reform permeating the election of the Obama administration in 2008, "The years stretching from Clinton's presidency to Obama's brought the consolidation of the American workfare state" rather than a substantial break (Bertram, 2015, p. 241).

crisis persisted with official levels of national unemployment climbing to over 10 percent in 2010, a radical shift in the fabric of the American Right took hold that portended a deep shift in US politics.

II. Deepening Fractures: The Rise of the Tea Party

While political contestation in the post-2008 period arose with the occupation of Zuccotti Park in New York City in 2011 and the wider social movement that came to be known as Occupy Wall Street (Graeber, 2013), it was on the political Right that the most significant social movement in post-2008 American politics emerged. Developing in early 2009 in direct response to post-crisis bailout and stimulus measures,[365] the Tea Party, an agglomeration of right-wing activists, grassroots supporters, and oligarch-funded think tanks, conservative media figures, and political advocacy organizations, thrust a militant, anti-tax, austerity politics to the forefront of the American political landscape.[366]

Literature remains divided on the social underpinnings of the Tea Party. Influential accounts contend that the Tea Party was the culmination of concerted efforts by right-wing billionaires, elite media conservative figures, and political advocacy organizations such as FreedomWorks, Americans for Prosperity, and the Club for Growth, characterizing the popular support for the movement largely as a smokescreen for these elite policy preferences (Meyer, 2016; Maclean, 2017). Meyer (2016), for example, has traced the proliferation of 'dark money' groups, fundraising organizations that conceal the sources of their donors which proliferated in the aftermath of the

[365] One of the critical galvanizing moments of the Tea Party began during a viral rant when a right-wing CNBC reporter, Rick Santelli, called for a revolt against the Obama administration's bailout package (CNBC, 2009). Available from: https://www.cnbc.com/id/29283701. (Accessed 26 April 2023).
[366] The name of the movement is a reference to the 1773 anti-tax movement of American colonists against the British crown, and later became an acronym for 'Taxed Enough Already.'

2010 Supreme Court decision in *Citizens United*, behind the emergence of the Tea Party, emphasizing the role of the Koch brothers in the reconfiguration of the American Right.[367] Maclean (2017) situates the rise of the Tea Party and the decades-long political activism of the Koch brothers within the context of right-wing political thought dating back to the 1950s and the work of James Buchanan.[368] Others, by contrast, have noted that the Tea Party, notwithstanding its oligarchic backers, donors, and intellectual progenitors, has generated a notable degree of support amongst grassroots supporters, who provide a modicum of popular support for the politics of austerity (Horwitz, 2012; Konings, 2015).[369] Both sets of literature, however, capture important features of the Tea Party, which was not only oligarch-funded with elite political support, but also had a notable layer of popular support (Skocpol and Williamson, 2012).[370]

Petit Bourgeois Producerism and the Politics of Just Deserts

The social base of the Tea Party disproportionately comprised older white protestant males, and particularly small business owners, though as much as 10 to 18 percent of the American public identified as active supporters, with higher percentages indicating electoral support for Tea Party-backed candidates (Montopoli, 2012). While popular liberal accounts of the Tea Party often depict the animating feature of the right-wing social movement as either economic anxiety or racial resentment (McElwee and McDaniel, 2016), in reality, these interrelated structural dynamics fed

[367] The Koch brothers, Charles and David Koch, own the second largest privately held company in the US, Koch Industries, but have extended their political influence widely to fund a multitude of libertarian and far-right political candidates, think tanks, NGOs, and advocacy groups in recent decades (Maclean, 2017).
[368] As Maclean (2017) notes, the overriding objective of the American right and its billionaire backers has always been intended to secure "the insulation of private property rights from the reach of government—and the takeover of what was long public…by corporations…in a nutshell, they aim to hollow out democratic resistance" (xxx).
[369] This is evidenced by the spread of local Tea Party grassroots organizations and the marches on Washington and protests during the Fall of 2009.
[370] As Skocpol and Williamson (2012) note in their foundational analysis, "the Tea Party is neither a top-down creation nor a bottom-up explosion" (p. 12).

into its support. Indeed, the Tea Party may best be conceptualized as a reactionary petit bourgeois movement, whose concerns with downward mobility in the post-2008 economy were often inflected with an abiding hostility toward handouts for the 'undeserving.' Central to the Tea Party was a regressive politics of producerism, an ideology that carved the world into 'takers and makers,' or those who supposedly generate economic value and are 'self-sufficient' and those who depend on government support to make ends meet (Maclean, 2017, p. 211). These internal distinctions are the product of what leading social policy analyst Sanford Schram refers to as a "deep semiotic structure of deservingness," which animates US welfare politics (Schram, 2015, p. 82). Inscribing social divisions between groups deemed deserving of social and political sympathy or antipathy, this foundational structure of US politics is both the product of longstanding historical factors such as racialization (Gilens, 1999), gender, and class politics, but is also actively fostered by the social stratifications embedded in the structures of the US welfare state. Indeed, the institutions of the American welfare state bifurcates recipients between those who receive largely universal and condition-free benefits (e.g., Social Security), and those who must navigate the bureaucratic and stigmatizing gaze of means-testing (e.g., TANF or SNAP). These social oppositions, which defined the politics of the 1980s and 1990s, once again took centre stage in US politics in the post-2008 period.

At its core, the ideology of the Tea Party expressed a pseudo-historical reverence for the US constitution, unspecified hostility toward the role of the federal government in the economy and society, opposition to taxation and (most) forms of government social spending, and aversion to government debt and deficits (Skocpol and Williamson, 2012). Rooted in longstanding ideological undercurrents of the American Right, the Tea Party combined elements of libertarian anti-statism with social conservatism and evangelical Christianity (Horwitz, 2012). These diverse undercurrents meant that the Tea Party was far from an ideologically and politically coherent movement. Its central contradiction was rooted in its Janus-faced character as both an expression of oligarchic big business and popular politics. Perhaps the most consequential policy-related division that emerged from this bifurcation related to welfare provision. While the chief exponents of the institutional wing of the Tea Party (e.g., FreedomWorks, Club for Growth) promoted across-the-board opposition to government taxation and social spending, grassroots supporters' views of government social spending were more complex. Despite expressing general enmity toward taxation and government spending, when polled about specific government social programs such as Social Security, Medicare, or Veteran's healthcare, on which many of them relied, Tea Party supporters were staunchly opposed to cuts of these programs (Skocpol and Williamson, 2012).[371] By contrast, when it came to means-tested social spending for poor, unemployed, youth, or immigrant populations, Tea Party supporters expressed a trenchant disdain for government spending (ibid).[372] In this way, grassroots supporters of the Tea Party were more in line with the mainstream of American welfare politics than is commonly acknowledged, with the distinctions between the deserving and undeserving, and particularly the working and nonworking poor, animating both New Democratic policy and the American Right for decades.[373] These composite

[371] As Skocpol and Wiliamson (2012) note in their own field research, two-thirds of polled Tea Party members supported increasing payroll taxes to finance Social Security, a similar proportion to the broader American public (p. 62).

[372] The Tea Party built on currents of right-wing thought dating to the 1970s, which identified a 'New Class' of managerial elites, salaried professionals, academics, and public sector workers stemming from the civil rights and social movements of the 1960s and 1970s as its chief object of political opprobrium.

[373] Perhaps the most illustrative example of this synthesis between New Democrats and the New Right was revealed in an interview with President Bill Clinton, who offered effusive praise for far-right social conservative Charles Murray's (1984) advocacy of welfare reform in his book, *Losing Ground*: "He did the country a great service. I mean, he and I have often disagreed, but I think his analysis is essentially right" (Clinton, 1993). Available from: https://contemporarythinkers.org/charles-murray/commentary/talking-points-response-to-charles-murray/ (Accessed August 30, 2022).

views of welfare provision marked crucial a fault-line in American politics that shaped the strategy and electoral tactics of prospective Republican leaders seeking to take power.

1990s Redux

The Tea Party rose to prominence in opposition to Obama's moderate post-crisis, quasi-Keynesian stimulus policies, misleadingly characterized as 'Big Government Socialism,' as well as his passage of the Affordable Care Act (ACA) in 2010, a conservative-inspired healthcare reform bill which subsidized the purchase of private health insurance through regulated marketplaces and moderately expanded healthcare coverage. Much of the Tea Party's oeuvre was based on the alleged threat of socialism, manufactured narratives about lost freedoms from the ACA, and racialized anxieties about the first African American president and immigration, all of which were rooted within middle-class insecurities associated with the post-2008 American political economy (Horwitz, 2012). In the 2010 November midterms, the influence of the Tea Party was unmistakable. Backed by an unprecedented expansion of corporate campaign financing and dark money, the Republicans gained 63 seats in the House and over half a dozen Senate seats in the 2010 November midterms, and the Tea Party substantially expanded its role and influence in the American state and Republican Party (Meyer, 2016). One of its chief legislators, Paul Ryan, a close adherent of arch-libertarian Ayn Rand, became chairman of the House Budget Committee in 2011 after the Republican midterm electoral victory.

Amidst the manufactured drama of the fiscal cliff crisis from 2010-2013, Ryan played a central role in elevating a fundamentalist politics of tax and spending cuts in the House. As chapter 5 described, while the Obama administration played a central role in initiating the national turn toward the politics of austerity by forming the Simpson-Bowles Commission, it was Tea Party-inspired candidates that pressed for the most wide-ranging spending cuts and commodification of the US welfare state. This was articulated in the Republicans' 2011 budget proposal *The Path to Prosperity*, which proposed the privatization of Medicare and Social Security, block grants for Medicaid, and sweeping cuts to means-tested anti-poverty programs such as Temporary Assistance to Needy Families and Supplementary Nutritional Assistance Program (Ryan, 2012). In all, the budget proposal called for $2.4 trillion in tax cuts and $6.2 trillion in spending cuts to reduce the federal budget deficit. Despite only accounting for one-fifth of the federal budget, 62 percent of the proposed cuts were for programs for the poor (Meyer, 2016). The official Republican budget proposal was outflanked to the right by the Tea Party Debt Commission, which proposed yet steeper spending cuts to balance the federal budget, comprising $9 trillion over 10 years, and including proposals to defund entire governmental departments, e.g., the Departments of Education and Housing and Urban Development (Bedard, 2011). These developments informed the Republicans' 2012 budget proposal, which proposed similarly sweeping spending cuts, constitutional balanced budget proposals, the privatization of many aspects of the US welfare state, and the abolition of corporate income and capital gains taxes (Ryan, 2012). While never adopted, the rise to prominence of the radical right contributed to a shift in American fiscal policy with the Obama administration conceding to the logic of deficit consolidation and retrenchment even as evidence of the ongoing social and economic effects of the Great Recession persisted in 2010 and 2011 (Bureau of Labor Statistics, 2023).[374]

Perhaps the most lasting effect of the Tea Party revolution was its magnification of longstanding undercurrents of American welfare state politics. Since the 1990s, the politics of

[374] Official unemployment levels remained above 9 percent throughout 2011, for example (Bureau of Labor Statistics, 2023). Available from: https://www.bls.gov/charts/employment-situation/alternative-measures-of-labor-underutilization.htm. (Accessed 14 December 2022).

Newt Gingrich's Contract with America, Bill Clinton's embrace of welfare reform, and a broader synthesis of new paternalist conservative thinkers and neoliberal ideologues defined the parameters of welfare state politics (Cooper, 2017). Despite the radical reforms of 1996, however, the New Right's broader agenda on welfare restructuring was never fully realized—as the Bush administration's failed privatization of Social Security had illustrated. By the early 2010s, however, alongside the emergence of the Tea Party, there was a renaissance of social conservative thinking on welfare reform. Books entitled *A Nation of Moochers* or *A Nation of Takers* became bestsellers in the aftermath of Obama's post-crisis stimulus measures and his modest extension of social spending.[375] As the 2012 presidential election loomed, the renewed animus toward the welfare state that followed from the rising momentum of the Tea Party became central to the politics of the Republican Party.

III. Obama's Third Way Grand Bargain and Americanized Austerity, 2012-2015

During his first presidential term, much of the Obama administration's political capital was expended on his stimulus package as well as his principal social policy achievement, the Affordable Care Act (ACA). Hatched by the Reaganite think tank, the Heritage Foundation, the ACA foreclosed the possibility of a public option or single payer healthcare system by opting instead to subsidize private health insurance and moderately expand access to healthcare, particularly through the extension of Medicaid (Blumenthal, Collins, and Fowler, 2020).[376]

[375] As one social conservative author from the American Enterprise Institute, a Koch-funded think tank, described, "From cradle…to grave, a treasure chest of government-supplied benefits is open for the taking for every American citizen," which was a "vast and colossal empire of entitlement payments" (Eberstadt, 2012, p. 14).
[376] Roughly 20 million Americans gained health insurance coverage through the Affordable Care Act, though as much as 50 percent of this was driven by the extension of Medicare (Blumenthal, Collins, and Fowler, 2020). Available from: https://www.commonwealthfund.org/publications/journal-article/2020/feb/aca-at-10-years-effect-health-care-coverage-

Leading up to the Republican ascendence in the 2010 midterms, the Obama administration pivoted away from its crisis-fighting stimulus measures toward the politics of austerity and deficit consolidation. This macroeconomic trajectory, accompanied by a prolonged commitment to an interventionist monetary policy regime by the Fed, was flanked by a continuation of Third Way social policy. This was intended to assuage the newly empowered radical Right, a broader constituency of Rubinite Democrats, and the elusive confidence of financial markets, which served to download the costs of economic restructuring onto poor and working-class populations following the bailout and stimulus policies of 2008-2009.

