

Crises and Contradictions:

Explaining libertarian influence on right-wing party policy

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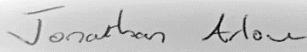
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Abbreviations

ASI	Adam Smith Institute
BL	British Leyland
CBI	Central Bank of Iceland
CDU	Christian Democratic Union (Germany)
CEGB	Central Electricity Generating Board
CoP	Committee on Privatisation
CPRS	Central Policy Review Staff
CPS	The Centre for Policy Studies
CRG	Covid Recovery Group
Cs	<i>Ciudadanos</i> (Spain)
DOE	Department of Energy (UK)
DOI	Department of Industry (UK)
ECB	European Central Bank
EEA	European Economic Area
EFTA	European Free Trade Association
ERG	European Research Group
ERM	European Exchange Rate Mechanism
ESRI	The Economic and Social Research Institute
EVS	European Values Survey
FDP	Free Democratic Party (Germany)
FEG	Free Enterprise Group
FF	Fianna Fáil (Ireland)
FG	Fine Gael
FME	Financial Supervisory Authority (Iceland)
FN	Front National (France)

FTT	Financial Transaction Tax
G7	Group of Seven
HMT	Her Majesty's Treasury
IBC	Irish Born Children
IBEC	Irish Business and Employers Confederation
ICTU	Irish Congress of Trade Unions
IDA	Industrial Development Authority
IEA	Institute for Economic Affairs
IMF	International Monetary Fund
IP	Independence Party (Iceland)
ISME	Irish Small and Medium Enterprise Association
ITQs	Individual Transferable Quotas
MPD	Manifesto Project Database
NACODS	The National Association of Colliery Overmen, Deputies and Shotfirers
NCB	National Coal Board
NESC	National Economic and Social Council
NHS	National Health Service
NUM	National Union of Mineworkers
OECD	Organisation for Economic Co-operation and Development
PCF	Communist Party (France)
PDs	Progressive Democrats
PET	Punctuated Equilibrium Theory
PP	<i>Partido Popular</i> (Spain)
PPF	Programme for Prosperity and Fairness
PS	Socialist Party (France)
PSBB	Public Service Benchmarking Body
PSOE	Spanish Socialist Workers' Party
PvdA	Dutch Labour Party
PVGs	Performance Verification Groups
PVV	Party for Freedom (Netherlands)

SCM	Sovereign Citizen Movement
SDA	Social Democratic Alliance (Iceland)
SDP	Social Democratic Party (Germany)
SF	Sinn Féin (Ireland)
SIC	Special Investigation Commission
SIPTU	Services Industrial Professional and Technical Union
TUC	Trade Union Congress
UKIP	United Kingdom Independence Party
VVD	People's Party for Freedom and Democracy (Netherlands)
WGE	The Working Group on Ethics

Abstract

Jonathan Arlow

Crises and Contradictions: Explaining libertarian influence on right-wing party policy

To understand libertarian politics, it is best to think of it as the modern iteration of the classical liberal tradition, which is the ideology of ‘liberal radicalism’ that has always appealed to small numbers within right-wing party politics. However, this ideology also espouses a distinct political project which seeks to emulate Marxist proselytizing tactics by creating a libertarian activist base that can push for policy change within sympathetic right-wing parties. Surprisingly, this radical worldview does occasionally exert influence over mainstream right-wing parties, and libertarian ideologues within their ranks have, at opportunistic moments, been able to encourage their desired laissez-faire policy change. So, why does this libertarian influence fluctuate within mainstream right-wing party policy? Why are libertarian activists within the centre-right able to deliver on their preferred policies at some critical periods but not during others? Through a comparative case study of three European countries (i.e., Iceland, Ireland, and the United Kingdom) this thesis focuses on the interaction of political crises with pre-existing policies that contradict liberal ideological preferences, as the primary explanatory factors for the fluctuation in libertarian influence. It hypothesises that libertarian ideologues can best pursue their objectives within mainstream right-wing parties when a political crisis interacts with pre-existing policy that contradicts liberal ideological preferences. This creates the necessary conditions for libertarian ideologues to convince party moderates to embrace a more libertarian policy programme, as both a solution to the current crisis and as a response to the perceived failure of policy that contradicts liberal ideas. But the same interaction of independent variables can lead to conditions in which ideologues will fail to convince party moderates to embrace libertarian policy solutions or, at other times, these same ideologues will have to disguise their true ideological preferences in order to remain competitive within a mainstream party. This study finds the evidence to support the theory is most pronounced in plurality electoral systems, which should prompt further research.

Introduction

What we lack is a liberal Utopia, a program which seems neither a mere defence of things as they are nor a diluted kind of socialism, but a truly liberal radicalism which does not spare the susceptibilities of the mighty.... The main lesson which the true liberal must learn from the success of the socialists is that it was their courage to be Utopian which gained them the support of the intellectuals and therefore an influence on public opinion which is daily making possible what only recently seemed utterly remote- **F.A. Hayek, The Intellectuals and Socialism 1949, p. 384.**

There is enormous inertia – a tyranny of the status quo – in private and especially governmental arrangements. Only a crisis – actual or perceived – produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable- **Milton Friedman, Capitalism and Freedom 1962, xv.**

I think we have gone through a period when too many children and people have been given to understand ‘I have a problem, it is the Government’s job to cope with it!’ or ‘I have a problem, I will go and get a grant to cope with it!’ ‘I am homeless, the Government must house me!’ and so they are casting their problems on society and who is society? There is no such thing! There are individual men and women and there are families, and no government can do anything except through people and people look to themselves first- **Margaret Thatcher 1987, Interview for Woman’s Own.**

When Hayek made his call for a ‘truly liberal radicalism’ his preferred ideas, based on the tradition of classical liberalism, were not intellectually popular (Hayek 1949, 384). Instead, Keynesian economic theory was in the ascendance and Hayek’s brand of radical liberalism had the intellectual cachet equivalent to climate change denial today. Hayek and his mentor Ludwig von Mises were among the first in a new breed of intellectuals, who for significant portions of their careers were reliant on the funding provided by sympathetic private interests and not universities (Fawcett 2014,

264). This alienation from mainstream academia meant that Hayek was keenly aware of the ‘clash of ideas’ and the kind of advantages that social democratic policy enjoyed through the dominance of collectivist ideas among intellectual elites during the post-war period (Hayek 1949, 372). So, Hayek sought to encourage a new intellectual movement, based upon utopian liberal goals, that would seek to gain prominence within the intelligentsia, influence public opinion and, finally, deliver on public policy change (*ibid.*, 384). Hayek’s business connections helped him gain the directorship of the Austrian Institute of Business Cycle Research, and together with other like-minded radical liberals – such as Milton Friedman, Karl Popper, and Ludwig von Mises – he founded the Mont Pelerin Society, to act as a bastion of liberal thought, with the expressed aim of subverting and replacing the Keynesian consensus (Mises 2005, xi). Importantly, this link between the spread of libertarian ideas and well-funded think-tanks has remained essential to its growth to this day.

Libertarian ideas grew in both popularity and influence during the twentieth century, but when Friedman released *Capitalism and Freedom* (2002, vii) in 1962, these libertarian ideas were still not well received within academia. However, twenty years later and by this point Friedman had successfully predicted stagflation, won the 1976 Nobel prize for economics, had sympathisers in power on both sides of the Atlantic, and the monetarist policies of his Chicago School had become the new economic orthodoxy (Noble 2006). On top of all this, through TV series and popular books he made with his wife, Rose Friedman, he had become the most successful publicist for liberation ideas of his generation (*ibid.*) He accurately predicted how libertarian ideas could become part of the mainstream if the existing system was faced with a big enough crisis, which occurred with the economic shocks of the 1970s. In preparation for such a crisis, the libertarian movement deliberately emulated Marxist organisational strategies, by creating a group of libertarian cadres, in places of influence as intellectuals and policymakers, that would replicate the commitment and dedication exhibited by Marxist activists (Hayek 1949, 384; Rothbard 2016, 224).

This eventual dominance of libertarian ideas within policy and politics can be viewed in Margaret Thatcher’s often misquoted statement about society and the individual (see above). Many view this statement as part of the stereotypical Thatcherite appeal to individualism and selfishness, but actually it is a statement reflecting a libertarian worldview. Thatcher was not an ideologically committed libertarian, but she admired its ideas and would draw upon libertarianism for policy

justification and inspiration. These individualistic ideals of self-reliance and freedom from interference (especially the interference of the state) would become influential over the neoliberal period, remaining dominant in policy discourse until the Great Recession of 2008 (Cahill 2013).

The puzzle and research question

Unlike other radical ideologies, such as Marxism, libertarianism has never had a mass political movement attached to its political project. From its earliest years, libertarians realised that their ideas were unlikely to gain popular support. For instance, Mises blamed the lack of electoral support for libertarian politics on the fact that most people cannot think rationally and, even when they are capable of reasoned thought, they would prefer short-term state-led gratification over long-term gain (Mises 2005, 121). He compared the populist and statist sloganeering of most party politics to junk food; in that it is immediately tempting but bad for the individual over any extended period of time (*ibid.*). This lack of popular appeal created an interesting dynamic where the libertarian political project concentrated on the ‘clash of ideas’ and influencing policymakers over building a party-political base (Friedman 1962, xv).

In fact, the extreme individualism of libertarian thought may provide an ontological barrier for developing a mass movement. However, this lack of popular support did not stop libertarian ideas becoming influential among policymakers. The lack of a dedicated libertarian party base or significant public support for libertarian values means that if libertarian political actors want to pursue their preferred policy outcomes, then they must seek to influence sympathetic mainstream right-wing parties, such as the US Republican Party (Williamson, Skocpol and Coggin 2011, 29) or the UK Conservative Party (Heppell 2002, 302-307). It is on these mainstream right-wing parties, which are the most likely to form governments, that this libertarian policy influence is most crucial; as opposed to the obscure and radical parties dedicated to libertarian ideas that have failed to gain significant electoral support.

Given the radical nature of libertarian ideology and its lack of popular support, pragmatic party elites within mainstream right-wing parties should have an incentive in resisting libertarian policy demands so as not to antagonise voters, as shown with the party-political repudiation of other radical movements that have risked alienating mainstream parties from their base, such as the anti-war movement and the Occupy movement (Cohen et al. 2008; Schlozman 2015). But there

have been times where the libertarian movement's influence has helped to significantly change mainstream party policy, such as with the UK Conservative Party in 1975 (Cockett 1995; Mouffe 2018). Importantly, the literature has shown that libertarian ideologues within mainstream right-wing parties have used critical moments to push their preferred policy change (e.g., Cockett 1995; Klein 2007; MacLean 2017). Scholars have also repeatedly highlighted the libertarian movement's ability to influence right-wing party policy change through their well-funded thinktanks in countries like Australia (Mendes 2003; O'Connor 2001), Canada (see: Abelson 2018; Frum 1996), the United States (Williamson, Skocpol and Coggin 2011; Skocpol and Hertel-Fernandez 2016; Skocpol and Williamson 2012) and the United Kingdom (Charmley 1998; Heppell 2002; Mirowski and Plehwe 2009).

So, why have these radical libertarian ideas and policies been successful at certain times despite the fact that there is no popular movement behind them? How does this radical movement successfully pursue its preferred policies within conservative mainstream centre-right parties? To what extent do libertarian ideologues use crises to push through their preferred policies at the most opportune time for significant policy change? Or, do political crises sometimes constrain the ability of libertarian ideologues to deliver on their preferred policy change? For example, why did libertarian ideas gain traction during the economic crisis of the 1970s but fail to garner support during the Great Recession and Covid-19 crises? And, under what circumstances are libertarian ideologues in mainstream right-wing parties forced to compromise on their ideas or, at times, completely retreat from their ideological values?

In answering these puzzling questions, this thesis will focus on libertarian ideological success through changing party policy preferences in mainstream right-wing parties, which can provide evidence of ideological change or growth. This measuring of party policy change provides the practical mechanism for analysing how libertarian ideas influence centre-right political parties, and it leads to the development of the central question of this research: *why does libertarian influence fluctuate within mainstream right-wing party policy?* Answering this question will address the puzzling aspects related to the libertarian political project and make a significant contribution to the literature on libertarian praxis.

Table 1: A typology of independent variables for the fluctuation in libertarian influence on mainstream right-wing party policy.

	Political Stability	Political Crisis
Pre-existing policy consistent with liberal ideology	<u>No major change</u>	<u>Shift away</u>
Pre-existing policy contradictory to liberal ideology	<u>Strategic adaptation</u>	<u>Shift towards</u>

The Argument: Crises and Contradictions

The central thesis of this research claims that the opportunity for libertarian policy change within mainstream right-wing parties occurs when a political crisis interacts with pre-existing policy decisions that contradict liberal ideological values. When these political events interact, it creates the necessary opportunity for ideologically motivated actors to push their party into a more libertarian policy direction.

Political parties obviously need a policy response to any crisis, but the fact that under these conditions libertarian ideologues can point to the perceived failure of policy that is inconsistent with liberal ideology in the lead up to that crisis, means that it is easier for them to convince moderates within the party to embrace a more radical liberal agenda. This serves the dual purpose of providing a policy solution that is ideologically consistent in a centre-right party, and a political

response that is more likely to appeal to voters, who will also naturally react against perceived policy failures.

Importantly, this reaction is based on the public's perception of failure, not definitive policy failure, which can be a subjective judgement. For instance, liberal immigration laws may be viewed as a failure by citizens who want less immigration but as a success to those citizens and economists who support the free movement of people. Alternatively, restrictive access to abortion may be viewed as a policy failure by women's rights activists but as a policy success by the supporters of the pro-life movement. In this case, the key variable is pre-existing policy that contradicts liberal ideology, as this provides libertarian ideologues with the opportunity to convince party moderates to react against previous policy that is not consistent with liberal values and return to a more liberal policy agenda. The term 'liberal' is used to define this pre-existing policy instead of 'libertarian', because libertarianism is effectively the ideology of radical liberalism, with a more extreme commitment to freedom defined as non-interference (see Chapter one).

The processes behind this theory can be best understood by examining Table 1 (above); which forms the basis of answering the central research question. This table explains how the interaction of political crises and ideological contradictions leads to the fluctuation of libertarian influence within mainstream right-wing party policy. Essentially, this table outlines how it is the interaction of the key independent variables that imposes opportunities or constraints on libertarian actors within mainstream right-wing parties which leads to them either advancing, retreating from, or hiding, their preferred libertarian policies.

For instance, there is a shift away from libertarian policy when a political crisis interacts with policy that is consistent with liberal ideology (see Table 1). Under these conditions, party moderates will react against the liberal policy choices which are viewed as being the cause of the crisis and embrace a policy as a solution to the crisis that contradicts liberal values. Alternatively, when libertarian ideologues operating within centre-right parties are met with a period of political stability interacting with pre-existing policy that contradicts liberal ideas, then they will be forced to 'strategically adapt' their true policy preferences due to a pragmatic desire to remain politically relevant and competitive within the confines of mainstream party politics (see Table 1). Under these conditions policy solutions that contradict liberal values will remain the norm and we should

view libertarian ideologues adapting their own ideological preferences towards a more pragmatic policy solution; in fact, they may even implement policies that are inconsistent with liber as they await a more opportune critical period to push their party policy in a libertarian direction. Finally, when a period of political stability interacts with pre-existing policy that is consistent with liberal ideology then there is no major change in the extent of libertarian policy success, and libertarian ideologues will remain content with the existing liberal policy direction.

Scholarly Contribution

Theories that conceptualise crises as opportunities for ideological change are common within political science (e.g., Blyth 2008; Krippner 2011; Lopez and Leighton 2012), and there has been some Marxist research on how ideological contradictions can build up over time, leading to a legitimacy crisis that requires significant policy change in order for political parties to retain both public support and ideological coherence (e.g., Ertman 2010; Habermas 1992; Jessop 2015; Offe 1984). However, the theory developed in this thesis contributes to the public policy literature by including these ideological contradictions within political parties as a key variable, which has previously been neglected, that can lead to significant policy change, especially when these ideological contradictions interact with a political crisis. This theory also contributes to the literature on the libertarian movement by analysing libertarian policy change driven by ideologues within parties and not focusing solely on the work of ideologues attached to their network of well-funded libertarian think tanks.

In effect, there is a practical and theoretical divide in the overall scholarly contribution of this thesis. In practical terms, it contributes to the literature on the libertarian movement's influence on political parties and policy change, which tends to focus on UK and US politics where libertarian influence is most pronounced (see: Cockett 1995; Gilmour 1992; MacLean 2017; Mouffe 2018; Williamson, Skocpol and Coggin 2011; Skocpol and Hertel-Fernandez 2016; Skocpol and Williamson 2012). It also contributes to the scholarly debate surrounding the libertarian influence on Icelandic liberal economic reform in the lead up to the Great Recession of 2008 (see: Bergmann 2014; Bibler 2021; Boyes 2010; Olafsson 2017; Sigurgeirsdottir and Wade 2015; Thorhallsson and Kattel 2013; Wade and Sigurgeirsdottir 2010). And it makes an original

contribution by explaining the lack of an influential libertarian movement within Irish politics despite that country's embrace of a liberal economic agenda.

The case study chapters of this research contribute to the scholarship on various diverse political phenomena while explaining shifts towards libertarian policy, shifts away from libertarian policy, and the constraints placed upon libertarian actors ability to influence policy change. For instance, chapter seven contributes to the literature on the Miners' Strike (see: Milne 2014; McCabe and Wallington 1988; Moore 2016; Routledge 1994) and the British Leyland bailout (see: Church 1994; Merlin-Jones 2010; Moore 2014; Reich 1985), by highlighting the influence of libertarian political actors on these political events. Chapter six, which is the Icelandic case study, similarly focuses on the role of libertarian actors in delivering policy change, contributing to recent research on Icelandic bank privatisation, as well as the policy failure represented by the introduction of capital controls after the collapse of Lehman Brothers (see: Bergmann 2014; Bibler 2021; Boyes 2010; Sigurgeirsdottir and Wade 2015; Wade and Sigurgeirsdottir 2010). Chapter five makes a novel contribution to the extensive literature on the Irish Citizenship Referendum of 2004 (see: Garner 2007; Hewson 2018; Lentin 2007; Mancini and Finlay 2008; Tormey 2007), the disciplinary Budget of 1987 (see: Allen 2000; Honohan 1992; MacSharry and White 2001), and the public-sector pay benchmarking process (see: Adshead 2011; Hastings, Sheehan and Yeates 2007; Hardiman 2007; Kelly, McGuinness and O'Connell 2008; McDonough and Dundon 2010) by assessing these policy changes from the perspective of the libertarian movement's ideological preferences. Additionally, chapter four builds on scholarship that utilises data from the Manifesto Project Database to assess ideological change by creating a novel measure for libertarian ideology within party political manifestos (see: Budge et al. 2001; Dinas and Gemenis 2010; Klingemann et al. 2007; Laver and Budge 1992).

In theoretical terms, this research contributes to the field of discursive institutionalism by increasing our knowledge of elite-led institutional policy change within mainstream right-wing parties (see: Blyth 2001; Carstensen and Schmidt 2016; Cox 2001; Polanyi 1954). Essentially, for these scholars (as well as this research), ideas matter when explaining the role of elite political actors in delivering policy change, especially during times of crisis (Blyth 2001, 4; Blyth 2008, 39-40). Importantly, this research draws heavily upon Carstensen and Schmidt's (2016) theoretical framework that outlines the role of 'ideational power' in discursive institutionalism. This thesis utilises their concepts of power through ideas, power over ideas, and power in ideas to explain the

results of the case study chapters. Therefore, this research mirrors other scholarship which has operationalised Carstensen and Schmidt's (2016) conception of ideational power to increase our understanding of shifts in policy outcomes (see: Carstensen and Schmidt 2018; Hardiman and Metinsoy 2018; Schmidt 2021). Finally, this research contributes to Punctuated Equilibrium Theory (PET) scholarship by drawing upon this field of study for both theory design and to help explain significant changes in policymaking (see: Baumgartner and Jones 1991; Baumgartner and Jones 2002; Baumgartner, Jones, and Mortensen 2004; Jones et al. 2009; True 2000).

The Structure of the Thesis

Chapter one presents what actually constitutes libertarian ideas. It contends that libertarian ideas are fundamentally about a radical commitment to the liberal conception of freedom as non-interference. It is from this starting point that libertarian commitments to a minimal state (or no state at all) and a near absolute belief in private property rights proceed. This chapter indirectly informs the thesis as a whole, but its findings directly contribute to the decisions made in the empirical data chapter (Chapter four) when designing the quantitative measure for libertarianism.

Chapter two outlines the literature on institutional policy change, ideational power, the libertarian movement, and the role of contradictions in delivering policy change. This thesis builds on these categories of research to posit a theory that views crises of all sorts (not just economic) and policies contradictory to liberal principles as the main causal factors behind the growth of libertarian ideological responses within mainstream right-wing parties.

Chapter three includes the methodological approach to be employed by this study in order to test the argument detailed above. It proposes the research question, operationalises the variables, justifies the selection of case studies, and hypothesises on the expected outcomes based on the theorised interaction of the independent variables. Chapter four builds on this chapter by outlining the empirical data used to assess the extent of libertarianism within European countries. This includes a novel measure for libertarianism using data from political party manifestos and using survey data from the European Values Study (EVS) to ascertain the popularity of libertarian values within Europe.

Chapters five, six, and seven are the case study chapters. Chapter five outlines libertarian policy change within Ireland; chapter six focuses on Iceland; and chapter seven presents libertarian

policy change within the United Kingdom. Each case study chapter has a broadly similar structure; in which an initial summary of libertarian ideas within that country's politics leads to a series of smaller theory-testing case studies, that analyse periods of success and failure for libertarian policy within that country's mainstream right-wing parties. So, cases are chosen that represent a shift towards libertarian policy, a shift away from libertarian policy, and a case that represents a period where libertarian ideologues need to 'strategically adapt' their true policy preferences in order to remain competitive political actors within a mainstream party (see Table 1). The justification for selecting these theory testing case studies will be provided within each chapter.

In the concluding chapter, the results will be discussed in light of the research question. The findings of this study will be related to the broader literature on policy change and the libertarian political project in general. Finally, this chapter will outline a future research agenda based on the findings of this study.

Chapter 1 – What is Libertarianism?

Libertarianism can be thought of in at least three ways: it is the ideology supporting (1) maximal equal liberty understood as self-ownership or non-interference, (2) strong, inviolable property rights without regard to the pattern of distribution of those rights, or (3) a so-called libertarian state, which is either a government limited to protecting property rights and self-ownership or no government at all. Natural rights libertarians think of their philosophy as embodying all three of these claims, believing that a commitment to maximal equal freedom entails a commitment to strong property rights, which in turn entails a commitment to a libertarian state. – Karl Widerquist (2009, 43-44).

Some scholars have argued that libertarianism can be viewed as an overly reductionist ideology which seeks to make universal deductive truths through the fetishization of one key principle over all others, which is the principle of freedom defined as non-interference (Callahan 2013; Runciman 2014). The libertarian perception of freedom is radically absolute, but it is not in any way emancipatory, and this ideology is best understood through Widerquist's (2009) broad definition detailed above. However, while a radical commitment to the liberal conception of freedom defined as non-interference is the foundational principle of libertarian thought, it deduces from this first principle an equally radical commitment to self-ownership, inviolable property rights, and a minimal state, or no state at all for the most extreme libertarians (Widerquist 2009, 43-44). These foundational principles provide the normative basis for libertarianism and the rationale behind the often-surprising political positioning of libertarian politics. Most (but not all) libertarian thinkers view their principles as emanating from a natural rights perspective, which provides their belief in property rights and the free market with a morally privileged position that is akin to human rights (Cohen 1995, 69; Nozick 1986, 151-152). In effect, it is this normative support for free-market

structures that differentiates libertarians from many more moderate liberals, whose support for the free market is not necessarily predicated on its foundational morality (Rawls 1971, 25 & 60).

The purpose of this chapter is to explain libertarian ideas as a starting point for the later empirical investigation. This synopsis of libertarian principles is necessary because a solid theoretical framework for understanding libertarianism will support the research on libertarian ideologues' attempts to influence mainstream right-wing party policy. And, in practical terms, the understanding of libertarian ideology gained in this chapter will contribute to the empirical decisions made in the design of the novel quantitative measure for libertarian ideology detailed in Chapter 4. Importantly, this approach does not view political philosophy as separate from empirical research but instead views it as the '...guiding compass of empirical investigation' (Therborn 2010, 129).

This chapter will first explain why this research focuses only on free-market libertarianism and deliberately excludes anarchist or left-libertarian traditions. Then, taking Widerquist's (2009, 43-44) working definition of libertarianism as its conceptual starting point, this chapter will focus on libertarian commitments to freedom defined as non-interference, followed by its commitment to self-ownership and inviolable property rights, and finally, it will explore the nature of a hypothetical libertarian state.

1.1 Why libertarianism? And, why not Left-libertarianism?

As per Widerquist's (2009, 44) definition, this research deliberately excludes anarcho-libertarianism and other versions of radical left thought that has been commonly labelled 'libertarian'. Some of the most influential of which are the works of Rosa Luxemburg (2014), Guy Debord (1992), and Peter Vallentyne (2007). There has also been an extremely prominent left-libertarian focus on the policy debate surrounding guaranteed basic income; through the works of André Gorz (1999), Philippe Van Parijs (1998), Guy Standing (2011), and Paul Mason (2016). There are some similarities between left-libertarians and the free-market libertarian tradition that is the focus of this research. For example, left-libertarians and free-market libertarians share a willingness to view the state as an aggressor, a deep commitment to individual freedom, and a political aspiration to revolutionise the structures of the liberal bourgeois state. In fact, this

commitment to undermining dominant liberal institutions has led some liberal theorists to argue that libertarianism in general should not be considered part of the liberal tradition (Freeman 2001, 107). Furthermore, both libertarian and radical left ideologies operate from similar ontological perspective, in that they are both realist and materialistic, with clearly defined political projects, which means they are both ontologically committed to praxis.

However, this is where the similarities end. The libertarian anarchist tradition is not only anti-state, but it is also deeply suspicious of private property rights, with a vision of society that is communal and egalitarian. In fact, it is egalitarian in terms of final societal outcome, not just opportunity (e.g., Gorz 1999; Luxemburg 2014). In contrast, libertarianism is an idea that is firmly rooted within the individualistic orbit of the right, nowhere near the ideological space inhabited by the radical left. If the defining characteristic of the right is the preservation of hierarchy, and the defining characteristic of the left is a concern for inequality, then free-market libertarianism can be viewed as both hierarchical and non-egalitarian (Bobbio 2005, 51 & 62; Smith and Tatalovitch 2003, 30). Like all right-wing ideologies, libertarianism views inequality as a necessary element of hierarchical order, a catalyst for efficient labour, and an unavoidable consequence of freedom (Bobbio 2005, 37; Mises 2005, 12-13). Libertarian ideologues wish to revolutionise the structures of liberal institutions, by genuinely instituting meritocratic competitive processes; partly by ending the exploitative link between special interest groups, the military-industrial complex, and the state (Hoppe 2018, 19). But they also believe in preserving a natural free-market hierarchy based on the principles of self-reliance and entrepreneurship (*ibid.*). So, in a hypothetical libertarian state, the power of successful business owners would be solidified, but the power of rent-seekers and special interest groups would be broken. Thus, a new hierarchy based on absolute free-market competition would replace the old hierarchy based on privilege, institutional corruption, and class.

The most important difference between left-libertarianism and right-libertarianism is the self-ownership principle, in which private property takes on a ‘morally privileged’ position that equates the right to property to human rights in general (Cohen 1995, 69, Rothbard 2016, 311). From a left perspective, the idea that self-ownership also means that the individual has complete personal control over the surplus-value they create, goes against the foundational structures of any feasible redistributive or emancipatory state (Cohen 1995, 217). It is this normative admiration for private property rights that is the single greatest divergence between libertarianism and left-wing

anarcho-libertarianism. For example, Ludwig von Mises, claims that the left-anarchist libertarian tradition, ‘...misunderstands the real nature of man. It would be practicable only in a world of angels and saints. Liberalism is not anarchism nor has it anything whatsoever to do with anarchism’ (Mises 2005, 17).

This libertarian concept of self-ownership has led Peter McLaverty (2005) to argue that left-libertarianism and free-market libertarianism are two completely different ideologies, with only superficial similarities brought about by a shared commitment to individual freedom. He also contends that the left should stop referring to itself as ‘libertarian’ due to their fundamental problem with self-ownership and the dominant position that free-market libertarianism currently has over that label (McLaverty 2005, 195-196). Therefore, in order to maintain conceptual coherence, this research shall limit its scope to ‘libertarianism’ as understood in its free-market form.

Why libertarian?

In 1944, when F.A Hayek published the *Road to Serfdom* (1944, 5) the term ‘libertarianism’ was still heavily associated with the anarchist libertarians of the nineteenth century. There were some free-market libertarians but many of them were viewed as extremist and borderline distasteful; definitely not people with which serious intellectuals, such as Robert Nozick, would wish to associate (Nozick 1986, ix-x). So, during this period both Mises and Hayek still referred to their preferred system as ‘classical liberalism’ or just ‘liberalism’ (Mises 2005, xxii; Hayek 1944, 172). But by the time Friedman was writing in 1962, he had to acknowledge the problems with using the term ‘liberal’ because of its near complete change of meaning in the United States, which saw it become linked to the big government principles of New Deal Democrats (Friedman 1962, 6). Despite this association, Friedman carried on using the term ‘liberal’ in *Capitalism and Freedom* (1962) due to a lack of a better alternative, although later in his life he would become happy to reference his ‘libertarian’ views (Noble 2006). Even the radical libertarian thinker, Murray Rothbard, despite writing *The Libertarian Manifesto* (2016) often preferred the term ‘free-market anarchism’ to describe his version of extreme anti-state libertarianism (Rothbard 1977, 56). Robert Nozick, writing in 1972, was more willing to call himself a ‘libertarian’ as he felt this term best described his intellectual position (Nozick 1986, ix-x). However, he was a reluctant convert to this

intellectual label, and he had to acknowledge that it placed him in some ‘bad company’ (*ibid.*). In fact, it was Nozick’s willingness to embrace the term ‘libertarian’ that helped to rehabilitate it from the preserve of extremists and managed to bestow on it some much needed intellectual credibility. As a result, by the late 1970s the term ‘libertarian’ would become less obscure, more respectable, and more part of the mainstream within academia, especially within the Anglo-Saxon world. Therefore, this research will use libertarian to refer specifically to free-market libertarians who are committed to self-ownership and private property rights.

1.2 Freedom defined as non-interference

The libertarian understanding of freedom defined as non-interference is a fundamental part of the liberal worldview and coincides with Isaiah Berlin’s (1958) view of negative liberty.¹ Berlin describes ‘negative’ liberty as an absence of coercion placed upon an individual (Berlin 1958, 2). He argues that this negative definition of freedom traces its intellectual evolution to the modern individualism of eighteenth-century liberalism (Berlin 1958, 7-8). However, Berlin also acknowledges that an individual’s desire for ‘control’ over their own life is as great as the desire for his ‘negative’ conception of liberty, which is simply an absence of coercion and interference (*ibid.*, 2-3). It is this desire for control, or the ‘positive’ definition of freedom, that takes precedence in the canon of emancipatory theory; in fact, Marx gave expression to it in the *Communist Manifesto* (1848) when he described emancipation as, ‘... an association, in which the free development of each is the condition for the free development of all.’ (Marx 1848, 28). So, Berlin argues that positive freedom is as much about societal equality as individual rights. In order to describe the central concern of positive freedom, he uses an analogy of the greater extent of freedom available to an Oxford don in comparison to an Egyptian peasant, whose every day is a struggle for food, dignity, and shelter (Berlin 1958, 4)

For Berlin, the main conflict between the negative and positive conceptions of freedom is the extent to which they implicitly allow for permissible levels of coercion against the individual (*ibid.*, 2). He defines coercion as, ‘...the deliberate interference of other human beings within the area in which I could otherwise act’ (*ibid.*, 3). You are not coerced if you lack the physical ability

¹ Berlin used the terms freedom and liberty interchangeably.

or mental capacity to achieve a desired goal, coercion must involve deliberate interference in your actions (*ibid.*). However, for Berlin, if you are the victim of deliberate economic oppression that limits your life choices, it is possible to view yourself as being coerced, as this state of affairs interferes with the extent of your freedom (*ibid.*, 3). The potential for positive freedom to exert coercive pressure on the individual is greater than negative because its aims are linked to great system-building political projects of self-realisation (*ibid.*, 14-15). These emancipatory ideologies aspire to extend freedom to its greatest possible limits, but to do this they must acknowledge that people can be coerced, not just by direct oppression, but also by their own desires, false consciousness, or neuroses (*ibid.*, 9). Berlin claims this leads to an authoritarian streak within the radical left, because the need for the desired extension of freedom becomes so great and so obviously beneficial to the greater good, that it then becomes acceptable to coerce people towards these aims (*ibid.*, 9).

The proponents of positive freedom claim that people would undoubtedly choose these aims for themselves if they were not so ignorant; that the aim of enabling people to realise their true selves justifies some slight coercive measures to ensure just patterns of societal distribution, as long as this minimal coercion has a democratic mandate (Cohen 1995, 24-25). However, Berlin highlights how early nineteenth century liberals knew about the risks of excessive coercion inherent in the idea of positive freedom. Influenced by the French Revolution, John Stuart Mill, highlighted the threat to the individual based on a radical tyranny of the majority (Berlin 1958, 26). And Benjamin Constant claimed that the main problem for the individual's freedom is not who should wield power, but the extent of power that should be entrusted to any individual or institution (*ibid.*, 27). This is a crucial point for Berlin and liberals in general, their main issue with the positive conception of freedom is that it is too concerned with harnessing power towards a desired goal, rather than the potential impact that this use of power could have on individual freedom.

Negative liberty: freedom from interference

As with positive freedom, Berlin again uses the analogy of the Oxford don and the Egyptian peasant to elucidate the negative conception of freedom. He acknowledges that the Egyptian's need for food is greater than his need for individual freedom, however, this need for the basics of

life may be satiated in the future and then he will need the greater freedom enjoyed by the Oxford don (Berlin 1958, 4). This need for personal freedom defined as non-interference is universal; it is the same for a millionaire and a peasant. Berlin acknowledges that exploitation of the poor is wrong, but if the extent of negative liberty is reduced in order to achieve greater levels of equality and this does not lead to greater freedom overall, then there has been an absolute reduction of freedom to the detriment of all (*ibid.*, 5).

