Assessing Prime Ministerial Performance:
Structural Contexts, Statecraft and the Case of Gordon Brown

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Abstract

How should we assess Prime Ministerial performance? As many scholars note, it is important to take into account the structural context that politicians govern within when appraising their record in office. However, many existing approaches used to assess Prime Ministers have not integrated a notion of structure into their research in an explicit or detailed way. This paper tries to respond to this gap by first discussing a range of issues involved in undertaking such an exercise. It highlights not only the significance of incorporating structure, but structural change into leadership studies. The paper goes on to develop a theoretical account of structural change utilising philosophical or critical realism, before applying it to the case of Gordon Brown’s tenure during the global financial crisis. The paper argues that this crisis posed a particularly difficult and challenging set of circumstances for Brown and his response to them should be given more credit than it has so far received. The tragedy of his premiership is that he undid a lot of this good work through unnecessarily poor party management and the deployment of a discourse leading up to the election which lacked credibility.

Introduction

A new wave of scholarship in leadership studies has sought to establish common frameworks and methodologies for evaluating prime ministers (Buller & James, 2012; Theakston, 2011, 2013; Theakston & Gill, 2011). The art of assessing of political leaders has been dismissed as ‘underdeveloped’ and akin to a ‘parlor game’ with little intellectual merit (Strangio, t’Hart, & Walter, 2013). However, democratic theory argues that elections are the main recruitment tool for citizens in selecting their leaders so it is important that scholarly endeavour considers how successful leaders are at meeting their objectives. Moreover, we should also be sensitive to the possibility that the objectives of office-seeking leaders do not always coincide with the interests of their citizens. Understanding how leaders win and maintain power and the relative difficulty with which they do so is important for understanding Dahl’s (1961) question of Who Governs?
This paper builds on our earlier evaluation of the Blair premiership by attempting to integrate a notion of structural context into an evaluation of the performance of Gordon Brown, Blair’s successor. Attempting such a task poses a number of questions. Can we make statements concerning whether some structural contexts are ‘easier’ or more ‘difficult’ to operate in? Doing so implies that structures have an ‘objective’ quality allowing them to be compared. Yet as we know, leaders will discursively construct their external environment, trying to shape our understanding of its ‘ease’ or ‘difficulty’. At the same time, structural contexts will not be static: they will change and become easier or more difficult for political leaders over time. However, comprehending structural change is one of the most formidable problems facing social scientists: especially when we remember that politicians will also attempt to construct our perceptions of ‘change’.

The discussion in this paper proceeds in the following way. The first part reviews a range of approaches that have been used to assess British leaders to date and reflects further on why it might be that this literature has failed so far to integrate a notion of structural context directly into its work. The next section of the paper provides an account of structural change, using the theory of philosophical or critical realism. The paper then applies this account of structural change to the global financial crisis and asserts that, understood through this theoretical framework, these events posed a particularly difficult challenge to the Brown leadership. The paper concludes with an assessment of how Brown and his colleagues dealt with this demanding structural terrain.

1. Existing Approaches to Assessing Prime Ministers
Four approaches are commonly used to assess Prime Ministers. All of these approaches provide enriching insights into the successes and failures of a given leader. Most approaches, however, have issues with the classic structure and agency problem. The importance of understanding structure and context
alongside the study of agents has been well established by a rich political science literature (see below) (McAnulla, 2002). However, many approaches do not provide explicit conceptualisation of the structural context. This makes it unclear whether or how it has been taken into consideration in the evaluation of each leader.

One practice has been to utilise the work of Fred I. Greenstein on the American Presidency. Greenstein (2000) established six core characteristics against which presidents ought to be evaluated. These were their proficiency as public communicator, their organisational capacity, their political skill, their public policy vision, cognitive style and emotional intelligence. Theakston (2011) has suggested that the approach can be used to assess British Prime Ministers, although Greenstein himself has expressed some scepticism about such a claim. Regardless, Greenstein’s stress on the importance of personality - evaluating leaders in terms of the presence or absence of the skills for highest office – provides no clear role for the structural context in which leaders govern. Greenstein did subsequently reflect upon the importance of structural context in some unpublished working papers and personal correspondence (Theakston, 2011: 81-82). However, he is yet to elaborate on this and provide any conceptual practical-analytical vocabulary to incorporate structure explicitly into the model and discussion. This is problematic because we do not when, why or how structure might be important. It also attributes ‘success’ and ‘failure’ purely to the agency of individual characteristics. It perhaps also underestimates how context can shape personality. It was said of Gordon Brown, for example, that the breakdown in the relationship between himself and Tony Blair made Brown more suspicious, plotting and short-tempered and this undermined his effectiveness as prime minister (Richards, 2010; Seldon & Lodge, 2010).
A second approach has been to use expert surveys. This approach was first popularised in the US by the seminal work of Arthur Schlesinger Sr. (1948). However, interest in rankings systems has spread to Australia (Strangio, 2013), Britain (Theakston, 2013; Theakston & Gill, 2006; Theakston & Gill, 2011), Canada (Azzi & Hillmer, 2013; Granatstein & Hillmer, 1999; MacDonald, 2003) and New Zealand (Johansson & Levine, 2013). The approach involves the selection of key experts usually historians and political scientists with expertise in the politics of a particular country. Their views are surveyed, aggregated and overall judgments then derived. For example, Theakston and Gill (2006) asked respondents to score how successful prime ministers were along a scale of 0 to 10. The mean score was then calculated to produce a league table of prime ministerial performance. No assessment criteria were provided to respondents to deliberately allow them to make up their own mind (p.197).

Issues with structure and agency remain here too. A weakness of the approach is that experts may assess leaders in different ways. Some may incorporate structural context into the analysis, some may not. Some of those that do incorporate assessment into the judgement may give a higher weighting to economic conditions, for example, than party unity, or vice versa. In the approach’s defence, US based studies have suggested that survey experts do take context into consideration when making their judgement. Nichols (2012) identified the factors that influenced expert evaluations of US Presidents in three polls. His regression analysis suggested that respondents reward and punish presidents depending on whether they take advantage of the challenges and opportunities presented to them.¹

¹ The use of multi-level quantitative modelling may offer some promise in factoring context into the assessment of political leaders using measured variables. This approach has the lure of scientific objectivity, but realist accounts towards political science often treat quantitative approaches sceptically, or at least, without the superiority that positivist accounts afford them. See: Sayer (2010: 175-203) and Leca and Naccache (2006: 636-638).
A third approach is that of the historian. Typically, this involves a ‘balance sheet’ approach in which leaders’ achievements are weighed up against their failures. Factors to be considered on the balance sheet might include the trajectory of the economy under their rule, the management of the party or foreign affairs. The method of the historian very often does incorporate structural context into the assessment. For example, Anthony Seldon writes describes his approach to the study of Prime Ministers as being:

‘of contemporary history, in traditions championed by the Institute of Contemporary British History (now the Centre for Contemporary British History), which Peter Hennessy and I founded in 1986... The distinctive aim of this approach is to write about the recent past using the tools and rigour of the historian, and to do so in an impartial and contextualised way.’