Much of the ideological framework informing Obama's approach to welfare reform and deficit reduction was inspired by ThirdWay, a Washington D.C.-based think tank and ideological successor to the Democratic Leadership Council and brand of New Democrats founded by former staffers of the Bill Clinton administration (Atkins, 2015). Leading up to the 2012 presidential election, the organization's advocacy of 'entitlement reform' and deficit and debt consolidation became central planks of the Obama administration's policy objectives. As a memo for a 2011 report by ThirdWay entitled 'The Case for Taking up Entitlement Reform' described, "If Democrats can lead on addressing the structural deficit, Republicans will have little case to make for retaking the Senate, White House, or capturing swing House districts" (Kendall, McConaghy, and Cowan, 2011, para. 1). Central to the alleged imperative of reducing the deficit was restructuring Social Security and other social programs. Invoking alarmist rhetoric of the threat posed by the rising federal budget deficit, associated principally, in their view, with the rising costs of the welfare state, the authors of the report forewarned that "Soon, two of every three federal dollars will go toward Social Security, Medicare, Medicaid, and interest on the debt" (ibid, para.

access#:~:text=New%20enrollment%2C%20largely%20resulting%20from,large%20part%20by%20premium%20assistance. (Accessed 20 December 2022).

3). As a result, they maintained that "entitlement reform is urgently needed for our economy" (ibid). Following the 2012 presidential election, the Obama administration made Social Security retrenchment central to its budgetary agenda to secure a 'Grand Bargain' with House Republicans on welfare reform akin to Clinton's 1996 reforms (Atkins, 2015, pp. 325-329). Leading up to the 2012 presidential election, however, it was the Republican Party that elevated welfare reform to the top of the national political agenda.

'47 percent' and the Declining Hegemony of Welfare Reform

As the 2012 presidential primary for the Republican Party unfolded, the dominance of the Tea Party and the further rightward shift of the Republican Party was unmistakeable. In addition to proposals to dismantle the progressive basis of the US tax code (BBC, 2011),[377] particularly income and capital gains taxes for corporations, the politics of welfare reform featured centrally. All four finalist candidates for the Republican nomination, Newt Gingrich, Rick Santorum, Mitt Romney, and Ron Paul jostled to upstage one another as the champions of the commodification of welfare provision. One of the leading candidates for the Republican nomination, Newt Gingrich, branded Obama as the 'food stamp president' due to the modest extension of SNAP in the aftermath of the 2008 financial crisis (Fox, 2011),[378] reviving the revanchist politics of dependency evocative of his leadership as speaker of the House of Representatives during the 1990s.

In a bid to assuage the radical right wing of the Republican Party and its Koch brother funding network, the Republican nominee, Mitt Romney, chose Paul Ryan, the preferred candidate

[377] Texas governor and candidate for the Republican primary election proposed abolishing the income tax and replacing it with a voluntary 'flat tax' of 20 percent for companies and incomes (BBC, 2011). Available from: https://www.bbc.com/news/world-us-canada-15451162. (Accessed 20 December 2022).
[378] As Gingrich suggested in relation to the Obama administration in the leadup to the 2012 election, "We are going to have the candidate of food stamps, the finest food stamp president in American history in Barack Obama" Newt Gingrich, 2011 (Fox, 2011). Available from: https://www.cnbc.com/2011/12/06/newt-gingrich-obama-is-food-stamp-president.html. (Accessed December 20 2022).

of right-wing US plutocrats, as his vice-presidential running mate (Meyer, 2016). For the Romney-Ryan presidential ticket, the politics of welfare reform was central. During the 2012 presidential election campaign, despite a paucity of evidence, Romney accused the Obama administration of loosening the restrictions laid out in the 1996 welfare reform bill for TANF funding by granting waivers to states (Rucker and Turque, 2012). In an appeal to the reactionary common sense of the 1990s, Romney's presidential campaign promised to 'put work back in welfare' and end the 'culture of dependency' supposedly cultivated under the Obama presidency (ibid). While the politics of welfare reform had long been a boon to the American Right, the incongruities between ruling class policy preferences for defunding the welfare state inflecting the Tea Party and those of the wider American populace severely hampered the Romney-Ryan presidential bid. Months before the 2012 presidential election, a leaked video from a private fundraiser exposed Mitt Romney bemoaning the widespread dependency on the government of American voters to a crowd of wealthy donors. As Romney lamented,

> There are 47 percent of the people who will vote for the president no matter what…there are 47 percent who are with him [Obama], who are dependent on government, who believe that they are victims, who believe government has a responsibility to care for them, who believe that they are entitled to healthcare to food to housing to you name it. But that's entitlement…these are people who pay no income tax… I'll never convince them they should take personal responsibility fand care for their lives (Corn, 2012).

Romney's comments were widely regarded as elitist and openly disdainful of broad swaths of the American poor and working class, likely aiding the reelection of the Obama administration in 2012 (Pew Research Center, 2012). While Tea Party candidates and the US Right once again sought to invoke the politics of the 1990s, their radical vision of the commodification and privatization of the welfare state seemed to lose much of its influence and was unable to garner a national-popular base. Despite this palpable failure, however, it was under the Obama administration's second term, as it conceded to budget sequestration and Americanized austerity, that further attempts to retrench and reconfigure the welfare state emerged.

The Grand Bargain

Since the formation of the Simpson-Bowles commission in 2010 on deficit reduction, cuts to Social Security and Medicare in the form of raising the retirement age and altering cost-of-living calculations had been at the forefront of US austerity politics (Atkins, 2015).[379] Indeed, in a private meeting at the Oval Office on the day the Simpson-Bowles commission was formed, President Obama guaranteed Alan Simpson that "everything was on the table" for spending cuts to guarantee deficit and debt reduction (Woodward, 2012, p. 43).[380] While the proposals of the commission were not adopted, they strongly influenced the subsequent budgetary proposals of the Obama administration (Marans, Delaney, and Grim, 2016). At the height of the so-called fiscal cliff crisis in 2011, the Obama administration expressed a willingness to exchange cuts to Social Security for moderate tax increases on the wealthy. Specifically, the Obama administration sought to reduce Cost-of-Living Adjustments (COLAs) for recipients of Social Security by altering consumer price index (CPI) measurements (Woodward, 2012).[381] Drawing on the Simpson-Bowles commission, the Obama administration proposed adopting a 'chained CPI' index, which would halt benefit increases for seniors, slashing benefits by 3 percent after 10 years, 6 percent after 20 years, and 9

[379] Proposals to residualize Social Security and 'entitlements' more broadly emerged from across the political spectrum, including from the Heritage Foundation and members of ThirdWay (Atkins, 2015, p. 328).
[380] Bob Woodward (2012) details this exchange in his investigate work on the first years of the Obama presidency: "Mr. President, I want to make sure you're serious about this, because my Republican friends are going to take my head off." The commission would have to consider everything, all spending, all taxes. "Everything has to be on the table, including all health care spending and reforms." Everyone knew this would include Obamacare. "Is it all on the table?" Simpson asked. "Yes," the president said." (p. 43).
[381] The Obama administration's self-described strategy on fiscal policy and social spending cuts was characterized as "Not doing anything too drastic in 2012, then medium-tough measures in 2013 in spending…then taking on long-term entitlement" (Woodward, 2012, p. 64).

percent after 30 years (Norman, 2012). The plan, endorsed by the Simpson-Bowles commission, ThirdWay, the Heritage Foundation, and many House Republicans, was part of the Obama administration's bid to secure a 'Grand Bargain' with Republican House Speaker John Boehner, which would have exchanged moderate tax increases on the wealthy for cuts to Social Security in order to slash the national budget deficit by an estimated $135 billion over 10 years (Wallsten, Montgomery, and Wilson, 2012).

The bargain was eventually rejected in an effort led by Tea Party radicals and anti-tax lobby groups such as Americans for Tax Reform who refused to countenance moderate taxation increases. Following its re-election in 2012, the Obama administration continued its efforts to placate the Republican Party, coming close to securing the chained CPI during the lame-duck session in Congress in late 2012 (Marans, Delaney, and Grim, 2016). In its April 2013 budget, the Obama administration touted Social Security cuts as its central budgetary proposal (Atkins, 2015, p. 335). From 2012 through 2013, the Obama administration's advocacy of stealth austerity and welfare reform for seniors was resisted by a broad coalition of unions and progressive organizations called the Strengthen Social Security coalition (Altman and Kingson, 2015). In Congress, this effort was spearheaded by an independent self-described socialist senator from Vermont, Bernie Sanders (Felsenthal, 2013),[382] who founded the Senate Defending Social Security Caucus (Jilani, 2016). This broad coalition proposed raising the caps on earnings subject to Social Security taxes, which would render Social Security financing more progressive, as well as across-the-board increases in Social Security benefits rather than cuts (Altman and Kingson, 2015). Although this was strictly a defensive movement against austerity, it presaged a nascent

[382] As Sanders remarked in response to Obama's 2013 budget proposal, "I am terribly disappointed and will do everything in my power to block President Obama's proposal to cut benefits for Social Security recipients" (Felsenthal, 2013). Available from: https://www.reuters.com/article/us-fiscal-obama-idUSBRE93405G20130405. (Accessed 21 December 2022).

progressive social formation in the American Left emerging in opposition to post-crisis austerity measures. Despite successfully resisting these attacks on the US social security system, however, budgetary sequestration and austerity was already underway across the US.

Budget Sequestration and Americanized Austerity

While the efforts of Tea Party Republicans and Paul Ryan to retrench the foundations of the American welfare state foundered, as did Obama's efforts to secure a Third Way 'Grand Bargain' on Social Security, the effects of budget sequestration and austerity further compounded welfare reform across the US. As sequestration came into effect in April of 2013, federal discretionary spending (both defence and non-defence) was the principal target of spending freezes.[383] In part because of the social and political contestation emerging in response to attempted cuts to Social Security, many of the largest components of US mandatory spending, Social Security, Medicaid, and Medicare, remained largely exempt from substantial spending cuts, though Medicare experienced a 2 percent annual cut in spending (Politico, 2013). Other income support programs faced further residualization, however. One of the largest increases in post-crisis federal income support measures was the expansion of SNAP, which grew from reaching some 26.3 million recipients in 2007 to over 44.7 million by 2011 (Barnes et al., 2019). Following the rise of the Tea Party, SNAP became a principal target of the American Right, who sought to recuperate the racially coded moral panic from the 1990s directed against TANF toward SNAP, invoking familiar bromides of social dependency and moral decline. Throughout 2012 and 2013, House Republicans pushed for radical cuts to food stamps. Led by Tea Party-backed House Republican Steve

[383] This reflected more longstanding trajectories in public finance in advanced capitalist economies under neoliberalism, whereby discretionary rather than mandatory spending is the principal target of spending retrenchment (Schaefer and Streeck, 2013).

Southerland from Florida, labelled the 'starvation expert,' Republicans leveraged their political power to attempt to defund SNAP and mandate work requirements (and drug testing) for its recipients (Saslow, 2013). Democratic opposition to such cuts was marginal, with some conservative Democrats, such as the ranking Democratic representative on the House Agricultural Committee, Colin Peterson, advocating cuts to the program (Wasson and Lillis, 2012).

The temporary extensions in SNAP provisions established under the ARRA were allowed to expire in November of 2013. Despite evidence of the beneficial (if limited) effects of SNAP funding on the health and nutritional outcomes of low-income and poor families (Carlson and Keith-Jennings, 2018), the cuts came into effect in 2013, amounting to an estimated annual cut of $5 billion to the program (Dean and Rosenbaum, 2013)[384] These cuts transpired despite revelations in 2013 that levels of food insecurity across the US still remained as high as they were at the peak of the financial crisis in 2008 (Davis, 2013).

In 2014, following the further electoral midterm victory of the Republican party, which captured both houses of Congress, the Obama administration, along with the support of 89 Democrats in the House and 46 democrats in the Senate, signed into law the 2014 Farm bill, further slashing SNAP funding and eligibility. The bill amounted to a $8.7 billion in cuts to SNAP over ten years,[385] affecting over 850,000 households, which lost an average of $90 per month in food support (Nixon, 2014). While Republicans sought yet steeper cuts and reconfiguration, the Obama administration conceded to substantial cuts by targeting SNAP benefit eligibility for recipients of

[384] As one analysis observed, "This cut will be the equivalent of taking away 21 meals per month for a family of four, or 16 meals for a family of three" (Dean and Rosenbaum, 2013). Available from: https://www.cbpp.org/research/snap-benefits-will-be-cut-for-nearly-all-participants-in-november-2013 -:~:text=SNAP Benefits Will Be Cut for Nearly All Participants In November 2013,-Revised&text=The 2009 Recovery Act's temporary,for nearly every SNAP household (Accessed 21 December 2022).

[385] The bill further disallowed people convicted of certain crimes from receiving SNAP benefits and initiated a pilot workfare program, key demands of conservative Democrats and Republicans, though not far-reaching enough to placate the Tea Party Right (Agricultural Act, 2014).

the Low Income Home Energy Assistance Program, a state-level program of energy provisioning for poor, elderly, and disabled populations that spend greater than 50 percent of their income on housing and utilities (LIHEAP Clearinghouse, 2014). This program was the object of indignation by Republicans, conservatives, and denizens of welfare reform who viewed the program, disproportionately used in so-called blue states such as New York, as a loophole exploited by low-income populations.

In another bid to assuage the anti-welfarist politics of the Right, the Obama administration thus conceded to trenchant social spending cuts to a program widely recognized as a moderately effective anti-poverty mechanism (Murray and Mills, 2014). These cuts, projected to save upwards of $20 billion, were also part of a broader pivot to sequestration and Americanized austerity, a class-based macroeconomic policy trajectory which offloaded the costs of economic restructuring following the bailouts and stimulus policies after 2008 onto poor and working-class families. Facing sharp criticism from anti-poverty advocates (Holeywell, 2012), this residualization of social spending was downplayed by the Obama administration, which sought to project a message of economic recovery, fiscal responsibility, and confidence for business investment. As Obama described in his 2014 State of the Union Address, “After five years of grit and determined effort, the United States is better-positioned for the 21st century than any other nation on Earth” (Obama, 2014, para. 8). This was ostensibly defined by the “lowest unemployment rate in over five years,” a “rebounding housing market,” and the federal budget deficit being “cut by more than half,” which had made the US the “number one place to invest” (ibid, para. 7).[386]

[386] Despite this message of optimism, Obama also conceded in his address that inequality was deepening and average wages had stagnated (Obama, 2014).