Simply put, we cannot guarantee an increase in freedom for all by reducing the liberty enjoyed by the privileged few. Liberals view these 'positive' policies as setting a dangerous precedent, which has a past history of leading to authoritarian oppression (Hayek 1944, 47-50). For Berlin, there must remain an inviolable minimum of negative freedom that cannot be transgressed against, only the extent of this freedom should be debated (Berlin 1958, 5). Berlin cites the liberal tradition of Constant, Mill, and de Tocqueville in determining the two principles of negative liberty that are the cornerstones of a free society (Berlin 1958, 28). First, only rights not principles can be regarded as absolute; and secondly, that these personal rights are inviolable, they cannot be reduced past an extent determined by what a shared human history has commonly held to be essential to a humane society (*ibid.*)

Berlin was obviously suspicious of the positive values that are often used as a rallying cry for great historical projects. He acknowledged that the positive sense of freedom has been used to inspire just resistance to oppression; but he believed that seeking out one formula or system to achieve emancipation and from there a more truly free society was not just based upon a false premise, but it was also dangerous for personal liberty (*ibid.*, 30). But Berlin was no libertarian that fetishized the ideal of freedom as non-interference above all others. He did not believe in final solutions to societal problems; instead, he recommended Burke's advice for balance in society and Mill's advice for 'experiments in living', so that the diverse desires of people could be met in a gradual and continually improving fashion that respected personal freedom (*ibid.*, 31). Berlin viewed this pluralist approach to ideals, combined with a negative conception of freedom that guaranteed basic rights, as a more humane alternative to the positive approach of eternal principles and system-building which can all too easily be reified as tyranny.

Libertarian freedom

Libertarian thought embraces a view of freedom that coincides with Berlin's negative liberty, and libertarianism shares his suspicion for grand society-led projects and emancipatory politics. However, libertarianism takes this commitment to freedom defined as non-interference to a more extreme level (Callahan 2013, 49). Libertarianism, like all ideologies, can be viewed on a spectrum from moderate to extreme, and ideological self-identification on that spectrum often coincides with the extent of commitment to individual freedom. For instance, one of the more extreme libertarian thinkers, Murray Rothbard (1998), argues that although a parent should have no legal right to personally transgress against their child, they also should have no legal obligation to provide for that child.² For Rothbard, the same liberty that protects the child from personal abuse also protects the rights of a parent to choose not to care for that child (Rothbard 1998, 100). From this position he claims that, 'The parent therefore may not murder or mutilate his child, and the law properly outlaws a parent from doing so. But the parent should also have the legal right not to feed the child, i.e., to allow it to die' (*ibid.*). Obviously, this is a near absurdist example of the extreme conclusions that some libertarian ideologues can embrace due to their ideological fervour. But it does illustrate how seriously the concept of freedom defined as non-interference is taken within libertarian thought.

Even Hayek, who is now regarded as something of a moderate within the libertarian canon (Gaus 2017, 43-44), used freedom from interference as his foundational principle within the *Road to Serfdom* (1944). In fact, much of Hayekian thought can be understood as emanating from the first principle of this libertarian version of freedom (Gaus 2017, 44).³ As with all libertarians, Hayek's clear vision of freedom is that of non-interference and any accommodation with the state, even when it is unavoidable, represents a reduction in the individual's overall level of freedom (Hayek 1944, 53). For Hayek, free-market capitalism is the necessary starting point for democratic freedom, as it is only through sound private property rights, combined with the freedom to enter voluntary contracts, that individual freedom can be protected (*ibid.*, 52). For Hayek, the benefits

² In 1973, Murray Rothbard was one of the founding members of the well-known libertarian think tank, The Cato Institute.

³ Hayek was introduced to libertarian thought by the Austrian School economist Ludwig von Mises while still a social democratic orientated student, and the older Mises would help turn him away from that course towards an embrace of classical liberalism (Fawcett 2014, 264). The Austrian School outlook helped to instil in Hayek a faith in individual activity rather than broad historical forces and gave him an absolute faith in the spontaneous order created by the invisible hand of the free-market (*ibid.*).

brought by the free-market moves support for capitalism into a normative principle. For instance, he views private property rights as a moral good that guarantees freedom, because only diffuse ownership of the means of production can ensure that no one institution or individual can monopolise power (*ibid.*, 78). Any monopolistic tendencies found within capitalism are thus dismissed as a Marxist myth; as he claims these monopolies are always due to the market intervention by the state or corrupt elites (*ibid.*, 32).

For Hayek, when well-meaning ‘planners’, such as those in the post-war Labour Party, attempt to interfere with the freedom of property owners in order to try and deliver benefits to the people, they just increase the coercive power of the state over the individual, which fosters the development of future tyrannical forces (*ibid.*, 80 & 148). Essentially, Hayek details a fairly simple causal mechanism that links social democratic reforms with the eventual emergence of tyranny, whether that is the tyranny of fascism or communism depends on the society that implements the state intervention (*ibid.*, 102-105). Interestingly, Hayek employs a Lenin quote to summarize his main problem with the plans of experts and reformers, ‘Who plans whom, who directs and dominates whom, who assigns to other people their station in life, and who is to have his due allotted by others?’ (*ibid.*, 81). This is the central issue that all libertarians have with intervention into free-market freedom, the fact that it privileges the decision-making ability of some citizens over others (Teson 2017, 277). They view the free-market as an egalitarian process that allows individual choice for goods, services, and contracts. Even if that choice only allows for unemployment and poverty, for libertarians, that is still more freedom than allowed in the alternative (Brennan 2012, 143-146).

Milton Friedman’s ideas were heavily shaped by Hayek, and at times his best-known work, *Capitalism and Freedom* (1962), reads like a sequel to *The Road to Serfdom* (1944). Like Hayek, he viewed economic freedom as a necessary precursor for political freedom and believed that capitalism was the only system that enabled true individual freedom, defined as non-interference (Friedman 2002, 14; Hayek 1944, 4). For Friedman, the competitive free market, and the specialization it encourages are the prerequisites for both free choice and personal freedom (Friedman 2002, 14). This belief in the ability of competitive capitalism to inculcate personal freedom is why he, and others in the Chicago School, advised the Pinochet regime both before and after the overthrow of the democratically elected Salvador Allende in 1973 (Klein 1997, 79-83).

They believed that given time, the free-market would foster freedom in general, so any persecution of regime opponents would be justified in the long run, through the development of stable liberal economic and political structures. More to the point, these radical liberals genuinely believed that a democratic mandate to undermine the freedom of capital was not truly democratic and did not need to be respected (*ibid.*).⁴ Friedman believed that the free-market was the only feasible system of collective action that also allowed individuals to dissent from the mainstream (Friedman 2002, 25). Society and the state for him was a collection of individuals (a position that inspired Thatcher's famous quote), all acting independently, it did not exist as a reified concept that was subject to historical processes (*ibid.*, 1). So, to interfere in the freedom of action of these individuals, was to undermine freedom itself.

What do we say to the losers?

'What do we say to the losers?' is the most important question posed by the liberal philosopher John Rawls, to a large extent *A Theory of Justice* (1971) represents his attempt to address the needs of the people who lose out in liberalism, the people who are not lucky or able enough to directly benefit from liberal and free-market organisational structures (Fawcett 2014, 338). For libertarians, as opposed to more moderate liberals, the answer to this question is simple. They would say nothing. But this does not equate to complete heartlessness. Libertarian freedom means being free to choose to give to charities, or to volunteer to help the less fortunate (Arneson 2017, 60). In fact, libertarian thought greatly admires private philanthropy, viewing it as the only solution to inequality consistent with individual freedom (*ibid.*). But the libertarian negative conception of freedom means that the individual should be free from all but the most necessary forms of interference. This means that for (most) libertarians, state-led redistribution is coercive and represents an attack on the liberty of the taxed individual (Huemer 2017, 259). However, this same commitment to individual freedom means that libertarians tend to take the stereotypically 'progressive' position on social issues such as the legalisation of drugs, prostitution, gay rights, abortion, and free speech (Brennan 2012, 88-91 & 95). Also, libertarianism has a long history of

⁴ Interestingly, the Pinochet regime lasted 17 years without a reduction in the persecution of its citizens and more recent examples, such as Singapore and China, have shown that free-market capitalism does not necessarily lead to increases in political freedom.

opposing imperial adventures, as well as the excesses of the war on terror in more recent years (Brennan 2012, 154-157; Mises 2005, 79-80).

This section has tried to give an overview of the libertarian view of negative freedom by taking two of the most influential libertarian scholars (Hayek and Friedman) and examining this concept through their work. Importantly, a point of convergence for libertarians is the fact that libertarian freedom is justified on the basis of inalienable and universal ‘natural-rights’ (Rothbard 2016, 22). Therefore, any reform that interferes with this right to individual non-interference, such as attacks on the right to private property, represents a policy that is contradictory to the first principle of libertarian thought (*ibid.*, 126-128).

1.3 Self-ownership and inviolable property rights

Widerquist’s (2009, 43-44) definition provides a useful framework for understanding libertarian ideas, but he was mistaken in including self-ownership in the same category as freedom defined as non-interference. Gerry Cohen (1995, 69-70), the analytical Marxist scholar, claimed that the libertarian concept of self-ownership does arise from their extreme commitment to negative liberty, but it is this libertarian understanding of self-ownership that also provides the intellectual justification for the morally privileged position they place on both property rights and the free-market. Therefore, this next section will consider both the libertarian concept of self-ownership and its subsequent commitment to inviolable property rights.

The Lockean proviso and self-ownership

In relation to property rights, libertarians justify ownership and the near absolute protection of that ownership, on the basis of the principle of ‘homestead’ (Kukathas 2009, 6). This principle is derived from natural law and the definition of freedom in property as espoused by John Locke:

Though the earth and all inferior creatures be common to all men, yet every man has a ‘property’ in his own ‘person’. This nobody has any right to but himself. The ‘labour’ of his body and the ‘work’ of his hands, we may say, are properly his. Whatsoever, then, he removes out of the state that Nature hath provided and left it in, he hath mixed his labour with it, and joined to it something that is his own, and thereby makes it his property (Locke 1823, 26)

This Lockean proviso means that whenever someone applies their labour to nature, they have the right to the property thus created and can dispose of it as they see fit (Locke 1823, 26). From these foundational principles Murray Rothbard claims that, ‘The libertarian creed rests upon one central axiom: that no man or group of men may aggress against the person or property of anyone else’ (Rothbard 2016, 19). This non-aggression axiom is justified on the basis of the libertarian understanding of natural-rights (Rothbard 2016, 22-23), which is best understood through their position on self-ownership. Cohen provides a useful definition of this position, ‘The libertarian principle of self-ownership says that each person enjoys, over herself and her powers, full and exclusive rights of control and use, and therefore owes no service or product to anyone else that she has not contracted to supply’ (Cohen 1995, 12). This concept means that each person has exclusive control over their own being and abilities; and owes no service to anyone else unless they freely contracted to provide it (*ibid.*).

The radical libertarian, Murray Rothbard, claimed that anyone who did not subscribe to this concept of self-ownership was tacitly admitting that slavery was morally justified (Rothbard 2016, 24). And anyone who believed that the right to self-ownership did not include individual control of productive capacity, was implicitly admitting that it is acceptable to make the most productive individuals in society the slaves of the least productive (*ibid.*, 24-25).⁵ This stance on self-ownership is why the right to property is a normative position for libertarians. For libertarian ideologues this self-ownership principle means that it is:

...the absolute right of each man, by virtue of his (or her) being a human being, to ‘own’ his or her own body; that is, to control the body free of coercive interference. Since each individual must think, learn, value, and choose his or her ends and means in order to survive and flourish, the right of self-ownership gives man the right to perform these vital activities without being hampered and restricted by coercive molestation (Rothbard 2016, 23).

This means that for libertarianism, the inherent right to be free from coercion also equates to being free from any societal obligation that you have not freely chosen to enter. This includes obligations to pay tax or abide by state sanctioned property regulations. This places property rights in an area that is akin to human rights, to the extent that they can both be justified on the same normative and universal basis (Rothbard 2016, 311).

⁵ This reversal of Marx’s theory of exploitation is a position that Nozick would develop further (Nozick 1986, 169).

Nozick's entitlement theory (or the theory of justice in holdings)

Robert Nozick found Rothbard's radical commitment to libertarian first principles to be excessive, but he concluded that the principle of self-ownership raised serious questions as to what the state should be allowed to do in a free society (Casey 2010, 90-91; Nozick 1986, ix). Published in 1974, *Anarchy, State and Utopia* (1986) was Nozick's detailed response to both radical libertarianism and moderate Rawlsian liberalism. Once again, Cohen provides a useful summary of the central premise underlining Nozick's understanding of self-ownership, including his defence of private property (Cohen 1995, 113-115). Cohen summarizes Nozick's main propositions as follows:

- 1) No one is to any degree the slave of anyone else. Therefore
- 2) No one is owned, in whole or in part, by anyone else. Therefore
- 3) Each person is owned by himself. Therefore
- 4) Each person must be free to do as he pleases, if he does not harm anyone else: he is not required to help anyone else.
- 5) The external world, in its native state, is not owned, in whole or in part, by anyone.
- 6) Each person may gather onto himself unlimited quantities of natural resources if he does not thereby harm anyone.
- 7) Unequal quantities of natural resources may become, with full legitimacy, privately owned by a section of the population.
- 8) Extensive inequality of condition is unavoidable, or avoidable only on pain of violating people's rights to themselves and to things (Cohen 1995, 113-115).

This deductive reasoning provides a serious philosophical justification behind the previously existing libertarian principle of self-ownership and inalienable property rights, which proceed from natural rights. Nozick was the first to place these libertarian principles on such intellectually sound footings, basically distilling libertarian political philosophy into two coherent first principles around self-ownership and his entitlement theory (or justice in holdings). These concepts mean that due to the self-ownership principle any property that is lawfully accumulated takes on a 'morally privileged origin' and cannot be expropriated because it becomes intrinsically linked to personal freedom (Cohen 1995, 69).

Nozick's entitlement theory states that once property has been developed or acquired fairly and without coercion (principle of acquisition); or has been freely given without coercion (principle of transfer), then this property is morally and legally in the ownership of that individual, to transgress against this property is then a fundamental breach of that person's self-ownership and

natural rights (Nozick 1986, 151-152). The lack of space for civic compassion or state-led amelioration of inequality in these premises is reasoned away in a classical liberal fashion. For Nozick, the lack of options experienced by the property-less is only a legitimate grievance if their position is worse off than in the pre-historic state before the invention of private property (Cohen 1995, 85). Given that productive members of society (who administer private property) have raised the living standards of all through the efficiency of their labour, the less privileged have actually benefited from unequal systems of production in the long run (Nozick 1986, 154-155). Even if in a future libertarian state people might die from hunger in the absence of benevolent private charity, this would still make the less fortunate in no worse a situation than before the invention of private property (Cohen 1995, 85).

Interestingly, Nozick's principle of rectification, responds to the libertarian critique of actually existing capitalism and unfair property distribution (Nozick 1986, 152). Libertarians are realists who recognise how elites have manipulated the free market for their own interests and how significant levels of capital accumulation have been achieved by the modern-day equivalent of robber-barons. On an individual level, the rectification principle allows for the return of property to the rightful owners, in cases of proven theft or fraud (*ibid.*). But on the macro level, it also results in the potential for a period of radical redistribution of property to groups of people who have been victims of systemic state-led involuntary exchange, in order to compensate for the corruption of capitalist elites, before restoring the unfettered invisible-hand of the free-market (*ibid.*, 152-153).

Libertarian property rights as a reversal of Marx's theory of exploitation

Cohen (1995) claimed that it is the political repercussions arising from Nozick's concepts of self-ownership and entitlement theory, that makes libertarianism so fascinating and troubling for Marxists, as these concepts essentially reverse Marx's theory of exploitation. This theory states that the propertied capitalist class appropriate the labour time from property-less workers and then turn this into personal profit to the detriment of society (Cohen 1995, 145). Marxists contend that the worker is the sole owner of his labour time and that any accumulated profits should belong to him and his community, which is essentially a radical left and communitarian version of self-ownership (*ibid.*, 146). Nozick reverses this position of class exploitation by claiming that the

productive citizen in a welfare state becomes the slave of the least productive; as a proportion of his earnings (or labour time) is taken off him by force and redistributed to less hard-working citizens, which violates his natural right to control his own person and abilities (Nozick 1986, 169). Emancipatory and libertarian theory are thus similar in that they both take exploitation as the starting point for their political projects, although the people they view as the exploited parties differ considerably. However, Cohen claims that Rawlsian liberals find this aspect of Nozick's work less troubling because they do not fully embrace concepts of exploitation or alienation and lack a fundamental commitment to egalitarian outcomes (Cohen 1995, 163).

For libertarian scholars, the self-ownership principle is why governments fundamentally mistrust property rights, because they give too much independence from the state to the individual; governments thus try to undermine this self-earned property through populist appeals to the ignorant and property-less masses (Mises 2005, 44). Nozick's (1986) alternative theory of justice (entitlement theory) became the template for serious libertarian thought, and any future scholars who wished to argue for something greater than a minimal state (whether they were liberals or socialists) had to deal with the issues raised in *Anarchy, State and Utopia* (Boaz 1998, 181). For instance, Cohen defended socialist redistribution on the basis that egalitarian patterns in society matter more than complete individual freedom of action and that having obligations to serve other members of your society is not the same as slavery (Cohen 1995, 234-235). But he also acknowledged that the commitment to individual liberty within the thesis of self-ownership is an attractive proposition, which provides a solid justification for individual human dignity, but the logical free-market consequences of this thesis can be refuted by appeals to societal patterns of equality providing a firmer basis for individual human rights (*ibid.*, 25-36).

1.4 The libertarian state

Chantal Mouffe (2018, 31) claims that libertarian thought, as part of the neoliberal project, has provided the intellectual justification for the subordination of democracy to the negative conception of freedom. This means that democracy is placed in a secondary position to liberal values, such as the defence of private property rights and the rule of law, which predominately defends property owners and the status quo (Mouffe 2018, 31-32). It is true that democracy and liberalism are not necessarily correlated within the liberal canon (*ibid.*, 16). For instance, similar

to Hobbes (2017), Berlin argues that freedom defined as non-interference does not have to be linked to democracy or self-government and could be protected in a liberal un-democratic regime (Berlin 1958, 5). Interestingly, some influential modern libertarian philosophers now argue for a limited version of electoral democracy within a liberal state, that prioritises the votes of the best educated and most productive over other citizens, but in which the self-ownership of all citizens (even those who are not allowed to vote) is protected (Brennan 2017).

It may seem like an oxymoron to analyse a hypothetical libertarian state, but libertarianism has always focused on creating a liberal society that truly respects freedom defined as non-interference, which comes from the emphasis that libertarian thought places on praxis (Friedman 2002, xv). In the 1920s Ludwig von Mises claimed that the ideal liberal state would be limited to the defence of private property, preservation of peace, and defending the individual from attack (Mises 2005, 19 & 30). The price of this liberal state, which is founded on the principle of negative freedom, is social inequality. Mises found excessive consumption by elites to be distasteful, but he viewed inequality in resources as an essential motivational tool that can only be lessened by undermining freedom and thus fostering tyranny (*ibid.*, 12-13). Inequality is the necessary partner of free-market competition, which he views as essential for ensuring that only the best and most able people gain control of the means of production (*ibid.*, 42-42). This is the only way of providing the most efficient outcomes, for the greatest number of people. The fact that actually existing capitalism rarely resembles this idealised image is explained by the corrupt intervention of the state and the special interests that influence it (*ibid.*, 39).

Libertarian scholars tend to view their ideas as standing outside the traditional ideological divide, viewing their ideology as neither stereotypically left nor right wing (Boaz 1997, 114-115; Brennan 2012, 13-18). For instance, Mises derided most mainstream right-wing parties as a cartel for elite power that undermines liberal ideals, but he also labels left-wing parties as simply special interest groups trying to extort favours from the state and undermine individual freedom (Mises 2005, 125). Essentially, all mainstream parties are viewed as ‘culturally Marxist’ in that they embrace a class-based struggle that has no place within libertarian politics which focuses on the individual (Mises 2005, 125). Mises acknowledges that his version of ‘classical liberalism’ (what we would call libertarianism today) could be viewed as the true ‘party of capital’, but he views this as a positive simplification, because in a truly capitalist society people would have equality of

opportunity, peace, and the protection of law (*ibid.*, 143). So, libertarian ideology portrays free-market capitalism as the best system to see to people's needs, while still protecting individual freedom; the fact that it at times produces misery and want is irrelevant, this is the price of freedom (*ibid.*, 147).

Mises was the main inspiration behind Hayek's mistrust of ideological moderates, whether they were socialists or liberals; in fact, Mises labelled all these centrist reformers as 'philosophical socialists' (Fawcett 214, 264; Mises 2005, ix & xiii). For libertarians, it is lack of conviction in liberal first principles that leads to much, if not all, of the problems in bourgeois liberal democracies (Fawcett 2014, 264). They believe that centrist compromises to regulate the free-market will continually chip away at personal freedom and property rights, until in the long run, nothing remains but the tyranny of the state. Libertarians view the invisible hand of the free-market as intrinsically meritocratic because it does not discriminate on the basis of race, gender, or class (Whyte 2019, 157-159). For instance, Hayek viewed statecraft as a battle between those who sought limited security for the individual and those who sought absolute security, which can only come through an eventual militarised tyranny (Hayek 1944, 89-90). For Hayek, those who seek to develop absolute security through market intervention will only increase the insecurity for the majority of citizens who are not privileged in a planned state (Hayek 1944, 96). His ideal libertarian state would be one in which, 'coercion of some by others is reduced as much as possible in society' (Hayek 1960, 11). Friedman also believed that any interference by the state on the will of the individual represented a reduction in freedom, even when this was unavoidable (Friedman 2002, 2-3). This is why he viewed the economy as a check on state power, as the free-market was made up of millions of individual free choices, all beyond the ability of the state to control (*ibid.*). Therefore, concentration of wealth was not something to be feared, as the more millionaires, the greater the power of individuals to rein in the state (*ibid.*, 15-16).

However, Hayek and Friedman were only against state intervention when it impacted on the competitive free-market, they were not free-market anarchists, and something like minimal state-led unemployment schemes were foreseeable in their ideal libertarian state, as long as these schemes were not compulsory and had optout clauses (Friedman 2002, 188-189; Hayek 1944, 27-31). The more extreme end of the libertarian spectrum would view any state, even a minimal nightwatchman state, as oppressive; instead, they seek voluntary private associations that would

mirror minimal state support (such as protection from violence), that people could consent to join or opt out from, without repercussions (e.g., Hoppe 2018; Rothbard 2016; Simmons 2005; Stringham 2017). These more radical libertarians view Hayek and Friedman as important thinkers, but also as ‘lukewarm’ and ‘ambivalent’ in their commitment to the free market, due to their acknowledgment that some state intervention may be necessary to protect the most vulnerable (Block 1996, 339 & 358). For Rothbard, a laissez-faire worldview is not just reserved for the economy, he also calls for radical free-market positions that would see the dismantling of even a minimal state through the privatisation of the police, the law (which would be replaced by private protective agencies), and the courts (Rothbard 2016, 160-175). In his ideal state, unemployment benefits and public health care would be non-existent or taken care of by voluntary or church led charity (*ibid.*). According to Rothbard, moderate libertarians who are willing to work gradually towards libertarian policy goals within mainstream right-wing parties are only committing themselves to continuous domination by the state (*ibid.*, 226).

Nozick's minimal state

As previously discussed, Nozick was inspired by Rothbard's radical commitment to the libertarian concept of self-ownership. *Anarchy, State, and Utopia* (1986) is divided into three parts, each part coinciding with the three main concepts of the title. In part I, he attacks the *ultramiminal state* of free-market anarchism as espoused by Murray Rothbard; while still acknowledging the accuracy of libertarian first principles (Brennan and van der Vossen 2017, 201). In part II, Nozick argues for his preferred *minimal state*, which combines libertarian theory with some concessions to a central authority (*ibid.*). From this position he argues that moderate liberals like Amartya Sen and John Rawls, misunderstand the intrinsically oppressive nature of the state and are too willing to sacrifice individual freedom in the name of fairness (*ibid.*). Finally, in part III, he develops the model for his preferred minimal state. The closest thing to a libertarian state that he feels a coherent commitment to freedom will allow.

As per the ‘veil of ignorance’ adopted by Rawls (1971, 12-13), Nozick also uses a thought experiment to imagine what type of a state would emerge if we were to start from scratch in a state-of-nature, with freedom defined as non-interference being the main political motivator (Nozick 1986, 10-11). Nozick's state-of-nature theory claims that a first people would naturally

form voluntary protective agencies, so that the individual could gain protection from the brutality of both nature and man (*ibid.*, 13-15). But these protection gangs would be numerous and anarchic, making order and retribution difficult to obtain (*ibid.*). There would also be the near certain risk that a dominant protective agency would emerge. Through organised violence and successful conflict this dominant agency would gain more clients, eliminate competitors, and become a regional power equivalent to a state, with fixed borders around its area of operations (*ibid.*, 16). However, this dominant agency would be worse than a state because it could not ensure a monopoly of force and it would only be obliged to defend the inviolable rights of its clients, not all the people in its area of control (*ibid.*, 25).

For Nozick, this period of free-market protective agencies is too anarchic to be acceptable to reasonable people; the invisible hand of the free-market would ensure that ‘morally justified’ people would choose to form more efficient *ultraminimal* states (Nozick 1986, 52). Nozick argues that this *ultraminimal* state somewhat resembles the preferred option of radical libertarians like Murray Rothbard; it holds a monopoly in the use of force, it is limited to ensuring freedom and personal protection, but it only provides protection to those clients who subscribe to its services (*ibid.*, 26). Essentially, there is an optout clause for those who want nothing to do with a state. But for Nozick, the fact that this state does not protect all people’s rights equally cannot be morally justified. Therefore, the invisible hand of the free-market would again ensure that ‘morally justified’ people would choose to form a stronger *minimal* state (*ibid.*).

This state is similar to the *ultraminimal* state of radical libertarianism, but it also includes no optout clause for citizens and some minimal version of state-led welfare provision that would resemble Friedman’s voucher plan of tax credits (Friedman 2002, 177-190; Nozick 1986, 26). For Nozick, the key feature of an ideal *minimal* state should be its organic emergence from a state-of-nature and that it should naturally evolve through the invisible-hand process, in a series of developments that do not violate any individual’s rights or self-ownership (Nozick 1986, 52). This ‘morally justified’ position based on self-ownership and negative freedom means that Nozick believed that, ‘The minimal state is the most extensive state that can be justified. Any state more extensive violates people’s rights’ (Nozick 1986, 149). The minimal state is the only end-state that results from a just process that leads directly from protective agencies to a minimal state, without any interference with the free choices of adults. For Nozick, this *minimal* nightwatchman state is

the closest that any state can actually come to a utopia, because whenever a state tries to accomplish more than this bare minimum it violates individual freedom and if a state tries to do less it only fosters chaos (Nozick 1986, 149- 152).

However, although greatly admired, Nozick's *minimal* state theory was also strongly criticised by more radical libertarians (e.g., Block 2002; Casey 2012; Hoppe 2018; Rothbard 1974; Rothbard 2016). This radical brand of libertarianism felt that even a *minimal* state would threaten freedom to an unacceptable degree. They claim that there should always be an optout clause for the individual from the state and that Nozick underestimated the ability of the free-market (through protective agencies) to eliminate the need for any centralised law system or state (Rothbard 2016, 48 & 55). This critique of more establishment theorists from the radical fringes is typical of all ideologies that have a defined political project, as opposed to more cerebral post-modernist ideologies that lack any real activist base or commitment to praxis. Nozick defended his conception of the *minimal* state from both Rawlsian liberals and radical libertarians by claiming that:

The minimal state treats us as inviolate individuals, who may not be used in certain ways by others as means or tools or instruments or resources; it treats us as persons having individual rights with the dignity this constitutes. Treating us with respect by respecting our rights, it allows us, individually or with whom we choose, to choose our life and to realize our ends and our conception of ourselves, insofar as we can, aided by the voluntary cooperation of other individuals possessing the same dignity. How *dare* any state or group of individuals do more. Or less. (Nozick 1986, 333-334)

However, his cogent defence of the minimal state does not include any requirements for democracy; once again, liberal rights and freedom are not correlated with democratic rights in the liberal canon (Arneson 2017, 58). The fact that Nozick's conception of the *minimal* state, which has inspired all libertarian thinkers, has provided no morally privileged position for democracy is a surprising admission. Fundamentally, there is no democratic requirement on a libertarian state once freedom defined as non-interference is respected. The libertarian philosopher, Richard Arneson, argues that 'The libertarian sees no special moral merit in democracy and holds that the only equal moral status for all that we should accept is that each and every adult person equally possesses the same basic moral rights, and all persons ought always, without exception, to respect the moral rights of every other' (Arneson 2017, 58). So, once again, the libertarian conception of natural rights emanating from negative liberty and self-ownership are fetishized within libertarianism, democracy is a secondary consideration (a pleasant extra), but if libertarian freedom

and democracy come into conflict with each other in a hypothetical state, then it is the libertarian conception of freedom that takes precedence (Mouffe 2018, 31-32).

Conclusion

Gene Callahan (2013, 48) has suggested that libertarianism conforms to Oakeshott's theory of rationalism in politics. As it represents, '... an urge to sanctify one value above all others as a logical requirement of striving for deductive political truths', in this case an idealised (and radical) understanding of freedom defined as non-interference (Callahan 2013, 49). Freeman (2001) has used the radical and anti-establishment nature of libertarianism to argue that it should not be considered part of the liberal tradition which tends to value moderation and avoid high risk political projects. However, what differentiates libertarianism from other forms of liberalism is just the extent of its commitment to the first principle of negative liberty (Gilmore 1990, 9). Callahan (2013, 48-49) is right to focus on the libertarian desire for universal political truths emanating from their understanding of freedom, and it is this commitment that makes libertarianism the preferred ideology for radical liberals. Essentially, libertarianism can be viewed as the ideology that represents radical liberalism and it is the modern iteration of the classical liberal tradition which prioritises freedom defined as non-interference above all other values.

This radicalism means that libertarianism has much in common with the radical thought among its opponents on the left. For instance, both radical left ideologies and libertarianism are non-consequentialist, to the extent that they both prioritise principles before consequences (Newey 2010, 17). For example, even if you could somehow prove beyond any doubt that the state could provide housing more efficiently and equitably than the free market, libertarians would still not support state provision because it would foster a dependency culture and represent the most successful (or hardworking) being coerced into supporting the housing needs of the least successful. Similarly, if you could prove to a Marxist that the free market could provide housing more efficiently than the state, she would still not support a market driven housing policy because Marxists view housing as a human right that should be held in collective ownership and provided based on need, not based on market forces. And libertarian faith in 'spontaneous order' and the guiding hand of the free market is as utopian in its policy preferences as any left-wing radical (Newey 2017, 14).

However, it is also this commitment to first principles that often makes libertarianism less reactionary than more mainstream liberal thinking when it comes to foreign policy or social issues. For instance, during the Cold War most libertarian thinkers preferred a policy that involved trade, non-aggression, and containment, over military confrontation with the Soviet Union (Friedman 2002, 35; Mises 2005, 117). Libertarianism also tends to be suspicious of nationalism and avoids anti-immigrant populism to the point of supporting open borders, with the world-wide free movement of both capital and people being an end goal (Block 1998, 167-168; Mises 2005, 103-105). Whole sections of the anti-establishment tech culture have been organised through libertarian principles, from Anonymous, to crypto-currencies, to the Snowden leaks, through to the anti-state dark net sites like Silk Road and Agora; where laws in relation to the sale of weapons and drugs are openly subverted (O'Hagan 2015, 8). In fact, Ayn Rand's *Atlas Shrugged* (1997) inspired many of the Silicon Valley entrepreneurs when they were angry teenagers (Chafkin 2021, 212-214). Even within the socially conservative Republican Party, the libertarian congressman Ron Paul took an unusually principled position against the use of torture and summary executions authorised by the executive, which placed him to the 'left' of many Democrats when it came to these issues (Burns 2012, 48). On the 'war on drugs' libertarians were early proponents of the inherent class and racial discrimination at the heart of prohibition policies and most libertarians support the legalisation of the drugs market (Brennan 2012, 37). So, in order to understand what constitutes libertarian ideas it is necessary to grasp the extent of their commitment to negative freedom, and from this the libertarian commitment to self-ownership and inviolable property rights, which then become the basis for their preferred policy that would be implemented in a hypothetical libertarian state (Widerquist 2009, 43-44).

However, there are some significant contradictions at the heart of the libertarian political project. First, we have already seen how a libertarian state does not necessarily equate to a democratic state. Second, libertarians either underestimate the monopolistic tendencies of capitalism, or as is the case with the libertarian entrepreneur Peter Thiel, they are completely unconcerned about the potential for privately owned monopolies in a free-market system (Chafkin 2021, 134-137). Instead, they view them as a desirable goal for a successful business, a just reward for strong competitive practices (*ibid.*). Finally, the *minimal* state is still a large and well-resourced proposition in the modern world; consequently, libertarians underestimate this state's potential for

both coercion of the individual and exploitation by rent-seekers (Runciman 2021, 19). In criticising this *minimal* state as described by Nozick (1986), David Runciman claims that libertarians:

... would have us believe that unregulated, free-market capitalism is somehow diametrically opposed to state capitalism. One encourages innovation; the other stifles it. What [Peter] Thiel demonstrates is that unregulated, free-market capitalism is in fact closely aligned to state capitalism. Deregulation means that nothing constrains the monopoly power of the security state and nothing gets in the way of people selling it their bogus and corrupting wares (Runciman 2021, 19)

So, the *minimal* state reduces the work of the state to predominately security services, then this hollowed out security state becomes the target of unscrupulous service providers hoping to profit from state shrinkage. To some extent, this flawed outsourcing of state provision already became the norm during the neoliberal period (Crouch 2016). Interestingly, many of the most prominent wealthy libertarians – such as Peter Thiel, Elon Musk, and the Koch brothers – have benefited from significant state contracts (Runciman 2021, 19). In fact, it could be argued that the *minimal* state provides the greatest opportunity for capitalists to leverage their connections to make significant amounts of money from the state (*ibid.*).

Chapter 2 – Literature Review: Ideas and Policy

Introduction:

Why does libertarian influence fluctuate within mainstream right-wing party policy? Why are libertarian activists within centre-right parties able to deliver on their preferred policies at some critical periods but not during other crises? The purpose of this chapter is to review the relevant body of literature that provides answers to these questions, and to situate the current thesis within the literature that specifically provides explanations for ideological movement and policy change within institutions.