Seldon’s evaluation of John Major therefore noted that a divided party and struggled economy comprised circumstances that ‘were profoundly adverse’ (Seldon & Lodge, 2010). He concluded that ‘if circumstances had been different, Major might have been a Baldwin, presiding over a new deal between Party and mass electorate’ (Seldon, 1997: 744). Meanwhile Peter Hennessy (2000: 542-543) did identify some common structural factors that might affect leadership success.2

However, for the most part, historians have not systematically identified the common factors that make prime ministerial performance easy or difficult with use of theory. When such factors are identified and discussed they are not done so with connection to the broader political science literature which might further inform the analysis, such as that on political economy, party politics or depoliticisation. The use of political science has the advantage is that it can develop generalisations through structured comparisons or the process tracing

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2 The condition of the economy and society, the parliamentary arithmetic, the internal condition of premiers party and disposition of the media to the premier, his/her government, his/her party.
of mechanisms from in-case analysis (Goertz & Mahoney, 2012). Without trying to establish to such generalisations by seeking the underlying causal mechanisms we are ‘back to square one’ after each case and our knowledge of the challenges that political leaders face is not advanced. There is also the risk that each historian will factor in different contexts, in different ways, with different weightings without reference to political science.

Finally, the authors have suggested that the statecraft approach, associated with the work of Jim Bulpitt, can also be utilized to assess British political leaders (Buller and James, 2012). Statecraft evaluates leaders first and foremost in terms of how many elections they win, but consideration is also given to how well four supporting functions are carried out. These are: (1) the establishment and conservation of an image of governing competence, particular in relation to issues of most concern to the electorate; (2) successful management of the party, so that a semblance of unity and coherence is maintained; (3) victory in the battle for ‘political argument hegemony’, by convincing the public that the party has the most credible ideas for resolving the problems facing the country, (4) a winning electoral strategy; (5) constitutional management (see James, 2012). We argued that this criteria was important for judging political leaders because winning elections is ultimately what politicians are in business for. In particular, the structure of the British polity, with its first-past-the-post voting system, its adversarial political culture and comparative lack of institutional pluralism, compels British political leaders to gain/retain power on their own (Bulpitt, 1988; see also James, 2014).

Towards the end of his career, Bulpitt developed his thinking by engaging with some of the more abstract issues contained in the literature on this subject. Like many authors, he accepted that structures yielded both constraints and

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3 A realist approach to science is used here. See: Sayer (2010) and Bhaskar (2008). Note our concerns about positivist political science noted below.
opportunities. However, to understand any particular configuration of constraints/opportunities at any one time, British political scientists needed to adopt a temporal perspective (Bulpitt, 1988: 185), leading to some scholars to draw parallels with Historical Institutionalism (James, 2014). But more than this, Bulpitt advanced the proposition that the structural context facing leaders will grind out a ‘natural rate of governability’ (NRG) that will make their life easier or more difficult. In particular, the relative autonomy that leaders will have to pursue their interests is related to, ‘...the degree to which they can choose which aspects of the NRG they will prioritise...’ (Bulpitt, 1996: 1096). The less choice, the more their behaviour will be constrained.

One problem with this discussion is the term NRG raises as many questions as it answers. In particular, it is not at all clear what the NRG actually is, and how it differs from the related concept of ‘structure’. Indeed, why do we need the NRG at all? Bulpitt argues that the concept of structure is too abstract. It is hard to operationalise and, as a result, it is difficult to link it to ‘agency’ in a way that is helpful for empirical research. The NRG is supposed to help in this context: it is a concept that links structure to the behaviour of individuals and groups operating within this context. But why should the NRG be any easier to define? Bulpitt provides no answer to this question and, because of this, the case for this additional variable is not proven.

It should be added that, while Bulpitt always acknowledged the importance of a temporal perspective when it came to studying British politics, he never explicitly tackled the thorny question of how to explain structural change. Yet much of the scholarship on leadership (including statecraft) accepts that the structural context facing politicians will vary over time, and our assessment of those politicians should try to take account of this dynamism. We might hypothesise that it will be easier for a political leader to achieve his or her objectives if s/he is faced with a structural context that is stable and predictable.
Such stability should help leaders to clarify the precise contours of their environment, allowing them to better exploit the rules of the game for his/her advantage. Conversely, a structural context that transforms suddenly and unexpectedly can be expected to be more challenging. With all or most of the familiar ‘markers’ or features of the structural landscape washed away, leadership in such circumstances will be uncertain and prone to mistakes. Mistakes, in turn, may impact adversely on a leaders’ reputation and, ultimately, his or her political position.

It might be worth reflecting for a moment why it is that more progress has not been made injecting a sense of context into leadership studies. To state that some structural environments are easier or more difficult to govern in implies that we can imbue these environments with an objective, material quality that can be meaningfully compared across time and space. Yet, intuitively, much of what we know about the way leaders interact with political institutions, conflicts with this assumption. Politicians may find themselves constrained by the circumstances they operate in, but they will not always ‘accept’ these circumstances, especially if it is not in their interests to do so. They will try to discursively construct the electorate’s understanding of these circumstances in such a way as to make them look good (or better) and their opponents worse. If we accept this statement, it would appear to at least partially undermine the notion of objectivity that would seem necessary to our conception of structural context if we are to use it to assess different leaders. At the very least, leadership studies needs to try and make a distinction between the ‘real’ or material properties of structures and the stories that political leaders want to tell about them. For the purposes of empirical research, this might be a difficult task to undertake.

These observations correspond to what we know more generally about the structure-agency issue in the social sciences. Should researchers give
precedence to actors or structures when it comes to accounting for social and political phenomena? After a keen and protracted debate, academics have ‘settled’ on the position that it should be both. Agents are potentially purposive entities whose ideas and behaviour can reproduce and transform the society in which they live. At the same time, society is made up of institutions that constrain the interactions between actors. To put this point differently, both actors and structures are necessarily interdependent entities, exhibiting a relationship of ‘duality’ (on the structure-agency debate, see Hay, 2002: pp. 89-134; McAnulla, 2002). It follows then that in particular spatial and temporal moments, political leaders and the environment they operate in will also be co-constituted. But such a statement makes the task of judging whether one structural context is more challenging than another even trickier. It begs a preliminary question: to what extent is the leader under investigation actually responsible for the structural context that is also being researched empirically?