Behind the Post-Crisis 'Recovery'

According to conventional macroeconomic metrics, by 2014-2015, the American economy had finally begun to resemble a recovery worth speaking of (Wolff, 2017). However, the underlying social and economic conditions of the post-crisis American economy belied this message of recovery. Beneath aggregate macroeconomic metrics, the brittle foundations of the US welfare state did little to cushion the social and economic displacement of the post-crisis economy. Perhaps the most scandalous revelation of the effects of post-2008 American austerity, deindustrialization, and social neglect was revealed in Flint, Michigan, where a public health crisis related to lead poisoning within the municipal water supply emerged in 2014 (see chapter 5).

The fragility of the US welfare state was likewise laid bare throughout the 2010s. Perhaps the plainest indication of the paucity of income support measures for poor and working classes was the state of the means-tested income support program, Temporary Assistance to Needy Families (TANF). While the federal cash transfer program had been substantially defunded and reconfigured in 1996, further residualization took place under the guise of post-2010 austerity. Due to changes in the funding structure of TANF, state spending through this program increasingly became redirected away from cash assistance for the poor. Many states, rather than allocating block grant spending to cash assistance, increasing redirected these funds toward other purposes (Tach and Edin, 2017). The share of poor families receiving cash assistance from TANF, for instance, fell from 68 percent in 1996, to 40 percent in 2002, plummeting to just 23 percent in 2014 (ibid). Indeed, the scope of income support in the US had become so narrow that less than two out of every 100 American families received cash welfare (Edin and Schaefer, 2015, p. 7). In 2015, cash assistance for the poor ('basic assistance') comprised merely 24.6 percent of average TANF transfers (see Table 21).

Table 21: Temporary Assistance to Needy Families and Maintenance-of-Effort Spending and Transfers by Activity, FY 2015

Activity	**Spending**
Basic Assistance	24.6%
Assistance ASUPL**	2.2%
Non-Assistance ASUPL	2.0%
Work, Education, and Training Activities	6.7%
Work Supports	1.5%
Early Care and Education	18.7%
Financial Education and Asset Development	0%
Refundable Earned Income Tax Credits	6.3%
Non-EITC Refundable State Tax Credits	1.8%
Non-Recurrent Short-Term Benefits	2.7%
Supportive Services	1.3%
Services for Children and Youth	1.8%
Prevention of Out-of-Wedlock Pregnancies	3.2%
Fatherhood and Two-Parent Family Formation and Maintenance Programs	0.4%
Child Welfare Services	4.9%
Home Visiting Programs	0.1%
Program Management	10.0%
Other	4.0%
Transfers to CCDF Discretionary	4.2%
Transferred to SSBG	3.7%

* Maintenance-of-effort refers to the expenditures states much devote to TANF to remain eligible for federal transfers
**Authorized Under Prior Law

Source: Office of Family Assistance. "TANF and MOE Spending and Transfers by Activity, FY 2015." US Department of Health & Human Services. Retrieved April 26, 2023 from: https://www.acf.hhs.gov/ofa/data/tanf-and-moe-spending-and-transfers-activity-fy-2015-contains-national-state-pie-charts - :~:text=In FY 2015, combined federal,education, and training activities%3B and.

In the same year, 25 states spent less than half of TANF transfers on cash assistance, work and educational training, or childcare, with eight states, disproportionately Republican-controlled states in the south, devoting less than 25 percent on such activities (Office of Family Assistance, 2016). Increasingly, states across the US redirected federal funds intended for cash assistance for the poor toward other services ranging from the 'prevention out-of-wedlock pregnancies,' to 'encouraging two-parent families' (e.g., pregnancy prevention and funding abstinence-based curricula), child welfare, or substance abuse treatment, tax credits for middle class families, or to fill other budgetary shortfalls (Schott, Pavetti, and Floyd, 2015). Spending levels varied widely by state, however. In 2015, Arkansas spent 63.4 percent of its TANF budget on 'Out-of-Wedlock Pregnancy Prevention,' which often included funds diverted to anti-abortion groups and clinics, and merely 6.4 percent on basic assistance for the poor (Office of Family Assistance, 2016). In the same year, by contrast, California spent 42.8 percent of its budget on basic assistance (ibid).

Across the US, numerous states also sought to invoke the reactionary politics of disciplining the poor by implementing conspicuously draconian restrictions in income support programs, with conservative states such as Florida passing mandatory drug testing program for TANF recipients, and at least a dozen other states following suit for TANF, SNAP, or other state administered social programs (Bloom, 2012).[387] Though the residualization of cash benefits affected growing ranks of American poor and working-class populations across racial and gendered lined, the dynamics of American poverty and punitive state policies toward the poor were magnified in majority black states. Indeed, states with a higher proportion of black recipients were consistently more likely to spend less on cash assistance for the poor and more likely to implement more severe and long-lasting sanctions for TANF recipients (Soss, Fording and Schram, 2011; Parolin, 2021), reflecting the persistent racialization of American welfare politics.[388]

Beneath the veneer of economic recovery and macroeconomic stability touted by the Obama administration, a deep social crisis beset the US, which was unmitigated by its patchwork welfare

[387] Implemented in 2011, the mandatory drug testing policy was only in effect for four months after being found unconstitutional. As an ACLU report found, not only was the program stigmatizing and humiliating for recipients (and costly to administer), but it was also predicated on the mythology that welfare recipients use basic social assistance for drug use (Bloom, 2012).
[388] As one report put it, "Nearly every study comparing the race and ethnicity of sanctioned and non-sanctioned TANF participants finds that families of color, especially Black families, are significantly more likely to be sanctioned than their white counterparts" (Center on Budget and Policy Priorities, 2022). Available from: https://www.cbpp.org/research/family-income-support/temporary-assistance-for-needy-families. (Accessed 21 December 2022).

system. While measurements of poverty are contentious, one provocative analysis found that as of 2011, the number of US families experiencing ‘extreme poverty,’ i.e., surviving on less than $2 dollars a day, doubled since the 1990s (Edin and Schaefer, 2015). These data revealed an underreported trend in the US since the 1996 welfare reform bill: the rise of the nonworking poor simultaneously unable to work (or who had recently been fired) and largely ineligible for income and cash support programs. This trend was further borne out by data of SNAP recipients. As one study found, the number of families receiving SNAP reporting *no* other cash income had more than quadrupled between 1995 and 2014, rising from 300,000 to over 1.3 million (Tach and Edin, 2017).[389]

This coincided with a broader trend associated with American deindustrialization: the long-term decline in working-age participants in the labour force. While the official unemployment metrics (U3) painted a picture of declining unemployment under the later years of the Obama administration, other estimates, which capture a broader slice of the American public not ‘actively seeking work,’ give a more accurate picture. The Bureau of Labor Statistics labor force participation rate, for example, measuring the number of people in the labor force as a percentage of the total noninstitutionalized civilian population,[390] showed persistent declines from the early 2000s, dropping from 66.5 percent in 2002 to 66.2 in 2008 and 62.7 in 2016 (Bureau of Labor Statistics, 2022). Other measurements of the decline of the so-called ‘prime-age male labor force participation rate’ illustrated how labour force participation amongst working-age men fell from 91.5 percent in January 2007 to 87.9 in October 2013 (Council of Economic Advisers, 2016).

[389] It was not merely nonworking populations that relied on SNAP, however. The share of working households with earnings receiving nutritional assistance also rose dramatically in recent decades, from 19.6 percent in 1989 to 31.8 percent in 2015 (Alston 2018).

[390] Notably, other studies have found that the inclusion of prisoner populations in measurements of unemployment also has a statistically significant effect in distorting US unemployment numbers due to the size of the American carceral system (Western and Pettit, 2010).

While conservatives touted this metric as evidence of an ostensible decline of work ethic and the rise of a dependency culture (Eberstadt, 2016), this population disproportionately lived in conditions of poverty and subsistence with little social support, often utilizing pain medication for injuries and disabilities, and their economic displacement was driven by deep-seated structural (rather than cultural) features of the US political economy (Benanav, 2020). These data were also borne out in the U6 unemployment measurement, which indicated that levels of unemployment throughout the post-crisis American economy were much higher than official metrics, reaching a high of roughly 17 percent at the peak of the recession, persisting at over 12 percent in 2014, and declining to just under 10 percent in 2016 (Board of Governors of the Federal Reserve System, 2023). In short, the metrics of recovery touted by the Obama administration failed to register the deep-seated social crisis plaguing the American political economy throughout the 2010s.

This crisis was revealed most plainly in 2015 when, for the first time in decades, average life expectancy fell in the US (Xu et al., 2016). New research sought to explain this trend by pointing to the marked rise in mortality rates, particularly for white middle-aged men and women without a college degree, from suicide, alcohol poisoning, and opioid-related deaths, which were labelled 'deaths of despair' (Case and Deaton, 2015).[391] Accompanying the persistent poverty, inequality, and socio-economic displacement characterizing the lower rungs of the US class hierarchy, wealth for American ruling classes skyrocketed upward amidst the unequal recovery from 2008-2015. Influential descriptive analyses illustrated the historic rise in wealth and income inequality in the US before and after the 2008 crisis (Piketty and Saez, 2016). One report, fittingly titled 'The New

[391] While the effects of 'deaths of despair' captured an important dynamic of social immiseration at the foundation of the post-crisis American political economy, social inequality was not confined to white middle-class populations. A recent report illustrates the continued racialization of poverty in the US: "Blacks are 2.5 times more likely than Whites to be living in poverty, their infant mortality rate is 2.3 times that of Whites, their unemployment rate is more than double that for Whites, they typically earn only 82.5 cents for every dollar earned by a White counterpart, their household earnings are on average well under two thirds of those of their White equivalents, and their incarceration rates are 6.4 times higher than those of Whites" (Alston 2018, p. 14).

Gilded Age,' noted that "from 2009 to 2015, the income of the top 1 percent grew faster than the incomes of the bottom 99 percent in 43 states and the District of Columbia" (Sommeiller and Price, 2018, p. 1). Escalating economic inequality was exacerbated by a macroeconomic paradigm characterized by monetary-led stimulus and fiscal restraint from 2010 onward, which served to bolster the asset prices of wealthy populations in a broader environment of historic capitalist profitability and continued stagnation in real investment (Kotz, 2015). In short, despite formal evidence of a macroeconomic recovery, poverty, historic inequality, and economic displacement plagued the US political economy leading up to 2016.

IV. The Rise of Trump: Reactionary Repoliticization, Tax Cuts, and Welfare Reform

The electoral victory of Donald Trump over Hillary Clinton in the 2016 presidential election sent shockwaves through much the political establishment in the United States. Advancing a politics of 'progressive neoliberalism,' the 2016 Clinton presidential campaign combined pseudo-progressive appeals to the ideals of liberal multiculturalism with support for myriad policies and practices of financialization and corporate globalization that crystallized the rightward shift of the Democratic Party since the 1990s (Fraser, 2017). In addition to being deeply unpopular amongst aspects of the Democratic Party base, the Clinton campaign, as will be further discussed below, deployed disparaging rhetoric toward large swaths of the US electorate and failed to campaign in key swing districts in the American rustbelt leading up to the election, opting instead to solicit campaign donations from wealthy Democratic districts (Karp, 2016). Despite losing the popular vote, the Trump campaign was able to exploit these weaknesses to secure support in several key swing districts in deindustrialized regions, winning the presidential election through the Electoral

College system (Barria, 2016). Beyond these dynamics of the 2016 election, however, Trump's rise to power may have signalled a broader legitimacy crisis deepening in the aftermath of 2008 (Riley, 2017; Davis, 2017). The Trump presidential campaign was characterized by rhetorical breaks with key aspects of the neoliberal consensus, including a disparagement of trade and investment agreements, immigration, as well as elements of technocracy. One of the most central political-ideological breaks marked by the rise of Trump in the 2016 presidential election was his articulation of a political backlash against technocratic forms of governance characteristic of neoliberalism. Central to Trump's campaign message had been a promise to 'drain the swamp,' i.e., the Washington D.C. political establishment, its Beltway media elites, and technocrats that had overseen key aspects of economic policy formation since the 1990s (Hughes, 2016). While in practice, after his ascendency to the presidency, the Trump administration was perhaps the wealthiest plutocratic cabinet in US history (White and Nussbaum, 2016),[392] this discursive break was part of a repoliticization of hitherto depoliticized economic and social policies within the neoliberal consensus, albeit in a reactionary direction (Kiely, 2018). This included a rebuke of technocratic control over trade and investment agreements, as well as the capacity of 'independent' central bankers to wield the bulk of authority over economic policymaking, which were central features of American neoliberalism. This repoliticization was indicative of a broader global crisis of legitimacy, particularly in advanced capitalist countries, in which variety of social and political forces, both from the social-democratic left and authoritarian right, sought to contest aspects of neoliberalism, especially after 2008 (Gill, 2012; Stahl, 2019).

[392] As one analysis noted, the Trump cabinet was brimming with billionaires: "Beyond Trump himself, who claims a net worth of more than $10 billion, the president-elect has tapped businesswoman Betsy DeVos, whose family is worth $5.1 billion, and is said to be considering oil mogul Harold Hamm ($15.3 billion), investor Wilbur Ross ($2.9 billion), private equity investor Mitt Romney ($250 million at last count), hedge fund magnate Steven Mnuchin (at least $46 million) and super-lawyer Rudy Giuliani (estimated to be worth tens of millions of dollars) to round out his administration" (White and Nussbaum, 2016). Available from: https://www.politico.com/story/2016/11/donald-trump-cabinet-billionaires-millionaires-231831. (Accessed 22 December 2022).