The first section reviews the position of those who view ideational change as analogous to the swing of a pendulum. In that policy change is viewed as part of a combative process that fluctuates between market and societal forces, or policy stability and political crisis. Therefore, the literature on Polanyian forces and Punctuated Equilibrium Theory (PET) will be placed in the same section, based on a similarly reactive view of policy change (Blyth 2008, 7-9). The second section deals with the literature on hierarchical political movements, which highlights the agency of elite individuals or ‘political entrepreneurs’ in bringing about their desired policy change (Leighton and López 2012). For these scholars, agency matters when it comes to political movements and public policy change. This includes the agency of political actors attached to libertarian think-tanks and institutes, who have been credited with delivering their preferred policy change within centre-right parties, especially in the anglosphere (e.g., Bailey et al. 2012; Cockett 1995; Mouffe 2018). The third section focuses on the role of ideas and ideological contradictions in policy change, with a special emphasis placed on Gramscian research into ideological movement within party politics resulting from policy responses to ‘crises of legitimacy’ which threaten the hegemony of the capitalist system (Gramsci 1999, 217-221). This section includes the role of ideational power in delivering policy change, specifically as this relates to the role of elites (and their ideas) in constructing policy responses (e.g., Carstensen and Schmidt 2016; Hardiman and Metinsoy 2018).

The conclusion demonstrates how this work builds on these three categories of research to posit a theory that views crises of all sorts (not just economic) and policies contradictory to liberal principles as the main causal factors behind the growth of libertarian ideological responses within

right-wing parties. The agency of ideologically-motivated actors matters in delivering libertarian policy change, but this thesis argues that libertarian ideologues can best pursue their objectives within mainstream right-wing parties when a political crisis interacts with pre-existing policy that contradicts liberal ideological preferences.

2.1 The pendulum swing: The Polanyian Double Movement

Karl Polanyi's (1954) 'double movement' theory claims political actors form alliances based on an ideological division between those who support the needs of the 'market' and those who support the needs of an 'organized social life' that aims to ameliorate the crisis-prone tendencies of the free-market (Polanyi 1954, 243 & 257). The 'market' force includes an alliance of those parties and interests that favour more market freedom. The 'societal' force represents a cross-class alliance of workers, rural landowners, traditional conservatives, and social democrats which seeks to rein in the excesses of the free market in order to stabilise the capitalist system and thus preserve its legitimacy in the eyes of voters (Fraser 2013, 120; Polanyi 1954, 357).

Polanyi argued that the free-market ideology preferred by classical liberals was dangerously utopian, as the lack of regulation in a truly capitalist system would regularly lead to periods of societal collapse (Polanyi 1954, 210). He claimed that the First World War and the Great Depression were examples of the chaos unleashed by periods of 'spontaneous order', or light-touch state regulation, which leads to a backlash against free-market forces by its opposing force among the coalition of interest groups that support a more heavily regulated market system (Polanyi 1954, 3). So, for Polanyi, policy change is subordinated by the processes unleashed by this 'double movement' between free-market and societal forces (Polanyi 1954, 79-80). This means that policies linked to social democracy, communism, and fascism can all be understood as various attempts by ideological partisans to harness the powers of the state in order to address the problems created by market forces (Polanyi 1954, 257-257). In effect, for Polanyi, significant policy change swings from periods of free-market reform to corresponding periods of increased state regulation. If this state regulation of market forces fails, then cataclysmic crises can emerge, such as the Great War (*ibid.*).

Recent scholarship has returned to the Polanyian ‘double movement’ explanation of institutional change in order to define the neoliberal turn since the 1970s as part of a ‘second great transformation’, similar in its magnitude to the original transformation from feudalism to industrial capitalism (e.g., Burawoy 2000; Brie and Klein 2011; Fraser 2014; Zincone and Agnew 2010; Webster and Lambert 2009; Bernard 1997; Holmes 2014). For these scholars, the move towards more libertarian economic policy within party politics, between the 1970s and the Great Recession of 2008, is a result of Polanyi’s ‘double movement’ swinging away from the societal regulation of the post-war years and towards more free-market policy options. For instance, Burawoy (2010) argues that the creation of a global market economy after the fall of the Soviet Union was the final step in this ‘second transformation’ which led to the total ideological hegemony of the liberal system developed in the Global North (*ibid.*, 693-695). And Holmes (2014) uses Polanyi’s analysis of the gold standard as a universal currency to draw parallels between the first market transformation and the Eurozone crisis. He shows how universal monetary integration is used by those sympathetic to ‘market forces’ to depoliticise the potential uses of money and place limits on social democratic policy options through technocratic institutions biased towards the ideals of stability and ‘sound money’ (Holmes 2014, 598). This means that policy decisions made by political parties are constrained by rules set by unelected officials, thus cementing a policy shift towards light-touch state regulation. Interestingly, Holmes views the Eurozone crisis as an opportunity to challenge the ideas behind monetary union which has been used as an ideological tool to limit the policy options open to political parties and, overall, prioritises the needs of market forces over society (Holmes 2014, 598-599).

Of these neo-Polanyian scholars, Mark Blyth (2008; 2013) is the most relevant for answering the central research question of this thesis, as his work argues that ideas and interests are essential drivers of institutional change, as well as being neglected variables within a Polanyian double movement (Blyth 2008, 7 & 45).⁶ He does not define the interests’ of actors based on a narrow utilitarianism or with a Marxist focus on class conflict. Instead, he claims that the role of agents is strongest when they define what actually constitutes an economic crisis and argue over the possible policy solutions to that crisis (*ibid.*, 9-10). This is because, ‘...what constitutes an

⁶ Surprisingly, Polanyi did neglect the role of ideologically motivated actors within his theory, but he did provide an in-depth history of the evolution of laissez-faire capitalism as an elite-led idea which directly caused the crises of the first half of the Twentieth Century (Polanyi 1954, 141-171).

economic crisis *as a crisis* is not a self-apparent phenomenon' (*ibid.*, 9).⁷ So, actors within political parties exert their agency over policy change, through crisis definition and through limiting the potential policy solutions to these crises. Elite actors create an ideological band-width of what constitutes acceptable policy options within political parties, their ideas are thus weaponised to attack the status-quo and push through their preferred policies (*ibid.*, 39-40). This is why agents' interests are important in Blyth's double movement because, '...in periods of *economic crisis*, it is imperative to attend to the *economic ideas* that key economic agents have' (*ibid.*, 10, italics in original). For Blyth, the ideas that these elite actors hold become more influential during periods of crisis and it is at these critical periods that ideas can shape policy responses within political parties. Blyth would put this conclusion that ideas matter in times of economic crisis to further practical use by tracing the history of 'austerity' as an idea and its subsequent application by party political elites as a solution to the Great Recession, despite ample evidence of its failure as both a policy and as a crisis diagnosis (Blyth 2013, 165 & 229). For instance, in most countries, financial capitalism, tax reductions, and the deregulation of market forces did far more to create the crisis than excessive state spending. In essence, Blyth argues that the concept of 'austerity' in party policy has been used to avoid reining in market forces and as a mechanism for cutting state balance sheets in order to provide enough fiscal space for any future financial bailouts that may prove necessary to protect the system (Blyth 2013, 230-236).

The ideas held by political actors in political parties can be predominately supportive of either market or societal forces, depending on the double movement cycle (Blyth 2008, 29). But it is through these ideas that new institutions are created from the old, and a new period of policy stability (or equilibrium) is formed (*ibid.*, 40-42). Blyth's focus on the dismantling of 'embedded liberalism' led him to select cases dealing with those areas of economic activity most linked to social democracy, such as the state, organised labour, and organised business (*ibid.*, 13).⁸ This analysis of neoliberal reforms limited his thesis to the interaction between economic crises and economic ideas. The economy may be the dominant force behind historical changes in policy (Marx 1859, 20-21), but Blyth's economic focus neglects non-economic crises, which may also be important factors behind policy change and are addressed in the central thesis of this research.

⁷ Or, at least, not always self-apparent to everyone. For instance, inflated property prices and high rents represent an immediate crisis for younger citizens, but much less so for older homeowners

⁸ For Blyth, 'embedded liberalism' refers to the post-war social democratic consensus.

Nancy Fraser (2012; 2014; 2016) is another Polanyi influenced scholar of relevance for this research question. She argues that there is actually a third Polanyian force operating in the current era which involves an alliance of certain elements within emancipatory social movements (such as gay rights and third-wave feminism) with the interests of free-market capitalism (Fraser 2016, 113). She argues that this force of ‘progressive neoliberalism’ mobilised in reaction to the patriarchal conservatism of the social democratic era and to the economic failure of social democracy, as witnessed through stagflation and the crisis of capital accumulation (*ibid.*, 112-113). This ‘third force’ represents a potent mix of individual social freedom with free-market fundamentalism, and it could be read as a successful adaptation of capitalism to the contradictions in the post-war relations of capitalist production. For instance, discouraging women from becoming full-time workers made no sense economically and there is no profit in racial discrimination. In effect, this ‘third force’ in policy change can be viewed as an authentic version of libertarian freedom, as individual freedom from interference is combined with free-market policy solutions.

In terms of policy choices, this third force addresses the most oppressive aspects of traditional social relations – such as discrimination against women and homosexuals – but the market manages to escape reform. In fact, such socially liberal reforms require very little sacrifice from party political elites as they generally incur minimal financial cost to the state. And, if anything, they are good for business as they open the market up to newly enfranchised consumers. Fraser (2016, 133) argues that it is this interaction between individual freedom and market freedom that makes this libertarian third force so appealing to young professionals within the Global North. This work builds on this theory by identifying libertarianism as the most potent force of this ‘progressive neoliberalism’ operating within the sphere of right-wing politics, which lobbies for permissive social values combined with radical free-market policy options within mainstream right-wing parties.

Fraser (2014) has also argued that many Marxist and neo-Polanyian scholars – Blyth (2008) included – have focused on only one dimension of a crisis, which is the economy. They have forgotten that Polanyi has identified three other dimensions of crises, which are: ecology, society (e.g., the increasing financial burden of raising children), and financial capitalism (Fraser 2014, 542). These all represent contradictions within capitalism, as each form of crisis damages the

ability of the system to sustain production. For example, the potential environmental limits on capitalist production are now widely acknowledged (e.g., Klein 2015; Sheppard 2016; Speth 2008). But, as a feminist, Fraser focuses on the implications of the crisis in societal relations, because it is the entry of women into the labour market that has increased the commodification of care work that was previously the unpaid labour of women (Fraser 2014, 551). This commodification of care for children and the elderly has coincided with a reduction in welfare-state provision. This means that lower paid workers increasingly struggle to fund the care of their relatives, thus making it more difficult to sustain the social reproduction (or birth rate) necessary for capitalist growth (Fraser 2014, 550-551).⁹ This kind of Polanyian focus on alternative dimensions of crises is important to provide a more nuanced view of policy change within political parties, which are voter facing institutions and thus accountable for the everyday problems faced by citizens. So, in answering the central research question of this thesis, it will be important to develop Fraser's view of alternative forms of non-economic crises in order to avoid an economically reductionist theoretical framework.

Also building on Polanyi's work, Greta Krippner (2011) has claimed that policy crises are not just economic in their origin but are also concerned with values and ideology (*ibid.*, 145). She argues that it was a combination of a social crisis, a legitimisation crisis of the political class, and the economic crisis of stagflation, which created the opportunity to move public policy from Keynesian market control towards a deregulated financialised economy (Krippner 2011, 18-19). For instance, she claims that the legitimisation crisis of the 1970s was especially stark, as between 1964 and 1970 the number of US citizens who believed that government officials were incompetent increased from 27 to 69 per cent (Krippner 2011, 19). These social and legitimisation crises were brought about by an increase in tensions resulting from the 1960s counterculture and the organised opposition to the Vietnam War (*ibid.*).

However, it was the crisis of stagflation that heightened these areas of conflict and necessitated an immediate policy response by party elites. Krippner (2011) argues that the policy changes made to tackle this economic scarcity led to the increased financialisation of the economy in order to provide a quick fix to the problems of the liberal state rather than long-term solutions

⁹ Much research has been produced on the 'global care chains' that require the importation of migrant workers from poor to rich countries in order to fill this care deficit and to provide a youthful balance to aging populations (see: Elson 2002; Folbre 2001; Hotchschild 2002; Rai et al. 2014).

(*ibid.*, 139).¹⁰ At each critical juncture policy makers decided to pass hard choices to market forces, first by deregulating US internal markets in the 1970s, then by liberalising global capital flows and ending federal credit supply controls in the 1980s (Krippner 2012, 12). So, each policy crisis was met with an easy policy solution of pumping the economy with an artificial hit of readily available capital or credit. This succeeded in increasing economic growth in the short-term, but it failed to counteract the structural economic problems that were leading to a decline in the quality of middle-class jobs.

Krippner's research adds to Polanyi's work by showing that the swing to market forces was a deliberate political choice by party political actors; consequently, it was under a significant amount of political control and was designed to pass responsibility for negative outcomes to the markets, in order to avoid a voter backlash against their respective parties (Krippner 2012, 12-13). Importantly, this policy shift was embraced by policymakers within both centre-left and centre-right political parties and was supported by 'policy experts'. This differs from Polanyi's conclusion that it is capital owners who push for free-market policies over the objections of the state, because in the financialisation of the world economy it was the collaboration of party political actors and financial actors that outsourced policy decisions on the economy from the state to the market (Krippner 2012, 15). Political elites were happy to pass political accountability (and responsibility for economic policy design) over to the market and unelected technocrats, while capital owners were happy to see the increased returns on capital that financialisation policies delivered. For Krippner, this fluctuation in libertarian policy solutions was thus instigated by a series of crises leading to policy choices in political parties that outsourced policy control of the economy to market and technocratic forces.

Streeck (2011; 2014) echoes Krippner's (2011) analysis that the policies of financial liberalisation were used as a delaying tactic by political agents who were unwilling (or unable) to deal with the serious problems endemic to the capitalist system of the 1970s. He claims that:

All that governments were able to achieve in dealing with the crises of their day was to move them to new arenas, where they reappeared in new forms. There is no reason to believe that

¹⁰ This process of deregulation being used as a substitute for tough structural reform in the US builds on similar research in other countries in the Global North, such as France, Germany, and Japan (see Deeg 2005; Levy 2005, Vogel 2005).

this process – the successive manifestation of democratic capitalism’s contradictions, in ever new varieties of economic disorder – should have ended (Streeck 2011, 24).

He named this series of delaying policies instigated by party political elites as ‘sequential displacement’ (Streeck 2011, 23). This displacement started in the form of market deregulation in response to stagflation, it continued with the opening up of global capital to fuel state debt and culminated in the ‘privatized Keynesianism’ that fuelled economic growth through the debt accumulated by individual citizens (Streeck 2011, 17; 2014, 33 & 66). For Streeck (2011), the pendulum of Polanyi’s double movement swung completely towards market forces with the policies that socialized the accumulated losses of the world’s banks after the Great Recession of 2008 (*ibid.*, 20). In effect, the policy decisions made to nationalise private debt is the result of the total policy dominance of market forces. The current inability of democracies to exert control over the market, and the implementation of austerity as the dominant policy solution to the crisis of capital, represents the pinnacle of capital owners’ power over societal policy concerns (Streeck 2011, 29). However, importantly for this research, Streeck fails to acknowledge that libertarian actors are as enraged with the nationalised losses as the radical left. He does not deal with the fact that many free-market ‘true believers’, such as libertarian ideologues, were disgusted by these policy choices, and does not address their opposition to these policies within right-wing parties. The central research question of this thesis attempts to address this gap in his analysis of political elites within right-wing party politics.

The pendulum swing- Punctuated Equilibrium Theory

Blyth (2008) has linked Punctuated Equilibrium Theory (PET) to Polanyi’s double movement as both theories have a similarly reactive view of institutional change; along with a shared understanding that significant and fast-paced change often occurs during punctuated periods of crisis, which then leads to a new policy equilibrium (*ibid.*, 7-9).¹¹ For Polanyi, periods of market-led transformation follow after a period of societal dominance, but for PET periods of policy stasis

¹¹ Unlike the double movement theory, PET is a relatively recent development, originally designed in the 1990s to explain US policy making, it has since been applied to other liberal democratic states in a general theory of policy process (Baumgartner, Jones and Mortensen 2014, 59). While much of the credit for the early dissemination of the field of PET studies rests largely with Baumgartner and Jones, it has since become a theory used by many different scholars across multiple topics (Baumgartner, Jones and Mortensen 2014, 59)

precede a period of crisis. However, in effect, both theories view policy change as being partially subordinated to reactive forces.

PET states that institutional change usually occurs gradually over time, a slow process of incremental policy adaptation by political actors in the face of evolving public policy challenges. This stability is known as a period of policy equilibrium. However, occasionally there comes a moment when ignored tensions that have built up over a period of equilibrium, lead to a significant policy crisis that requires an immediate policy response (Baumgartner, Jones and Mortensen 2014, 59-60). Political agents then define this crisis in the public discourse, which depending on the agenda set by the public's own interest, will either lead to a significant policy break with the past or a reinforcing of the previous policy agenda; either way a new equilibrium is achieved (*ibid.*, 60). So, periods of policy stasis can lead to punctuated periods of crisis that require some sort of public policy response in order to achieve a new equilibrium.¹² For example, the issue of liberalising Ireland's abortion laws was not a political priority in 2012 until Savita Halappanavar died after repeatedly being refused a termination during difficulties in her pregnancy (Holland 2018). This crisis punctuated the previous policy stasis and galvanised pro-choice forces to push for significant policy reform, culminating in the referendum to repeal the Eight Amendment and a new policy equilibrium based around a more liberal access to abortion. For PET, an event like this is an example of positive feedback in policy making, in which a relatively small change in the objective facts leads to a 'bandwagon effect' and a breach in the policy stasis (Baumgartner and Jones 2002; Baumgartner, Jones and Mortensen 2014, 64-65). This shows the key role that issue definition and agenda setting have in the policy formation process; for instance, how a policy crisis is defined by political actors controls its rise and fall on the public's agenda (Baumgartner, Jones and Mortensen 2014, 60). This in turns determines if there will be a successful break with past policy and a new equilibrium established, or if the policy status quo will remain after a short period of turmoil.

PET scholars have highlighted the role that emotive 'policy images' – such as that of Savita Halappanavar – have for policy change (see Baumgartner and Jones 1991; 1993; Jones 1994; Repetto 2006; Talbert, Jones and Baumgartner 1995). For instance, the 'policy image' that

¹² A simplified model for this process would be: Institutional equilibrium → punctuation → new institutional equilibrium (Blyth 2008, 7).

Baumgartner and Jones (1991, 25-28) exemplify is that of nuclear power changing from an image of technological advancement to one of environmental degradation, aided by political actors within the environmental movement. Successful policy images like these can break a period of equilibrium, aiding a reaction against the previous status quo and enabling a change in public opinion.¹³ For instance, Germany is in the process of winding down its once extensive nuclear industry, mainly due to voters' concerns around ecology and safety.

Again, it is important to note that most policy change is not as punctuated as these fast changes in 'policy images' would suggest, most policy change occurs at a 'subsystem' level that operates under the radar of the public agenda and results in incremental change (Baumgartner, Jones and Mortensen 2014, 67). This is known as negative feedback in policy making, which is the period of relative policy stasis that maintains the status quo (Baumgartner and Jones 2002, 4-5). Conversely, the crisis-driven periods of fast-paced change occur at a macro level that allows for a clearly defined 'crisis' in public policy to overcome governmental inertia (Baumgartner, Jones and Mortensen 2014, 68). This process of punctuated equilibrium has been reliably applied to diverse policy areas, such as education (Manna 2006; McLendon 2003; Robinson 2004), gun control (True and Utter 2002), government spending (Jones, Baumgartner and True 1998; True 2000; Jones et al. 2009) and even international relations (Cioffa-Revilla 1998; Goertz 2003; Shiftman 2003).

Blyth (2008, 7-9) was correct in linking the double movement to PET scholarship, at least to the extent that both view the role of ideas and interests as being central to the process of institutional policy change. They are both also theoretically reactive, in that the double movement sees policy change as swinging between market and societal forces, while PET swings from periods of policy stasis to punctuated periods of crisis before returning back to a new policy equilibrium. Polanyian scholarship emphasises the influence of ideas and structural forces on policy makers' decisions more than PET, but PET is stronger on the role of elite agents in defining crises and setting the public agenda in order to provide the sufficient political momentum for significant policy change. In answering the central research question, this thesis will draw upon the strengths of both theoretical frameworks so that the role ideas and structural economic changes

¹³ In Gramscian terms, these policy images can change the dominant 'common sense' narrative adopted by the general public, which limits what is viewed as politically viable (Hall and O'Shea 2013, 4).

are included in an analysis of elite (ideologically driven) actors influencing policy change within political parties.

Importantly, this thesis differs from most PET scholarship in viewing the policy contradictions and crises that repeatedly cause punctuated periods as being a fundamentally systemic part of the capitalist system rather than a simple side effect of policy stasis and a lack of public policy discourse (Streeck 2011, 17-23). Blyth (2008, 8) has also critiqued PET on the basis that the identification and definition of a crisis is not always apparent to institutional actors at the time of a crisis. But this research will defend the PET position as regards the ability of institutional actors to identify crises of interest to the general public; at least to the extent that this agenda setting relates to agents within the institutions of political parties, given that they are politicised and educated elites who are incentivised to quickly adapt to the policy concerns of the voting public.

2.2 Elite-led policy change: The interaction of elite agents and political movements

In answering the central research question, this research also contributes to the literature on the influence of elite-led political movements within party politics, with much of the focus being on top-down organisational structures that involve libertarian influenced organisers leading a more socially conservative base within the Tea Party (see: Bailey, Mummolo & Noel 2012; Schlozman 2015; Skocpol and Hertel-Fernandez 2016; Skocpol and Williamson 2012; MacLean 2017; Williamson, Skocpol & Coggin 2011). This research favours the role of elite-level competition and ideological self-identification in party political ideational change, over research that follows a more Downsian theoretical perspective that concentrates upon market-driven change based upon elite perceptions of voter preferences (see Buckler and Dolowitz 2012; Bale 2008; Dorey 2007; Denham and O'Hara 2007; Kerr 2007). The former literature concentrates on the hierarchical organisational structures of the Tea Party and other movements within the US that have changed Republican Party policy. The latter research is based on the ideational change – which has now proven temporary – within the Conservative Party in the lead up to David Cameron's leadership and charts the movement away from a Home County conservatism towards the more metropolitan liberalism of Cameron's Notting Hill set, which does resemble a modest form of libertarianism (Dorey 2007, 162-163).

In answering the proposed research question, this research will argue that ideational change within party policy largely conforms to May's (1973) law of curvilinear disparity, in which party elites attempt to temper the ideological instincts of more radical party members so that the party can remain competitive with the majority of moderate voters. However, this thesis will also build on Kitchelt's (1989) contention that May's (1973) theory is contingent on specific circumstances and that party elites – which includes elected representatives and full-time officials – can be more radical than the party membership and will seek to move party policy towards their ideological preferences (*ibid.*, 418-420). For instance, Kitchelt (1989, 421) argues that curvilinear disparity is most pronounced in two-party systems where ideologues and pragmatists are forced to coalesce in the same party, under these conditions the pragmatists have the advantage in policy negotiation due to the need to appeal to the widest possible constituency. In answering the research question, this research will broaden the scope of these studies to look at elite-led ideological change within mainstream right-wing parties; in effect, this research will examine if radical liberal ideology is a significant force for policy change within the right. Specifically, it will explain why libertarian activists within centre-right parties are able to deliver on their preferred policies at some critical periods but not during other crises.

Libertarian Policy Change and the Tea Party

The libertarian movement resembles other political movements that generally only form alliances with parties from a specific side of the Left-Right divide, such as evangelical Christians with the right (Green 1995), or the anti-war movement and trade unionism with the left (Heaney and Rojas 2007; Schlozman 2015). Given the radical nature of libertarian ideology and its lack of popular support, pragmatic party elites should have an incentive in resisting libertarian policy demands so as not to antagonise voters, as shown with other radical political movements that risked alienating parties from their base, such as the anti-war movement and the Occupy movement (see: Cohen et al. 2008; Masket 2009; Masket and Noel 2012). But there have been times where the libertarian movement's influence has helped to significantly change mainstream party policy, such as with the Conservative Party in 1975 (Cockett 1995; Mouffe 2018, 31).

Scholars have acknowledged the libertarian element among Tea Party activists (e.g., Bailey et al. 2012; Williamson, Skocpol and Coggin 2011), and Bailey et al. (2012) have shown that a

high density of Tea Party activists within a district increases the chances of a Republican Party victory (*ibid.*, 793). But they have also shown that this influence does not result in libertarian voting patterns among Tea Party endorsed politicians within Congress, at least when it comes to socially liberal issues; for instance, most Tea Party affiliates voted for extending the provisions of the Patriot Act (*ibid.*, 791). This shows the dominance of social conservatism combined with economic liberalism, which is the ideological positioning of most relevance to mainstream right-wing parties, and it shows the possible limits of libertarian influence on party policy change (Bale 2011, 113-114).

Other scholars have built on this work to try and explain the ideological makeup and historical roots of the Tea Party, which is an unusual alliance of libertarians and more traditional conservatives (see: Bailey et al. 2012, 791; Skocpol and Hertel-Fernandez 2016; Skocpol and Williamson 2012; Williamson, Skocpol & Coggin 2011). For instance, Williamson, Skocpol and Coggin (2011, 27) argue that the Tea Party is built on long standing contradictory grievances faced by many older, white, middle-class, and higher income voters who resent government spending on ‘undeserving’ groups – such as illegal immigrants – but support social spending on policies such as Medicaid when it applies to people like them. It is an organic movement at the local level, but it was provided with significant support from conservative media in creating a shared identity and provided with significant funding at the national level from pro-business elites who shared Tea Party concerns on public spending but not on conservative social issues (Williamson, Skocpol & Coggin 2011, 31 & 32). Skocpol and Williamson (2012, 34-36) have emphasised the significant tensions between libertarians and social conservatives within the Tea Party. However, the shared anti-government message is strong enough to appeal to both sides, or at least strong enough for more pragmatic libertarians to remain active within the movement in order to achieve their preferred economic reforms. This is why the libertarian Koch network funnelled significant money into the Tea Party (Skocpol and Williamson 2012). So, libertarian activists at the local level will compromise on issues such as gay marriage in order to push for a fiscally hawkish agenda, an area of shared common ground with more traditional conservatives (Skocpol and Williamson 2012, 58).

This process of compromise is replicated by the broader libertarian movement at the national level. Skocpol and Williamson (2012) contend that the Koch brothers were disappointed

in the ability of their well-funded libertarian think-tanks to change public policy after the election of Obama in 2008 and were searching for new ways (such as the Tea Party) to spread their political values (*ibid.*, 103).¹⁴ Importantly, the Koch brothers are just the best-known example of numerous wealthy individuals that are committed to funding organisations that push for small government libertarian principles (*ibid.*, 104). These libertarian institutions became the main vehicles behind which these wealthy individuals could provide support to the Tea Party in order to push for free-market reform, but on the basis of a trade-off with their more libertarian social values (*ibid.*, 105-106). This support came in the form of increased funding and the professional experience of full-time paid organizers who were largely placed on secondment from organizations connected to the libertarian movement. Skocpol and Williamson (2012) label these libertarian political elites as ‘idea pushers’ due to their ability to influence the political agenda of local Tea Party groups and to push them in a more radical free-market direction on public policy (*ibid.*, 113-117). In this way, a libertarian political elite were able to use a period of political turmoil to move a conservative activist base towards radical policy positions. There were some tensions between grassroots Tea Party activists and these libertarian organizers, especially when it came to social security programmes that benefit the white middle class (Williamson, Skocpol and Coggin 2011, 33) But, in general, the Tea Party provided the broad libertarian movement with an effective grassroots network that could be used to campaign for libertarian economic values and to move the policy direction of the Republican Party to the right on the economy (*ibid.*, 205).

The divergence between Republican Party voter preferences and the organisations of the libertarian movement have been highlighted by Skocpol and Hertel-Fernandez (2016) in their study of the Koch network. They built on the work of Mann and Ornstein (2012) which showed that since the 1990s the increased political polarization in the US has been fuelled by the rightward policy movement of the Republican Party, with Democratic Party policy remaining closer to the centre. Skocpol and Hertel-Fernandez (2016) argue that this rightward shift has been largely driven by the well-funded organisations of the libertarian movement, led by the Koch brothers and their allies in the conservative media (*ibid.*, 683-687). Presciently, their research pointed to the potential

¹⁴ In the case of the U.S., these libertarian institutions include: the Cato Institute, Mercatus Center, American Energy Alliance, Freedom Works, Americans for Prosperity (AFP) and the Charles G. Koch Foundation (Skocpol and Hertel-Fernandez 2016, 685).

pitfalls that occur when a radical elite – which is ideologically unrepresentative of its voter base – gains exceptional policy control of a mainstream political party:

The evidence we have here suggests that the Koch network is now sufficiently ramified and powerful to draw Republicans into policy stands at odds not only with popular views but also with certain [moderate] business preferences... Arguably, Koch network pressures and inducements have so effectively influenced GOP politicians that many of them end up vulnerable to populist defections from voters who dissent from or don't care about ultra-free-market orthodoxies on trade or immigration or slashing elderly entitlements (Skocpol and Hertel-Fernandez 2016, 695).

The Trump primary campaign in 2016 was perfectly pitched to appeal to this policy gap between the elected representatives of the Republican Party and Republican voters who did not believe in the extreme free-market policies espoused by the libertarian movement and subsequently adopted by the elected representatives of the Republican Party (Skocpol and Hertel-Fernandez 2016, 695). To some extent, libertarian elites have been hoisted by their own petard. In that they spent time and energy inculcating white middle-class grievances to further their own political agenda, but this led to the election of an authoritarian populist president, not a free-marketeer. The Trump resurgence of nativist politics is obviously disappointing to the organisations of the libertarian movement but there have been some significant policy successes in areas such as deregulation and tax cuts, that still makes a continued alliance with a Trump-led Republican Party an attractive trade-off for libertarian elites (Skocpol and Hertel-Fernandez 2016, 695-696).¹⁵

Libertarianism as a political movement (the agency of political elites)

Libertarian scholars have traced the evolution of libertarianism as both an idea and a movement that is capable of delivering policy change within sympathetic political parties (see: Boaz 1997; Brennan 2012; Doherty 2009; Huebert 2010; Kukathas 2009; Mack 2018). For instance, Mack (2018) and Doherty (2009) both follow the development of the classical liberal tradition from its foundations with John Locke and David Hume, to its modern revival through the work of Ludwig

¹⁵ However, compromise with Donald Trump is a divisive issue within libertarianism. The organisations charged with achieving libertarian policy change were willing to compromise with his White House, but many libertarian intellectuals are disgusted by his racism, authoritarian tendencies, and trade wars (see: Gillespie 2017; Horwitz 2017).

von Mises, F.A. Hayek, Ayn Rand, and Robert Nozick. However, this literature focuses more on the dissemination of an idea within right-wing parties rather than the growth of a political movement. This is a mistake, as from its earliest foundations libertarianism has sought to emulate Marxist scholars in advancing as both a political philosophy and a political project (Hayek 1949, 384; Rothbard 2016, 224). From the 1960s, leading libertarian scholars – such as Murray Rothbard and F.A. Hayek – were openly discussing their admiration for Leninist tactics in developing an elite group of political cadres to fight the ‘battle of ideas’ and in the need for a libertarian version of the ‘Leninist Long March’ that would eventually lead ‘to a libertarian state (MacLean 2017, 84-85; Rothbard 1974).

In terms of the libertarian movement in the UK, Cockett (1995; 1999) addressed this gap in the literature by showing how sections of the classical liberal tradition between 1931 and 1981 would help to create the New Right political movement (Cockett 1995, 4-5). The various think tanks linked to this movement – such as the Mont Pelerin Society, the Centre for Policy Studies (SPS), the Adam Smith Institute (ASI), and the Institute for Economic Affairs (IEA) – kept libertarian principles alive during the post-war social democratic consensus and provided the policy inspiration for Margaret Thatcher’s most anti-establishment economic reforms (*ibid.*, 322). Much of the literature focuses on the influence that libertarian actors attached to these institutes had on influencing Thatcher’s Conservative Party after her election to the leadership in 1975; for instance, her early supporters included libertarians like Antony Fisher of the IEA and Keith Joseph of the CPS (see: Charmley 1998, 198; Cockett 1994; Garnett and Hickson 2009; Heppell 2002; Gilmour 1992; Mirowski and Plehwe 2009). They all emphasise the role of elite agency in delivering libertarian policy change.

However, it is important to note that Thatcher herself was never a libertarian ideologue. The ideas played to her free-market and anti-communist instincts, but Thatcher was as pragmatic as she was partisan. She would use libertarian ideas when necessary but was not rigid in her ideological commitment to libertarianism (Moore 2014, 302). Unsurprisingly, even the best Thatcher biographies, emphasise her agency in shifting Conservative Party policy towards a more libertarian direction on the economy (Moore 2014; Moore 2016; Moore 2019; Young 1989). But they all acknowledge that Thatcher’s policy responses were driven by political crises and her own instincts rather than ‘big ideas’; in fact, it is the contradiction at the heart of Thatcherism that her

rolling back of the state involved a significant concentration of state power in Whitehall and Number 10 (Young 1989, 537-538). Other scholars emphasise that libertarian (or classical liberal) values have always been a small part of Conservative Party identity, that waxed or waned according to political circumstances and opportunities (see: Carr 2013; Freeman 2018; Hoover 1987; Zweiniger-Bargielowska 2000). For instance, Hayek's *Road to Serfdom* (1944) became popular within the Conservative Party after their 1945 defeat, and as a response to the creation of the welfare state (Carr 2013, 179). But, despite being a source of ideological justification, none of these scholars view libertarian ideas as leading to any concrete policy change until Thatcher's leadership win.

Similarly, in Iceland, scholars have focused on the role of libertarian ideologues within the Independence Party (the dominant centre-right party) in delivery significant policy change (see: Boyes 2010; Chang 2010; Peck 2010; Loo 2011; Olafsson 2017; Wade and Sigurgeirsdottir 2010; Sigurgeirsdottir and Wade 2015; Stuckler and Basu 2014). These scholars show how a libertarian faction surrounding the Prime Minister, David Oddsson, became the dominant force within that party, as they sought to emulate the liberalising agenda laid out by Thatcher and Reagan (Bergmann 2014, 41; Olafsson 2017, 399-400). Again, the agency of ideologically motivated political actors dominates this literature, with their ability to dictate policy change and monopolise important decision-making positions within the Independence Party being viewed as the key to their policy success (Wade and Sigurgeirsdottir 2010, 10-11). In fact, the literature blames this libertarian policy agenda for the extent of the Icelandic economic collapse in 2008 (Krugman 2010), a finding that is supported by the Althing's statutory investigations into the economic collapse (see: SIC 2010; WGE 2010).¹⁶ However, unsurprisingly, libertarian scholars attached to the Oddsson political project blame the greed of individual capitalists for the extent of the collapse, not the libertarian economic reforms, which they view as effective liberal reform measures (Gissurarson 2017a, 258; Gissurarson 2017b, 385-386).