Even if we accept that structures have a real and material quality, allowing us to say that some contexts are more challenging than others, can we say much more for the purposes of assessing political leaders? Put a different way, it may be possible to make qualitative judgments asserting that some contexts are more difficult to govern in, but it seems implausible that we might be able to arrive at quantitative evaluations concerning how much more arduous one context is compared with another. For example, were the circumstances facing the Heath government twice as demanding as those facing the Churchill government in the 1950s? Was the environment facing Blair three times as easy as those facing Attlee? Instinctively, these questions seem like the wrong ones to ask. Structural contexts are complex and nuanced: trying to place some kind of numerical value or grade on them maybe so crude and arbitrary as to be unhelpful. But if we cannot rank structural contexts in this way, then decisions about how much to ‘compensate’ leaders governing in difficult contexts would appear to be nigh on impossible. If this is the case, one wonders what the added
intellectual value of the whole exercise might be. We have already noted that bringing a notion of structural context into our assessment of political leaders is not without significant problems. Is it really ‘worth the candle’?

These are difficult questions to answer, but a three-fold response to these objections can be marshalled. It is of course undeniable that the impact of the material is mediated by ideas and narratives (held by agents) about these material properties. Yet, such discourses are only likely to become influential if they clearly resonate with the direct experiences of individuals who are subjected to them. As Hay (1999) has convincingly argued, the ‘Ungovernability’ thesis became a particularly influential interpretation of societal group (especially union) power in 1970s Britain because it simplified and distorted certain trends. Yet this interpretation would have enjoyed much less credibility had there been no strikes and no violence at this time. Put a different way, it may be concept-dependent, but we can conceive of a world that is ‘out there’ and independent of our knowledge.

If this point is accepted (and following the discussion above), we might go on and assert that a structural context will be more or less challenging depending on how commensurate it is with the objectives of the political leaders under study. A structural context that compliments the ideas, preferences and policies of politicians can be said to be more favourable than one that frustrates or undermines them. Bearing in mind our preoccupation with the statecraft approach, in this paper we will define the objectives of political leaders as winning elections through the achievement of a reputation for governing competence. But it is worth noting right from the off that conceptualising leadership objectives in this way is contentious. For many political scientists, leadership is at least partly about the pursuit of beliefs or values, especially those that pervade the broader ideological tradition to which the party is supposed to be attached. It is notable that scholars adopting such a stance have
been critical of Brown’s record as Prime Minister (as well as his time as Chancellor) (see for example Coates, 2008; Shaw, 2012). Statecraft’s assumption that, above all else, political leaders will (and should) prioritise winning elections over the pursuit of particular ideas may result in a more sympathetic interpretation of Brown’s performance, as we shall see.

We might go further and (again, following the discussion above) suggest that a structural context which changes, especially one that alters suddenly, unexpectedly and in a way that adversely impacts on the objectives of the political leader under investigation is more testing. Such an assertion is clearly relevant to the impact of the global financial crisis on Gordon Brown’s leadership, yet is raises further questions. If it is true to say that agents and structures are interdependent or mutually constituted, to what extent can Brown be held responsible for the financial crisis that impacted on British political economy after 2007? As author of the regulatory system which largely failed to spot the unfolding crisis as it hit the UK banking system, should Brown be held culpable for the credit crunch and recession that swept Britain in 2008 and 2009? Should he have at least anticipated these developments, or were the various forces driving them so complicated and intertwined that nobody could realistically be expected to understand the problems as they were unfolding? When it did strike, how well did Brown manage the impact of the crisis on the UK economy? If Brown and his colleagues are to blame for not doing more to foresee and mitigate the effects of the crisis, then our assessment of him should arguably be less generous than if he was largely a victim of circumstance. To answer this question, we need an account of structural change and the role of agency in this process.

Finally, it may be the case that we cannot make quantitative evaluations concerning how much more difficult one structural context is compared with another, but we might be able to construct a crude list of scenarios that can
provide the analyst with some guidance. It might even be possible to rank them in a rough and ready way. What follows is a list of six scenarios, which constitute what might be the beginnings of a spectrum of leadership from ‘worst’ to ‘best’.

**Worst Leader**

1. Leaders faced with a benign structural context who through their actions, change this context in a way that then leads them to fail to fulfil their objectives.

2. Leaders faced with a benign structural context who fail to achieve their objectives.

3. Leaders faced with a difficult structural context who fail to achieve their objectives

4. Leaders faced with a benign structural context who achieve their objectives.

5. Leaders faced with a difficult structural context who manage that context in such a way that they achieve their objectives.

6. Leaders faced with a difficult structural context who are able to reshape that context so that it becomes more benign, allowing them to achieve their objectives.

**Best Leader**

The order of scenarios 3 and 4 is contentious. Why should a leader in a benign structural context who has achieved his/her objectives be placed above a leader who fails to do so, but in difficult circumstances? The rational for this order is that the leader in scenario 4 actually achieved their objectives: to use the sporting analogy, you can only beat what is front of you. But perhaps this decision is unfair and scenarios 3 and 4 should be put on an equal footing.
So far, this paper has considered some of the problems involved in incorporating a sense of structural context into any assessment of political leaders. One question requiring further discussion is that of structural change. The environment facing politicians will not be static. Sudden changes in the circumstances facing leaders may make it considerably more difficult for them to achieve their objectives, although if leaders themselves are partly responsible (through their own behaviour) for this state of affairs, then we might be minded to be less sympathetic in our assessment of them. The next section of this paper turns its attention to the question of structural change. It argues that philosophical realism is best placed to help with this task.

**Philosophical Realism and Structural Change**

As we have seen, many social scientists have settled on the ontological assumption that agents and structures are mutually constituted in a dialectical relationship that unfolds across time and space. Agents (including political leaders) are reflexive, purposive beings, whose actions can reproduce and, on occasion, transform the society in which they live. However, society is also made up of structures that can constrain the interaction between individuals and groups. Arguably, one of the defining features of realism as a philosophical position is its concern with developing some methodological guidelines for helping us to research this apparent seamless flux. To cut a long story short, realism’s answer to this question is to *analyse* structures and agents *as if* they were separate, even though they are not. In this context, structure (which is activity-dependent in the past tense) is assumed to pre-date action, although as suggested, agents can then shape and alter this structural terrain. Any structural reform or elaboration will then post-date such strategic action. Just to re-state, realists accept that ontologically, structure and agency are at work...
together continuously, but this analytical ploy allows us to break into this ‘flow’ at various points and study it, depending on the problem at hand.

It follows then that, using realism to understand change requires us first to elucidate this approach’s conception of structure. Realism defines structure as social relations that constitute the world. Social relations refer to: ‘...sets of internally related objects or practices’ (Sayer, 1992: 92). These internal or ‘necessary’ relations specify a situation where one object or practice would not take the form that it did unless another was related to it in the way that it was. For example, a tenant is not a tenant without a landlord. Internal or necessary relations should be distinguished from external or contingent ones. The latter describes a set of circumstances where one object/practice can exist without the other, although if they become related, that combination may have significant social effects. For instance, human beings interact with the environment and that behaviour may damage the eco-structure, but such a relationship does not have to take place (Wight, 2006: 169-70; Joseph and Wight, 2010). Within structures (social relations) there will also be particular positions, associated with certain roles occupied by human beings (agents). It is important to distinguish the occupant of a position from the position itself. Human beings inhabiting these social roles may often change, while the roles themselves may persist over long periods of time.