Despite these rhetorical and political breaks with neoliberalism, in practice, the Trump administration was characterized both by elements of continuity and discontinuity. As critical commentators have noted, while the Trump administration's promises to revive American industrial manufacturing and reassert a nationalist, protectionist, and isolationist politics seemed to mark a rhetorical break, they were not entirely novel within US politics since the 1980s (Harmes, 2012; Davidson and Saul, 2017; Kiely, 2018).[393] Similarly, as will be discussed below, the principal fiscal policy achievement of the Trump administration, the 2017 tax cut, was in many ways a continuation of key aspects of American neoliberal governance. Perhaps the central arena of policymaking illustrating this dialectic of continuity and rupture was in the realm of welfare state politics.

The 'Two Nations' Project of Trumpism and the Politics of Welfare

One underexplored aspect of Trump's electoral success and the social base of Trumpism more broadly was a successful synthesis of key strands of the Tea Party, the American Right, and layers of the American populace behind the longstanding dichotomization between the 'deserving' and 'underserving' poor in welfare state politics. As previously examined, a central bifurcation in the Tea Party related to tension between its oligarchic wing, which advanced a radical libertarian agenda including across-the-board tax and spending cuts, on the one hand, and the politics of its grassroots supporters, on the other. An animating thread of Tea Party supporters was their vilification of the 'undeserving' poor and government spending perceived to sponsor dependent

[393] Kiely (2018) described Trumpism as a fusion of paleo-conservatism and neoliberalism. As Kiely (2018) notes, Trump's political-ideological trajectory in many ways paralleled that of Pat Buchanan, whose campaigns for the Republican nomination in 1992 and 1996 were predicated on social conservatism, the preservation of 'white Christian European' culture, opposition to military interventionism or liberal 'humanitarianism' abroad, and protecting the domestic American manufacturing base (pp. 128-129).

classes and social groups combined with their simultaneous support for more universalistic government spending (e.g., Social Security and Medicare) on which many of them relied. The Trump campaign exploited this dichotomy, advancing a 'two nations' approach, which Jessop (1990) defines as a "more limited hegemony concerned to mobilize the support of strategically significant sectors of the population and to pass the costs of the project to other sectors" (p. 211). This strategic stratification of deserving and underserving social groups, which was often articulated in nativist and xenophobic terms, was central to the electoral success and the formation of the reactionary historical bloc underpinning the Trump administration.[394] Its appeal was based on promises to dismantle key aspects of the welfare state for the undeserving poor, foremost amongst which was 'Obamacare,' but also means-tested social programs such as Medicaid, Supplemental Nutritional Assistance Program, and Temporary Assistance to Needy Families that were perceived to aid "undeserving" social groups such as the unemployed, immigrant, youth, or nonworking populations.[395] In addition to the vilification of the undeserving poor, however, which had long been a central political undercurrent of US welfare state politics, Trump also rhetorically broke with aspects of the libertarian American oligarchy by promising to protect more universalistic aspects of the US welfare state. This was evident in the Trump campaign's promises *not* to cut spending on Social Security or Medicare, particularly for 'left behind' populations, which marked a break with the plutocratic wing of the Republican Party.

[394] For perceptive analyses of the social base underpinning Trumpism, see: Cooper (2022).

[395] Restricting welfare benefits to immigrants was a central theme of the 2016 Trump election campaign, for example. In a September 2016 speech on immigration, predicated on the mythology that immigrants to the US overuse welfare benefits, Trump described the connection between welfare and anti-immigrant nativism: "The Center for Immigration Studies estimates that 62 percent of households headed by illegal immigrants use some form of cash or non-cash welfare programs like food stamps or housing assistance. Tremendous costs, by the way, to our country. Tremendous costs. This directly violates the federal public charge law designed to protect the United States Treasury. Those who abuse our welfare system will be priorities for immediate removal" (New York Times, 2016). Available from: https://www.nytimes.com/2016/09/02/us/politics/transcript-trump-immigration-speech.html. (Accessed 2 January 2023).

The Trump campaign was able to further exploit this strategy in the 2016 election when the Hillary Clinton campaign disparaged large swaths of the American electorate backing Trump as "deplorables." In an interview on September 8, 2016, for example, Clinton suggested that "You can take Trump supporters and put them in two big baskets. There are what I would call the deplorables—you know, the racists and the haters, and the people who are drawn because they think somehow he's going to restore an American that no longer exists" (Kelsey, 2016). In some ways, Clinton's comments paralleled Mitt Romney's 47 percent comment from 2012, reinforcing perceptions of a campaign disdainful of working-class voters, including within regions where working-class populations had seen their livelihood uprooted from policies facilitated by previous Democratic and Republican administrations (Karp, 2016). The Trump campaign was able to weaponize these comments to forge a reactionary electoral bloc in the 2016 election.

The roots of Trump's two nations strategy, which sought to extend key aspects of anti-welfarism from the 1990s but also to break with the palpable failures of both the Romney presidential bid and the 2016 Clinton campaign, extended further back. As early as 2011, for example, Trump's (2011) book, *Time to Get Tough*, one of several ghost-written books intended to lay the foundation for a presidential run, articulated this strategy. Touting Ronald Reagan's preservation of Social Security, Trump (2011) noted that it is "not unreasonable for people who paid into a system for decades to expect to get their money's worth—that's not an "entitlement," that's honoring a deal" (p. 69). Indeed, the working poor and retirees who paid into Social Security are consistently portrayed as deserving of social support. At the same time, however, Trump (2011) suggests that the Obama administration's post-2008 stimulus measures "jacked welfare spending up by 42 percent over 2008 levels," and that the federal government "cannot afford to spend $10 trillion over the next decade on dependency-inducing welfare schemes that have created an underclass, demoralized it, and drained taxpayers who are paying for programs that not only make poverty worse but that are notoriously rife with fraud and abuse" (p. 106). Reiterating longstanding bromides against the undeserving poor dominant in American politics at least since the 1980s, Trump sought to ride the wave of the Tea Party, stoking a racialized moral panic about "out-of-wedlock children" and a "food stamp crime wave" in which the Obama's administration's modest expansion of SNAP had allegedly sponsored drug dealers and criminals (ibid, pp. 110, 113). Praising Bill Clinton's 1996 reforms, Trump lamented that "the 1996 Welfare Reform Act only dealt with one program" and suggested that "We need to take a page from the 1996 reform and do the same for other welfare programs" (ibid, p. 116).

This strategic posturing, which sought to foster social antipathies between particular social groups, built on the contradictory tendencies of the Tea Party movement, and directly shaped Trump's primary campaign for the Republican nomination. At a 2015 speech at the Iowa Freedom rally, for instance, Trump (2015) outlined this strategy, explicitly distancing himself from the Romney-Ryan presidential campaign:

> I'll probably be the only Republican that does not want to cut Social Security. I'm not a cutter of Social Security; I want to make the country rich so that Social Security can be afforded, and Medicare and Medicaid. Get rid of the waste, get rid of the fraud, but you deserve your Social Security; you've been paying your Security.[396]

This strategic mobilization of social antagonisms of social groups and classes surrounding welfare politics was central to Trump's electoral coalition and historical bloc and remained central to his policy objectives in power.

[396] Trump outlined the failures of the Romney presidential bid, referencing his infamous 47 percent comment: "It can't be Mitt because Mitt ran and failed. He failed. I mean I liked him. Look--like him, dislike him--the 47% statement that he made, that's not going away" (Trump, 2015). Available from: https://www.p2016.org/photos15/summit/trump012415spt.html. (Accessed 21 May 2022).

The Political Economy of Trumpism

Once in power, the Trump administration inherited an incremental economic recovery beginning under the Obama administration, with formal unemployment measurements falling from a high of 10 percent in October 2010 to 4.7 percent when Trump took office in January 2017, dropping continuously to 3.6 by November 2019 (Board of Governors of the Federal Reserve System, 2023). Despite a gradually tightening labour market and rising growth through 2018, in part bolstered by a relaxation of austerity measures, incomes and wages failed to increase substantially under the Trump administration. Despite exaggerating median household income growth, which was central to Trump's message of industrial revival and economic dynamism, wage and income growth slowed compared to the latter half of the Obama presidency (Bivens, 2021), and rampant inequalities in wealth and income, alongside persistent low wages and economic insecurity continued to belie the rhetoric of economic dynamism and prosperity (Sanders, 2018).[397]

Throughout the Trump presidency, the post-crisis monetary policy regime that prevailed under successive chairs at the Federal Reserve (Ben Bernake 2006-2014, Janet Yellen 2014-2018, and Jerome Powell 2018-) became increasingly unstable. Interest rates under the post-crisis monetary policy regime had remained at historic lows for all of Obama's tenure. Indeed, the Fed reduced its benchmark interest rate, the federal funds rate, from 5.25 percent in 2007 to 0.15 in January of 2009, remaining near zero until marginal increases in 2017 and 2018 (Board of Governors of the Federal Reserve System, 2023). Similarly, the Fed balance sheet climbed substantially from under $1 trillion in 2008 to over $4.5 trillion from 2014 through 2018 as the

[397] Bernie Sanders provided a sharp distillation of the illusory promises of prosperity for the working class underpinning the Trump administration's first term (Sanders, 2018). Available from: https://www.theguardian.com/commentisfree/2018/jul/16/bernie-sanders-town-hall-low-wages-amazon-mcdonalds-walmart. (Accessed 24 May 2022).

Fed bought up toxic financial assets and Treasury bonds in the aftermath of 2008 (Federal Reserve Board, 2023). As chapter 5 examined, this monetary-led macroeconomic trajectory, as the predominant crisis-fighting response to 2008, was part of a broader unequal and historically anemic economic recovery from 2010-2016. Amidst a tightening labour market and declining unemployment, however, attempts to unwind this monetary policy regime surfaced during Trump's Presidency. Amidst the gradual abatement of austerity measures under the 2017 tax cut and a tightening labour market, the Federal Reserve sought to 'normalize' its monetary policy mandate by implementing more restrictive, 'tight money' policies. The Federal funds rate, for example, crept up to 1.16 percent in August of 2017 alongside declining levels of formal unemployment, rising to 2.40 percent by January 2019 (Federal Research Economic Data, 2023). This was part of a broader effort by the Fed to 'normalize' monetary policy and wind down asset and Treasury purchases. As part of his pseudo-industrial revivalist economic agenda, accompanied by a conscious effort to bolster stock market valuations, the Trump administration continually clashed with technocrats at the Fed, calling into question central bank 'independence,' a key principle of new constitutionalism deemed sacred by many liberal economists, pundits, policymakers, and adherents of the 'deflationary bloc' that has presided over economic policymaking since the 1990s (Feygin, 2021). Later in his administration, Trump attacked the Fed and newly appointed chair, Jerome Powell, for pre-maturely dampening the economic 'recovery' and harming inflated stock market valuations by raising interest rates (Bayly, 2019). These tensions signalled the gradual unwinding of the prevailing macroeconomic policy paradigm pursued since 2010 amidst an ongoing set of political challenges posed to the neoliberal developmental model.

From the 2017 Tax Cut to Welfare Recommodification: Reviving 'Starve the Beast'?

While high-profile executive orders passed during the early years of the Trump administration ranged from a nascent trade war with China, the deregulation of environmental protections, and draconian restrictions on immigration, its principal fiscal policy achievement was the 2017 Tax Cuts and Jobs Act. Passed toward the end of 2017 with a unified Republican House, Senate, and Presidency, the tax cut slashed the US corporate tax rate from 35 to 21 percent (the lowest level since 1939), repealed the corporate Alternative Minimum Tax (AMT), and established a variety of deductions and loopholes overwhelmingly for wealthy households, investors, and financiers, including a 'pass-through' business tax deduction (Tax Cuts and Jobs Act, 2017). Despite being marketed as a tax cut for middle-class households and small businesses, the cuts overwhelmingly benefitted the American corporate and ruling classes, specifically real estate developers, investors, fossil fuel capitalists, and personal business associates of the extended Trump family (Elliot and Faturechi, 2021). In keeping with trends since the 1990s, eligibility for tax credits for middle-class working households were moderately increased through the Child Tax Credit and the Additional Child Tax Credit (Chang, Romich, and Ybarra, 2021). However, these tax credits did little for poor, unemployed, or low-income families, and the tax bill overwhelming benefitted the upper echelons of the US class hierarchy. Projected to cost $1.3 trillion over ten years (later rising to $2.3 trillion), subsequent studies illustrated how the top 1 percent of American households accrued 60 percent of the billions in tax savings from the 2017 tax cut (Goodman, Lim, Sacerdote, and Whitten, 2021), climbing to an estimated 83 percent when all tax cuts were phased in by 2027 (Gale, Khitatrakun, and Krupkin, 2017). In the aftermath of the tax cut, US stock buybacks rose by 50 percent in 2018 to $560 billion (Corser, Bivens and Blair, 2019), further belying the pseudo-populist rhetoric of the Trump administration that tax cuts would lead to investment and shared prosperity.