A recent study of libertarianism as a movement in the US has been provided by Nancy MacLean (2017), who has traced the development of James Buchanan's 'Virginia School' and its proselytizing of libertarian values within US universities, with funding provided by the Koch

¹⁶ The Althing is the Icelandic national parliament.

brothers and other sympathetic wealthy supporters (MacLean 2017, 79- 84).¹⁷ The spread of libertarian ideas within academia was a deliberate strategy by the movement, designed to compensate for the lack of public support for libertarian values and to create a generation of policymakers sympathetic to their ideas (*ibid.*, 223). The long-term success of this programme of policy change can be observed by the fact that by 1990, 40 per cent of all federal judges had been educated through a libertarian-inspired law curriculum in the George Mason School of Law (*ibid.*, 183 & 195). And, in terms of the training of professional economists, the economic departments of Chicago, Virginia, and UCLA were all institutionally sympathetic to libertarian principles by the 1970s (*ibid.*, 100). However, where MacLean (2017) exaggerates her thesis is in portraying this process of libertarian indoctrination as a conspiracy concocted by an intellectual elite in collaboration with millionaire backers (*ibid.*, xxx). For instance, MacLean (2017) claims that the libertarian movement is not similar to other political movements:

This cause is different. Pushed by relatively small numbers of radical-right billionaires and millionaires who have become profoundly hostile to America's modern system of government, an apparatus decades in the making, funded by those same billionaires and millionaires, has been working to undermine the normal governance of our democracy. Indeed, one such manifesto calls for the "hostile takeover" of Washington D.C. (MacLean 2017, xxxi)

MacLean (2017) is right to portray the libertarian movement as an attempt to 'return to oligarchy' but it is not a conspiracy (*ibid.*, xxxii). It is a deliberate emulation of the strategies developed by radical left revolutionaries and applied to the politics of radical liberalism; it was never conspiratorial because from its earliest beginnings the openly espoused intention was to develop a libertarian political project led by a political elite of libertarian cadres, the fact that this type of political radicalism lacks public support is as irrelevant to the libertarian movement as it would have been to the Bolshevik cadres of 1917 (Tanenhaus 2017).

So, how might libertarian political actors influence party politics and through that deliver on their preferred policy change? The archetype of a political movement successfully delivering policy change is that of organised labour which allied with broadly sympathetic social democratic parties in order to deliver tangible and incremental benefits to their members (Davis 1986; Hyman

¹⁷ This 'Virginia School' of political thought applies the principles of Public Choice Theory to the political process, so that individual self-interest becomes the guiding principle of policy development, not the maximising of collective public interest (Buchanan and Tullock 1962).

2001; Lichtenstein 2011, 251; Troy 2004, 246). Schlozman (2015) builds on this research into trade unionism, in order to compare how some movements successfully ally with parties, such as the Christian right or trade unionism, to those that fail to build successful alliances, such as the anti-war movement. Crucially, he argues that movements achieve the most policy success when they become an ‘anchoring group’ to a mainstream political party; he defines this anchoring as, ‘...organized actors that forego autonomous action to ally with major political parties’ (Schlozman 2015, 3).¹⁸ This form of movement, which involves a monogamous link to one political party, places serious constraints on both sides. For instance, political parties become constrained in their policy options and the scope of their political rhetoric, because they cannot alienate their allied movement, but movements may face significant defections from their ranks by more radical members who dislike the compromises necessary in mainstream politics (*ibid.*, 246).

The benefits of coalition building between movements and parties are significant and only increase in magnitude when movements become anchoring groups. For example, parties receive money, activists, and a network of sympathetic voters; the movements gain access to political elites with the power to change policy in their preferred direction (*ibid.* 4-5). Importantly for this research, Schlozman (2015) shows that the process by which movements enter into coalition pacts involves the movement’s ideological sympathizers within the political party convincing pragmatic party elites that the benefits of alliance will outweigh any possible impacts to their core interests and their electoral appeal (*ibid.*, 242). If the ideologues within the parties fail to convince enough pragmatists of the potential benefits of coalition, then the alliance will fail or be of a short duration. So, for Schlozman, the alliance building of ideologically committed supporters of movements within parties is the critical process by which these movements gain influence over party policy (*ibid.*). This observation is crucial for answering the central research question.

A recent failed example of this anchoring process is the Occupy Movement, which did not have sufficient ideologically committed supporters within the Democratic Party to gain an alliance (*ibid.*, 251). It also lacked the ideological cohesion that is exhibited within libertarianism which allows it to be effective at achieving policy change. For instance, unlike the libertarian movement,

¹⁸ Movements allying with parties becomes more crucial in majoritarian systems which have significant bars to new political entrants, given that movements in these states lack other political options they are forced to ally with mainstream parties in order to gain access to policy making opportunities (Scholzman 2015, 241).

Occupy lacked clear demands that could be translated into achievable public policies, and it lacked effective group leadership that could push its agenda at a strategic level (*ibid.*, 251-252).

Leighton and López (2012, 15) also focus on the role of agency within policy change, specifically the agency of elite ‘political entrepreneurs’ within institutions, including political parties. This research contributes to this emphasis on the fundamental role of elite agents in bringing about policy change. Their analysis is similar to Skocpol and Williamson’s (2012, 113) conception of ‘idea pushers’ that moved the Tea Party into a more libertarian policy space on the economy. Leighton and López (2012) claim that ‘political entrepreneurs’ notice the soft gaps within the areas of ideas, institutions and personal incentives and then push their preferred policies through these gaps, thus leading to policy change in societal institutions (Leighton and López 2012, 10-11).

However, Leighton and López (2012) provide a liberal analysis that highlights elite agency and personal incentives in ideational change. While not discounting these factors, this study recognises that these ‘change makers’ are limited by their systemic roles within the capitalist system. The scope for change is thus lessened the more ‘political entrepreneurs’ diverge from the dominant norm. Instead, this research will contend that the role of these intellectual elites is provided through *crisis gatekeeping*; in that they help to define when a crisis exists, provide the answers on how to address it, and limit the potential policy solutions. However, this gatekeeping role for elite agents becomes even more influential in periods when the extent of crises and contradictions within the system are especially pronounced.

The lack of centralised political structures and popular support means that to date libertarianism (in general) cannot be considered a political faction within party politics – even within the Republican Party where their influence is strongest – or even an ‘anchoring group’ that hopes to push favoured policies within political parties (Schlozman 2015, 3). But libertarian influenced elites do have a coherent ideology, well-funded networks, and the ambition to achieve the political project of a libertarian state (Brennan 2012, 172-184). In fact, libertarianism has all the traits of a decentralised and elite-led social movement because it exhibits a dense informal network, has clearly delineated opponents, and shares a distinct political identity (della Porta and Diani 2006, 20-21). For instance, scholarship has repeatedly highlighted the libertarian movements ability to influence right-wing party policy change through their well-funded institutes in countries

like Australia (see: Mendes 1998; Mendes 2001; Mendes 2003; O'Connor 2001; Stone 1998) and Canada (see: Abelson 2002; Frum 1996; Jeffrey 1999; Thunert 2003). Unsurprisingly, libertarianism, as a quintessentially Anglo-American ideology seems to be most influential in anglosphere countries.

Currently the libertarian movement's stage of development best fits David Karol's (2009, 9) definition of a political grouping, in that it is a self-aware collection of individuals who share common commitments and policy concerns but without necessarily having a coherent command and control organisational structure. In answering the central research question, this thesis will contribute to the literature on libertarian actors delivering policy change by considering if the libertarian movement can be considered an agent of policy change outside of the US. Thus, situating the libertarian movement as a transnational elite-led movement that lacks a dense grassroots network but has other significant material advantages that aids its preferred policy delivery.

Finally, some scholars have shown that the way electoral systems are constituted can influence party political outcomes and constrain the choices of political actors (Gallagher and Mitchell 2018). For instance, Kitchelt (1989, 418-420) contends that party officials can be more radical than the membership in plurality voting systems, as political ideologues who have electoral ambitions will join more centrist parties in order to become competitive political actors. This draws on Duverger's thesis that single-ballot plurality elections in single member districts will tend to deliver two-party systems (Duverger 1964, 217). This results in ideologically motivated actors joining one of the two mainstream parties that are closest to their ideological beliefs, because joining a smaller third party would be an insurmountable barrier for a successful political career (*ibid.*, 58 & 62). This is why mainstream parties in plurality systems include a wide ideological spectrum. This means that Jeremy Corbyn can be in the same party as Peter Mandelson, or Alexandria Ocasio-Cortez in the same party as Nancy Pelosi. So, in these systems, the role of ideologically motivated actors within parties may become more important, given that alternative paths to power are not open to more radical political actors.

However, these systems can also result in policy convergence between the two opposing parties when they both chase the median voter. So, if voter preferences (or the 'common sense' hegemony) shifts significantly from statist policies to free market policies, both parties can converge on a similar policy reform agenda. This explains the New Labour's embrace of

Thatcherite deregulation and the convergence of New Zealand's two mainstream parties on liberal economic reform during the late 1980s (Hall and O'Shea 2011, 11-12; Nagel 1998, 263). In fact, Nagel (1998, 263-266) shows that New Zealand's painful experience of radical liberal economic restructuring under the plurality system led to voters adopting a proportional system after 1993, in order to avoid the fast-paced and unobstructed reform process that can occur when political actors in mainstream parties converge on policy (Nagel 1998, 263-266).

2.3 The power of ideas and contradictions

Ideational scholars have long argued that 'ideas matter' when explaining political phenomena, to the extent that ideas shape our understanding and define our values, specifically as this relates to public policy, which can be viewed as the collective implementation of societal values (see: Beland 2010; Parsons 2007; Schmidt 2002). Importantly, as we have seen with Polanyian scholarship (see Section 2.1), discursive institutionalists have built on this research to argue that ideas matter because they exert political power, especially when the ideas are embraced by elite political actors (Blyth 2001, 4; Blyth 2008, 39-40; Cox 2001, 485). These discursive institutionalists – who focus on the role of ideas and discourse in delivering institutional change – have shown how ideas are weaponised as a form of political power to promote policy change (e.g., Beland 2009; Hay and Rosamond 2002; Kuzemko 2014).

Importantly, as regards the central research question, Carstensen and Schmidt (2016) concur with these ideational scholars in relation to the explanatory role of ideas for policy change, but they argue the discursive institutionalists have not developed an explicitly ideational theory of power. Instead, they have relied on previous scholarship which tends to view power as compulsory (Carstensen and Schmidt 2016, 319 & 333). For example, many ideational scholars rely on Dahl's (1957, 202-203) understanding of power, in which power is determined by the extent one actor can make another actor do something they otherwise would have chosen not to do. The problem with this approach to power for ideational change, according to Carstensen and Schmidt (2016), is that it undervalues the structural sources of power, such as political actors' wealth, position in society, and class background (*ibid.*, 319). In fact, it is the Marxist tradition that is best at understanding this structural approach to power (*ibid.*). For instance, Gramscian scholars have

long emphasised the role of ideas in exerting structural power, specifically the use of ideological hegemony to manufacture consent for the liberal bourgeois state and the dominant class relations (e.g., Althusser 1971; Gramsci 1999; Wright 1997). Effectively, Gramscian scholars argue that the power over ideas (known as hegemony) exerted by elite political actors results in the ideological subordination of the working class, who embrace the dominant ‘common sense’ narrative, which views alternatives to the status-quo as being both impractical and dangerous (Anderson 1976, 26).

Carstensen and Schmidt (2016) have attempted to incorporate both understandings of power (structural and compulsory) in their theory of power which focuses explicitly on ideational change. They argue that this approach, ‘... is helpful for analysing the battles going on between policy actors, within elites and between them and the masses, as well as to distinguish them from the relations that are not relations of power’ (*ibid.*, 333). This focus on the ‘battle of ideas’ within political elites is important as they are the actors who help decide which issues can be defined as problematic and which solutions are viewed as viable (*ibid.*). Therefore, the role of ideologues in bringing about policy change within political parties is especially pertinent for this field of study.

According to Carstensen and Schmidt (2016, 321-322) there are three types of ideational power: power through ideas, power over ideas, and power in ideas. *Power through ideas* represents political entrepreneurs utilising their ideas – through persuasion and ideational argument – to convince other actors to embrace their preferred policy choices; this can be viewed as a compulsory version of power (Carstensen and Schmidt 2016, 322-323). *Power over ideas* is the capacity of actors to control and contest the meaning of ideas, place limitations on the public discourse, and limit what policy options enter the policymaking process (*ibid.*). *Power in ideas* is the creation of hegemonic ideological norms which constrains what actors consider to be viable and rationale policy solutions; this version of ideational power has obvious parallels with Gramscian scholarship (*ibid.*).

Interestingly, for the central research question of this thesis, Hardiman and Metinsoy (2018) draw upon the concept of *power in ideas*, to explain why Ireland did not embrace the policy of a European wide Financial Transaction Tax (FTT). They found that Irish policymakers had embraced a hegemonic policy framework in which Ireland’s FDI economic model of low tax and light regulation became an axiomatic principle, which excluded alternative policy options and

ideas (Hardiman and Metinsoy 2018, 16). This shows how Carstensen and Schmidt's (2016) theory of ideational power can help to interpret the results of research questions that try to explain fluctuations in policy outcomes.

While Carstensen and Schmidt (2016) sought to address the role of hegemony in their theory of ideational power, they did not include the role assigned to ideological contradictions in delivering policy change within Marxist and Gramscian scholarship. For instance, Gramsci contends that an 'organic crisis' is a crisis endogenous to an existing system, in which the weight of policy contradictions will eventually lead to problems of coherence for the entire ideological superstructure which supports the dominant mode of production (Gramsci 1999, 427). A practical example of this process would be the policies deployed in order to address the Great Recession, in which political actors from both the right and left denounced the contradictory position of liberal democracies in capitalist systems nationalising the losses of failed banks. The radical left took this as proof of the corruption inherent in the capitalist system, while the extreme right took it as proof of the corruption of international elites who sought to oppress both nation states and their citizens. However, across the Global North, the extent of the policy failure and contradictions resulted in policy experts and political actors losing legitimacy in the eyes of the governed. In effect, an organic crisis like the Great Recession, is a moment when a system approaches exhaustion but there is no obvious solution available to the systemic problems that have led to this period of crisis, the ruling class lose their legitimacy in the eyes of the governed, but no alternative to their dominance is able to emerge (Gramsci 1999, 217-221).

Another necessary result of these organic crises is a lack of confidence by the forces of capital (such as big business and market investors) in the politicians that are supposed to represent their interests; these political leaders must therefore adapt their ideological and policy preferences to better reflect changing circumstances and provide stronger ideological support for the structures of capitalism (Gramsci 1999, 218-219). This research builds on much neo-Gramscian scholarship in International Relations that deals with ideational change as a result of 'organic crises' within ruling class hegemony (see: Gill 2017, 2016, 2012, 1995; Candeias 2011; Robinson 2014, 2013; Jessop 2017, 2015; Schafer and Streeck 2013).

For instance, Gill (2012) identifies the field of International Relations theory as being part of an overarching organic crisis, following the failure of US military interventions in the new

millennium. The obvious contradictions within US interventionism meant that prominent International Relations scholars who had acted as the ‘philosophers of war and peace’, lost much of their intellectual creditability (Gill 2012, 516).¹⁹ This has created space for alternative frameworks within International Relations to be debated, but these radical propositions are struggling to gain ‘common sense’ legitimacy despite the lack of legitimacy in the old ideological consensus (*ibid.*, 522). In relation to more practical politics, Gill (2017) contends that the European Union is in a period of institutional organic crisis, as evidenced by Brexit and the Eurozone crisis. He argues that there is an inherent contradiction in the fact that the citizens of Europe have become more nationalistic and disenchanted with the European project, while a ‘transnational ruling class’ has become closer in policy terms and converged on a vision of a ‘Financial Europe’ (Gill 2017, 635-636 & 645). This class has pushed through a series of largely undebated treaty changes, such as Lisbon and Nice, in order to achieve their vision of a liberal economic orthodoxy that prioritises the policies of low inflation and austerity (*ibid.*, 640). However, this policy success has further alienated the ‘left behind’ European voters from the European project. Policy makers recognize that a change to the status quo is necessary but are currently unable to bring about a change that will solve the contradictions of a market-based transnational economic structure that operates within a series of nation states, while managing to placate their disaffected voters and maintain the dominance of their preferred policy agenda (*ibid.*, 646).

Jessop (2017) continues with the European theme by labelling Brexit as an organic crisis for the British state. This organic crisis started with the long economic decline of the UK, in which the ‘authoritarian populist appeal’ of both Thatcher and New Labour provided short-term solutions to this long-term problem (*ibid.*, 133-134). David Cameron’s decision to hold an in/out referendum was a policy response designed to address this continued decline in the political legitimacy of the governing parties and the loss of respect for the political classes (*ibid.*, 134-136). By providing the people with a choice he hoped to quell internal party dissent on Europe while also being seen to allow disaffected voters to have a fair say in the governance of their country. Jessop (2017, 139-140) shows that the shock to the system provided by the Leave vote has been clawed back by a

¹⁹ Even Obama admitted the contradictions behind US foreign policy when he acknowledged that he was open to accusations of hypocrisy during the Arab Spring (2011) due to his support for democracy protesters in Egypt and his silence on the persecution of democracy protesters in Bahrain (Obama 2021, 226). Surprisingly, he admits that these liberal contradictions were necessary in order to secure US interests, which were determined by the naval base in Bahrain and the US alliance with Saudi Arabia (*ibid.*).

chaotic attempt to negotiate Leave without fundamentally changing the structures of Britain's relationship with capital or its trading partners. The contradiction being that the Leave vote provided a mandate for change but no policy makers (even the most ardent Brexiteers) want to change anything of structural substance.

In conceptualising the independent variable of ideological consistency/contradictions this research contributes to the work of neo-Gramscian scholars who claim that the increasing weight of ideological contradictions will eventually lead to a breaking point in which ideological partisans will be forced to change policy in order to maintain ideological coherence (Candeias 2011; Robinson 2014; Jessop 2017). This matters in liberal democracies because the weight of contradictions can become so great that the political elite will lose legitimacy in the eyes of voters, which could lead to an unpredictable backlash that could threaten the functioning of the whole system.

This need for legitimacy and coherence was operationalised by Krippner through her analysis based around the 'legitimation crisis' of political elites and the post-war nation-state, which led to increased financialised economic reform (Krippner 2011, 16 & 19). This in turn draws on Marxist research which claims that loss of legitimacy through contradictory outcomes and a lack of ideological coherence can lead to systemic crises within capitalism (*ibid.*, 19-20). This position is based on the work into ideological contradictions by the Frankfurt School crisis theories of Habermas (1992) and Offe (1984). For instance, Habermas (1992) contends that the 'legitimation deficit' caused by the intrinsic contradictory nature of capitalism leads to regular crises in the 'normative structures' necessary to constitute the entire system (*ibid.*, 47 & 53). For Habermas, these forms of ideologically driven 'identity crisis' will encourage changes to both institutions and social relations as capitalism adapts to accommodate previous contradictions (*ibid.*, 45 & 49). To some extent the increase in social liberalism and women's rights exhibited during the 1960s social revolution is an example of the capitalist system adapting to previous contradictions (around 'respectability', race, and feminism) in order to sustain legitimacy with the voting public. However, it is interesting to note that these ideological contradictions can affect the economic sphere as well as the social relations that support the capitalist mode of production (Harvey 2014, 7). In fact, as previously stated, it is possible to view the more progressive aspects of libertarianism – such as on race, gay rights, and prison reform – as an attempt to address some

of the worst contradictions within the social relations supporting capitalism while still defending the overall rights of Capital (Fraser 2016, 112-113).

Most of these scholars categorise the 1930s and 1970s as examples of organic crises; with fascism and neoliberalism representing the corresponding ideological responses that operated in support of capitalist hegemony. This research will contribute to this literature by arguing for present day libertarianism as the most coherent capitalistic ideological response to the intensity of systemic contradictions within late capitalism. It serves a dual function of providing free-market and entrepreneurial friendly solutions to the crises and contradictions within the system, while also managing to embrace the trend toward socially liberal values that have become the dominant norm among elites within the Global North.

Conclusion:

So, why does libertarian influence fluctuate within mainstream right-wing party policy? In answering this research question, this thesis will build on the work of ideational scholars who argue that the ideas embraced by political actors matter in times of economic crisis (Blyth 2006, 16), and add to them by including all forms of political crisis. In addition, it will address the role of ideological contradictions in inspiring elite political actors to adapt policy in order to sustain legitimacy (e.g., Habermas 1992, Krippner 2011). However, this ideational focus will not diminish the role of political actors' agency, which is fuelled by intra-party elite-level competition, and those scholars who contend that actors attached to organised political movements can deliver significant policy change within political parties at opportune moments (e.g., Schlozman 2015; Skocpol and Hertel-Fernandez 2016; Skocpol and Williamson 2012). Finally, this choice of research question will contribute to the field of discursive institutionalism by analysing the political phenomena of elite-led policy change within mainstream right-wing parties through the prism of ideational power (e.g., Carstensen and Schmidt 2016).

Chapter 3 – Theory and Research Design

Chapter four of this thesis shows the extent of the variation in libertarian policy preferences within the manifestos of European political parties, and it establishes that libertarian views are not significantly popular with European citizens around a range of issues and policies. There are no dedicated libertarian parties of any significance within European politics, and libertarian values as measured through manifesto policy promises, where they do exist, are most common within the mainstream political parties of the centre-right. So, the lack of a dedicated libertarian party base or significant public support for libertarian values, means that if libertarian political actors wish to pursue their preferred policy outcomes, then they must operate within sympathetic right-wing parties, such as in the US Republican Party (Williamson, Skocpol and Coggin 2011, 29) or the UK Conservative Party (Heppell 2002, 302-307).

So, why have these libertarian ideas and policies been successful at certain times despite the fact that there is no popular movement behind them? How does this radical movement successfully pursue its preferred policies within conservative mainstream centre-right parties? To what extent do libertarian ideologues use crises to push through their preferred policies at the most opportune time for significant policy change? Or, do political crises sometimes constrain the ability of libertarian ideologues to deliver on their preferred policy change? And, under what circumstances are libertarian ideologues in mainstream right-wing parties forced to compromise on their ideas or, at times, completely retreat from their ideological values?

Gramsci has theorised that political parties operate as incubators for emerging ideologies through the activism of the intellectuals and political actors within their ranks (Gramsci 1999, 335). So, any attempt to answer these questions, by measuring libertarian ideological success through changing party policy preferences, can provide evidence of emerging ideological change or growth. This measuring of party policy change provides the practical mechanism for analysing the puzzling aspects of how libertarian ideas influence centre-right political parties, and it helps to answer the central question of this research: *why does libertarian influence fluctuate within mainstream right-wing party policy?*

The hypothesis that is the basis of this research argues that when a political crisis interacts with pre-existing policy that contradicts liberal ideological preferences, this creates the necessary conditions for libertarians to push their preferred policy solutions within mainstream right-wing parties. Under these circumstances, libertarian ideologues can convince their more moderate colleagues on the need for a shift towards libertarian policy solutions, both as a response to the perceived failure of policy decisions that contradicted liberal values and as a policy solution that is ideologically consistent within a right-wing political party. This shift towards libertarian policy also serves the purpose of providing a policy solution that may now be more appealing to voters, who will also naturally react against previous policies that were inconsistent with liberal ideas.

The purpose of this chapter will be to explain the formulation of this argument and to describe the research design for investigating the research question detailed above. First, this chapter will explain the importance of agency for political actors operating in mainstream right-wing parties. Second, it will conceptualise the central variables and then outline the theory that explains their interaction. Third, it will detail the methodological choices and the rationale behind the selection of cases for this research. Finally, it will critically assess the sources used in this research and outline the expected results.

3.1 Political Actors: Why does Agency Matter for Libertarian Policy Change?

In terms of agency, the theoretical basis of this research draws upon David Harvey's (2007) research into neoliberalism. The concept of neoliberalism is regularly accused of being a nebulous idea, so this research will take Harvey's definition as its conceptual reference point. He states that neoliberalism is, '... a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices' (Harvey 2007, 2). The state's role is limited to the development of stability and security for the proper functioning of the free market (*ibid.*, 2-3). This is done through the military, police, and law courts; whose modus operandi is the protection of private property rights and the maintenance of public order (*ibid.*). The interventionist state of the post-war consensus is thus viewed as anachronistic, unhelpful, and possibly even dangerous. As it encourages people to avoid personal responsibility for their own lives and interferes in the rational working of the free market.

Importantly, Harvey (2007) identified an ideological and functional disconnect within neoliberalism. In that its utopian aspect deals with the extension of individual freedom through liberal democracy and the free-market; but in practice it is about an ideologically-motivated political elite restoring capitalist class power to the position it enjoyed before the post-war social democratic consensus (*ibid*, 19).²⁰ In a similar fashion, libertarianism has an ideological and functional disconnect between its radical utopian project of extending individual liberty – conceptually understood as near absolute freedom from interference (see Chapter 1) – and its more practical purpose of providing intellectual comfort to a right-wing elite in areas of policy failure or ideological disappointment. This disappointment is driven by the repeated failure of liberal democracy to live up to its core ideological principles, whether that is on civil liberties, non-aggression, or the free market (Huebert 2010, 4-5). Educated political elites are sensitive to the charge of hypocrisy levelled at them by their political opponents. They are politically conscious of the contradiction in attacking welfare entitlements, while their preferred capitalist system enables corporate welfare programmes and funds wasteful defence projects.

Right-wing party elites thus need a coherent ideological world view that will avoid allegations of hypocrisy and provide suitable justification for their preferred free-market policy positions. This thesis draws upon neo-Polanyian and Punctuated Equilibrium Theory (PET) scholarship in claiming that the agency of political actors matters for policy change, to the extent that their role becomes most influential when defining the nature of a crisis and providing the potential solutions to it, thus limiting the scope of politically acceptable policy responses (Baumgartner et al. 2014, 59-60; Blyth 2008, 9-10 & 39-40). These actors, while limited by their systemic role within capitalism, can become political ‘influencers’ and push through their preferred policies within party politics when a suitable ideological gap is created by a political crisis (Lopez and Leighton 2012, 10-11). The role of this political agency becomes most decisive at these critical ‘windows of opportunity’ within institutions, when the choices made by political actors can lead to significant and long-lasting policy change (Baumgartner and Jones 1993, 236; Capoccia 2015, 148). In fact, the success of political actors in influencing the public’s perception and interpretation of a crisis, and the subsequent framing of this critical period in the political

²⁰ While Harvey (2007) and Klein (2007) both focus on elite-driven policy change during critical events, this research concurs with Boin et al. (2009, 103) in not de-emphasising the ability of anti-establishment political actors to utilise a crisis to pursue their own emancipatory policy agendas.

discourse, is crucial in determining if there shall be a significant change in policy direction or if the status-quo shall remain the dominant policy response (Boin et al. 2009, 83-85).

So functionally, libertarianism provides right-wing elites with an ideologically safe solution to the worst inconsistencies fostered by actually-existing liberal capitalism, it seeks to undermine the liberal bourgeois state but at the same time it defends the dominant mode of capitalist production (Freeman 2001). It essentially acts as an ideological safe haven for critical capitalists. Libertarianism thus provides radical free-market solutions that would revolutionise perceived flaws within liberal democratic structures, while still defending the wealth and privilege fostered by entrepreneurial capitalism. Importantly, it also manages to embrace the trend toward socially liberal values that have become the dominant norm among professional elites within the Global North (Fraser 2016, 133).

Ideologues and pragmatists within political parties

This research contends that there are two types of political actors that are important for libertarian policy change within mainstream right-wing parties: *ideologues* and *pragmatists*. *Ideologues* refers to those actors that are ideologically driven libertarians who take an active part in the libertarian political project. This project has all the traits of an elite-led social movement because it exhibits a dense informal network, has clearly delineated opponents, and shares a distinct political identity (della Porta 2014, 20-21). These committed ideologues must conform to the strictures of mainstream right-wing parties, but they can use periods of uncertainty to build new alliances and pursue their preferred radical liberal agenda (e.g., Williamson, Skocpol and Coggin 2011; Skocpol and Williamson 2012; MacLean 2017). These political actors are ambitious enough to have no interest in joining obscure political parties dedicated to libertarian values, that have little chance of achieving political power. And they will compromise their values enough to remain competitive political actors within mainstream right-wing parties. However, these pragmatic traits are tempered by their desire to deliver on their libertarian policy preferences and their ideological commitment to laissez-faire values.

Pragmatists refers to those pragmatic right-wing elites who may occasionally use the rhetoric of libertarian values, but they are fundamentally centrist to centre-right in their worldview

and are not significantly ideologically motivated. They will seek practical solutions to political problems and will often prefer policy options that coincide with what the dominant consensus considers to be best practice in terms of policy (Fraser 2016, 112-113). Not being ideologues, they will opportunistically use libertarian ideology as a source of free market solutions to policy problems when the political climate and voter preferences support that direction, but they will turn against libertarian policy ideas when they become less political viable. For instance, these career orientated pragmatists will abandon libertarian principles and policies completely, if they become demonstrably unpopular with the voting public.²¹

Pragmatists will change their party policy positions based on the failings of previous policies, and the subsequent fear of a voter backlash. These agents are primarily concerned with party performance and will abandon policies that are not in tune with both voter preferences and the current macroeconomic situation. This type of agency conforms to a Polanyian double movement which views political choice as being subordinate to the structural forces unleashed by a recurring swing between ‘market’ and ‘societal’ forces (Polanyi 1944, 79-80). So, when state-led policies are viewed as an electoral liability these pragmatic political actors will naturally move towards more free-market responses in order to ensure electoral viability. And when more statist-orientated policy solutions become the preferred policy response, they will then shift away from market friendly policy and back towards state-led policymaking.

Importantly, according to Blyth (2008, 10 & 275), at times of crisis special attention must be paid to the ideas that these political actors draw upon for policy inspiration and justification. He found that the control of ideas by political actors during periods of economic crisis, led to the systematic dismantling of the Keynesian post-war consensus (*ibid.* 15-16). This means that if libertarian ‘policy entrepreneurs’ within mainstream right-wing parties can use a crisis to convince pragmatists to embrace their ideas, this can lead to a significant break in the previous policy status-quo, and a shift towards a more radical libertarian agenda (Leighton and López 2012, 10). Under these critical conditions, these ideologically motivated political actors, can notice the soft gaps within the areas of ideas, institutions, and personal incentives, and then push their preferred policies through these gaps; potentially leading to significant policy change in societal institutions

²¹ This ties in with a Downsian theoretical perspectives that concentrate upon market-driven change based upon elite perceptions of voter preferences (e.g., Buckler and Dolowitz 2012; Kerr 2007; Bale 2008; Dorey 2007).

such as political parties (*ibid.*, 10-11). Overall, the theory laid out by this research views the agency of libertarian actors as playing an important role in delivering shifts towards libertarian policy in right-wing parties; however, their agency is fundamentally subordinate to the larger policy processes brought about by the interaction of political crises and ideological contradictions (Capoccia 2015, 168).

3.2 Conceptualising the Variables

The previous section argued that libertarianism functions as an important tool – for a variety of reasons – among right-wing party elites in providing answers to the repeated crises and inconsistencies exhibited by actually-existing capitalism. And it showed how political actors often need a suitable opportunity or crisis to significantly change the policy direction of an institution or political party (Krippner 2011, 140). This next section will draw upon Punctuated Equilibrium Theory (PET), which is a theory of long-term agenda change and policymaking, to conceptualise the first independent variable as a variation between political crisis and political stability.

Independent Variable 1: Political Crisis

PET argues that political processes in established liberal democracies usually consist of long periods of political stability, in which incremental policy change is the norm (Baumgartner et al. 2014, 59). However, periods of *political crisis* do occur, which can be viewed as ‘windows of opportunity’ for concerned policymakers, and these critical events can sometimes lead to significant changes in the established policy direction (Baumgartner and Jones 1993, 236). As political actors define an issue in the public discourse, the issue can rise or fall on the public’s agenda, this can then lead to the position of existing policy prescriptions either being strengthened or weakened (Baumgartner et al. 2014, 60). If the existing policy is strengthened, then there will only be incremental policy change and if it is weakened there presents an opportunity for policymakers to deliver major policy change (*ibid.*)

In this research, *political stability* refers to that point of the *political crisis* variation that corresponds to that point in PET known as policy equilibrium (Baumgartner and Jones 1993, 238).

This is the period of largely uncontested policy solutions, in which political actors (including political parties) and the public are either largely supportive of the policy direction, or at least apathetic on the issue (Baumgartner et al. 2014, 64). Under these conditions, political policy is usually dominated by ‘policy subsystems’, which are made up of special interest groups and ‘issue networks’ of policy specialists that represent the technocratic expertise on the relevant issue (*ibid.*, 62-63). These concerned political actors form a ‘policy monopoly’ on the issue, and deliver slow and incremental policy change, in order to maintain the effectiveness of public policy over time, but at the same time they do not deliver a significant change in policy direction (*ibid.*, 64).

Importantly, a crisis can emerge during this period of *political stability* (or policy equilibrium), it can even become high on the public agenda, but this does not guarantee change (*ibid.*, 63). Under *political stability*, the policy monopoly can be so strong that they can exclude disenfranchised groups, alternative voices, and new ideas, which means that breaking through the policymaking status quo can be difficult for those advocating policy change (*ibid.*, 61). Effectively, policy change is limited by the power, prestige, and legitimacy of the policy monopoly (*ibid.*, 64). Under *political stability*, the power and prestige of the policy monopoly is so great that they can resist significant change to their preferred policy solutions, and voters may even forgive them some policy mistakes (*ibid.*). This resistance to policy change is aided by the fact that under *political stability*, there tends to be an agreed ‘policy image’ in the minds of the public which supports the policy status quo (*ibid.*, 67). So, despite a policy issue entering onto the public’s agenda, there is ‘negative feedback’ against policy change from political actors and voters, which helps to exclude outside challengers and maintain political stability (*ibid.*, 65).

A practical example of *political stability* is provided by drug policy in the United States. For example, the Republican Party had a stable policy on illegal drug use for decades. This tough stance started with Nixon’s ‘war on drugs’ and this position was even co-opted by the Democratic Party with the ‘third way’ policies of Bill Clinton. This *political stasis* on drug policy was supported by a policy monopoly made up of law enforcement, politicians, the correctional facilities of the carceral state, religious leaders, and even many drug treatment providers (Wacquant 2009). And, importantly, a draconian drug enforcement policy proved popular with voters. Under these conditions of *political stability* (or equilibrium), even though drugs remained high on the public agenda, there was no significant change in policy direction. This meant that libertarian influenced

elites within the Republican Party needed to strategically adapt (or downplay) their beliefs in the liberalisation, or even decriminalisation of drugs, in order to remain effective within the party (Brennan 2012, 37 & 83).