It is when realism combines this definition of structure with the associated concepts of ‘stratification’ and ‘emergent properties’ that we can begin to appreciate how it might explicate the dynamic and unpredictable context facing political leaders like Gordon Brown. For realists, the world is contoured or stratified. The interaction of various groups rests on a social and political landscape that is made up of a number of strata or ‘layers’. These layers (which will contain multiple, interacting structures) are the product of previous strategic battles between groups, all competing to further their interests within
the structural environment that surrounded them. At any one time, agents (including political leaders) will be in contact with one or more of these layers, just as the layers will implicate each other. However, such stratification can lay the foundation for change in that contingent combinations of structures (of various ages and different ‘biases’) across layers may produce novel effects leading to tensions and contradictions and pressure for reform (Sayer, 1992, 118-21).

Realism encapsulates this idea of previously unrelated structures coalescing to yield novel effects through the concept of emergent properties. Such properties ‘emerge’ from the internal relations that comprise structures but cannot be explained simply with reference to their origins or component parts. In other words, emergent properties come into existence through social combination. Once created, they can generate change in conjunction with other external or contingent relations, including agents. For example, the power of water cannot be explained by its core constituents (hydrogen and oxygen) because both, on their own, are highly flammable. However, their combination yields different properties (water), which can then be used by fireman (agency) to save lives. Of course, when it comes to examining a particular event or process, there will be numerous structures, combining across strata in a pattern that will be complex and difficult to interpret. Since, as social scientists, we can rarely isolate structures for the purpose of causal explanation, we always need to be careful not to attribute influence to the wrong ones (Sayer, 1992, 118-21; Archer, 1982; 1995).

For realists then, causality and change is not a relationship between discrete things or events (i.e. cause and effect) as positivists’ have asserted. Nor is causality and change related to the amount of times such a relationship is observed to have occurred. Instead, causality and change is about the powers that objects (structures) possess. These powers may not be directly observable.
They will also exist independent of any particular pattern of events. They will be activated in a process that may lead to change when a combination of objects come together with agents. This combination may be complex and take place only once – a unique moment, never to be repeated. Understanding such change will not be achieved by stripping down this process and reducing it to its component parts. It is something about the way these parts combine as a whole that generates the precise trajectory of change that takes place.

When it comes to accounting for change, realism is preferred here to structuration theory (associated with the work of Anthony Giddens) because the latter is often thought to have a too ‘thin’ conception of structure. This position requires some justification. Giddens defines structures as rules and resources, not as social relations. Rules can be codified or unwritten, material or ideational. Resources also comprise different forms. They are ‘allocative’, allowing agents to get things done (e.g. land or raw materials) or ‘authoritative’, helping individuals to command or ‘power’. Most significantly for Giddens, structures (defined as rules and resources) only exist in time and space when they are implicated in the production and reproduction of social systems. Put a different way, structures only exert power when they enter into the consciousness of individuals: they are internally related to activity, but have no existence beyond the situations in which people are acting. In developing this definition, is often noted that Giddens was keen to move beyond a concept of structure that viewed it as an objective set of relations external to actors (Layder, 2006, 155-88). It follows then that agents are not dupes of the social system, or mere ‘bearers’ of its demands or requirements. They are active and reflexive beings with a capacity to make a difference in the world.

For our purposes, structuration theory offers a too voluntaristic account of social and political practice. The structures that constrain (and enable) action do not just appear and disappear as and when they are instantiated by
individuals. They will exist relatively autonomously from agency, often endure for long periods of time and be ‘path dependent’ (see for example, Urry, 1982; Thrift, 1985; Pierson, 1996). In other words, they will be biased towards certain sorts of behaviour and away from others. With the best will in the world, actors working within such structures may misunderstand their bias or logic (which may very well be non-observable), leading to significant gaps between aims and objectives and actual implementation on the ground. It is this sense that structures ‘can get away’ from agents that may prove partly helpful in capturing the dynamic and fluid nature of global space in the contemporary world.

In short, philosophical realism comprehends the world as stratified or layered with multiple, sometimes contradictory structures. But to make this point is not to suggest that there is (or can be) no pattern to the world. At times, agents may find themselves in strategically selective environments that favour certain positions or preferences (Jessop, 2001: 1223). As agents (including politicians, investment bankers, ordinary savers) appropriate institutions for the purpose of strategic action, they may activate emergent properties embedded within these social relations, which in turn combine with other structures and agents in novel ways to generate outcomes that are unanticipated and difficult to control. Eventually of course, these actors and structures will co-evolve over time and space to produce new strategically selective terrains. These may be biased towards different interests and groups.

Philosophical Realism and the Global Financial Crisis: Making Sense of the Structural Dynamics Facing the Brown Leadership.

How then might realism help us to make sense of the changing structural context facing the Brown leadership after 2007? What was the precise nature of
this structure, including the internal (necessary) relations that comprised it? Perhaps the first point to note in this context was the Brown leadership was faced with a *capitalist* economy. Capitalist economies are by their very nature based on the profit motive and, as such, are constantly on the lookout for new ways to make money. At the same time, such economies can be prone to stagnation in that, they usually generate more wealth (savings) than they are able to invest. This problem of stagnation was certainly perceived to be the case in the late 1960s and 1970s, when the international economy experienced a decline in productivity rates which, in part, was related to a downturn in capital investment. Falling productivity had an adverse impact on output, growth and employment. For some writers, the 1970s represented a crisis for capitalism and its existing mode of accumulation.

As a result, the structure of capitalism (and the internal relations that comprised it) altered from the 1970s onwards. Some writers have labelled this changed the ‘financialisation’ of capitalism. To solve the accumulation problems noted above, the financial sector stepped in to develop a whole range of products (objects) allowing capitalists increasingly to make money from money. The financial system resembled a giant casino, where speculators played for bigger and bigger ‘stakes’ in an ever riskier set of ‘games’ or activities. For example, there was the derivatives market, financial products whose value derived from some other asset (e.g. a bet that the price of a particular stock would be greater than a certain value (say £10) at a certain time. There was the increasingly popular practice of short-selling, where an investor would sell borrowed stock then buy it back at a certain time in the future, hopefully for a lower price (thus generating a profit). At the same time, the futures market (which had long been a feature of the capitalist economy) grew ever wider and deeper. One noteworthy feature of these products was that they allowed banks to hide significant amounts of losses on bad lending by moving
Mortgage backed securities (MBS) are a financial product (object) that is central to our understanding of the global financial crisis and the structural change facing the Brown leadership, so it is worth spending a little bit more time describing their role. MBS were viewed at this time as a method of spreading the risk that large numbers of sub-prime mortgages being sold in the US would default. As has been widely documented, in the first half of the ‘noughties’, American banks pumped out large numbers of loans, often aimed at families with a poor credit history. The official justification for this practice was that it would spread the benefits of home ownership to those on lower incomes, especially as property prices had been rising annually since the second half of the 1990s. But of course, these mortgage products also helped to accumulate a lot of capital for banks and other financial institutions. Individuals were initially tempted into these loans by the offer of ‘teaser’ rates that were hiked up significantly after a period of time. Those that were worried about the extra interest they would have to pay were reassured that the value of their homes would go up even faster. At this time, banks were usually generous in allowing families to re-mortgage, as that meant extra fee income (Cable, 2009: 30; Bellamy Foster and Magdoff, 2009: 27-38).