The political and ideological forces behind this historic tax cut were manifold. Trump had long praised the supply-side economics of the Reagan administration and particularly the theory of its most influential economist, Arthur Laffer (Trump, 2011).[398] Later in his presidency in 2019, Trump bestowed Arthur Laffer with the Presidential Medal of Freedom (Tankersley, 2019). Trump's tax cuts, accompanied by successive increases in military expenditures, prompted numerous comparisons (including by Trump himself) with the presidency of Ronald Reagan (Trump, 2019).[399] While undoubtedly influenced by Reaganism, the 2017 tax cut was also consistent with more deeply rooted features of the American politics and political economy. Most overtly, the tax cuts seemed to reinforce the overtly plutocratic features of the Trump administration, representing an historic transfer of wealth to billionaires, and particularly real estate, financiers, and donor ruling class constituencies, including Trump's family and business associates (Elliot and Faturechi, 2021). The tax cuts were, however, also part of a longstanding feature of American politics, which had become central to both Republican and Democratic governance since Reagan's 1981 tax cut (Prasad, 2018). Prior to 2016, this was true of both the Bush and Obama administrations. From 2001 to 2018, for example, federal tax cuts amounted to $5.1 trillion, over two thirds of which were channeled to the richest quintile of Americans

[398] As Trump (2011) describes, praising the logic of Reagan's 1981 tax cuts, "As with most things, President Reagan had it right. But Reagan wasn't the only president who understood that lower taxes yield higher revenues by unleashing economic growth and job creation" (p. 52).
[399] Trump praised the Reagan economy for its tax cuts and growth, implicitly drawing a connection to his reforms: "The Reagan economy soared, creating sustained economic growth, shrinking poverty, expanding incomes, and dramatically increasing Federal revenue. Sounds very familiar. It sounds very, very familiar, actually. [Laughter] Our economy has never, ever been stronger than it is today. It's true" (Trump, 2019). Available from: https://trumpwhitehouse.archives.gov/briefings-statements/remarks-president-trump-presentation-medal-freedom-dr-arthur-laffer/. (Accessed 26 April 2023).

(Wamhoff and Gardner, 2018). The Trump administration's 2017 tax cuts thus represented a deepening of these features of American politics. Trump's tax cuts were further enabled by the unique global role of the dollar. As Reagan administration officials had fortuitously realized in the 1980s, with the seigniorage of the dollar as the global reserve currency in an era of financial globalization, US budget deficits, driven primarily by tax cuts and military spending, could be financed indefinitely by foreign investment capital and currency inflows (Krippner, 2012). Under Trump's administration, tax cuts transpired in a new era of central bank monetary easing, which further enabled low-cost government borrowing through declining yields on government debt. In a break with the consensus of the 1990s, shortly after the 2017 tax cut, the Trump administration signed a waiver to avert sequestration requirements from PAYGO rules, demonstrating the subsidiary importance of promises of fiscal rectitude to other legislative priorities.[400]

Seemingly flouting the logic of American austerity and deficit consolidation, the Trump administration's fiscal policy agenda was largely expansionary, characterized by an historic transfer of wealth upward through tax cuts. This was merely one component of Trump's fiscal policy trajectory, however. Its political logic also seemed to parallel the 'starve the beast' strategy of the Reagan administration. As Reagan himself had described, not only were tax cuts allegedly intended to generate growth and tax revenue through elusive 'trickle-down effects,' i.e., the Laffer Curve, but they also sought to establish a fiscal ceiling and to exert systemic pressure to implement spending cuts amidst declining revenue (Prasad 2018, p. 72). While Reagan's track record on this front was mixed, as would be the Trump administration's, the political logic that it reinforced was clear: in the context of a broader environment of fiscal austerity as 'common sense,' tax cuts for

[400] Trump later attempted to reintroduce PAYGO rules in 2019, albeit not including tax cuts, in an effort to slash discretionary federal spending. (Committee for a Responsible Federal Budget, 2019). Available from: https://www.crfb.org/blogs/president-trump-bolsters-administrative-paygo-through-executive-order. (Accessed 9 January 2023).

the wealthy would generate political pressure to slash social spending to mitigate budget deficits, either on current or future governments. This political logic was central to the Trump administration's attempted commodification and restructuring of key aspects of income support and social spending for the 'undeserving' poor.

V. 1996 Unfinished: Accelerated Workfare and Poverty Criminalization in Trump's America

Weeks after signing into law the 2017 tax cut, in February 2018, the Trump administration unveiled its budget proposal for the following fiscal year. The $4.4 trillion budget proposal included substantial increases in federal discretionary military spending, cuts to federal nonmilitary discretionary spending, and a radical reconfiguration of elements of the US welfare state. Trump's budget included an elimination of the Affordable Care Act's moderate expansion of subsidies and health coverage through Medicaid as part of his campaign promise to 'repeal Obamacare'; a broad-based workfare offensive including strict work requirements for receipt of Medicare, Supplemental Nutritional Assistance Program (SNAP), housing vouchers, disability benefits, and Temporary Assistance for Needy Families (TANF); retrenchment of social spending, especially programs such as SNAP, with proposed cuts of 30 percent over 10 years; and a further extension of state waivers to enable states to have more discretion to divert federal funding from key income support programs (Parrott et al., 2018). These legislative measures built on longstanding undercurrents of the American Right and the Tea Party, which resurfaced once again in 2017 as the House introduced the Welfare Reform and Upward Mobility Act that sought to introduce wide-ranging reforms to social programs including the strengthening of work requirements. While never signed into law, the bill revealed the agenda of the Republican Party.

Trump elevated this vision early in 2018 in his State of the Union Address. Touting persistent declines in unemployment as well as moderate wage increases, the Trump administration sought to project a message of economic dynamism to bolster its 2016 electoral promises (Trump, 2018).[401] More revealingly, the Trump administration also gestured at its plans to reconfigure the welfare state. Hinting at the coming workfare offensive, Trump proclaimed that "We can lift our citizens from welfare to work, from dependence to independence, and from poverty to prosperity" (Trump, 2018).

While these legislative initiatives were largely contingent on the upcoming midterms, already in early 2018, as part of its campaign promise to 'repeal and replace Obamacare,' the Trump administration sought, through executive measures, to introduce work-based requirements into the US health insurance system. This included encouraging states to apply for section 1115 Medicaid demonstration waivers approving the introduction of work requirements (Guth et al., 2020). A longstanding objective of the American Right and Republican Party, the introduction of state work requirements and other eligibility restrictions was part of a transparent attempt to curtail social spending by reducing Medicaid rolls, which led to a dozen states implementing work-based requirements for the means-tested health insurance program (Wagner and Schubel, 2020). In numerous states in 2018, state legislatures began implementing stringent work requirements for receipt of Medicaid, which removed substantial numbers of poor and low-income populations from eligibility. In Arkansas alone, for example, from June 2018 to March 2019, nearly 40,000 people, or one in four subjected to work requirements, lost access to health coverage from the program

[401] As he boasted in his 2018 State of the Union Address, "Unemployment claims have hit a 45-year low. African-American unemployment stands at the lowest rate ever recorded, and Hispanic American unemployment has also reached the lowest levels in history" (Trump, 2018). Available from: https://trumpwhitehouse.archives.gov/briefings-statements/president-donald-j-trumps-state-union-address/. (Accessed 26 April 2023).

(Wagner and Schubel, 2020). Other states such as Wisconsin were similarly emboldened to kick poor recipients off Medicaid due to missed premium payments or to residualize Medicaid coverage to non-working populations or those not engaged in sufficient 'work-related activities' (Katch, 2018).

These reforms were accompanied by abortive attempts by the Trump administration to consolidate federal departments and cabinet agencies responsible for overseeing social policies into a streamlined system to rationalize and curtail social spending 'bureaucracy' (Thrush and Green, 2018). By amalgamating federal departments responsible for discrete social programs into one centralized agency, renamed with the longstanding conservative pejorative of 'welfare,' the Trump administration hoped to exert more control over federal social spending and lay the foundations for future cuts, thereby appeasing the Paul Ryan wing of the American Right (Schram, 2018). While these measures failed, they nonetheless signalled a recrudescence of the spirit of welfare retrenchment of 1996 at the national level, which included disciplinary workfare measures for the poor and the further commodification of welfare, a longstanding but as yet unrealized project of the American Right. These social spending cuts once again revealed the class foundations that accompanied the politics of tax cuts for the wealthy in the US. Despite this political revival, however, the aspirations of the Trump budget (and many state-level programs) were eventually stifled through subsequent legal challenges (Wagner and Schubel, 2020). Moreover, the Trump administration's budget, and the preferred cuts of the Republican Party, were partially blocked in Congress. In March 2018, Congress approved a $1.3 trillion spending bill that raised the previous 2011 spending caps and debt ceiling, increasing military spending significantly as well as federal spending on infrastructure, mental health and opioid crisis measures, childcare, and veterans' health measures (Kaplan, 2018). The budgetary measure, a modus vivendi between

Republicans and Democrats, signalled a shift in the politics of American austerity and a partial rebuke of the libertarian strand of the Tea Party, which had promoted a more stringent agenda of social spending cuts. More broadly, it also revealed a possible weakening of the historical constituencies and political coalitions behind the politics of austerity that was largely dominant from the 1990s through the 2010s.

The 2018 November midterm saw the dissolution of the Republican trifecta with the Democrats winning back the House while the Republicans held onto the Senate. The political implications of the midterms were mixed, however. While the midterms saw centrist Democrats capture some of the elusive middle-class suburban swing vote and win numerous seats, likely as part of an anti-Trump centrist protest vote, several young leftist politicians, endorsed by the Democratic Socialists of America (DSA), also rose to legislative power, establishing, for the first time in a generation, a small group of social democratic and socialist members in the House of Representatives (Riley, 2018). While the Trump administration's capacity to implement its wider agenda of welfare state recommodification was thus partially stifled, both by a shift in the balance of political power as well as broader administrative and juridical hurdles in the US state (Luhby, 2020), it nonetheless passed several executive and legislative initiatives throughout 2018 and 2019.

This included several attempts to bypass Congressional bills to reform SNAP through executive order, including through administrative redefinitions of SNAP eligibility at the United States Department of Agriculture (USDA). In December 2018, as the Trump administration reluctantly signed into law a Congressional farm bill that failed to include its more extensive vision of work requirements, the USDA attempted to restrict state waivers for SNAP eligibility itself. The philosophy behind these reforms was outlined by the Trump-appointed Secretary of Agriculture, Sonny Perdue, who noted in an opinion piece that the spirit of the 1996 welfare reform revolution had been “watered down by out-of-control administrative flexibility” in SNAP, which had been temporarily expanded under the Obama administration (Perdue, 2018, para. 1). Reviving tropes that fraud was running amok in SNAP, with able-bodied adults, especially in northern Democratic-majority states portrayed as shirking work duties while collecting food stamps, the Trump administration, as Perdue described, would promise to restore “independence” and “self-sufficiency” by further elevating work requirements for recipients (ibid, para. 4). The administrative reforms implemented by the Department of Agriculture sought to elevate work requirements by mandating ‘able-bodied adults without dependents’ to participate in employment programs for a minimum of 20 hours per week. The measures targeted millions of SNAP recipients, many of whom were unable to work, and were likely to lead to 755,000 losing access to the program (Chang, Romich and Ybarra, 2021).[402] Despite eventually being halted by a court order, the Trump administration in 2019 also sought to slash $4.5 billion in SNAP funding by recalculating income and expenses for recipients through the Agriculture Department, which was estimated to strip more than 3 million people, including many vulnerable seniors, people with disabilities, and poor working-class populations, of their benefits (Fadulu, 2019). These welfare reform initiatives had substantial effects on the brittle foundations of social support for poor and working-class Americans.

Market Discipline and Political Contestation in the American Empire

In May of 2018, amidst the Trump administration’s successive attempts to further residualize the American welfare state, the UN rapporteur, Phillip Alston, released a report on the United States. It advanced a scathing rebuke of the US welfare state and the American political economy

[402] The 2018 Farm bill included further restrictions limiting SNAP for those lacking medical reasons for nonwork and limiting dependents to 3 months of support (Chang, Romich and Ybarra, 2021, pp. 246-247).

more broadly, and the conditions of poverty, immiseration, and inequality that it sustained. In its opening passage, the report notes the US is a land of "stark contrasts," characterized by "immense wealth and expertise," which nonetheless stood in "shocking contrast with the conditions in which vast numbers of its citizens live" (Alston, 2018, p. 3). These conditions are laid bare in arresting detail by the report:

> About 40 million live in poverty, 18.5 million in extreme poverty, and 5.3 million live in Third World conditions of absolute poverty. It has the highest youth poverty rate in the Organization for Economic Cooperation and Development (OECD), and the highest infant mortality rates among comparable OECD States. Its citizens live shorter and sicker lives compared to those living in all other rich democracies, eradicable tropical diseases are increasingly prevalent, and it has the world's highest incarceration rate, one of the lowest levels of voter registrations in among OECD countries and the highest obesity levels in the developed world (ibid, p. 3).

The stark picture of inequality that the report described were in part a product of longstanding inadequacies of the American welfare state, which had radically delimited the scope of social provisioning by imposing a range of conditionalities that effectively criminalized conditions of poverty, leaving broad ranks of the American poor and working class without access to meet basic social reproductive needs. Describing past decades of US social policy reform, the report notes that "For almost five decades the overall policy response has been neglectful at best" (ibid, p. 4). While the Trump administration's track record on welfare reform was mixed, falling short in many ways of the more radical visions of welfare retrenchment envisioned by the Tea Party, Paul Ryan, and the Republican Right, its 2018 and 2019 reforms sought to revive the draconian reforms of 1996. As Alston's (2018) report described, the social policy reforms of the Trump administration seemed "deliberately designed to remove basic protections from the poorest, punish those who are not in employment and make even basic health care into a privilege to be earned rather than a right of citizenship" (ibid, p. 4).