However, as per the hypothesis that is the basis of this research, the severity of the recent opioid crisis in the US interacting with pre-existing policy solutions that contradicted liberal values, has now enabled some in the Republican Party to push against the previous draconian response in favour of a more liberal medical-led response to addiction (Zezima and Sullivan 2018). But it is important to note that race plays a big factor in this new crisis, as it enables some libertarian Republicans to push against the previous drug policy monopoly because this opioid crisis largely affects their base among the white working class in Rust Belt states, while previous drug legislation disproportionately hurt Black Americans (*ibid.*).

The other extent of this variable is that of *political crisis*. This represents the critical period of punctuated equilibrium when significant policy change, that breaks through previous policy stability, can become more likely. Under these crisis conditions, new policy images can play a crucial role in moving issues away from the control of policy monopolies and special interest groups (Baumgartner and Jones 1993, 240-241). A policy image is made up of a 'mixture of empirical evidence and emotive appeals' and represents the dominant image that a policy has among an informed public (Baumgartner et al. 2014, 66). However, during a *political crisis*, a new policy image may develop which will contest the previous policy image that represents the dominant policy position, this can lead to a period of significant policy change, followed by a new policy equilibrium that has institutionalised this change (*ibid.*, 66-67). In fact, during a *political crisis*, multiple policy images often emerge that compete for the public's acceptance of their preferred political narrative, and thus their preferred policy solution to the crisis (*ibid.*). So, the process of developing a new policy image during a crisis can allow for popular mobilisations in support of previously ignored policy positions that can overcome entrenched positions and the arthritic pace of usual policy change (*ibid.*, 61). Obviously, a crisis situation increases the ability of hostile political actors to attack the power, prestige, and legitimacy of dominant policy monopolies (*ibid.*, 64).

So, under the conditions of *political crisis*, we should view a crisis consisting of competing policy images within the public discourse, and 'positive feedback' to policymakers in which voters

and political actors demand significant change (Baumgartner and Jones 1993, 240-241). This process of ‘positive feedback’, also known as the ‘bandwagon effect’, can lead to a crisis becoming significant enough to attack the old policy monopoly, overcome the policy inertia, and deliver substantial policy change (*ibid.*).

As mentioned in chapter two, the liberalisation of Ireland’s abortion laws represents an archetypal example of a *political crisis* leading to a positive feedback process in policy making, in which a relatively small change in the objective facts led to a ‘bandwagon effect’ and a breach in the previous political stasis (Baumgartner and Jones 2002, 64-65). For instance, the issue of liberalising abortion was not a political priority in 2012 until Savita Halappanavar died from complications arising from a septic miscarriage (Arlow and O’Malley 2019, 138). Halappanavar died after repeatedly requesting an abortion once complications in her pregnancy emerged and a miscarriage became inevitable (Fields 2018, 612). This new policy image of a young woman dying after being refused a procedure that may have saved her life, punctured the previous policy equilibrium, and galvanised pro-choice forces to push for significant policy reform, culminating in the referendum to repeal the Eight Amendment and a new policy equilibrium based around a more liberal access to abortion (*ibid.* 613). This example shows the key role that issue definition and agenda setting have in the policy formation process; for instance, how a policy crisis is defined and marketed by political actors controls its rise and fall in the public agenda (Baumgartner et al. 2014, 60). This in turn determines if there will be a successful break with past policy and a new equilibrium established, or if the policy status quo will remain after just a short period of turmoil (as during *political stability*).

Independent Variable 2: Ideological Contradictions

This theory expands on the work of PET to include the extent of liberal ideological contradictions within pre-existing policy as a key variable in policy change within political parties. In conceptualising the independent variable from pre-existing liberal *ideological contradictions* to *ideological consistency*, this research draws first on the work of neo-Gramscian scholars in examining ideational change.

These scholars argue that repeated ideological contradictions within party political platforms, will eventually lead to a breaking point in which ideological partisans will be forced to change their policy positions in order to maintain overall ideological coherence and thus avoid a voter driven backlash against their incoherent policy proposals (e.g. Candeias 2011; Robinson 2014; Jessop 2017). This work by neo-Gramscian scholars draws on Marxist research which claims that the loss of legitimacy through contradictory policy and a lack of ideological coherence can lead to crises within the institutions of the liberal bourgeois state, such as political parties (e.g., Habermas 1992; Krippner 2011, 19-20; Offe 1984). For instance, Habermas (1992, 47 & 53) contends that a ‘legitimation deficit’ for elite political actors is caused when contradictory outcomes – such as the nationalisation of private bank losses – lead to regular crises in the ‘normative structures’ that support the liberal state. For Habermas, these forms of ideologically driven ‘identity crisis’ will encourage changes to both institutions, social relations, and public policy, as political actors adapt policy to accommodate previous contradictions (*ibid.*, 45 & 49). In effect, this means that the need for political and ideological consistency is a potent force in encouraging political actors to change policy positions away from ideologically contradictory outcomes and towards a more consistent policy position.

For instance, in 2013 David Cameron’s government lost a vote in the Commons on military action in Syria because 30 Conservative MPs defied the party whip and voted against military intervention (Eaton 2013). The previous policies on intervention in Iraq and Libya were viewed as a failure; but, most importantly, as a failure bred from policy that contradicted the liberal values of non-aggression and non-interference. The new Syrian crisis, interacting with the pre-existing policy that contradicted liberal ideology, gave some Conservative MPs the opportunity to push British foreign policy into a more libertarian space. Many of those who voted against the resolution – such as Philip Hollobone, Philip Davies, and David Davis – are of known libertarian sympathies and this crisis provided them with the temporary opportunity to push Tory party policy away from interventionism and towards a more consistent liberal outcome that respected state sovereignty and avoided wars of choice (Sparrow 2015; The Freedom Association 2013).

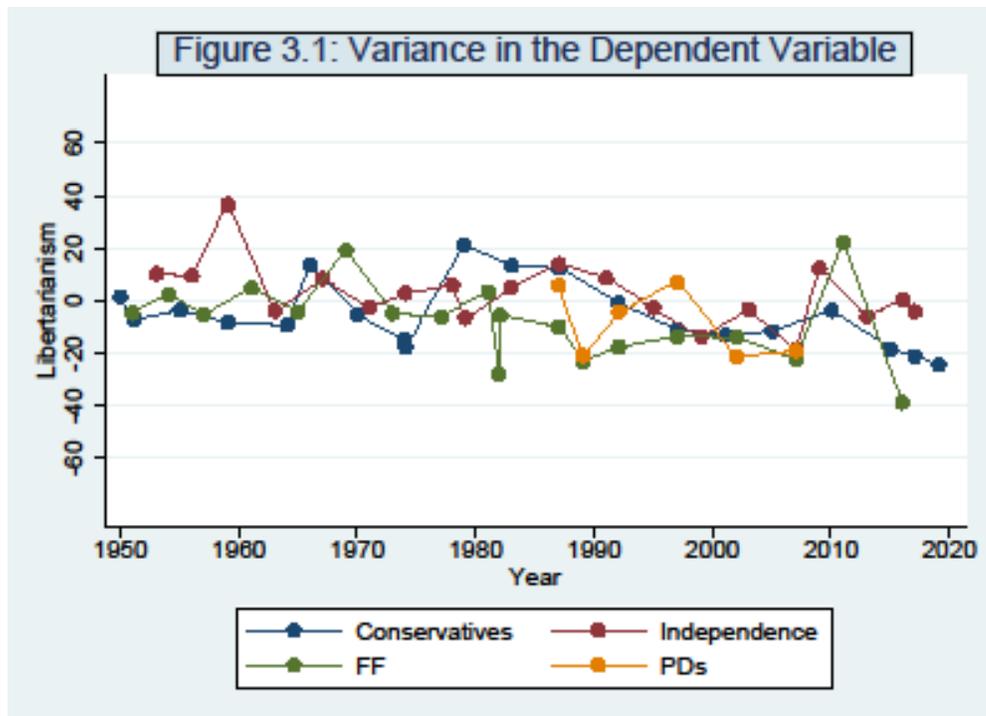
So, this research builds on scholarship that views ideological contradictions as a force for ideational change, in order to conceptualise this independent variable (*ideological contradictions*) as a variation between pre-existing policy that contradicts liberal ideology and pre-existing policy

that is consistent with liberal ideology. The term ‘liberal’ is used to define this pre-existing policy instead of ‘libertarian’, because libertarianism is effectively the ideology of radical liberalism, with a more extreme commitment to freedom defined as non-interference (see Chapter one).

It is also important to note that the independent variable of *ideological contradictions* refers to ‘pre-existing policy’ based on its temporal relationship to the first independent variable. For example, it is the interaction of a political crisis (IV 1) with pre-existing policy that contradicts liberal ideology (IV 2) that creates the necessary space for libertarian ideologues to push for their preferred libertarian policy solutions in mainstream right-wing parties (DV). Also, the variable of *ideological contradictions* does not necessarily denote policy failure, which can be a subjective evaluation. For example, the Eight Amendment contradicted liberal ideological preferences, but it was not viewed as a failure by pro-life activists; instead, they viewed it as a policy success. But pre-existing policy that is consistent with liberalism or contradicts liberal values is a much less subjective categorisation.

The Dependent Variable: Libertarian policy change within mainstream right-wing parties

The libertarian movement has been hampered in the arena of party politics by its traditional suspicion of electoral politics, due to the perceived threat to freedom posed by the irrational and credulous masses (Hayek 1944, 47-50; Mises 2005, 119-121). The main libertarian suspicion being that the average person is too easily mobilised by dangerous demagogues in order to attack the rights of the individual and their property (Hayek 1944, 49). Also, the lack of political sophistication within the general public has meant that a complicated and multi-dimensional ideology, such as libertarianism, which cannot be easily placed on the left/right ideological continuum, will always find it difficult to convince large numbers of supporters (Ellis and Stimson 2012, 190). This lack of a dedicated party base has meant that the libertarian movement must operate within sympathetic right-wing parties if they are to pursue their preferred policy outcomes.



(Source: Manifesto Project Database)

Therefore, the dependent variable will be measured using libertarian policy change within mainstream right-wing party policy, as this is the most effective method of measuring the libertarian movement’s policy success. Dahl (1963, 40) has claimed that ‘influence’ occurs when one actor forces another actor to act in a way they would otherwise have chosen not to act. So, if we can provide evidence for libertarian influence on the direction of mainstream right-wing party policy, this can gauge the effectiveness of libertarian ideologues within their ranks at convincing party moderates and delivering on their libertarian policy preferences. The criteria for the success or failure of libertarian policy change occurs when there is a clear shift in party policy towards libertarian outcomes (which is a success) and when there is clear shift away from libertarian policy, towards a less liberal policy outcome (which is a failure). Effective comparison requires variance across the dependent variable and Figure 3.1 (above) shows the extensive range of the variation in libertarian policy within the party manifestos of the centre-right political parties examined in the case studies (King, Keohane and Verba 1994, 137).

The Intervening Variable- Libertarian ideological infrastructure (think tanks)

This research views the extent of the libertarian ideological support infrastructure as representing an intervening variable that mediates the strength of the relationship between the independent variables and the dependent variable. Essentially, this means that mainstream right-wing parties that operate in states that have an extensive network of libertarian think tanks should see larger shifts towards libertarian policy outcomes. And right-wing parties that operate in states that have fewer libertarian think tanks should see less extensive shifts towards libertarian policy outcomes because they receive less advocacy, or in some cases no advocacy, from libertarian think tanks. To some extent this is self-evident, many scholars have highlighted the influence of libertarian think tanks on policy change, they are known to be incredibly well funded by wealthy donors, and presumably, these successful businesspeople would not donate to these institutes without some evidence that they were delivering value for money, through delivering on their preferred policy outcomes (e.g., Cockett 1994; MacLean 2017; Pirie 2012; Williamson, Skocpol and Coggin 2011). Or, at the very least, raising the profile of libertarian concerns on the public agenda (Baumgartner et al. 2014, 60). It is also likely that the indoctrination of party elites through the proselytizing structures of libertarian think tanks increases the extent of libertarian policy success because the more libertarian ideologues within a party, the greater their ability to influence more pragmatic party members. So, in order to ascertain the extent of this intervening variable, each case study chapter shall include an analysis of the libertarian think tanks in each of the chosen states.

3.3 Theory and Causal Mechanism: Operationalising the Variables

The central thesis of this research claims that the opportunity for libertarian policy change within mainstream right-wing parties occurs when a political crisis (IV1) interacts with pre-existing policy that contradicts liberal ideology (IV2). When these political events interact, it creates the necessary space for libertarian ideologues to convince their more moderate counterparts to shift party policy into a more libertarian direction (DV). Political parties obviously need a policy response to a crisis, but the fact that under these conditions libertarian ideologues can point to the perceived failure of policy that contradicts liberal ideology in the lead up to the crisis, means that it is easier for them to convince pragmatists within the party to embrace a more radical liberal agenda. This serves the dual purpose of providing a policy solution that is ideologically consistent

within a centre-right party that is committed to free market solutions, and a political response that is more likely to appeal to voters, who will naturally react against the previous policy that was inconsistent with liberal values.

Table 3.1: A typology of independent variables for the fluctuation in libertarian influence on mainstream right-wing party policy.

	Political Stability	Political Crisis
Pre-existing policy consistent with liberal ideology	<u>No major change</u>	<u>Shift away</u>
Pre-existing policy contradictory to liberal ideology	<u>Strategic adaptation</u>	<u>Shift towards</u>

Table 3.1 (above) illustrates the shift towards libertarianism within right-wing party policy when the independent variables of *political crisis* and *ideological contradictions* interact. Table 3.1 also shows how the interaction of the independent variables leads to a predictable fluctuation in the dependent variable as measured by shifts in libertarian public policy within mainstream right-wing parties. Their interaction provides an opportunity for libertarian ideologues to advance their policy preferences which results in a shift towards libertarianism (see bottom right quadrant). Or, at times, it constrains the ability of libertarian ideologues to push their preferred policy and creates the conducive conditions for a shift away from libertarian policy (see top right quadrant). And at other times, their interaction causes no shift in libertarianism and a less liberal policy status quo remains the norm, and libertarians will be forced to ‘strategically adapt’ (or disguise) their true policy

preferences in order to remain competitive in a centre-right party (see bottom left quadrant). So, this theory explains the opportunities, constraints, and the need to disguise radical beliefs that are necessary for libertarian ideologues to pursue their policy agenda in conservative and mainstream right-wing parties. The next section will outline the theory that explains these fluctuations in libertarian policy outcomes.

Explaining the Theory: shift towards libertarianism, shifts away from libertarianism, and the strategic adaptation of libertarian beliefs

Once again, the central thesis of this research claims that a political crisis interacting with pre-existing policy that contradicts liberal ideological preferences creates the necessary space for libertarian ideologues to convince moderate party colleagues to embrace a more radical libertarian policy agenda. Both as a policy response that will provide a suitable policy solution within a mainstream right-wing party and as a response that is likely to appeal to voters who will also turn against the perceived failure of policies that contradict liberal ideological preferences.

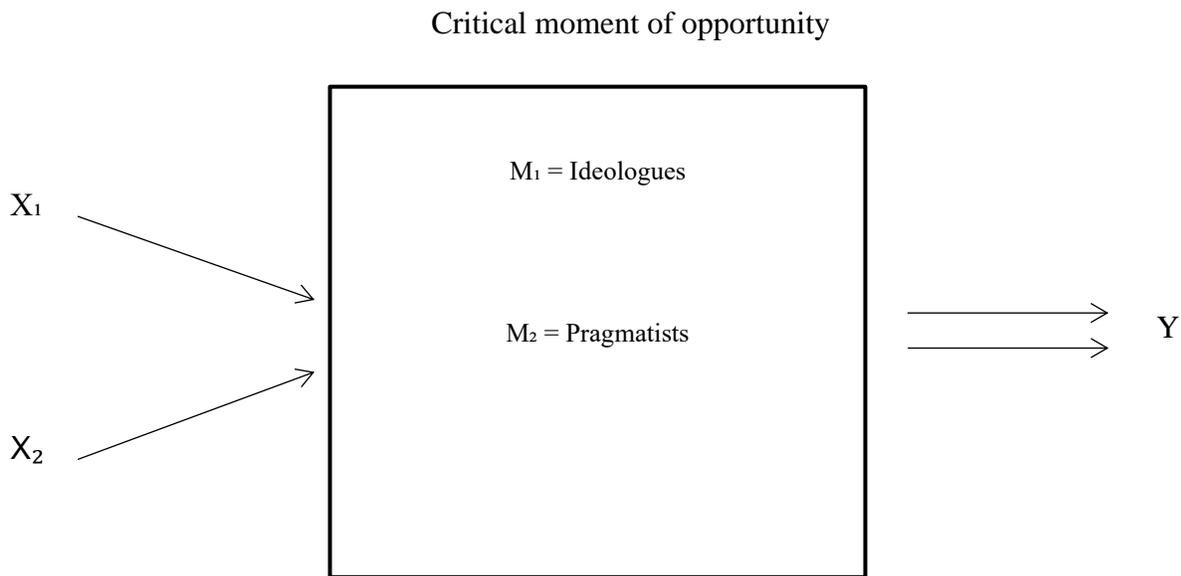
But this thesis also argues that when a political crisis interacts with policy that is consistent with liberal ideology, this creates a political climate in which libertarian policy positions become less tenable within a mainstream centre-right party and results in a shift away from libertarianism (see Table 3.1). Under these conditions libertarian ideologues will fail to convince their more moderate party colleagues about the need to embrace libertarian policy solutions. Party moderates will instead prefer to embrace policy positions that contradict liberal ideology as a solution to the crisis, both as a reaction against the perceived failure of the previous liberal policy prescriptions and as an attempt to appeal to voters who are similarly disappointed by liberal policy failure.

Alternatively, when libertarian ideologues operating within centre-right parties are met with a period of political stability (or policy equilibrium) interacting with pre-existing policy that contradicts liberal ideas, then they will be forced to ‘strategically adapt’ their true policy preferences due to a pragmatic desire to remain politically relevant and competitive within the confines of mainstream party politics (see Table 3.1). Under these conditions, we should view libertarian ideologues adapting their own ideological preferences towards a more pragmatic policy solution and will even implement policies that contradict liberal ideas as they await a more

opportune critical period to push their party policy in a more libertarian direction. Libertarian ideologues will attempt to change the direction of party policy, but their ability to convince moderates will be constrained and they will ultimately fail to convince more pragmatic party officials of the need to break the political stability. However, despite this failure to overturn the status-quo, the libertarian ideologues will remain within the party and ultimately concede to, and even enforce, policy solutions that contradict liberal values.

It is important to note that the libertarian ideologues dealt with in this research are still pragmatic and ambitious enough to join mainstream right-wing parties that are capable of achieving electoral victories. This means that they are capable of compromise, even if they are more radical than many of their more moderate party colleagues. Finally, when a period of political stability interacts with pre-existing policy that is consistent with liberal ideology then there is no major change in the extent of libertarian policy success, and libertarian ideologues will remain content with the existing liberal policy direction.

Figure 3.2: Causal Mechanism for Libertarian Policy Change



Causal Mechanism- ideologues and pragmatists

The kind of theoretical argument detailed above should focus on a causal mechanism that leads to the observable effect as well as on the actual effect itself (Gerring 2007, 44), in this case libertarian policy change within right-wing parties. This next section will introduce a causal mechanism that helps to show a ‘frequently occurring and easily recognizable causal pattern’ which can help explain the causes in the variation of libertarian influence on right-wing party policy (Elster 2007, 37). The development of this causal mechanism will help support the theory and explain how libertarian policy actually gains political traction (King, Keohane and Verba 1994, 86-87).

Figure 3.2 (above) illustrates the causal mechanism which is based on a common scenario for mutually exclusive mechanisms designed by Weller and Barnes (2014, 25). This mechanism is directly linked to the typologies of political actors who instigate rapid changes in policy during opportune moments (*ibid.*). It draws from this chapter’s clarification of the key political actors that are essential in delivering libertarian policy change within mainstream right-wing parties (see Section 3.1). The causal mechanism focuses on interrelated roles of ideologues (M_1) and pragmatists (M_2), given that the actions of political actors within their institutions becomes most influential at times of crises or when the policy equilibrium is being questioned (Baumgartner et al. 2014, 64-65). When the independent variables of crises and contradictions interact, it creates a ‘moment of opportunity’ for ideologues to try and convince their pragmatist colleagues to embrace libertarian policy solutions. Libertarian policy change (Y) is thus contingent on the interaction of the key explanatory variables – which are political crisis (X_1) and pre-existing ideological contradictions (X_2) in policy – creating the necessary ‘moment of opportunity’ for the causal mechanism to take place. So, by focusing on policy change brought about at this opportune moment, it will be possible to assess whether libertarian actors were successful in instigating a new and more radical policy direction within their institutions or were unsuccessful at bringing about their desired party policy change (Capoccia and Kelemen 2007, 348).

For example, when a political crisis interacts with pre-existing policy that contradicts liberal ideology, the ideologues will have the perfect opportunity to push libertarian policy. This opportunity is conducive to building alliances with the pragmatists, as they are happy to have ideological consistent solutions to a crisis and are willing to react against the perceived failings of

policies that contradicted liberal values. Especially as voters are also likely to react against the perceived failure of policies that were inconsistent with liberal ideology.

But if a political crisis interacts with pre-existing policy that is consistent with liberal ideology, the ideologues will fail to convince the pragmatists to embrace libertarian policy solutions. Under these conditions liberal policy is viewed as having failed and they will want to move towards a more statist or socially conservative policy space, in order to provide a suitable policy response to the crisis and to appeal to voters who will also react against liberal policy failure. Effectively, the ability of libertarian ideologues to advocate for their ideas is constrained by the perception of past liberal policy failure.

And if there is no political crisis but the policy contradicts liberal ideology, the pragmatists will remain content with the party's policy direction and the ideologues will be disaffected. However, under this period of political stability, the ideologues will be forced to strategically adapt their true political values and keep their opposition to party policy within acceptable limits if they are to remain competitive within a mainstream right-wing party and push for libertarian reform at a more opportune time in the future.

Importantly, as dealt with by the conceptualisation of the intervening variable, it is the indoctrination of some party elites through the proselytizing structures of the libertarian movement which acts as a moderating variable on libertarian policy success; with the extent of libertarian think-tanks within a political party's host country increasing the potential for libertarian policy change (Firebaugh 2008, 15). As a greater number of libertarian ideological allies within parties, should increase the likelihood of policy success. Fortunately for the libertarian movement, as a more ideologically pure version of liberalism, it is ideally suited to provide right-wing party elites with ideologically consistent solutions to crises within liberal democracies.

3.4 Methodology and Case Selection

Methodology: 'Nested Analysis'

The research design of this thesis conforms to the initial stages of Lieberman's 'nested analysis' recommendations for mixed method research in comparative studies (Lieberman 2005). In that a

preliminary quantitative analysis shall be used to help complement a largely qualitative comparative case study, guide the development of the research question, and support the final interpretation of results (Lieberman 2005, 438). For ‘nested analysis’, the preliminary descriptive statistics regularly uses already existing datasets with enough variance for statistical analysis (*ibid.*, 439-439). In this thesis that involves the use of the Manifesto Project Database to create a novel libertarian scale to measure the extent of libertarian policy change within the manifestos of political parties. And the European Values Study is used to gage the prevalence of libertarian views among European citizens.

According to Lieberman’s ‘nested analysis’, if this initial large-N descriptive analysis (LNA) provides evidence that the theory is suitable to be tested then this will lead to a more detailed small-N analysis as part of a qualitative case study in later chapters (*ibid.* 2005, 439-439). In the case of this research, the results from the purely descriptive statistical analysis (see Chapter 4) will complement and guide the subsequent comparative case study, and if the results are robust, they will aid the development of causal inferences (Lieberman 2005, 438).

So, what purpose does this initial empirical data chapter serve in the context of this thesis? In ‘nested analysis’ the preliminary LNA is often based on a ‘hunch’ or an assumption that first needs to be proven to be accurate if a successful theory is to be built that helps explain the phenomenon under investigation (Lieberman 20015, 440). Similarly, the fourth chapter of this thesis has provided evidence which supports the assumptions that this theory is based upon. Specifically, that libertarianism is a political movement which lacks a popular base of support within the general public (especially in Europe) and that it lacks a dedicated political party base of any real significance and that the extent of its influence on party policy, even within sympathetic right-wing parties, fluctuates considerably.

In addition, effective comparison requires variance across the dependent variable (King, Keohane and Verba 1994, 137) and chapter four provides evidence on where libertarian views are strongest (or weakest) among the European public and political parties. These conclusions coincide with the realisation of early libertarian philosophers that their radical liberal values would be best pursued by an elite cadre of political activists pushing for their preferred policy change within broadly sympathetic right-wing political parties and movements (see: Hayek 1949, 384; Rothbard 2016, 224-226).

For King, Keohane and Verba (1994, 15) a good research question needs to contribute to an identifiable scholarly literature as well as having ‘real world’ relevance. Lieberman argues that ‘nested analysis’ contributes to this aim by helping to target the research question at the most fruitful area of research based on the findings of the LNA section (Lieberman 2005, 436). In the case of this research, the initial descriptive statistics chapter helps to ascertain that measuring policy change within mainstream right-wing parties is an effective means of assessing the success of libertarianism as a political project, given its espoused aim of influencing change within the orbit of the right. Importantly, this analysis is also conducive to testing the kind of ‘macrostructural’ theory developed within this research (Lieberman 2005, 438)

Instead of using the quantitative stage of this research to provide strategic and logical lessons for the qualitative stage – as espoused by King, Keohane and Verba (1994) – this mixed-method approach views both stages of analysis as fundamentally complementary (Lieberman 2005, 436 & 450). Therefore the ‘distinctiveness’ of both approaches will help guide the research strategy and be pooled when it is time for the interpretation of results (Lieberman 2005, 450). A potential downside to mixed-method design choice is that as a methodology it can lack coherence in research design typologies and it has a recent history of ambiguous design strategies that are either too complicated through too many design types, or too simplistic through poor research designs that miss important processes (Leech and Onwuegbuzie 2009, 266-267). To help allay this possibility and to concentrate the focus of this research, the qualitative chapters within this research will draw upon Punctuated Equilibrium Theory, as detailed in section 4.2 (above), to provide the theoretical framework for analysing the punctuated periods of crisis and long periods of political stability that are central to the chosen case studies.

Methodology: Process Tracing

Furthermore, process tracing is the chosen methodological tool for testing the theory within the case study chapters. Within the process tracing framework, it is causal-process observations which provide the bulk of the evidence to both describe the political phenomenon under investigation and to establish causal claims (Collier, 2011, 823–4). Process tracing has been defined as, ‘... the systematic examination of diagnostic evidence selected and analyzed in light of research questions and hypotheses posed by the investigator’ (*ibid.*, 823). However, this broad-based interpretation

has led to accusations that process tracing as an analytical tool is too ambiguous and far too reliant on the intuition of the researcher when establishing causal relationships (Beach 2015, 464; Bennett and Checkel 2015, 4-5). A way of counteracting this tendency and providing accurate causal explanations within process tracing is by focusing on hypothesized causal mechanisms (Bennett and Checkel 2015, 3). In fact, a key technique in process tracing is to test hypothesized causal mechanisms in tough cases to clarify if the theory is generalizable beyond a limited number of cases (*ibid.*, 13). This aspect of process tracing is important in relation to the case selection for this research detailed in the section below.

So, as applied to this research, the process tracing framework can be understood as, ‘... a distinct case-study methodology that involves tracing causal mechanisms that link causes (X) with their effects (i.e., outcomes) (Y)’ (Beach 2015, 463). Within this methodology a causal mechanism should involve a theory of interlocking parts that regulates the causal force between cause and effect (Beach 2015, 465). In effect, causal mechanisms are systems that link cause and effect that can be operationalised by developing a theory that predicts the evidence necessary to determine the presence of the causal mechanism (*ibid.*, 471). Although, a problem with the practical application of process tracing is that what actually constitutes a causal mechanism regularly remains vague and ill-defined (*ibid.*, 464). However, as shown in Section 3.3 (above) the causal mechanism in this research is explicitly defined, and clearly shows the necessary causal link between the independent variables and the dependent variable. As previously stated, the causal mechanism involves libertarian ideologues attempting to convince more moderate party members to embrace a libertarian policy solution during the moment of opportunity created by the interaction of the independent variables (see Figure 3.2). It is expected that the interaction of the independent variables (crisis and contradictions) will lead to shifts in libertarian policy within mainstream right-wing parties. But this is largely irrelevant for testing this thesis. The research question that is the basis of this research explicitly focuses on libertarian influence, it is the libertarian movement’s influence on policy change that is under investigation, therefore it is the causal mechanism which involves the agency of libertarian ideologues that becomes essential in determining causal links (Bennett and Checkel 2015, 21). Effectively, it is the success, failure, or constraints placed on ideologues within the causal mechanism processes that determines the outcome under investigation (i.e., shifts in libertarian policy).

The use of process tracing to establish evidence (or the lack of evidence) for the hypothesized causal mechanism has a proven track record at testing theories that link ideational power with theories of political decision making (Jacobs 2015, 41). This focus on causal mechanisms within process tracing also helps to provide both nuance and a granular focus on causal pathways (Checkel 2015, 91). In fact, by tracing the processes that provide case-specific observations of the hypothesized causal mechanism, process tracing can help to create new testable implications – informed by the academic literature – that may fit a modified theory during the assessment of the results (Bennett and Checkel 2015, 18). This aspect of process tracing will become important during the assessment of the findings of this research in the concluding chapter. Significantly, as per the section on case selection (below), the use of in-depth case studies to test the hypothesized causal mechanism helps to establish the extent or existence of the causal processes that determine cause and effect (Beach 2015, 470).

Case Study Selection

Scholars have warned about the risks of reaching biased generalised conclusions from selecting cases based on the scores of the dependent variable, which in this case would be the extent of libertarian views in a state or a political party (Geddes 1990, 148-149; Shively 2005, 104). In order to counteract this risk, the advice of scholars has been to select cases based on the scores of the key explanatory variables (King, Keohane and Verba 1994, 137-142). However, given that the independent variables of *political crisis* and *ideological contradictions*, vary regularly within all states and political parties, selecting based on these factors is not feasible. Fortunately, replicating the logic of experimental research is less relevant for qualitative research that is trying to explain the causal mechanism behind puzzling political phenomena, and in research that already knows the extent of the phenomena under observation, in this case libertarian policy change within mainstream right-wing parties (Lieberman 2005, 444). What matters is that there is enough variance for effective comparison (which can be viewed in Figure 3.1 above) and that the scholar can explain why the cases selected are of theoretical importance, thus providing a suitable basis for theory testing (Ritter 2014, 105).

One option for case selection is the *Most Similar Systems Design* (MSSD), in which systems are chosen that differ with respect to the independent variables but are as similar as

possible in relation to all other extraneous variables (Anckar 2008, 389; Sartori 1991, 250). In practice, this requirement often involves choosing cases that are linked by geography and culture, which helps to keep the contesting variables constant (Anckar 2008, 393). This provides a research design that automatically keeps extraneous explanatory variables from interfering in the relationship between the independent and dependent variables (*ibid.*). Lijphart (1971, 688-689) has stated that these types of controls which focus on common characteristics within a geographic area can help aid comparison, especially when compared to a randomly distributed set of countries, where cultural and historical difference may mask the process under investigation. This form of selection process provides a theory-confirming basis for comparison, in which each case study acts as a test for the theory and causal mechanism (Lijphart 1971, 691). If the theory is confirmed by each case study this will strengthen the overall proposition under investigation, but the theoretical importance of the case study is increased if one or more of the cases is extreme on one of the variables under consideration (*ibid.*, 692).

So, a *Most Similar Systems Design* (MSSD) is a theoretically robust position. However, its difficulty lies in the fact that within any comparative case study there are a limited number of suitable countries to choose from and this leads to some unavoidable variance in the extraneous variables (Anckar 2008, 389; Peters 1998, 38-39). This is the problem of ‘many variables, small number of cases’ which can interfere with the process being investigated (Lijphart 1971, 685). And for this research, as detailed above, there is another difficulty in that selecting based on divergence in the independent variables is problematic because the extent of crises and ideological contradictions are not kept steady enough in any country for case selection based on their value. In effect, the policy processes unleashed by the interaction of a political crisis and pre-existing policy that contradicts liberal ideology, varies significantly both within a single country and within regions. For example, no liberal democratic country’s policymaking is in a constant state of crisis, and no right-wing political party has constantly implemented policy that contradicts liberal ideological values.

Another option for comparative case selection is the *Most Different Systems Design* (MDSD), this involves choosing units for research which are as different as possible in regard to extraneous variables but similar in terms of outcomes (Anckar 2008, 390; Przeworski and Teune 1970, 34). So, a major difference between the MSSD and the MDSD, is that the MSSD focuses

selection based on the independent variable, and the *Most Different Systems Design* (MDSD) focuses on the dependent variable (Anckar 2008, 393). However, a problem with the *Most Different Systems Design* (MDSD) is that much of the literature claims that it needs a constant dependent variable to be effective (Anckar 2008, 394; Landman 2003, 29-33; Sartori 1991, 51). This means that the phenomenon being investigated should not vary significantly. But for this research the dependent variable of libertarian policy change is obviously something that, like the independent variables, varies considerably both within a single case, over time, and across cases.

As a way to counteract the problems in these systems design this research proposes to pool both approaches, which involves a systemic examination of both ‘similarities’ and ‘contrasts’ among cases in order to test the hypothesis (Collier and Collier 1991, 14). This is an attempt to combine a MSSD and a MDSD into a ‘most similar and most different systems design’ as recommended by Collier and Collier (1991, 15), Berg-Schlosser and De Meur (1994), and De Meur and Berg-Schlosser (1996). This systems design involves selecting cases that are as similar as possible in terms of extraneous variables, but they can also differ in terms of some important extraneous variables and vary in regard to the dependent variable (Collier and Collier 1991, 14-15). In effect, the chosen case studies will have important similarities and differences which will enable effective comparison and causal inferences. This research design sits on a middle ground between ‘splitters’ and ‘lumpers’ in social research (Collier and Collier 199, 14). In that, the ‘splitters’ focus on differences across cases and ‘lumpers’ focus on the similarities across cases that can lead to more universal theories (*ibid.*). So, in testing this theory, this intermediate systems design should help to focus on both the unique or contrasting elements within cases and the commonalities between cases that will enable generalisations.

Why Ireland, Iceland, and the United Kingdom?