How were MBS thought to be a helpful way of managing the risks of default on these sub-prime loans? MBS involved slicing and dicing up this debt into smaller chunks and packaging it together. By bundling together mortgages from diverse geographical regions, it was thought very unlikely that all of them would experience the same problems at the same time. These mortgages were then combined further with top quality debt (securities) as a way of making them more attractive to investors. This broader principle of ‘securitisation’ can be viewed as an emergent property, and we will return to its role in generating
the global financial crisis (and recession in the UK) below. Suffice it to say that, by 2007, these MBS accounted for one third of the US$27 trillion bond market. By the end of 2007, US$1.3 trillion was defined as ‘sub-prime’ (Cable, 2009: 30).

Financial speculation (and the practice of securitisation) was of course global, and it is important to recognise the transnational nature of this structure and its particular relationship to the UK financial system. At this time, a number of British (and continental European) banks also attempted to boost their profits by adopting the same sort of strategy that could be witnessed across the Atlantic. One notable example in this context was Northern Rock, who aggressively expanded into the UK mortgage market by offering loans of up to five or six times the size of an annual salary. To fund this activity, Northern Rock relied more and more on finance from the international wholesale markets. By 2007, 75 per cent of Northern Rock’s funds (and 40 per cent of all new mortgages in the UK) were bankrolled in this way (Cable, 2009: 10-12). When these international wholesale markets seized up (as they did in 2007) Northern Rock and other British banks found that they had massively over-extended themselves.

This practice (social relation) of financial speculation was necessarily related to another transnational practice (social relation) associated with this accumulation strategy – debt acquisition. At this time, banks took on unprecedented amounts of debt for the purpose of speculation which, in turn, fed and exacerbated these debt levels. On the surface, it looked like MBS and other financial products had created a wider pool of capital that could be tapped for new investment purposes. In reality, a relatively small amount of debt was leveraged with larger and larger amounts of debt, much of which was not visible on the balance sheets of these financial institutions. For example, in the US at the start of the 1970s, the value of outstanding debt was one and a half times that of the national output; by 2005, the figure was three and a half
times. The proportion of debt taken on by US financial institutions relative to total debt increased from 10% to nearly a third during the same period (Bellamy Foster and Magdoff, 2009: 45-48).

This transnational economic structure was supported by certain external or contingent relations, which sustained this mode of capitalist accumulation. Most noteworthy in this context was the rise of the so-called BRIC (Brazil; Russia; India; and China) countries at this time. The rapid growth of these emerging economies, especially in the area of manufactured goods pushed down the cost of these products in world markets. As these cheap imports increasingly flowed into the west, they helped those western countries maintain low and stable inflation in the second half of the 1990s and the first half of the ‘noughties’. This trend, in turn, allowed interest rates to be kept low, and this monetary policy underpinned the rapid expansion of credit (and debt0 noted above (Cable, 2009: 88-93).

But these trends (external relations) helped to support this capitalist accumulation strategy (based on speculation and debt) in another way as well. As these emerging economies became wealthier and generated more and more savings for investment, they became a significant source of capital inflow into western financial systems. In 2008, the US’s current account deficit (the mirror image of the net inflow of foreign capital into its economy) was estimated to be $700 billion; in the UK the equivalent figure was approximately $100 billion (Cable, 2009: 94). These capital inflows helped to support the consumption led growth that became such a distinctive feature of these Anglo-American economies at this time. By investing in government securities and other financial products, these BRIC countries helped to sustain the easy credit facilities that were available. Banks could continue to finance riskier mortgages because they access to these funds via the international wholesale money markets (see also Davies, 2010).
However, by the mid-2000s another contingent event impacted on this structure, generating a range of outcomes that were sudden and unexpected. From 2003 to early 2006, the US Federal Reserve raised interest rates from one per cent to 5.25 per cent. Large numbers of borrowers with sub-prime mortgages could no longer afford their monthly payments and defaulted.\(^4\) House prices in the US plummeted by 25 per cent on average from their peak in the summer of 2006 to the autumn of 2008 (Stiglitz, 2010: 87). That said, it is important to note (as Vince Cable does) that this increased mortgage default should not on its own have produced such a profound impact on the financial markets. The sums of money involved in the sub-prime losses did not justify the collapse in confidence that followed. Cable assumes for the sake of argument that approximately one third of the total US sub-prime debt eventually had to be written-off. This figure equates to $400 billion, only 3 per cent of the total mortgage debt. The question remains: how exactly can we explain the credit crunch as it developed from 2007 onwards?

This contingent event (rise in interest rates) combined with an emergent property (securitisation) in the particular set of social relations (capitalist economic structure) noted above to set off this global financial crisis. As we have seen, securitisation was supposed to diffuse the risk that mortgage default would threaten the financial system as a whole. However, precisely the opposite happened: by splitting up this low quality debt and dispersing it so widely, it became increasingly difficult to trace. In particular, securitisation broke the link between borrower and lender, a key component of traditional banking before the 1960s. Because mortgages were no longer funded by deposits that banks received, there was less incentive for those bankers to

\(^4\) Another contingent event that exacerbated this trend was a significant take up of variable rate mortgages by the American public at this time. The chairman of the Fed, Alan Greenspan, had actually encouraged this process, arguing that it was a good way for individual families to save money (Stiglitz, 2010: 87).
worry about default. Thorough credit assessments were skimped on, and typically purchasers of MBS knew much less than those who had created these packages of debt. By 2007, nobody knew who really owned the sub-prime mortgages and as a result, banks became increasingly nervous concerning the quality of their loan books (Stiglitz, 2010: 90-91). As mortgage default grew apace in the US, panic spread out of all proportion to the actual losses that were being incurred.

As has been widely documented, this panic led to the drying up of funding from the wholesale markets, as banks gradually stopped borrowing from each other. In February 2007, specialist US sub-prime lenders reported losses on the back of mortgage defaults and New Century (the second largest) filed for bankruptcy. In May 2007, UBS was forced to take over its in-house hedge fund after it ran up heavy losses. In the UK, September 2007 saw the collapse of Northern Rock, which was eventually taken into public ownership in February 2008. The following month, the US government rescued Bear Stearns, before selling it on to JP Morgan Chase at a knock down price. In September 2008, the Bush Administration decided to let Lehman brothers go bankrupt, a decision that sent shock waves through the financial system. Bradford and Bingley collapsed shortly afterwards and had to be part nationalised, while Halifax-Bank of Scotland was absorbed by Lloyds to ensure it escaped the same fate. In October 2008, the Brown government introduced (among other measures) a plan to recapitalise the British banking system, which both Lloyds-HBOS and the Royal Bank of Scotland tapped into directly.