Under the Trump administration, in keeping with the federalist structure of the US welfare system, it was at the state level that many of the most substantial reforms to social provisioning emerged. While the Trump administration turned its eye to SNAP and Medicaid as the objects of further retrenchment, the scope of support offered by states through Temporary Assistance for Needy Families (TANF) was further residualized under the broader mantle of welfare reform. As one analysis noted, by 2019, 40 percent fewer households (1.1 million) received TANF support compared to a decade earlier in 2009 (1.8 million) (Chang, Romich, and Ybarra, 2021, p. 250). While declining levels of social support are often expected as unemployment declines, under the starkly unequal conditions of the post-2008 American economy, declining social provisioning occurred in tandem with persistent poverty and steady demand for social support. This dynamic is captured by what the Center for Budget and Policy Priorities has called 'TANF-to-poverty' ratios,' i.e., the percentage of the population in poverty receiving TANF support. This ratio plummeted from a high of 68 percent in 1995/6, meaning nearly 70 percent of the population in poverty was receiving cash support, declining precipitously to a historic low of 21 percent in 2019/2020 (Shrivastava and Thompson, 2022). These ratios were lowest in southern states such as Texas, Mississippi, Arkansas, and Nebraska, which in 2020, denied over 90 percent of TANF applicants (Drayfus, 2021). Indeed, a striking report noted that in 2020, states across the US had accumulated over $5.2 billion in unspent welfare funds even as demand for social support rose (Dreyfus, 2021).[403] In short, socio-economic inequalities abounded even as the US was experiencing a tightening labour market and more favourable macroeconomic conditions from 2018 onward.

[403] As the report describes, "States have held on to more of this welfare money amid rising poverty. According to the U.S. Census Bureau, 16.1% of children under age 18 lived in poverty in 2020, up from 14.4% the year before" (Dreyfus, 2021). Available from: https://www.propublica.org/article/states-are-hoarding-52-billion-in-welfare-funds-even-as-the-need-for-aid-grows. (Accessed 7 January 2023).

While the most effective social movement of the 2010s in the US emerged from the far right, nascent political contestation from progressive and left social forces also experienced a revitalization during this period, one that had not been seen for decades.[404] The Occupy Wall Street movement during September of 2011 quickly abated with no immediate political successor amongst the American left. Despite its organizational and political flaws, it positioned wealth inequality, the concentrated power of Wall Street (the '1 percent'), and widespread indebtedness and economic insecurity (of the '99 percent') at the forefront of American national politics. This was elevated on a national electoral level with the launching of a presidential campaign in May 2015 by a self-described democratic socialist and independent Senator from Vermont, Bernie Sanders (Therborn, 2022). Seeking to contest the primary campaign of Hillary Clinton for the presidential nomination of the Democratic Party, the Bernie Sanders 2016 primary campaign contributed to a reactivation of broad swaths of the American left, coalescing political discontent that had been simmering in response to the 2008 financial crisis and the inadequacies of the Obama administration's tepid fiscal and social policies. Campaigning on themes of wealth inequality that built on the messaging of the Occupy Movement, as well as the brief resistance to attempted cuts to Social Security in 2012-2013, the Sanders' campaign advanced a relatively moderate agenda of social-democratic proposals, including single-payer health insurance, raising the minimum wage, reforming campaign financing rules, and protecting and expanding core elements of the American welfare state (including Medicare, Medicaid, and Social Security), a political orientation that was later characterized as 'class struggle social democracy' (Sunkara, 2019). This left electoral revival was registered with the meteoric rise of the Democratic Socialists of America (DSA), an

[404] The only significant Left electoral coalitions of the past several decades were the Ralph Nader Third Party presidential campaign of 2000 and, before that, the Jesse Jackson campaigns of the 1980s. Prominent extra-parliamentary social movements included the anti-war demonstrations of the early 2000s as well as the anti-globalization protests of the late 1990s.

independent socialist organization whose membership rose to over 60,000 members during the Trump presidency. For the first time in the post-Cold War era, the identification of socialism was self-consciously elevated to the forefront of the American national political mainstream.

In many ways, however, the Bernie Sanders campaign tapped into a broader social and political ferment in the US, deepening after 2016. This included the growth and renewal of labour union organizing across the US in response to a range of anti-worker measures initiated by the Trump administration and the US Supreme Court (Poydock, 2020). One of the most energizing fractions of this renewal in labour militancy was led by teachers and nurses strikes in 2018 and 2019 in historically red states such as West Virginia, Oklahoma, and Arizona (Blanc, 2018). Led by care workers that were disproportionately women, these labour movements exemplified the rise of a form of social justice unionism, which sought to connect cyclical bargaining issues of members to broader social reproductive issues facing communities at the centre of union demands and popular social mobilization (Arruzza, Bhattacharya and Fraser, 2019). Similarly, the emergence of the Black Lives Matter movement in July 2013 in response to the acquittal of George Zimmerman in the shooting of black teen, Trayvon Martin, and subsequent police killings of black men in Ferguson, Missouri and New York City in 2014, led to one of the largest social movements in the 21st century from some of the poorest jurisdictions in the country calling for a radical reconfiguration of the US police and carceral system (Taylor, 2016).

Perhaps the broadest extra-electoral national social movement that sought to address conditions of poverty, welfare and social reproduction explicitly was the Poor People’s Campaign. Founded in 2017, the Poor People’s Campaign: A National Call for Moral Revival self-consciously built on the 1968 Poor People’s campaign, a multi-racial working-class campaign for economic rights, particularly for African Americans in jobs and housing, originally organized by Martin

Luther King Jr. shortly before his assassination, as well as the Southern Christian Leadership Conference. Led by two ministers and anti-poverty activists who sought to revive the spirit of this original campaign, the Poor People's Movement advanced a broad set of principles. Indeed, the Campaign was one of the few popular social movements not bound by electoral cycles with a program to contest retrenchments in economic and social rights but also to offer an embryonic vision to universalize, democratize, and socialize the foundations of the American fiscal-welfare state. As its website describes, "From Alaska to Arkansas, the Bronx to the border, people are coming together to confront the interlocking evils of systemic racism, poverty, ecological devastation, militarism and the war economy, and the distorted moral narrative of religious nationalism" (Poor People's Campaign, n.d.). Throughout the Summer of 2018, in the midst of the onslaught of the Trump administration, it led a campaign of 40 days of direct action with over two-hundred actions across the US with participants from over 40 states, "the most expansive wave of nonviolent civil disobedience in the 21st century United States" (ibid).

In 2019, the movement released a 'Poor People's Moral Budget,' outlining its analysis of inequalities in the US and its political agenda. The budget described the class foundations of US fiscal and social policy, noting that, "our state and national budgets prove that many of our elected leaders and their lobbyists treasure the military, corporate tax cuts, and welfare for the wealthy while they give rugged individualism, shame and blame, unfair wages, and a shredded social safety net to the poor" (Barnes et al., 2019, p. 7). As the report described, drawing on research that included a more expansive definition of poverty including cost-of-living measures such as housing and food, there were an estimated 140 million people poor and low-income people across the US, including those who were one emergency away from being poor, nearly half of the US population (Barnes, et al., 2019). As part of its budget, the campaign called for broad reforms to the voting system, an end to mass incarceration, an increase in state and federal minimum wages to a living wage, an expansion of the US welfare state and an end to workfare, mass public investments to address climate change, amongst other measures (ibid). These were to be financed by substantial cuts to the military budget ($350 billion annually), $886 billion in tax revenue from proposed tax increases on the wealthy and corporations, a wealth tax targeting Wall Street, as well as billions saved from winding down the US carceral state (ibid). Drawing on heterodox economics, the report also notes, in a direct rebuke to the budgetary mechanisms behind fiscal austerity since the 1990s, that "policymakers should not tie their hands with "pay-as-you-go" restrictions that require every dime of new spending to be offset with expenditure cuts or new revenue, especially given the enormous long-term benefits of most of our proposals" (ibid, p. 1). Similarly, one of the animating themes of the campaign was its contestation of the Trump administration's residualization and marketization of the welfare state. The budget highlights the reduction of Temporary Assistance for Needy Families funding levels, which had not been adjusted for inflation since 1996 causing a decline in real terms of its 1996 value by $8.9 billion, the continual reduction in Supplemental Nutritional Assistance Program (SNAP) benefits, and the series of work requirements being imposed on SNAP, Medicaid, rental assistance vouchers and public housing proposed by the Trump administration (ibid).

In the context of a historic rise of the far-right embodied not only in the Trump administration, whose ascendence to power had long-term implications for control over the American judiciary, but also a broader retrenchment of labour rights, electoral redistricting across the states, the residualization of effective voting rights, and an assault on the paltry foundations of the American welfare state, the Poor People's campaign, alongside the broader reactivation of aspects of the American left, embodied an embryonic counter-hegemonic formation of poor and working-class people contesting the neoliberal consensus across the US.

Conclusion

This chapter has sought to examine key elements of the ideological, social, and political crisis emerging in the aftermath of the 2008 in the US. Focusing on the politics of welfare reform as a crucial fault-line of US politics from 2008 to 2019, I traced the re-emergence of the politics of welfare reform from the Obama administration's second term to the rise of the Tea Party and the Trump administration. While the period from 2008-2019 was characterized by continuities in the institutional foundations of US welfare state, the politics of welfare reform was nonetheless central to understanding dynamics of inequality, social conflict, and political contestation after the 2008 financial crisis. While more wide-ranging reforms as in the UK were largely averted, the continued residualization of income support both at state and federal levels in the US had far-reaching effects on the conditions of social reproduction of the American poor and working class.

The revival of the reactionary politics of 1996 was central to the electoral success of the Trump administration, which was able to draw on a 'two nations' strategy in the 2016 election that promised to protect popular aspects of universal provisioning for the 'deserving poor,' while retrenching means-tested income support for the undeserving poor. Trump's principal fiscal policy achievement, the 2017 tax cut, not only contributed to a historic transfer of wealth to American ruling classes but was also part of an attempt to revive the 'starve the beast' logic of Reaganism. Despite persistent attempts to return to the revanchist politics of the 1990s, however, institutional impediments and a broader crisis of legitimacy within American neoliberalism contributed to a moderation of the politics of austerity and welfare reform efforts under the Trump administration.

Throughout 2018 and into 2019, there was also a broader shift in the monetary-led macroeconomic policy trajectory in the US, which gradually began to shift under the Trump administration. The Trump administration's attempts to repoliticize aspects of technocratic governance in an ostensible attempt to revive American industrial dynamism increasingly clashed with the Fed's attempts to 'normalize' monetary policy amidst Trump's tax cuts for the rich in 2018 and 2019. In the early months of 2020, however, many of these socio-political conflicts and macroeconomic tensions came to an abrupt standstill as an unforeseen crisis gripped the world economy.

Chapter 9: Conclusion

This dissertation provided a novel synthesis of Gramscian political economy with critical literature on the welfare state and social reproduction to examine the comparative-historical underpinnings and contemporary trajectories of neoliberalism in the US and Britain. It analyzed central features of liberal economic governance and the political coalitions mobilized around the welfare state to make sense of two interrelated features of Anglo-American neoliberalism: the top-down erosion of popular political control over macroeconomic governance since the late 1970s and the wellspring of bottom-up political support that projects of economic restructuring have been able to generate in the US and Britain. Overall, despite their historical and ongoing institutional variegation and political unevenness, this dissertation has argued that the American and British roads to neoliberalism were shaped by common developmental patterns.

This conclusion provides a brief reflection on the core arguments of this dissertation, its contributions to existing literature, and future areas of research. The first section provides an overview of its principal arguments and its contributions to literature on hegemony and Anglo-American political economy, neoliberalism and social reproduction, and the politics of crisis management and welfare restructuring in the post-2008 period. The second section discusses limitations of this study and two possible lines of inquiry for future research.

Conceptual and Historical Foundations of Anglo-American Liberalism Revisited

This dissertation contributes to studies of hegemony by examining historical patterns of ruling class formation in two central imperialist capitalist powers, the United States and Britain. Given their foundational historical roles in the making of capitalist modernity and the global political economy, the external roles of each country have been examined extensively in international political economy literature (Kindleberger, 1973; Keohane, 1984; Gilpin, 1987; Cox, 1987). However, by focusing primarily on transnational processes, IPE literature, including critical studies of hegemony, often underemphasized the role of domestic social forces and national political and economic institutions. This dissertation brings together Gramscian international political economy literature with analyses that have emphasized the centrality of state institutions and domestic socio-political forces in the reproduction of political legitimacy within capitalist states (Hall, 1979, 1988; Jessop, 1990). These approaches have drawn attention to the regional specificity and institutionally variegated nature of capitalist restructuring identified by critical geography and comparative literature (Bakker and Gill, 2019). By synthesizing these approaches, this dissertation offers a novel contribution to current literature on hegemony in the US and Britain.

This thesis has illustrated how the hegemonic projects of ruling classes within capitalist states are based on strategies that seek to divide, eliminate, or incorporate competing political forces to maintain legitimacy (Gramsci, 1971; Hall, 1979; Jessop, 1990). While chapters 2 and 3 examined some of the historical underpinnings of these political projects from the interwar period through the post-World War II Bretton Woods order, the primary contribution of this dissertation to studies of hegemony is based on the post-1970s period. The formation of neoliberalism in both countries during this period has not been a unified or all-encompassing constellation of political rule. Rather, ruling classes in each country have relied on the continual mobilization of strategically significant layers of the population (Jessop, 1990). Since the 1980s, the politics of the welfare state has been a central arena through which such projects have been advanced. In chapters 4 and 5, I examined the historical blocs and specific ruling class formations mobilized around anti-welfarism in the US and Britain during the 1980s and 1990s and analyzed their role within broader patterns of economic restructuring. I demonstrated how politicians and policymakers from the New

Right to the Third Way have historically deployed divide-and-rule strategies to construct a 'common sense' that partitions classes into 'deserving' and 'undeserving' social groups to establish political coalitions in support of broader projects of capitalist restructuring (Jessop, 1990). This analysis thus contributes to studies of hegemony by providing a novel comparative historical analysis of the changing political coalitions mobilized around the welfare state and examining their role within ruling class formations in the US and Britain under neoliberalism.