The country cases selected for this research consist of: Ireland, Iceland, and the United Kingdom. As per a ‘most similar and most different systems design’, these countries are similar in terms of geographic area and political culture (Collier and Collier 1991, 15). For instance, they are all European liberal democracies, and they all have centre-right political parties that have been extremely successful electorally. In fact, in all the selected countries the mainstream right-wing party has won more elections and been in government more often than the main opposition party.

Europe is an important common focus for this research design because if we can observe libertarian influence on policy within European political parties – which are outside its North American ideological heartland – then we can claim that libertarianism plays an important role in the ideological make up of a section of international right-wing party elites.²²

Importantly, they are all part of the English-speaking world. Obviously, this is the case for Ireland and the United Kingdom. But English is effectively Iceland’s second language, fostered by the NATO presence on the island and its international services industry (Jónasson 2018). English is taught as a second language in schools and recent research has shown that some young Icelanders now read better in English than Icelandic (*ibid.*). This matters because libertarianism markets itself as an inheritor of the ‘Anglo-Saxon’ values of self-reliance and individual liberty (Hayek 1944, 160-161). So, the potential influence of libertarian ideas on policy change should be greatest in the English-speaking world. Interestingly, the empirical data chapter shows that libertarian policy is not a significant feature of politics in some European countries outside the Anglosphere, such as France and Spain (see chapter 4).

Another similar extraneous variable is the nature of their liberalised economies. All three are island states in the North Atlantic, which in terms of economic outlook face West to the United States nearly as much as they face East towards Europe. Their economies are comparable to the extent that financial services play an oversized role, they have all embraced globalisation, and the free movement of capital is integral to their economic models. Until recently all three cases were in the European Economic Area (EEA), with the UK leaving as part of the Brexit process. Also, on tax and social provision, while being significantly greater than in the United States, all three are less highly taxed than many of their European counterparts. And universal welfare provision has either been significantly eroded or not fully established when compared to other Western European countries. Ireland and Iceland specifically make an interesting comparison as both cases have a colonial history with economies that developed late in the twentieth century, both developed an unsustainable financial sector, both had a property bubble followed by a crash, and the Great Recession would severely impact both states, leading to international bailouts (Bergmann 2014, 5). Both also have dominant centre-right parties (Fianna Fáil and the Independence Party) that

²² The United States is by far the most libertarian country. While still of minority interest, polls have estimated that one in ten of self-identified “conservatives” hold libertarian views (Ellis and Stimson 2012, 110).

trace their foundation to the struggle for independence, with both parties becoming the natural parties of government for most of their states' history. However, an important contrast is provided by the United Kingdom, which has an imperial history with a much bigger economy, it is a member of the Group of Seven (G7), it was the first country in the world to industrialise, and it still has heavy industry, albeit at a much-reduced level.

Another contrast is provided by their electoral systems. Both Ireland and Iceland have proportional representation systems, with Ireland using the Single Transferable Vote method and Iceland using the D'Hondt method with an open list. While the UK differs in its general elections by using a plurality (first-past-the-post) method with single member districts. These kind of plurality electoral systems will tend to deliver a two-party system, in which there will be two large political parties made up of broad coalitions (Duverger 1964, 217). While proportional representation fosters a multiparty system in which the political parties tend to have a less broad ideological spectrum within their ranks. A plurality system means that the Conservative Party should exhibit a wider range in ideological preferences and, like with the Republican Party, there is likely to be a significant libertarian element among their membership, officials, and electoral representatives.

Importantly, the intervening variable differs significantly across all three cases. This represents the extent of ideological infrastructure, specifically libertarian think tanks, which can support the advocacy and dissemination of libertarian policy solutions. For example, Ireland has a weak libertarian support movement, with the failed Hibernia Forum being the only policy think tank of any note (Hibernia 2018). In fact, while libertarian policy preferences can be viewed within Irish political parties (see Figure 3.1 above), libertarian ideas in general are a marginal force in Irish politics. But the United Kingdom has a much stronger libertarian movement that has an acknowledged influence within the Conservative Party and many influential think tanks to push its agenda that have strong links with Tory policymakers (Heppell 2002, 302-307).²³ In fact, libertarian values can be viewed as an integral element to Conservative Party identity (Hoover 1987, 247-249). Iceland is at an interesting mid-range point between these two cases, in that it does not have a strong libertarian movement overall, or a strong system of libertarian think tanks,

²³ The most prominent being: The Adam Smith Institute (ASI), The Centre for Policy Studies (CPS), and The Institute for Economic Affairs (IEA).

but a small faction of libertarian students, known as the *Locomotive Group*, did take leadership positions within the Independence Party, and in the 1990s used libertarian ideas to reshape that country's economy (Wade and Sigurgeirsdottir 2010, 11-12). So, these three cases exhibit a libertarian ideological infrastructure that is marginal to party politics (Ireland), that supports a dominant faction within party politics (Iceland), and that is an integral element of party identity and policymaking (United Kingdom). The divergence in this intervening variable should aid effective comparison.

Case study structure- testing the theory

In order to test the theory, the three cases selected shall focus on mainstream centre-right political parties in each state. This will be Fianna Fáil (FF) in the case of Ireland. The Independence Party (IP) in the case of Iceland and the Conservative Party for the United Kingdom (see Figure 3.1 above). While the Irish case study will focus on Fianna Fáil, as the party most responsible for the liberalisation of the Irish economy, the Progressive Democrats shall be included in some case analysis due to their long coalition partnership and their extensive policy convergence on many liberal issues. Figure 3.1 (above) shows the extensive variation in libertarian policy within the party manifestos of the chosen political parties; with each party, at times, exhibiting significant levels of libertarian policy preferences during general elections.

Each case study will begin with an analysis of libertarian think tanks (the intervening variable) within that state, followed by an examination of the influence of libertarian ideas within the chosen mainstream right-wing political parties. This will be followed by three small case studies which illustrate policy decisions that represent the interaction of the independent variables of crisis and contradiction (see Table 4.1 below). So, one case shall examine a policy decision that represents a shift towards libertarian policy, another will examine a shift away from libertarian policy and another will represent a case where libertarian ideologues must strategically adapt their ideological preferences in order to remain competitive within mainstream right-wing parties. The justification for selecting these illustrative case studies shall be provided within each case study chapter.

3.5 Sources and data collection

This section shall first respond to certain general issues relating to the collection of interview data. It will then outline the strengths and weaknesses of the quantitative data used in this research, followed by an in-depth account of the country-specific sources used within the case study chapters.

Interview data collection

Scholars have argued that the qualitative interview process can help to realize peoples' actual experiences of ideology within institutions (Crouch and McKenzie 2014, 485). These qualitative interviews take the form of open-ended questions which allow the interviewees to provide independent answers, without being limited by seeking a specific response to the interviewer's questions (Creswell and Plano Clark 2007, 6). However, these types of interviews have been criticised for being a one-directional tool, in which the interpretation of interview data is the sole privilege of the researcher and thus especially open to the impact of personal subconscious or deliberate bias (Roer-Strier and Sands 2015, 252). This has led some constructivist researchers to call for collaborative interview processes that involve collaboration between the interviewer and the interviewee on the construction of questions and on the suitable content of answers (*ibid.*). However, these forms of innovative or experimental interview strategies would fail to add value to this research. The interviews conducted for this research are solely with professional politicians, paid full-time officials (such as think tank employees or trade union leaders) and political activists. All these subjects can be safely categorised as experienced political actors, who are used to the traditional norms of interviewing and are rhetorically skilled at getting their desired points across. This means that there is a largely non-hierarchical power balance between the interviewer and interviewee, which limits the potential for the qualitative interview data being directed by the researcher's questions or personal bias (Roer-Strier and Sands 2015, 265).

One problematic aspect of relying on interview data from political actors (many of whom are libertarian ideologues) is the risk of self-serving answers that are an attempt to burnish their own career prospects, excuse political failure, or pursue vendettas against political opponents or rivals (Lilleker 2003, 212). This can lead to widely varying accounts of political events or, at worst, accounts that lack credibility. This means that interviewers need to be prepared for elite interviews by developing a knowledge of the interviewees career and a deep knowledge of the events under

discussion built from a wide variety of sources (*ibid.*) Therefore, interviews were only conducted for this thesis after significant research had been undertaken on the cases / political events under discussion, so that deliberately self-serving or misleading statements could be challenged in real time during the interview process. Importantly, statements from political actors were triangulated against other interviews, news reports and the academic literature in order to develop a critical assessment of the interviewees assertions. A more case specific analysis of interview strategies and trade-offs shall be dealt with in the below section that deals with country-specific data collection and problems.

Quantitative data (strengths / weaknesses)

The Manifesto Project Dataset (MPD 2015) used in this research represents a comprehensive time series database, coded on the basis of the policy content of political parties' manifestos, which has become the most established tool for estimating party policy positions (e.g., Budge et al. 2001; Klingemann et al. 2007). Dinas and Gemenis (2010, 427-428) claim that this analysis of party manifestos is the most effective method for establishing party ideological location because it reduces the potential for individual bias found in expert surveys and opinion poll data. However, it does not completely eliminate bias as the manifestos are hand coded by country-specific experts and are thus open to the potential political bias of these expert coders. This has led to criticism of the Manifesto Project data because in some cases it leads to ideological estimates for political parties that lack face validity (*ibid.*). For instance, a common criticism of this manifesto data is that it is better at measuring ideological positioning on domestic policy rather than international relations (Klingemann 1995, 203-205). The design of the libertarian measure used in this research attempts to address some of these concerns (see Chapter 4.1). However, the risk of coder bias is reduced by the fact that this research follows Lieberman's (2005, 438) nested analysis which means that the quantitative data is used to support analysis and the assessment of results rather than being the primary source of results.

The other source of quantitative data used in this research is the public opinion polling conducted by the European Values Study (EVS), which is used to determine the popularity of libertarian values amongst European citizens. The European Values Study (EVS 2017) avoids relying on ideological self-identification survey questions which can be problematic due to the

general public's difficulty in thinking in terms of ideological positioning which leads to an overrepresentation of respondents choosing the mid-range points or 'don't know' responses (Treier and Hillygus 2009, 681-683 & 692). Instead, the EVS asks questions that focus on a broad range of values related to family, work, religion, politics, and society. The fact that respondents are asked such a diverse set of questions on everyday issues means that the impact of leading survey questions can be reduced, although not completely eliminated. Fortunately, because libertarian values generally fail to conform to stereotypical policy preferences on the Left-Right spectrum, this research can just focus on the respondents who identify with the most radically liberal positions on both economic and social values.

Sources: Ireland

Source material for the Irish chapter involved a Freedom of Information (FOI) request targeted at the Citizenship Referendum of 2004. This was a broad request sent to the Department of An Taoiseach and the Department of Justice seeking documentation provided to Cabinet in the eighteen months leading up to the referendum.²⁴ Interestingly, the data from this FOI request supported the government's contention – which has been disputed by other scholars (see: Garner 2007; Hewson 2018; Lentin 2007) – that the main aim behind the referendum was to shut down citizenship loopholes and bring Ireland's laws into alignment with other European countries (see: Chapter 5.6).

Data collection for the Irish case study also involved interviews with three libertarian political actors (Eamon Delaney; Rob Duffy; and Keith Redmond) who were founding members of the short-lived Hibernia Forum, a failed attempt to create a libertarian think tank in Ireland. Libertarianism in Ireland and the reasons for the Hibernia Forum's failure were the focus of these interviews, so there was little scope for them to exaggerate their influence or provide a self-serving narrative that furthered their ideological aims. Also, interviews were carried out with key trade union leaders. Jack O'Connor, former head of the SIPTU trade union and former president of the

²⁴ The full FOI request was as follows: 'All documentation in relation to the Citizenship Referendum 2004 (also known as the amendment to the 2001 Citizenship Act), prepared for or considered by the Taoiseach, Senior Officials Group, Cabinet Committee, or Cabinet meetings held between 01 January 2003 and 11 June 2004 including any briefings/memos/reports/correspondence or other documentation prepared for each meeting or arising out of those meetings'.

Irish Congress of Trade Unions (ICTU), played a key role in negotiating the series of social partnership agreements with government, and was on intimate terms with the trade union leaders in place during the 1987 budget. Patricia King, the General Secretary of ICTU and former vice-president of SIPTU, was involved in many of the social partnership agreements but was also the lead trade union negotiator relating to the public-sector benchmarking process. Finally, Bertie Ahern, was Minister of Labour during the 1987 Budget, as well as Taoiseach during the Citizenship Referendum and during the public-sector benchmarking process. All three interviewees provided data that was crucial to the case study.

Sources: Iceland

A significant primary source for the case of Iceland are the reports produced by the Special Investigations Commission (SIC), which also included a special report from the Working Group on Ethics (WGE). The SIC was an investigative body set up by the Icelandic parliament in December 2008, during a period of intense public anger directed at the banks and the Icelandic political elite. Its remit was to find the truth behind the events leading to the Icelandic financial collapse and explain its causes. The SIC is unusual in that a government accused of systemic failure commissioned an investigation that had ‘practically unlimited investigative powers’ (Johnsen 2014, 48). The SIC could subpoena witnesses, search premises, seize any documents it felt relevant to its investigation, and legally confidential agreements were made available to the investigators, although the basic civil rights of witnesses were also respected (*ibid.*, 49). Given the Icelandic Independence Party’s dominant position within all levels of the Icelandic state, many citizens expected a whitewashed report (*ibid.*). However, the SIC delivered a detailed and damning indictment of the mistakes made by the Icelandic elite in nine volumes, in which the five key volumes are available in English translation (see: SIC 2010a; SIC 2010b; SIC 2010c; SIC 2010d; SIC 2010e). This provides unusually valuable source material that goes to the heart of the failure and successes of the libertarian movement within Iceland.

However, interview data collection in Iceland was hampered by a lack of access. Perhaps this unwillingness to talk to researchers should not be surprising for the political elite attached to the Independence Party because they have received such widespread criticism for their actions in the lead up to the Great Recession from both the SIC report (2010) and from the academic literature

(e.g., Bergmann 2014; Bibler 2021; Sigurgeirsdottir and Wade 2015). They have an obvious incentive in not cooperating with research which focuses on political events that are usually portrayed as examples of policy failure for that party. However, interview access with the Icelandic political elite in general proved difficult, even with those political actors who are opponents of the libertarian faction that came to dominate the Independence Party. One answer to this may be the fact that Iceland is a small country with a parochial political culture and many political actors did not wish to provide interviews on contentious recent history, especially given the success of the SIC report in establishing a widely accepted chronology of events and blame (Wade and Sigurgeirsdottir 2010, 7). Also, David Oddsson, the former prime minister, is currently the editor of the Icelandic paper of record, which may constrain the willingness of political actors to give interviews that may criticise his leadership abilities due to fear of a potential negative media backlash (Johannsdottir and Olafsson 2018, 193). Despite these difficulties, two interviews (one written responses to questions and one phone interview) were carried out with Hannes Gissurarson, who was the main thinker behind the libertarian political project in Iceland and a special advisor to David Oddsson. In the past, he has proven reluctant to provide interviews on the events covered in this case study. In fact, outside of his own academic work (see: Gissurarson 2017a; Gissurarson 2017b) he has only dealt with them in one other interview (see: Magnusson 2009). So, getting such lengthy interview data from a key political actor proved invaluable for this research. Gissurarson, it is fair to say, is an ideologically committed libertarian and a partisan of David Oddsson. But his recollection of events was not self-serving, and his interview data was balanced in this research with the critical commentaries from the SIC report and from the academic literature.

Sources: *The United Kingdom*

The most significant primary source for this chapter is from the Margaret Thatcher Foundation online archive. This archive offers thousands of declassified documents from many different archives that relate to Margaret Thatcher, with a special focus on the events relating to her time in office. This obviously provided valuable source material for research into both the Miners' Strike (see Chapter 7.3) and the British Leyland bailout (see Chapter 7.5), it also helped to prepare for interviews.

Interview data collection in this chapter came from Douglas Carswell, a former Conservative Party MP and well-known libertarian. And, Steve Baker MP, a former Brexit Minister, leader of the European Research Group, and perhaps the most prominent libertarian critic of Boris Johnson within the Tory Party. Both these political actors have also had leadership positions within libertarian think tanks. Their prominent position within the media and around recent political events makes them an invaluable source for researching recent ideological shifts within Conservative Party policy. Importantly, both these political actors have significant ideological disagreements with Johnson and are scathing about the lack of commitment to free market principles amongst his Cabinet members. However, this research triangulates their ideologically driven disgust at Johnson's leadership with the secondary academic literature and interview data provided by Dr Stephen Davies, who is Head of Education with the Institute for Economic Affairs (IEA). Although he is also a committed libertarian, he is far more conciliatory as regards to the extent that politicians can be held culpable for their lack of ideological commitment given the limited scope that he argues they actually have for directing policy (see: Davies 2021).

3.6 Expected Results

Research designs that conceptualise crises as opportunities for ideological change are common within political science (e.g., Blyth 2008; Krippner 2011; Lopez and Leighton 2012), and there has been some research on how ideological contradictions can build up over time, leading to a crisis that requires significant policy change in order to retain ideological coherence (e.g. Ertman 2010; Habermas 1992; Jessop 2015; Offe 1984). The research design laid out in this chapter aims at combining these two approaches, in order to assess if the interaction between crises and contradictions can lead to moments of opportunity for ideologues to push party policy in a more radical direction.

In terms of external validity, the theory and causal mechanism developed to address libertarian policy change in mainstream right-wing parties should be applicable to radical policy change within any mainstream political party. For instance, Jeremy Corbyn's rise and his 2017 manifesto is representative of a minority of socialist political actors within the Labour Party utilising a crisis (brought about by successive election defeats) combined with previous policies

that contradicted Labour's social democratic heritage (such as privatisation, welfare cuts, and the Iraq War) to convince enough moderate party members to move policy in a more radical left direction (Seymour 2017).²⁵ And Donald Trump's speeches during the Republican primary harnessed a political crisis around white working class insecurity to provide a nativist backlash against previous liberal policies on trade and immigration (Cassidy 2016). This encouraged nationalist elements within the Republican Party to aid a shift away from libertarian and free-market values towards a more nativist agenda. Importantly, the theory developed in this chapter is only applicable in liberal democracies, because in authoritarian or competitive-authoritarian regimes the dominant political party is much less concerned with voter backlash and the legitimacy problems that arise with ideological inconsistency.

Given the United Kingdom's broad-based Conservative Party, its influential libertarian think tanks, and its 'Special Relationship' with the United States, it would be unsurprising to find that libertarian ideologues exert influence within its ranks and that this theory is most applicable within that case. Similarly, in Iceland, although libertarian values were not a traditional part of the Independence Party's identity, a libertarian faction did become dominant within its ranks during the late 1980s and this would culminate in one of their number, David Oddsson, becoming a liberalising Prime Minister from 1991 to 2004. So, as per the hypothesis being tested, the expectation would be that libertarian ideologues in this party would be in a strong enough position to utilise political crises interacting with pre-existing contradictions to liberal policy, as an opportunity to push their preferred policy agenda. However, while all the chosen cases can be viewed as hard cases, given that Europe is outside the North American heartland of libertarianism, Ireland is the hardest of the three chosen cases for testing the theory because its centre-right politicians tend to be more pragmatic than ideological. Although Ireland has become one of the most liberalised economies in the world, it does not have influential libertarian think tanks, there are no significant factions within its right-wing parties and libertarianism – or any other strain of radical ideology – has not been a traditional feature of its mainstream politics. In fact, the two centre-right parties that have, until recently, dominated its electoral space – Fianna Fáil and Fine Gael – resemble the Gaullist tradition. To the extent that they have pragmatically converged on liberal economic policy, and they are wedded to free-market values, but at the same time they are

²⁵ It is important to note, that in both leadership races Corbyn won a majority of "old" Labour members as well as the new "three pound" members (Stewart 2016).

statist in their policy applications and tend to resort to state intervention in order to solve political crises. Therefore, Ireland's political party system can be viewed as a hostile climate for libertarian ideas and the expectation would be that the theorised impact of the independent variables will be much less in this case and libertarian ideologues will be less able to use opportune moments to push for their preferred policy solutions.

Chapter 4 – Empirical Data

The first chapter in this thesis outlined what libertarian ideas actually consist of and argued that libertarianism should be viewed as the ideology of radical liberalism. In effect, what differentiates libertarians from other liberals is just the extent of their commitment to the values of the free market and freedom defined as non-interference (Gilmore 1990, 9). Conceptually, this research will continue to ground its understanding of libertarianism based on Karl Widerquist's (2009, 43-44) working definition, which was explored in chapter one of this thesis. In fact, this detailed exploration of the meaning of libertarianism directly influenced many of the empirical decisions made in creating a novel measure for libertarian ideology using data collected from political party manifestos. Previous studies have provided evidence of libertarian influence within the US Republican Party (e.g., Burns 2012, 46-50; Kabaservice 2012; MacLean 2017; Skocpol and Williamson 2012). However, what is most puzzling about libertarian influence is how a radical idea such as libertarianism can gain traction within mainstream centre-right parties, especially given the lack of a significant libertarian support base among voters in Europe. For instance, even in the United States, where libertarian ideas are most prevalent, only one in ten self-identified 'conservatives' hold consistently libertarian world views (Ellis and Stimson 2012, 110). Importantly, the potential influence of libertarian ideas on European political parties is an underexplored phenomenon.

The aim of this chapter is to provide context to this puzzle by using descriptive statistics to ascertain the extent of libertarian ideas within the policy positions of European political parties and amongst the values held by European voters. This will determine the extent of libertarian ideas outside of its North American base and within the more hostile political climate of social democratic European states. The use of descriptive statistics early on in the thesis follows Lieberman's (2005, 435-436) 'nested analysis' recommendations for mixed method comparative research, in that a statistical analysis of a large number of cases is used as the base for a more in-depth comparative case study into one or more of the sample cases. For 'nested analysis', the preliminary descriptive statistics often uses already existing datasets with enough variance for effective analysis, if this initial analysis shows evidence to support theoretical assumptions, this

will aid the development of a theory that will be suitable for testing in a more detailed comparative case study in later chapters (Lieberman 2005, 439-439).

This chapter will first utilise data from the Manifesto Project Database (MPD), which analyses parties' election manifestos in order to study parties' policy preferences. This data will be used to create a novel libertarian scale designed to measure the extent of libertarian ideas within the manifestos of political parties. This represents the first research to use Manifesto Project data to measure libertarian ideological influence. This libertarian scale will provide evidence about the changing policy preferences of party elites over time and help to determine how prevalent are libertarian policy positions within mainstream political parties. It is important to note that manifestos are reflections of party elite policy preferences that they hope will appeal to voters, they do not represent policy outcomes; nevertheless, this measure will provide a reliable guide to the extent of libertarian policy ideas within political parties.

Then this chapter will then ascertain the extent of libertarian values held by voters within Europe through data provided by the European Values Study (EVS). This will determine how prevalent libertarian values are within Europe and thus the potential extent of their appeal among European voters. There is widespread academic consensus about the growth of neoliberalism since the 1970s (e.g., Harvey 2007; Panitch and Gindin 2012; Piketty 2014; Streeck 2016), so the expectation would be to see a corresponding growth in liberal orthodoxy when it comes to the economic values of the European public. And even in the social sphere, from a Marxist perspective, changing economic conditions should result in a change of social values as societal relations adapt to new productive forces (Cohen 2000, 134-138). So, the expectation would be to see a growth in socially liberal values as a more individualistic and atomised economic world views become part of the 'common sense' hegemonic discourse (Hall and O'Shea 2013. 3-4).

4.1 The Data: Manifesto Project Database (MPD) and designing the libertarian scale

The Manifesto Project (MPD 2015) is a comprehensive time series database, coded on the basis of the policy content of political parties' manifestos, which has become the most established tool for estimating party policy positions (e.g., Budge et al. 2001; Klingemann et al. 2007). Dinas and Gemenis (2010, 427-428) claim that this analysis of party manifestos is the most effective method

for establishing party ideological location because it reduces the potential for individual bias found in expert surveys and opinion poll data. Importantly, the MPD also enables a comparative temporal analysis of 56 countries, which allows a picture of each manifestos' position on an ideological continuum to emerge, which is unique to the policy concerns and electoral strategy of each specific party, at that specific time (Dinas and Gemenis 2010, 427-428).

Manifestos can be viewed as voter facing texts based on parties' policy preferences, which are often the result of intense factional debate within party structures (*ibid.*, 434). In essence, manifesto data is representative of party ideology that is filtered through a marketing strategy with the aim of garnering public support. This process can be a difficult balancing act. For instance, Jean Charlot (1989) has argued that political party identity is best understood using a dialectical model of relations. In which parties have two faces, one designed for the 'outsiders' in the media and the voting public, and one designed for the 'insiders' of committed party members (*ibid.* 1989, 361). Party elites must continually tailor their manifestos between these dual faces, in order to retain the sympathies of their activist base while still appealing to a larger section of voters in order to achieve power.

This ambiguity in the nature of party manifestos has led to some difficulties in measuring ideology; as seen by some of the criticisms levelled at the 'standard method' for measuring party positions on a Left-Right continuum within the MPD, which was designed by Laver and Budge (1992). They used MPD variables to create two ideological markers that are indicative estimators for left-wing and right-wing politics; the sum of the 'right' marker minus the 'left' marker provides a score that places each manifesto on a Left-Right continuum (Dinas and Gemenis 2010, 429; Laver and Budge 1992, 26-27). This method of estimating ideology within the Manifesto Project has been subjected to more scrutiny on the basis of face validity than any other method (e.g., Budge and Klingemann 2001; Klingemann et al. 2007). For instance, Klingemann (1995) has criticised the 'standard method' on the basis that it is more attune to domestic politics compared to the impact of international relations on parties' ideological positions (*ibid.*, 203-205). There seems to be some justification for this position in the case of the United Kingdom, as the 'standard method' does show that the Labour Party became slightly more left-wing between the 2001 and 2005 elections (see Figure 4.2 below); which seems counterintuitive when issues like the Iraq War and the detention without trial of terrorist suspects are considered (Gamble 2012, 496-497).

Franzmann and Kaiser (2006) also critiqued the ‘standard method’ on the basis that the ‘left’ and ‘right’ markers consist of too many valence issues that could have cross party support under differing circumstances. In response they devised a ‘regression method’ for measuring ideology which separated valence issues from other more clearly defined ‘left’ versus ‘right’ policy positions (Dinas and Gemenis 2010, 429). The ideological score for each year was also adjusted to take account of the weighted mean of the party’s score in the previous and next election, with the aim of providing a more nuanced context to changes in party platforms (*ibid.* 430). However, similar to the to the ‘standard method’, this ideological measure was less exact for many European countries, with experts labelling it as only ‘quite plausible’ in terms of face validity (*ibid.*, 436). The next section will address how the design of the libertarian scale using the MPD tries to counteract some of the weaknesses in these existing ideological measures.

Creating the libertarian scale using Manifesto Project Data

The final design of the libertarian ideological scale used in this research was heavily influenced by the ‘standard method’ employed by Laver and Budge (1992). To the extent that it follows their formula in creating a positive marker for ‘libertarianism’ by combining right-wing economic indicators with libertarian social values (see Table 4.1 below). And a negative marker was created for ‘illiberal authoritarianism’ by combining left-wing economics with conservative social values. The term ‘authoritarian’ was considered to describe the opposite of libertarianism, but this could lead to conceptual confusion as some populist-authoritarian regimes can be supportive of egalitarian policies which have no place in libertarian ideology, such as the food subsidies or state-led development programmes previously seen in countries like Egypt and Syria (Selvik and Stensile 2011, 53 & 57). Therefore, ‘illiberal authoritarianism’ best describes the collectivist economic values that values the ‘people’ over the individual, combined with socially conservative values that are less committed to principles based on individual choice and state-led equality.

Similar to the ‘standard method’ used by Laver and Budge (1992) to measure ideology on a left-right spectrum, the sum of the non-libertarian marker minus the libertarian marker provides a score that places each party’s manifesto on a libertarian ideological continuum. The variables included in the libertarian measure can be viewed in Table 4.1 (below), and Appendix A provides the full code for the libertarian measure as well as two tables that outline the content of the

variables that positively indicate libertarian ideas or negatively indicate libertarian ideas (see: Appendix A- Table A and Table B).

Table 4.1: Libertarian Scale Variables

Libertarian <u>Positive</u> Indicators within the Manifesto Project Dataset Codebook (<i>Right-wing economics and libertarian social values</i>)	Libertarian <u>Negative</u> Indicators within the Manifesto Project Dataset Codebook (<i>Left-wing economics and conservative social values</i>)
<u>Domain 1: External Relations</u> per103- Anti-Imperialism per105- Military: Negative	<u>Domain 1: External Relations</u> per104- Military: Positive per107- Internationalism: Positive
<u>Domain 2: Freedom and Democracy</u> per201- Freedom and Human Rights per203- Constitutionalism: Positive	
<u>Domain 3: Political Systems</u> per303- Governmental and Administrative Efficiency per304- Political Corruption	
<u>Domain 4: Economy</u> per401- Free Market Economy per407- Protectionism: Negative per414- Economic Orthodoxy	<u>Domain 4: Economy</u> per405- Corporatism/Mixed Economy (favourable mentions) per406- Protectionism: Positive per409- Keynesian Demand Management per412- Controlled Economy per413- Nationalisation per415- Marxist Analysis per416- Anti-Growth Economy: Positive
<u>Domain 5: Welfare and Quality of Life</u> per505- Welfare State Limitation per507- Education Limitation (privatization)	<u>Domain 5: Welfare and Quality of Life</u> per501- Environmental Protection per503- Equality: Positive per504- Welfare State Expansion
<u>Domain 6: Fabric of Society</u> Per604- Traditional Morality: Negative (divorce, abortion etc.)	<u>Domain 6: Fabric of Society</u> Per603: Traditional Morality: Positive per605- Law and Order: Positive per608- Multiculturalism: Negative
<u>Domain 7: Social Groups</u> per702- Labour Groups: Negative	<u>Domain 7: Social Groups</u> per701- Labour Groups: Positive

Source: Manifesto Project Database codebook (MPD 2015).

The criticism levelled at the ‘standard method’ by Klingemann (1995) in relation to international relations being poorly assessed has been addressed in this libertarian scale design. For example, the variables for anti-imperialism, the rule of law, and negative positions on the

military, are such an integral part of libertarianism that they had to be included in the ‘libertarian’ marker. But the ‘standard method’ included variables supportive of the military in the ‘right-wing’ marker (MPD 2015a, 28). This was a mistake, as it led to distortions in the ideological score when it comes to policy positions on international affairs, as some liberal right-wing parties in the Global North oppose significant expenditure on the military and costly foreign adventures.

The criticism applied by Franzmann and Kaiser (2006) to the ‘standard method’ is also less applicable for the libertarian scale as there are so few, if any, valence issues included in the measure. For instance, the variable for government and administrative efficiency (per303) was included as a positive indicator for ‘libertarianism’. On face value this could be considered a valence issue because efficiency is a priority for most parties, but as shown in Appendix A, it includes policies that reduce the numbers of public sector workers, which is obviously unpalatable to the left (MPD 2015a, 12). This means that this variable takes the form of a liberal version of political efficiency that can be safely viewed as a libertarian indicator. Also, Appendix A shows how the variable for freedom and human rights (per201) could be perceived as a valence issue because no democratic party would take a stand against these issues, but that variable focuses on policies supportive of the individual’s freedom from interference (rather than economic rights for citizens) which may be less palatable to collectivist or more authoritarian political parties (MPD 2015a, 11). This focus on individualised conceptions of freedom makes this variable a safe indicator for libertarian values.

The decision of which variables to include in the libertarian and non-libertarian markers, was heavily influenced by the first chapter. For instance, the variable for negative references to internationalism (per109) was initially included in the libertarian marker as it contained libertarian concerns for sovereignty, national independence, and isolationism (MPD 2015a, 10); which are all solid libertarian values (Mises 2005, 79-80). But it had to be removed from that marker because a more detailed analysis showed it was conceptually flawed, as it included policy preferences for unilateralism and against voluntary cooperation, which are the antithesis of libertarianism (MPD 2015a, 10). In contrast, as shown in Appendix A, the decision was made to include the variable for positive references to internationalism (per107) in the non-libertarian marker as it includes references to world planning of resources, foreign governmental aid, and global governance, which are all anathema to the minimal state as espoused by libertarian thinkers (Nozick 1988, 149).

Libertarian ambivalence towards the European Union has meant that its positive indicator (per108) had to be omitted from the scale (MPD 2015a, 10). To some extent, this could be viewed as counterintuitive as libertarians have always pushed for an international common market which enables the free movement of people and capital (Mises 2005, 8-9); but any structures that also increase the amount of government and makes bureaucrats less accountable cannot be tolerated, even if they bring some tangential free market benefits (Rothbard 2016, 126-128). Finally, the variable for positive references to multiculturalism (per607) was excluded from the libertarian marker as it involved state-led support mechanisms, rather than a specifically charity-led response to integration, which would be the preferred option of libertarians (MPD 2015a, 19; Friedman 2002, 190-191). But the negative policy indicator for multiculturalism (per608) has been included in the non-libertarian marker (see: Appendix A) because it includes a state-led response to enforce ‘cultural homogeneity’ (MPD 2015a, 19); which again is the opposite of the libertarian commitment to free immigration, individual choice, and a spontaneously formed cultural diversity (Block 1998, 172-175).

On measuring ideology

In general, there are certain data collection problems when it comes to measuring ideology in political parties or in society as a whole, which are minimised by the Manifesto Project data. For instance, issues arise around ideological self-identification in surveys due to the potential for random error, because of people’s lack of political sophistication, and their relative inability to navigate politics in ideological terms (Ellis and Stimson 2012, 190). This can lead to an operational-symbolic disconnect in ideological identification, where respondents claim an ideological position but actually support political policies that run counter to that ideology (Stimson 2004, 84-87; Ellis and Stimson 2012, 57-59). In the United States this leads to a significant number of voters claiming the conservative mantle but actually supporting policies that are traditionally viewed as left-wing, such as Medicaid and unemployment benefit (Ellis and Stimson 2012, 149). The measurement of ideology is further complicated by the fact that ideological survey questions presume that people can readily place themselves somewhere on a Left-Right (or Liberal-Conservative) spectrum, when many people’s politics are much less defined and far more incoherent than this simplistic interpretation of ideology allows for; this then leads

to an over representation in the ‘don’t know’ or ‘moderate’ categories (Treier and Hillygus 2009, 681-683 & 692). This obviously undermines the interpretation of ideological identification scales in survey data, which also generally fail to account for the multidimensional nature of personal politics.

However, the complexity of libertarian political preferences actually aids in offsetting the impact of the multidimensional nature of individual politics. As libertarian policy preferences generally fail to conform to the stereotypical positions adopted on the Left-Right or Liberal-Conservative spectrum, this can make them easier to spot through survey questions or already existing datasets. For instance, any respondent that combines socially liberal stances, with a pro-business, anti-war and anti-state outlook can safely be placed in a libertarian ideological space. The relative uniqueness of such combinations means that the scope for error in the interpretation of the data will be reduced. In gathering original survey data for this proposed research, the multi-positional political preferences of libertarianism can be utilized to identify the extent of libertarian views in right-wing parties.