What initial conclusions might we draw from this account of the rapidly changing structural context facing the leadership of Gordon Brown? It is true, as some commentators have argued that this crisis contained a number of familiar features (financial speculation; property bubbles; lack of regulation). In this sense, it is important not to exaggerate the novelty of this environment.
That said, one property that arguably made it different and more challenging was the central role of securitisation. Securitisation added to the complexity of these structural conditions by binding together a multitude of transnational social relations, processes and agents in an ever tighter way. Securitisation also fostered the opacity of this structure: MBS were consciously designed to lack transparency, partly to circumvent the scrutiny of regulators (not to mention politicians). It should be added that when this crisis kicked in, it was very fast moving. There were periods where the Brown leadership had very little time to react to this dynamic terrain.

How might this description of the structural context facing the Labour government fit into our assessment of Brown? As noted above, one route into answering this question is to consider how commensurate this context is with the objectives of the Brown leadership. Following on from our previous association with the statecraft approach, we defined these objectives as winning of elections through the successful promotion of an image of governing competence, especially in relation to those issues that are particularly salient with the public (Bulpitt, 1986; Clarke, Sanders, Stewart, & Whiteley, 2009). Historically, ‘New Labour’ (under Brown’s stewardship at the Treasury) adopted a twin-track strategy in pursuit of these goals. First, they ‘depoliticised’ the conduct of monetary policy by separating the formulation of decisions from their implementation, and then hiving-off the latter to an independent Bank of England. Second, they presided over sustained investment in public services (especially in health and education) albeit constrained by a Code of Fiscal Stability containing rules relating to levels of government borrowing and debt. Brown’s constant refrain contrasting this ‘investment versus Tory cuts’ (underpinned of course by this broader image of financial stability) has been widely credited as one of the key factors behind Labour’s election victories in 2001 and 2005 (Butler and Kavanagh, 2001: 74-75, 240-41; Butler and Kavanagh, 2005: 57-58, 75, 182; Whiteley et. al. 2005).
Viewed from this statecraft perspective, the changing structural context sketched out above can be viewed as relatively demanding in that it pretty much undermined this strategy for achieving governing competence. The economic recession from 2008 onwards destroyed the Code for Fiscal Stability, as public spending and debt ballooned at this time (Giles, 2008; Kalesky, 2008; Lambert, 2009). Monetary policy also came in for censure. The Bank of England was criticised for being too focused on controlling inflation and ignoring the evolving threats to the banks (Giles 2008; Strauss, 2008; Mackintosh 2008; Wolf, 2009). These conditions generated significant and well publicised tensions between Brown and Mervyn King, especially over the need for public spending cuts. Some figures (and not just those in Number Ten) viewed these developments as coming close to the ‘politicisation’ of economic policy, especially as King was articulating a policy similar to that being developed by the Conservatives. Most obviously perhaps, this structural context could have precipitated a collapse of the UK financial system, demolishing not only Brown’s economic credibility, but the Labour Party’s reputation for governing competence for at least a generation.

If it seems reasonable to argue that the structural context facing the Labour government (2007-10) was a difficult one, how well did the Brown leadership cope? Clearly its statecraft objectives as described above were not achieved. Labour lost the 2010 general election and Brown led them to their worst result since 1983. However, the argument as outlined in the final section of this paper is more nuanced than this. Brown and his colleagues should have done more to anticipate the global financial crisis, but Britain was hardly alone in its dilatory response. Instead, it is asserted that Brown’s handling of events, especially from the autumn of 2008 to the spring of 2009 was both bold and original, and kept Labour within touching distance of the Tories in the polls. The tragedy of Brown’s leadership was his inability to build on this position in
the last twelve months of his premiership. In particular, his insistence on
continuing to run his old ‘investment versus cuts’ narrative in this changed
structural context was viewed by many as incredible and damaged his image
of competence.

4. Gordon Brown’s Leadership During the Global Financial Crisis: An
Assessment.

It is now accepted, even by Brown himself that his government should have
done more to anticipate the structural dynamics leading up to the global
financial crisis. The problem was not just with the UK’s celebrated ‘light touch’
regulatory regime and the ‘tick-box’ culture of financial supervision it
couraged. The tripartite division of labour between the Treasury, Bank of
England and Financial Services Authority (FSA) meant crucially that a macro-
prudential perspective was neglected. The FSA tended to focus on the financial
health of individual institutions, as opposed to monitoring the system as a
whole. Having had its responsibility for financial services regulation removed
in 1997, Threadneedle Street (as we have seen) gave primacy to its new
monetary policy remit. Meanwhile, at the Treasury these regulatory duties
were viewed as a departmental ‘backwater’. In its report on the Northern Rock
episode, the National Audit Office noted that Treasury officials had actually
undertaken a range of exercises before the financial crisis, modelling how the
UK authorities would deal with an insolvent institution posing a systemic risk.
Although these exercises identified a lack of adequate legislation, this absence
of policy capacity was not rectified (National Audit Office, 2009: 9; Cm.7874,
2010).

While this evidence suggests that Brown as at least partly responsible for the
impact of the credit crunch on British politics, it is important our assessment
does not get too carried away with the power of hindsight. No regulatory
system in the west foresaw the extent of this crisis, or was able to insulate its
domestic economy from the adverse impact. The opposition Conservative
Party was just as surprised as its Labour counterpart. Indeed, its policy at the
time was how to share the proceeds of growth between tax cuts and public
expenditure, a stance that had to be quickly revised (Ganesh, 2012: 156; see also
Gamble 2009). Even Vince Cable could be seen in 2006 giving an address to a
lunch of the Association of Foreign Banks praising the achievements of the City
of London and warning of, ‘…the dangers of “the current clamour for
regulation of financial products”’ (cited in Darling, 2011: 9). After the Northern
Rock crisis was resolved, organisations such as the OECD and the IMF were
still cheerfully predicting the British economy would continue to grow (Ibid:
71; Peston, 2012: 12; but see also Eaglesham, 2008).

It is worth noting in passing that Brown was also criticised for dithering over
the decision to nationalise Northern Rock. Seldon and Lodge, (2010: 88) have
asserted that the Treasury had come to the conclusion that public ownership
was inevitable as far back as October 2007, four months before such ownership
was undertaken. Credit agencies were said to have made it known to Treasury
officials that they would actually prefer nationalisation to the various private
sector options that were being considered at this time (National Audit Office,
2009: 29). However, if Brown’s leadership is viewed from a statecraft
perspective, this procrastination is perhaps more understandable. Insiders
have confirmed that both Brown and Darling were extremely worried that
public ownership would signal that the government was abandoning ‘New
Labour’ and that this action would cost them votes (Seldon and Lodge, 2010:
89). Moreover, from a governing perspective:

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5 Ed Balls was also said to be concerned at the amount of time it was taking to negotiate a private
sector solution and the damaging impact this delay was having on the credibility of the government. He
urged Brown to act more quickly.
public ownership would mean that we, the owners of the bank, would be held responsible for everything it did. A decision to refuse a loan could all too easily become a ministerial decision (Darling, 2011: 65; see also 53-54).