Another central argument of this dissertation contends that the *longue durée* of Anglo-American liberal capitalism has been shaped by an enduring logic of depoliticization (Burnham, 2001). Predicated on political and institutional efforts to insulate the heights of economic policymaking from popular political contestation, and thereby differentiate the 'political' from the 'economic,' I examined how this feature of liberal economic governance unfolded throughout the era of the gold standard international monetary system and the consolidation of liberal capitalism in the US and Britain. Notwithstanding their uneven trajectories of state formation, which I described in chapter 2 through the lens of the 'City-Bank-Treasury nexus' in Britain and market-preserving federalism in the US, I illustrated how the domestic fiscal regimes established in each country during the early 20th century served to insulate economic policy from socio-political contestation, albeit at differing tempos and with varying degrees of success. One of the primary claims of this dissertation is that this logic of economic governance is a recurring feature of liberal economic policymaking and Anglo-American political economy throughout the histories of Britain and the US.

This historical framing anchored subsequent analyses of the dissertation. While the gold standard system was formally dissolved throughout the 1930s, and international economic governance underwent a dramatic reconfiguration in the post-World War II period (examined in chapter 3), I traced continuities in liberal economic governance as ongoing features of Anglo-American capitalism. Despite the substantial changes in the governance of the global economy introduced in the postwar Bretton Woods order, and the politicization of hitherto insulated features of economic governance for national security and developmental purposes, this period was marked by systemic tensions. Chapter 3 traced some of the conflicts and contrasting political coalitions at the center of the postwar order and highlighted how these tensions manifested in struggles over macroeconomic governance that delimited the scope of national macroeconomic policy autonomy and the realization of welfare settlements in the US and Britain. From the crises of the 1970 through the 1990s, I then traced the emergence and consolidation of neoliberalism in the US and Britain. I argued that the revival and reinvention of core tenets of depoliticization within the fiscal and monetary policymaking practices of the US and Britain was a constitutive principle and organizing feature of macroeconomic governance throughout this period. One of the central implications of this dissertation is that while the 20th century and post-World War II period were marked by crises and transformation, liberal economic governance in the Anglo-American heartlands has just as importantly been defined by continuity and restoration. The findings of this dissertation contribute to a critical literature in political economy that has identified *continuities* in orthodox liberal economic governance throughout the developmental histories of the US and Britain (Ingham, 1984; Panitch and Gindin, 2013; Green, 2020).

A third conceptual and historical argument elaborated in this dissertation illustrated how depoliticization is an embedded feature of liberal economic governance and capitalist crisis management that has been deployed toward distinctive class and market disciplinary ends. As chapter 2 discussed, its historical contours emerged from the era of the gold standard in which commitments to sound money and fiscal discipline were a means of upholding a distinct class and social order. One of the clearest illustrations of the class underpinnings of this logic of economic governance was explored in chapter 2, which examined how efforts to restore the foundations of the gold standard in interwar Britain emerged in large part through concerted efforts to stifle working-class militancy, partly by undermining the unemployment insurance system to restore 'market confidence.' While there is an extensive historiographical literature examining the role of the British 'Treasury View' during the 1920s in articulating the ideational foundations of this doctrine of interwar austerity (Skidelsky, 1981; Mattei, 2018; Morrison, 2021), this dissertation has sought to illustrate its durability as a persistent feature of liberal economic governance, which has exemplified extraordinary political resilience throughout the histories of the US and Britain, especially amidst crises. As chapter 3 illustrated, while the parameters of interwar economic governance transformed significantly throughout the postwar Bretton Woods order, the politics of austerity also resurfaced throughout the 1950s and 1960s in the form of stop-go political economy, particularly in Britain. Guided by the prevailing conservative Keynesian paradigm of 'fine-tuning' (Weir, 1989), macroeconomic policies included deflationary measures intended to arrest downward pressures on currencies and restore market confidence. During the crises of the 1970s, the parameters of depoliticization were reinvented and redeployed to restore fiscal and social discipline through the market, consolidating a powerful political consensus in the British and American states during the 1990s.

One of the primary implications of this argument is that market disciplinary policies and practices, and fiscal austerity more specifically, have endured throughout the history of Anglo-American liberal capitalism despite changing paradigms of macroeconomic thought. This suggests that the politics of austerity may best be conceptualized not merely as a by-product of economic theory, but also more broadly as a persistent and institutionally embedded feature of capitalist crisis management. As the next section will discuss, this argument bears important implications for current political science and political economy literature on the political-economic foundations of crisis and austerity.

Reconceptualizing Anglo-American Neoliberalism

These historical analyses of hegemony and depoliticization were then applied to examine the American and British roads to neoliberalism. Beginning with an analysis of the overlapping economic and political crises of the 1970s, chapter 4 examined several critical episodes of crisis management throughout the latter half of the 1970s. From the 1976 IMF 'bailout' of the British state to the 1979 Volcker Shock, treasury and central bank officials, often aided by centre-left political parties and governments in the US and UK, adopted market disciplinary policies to attempt to resolve fiscal and social crises. These experimentations with market disciplinary policies played a significant role in elevating the politics of the New Right in both countries. My analysis therefore provides a more nuanced conceptualization of the origins of neoliberalism than influential critical and popular accounts that often accord an overriding historical and causal role to the electoral victories of Margaret Thatcher and Ronald Reagan (Gamble, 1988; Harvey, 2007; Klein, 2007; Monbiot, 2016). This argument contributes to a growing critical literature that has illustrated the wider socio-historical context in which New Right politics emerged, highlighting the role of contingency and crisis management, and the agency of state officials and political forces on the centre-left in initiating the return of market discipline in the late 1970s (Panitch and Gindin, 2013; Eich and Tooze, 2016; Cahill and Konings, 2017; Chamayou, 2021). While economic theories of the New Right such as monetarism played an important role in the market disciplinary politics of the early 1980s, their implementation was more provisional and variegated than is commonly acknowledged in the literature on neoliberalism. In line with recent contributions, for example, chapter 4 illustrated how central banks, from the Fed to the Bank of England, quickly abandoned monetarist dictates in the early 1980s in favour of more pragmatic inflation targeting regimes (Krippner, 2012; Best, 2020; Clift, 2020).

Less examined in literature on Anglo-American neoliberalism, however, are the variegated fiscal trajectories of the US and Britain. As chapter 4 sought to demonstrate, an important difference in the trajectories of neoliberalism in the US and Britain was their respective prioritization of the politics of tax cuts versus ‘sound money’ (Gamble, 1988). While the tax cuts of the Reagan administration in 1981 marked a lasting shift that was the product of structural features of the US in the global economy and part of a distinctive political strategy intended to undermine the fiscal capacities of the state, the British commitment to ‘sound money,’ pursued with limited success under Thatcher, is a recurring feature of British political economy. These differences in fiscal policy have had an enduring influence on the political trajectories of each country. As chapters 6-8 examined, prevailing responses to the 2008 global financial crisis were strongly overdetermined by these variegated trajectories, where tax cuts, accompanied by cuts to social spending, played a foundational role in US macroeconomic policy from Bush through both the Obama and Trump administrations. Similarly, in Britain, political appeals to fiscal consolidation and sound money, while never fully matching the rhetoric of politicians, became all-encompassing leading up to 2010, with lasting effects on the fiscal policies of successive governments throughout the 2010s. These embedded political-economic differences between the US and Britain illustrate the ongoing institutional diversity and political variegation of Anglo-American neoliberalism in each country, a theme which has been underexplored in critical literature.

Despite these important macroeconomic differences, as chapter 5 argued, depoliticization was institutionalized in both countries most forcefully during the 1990s and early 2000s under the political aegis of the Third Way. Alongside the ascendence of new constitutionalism, which included a range of juridical, administrative, and macroeconomic reforms emerging alongside neoliberalism in the 1990s, the Clinton and Blair administrations institutionalized commitments to fiscal consolidation and formally distanced levers of macroeconomic policymaking from democratic oversight and political contestation. This powerful technocratic macroeconomic consensus, which was guided by the overarching imperative of seeking to resolve the 'fiscal crisis of the state' and establish credible commitments to price stability and market discipline, left a lasting imprint in the American and British states. Indeed, as chapters 5 and 6 argued, it was this political consensus established during the 'long 1990s,' whose perceived political success was in part aided by fortuitous macroeconomic conditions, that enabled policymakers and state officials to externalize responsibility for austerity in the aftermath of 2008.

This argument contributes to the literature that has examined the role of the Third Way in the emergence of neoliberalism (Hay, 1999; Ryner, 2003; Nunn, 2007). Despite political and ideological differences with the New Right, this dissertation argued that the Third Way played a constitutive role in the consolidation of neoliberalism in the US and Britain. Unlike current explanations in the literature, which interpret the Third Way as a 'modernized' form of social democracy (Giddens, 1998), a hybridization of neoliberalism and social democracy (Lavery, 2019), or a capitulation to the New Right (Panitch and Leys, 1997), this implies that centrist and centre-left political forces have played a significant—and independent—role in embedding commitments to fiscal austerity, depoliticization, and neoliberalism in the US and Britain.

An additional contribution of this dissertation to literature on Anglo-American neoliberalism is its analysis of the ongoing political support that it has been able to mobilize. While top-down efforts to shield economic policymaking from democratic contestation have been an enduring feature of liberal economic governance in each country since the late 1970s, the political longevity of neoliberalism within capitalist democracies implies the need for a more comprehensive explanation of its internal basis of political support than some critical literature provides (Stanley, 2014; Konings, 2018). This has become particularly germane in the aftermath of the 2008 global financial crisis, which has seen right populist political movements espousing support for market disciplinary policies generate a notable degree of popular political support. In this vein, this thesis has sought to trace the coalitions mobilized around the politics of welfare and examine their role in bolstering bottom-up support for hegemonic projects of neoliberal restructuring.

One of this dissertation's central arguments is that the politics of anti-welfarism has been a constitutive feature in the emergence and consolidation of neoliberalism in the US and Britain. To examine this dynamic, I drew on two sets of literature. This included an earlier wave of Gramscian literature that analyzed the politics of Thatcherism in the UK (Hall, 1979; Jessop et al., 1984, 1988), as well as more recent contributions from Gramscian and feminist political economy literature (Jessop, 1990; Lavery, 2019; Bakker and Gill, 2003, 2019; Carroll, 2019). This literature has illustrated how the welfare state, and conditions of social reproduction more broadly, are sites of political contestation that play a critical role in reproducing the legitimacy and authority of capitalist states.

Using this framework, chapter 4 illustrated how in the aftermath of the crises of the 1970s, the politics of anti-welfarism was mobilized to unite diverse fractions of the New Right and elements of the broader populace in a historical bloc (Hall, 1979; Gamble, 1988; Cooper, 2017).

By invoking longstanding social dichotomies that internally differentiated working-class constituencies between the ‘deserving’ and ‘undeserving’ poor (Katz, 2002), which variably revolved around the politics of race, gender, citizenship, and employment status, the New Right in the US and Britain was able to construct lasting coalitions that flanked their economic policies and political offensive against organized labour. While politicians and policymakers in each country subjected income support and welfare programs to significant cuts and restructuring, chapter 4 examined some of the pragmatic and political barriers to the full-scale retrenchment under Reagan and Thatcher in the US and Britain. Despite these institutional impediments, I argued that wide-ranging ideological and political transformations were ushered in by the New Right, which elevated anti-welfarism as a constitutive feature of national politics in each country.

Chapter 5 then examined how, despite their distinct ideological and political lineage, Third Way New Democratic and New Labour governments in the US and UK solidified this anti-welfarist consensus by rebuking the ‘traditional’ political coalitions of the welfare state of the postwar era. Embracing both market disciplinary features of welfare reform first articulated by the New Right (e.g., coercive conditionality), as well as more concealed, market-enhancing social policies such as means-tested, work-based tax credits (e.g., Earned Income Tax Credit in the US and the Child Tax Credit and Working Tax Credit in the UK), substantial institutional welfare reforms were implemented under the Third Way in both countries. While such policies and practices undermined the conditions of livelihood and social reproduction of working classes in the US and Britain, particularly for the unemployed poor, this dissertation focused more centrally on the lasting political shifts that they solidified during this period.

These arguments have important implications for current literature on Anglo-American neoliberalism. By framing the politics of the welfare state not only as a key site of political legitimacy, but also theorizing its relation to broader projects of economic restructuring, this dissertation has posited the welfare state as a central terrain in the production and reproduction of hegemonic projects under capitalism (Jessop, 1990). Applying this framework to a comparative historical study of the US and Britain, I have illustrated how an enduring source of internal popular political support for neoliberalism stems from the reconfiguration of the political constituencies around welfare and social security. More specifically, I highlighted the central role of politicians and policymakers in formulating historic blocs based on social antagonisms between different social groups, which were mobilized in service of broader projects of economic restructuring. This argument fills a gap emerging from critical literature that has identified the top-down erosion and hollowing out of democratic politics as an integral feature of neoliberalism (Brown, 2006; Crouch, 2004; Mair, 2013; Streeck, 2014). While this literature has importantly highlighted how crucial areas of policymaking have been continually distanced and insulated from democratic politics since the 1980s, clarifying how these economic projects have been able to mobilize lasting political support has largely remained outside of its explanatory capacity.