Finally, best practice dictates that new ideological measures should be tested both on the basis of face validity and in comparison with other measures (Dinas and Gemenis 2010, 444-445; King 1990, 11). Therefore, the next section of this chapter will also compare and contrast some of the ‘standard method’ results for political parties on the Left-Right political spectrum with those produced by the libertarian scale.

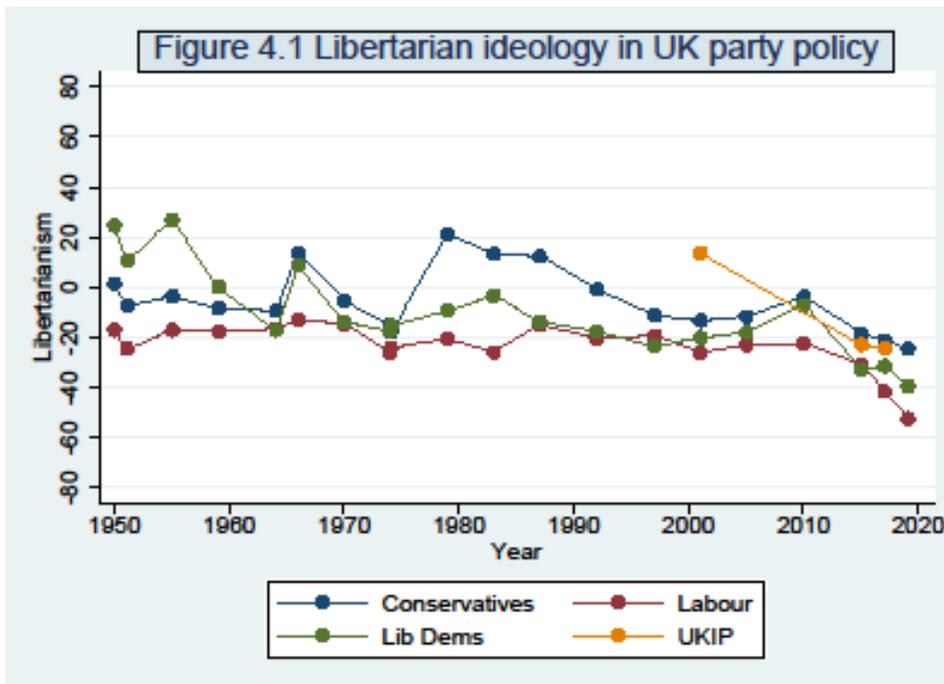
4.2 Libertarian scale results

With the exclusion of the Libertarian Party in the US there are few self-declared libertarian parties of any note and even that party has been viewed by its activists as more of a tool for proselytizing libertarianism rather than an effective electoral vehicle (Huebert 2010, 224-227). Its 2016 presidential nominee, Gary Johnson, did fairly well for a third-party candidate, with some polls placing his support at 10 per cent or higher in all 50 states (Russonello 2016), but this was largely a protest vote by discontented Republicans rather than an indicator of an emerging party base (Drew 2016). Libertarianism has also been handicapped in the electoral arena by a philosophical tradition of suspicion, and even disdain, for electoral politics due to the perceived threat posed to

freedom by the irrationality and ignorance of the masses (Hayek 1979, 47-50; Mises 2005, 119-121). This lack of an organizing tradition, combined with a lack of party structures, has meant that people motivated by libertarian politics have been forced to operate within the sympathetic political parties of the right, such as the Republican (Williamson, Skocpol and Coggin 2011, 29) or the Conservative Party (Heppell 2002, 302-207).

Libertarian policy change in the United Kingdom

Hayek claimed that his philosophy was based on the ‘English’ values of self-reliance (Hayek 1979, 160-161) and Milton Friedman argued that the ideal Western values of free enterprise are best illustrated by nineteenth century American capitalism (Friedman 2002, 190-192). Therefore,



(Source: Manifesto Project Database)

this section will begin with the Anglo-Saxon countries of the United Kingdom and the United States, which are the ideological foundation stones for libertarian thought.

Figure 4.1 shows the variation in libertarian policy position within the manifestos of UK political parties. Predictably, it shows that the Conservative Party is consistently the most libertarian party in the UK, with a sharp jump in libertarianism when Thatcher became leader in 1975 after the compromise years of Heath. Thatcher was fond of libertarian thinkers such as Hayek and tended to use libertarian language in support of her preferred policies, but she was not deeply

wedded to a libertarian political project (Runciman 2013, 16). Thatcherism was more of an alliance of anti-state radicals, rather than a coherent ideological perspective, but those people in the Conservative Party of libertarian sympathy naturally gravitated to this willingness to revolutionise the state (Bale 2011, 23). After 1979, libertarian policies show a steady decline, influenced by the necessary compromises of government (especially in Thatcher's first term) and the increased centralisation of state power in Whitehall (Bale 2011, 23). The introduction of the poll tax also decreased the overall libertarian score because even though it was an embryonic version of flat-tax policy preferred by libertarians, it was still a new form of taxation (Gilmour 1992, 92-93). This steady libertarian decline continued under the more traditional 'one nation' conservatism of John Major, followed by the family-value conservatism of William Hague, Ian Duncan Smith, and Michael Howard (Bale 2011, 32, 80-81; Hayton 2010, 495-496).

However, libertarian policies began to increase again under David Cameron due to his emphasis on reducing the 'nasty party' image through a focus on socially liberal policies such as gay marriage (Hayton 2010, 492). In fact, the Conservative Party / Liberal Democrat coalition was in many ways more liberal than conservative, with a focus on economic liberalism combined with social liberalism that was part of a coherent return to laissez faire values (Baker 2021; Beech 2015, 3). Osborne's austerity programme of public spending cuts, his willingness to cut taxes (such as the 50p band of income tax for high earners) while increasing charges for those reliant on the state (such as with the 'bedroom tax'), provided a coherent, if fairly moderate libertarian agenda (Beech 2015, 4-5). However, the socially liberal politics and the privileged backgrounds of the Cameron faction meant that it was easy for their enemies, both within the Party and without, to portray them as a shallow 'metropolitan elite' or 'Notting Hill Tories' (Hall 2011, 718). This led to a gradual move away from social liberalism and austerity politics (as shown by the gradual decrease in the libertarian trendline), with Osborne beginning to increase public spending in his second term in order to avoid a deflationary chain reaction brought about by excessive cuts (Beech 2015, 7). In fact, Theresa May's manifesto represented an attempt to reposition the Conservative Party as 'Red Tories' in order to win over disillusioned Labour voters (Shipman 2018, 281). This process of attempting to garner support from Northern working-class voters continued into the leadership of Boris Johnson, with the Conservative Party's slimmed down manifesto eschewing libertarian positions on the economy and social policy, by simply promising to end austerity and just 'Get Brexit Done' (Power, Bale and Webb 2020, 79).

In contrast to the Tories, the libertarian trend line for Labour remains remarkably steady from 1987 to 2015. This may seem counterintuitive given New Labour's embrace of social liberalism, the 'third way' politics of compromise with capital, and the removal of Clause IV. However, Perry Anderson has claimed that Blair's Labour always favoured statist solutions to societal problems, as well as having an interventionist foreign policy that is far from ideal for libertarianism (Anderson 2016, 76-77). In fact, despite its business-friendly rhetoric, New Labour's economic policies were often fairly left-wing, such as instituting a minimum wage and vastly increasing public spending on homelessness and emergency departments. The radical manifestos of 2017 and 2019 produced by the Corbyn project, unsurprisingly score extremely low on the libertarian scale.

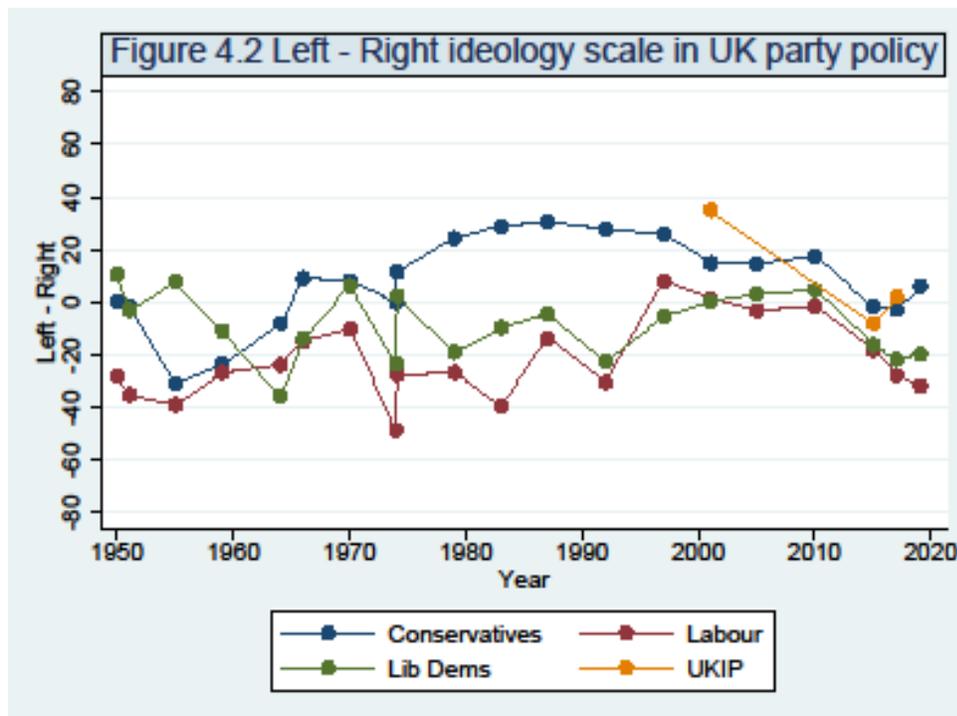
The Liberal Democrats trend line accurately shows them as being consistently more libertarian than Labour but less libertarian than the conservatives. However, they move into a similar libertarian space as the Conservatives by 2010; due to the increased influence of 'Orange Book' liberals like Vince Cable and Nick Clegg who argued for a return to more traditional liberal values on the economy (Marshall and Laws 2004). Counterintuitively, given their anti-immigrant rhetoric and social conservatism, the UKIP manifesto of 2001 scores very high on the libertarian scale, entering a similar position as Thatcher's 1979 manifesto.²⁶ However, it is important to remember that UKIP was originally pitched as a party of libertarian political actors that campaigned against supra-national bureaucracy and unaccountability (Ford and Goodwin 2014, 73 & 277). It was only later in its existence that Nigel Farage realised the populist potential of combining Euroscepticism with anti-immigrant rhetoric (*ibid.*, 83-84). By the 2015 election UKIP's libertarian scale has shown a significant decrease as that party's xenophobia increased.

Comparing the UK libertarian scale to the Left – Right 'Standard Method'

In Figure 4.2 (below), the Right-Left Ideological measure shows a bigger ideological change during the two 1974 elections than the libertarian measure which shows no substantial change in libertarian policy content between these two elections. It also shows little ideological change

²⁶ The MPD did not score UKIP's manifestos in the 2005 and 2010 general elections.

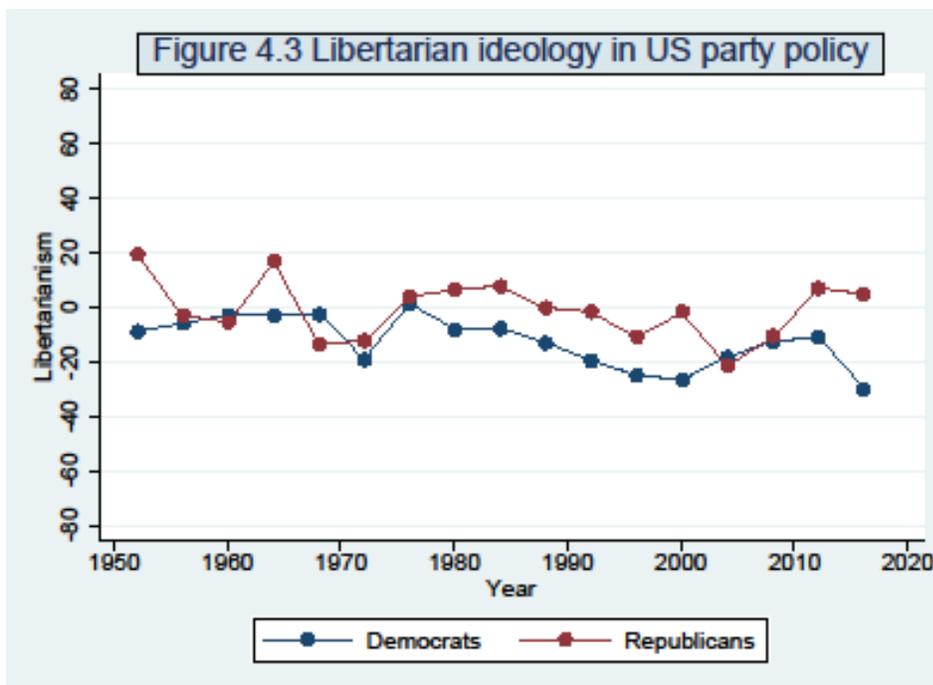
between 1974 and Thatcher's first manifesto in 1979. This is unsurprising as Heath was nearly as right-wing as Thatcher when it came to policy proposals in manifestos, but unlike her, he struggled



(Source: Manifesto Project Database)

to deliver on his ideological preferences once in government (Charmley 1998, 193). However, this measure is flawed in assessing John Major's manifestos as being as right-wing as Thatcher's 1983 and 1987 policy programmes.

For Labour, the Left-Right measure shows an unusually big move to the left between 1987 and 1992, despite Neil Kinnock's policy review that moved the party to the centre ground (Wickham-Jones 2013, 323-325). However, in terms of face validity, both measures are relatively consistent with expectations; the differences in emphasis make sense in terms of libertarianism's specific concerns and aims. Although the libertarian scale has better illustrated the ideological movement represented by the Thatcherite political project and the relative decline in anti-state policy solutions within the Conservative Party after her time in office.



(Source: Manifesto Project Database)

Libertarian policy change in the United States

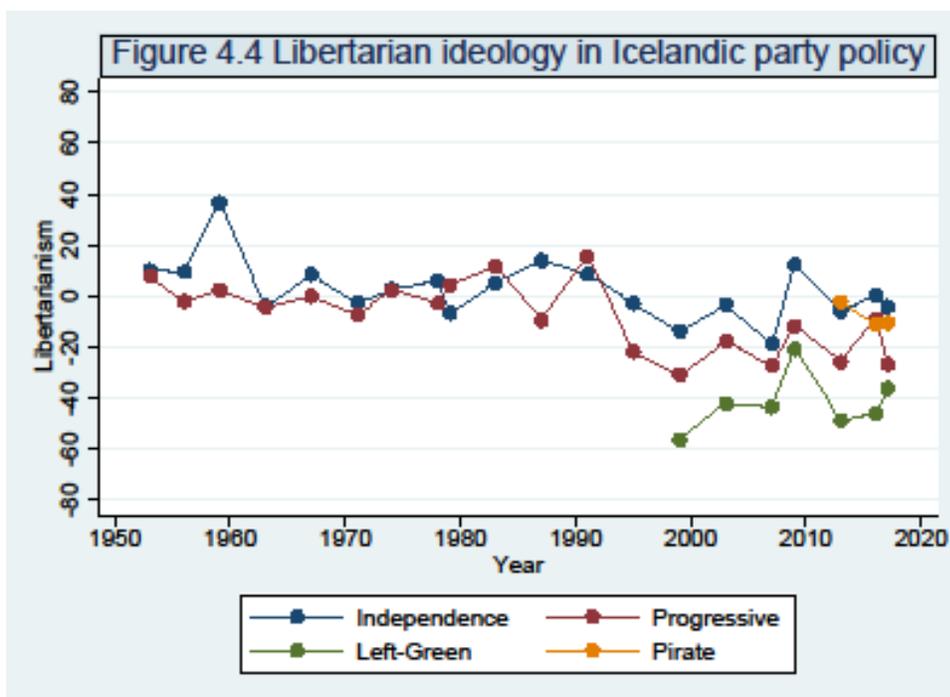
The Right-Left ‘standard method’ scale within the Manifesto Project data shows a generally wide divide between the ‘left-wing’ policies of the Democrats and the ‘right-wing’ policy positions of the Republicans. In contrast, the libertarian measure viewed in Figure 4.3 (above) shows the parties as being less polarized on libertarian policy positions, with two distinct periods in modern politics where the Democrats actually became more libertarian than the Republicans; in the 1968 and 2004 presidential elections. This seems unusual given that the Republican Party is one of the few political parties with an influential libertarian presence within its ranks (e.g., MacLean 2017; Skocpol and Williamson 2012). However, these surprising trends are actually a valid reflection of changing libertarian policy preferences within these parties. For example, the Democrats became more libertarian than Republicans on social issues after the Civil Rights Act of 1964, when Republicans embraced a ‘Southern Strategy’ of dog whistle racism in order to win Southern Congressional seats from the Democrats (Ellis and Stimson 2012, 72-76). This process was further accelerated by the loss of the Democratic Party’s Southern Senators, who were known for their social conservatism, as a reaction to that Party’s embrace of civil rights (Caro 2019, 201-202).

Again in 2003, Democrats become briefly more libertarian than Republicans due to President George W. Bush's invasion of Iraq, the torture of terrorist suspects, and the massive expansion of the state's jurisdiction with the creation of the US Department of Homeland Security (Stiglitz 2008, 63-64; Kull et al. 2003, 596-597). Also, even though they were less hawkish on international relations, many centrist figures in the Democratic Party, such as Hillary Clinton, could be viewed as operating out of a partially libertarian ideological space given their avowed sympathies for social liberalism combined with free trade and light regulation (Lears 2015, 9-10; Stein 2016).

In the Republican Party there was a significant upsurge in libertarianism after 2008, as a response to Obama's increase in statist policies (such as Obamacare) and as a result of the Tea Party's success, which was largely funded by the Koch network in order to channel populist discontent into a free-market direction (Williamson, Skocpol and Coggin 2011, 29). In fact, the rise of Trump as a result of this discontent could be viewed as libertarian donors being hoisted by their own petard, given that they did so much to encourage white working-class grievances, which then led to the election of an anti-immigrant economic nationalist rather than a more libertarian candidate. However, despite Trump's nationalist rhetoric, his time in office can be viewed as a period of covert policy success for libertarianism. The need to cater to a socially conservative base in the US has always meant that libertarians in the Republican Party have had to make strategic compromises when developing voter facing policy documents. In practical policy results, Mitch McConnell has ensured that the big policy wins under Trump have catered to libertarian concerns, which are federal tax cuts and the appointment of conservative judges who are likely to provide rulings supportive of a smaller state.

Libertarian policy change in Iceland

The Icelandic Independence Party (IP) is a conservative party that in contrast to other Nordic states has been the dominant party of government since it gained independence from Denmark in 1944 (Wade and Sigurgeirsdottir 2010, 10). Similar to the US Republican Party, it is one of the few mainstream political parties to have an overt and influential libertarian presence. During the 1970s a group of libertarian students, led by the future Prime Minister David Oddsson, became a faction within the Party (Wade and Sigurgeirsdottir 2010, 8 & 11-12). Known as 'The Locomotive', they



(Source: Manifesto Project Database)

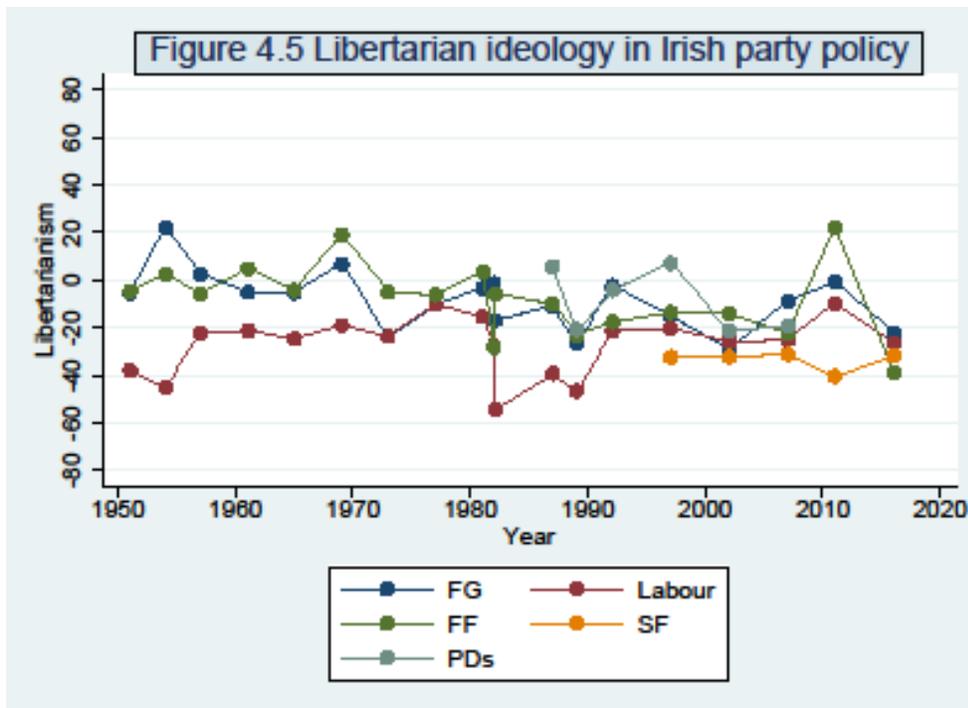
used their increasing political power to challenge the old wealthy families that controlled the Independence Party, pushing through a series of radical liberal economic reforms beginning in the 1990s and ending with the financial crisis of 2008 (Stuckler 2014, 62-64; Wade and Sigurgeirsdottir 2010, 11-13).

However, like the US Republican Party, these libertarian reforms fail to show a consistently strong libertarian policy position in the IP's trendline, even during the years of financial reforms (see Figure 4.4 above). This provides evidence that even in parties that have an active libertarian presence, an open embrace of libertarian ideology may be viewed as electorally unwise, especially in a traditional right-wing party. Also, the Independence Party quickly developed into a patronage system for 'The Locomotive' and their supporters, therefore it may have been sensible for them to tone down any policy references to libertarian ideas that emphasised free competition and equality of opportunity (Wade and Sigurgeirsdottir 2010, 13-14). This lack of significant movement in the libertarian scale during years of reform point to a flaw in the design of this measure. The libertarian marker heavily weights social liberalism as an indicator of libertarian policy, but Iceland is a

secular society with consensus around a laissez-faire attitude to social issues (Boyes 2010, 30). Therefore, the libertarian scale may be less effective at measuring libertarian policy change where social liberalism is not a significant cleavage issue.

However, the libertarian scale does show a substantial jump in libertarianism within the Independence Party between the 2007 and 2009 elections. This was when the party's narrative became even more economically liberal during the crisis provided by the Great Recession. The Independence Party admitted mistakes were made due to the poor implementation of previous liberal economic reforms but argued that the reform measures themselves were the right thing to do, they even criticised the IMF for being too restrictive on capital movements during Iceland's bailout (Wade and Sigurgeirsdottir 2011, 696-698). In effect, the Independence Party argued that the liberal reforms they implemented were good, but the implementation was somewhat poor, and the party should not be held responsible for a crash that was largely to do with an exogenous liquidity crisis (Wade and Sigurgeirsdottir 2010, 11). Essentially, they doubled down on their previous liberalism, in order to avoid taking full responsibility for past policy mistakes. However, as per the central thesis, in the aftermath of the Great Recession, when the economic crisis interacted with the Party's previous liberal policy reforms, this led to a shift away from libertarian policy as party elites sought new policy solutions that might once again appeal to voters who blamed them for the extent of the crash.

The expectation would be for the Pirate Party in Iceland to receive a high score on the libertarian measure, given that the various Pirate parties that have emerged across Northern Europe are regularly depicted as including libertarian activists within their ranks (John 2016). But, surprisingly, the Icelandic Pirate Party fails to score highly on this measure. The Icelandic version of this movement tends to be more left-wing anarcho-libertarian than libertarian, with scant regard for property rights, especially intellectual copyrights; they also have a strong distaste for the right in their country, regularly refusing to enter coalition with the Independence Party (Hawkins and Onnudottir 2018, 559).



(Source: Manifesto Project Database)

Libertarian policy change in Ireland

Although Fine Gael (FG) is traditionally viewed as being more supportive of free-market policies, it was actually Fianna Fáil (FF), as the dominant party of government, who implemented most of the liberal economic policy reforms in Ireland. Fianna Fáil’s trendline in Figure 4.5 (above) shows that in many elections it was the most libertarian in terms of policy proposals in Irish party politics, especially during the 1960s where it led the modernisation of the Irish economy. From 1987 there was effective inter-party convergence on the need for liberal economic reform to stabilise Ireland’s economy and modernise the country. This meant that within the two and a half party system (made up of Fianna Fáil, Fine Gael and Labour) there was unanimity on the big liberal questions such as globalisation, Foreign Direct Investment, low corporation tax, and the light-touch regulation of business. Importantly, Ireland’s inherent conservatism meant that there was no such convergence on social liberalism, with the Irish Labour Party being an anomaly in providing even lukewarm support for the liberalisation of socially conservative policies on issues such as women’s rights, divorce, and homosexuality. However, the statist nature of Ireland’s mainstream parties, in which

the state is usually seen as the main source of policy solutions to crises, has meant that libertarian ideas are not popular within Irish politics.

After the 1997 election, the Fianna Fáil and Progressive Democrat (PDs) coalition governments accelerated neoliberal reforms in the Irish economy; favouring policies that encouraged investment, trade, and deregulation (Murphy 2006, 314). Correspondingly, Figure 4.5 shows that these parties remained the most libertarian in Ireland during their years in government. The libertarian trend line shows that the more liberal-minded PDs actually became less libertarian than Fianna Fáil after the 1997 election. Perhaps because the PDs in government were forced to adapt to the policy preferences of Fianna Fáil during coalition negotiations (Benoit and Laver 2003, 105-106).

The Labour Party shows a sharp jump away from libertarian ideology in the second 1982 election, because they were faced with increased competition on their left flank by The Workers' Party and were also intent on entering government, so were likely to cater in their manifesto to the left-wing preferences of their base (Haman and Kelly 2007, 982). However, by 1997, the Labour Party had moved into a similar libertarian space as the socially conservative Fine Gael, the social liberalism of Labour counteracting with the economic liberalism of FG on the libertarian measure.

All parties except Sinn Féin (SF) showed a jump in libertarianism in the lead up to the 2011 election. Similar to the Independence Party in Iceland, Fianna Fáil was forced to double down on the necessity of its past liberal economic reforms and to embrace the liberal economic orthodoxy represented by the Troika bailout. Since 1997 its public reputation was based on sound economic management (Puirseil 2017, 67), so it was forced to portray the bailout as being part of that legacy of responsibility, in order to defend its reputation leading up to what it knew would be a tough election in 2011. In effect, Fianna Fáil's argument was that they had followed international best practice and expert advice on the economy, so the party should not be blamed for an international liquidity crisis that was outside its control (Murphy 2018, 273). However, Fianna Fáil under Michael Martin's leadership would see a substantial move away from libertarian policy in the lead up to the 2016 General Election. The economic crisis and the collapse of the Fianna Fáil vote in 2011 interacted with the previous failure of its liberal economic policies, which saw that party attempt to shift back to its social democratic roots in order to appeal to its traditional base among the working-class and the aspiring middle-classes. Significantly, Fianna Fáil's lack of enthusiastic

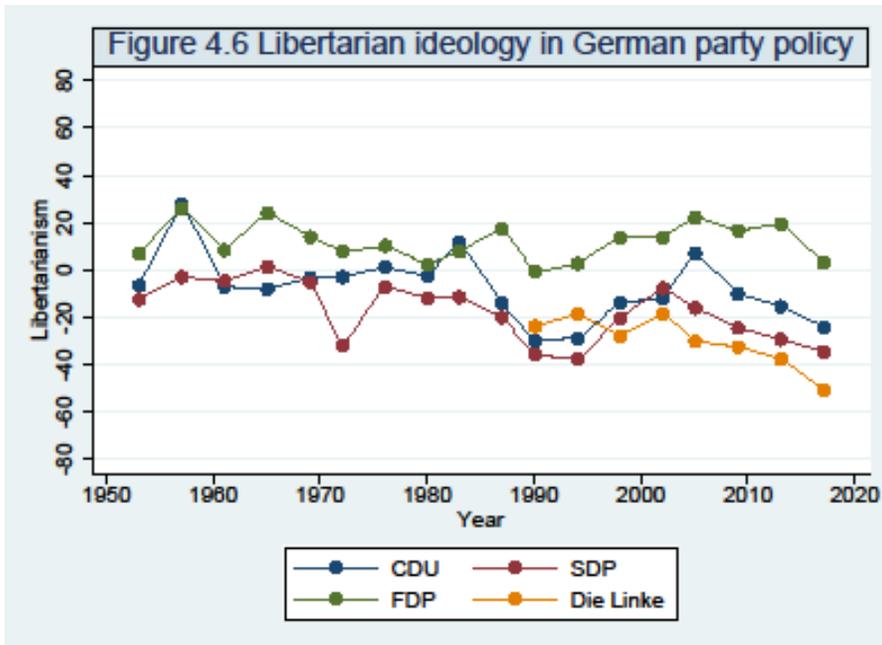
support for recent liberal referenda (on gay marriage and abortion) would also contribute to its reduced score on the libertarian measure.

Unsurprisingly, Labour and Fine Gael converged ideologically in preparation for government in 2011, with the impact of Fine Gael's movement towards socially liberal policies and Labour's continued attempt to appeal to a centrist middle class, leading them to enter a similar space (Holmes 2009, 527-528). However, by the 2016 general election all the parties trendlines have effectively converged in positions that shows a distinct lack of libertarian values within Irish politics, which is indicative of Irish voters moves to the left in the aftermath of the Great Recession.

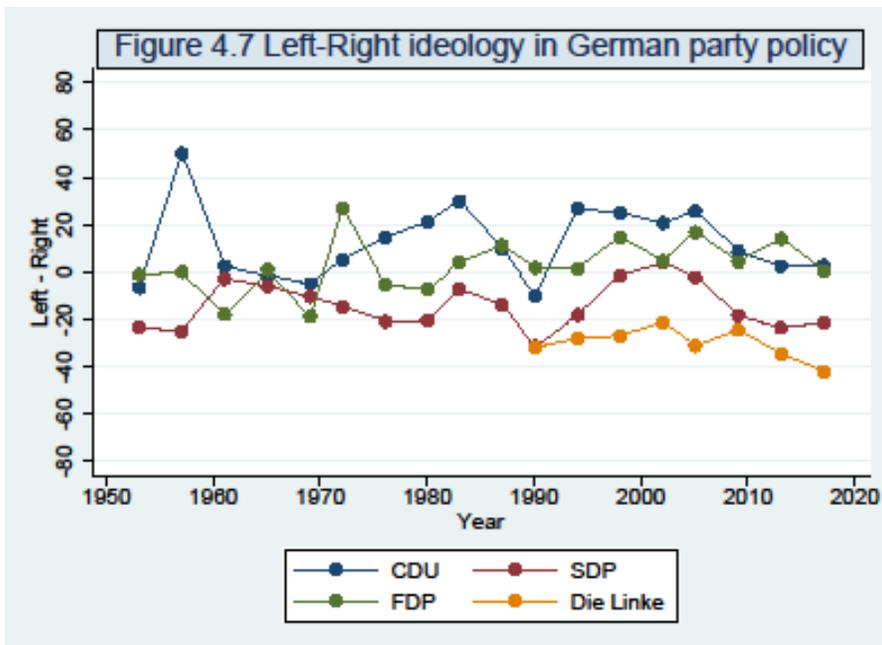
Libertarian policy change in Germany

Figures 4.6 and 4.7 (below) compare the 'standard method' for assessing the left/right ideological divide with the libertarian measure designed for this research. One of the criticisms levelled at the 'standard method' in terms of face validity specifically references German party politics, where it consistently places the Christian Democratic Union (CDU) as more right-wing than the Free Democratic Party (FDP), which most scholars view as an inaccurate assessment (Dinas and Gemenis 2010, 436). However, in contrast the libertarian measure places the Free Democratic Party (FDP) as the most consistently libertarian party in mainstream German politics, which is a more accurate ideological placement (Patton 2015, 188).

The FDP was founded in 1948 on the basis of an amalgamation of parties that represented both economic and social liberalism, so libertarian views are integral to its party identity (*ibid.*). It has consistently taken libertarian policy positions against tax increases and the expansion of the welfare state, which has proven popular with its base constituency among small business owners (*ibid.*, 189). Its libertarian position was strengthened by attacking the Grand Coalition (from 2005 to 2009) on the grounds of excessive debt accumulation, and once in government after 2009 it argued against Merkel's policy of supporting bailouts for banks and overextended European states (*ibid.*). This obviously represents a policy solution of state financed bailouts and nationalised debt that is as offensive to libertarians as it is for the radical left.



(Source: Manifesto Project Database)



(Source: Manifesto Project Database)

One reason the ‘standard method’ may have inaccurately assessed the Christian Democratic Union (CDU) as more right-wing than the FDP from the 1994 election until 2010 is because of Gerhard Schroeder’s extensive labour reforms, which liberalised the German workplace and thus increased the CDU’s libertarian score (Patton 2015, 186-188). It may also have

decreased the FDP's score for the 'right-wing' marker because that includes policies that are socially conservative. However, the FDP – like many other liberal right-wing parties – combine a commitment to laissez-faire social values with free-market radicalism. Therefore, the libertarian scale is more effective than the 'standard method' at accurately differentiating between liberal right-wing parties and more traditional conservative parties of the right.