As noted above, Brown’s economic policy up until this point had been defined by his desire to be seen to be taking the politics out of decision-making, so such a U-turn was bound to be a wrench.

In short, while the financial crisis may have initially been ‘fumbled’ by the government, public ownership of Northern Rock, as well as Darling’s earlier decision to guarantee all deposits held with that institution, seemed to resolve the problem almost as soon as it had sprung up (Seldon and Lodge, 2010: 33). It is in the spring of 2008 that Darling states he first begins to feel in control of events. The controversial decision to nationalise Northern Rock was well received by the markets and MPs (Darling, 2011: 67). It is true that the domestic political position deteriorate over the summer. Labour did badly in the May local elections and lost two safe parliamentary seats in by-elections. By August 2008 the Labour party trailed the Conservatives by as much as 15 points, having led them by as much as 25 points less than a year earlier on the question of who was the most trusted on the economy. Yet these declining figures may have had as much to do with the 10p tax debacle, although of course, Brown was directly culpable for this cock-up (see also Stephens, 2008).

If Brown should have been quicker to anticipate the events leading up to the ‘run’ on Northern Rock, it seems unfair to blame him for not anticipating the second, much bigger financial crisis that engulfed British politics in the autumn of 2008. The Treasury had in fact been tracking the deteriorating financial position of both HBOS and Bradford and Bingley throughout the summer. The former had got itself into trouble, partly through a number of ill-judged

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6 Crewe and Nantwich and Glasgow East (King 2008).
commercial loans that were now turning bad, while the latter had over-
extended itself in the buy-to-let market (Darling, 2011: 115). But the crisis itself
was triggered by an external shock that the Brown government could do little
about – the US government’s wholly unexpected decision to allow Lehman
brothers to collapse. HBOS and RBS, who were both heavily dependent on US
funds, saw their share prices plummet as a direct result of this unanticipated
action.7 On ‘meltdown Monday’ (6th October) the FTSE 100 experienced its
biggest one-day points fall on record: £100 billion was wiped off the share value
of some the UK’s biggest financial institutions (Seldon and Lodge, 2010: 141-44).

Yet in the face of this extremely difficult structural context, Brown was actually
able to use this crisis to rebuild his image of governing competence by first
developing a bank recapitalisation plan that eventually became a template
followed by a number of other countries.8 Three factors appear to have
contributed to this leadership role. First, it was Brown before most other senior
politicians at this time who grasped the financial problems facing banks were
as much about their capital shortfalls, as their lack of liquidity.9 Second, the
bank recapitalisation plan that the UK authorities eventually produced
provided a convincing solution to the question of how banks might be
persuaded to accept the need for more capital when they were unwilling to
accept in public (and in some cases in private) that they were sitting on

7 Bradford and Bingley’s shares had also fallen dramatically, but this decline had taken place steadily
over a twelve month period.
8 The main features of this bank recapitalisation plan were a recapitalisation fund of £50 billion, of
which £37 billion was drawn by RBS, Lloyds-TSB and HBOS and a Credit Guarantee Scheme, where
in return for a fee, banks were given guaranteed sources of funding to encourage them to start lending
to one another, and to the wider economy. This plan was followed up with an Asset Protection Scheme
(February 2009) where, in return for a fee, the Treasury would insure financial institutions against
losses incurred by holding ‘toxic’ assets. The bank of England began its Quantitative Easing
programme in March 2009, whereby it purchased high quality assets (especially guilts) from banks to
help improve liquidity (Thain, 2009: 443).
9 In coming to this conclusion, Brown was helped (and listened to) Jonathan Portes, Shriti Vadera,
Jeremy Heywood and Jon Cunliffe. This group encouraged him to research and think about the
contrasting experiences of the Japanese and Swedish banking systems in the 1990s. Brown also read
Ben Bernake’s essays on the Great Depression of the 1930s and this historical parallel remained
prominent in his mind at this time (Brown, 2010: 37; Seldon and Lodge, 2010: 145)
significant losses and bad debts. The answer to this conundrum was to make access to government liquidity (which banks accepted they did need) contingent on banks raising capital to prescribed levels (Seldon and Lodge, 2010: 164-65). Finally Brown was at pains to keep EU and US politicians informed of his proposals. Although Brown never convinced his counterparts of the merits of this bank recapitalisation plan before it was introduced in the UK, this consultation ensured these leaders were more predisposed to copy it when they came round to the idea that further action was needed (Brown, 2010: 43-65). It was certainly the case that the financial situation in the UK only began to stabilise after other countries followed Brown’s lead (Thal Larsen and Parker, 2008; Benoit, Guha and Thal Larsen, 2008; see also Wood, 2009).

When the global economy refused to pick up by the end of 2008, Brown followed up this action with a global leadership bid through the G20 summit in April 2009. Everybody concerned (whether supportive or critical) acknowledged that brown worked tirelessly to ensure a favourable outcome for this conference. As one minister put it: ‘This was the time when we had the feeling that nothing else was being done except the G20: it was sucking resource out of every part of government’ (Seldon and Lodge, 2010: 226). Brown could point to some undoubted successes. The IMF was given greater reserves to lend to struggling economies through the creation of $250 billion special drawing rights. This initiative was accompanied by new guarantees from governments on trade credits. But there were failures too, most notably Brown’s inability to get the G20 to commit to a precise figure for the future growth of the global economy. Moreover, as Brown’s memoirs (2010: 116) make clear, an initial proposal to get the IMF to guarantee the debt issued to emerging markets (who were suffering liquidity problems) never got off the ground.\(^\text{10}\)

\(^{10}\) For a more scathing assessment of Brown’s performance, see Lawson (2009).
Brown’s leadership at this time certainly compares well when contrasted with his American counterparts. The US Treasury first conceived its Troubled Asset Relief Programme (TARP) as a response to the credit crunch. A $700 billion fund composed of taxpayers’ money would be made available to purchase bad loans held by banks which, were stopping them from borrowing and lending money. The government would then attempt to value these toxic assets and sell them off. TARP was initially rejected by Congress after provoking a range of criticisms. It was unclear how the US Treasury would determine the price of these assets, when as noted, very few understood how they were put together and valued in the first place. Other commentators wondered exactly who would buy these assets? If banks currently holding them could not sell them on, why would the government necessarily be more successful in attracting buyers? Some suspected the government would have to significantly lower the price of these assets to make them more appealing, but if this was the case, would ailing financial institutions be able to take the hit on their balance sheets. The Bush Administration eventually got a revised plan through the House and the Senate, but TARP was soon quietly dropped as the US authorities eventually followed the British lead by focusing on recapitalisation.