These arguments additionally contribute to literature in feminist political economy. While feminist political economy has long highlighted the devaluation of gendered domestic and household work in capitalist societies (Vogel, 1983; Picchio, 1992), I drew on Bakker and Gill's (2003, 2019) framework of power, production, and social reproduction, which widens this focus to examine the integral roles of production and social reproduction in the formation of political power and legitimacy in capitalist societies. While there is an extensive literature in both the US and Britain on the gendered politics of the welfare state and neoliberalism since the 1980s (Orloff, 1993, 1996; Abramovitz, 2000; Chappell, 2010; Gustafson, 2011), one of this dissertation's central contributions has been to synthesize these analyses with patterns of hegemonic rule and capitalist transformation in the US and Britain. I have illustrated how, especially amidst the secular decline of the organized left after the 1970s, the politics of anti-welfarism has been deployed as an organizing feature of the political coalitions underpinning neoliberalism. By dividing segments of the population and particularly the working class behind conceptions of the deserving and undeserving poor (Katz, 2002), politicians and policymakers from the 1980s through the 1990s in the US and Britain have been able to mobilize strategically significant layers of political support from social groups and class strata (Jessop, 1990). One of the central contributions of this study has been to highlight the variegated dynamics of these political coalitions in the US and Britain at key junctures in the post-1970s period. As the next section will discuss, these contributions have additional relevance in the post-2008 period as populist political movements both against and in favour of core tenets of welfare restructuring have been a central feature of the politics of the US and Britain throughout the 2010s.

The Post-2008 Conjuncture: Between Crisis and Restoration

The decade following the 2008 global financial crisis was characterized both by crisis and upheaval, as well as continuity and restoration. Chapters 6-8 examined the contours of these apparently contradictory logics within the politics and political economy of the US and Britain in the post-2008 period. As a deep-seated financial crisis shook the capitalist world economy in 2008, policymakers and state officials in the US and Britain drew on a range of crisis management measures, which both extended the frontiers of macroeconomic governance into relatively new terrain and sought to restore old orthodoxies surrounding the politics of austerity. Perhaps the most novel interventions emerged within the realm of monetary policy, which saw central banks, most importantly the Fed, significantly expand their remit by plunging interest rates to historic lows and significantly expanding balance sheets. By contrast, while bailout packages and fiscal stimulus measures were briefly pursued from 2008-9, this was short-lived. As chapter 6 described, what followed was a precipitous revival across the Atlantic of the elite macroeconomic consensus surrounding fiscal austerity and technocratic governance from the 1990s. Redeployed to meet the exigencies of the post-crisis era and externalize the costs associated with reimposing the disciplines of austerity and macroeconomic adjustment, the politics of austerity dominated the 2010s across the US and Britain.

While responses to the crisis of 2008 were not preordained, the findings of this dissertation suggest that prevailing policy responses in the US and Britain were strongly shaped by an enduring political coalition and set of embedded state practices from the 1990s, which were redeployed to manage conditions of crisis. This argument has important implications for current political economy and political science literature on austerity and the politics and economics of crisis in the US and Britain. While much ink has been spilled to explain the dramatic macroeconomic volte-face from stimulus to austerity after the 2008 crisis, one of the most influential conceptual frameworks to explain the politics of austerity has emerged from constructivist literature (Blyth, 2013). While it is outside the scope of these concluding remarks to differentiate the variants of constructivist and ideational literature on post-2008 austerity (see: Wamsley, 2022), the arguments advanced by this literature either tends to accord analytical privilege to elite discourses of neoclassical economics or to highlight austerity-based narratives propagated by political entrepreneurs to the public. As a result, this literature has often underemphasized the institutional channels of capitalist crisis management and the structures of political power behind post-2008 austerity. By contrast, this dissertation has illustrated how the politics of austerity and market discipline is better conceptualized as an institutionally embedded form of capitalist crisis management, whose parameters offer policymakers and state officials an enduring avenue to circumvent many channels of democratic contestation. These arguments build on a growing literature, which has sought to reconceptualize the foundations of austerity as a longstanding feature of capitalist crisis management (Wamsley, 2022; Mattei, 2022).

Despite the longevity and resilience of the politics of austerity and the elite macroeconomic policy consensus surrounding new constitutionalism in the US and Britain, it has become increasingly unstable in recent years. As policymakers and politicians renewed their commitment to downloading the costs of economic restructuring onto poor and working-class populations by embracing austerity and imposing the brunt of its weight through cuts to public services, welfare, and income support programs, a burgeoning crisis of legitimacy has increasingly reshaped the political core of Anglo-American neoliberalism. Chapters 6-8 traced some of the key elements of these dynamics by providing one of the first comparative examinations of the politics of welfare restructuring in the US and Britain throughout the 2010s. Across both countries, I argued that welfare restructuring was the primary avenue through which the politics of austerity was realized. In the UK, I examined the far-reaching reforms to social policy implemented under the umbrella of post-2010 austerity by successive Coalition and Conservative governments, including the rollout of Universal Credit. In the US, I traced the contours of post-crisis welfare restructuring, which emerged from the Obama administration's attempt to orchestrate a Third Way 'Grand Bargain' to placate the rising Tea Party and continued through the Trump administration's attempted recommodification of the US welfare state. In both countries, I described post-2008 social policy reforms as part of a wider trend toward coercive commodification, which contributed to increasing socio-economic displacement and an emerging crisis of social reproduction amongst growing ranks of poor and working-class populations.

I also utilized the framework of variegated social reproduction to examine the changing politics of the welfare state in each country. I identified a shift in the politics of social policy in the post-2008 period. Whereas conventional welfare state politics since the 1980s was based on the political division of constituencies between working and nonworking households that valorized employment-based income through a combination of coercive and consensual social policies, new disciplinary measures were introduced in the post-2008 period. In the UK, I illustrated how the embrace of austerity after 2010 included far-reaching institutional and structural reforms to the social security system, with significant implications for the livelihood of recipients of social security as well as those rolled onto Universal Credit. This included an historic extension of coercive policies, including conditionalities and work-based requirements, which were applied to previously exempt populations, including the working poor. This marked a qualitative shift in the politics of neoliberal social policy, breaking with previous distinctions between the 'deserving' and 'undeserving' poor. Superimposed on a broader trend toward economic stagnation in the UK in the aftermath of the 2008 crisis, these measures contributed to an escalating legitimacy crisis.

In the US, by contrast, efforts to recommodify the already circumscribed foundations of the federal welfare system were more partial and incomplete, though ongoing patterns of welfare residualization continued at state levels. Tracing welfare state politics from Obama through the Trump administration, I illustrated how the latter advanced a 'two nations' approach that both extended the reactionary features of 1990s-era welfare politics for the undeserving poor, but also broke with aspects of the oligarchic wing of the Republican Party by refusing to cut Social Security. The trajectory of the US political economy also diverged in some respects from that of the UK during this period insofar as it experienced a less truncated trajectory of capitalist growth. And yet, despite these divergences between the US and Britain, I ultimately emphasized shared patterns of socio-political crisis in the Anglo-American heartlands in the post-2008 period. It was from these crises, I suggested, that growing political challenges arose against elements of the neoliberal consensus, both from the social democratic left, and more successfully, from the authoritarian populist right, as exemplified in the decision of the UK to leave the European Union and the election of the Trump administration in 2016.

While it is outside the scope of this study to fully examine the political upheavals of 2016 in the US and UK, this analysis sought to situate them within the context of wider socio-political and ideological crises, which emerged amidst the revival of the politics of austerity and welfare restructuring throughout the 2010s. In contrast to recent contributions which posit 2016 as signalling the beginning of the downfall of the neoliberal order (Gerstle, 2022), this analysis argued that the politics and political economy in each country throughout the 2010s was comprised of elements both old and new. While the range of coercive social policies implemented after 2010, for instance, such as the UK's workfare program of 2011 and ongoing rollout of the sanctions regime associated with Universal Credit, built on extant patterns of welfare restructuring since the 1980s, they likewise constituted a deepening of its coercive and disciplinary features. Similar patterns can be observed in the socio-political cleavages of the 2010s. From anti-austerity protests, the Occupy Wall Street movement, and the proto-socialist campaigns of Bernie Sanders and Jeremy Corbyn on the left, to the Tea Party-to-Trump and UKIP-to-Brexit trajectories of the right, both political factions sought to repoliticize key features of the technocratic neoliberal consensus in progressive and reactionary directions. However, such projects often failed to materialize into substantive political reform and transformation. As such, I argued that these political conflicts were best conceptualized as symptoms of a deep-seated crisis of legitimacy and organic crisis of neoliberal capitalism defined by an ongoing reorganization of its dominant socio-political coalitions amidst conditions of relative impasse or deadlock (Gill, 2012; Stahl, 2019). In short, while the parameters of popular political discourse and ideological contestation in the US and Britain have seen wide-ranging shifts in the decade following the 2008 crisis, this has rarely been accompanied by substantial socio-political and institutional transformation. The arguments advanced in this dissertation suggest that while socio-political conflicts emerging throughout the 2010s signalled a deep-seated and ongoing crisis of legitimacy, a degree of caution might be warranted in postulating a terminal decline of neoliberalism after 2016.

Finally, this dissertation also contributes to critical public policy literature. It does so by highlighting the political crises that have emerged partly in response to prevailing approaches to policymaking in the US and Britain. While a burgeoning political science literature has recently identified a 'crisis of democracy' in Western capitalist countries since the upheavals of 2016 (Levitsky and Ziblatt, 2018; Mounk, 2018), the findings of this dissertation suggest that these socio-political crises within the US and Britain are at once wider and more deeply rooted than this literature implies. Depoliticization is a longstanding and recurrent feature of Anglo-American political economy, which has actively been supported and deployed by both centre-left and right-wing political forces in each country. As chapter 5 illustrated, centrist political coalitions in each country under the umbrella of the Third Way during the 1990s implemented far-reaching changes to the governance of macroeconomic policymaking that formally distanced fiscal and monetary policies from channels of democratic contestation. As critical literature has identified, these practices of technocratic governance contributed to the hollowing out of forms of popular democratic participation (Mair, 2013; Streeck, 2014; Brown, 2019).

However, as this dissertation has also demonstrated, technocratic approaches to economic policymaking have also enlisted broader forms of political support. Stemming from the political coalitions first assembled by the Thatcher and Reagan administrations, this thesis illustrated how social policy has become a central venue for competing hegemonic projects that seek to generate political support in service of projects of economic restructuring that ultimately narrow the horizons of democratic control over economic policymaking. As I argued in chapters 6-8, the parameters of these political coalitions have undergone a shift in the decade after the 2008 financial crisis. As a broad elite consensus on depoliticization, austerity, and welfare restructuring was re-deployed after the 2008 crisis, increasingly coercive social policies were applied to broad ranks of the poor and working class. As I argued in chapters 7 and 8, this contributed to growing political discontent, both on the incipient social democratic left and authoritarian populist right. The findings of this dissertation imply that to understand the totality of these ongoing socio-political crises across the US and Britain and their domestic and global political and economic dynamics, there is a need to go beyond the methodological and epistemological boundaries that conventionally delimit international political economy and comparative approaches.

Limitations of Study and Future Areas of Research

To conclude this dissertation, I will draw attention to some methodological and conceptual limitations of this research and point to possible future directions of research. First, this study has relied on a methodological approach tracing long-run historical patterns that have spanned over a century and traversed numerous policy areas in two countries. This has inevitably led to a prioritization of breadth over depth, which has, at times, forfeited further insights that could be derived from more temporally circumscribed, in-depth analysis of a given historical period in each country. This comparative historical methodology was intended both to provide a historically extensive framework for assessing continuities and discontinuities in the politics and political economy of the US and Britain, as well as to provide a holistic framework to assess the institutional and developmental similarities and differences of each country. What has been lost in the depth of analysis or historical specificity of this study has hopefully been gained in its range and scope. Second, while a key argument of this dissertation has posited the developmental similarities between the American and Britain roads to neoliberalism throughout the post-1970s conjuncture, there is some countervailing evidence that may suggest more divergences and dissimilarities between the political economies of the US and Britain than this study has implied, particularly in the post-2008 period. Since the 2008 crisis, analyses have identified a trajectory of prolonged economic stagnation in the UK unmatched by other Western capitalist countries outside of Italy or other peripheral EU countries (Resolution Foundation, 2022). Notwithstanding the historically anemic economic recovery in the US following 2008 and the trajectory of 'Americanized austerity' that followed, and despite all its comparative inequalities, US capitalism has nonetheless likely demonstrated more dynamism than in the UK. This potential divergence between the developmental models of the US and Britain, and its many social and political implications, requires more in-depth examination. One strand of literature that has sought to examine and explain this trajectory is comparative political economy scholarship on growth models (Baccaro and Pontusson, 2016; Blyth, Pontusson, and Baccaro, 2022). For reasons already elaborated in the theory and methodology section of this dissertation on the ontological limitations of institutionalism, this literature has been neglected as a potential source to explain the developmental trajectories of the US and Britain. As a result, possible divergences in the developmental models and growth patterns between the US and Britain in the post-2008 period have possibly been overlooked.

Future areas of research to build on and extend the findings of this research could proceed in two directions. First, greater attention could be given to examining the political and social forces that have emerged in the 2008-2020 conjuncture seeking to contest the prevailing consensus surrounding the depoliticization of macroeconomic policymaking. How have the political forces on the social democratic left and authoritarian populist right across the US and Britain challenged or sought to repoliticize technocratic control over macroeconomic policymaking? How have centrist ‘anti-populist’ political forces and technocratic institutions such as central banks responded to such pressures or sought to restore their legitimacy? How have these socio-political conflicts been magnified or altered by the macroeconomic emergency measures associated with the ongoing COVID-19 crisis, or the interlacing crises of inflation, stagnation, and monetary tightening that have reshaped global politics from 2022-2023? Second, the methodological focus of these questions could be expanded beyond the confines of the Anglo-American political economies. How have the trajectories of EU countries, with more wide-ranging supranational technocratic institutions and more trenchant experiences of austerity throughout the 2010s, compared to or differed from the Anglo-American countries? What are the fault-lines of socio-political conflict for and against depoliticization in these countries? Are there discernable patterns of convergence or divergence? These questions could form the basis of a new research project that could both build on, but also develop in novel directions, the findings of this dissertation.

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