Brown’s actions can also be viewed favourably when compared with those of the heads of government in the eurozone. In the early stages of the crisis, Europe’s leaders were slow to react, arguing that the problems were confined solely to ‘Anglo-Saxon capitalism’. The responses when they did come were unilateral, un-coordinated and undermined attempts at this time to arrive at a common position. On 30th September, the Irish government announced without consultation its decision to guarantee, not just ordinary depositors money, but almost all the debts of Ireland’s five domestic (Murray Brown, Tait, Parker and Thal Larsen, 2008). When those banks subsequently required funds to cover their losses, the Irish government could not reciprocate and had to turn to the IMF and EU for a 67.5 billion euro bailout. It was this chain of events that was
at least partly responsible for the decimation of Fianna Fail’s electoral support and its dramatic loss of power in 2011.

Deteriorating economic conditions at this time did continue to negate any domestic political payoff from these leadership efforts as far as Brown was concerned. In the last three months of 2008, it was reported that the world economy had shrunk for the first time since 1945, while in the UK output shrunk by 5.4 per cent between the first quarter of 2008 and the second quarter of 2009.\textsuperscript{11} In his March 2008 budget, Darling had forecast borrowing for 2008-09 to be £38 billion; by November 2008, this figure had been revised upwards to £118 billion. In his March 2009 budget, the numbers were even worse. Borrowing was set to increase again, this time to £175 billion or 12.4\% of national output while public debt was predicted to rise to 79 per cent of GDP by 2013-14. yet by Easter 2009 (just after the G20 summit) there remained real reasons for optimism. Research for Labour by the Benenson Strategy group suggested an election victory was a genuine possibility (Seldon and Lodge, 2010: 252), while other polls demonstrated that the party was closing the gap on the Tories. It is also worth noting in this context that the economy would come out of recession in the third quarter of 2009.

In some ways then, the real tragedy of Brown’s leadership was his inability to build from this unfavourable position and capitalise on it in the last twelve months of his premiership. This paper concludes by arguing that Brown’s continual preoccupation with pushing the ‘investment versus cuts’ narrative, not only damaged the Labour party’s reputation for governing competence, but its party unity as well.

\textsuperscript{11} This was the biggest decline since the 1930s.
As noted earlier in this paper, the ‘investment versus cuts’ argument was an important factor behind Labour winning the 2001 and 2005 general elections – indeed, Brown believed it to be pivotal. However, Brown’s insistence on deploying it in the recessionary conditions of 2009-10 was not just an example of blind loyalty to an idea whose time had passed. For Brown, this ‘investment versus cuts’ refrain was a tactical ploy to place the question of growth and how to restart the UK economy at the top of the political agenda. Some commentators have suggested that Brown saw himself as a latter-day Keynes, fighting a battle against the malign impact of neo-liberal economic orthodoxy by championing the need for public expenditure to stimulate the private sector. Conversely, if he accepted the need for cuts, Brown feared this admission would legitimise a race to the bottom, a contest that the Conservatives, rather than Labour, would always win. Rather than Keynes, Brown felt this scenario whereby he was head of a Labour government presiding over cuts in the middle of a recession, painted him as the modern equivalent of Philip Snowden, the much maligned chancellor of the inter-war period (Seldon and Lodge, 2010: 367; Darling, 2011: 264; Stratton, 2010).

For a number of reasons, this ‘investment versus cuts’ narrative no longer possessed any credibility in 2009-10. While most Labour supporters accepted that a counter-cyclical fiscal policy still had an important role to play in the economic strategy of the Brown government, faced with a projected budget deficit of 12.4 per cent, it was clear that ministers could not keep on spending. Cuts would have to take place to reduce this deficit in the medium term and Brown needed to be open about this fact. More damagingly, in his March 2009 budget, Darling had actually committed Labour to spending cuts as part of his plan to halve the deficit in four years. To continue to deny the need for, or even to mention the word ‘cuts’ (as Brown was want to do during this period) was misleading to say the least. Unless Brown sounded credible on the deficit, few people were likely to engage seriously with his remonstration concerning the
need for growth (Seldon and Lodge, 2010: 363-64; Darling, 2011: 258; see also New Statesman, 2009).

At the same time, Brown’s persistence with this ‘investment versus cuts’ narrative exacerbated tensions and divisions within the Labour leadership and contributed to a growing sense of party disunity. As has widely been documented, Darling disagreed with Brown’s emphasis on growth and investment. If the government failed to show it was serious about the budget deficit, the Treasury worried about a loss of confidence in the British economy and the threat of financial speculation (Seldon and Lodge, 2010: 368). Responsibility for the public nature of these divisions between Number Ten and Number Eleven is often attributed to Brown’s aides in the party: indeed, these controversial tactics of party management attracted considerable attention during the Damian McBride affair. Darling himself argues that one of the reasons the public did not think the Brown government was managing the financial crisis in a competent way was because these divisions provided a constant distraction from its more positive policy interventions in the economy (Darling, 2011: 11; see also Cowley and Stuart, 2009). By the end of the parliament, Brown appears to have been pretty much isolated in his refusal to temper this ‘investment versus cuts’ discourse. Even Ed Balls was said to be open to a more nuanced argument (Ibid, 259).

Finally, all of this played into the hands of the Conservatives, who had not performed particularly impressively during this period. The Tories were on the wrong side of the debate concerning Northern Rock’s nationalisation. They voted against this measure, while maintaining they would not use parliament’s procedures to oppose it. Cameron and Osborne felt they had little option but to support Labour’s recapitalisation plan, although they did so without enthusiasm. While Brown was garnering international plaudits for his economic diplomacy in the crucial month of October 2008, Osborne spent most
of it embroiled in the damaging Deripaska affair (‘Yachtgate’) (Ganesh, 2012: 190; 200-206). When the political debate moved on to the question of the budget deficit (and debt) after 2009, the Conservatives finally found an issue they could exploit. They were merciless in highlighting the stability and prudence that had characterised New Labour’s political economy had been discarded. Brown’s refusal to mention the word ‘cuts’ led them to effectively counter riposte by arguing the choice was not between ‘stability versus cuts’, but ‘honesty versus dishonesty’ (Seldon and Lodge, 2010: 200).

Conclusions

The main purpose of this paper has been to integrate a notion of structure into our analysis of political leadership. The paper has argued that the global financial crisis posed a particularly challenging set of circumstances for Brown and he should be given more credit than he has so far received. Indeed, according to our typology of scenarios set out above, had Brown gone to the country twelve months earlier and won the election (which was a possibility at the time) he could have conceivably have obtained the highest leadership rating (a leader faced with a difficult structural context who is able to reshape it so that it becomes more benign and helps him to achieve his objectives). As it was, Brown contrived to undermine a reasonable political position in the Easter of 2009, meaning that ultimately he should probably be given the third rating (a leader faced with a difficult structural context who fails to attain his goals).

Bibliography


Assessing Prime Ministerial Performance