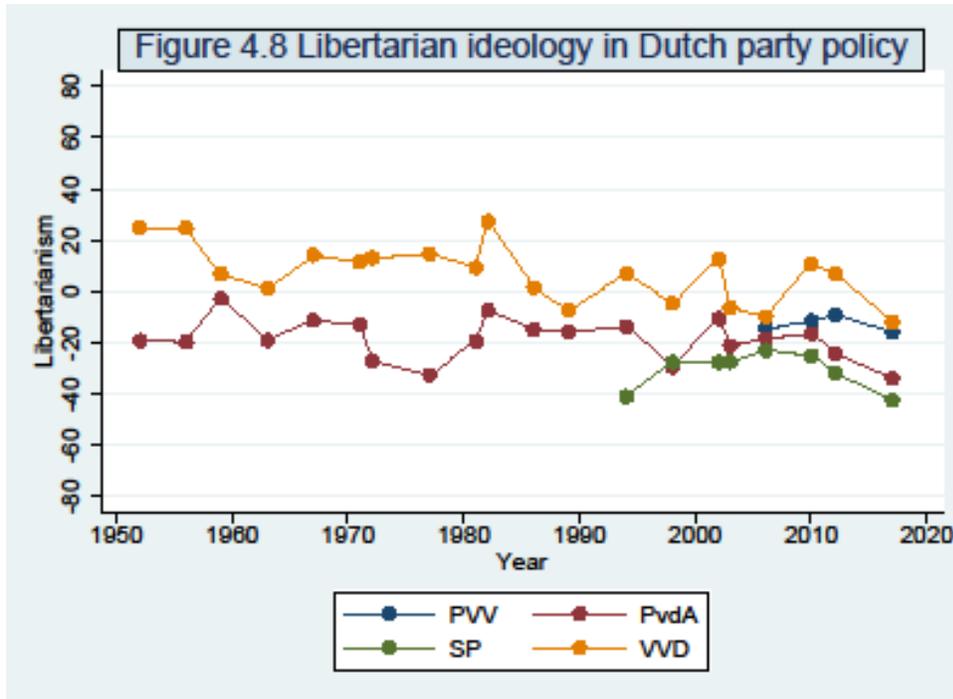
Interestingly, the CDU's libertarian trend line shows a steady decline during the Merkel years, again due to her artificial support for failing banks and centrist reform of the economy. The libertarian trend lines for the Social Democratic Party (SDP) and the former communists of Die Linke are predictably low, given their consistent support for the welfare state and intervention in the economy.²⁷ In fact, with the notable exception of the FDP, Germany cannot be viewed as a state in which libertarian values play a significant role in party politics.

Libertarian policy change in the Netherlands

For the Netherlands, Figure 4.8 (below) shows that the People's Party for Freedom and Democracy (VVD) exhibits the strongest libertarian characteristics in its policies. This is unsurprising given its 'conservative-liberal' history that emphasises economic liberalism over family value rhetoric (Andeweg 2004, 569). As in Iceland, the Netherlands is a secular and socially liberal country in which social issues are less of a cleavage issue than in many other states (*ibid.*). However, the Netherlands is also a state that exhibits significant divisions over immigration policy, specifically as this relates to immigration from 'non-Western countries' (Muller 2016, 30). For example, the Party for Freedom (PVV) also includes a liberal tradition within its party, but it mostly caters to an ultra conservative anti-immigrant base (Andeweg 2004, 569). Its leader, Geert Wilders, often disguises his anti-immigrant messages in the language of liberal values; using concern for women's rights, free speech, and secularism as justification for draconian immigration policy (Halikiopoulou et al. 2012, 119). However, this liberal rhetoric (even if its aims contradict true

²⁷ The Die Linke trendline in Figure 4.6 consists of a political Genealogy that includes its communist forbears. This includes: Die Linke (2013; 2009) → LPDS- Left Party of Democratic Socialism (2005) → PDS- Party of Democratic Socialism (2002; 1998; 1994; 1990).

liberal values) could score highly on a libertarian measure, but the libertarian trend line for the PVV is only slightly



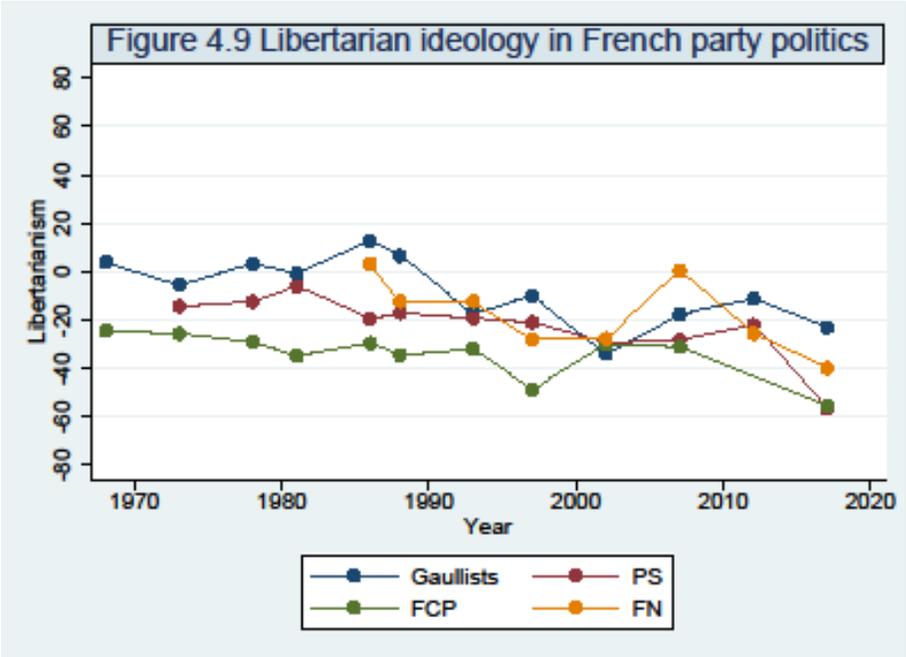
(Source: Manifesto Project Database)

above that of the Dutch Labour Party (PvdA). Presumably, its socially conservative stance against gay marriage and the xenophobic description of minorities (especially Muslims) counteracts any liberal policy prescriptions within their manifestos (Halikiopoulou et al. 2012, 119). Once again, Figure 4.8 shows a country in which the libertarian trend lines for party policy have converged outside of libertarian preferences.

Libertarian policy change in France

Similar to the other European countries detailed in this chapter, French politics have converged outside a libertarian policy space in recent elections (see Figure 4.9 below). However, the French Graph shows that libertarian policy has never had much influence over that country's politics. In France, the Communist Party (PCF) are obviously the least libertarian party. But surprisingly, the *Front National* (FN) briefly exhibits the most libertarian policies between the 2002 and 2007

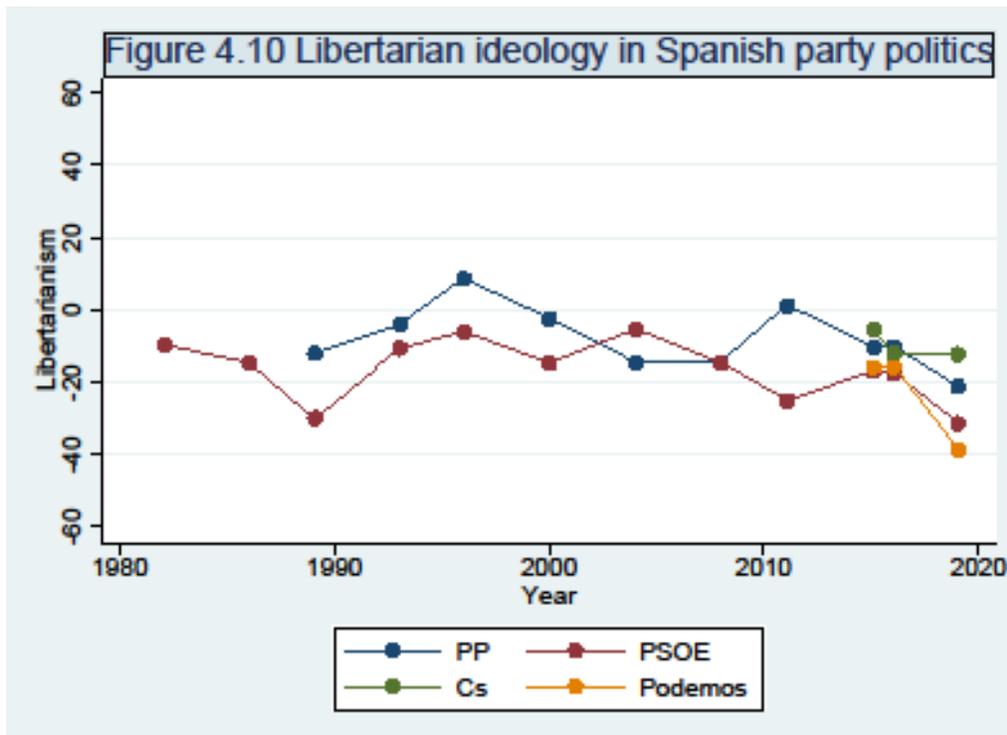
elections.²⁸ This represents the period of Jean-Marie Le Pen’s greatest popularity, when he was attempting to make his party more respectable by returning to his roots in the Poujadism movement (Hainsworth 2004, 102-103). This saw him attempt to gain the support of small-town business owners and farmers, through an embrace of policies that sought tax cuts and a reduction in regulations; policies that would score high on the libertarian scale (*ibid.*, 103) However, this direction was short lived and his daughter, Marine Le Pen, changed the party’s strategy towards a message of economic protectionism combined with anti-austerity policies, in order to more successfully target the disaffected working-class (Lowy and Sitel 2015, 58-59).



(Source: Manifesto Project Database)

²⁸ This research has continued to refer to the *Front National* (FN) when using the MPD data because this party has yet to fight a presidential election under its new name of *Rassemblement National*.

The succession of centre-right Gaullist parties have been amalgamated into one trendline in Figure 4.9, in order to give a consistent ideological impression for the mainstream French right.²⁹ This Gaullist tradition scored very low in the libertarian measure, as there is no strong liberal tradition in French Republican politics that would seek to reduce the powers of the state (Lowy and Sitel 2015, 64-65). Gaullists may have embraced some free-market principles on the economy, but this tends to come from a position of maintaining rather than eroding state power. Emmanuel Macron's *La République En Marche!* is notable by its absence from this graph, but it has only fought one presidential election which is not enough to plot a libertarian trendline. However, Macron's presidential manifesto scored -16.8 on the libertarian scale which would make it the most libertarian of the parties detailed in this graph during the 2017 election, mainly because of Macron's socially liberal agenda, his cancellation of the wealth tax, and his wish to liberalise employment rights (Marlowe 2017). But this cannot be portrayed as a significant victory for libertarian ideas, and France, like much of the rest of Europe, can be viewed as a hostile climate for libertarian policy proposals.



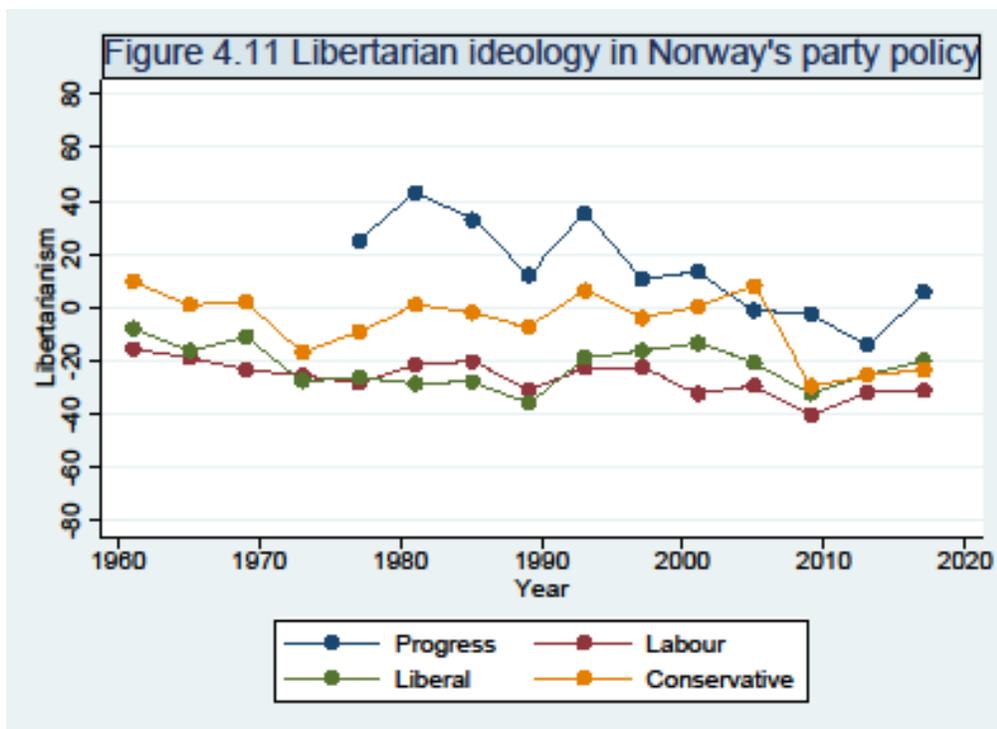
²⁹ Gaullist political genealogy includes: UMP- Union for a Popular Movement (2012; 2007) → UMP- Union for the presidential Majority (2002) → RPR- Rally for the Republic (1997; 1993) → Union for a New Majority- Gaullists/Conservatives (1988; 1986; 1981) → RPR Rally for the Republic- Gaullists (1978) → UDR- Union of Democrats for the Republic (1973; 1968)

(Source: Manifiesto Project Database)

Libertarian policy change in Spain

Unsurprisingly, in Spain the radical left *Podemos* and the more social democratic Spanish Socialist Workers' Party (PSOE) are the least libertarian of the parties detailed in the graph (see Figure 4.10 above). However, Spain's main centre-right party, the *Partido Popular* (PP), also rarely exhibits libertarian policy traits, due to the Roman Catholic inspired conservatism of the Spanish right. For a brief period between the 1993 and 1997 elections, when its leader, José María Aznar, was promising widespread economic reforms to liberalise the economically stagnant state, the PP moved into a slightly more libertarian policy space. But the compromises of government, followed by Aznar's active support for the War on Terror and the Iraq War, quickly brought the PP away from this libertarian tendency (Charlemagne 2004). Interestingly, libertarian ideas are not completely outside the party identity of the PP. In regional politics, the President of Madrid's regional assembly, Isabel Díaz Ayuso, holds libertarian views (Hedgecoe 2021). She has even implemented business-friendly policies and followed a libertarian approach to Covid restrictions in partnership with her regional coalition partners in *Ciudadanos* (*ibid.*). However, this libertarian element within the mainstream PP has yet to see significant policy success within the manifesto proposals for general elections (see Figure 4.10).

The expectation would be for *Ciudadanos* (Cs) to score relatively high on the libertarian scale, given that it was founded in Catalonia by centrist political activists who promoted individual rights and freedom, as well as opposition to Catalan independence (Quiroga 2018). However, *Ciudadanos*' libertarian concerns and support for small business has been overshadowed in recent elections by a move to a more conservative and nationalistic policy position, partly as an electoral response to the rise of Catalan nationalism (*ibid.*). However, opposition to Covid restrictions have fuelled a return to a libertarian conception of freedom within that party, and this may result in future general elections leading to a higher score on the libertarian scale (Dominguez 2020). In Spain, similar to France, libertarian policy positions within manifestos are notable by their distinct absence. Perhaps this is because the right-wing traditions in both countries share a statist and Republican political ideology that does not wish to weaken the power exerted by a centralised and nationalistic state (*ibid.*).



(Source: Manifesto Project Database)

Libertarian policy change in Norway

The Norwegian liberal tradition, as represented by The Liberal Party, does not score highly on the libertarian scale (see Figure 4.11 above). Similar to other Nordic states, the inter-party commitment to a high tax and high welfare state means that even parties dedicated to liberal values tend not to exhibit strong libertarian policy positions. Also, as with Iceland, the fact that social issues tend not to be a significant cleavage issue between right and left, may make this measure least effective at discerning the extent of policy change.

Occasionally, the Conservative Party will enter the libertarian ideological space at a low level, but only the Progress Party shows a significant libertarian tendency. This is unsurprising given that the party identity of the Progress Party has always included a commitment to libertarian ideas. For instance, in recent decades it has consistently been labelled as part of the populist radical right due to its anti-immigrant rhetoric (Bjerkem 2016). But when it was established in 1973 it was marketed as a more traditional liberal party, dedicated to tax reduction and smaller government, with a support base among small business owners and younger professionals (Zaslove 2009, 309). Unsurprisingly, these libertarian aims provide an unusually high score on the libertarian scale in

its first two decades of existence (see Figure 4.11). However, beginning in the late 1980s it began to slowly remodel itself as a populist anti-immigrant party, which leads to a steady reduction in its libertarian score (Bjerkem 2016, 234). But its continued commitment to the liberal values of tax-cuts and social welfare reductions (*ibid.* 2016, 235), means that its policy positions still occasionally return to a more libertarian space, such as in the 1993 general election.

Importantly, Bjerkem (2016, 240) has argued that the willingness of the mainstream Conservative Party to include Progress in coalition agreements has led to a moderation of that party's radical right policy positions, as the compromises of government, combined with the desire to attract more middle-class voters, has led to a return to their more liberal roots. This is supported by the libertarian scale which shows a significant increase in libertarian policy in the lead up to the 2017 General Election (see Figure 4.11).

Libertarian scale- results

The libertarian measure shows that those political parties that would be expected to have the strongest libertarian influence on party policy (such as the Republican Party in the US, the UK Conservative Party, the Icelandic Independence Party, the German Free Democratic Party, the Dutch People's Party for Freedom and Democracy, and the Norwegian Progress Party) tend to be the most libertarian in their respective countries. However, few European political parties retain a consistently strong libertarian policy position, and most parties exist safely within a non-libertarian ideological space. In fact, even those European political parties that do exhibit strong libertarian policy positions, tend to do so for a short period of time, and will fluctuate between libertarian policy proposals and policy that contradicts libertarian values.

4.3 Libertarian values in Europe (European Values Study data)

This next section will use data from the European Values Study (EVS) to determine: *how prevalent are libertarian values among the European general public?* There is widespread academic consensus about the growth in neoliberal policies since the 1970s (e.g., Harvey 2007; Panitch and Gindin 2012; Piketty 2014; Streeck 2016), so the expectation would be to see a corresponding

growth in liberal orthodoxy when it comes to the economic values of the European public. And even in the social sphere, from an analytical Marxist perspective, changing economic conditions should result in a change in social values as societal relations adapt to new productive forces (Cohen 2000, 134-138; Eagleton 2011, 36). So, the expectation would be to see a growth in socially liberal values as a more individualistic world view becomes part of the ‘common sense’ hegemonic discourse (Hall and O’Shea 2013. 3-4). Therefore, this section will also determine: *to what extent have libertarian values grown since the 1980s?* And EVS data will also be used to assess: *to what extent does there exist a class distinctiveness in libertarian values?* Given liberal preferment of brainpower over labour, the expectation would be that those most sympathetic to liberal economic values would be among the highest earners (Gorz 2005, 6). On social values, Karl Polanyi (1954) has referred to the dual benefits of liberalism, which extends economic freedom while also managing to extend the boundaries of social freedom for the individual, with the most benefit accruing to those with the greatest economic choice (*ibid.* 1954, 256-8). Therefore, the expectation is that the highest earners will also disproportionately favour the most liberal social values.

The European Values Study (EVS 2017) avoids relying on ideological self-identification survey questions and instead focuses on a broad range of values related to family, work, religion, politics, and society. The European Values Study consists of survey data from European countries in five waves from 1981 to 2017.³⁰ The fact that libertarian values generally fail to conform to the stereotypical policy preferences that are adopted on the Left-Right spectrum means that this research can focus on the respondents who identify with the most radically liberal positions on both economic and social values. As discussed in chapter one, libertarianism can best be understood as the ideology of liberal radicals. So, a focus on radically liberal values, safely places a respondent in a libertarian ideological space, at least for that single value.

The EVS (2017) cumulative dataset allows comparison between the same value-based questions from 1981 to 2017, enabling a cross comparison of changing libertarian values over time and over many differing issues. The analysis for this research is on values that have special resonance for libertarian ideological concerns; with the focus on the percentage of respondents

³⁰ The first wave in 1981 consisted of the 14 EU member states plus the USA and Canada. The second wave (1990) comprised 27 European Countries plus the USA and Canada. In 1999 there were 33 European countries and in 2008 and 2017 there were a total of 47 European countries (EVS GESIS 2017, 6). The data used in this research excludes responses from the USA and Canada. German responses until 1990 consist of West Germany only.

who provide a first choice to the most libertarian position possible. Concerns about the role of the state are central to libertarianism, so using the principles of an ideal libertarian state can be a useful critical tool for investigating it as a functioning ideology (Vallentyne 2007, 187-189; Widerquist 2009, 44). However, given that values are often emotionally based, it can be difficult to determine them through survey-based questions (Dalton 2014, 92). This research attempts to address this problem by using data from multiple survey questions over many different types of social and economic values, in an attempt to discern a distinct base for libertarian ideas. The questions selected from the survey data focus on respondents' preferences for values based on:

- Confidence in trade unions
- Confidence in government
- Prostitution
- Abortion
- Homosexuality
- Divorce
- Drug legalisation
- Sexual morality
- Censorship
- Immigration
- Individual responsibility
- Competition (as a primary good)
- Wealth Accumulation (as a primary good)
- Personal freedom
- Freedom of business
- Taxes
- Confidence in the police

Some of these values are of obvious libertarian concern. For instance, from its earliest beginnings libertarianism was concerned with the free movement of people and capital (Mises 2005, 103-105). It also takes a consistent anti-prohibition stance on morality issues such as drugs, prostitution,

pornography, and gambling (Huebert 2010, 67-87; Rothbard 2016, 70-83). Economic freedom and private property rights have also been accepted as an extension of individual human rights within libertarianism, with any compromise towards state intervention or redistribution commonly viewed as akin to slavery (Nozick 1988, 169). For libertarians, all free-market competition can be compared to a primary good in a Rawlsian sense, in that it is something that a rational person should want, no matter what else they want, due to its numerous beneficial outcomes for both the individual and society (Brennan 2012, 105-109; Rawls 1971, 92-93).

However, some reservations should be expressed in relation to respondents' positions on abortion and on the police. A radically anti-police position is not necessarily consistent with all strands of libertarianism, but it has been included in this analysis because it is part of the 'free-market anarchism' as espoused by radical libertarians such as Murray Rothbard (Rothbard 1977, 56). Also, some general suspicion of police motives and the coercive nature of the carceral state is something that is common among most moderate libertarian thought (Brennan 2012, 13 & 88-91). On abortion, most libertarians are generally supportive of reproductive rights (Brennan 2012, 83; Huebert 2010, 39), but there are some high-profile libertarians, such as Ron Paul, who take a strong anti-abortion position (Paul 1981). On occasion, cultural and religious concerns may overcome an ideological commitment to self-ownership. Finally, support for tax evasion is as likely to be as popular with the criminal classes as well as some radical libertarians, but it has been included in this analysis because it gives a sense of the extent of radically anti-state views within the European public. Many of the most liberal responses to the chosen social values will include respondents who are sympathetic to the radical left and with many of the economic values there will be an overlap with people who sympathise with the conservative right. Both these ideological sympathies are outside the libertarian spectrum, but it is not feasible to address the specific ideological motivation of each respondent to each value assessed in the survey questions. Fortunately, the Manifesto Project Database facilitates the creation of a libertarian ideological scale that can measure the combined extent of both socially and economically liberal policy positions within political parties' manifestos.

Table 4.2 Changing libertarian values in Europe: 1981-2020

OPINION	1981	1990	1999	2008	2017
Trade unions- no confidence	19.13	17.35	20.22	20.25	18.87
Prostitution- always justifiable	5.19	3.82	3.48	2.33	3.64
Abortion- always justifiable	9.87	6.69	9.99	7.78	17.11
Homosexuality- always justifiable	9.54	8.85	15.49	10.66	26.1
Divorce- always justifiable	14.07	11.46	14.02	12.26	25.27
Marijuana- always justifiable	1.47	0.95	1.24	0.92	2.56
Casual sex- always justifiable	–	–	4.27	3.78	9.99
Immigration policy- free movement	–	–	7.23	12.46	13.01
Personal responsibility- (minimal state support)	–	15.37	12.32	13.57	12.57
Competition- a primary good	–	24.39	21.74	19.63	24.51
Firms- given more freedom	–	–	11.72	8.70	3.72

Source: European Values Study: 1981- 2017 (Cumulative dataset based on EVS waves 1981, 1990, 1999, 2008, 2017).

Note: Table entries are the percentage of respondents that provided a first choice to the most libertarian position possible in the respective years.

4.4 European Values Study results

Libertarian values in Europe: 1981 – 2020

Table 4.2 (above) shows the change in libertarian values on a European-wide basis from 1981 to 2020, which is represented in five waves, marked by the years each survey started collecting new data. Each data point represents the percentage of respondents that provided a first choice to the most libertarian position possible, based on the issues of libertarian concern detailed in the previous section. Given that libertarianism is commonly viewed as a radical ideology (Block 1996, 365; Hayek 1949, 384), this research has deliberately focused on the most radical liberal responses

in economic and social values, in order to assess the extent of an ideologically libertarian worldview among the European general public.

The data from Table 4.2 shows a pattern of surprising stability in the popularity of economic libertarian values over the years assessed. For example, despite the continued decline in trade union membership (Hooghe and Oser 2016, 1520-1521), the numbers expressing no confidence in organised labour has remained largely stable, at about one in five of respondents over the forty year period assessed.³¹ This is a significant proportion, but not surprising given a general dislike for the ‘closed shop’ mentality of much trade unionism, combined with a media that is largely hostile to trade union values, and a globalised economic system that has vastly reduced the power of organized labour (Mason 2016, 105-106). Similarly, those who prioritise personal responsibility (a key libertarian value) over state support has remained largely constant at between 12 to 15 per cent.³² And those who view competition as a primary good – in that it leads to better outcomes for all in society – has also stayed relatively stable, ranging from around one in five respondents to one in four respondents over the surveyed time period.³³ However, there has been some movement in the extent of support for the free movement of people and in the proportion of those who support less regulation of business. For example, those agreeing with the most liberal position on immigration – as in they believe that immigration poses no threat to their societies – has nearly doubled between 1999 and 2020, going from 7 to 13 per cent.³⁴ This may be a reaction by liberals to an increase in anti-immigrant and right-wing populist political discourse in Europe. But there has also been a significant reduction in those who favour giving businesses more freedom, which has dropped from nearly 12 per cent in 1999 to 3.72 per cent by the 2017 wave. This anti-business move is likely due to the fallout from the Great Recession, which saw light-touch regulation and the recklessness of financial institutions as being one of the main causes in the economic crisis. So, the appeal of libertarian economic values has largely remained constant over the assessed years, with a negative view of organised labour and a vague commitment to

³¹ The survey questions asked, ‘How much confidence do you have in trade unions, is it a great deal, quite a lot, not very much or none at all?’.

³² The survey question asked, ‘How would you place your views on this scale? Individual responsibility versus state responsibility to provide for citizens’. Rate on a spectrum from 1 to 10.

³³ This survey question asked, ‘Competition is good, it stimulates people to work hard and develop new ideas OR competition is harmful, it brings out the worst in people. Rate on a scale from 1 to 10’.

³⁴ The survey question asked, ‘In the future will the proportion of immigrants become a threat to society? Rate on a spectrum from 1 to 10’.

competition being the most popular libertarian values. Significantly, none of the libertarian economic values assessed exhibit majority public support.

However, on socially libertarian values there has been a substantial increase in liberal preferences between the 2008 and 2017 survey waves. Significantly, the proportion of respondents who view homosexuality as always justifiable has jumped 16 points to 26.1 per cent.³⁵ This represents a significant societal change from the 1981 survey, where only nine per cent of respondents selected the same liberal position. This is indicative of the progress made by the various LGBT movements that campaigned for decriminalisation and societal acceptance over the last forty years. In fact, if Eastern Europe – where there is more popular hostility to LGBT rights – is excluded from the European-wide survey data we find that those who view homosexuality as always justifiable represents over 50 per cent of respondents. There has been a corresponding increase in those who view divorce as an always justifiable personal choice, which stands at one in four Europeans by the 2017 wave.³⁶ Similarly, those who view abortion as an always justifiable personal choice has increased 10 points from the 2008 wave to 17.11 per cent by the 2017 survey.³⁷ So, unsurprisingly, there has been a significant increase in support for libertarian social values on issues that are to do with personal morality and choice. The increased individualisation and secularisation within Europe over the previous forty years has resulted in a shift in societal values on these issues. But on the most specifically libertarian social values, in relation to anti-prohibition stances on drugs and prostitution, there has been very little movement among survey respondents. Unequivocal support for recreational drug use has stayed at a marginal rate of one to three per cent.³⁸ And those who support the normalisation of prostitution remains negligible across the assessed time period at around three to four per cent.³⁹ During this time, high profile campaigns against the purchasing of sex may have had a negative impact on anti-prohibition and harm reduction views on prostitution (Gould 2001, 437-439).

³⁵ The survey question asked, 'Do you think homosexuality can always be justified, never be justified, or something in between? Rate on a spectrum from 1 to 10'.

³⁶ The survey question asked, 'Do you think divorce can always be justified, never be justified, or something in between? Rate on a spectrum from 1 to 10'.

³⁷ The survey question asked, 'Do you think abortion can always be justified, never be justified, or something in between? Rate on a spectrum from 1 to 10'.

³⁸ The survey question asked, 'Do you think marijuana use can always be justified, never be justified, or something in between? Rate on a spectrum from 1 to 10'.

³⁹ The survey question asked, 'Do you think prostitution can always be justified, never be justified, or something in between? Rate on a spectrum from 1 to 10'.

Essentially, across Europe over the last forty years we can see a significant jump in support for mainstream libertarian social values (see Table 4.2), on issues such as abortion and homosexuality, which corresponds to the move towards a more socially liberal and individualistic society that has been embraced by many European voters. Much of this shift in values can be traced to the success of various movements, such as on women's and LGBT rights, that have campaigned to make socially liberal values the norm in Europe, both legally and within public sentiment. But this has not led to a corresponding increase in libertarian economic values; in fact, on key areas to do with personal responsibility and the role of business, the most libertarian position either remains steady at a negligible support level or are further losing support among European citizens.

Class-based libertarian values in Europe- 2008 wave

Table 4.3 (below) presents similar questions of libertarian concern in order to see if there is a class distinctiveness in relation to support for libertarian values in Europe as a whole. The assumption being that libertarian values should be most appealing to those in the highest income brackets, given that its creed of self-reliance would be most likely to appeal to those who least need societal support (Gorz 2005, 6; Polanyi 1954, 256-258). However, the pattern for Table 4.3 shows that, surprisingly, the support levels for the most radically liberal values remain stable across the class divide in Europe. The 2008 wave was chosen for this analysis as it was the last wave to include a survey on Ireland, which is one of the chosen cases, and class-based differences in libertarian values are less likely to change proportionately over time.

Although high-income respondents tend to be slightly more libertarian in their preferences, the differences are negligible. However, one area of significant class difference relates to those respondents who choose the most liberal response on social issues such as on abortion, homosexuality, and divorce; on these issues, the higher earners are between three to five per cent more liberal than lower earners. This is unsurprising given the acknowledged socially liberalising effect of university education (e.g., Phelan et al. 1995; Stubager 2008). But what is surprising is that on the most liberal end of the spectrum for immigration the numbers are stable across the class divide (see Table 4.3); with equal numbers of respondents supportive of the free movement of people and claiming they do not view immigrants as a threat. This is surprising given that those on the lower end of the socio-economic spectrum tend to be the most anti-immigrant, as they are

more likely than better paid citizens to be in direct competition with migrant workers for jobs and housing.

Table 4.3 Libertarian values in Europe by income levels: 2008-2011

OPINION	Low Income	Middle Income	High Income
Trade unions- no confidence	19.60	19.25	20.42
The government- no confidence	24.93	23.80	23.66
Prostitution- always justifiable	2.09	2.43	2.52
Abortion- always justifiable	7.15	8.09	10.21
Homosexuality- always justifiable	10.29	12.35	16.1
Divorce- always justifiable	11.44	12.93	14.96
Marijuana- always justifiable	1.05	0.89	1.01
Casual sex- always justifiable	3.66	3.97	4.94
Immigration policy- free movement	12.97	11.35	11.95
Threat from immigration- none	8.93	8.26	8.71
Responsibility- individual (minimal state support)	12.71	13.01	14.70
Competition- a primary good	18.77	18.96	20.10
Freedom more important than order*	34.18	38.89	43.50
Wealth Accumulation- a primary good*	15.79	15.03	13.94
Firms- given more freedom	8.15	8.10	9.33

Source: European Values Study: 2008 (Cumulative dataset based on EVS wave: 2008-2011).

Note: Table entries are the percentage of respondents that provided a first choice to the most libertarian opinion possible.

But one value where there was a significant class difference across Europe was in the percentage of respondents who believe that the primary responsibility of government is to defend individual freedom rather than maintain order; with higher earners respecting freedom 9 points more than lower earners.⁴⁰ This shows that individual rights tend to be more highly prized by

⁴⁰ The survey question asked, 'If you had to choose, which would you say is the most important responsibility of government? A) To maintain order in society B) To respect the freedom of the individual'.

higher earners, who obviously have more life options to choose from and thus more to lose by authoritarian state policies. However, the EVS data for the 2008 wave shows that a majority of all respondents in Europe (60.65 per cent) view government’s main role as defending order and not freedom. This shows that most European citizens view the main role of government as to be a source of authority not freedom, and is evidence of a lack of fundamental libertarian sympathies in nearly two thirds of all respondents.

The evidence shows that European-wide libertarian values, assessed at the most radical end of the liberal spectrum, have remained relatively stable over time and class background. However, the European-wide data for radical liberal responses may be influenced by the inclusion of Eastern European countries after the fall of the Soviet Union. Due to a greater exposure to both economic and social liberalism, there is a possibility that contemporary Western European countries could be more supportive of libertarian views when compared to the continent as a whole. Therefore, the next section will examine libertarian values on a country-specific basis.

Table 4.4 Changing values in Britain and France (When is homosexuality justified?)

Justifiable: Homosexuality	Britain: 1981	Britain: 2008	Britain: 2017	France: 1981	France: 2008	France: 2017
Never Justified	42.87	22.13	10.18	46.61	19.46	11.39
Spectrum	50.54	56.22	45.97	47.48	59.36	53.96
Always Justified	6.69	21.65	43.85	5.90	21.18	34.65
Total	100	100	100	100	100	100

Source: European Values Study: 2020 (Cumulative dataset based on EVS waves 1981, 2008 and 2017).

Note: Table entries are based on the percentage of respondents, excluding don’t knows and non-respondents.

Changing libertarian values by country

Table 4.4 (above) presents the changing values towards homosexuality from 1981 to 2020, in Great Britain and France.⁴¹ These countries have been selected due to the variance in libertarian values within their party politics (see section 4.2 above), with the UK’s Conservative Party showing

⁴¹ EVS data separates Northern Ireland from Great Britain.

significant fluctuations in libertarian policy preferences and France's political parties showing no significant libertarian policy preferences. Acceptance of LGBT rights has been assessed because a liberal position on this issue is a signifier for an overall socially liberal worldview, and a key libertarian value of acceptance, or at least a laissez-faire tolerance of other people's private lives.

The evidence shows that Britain and France were about as liberal on social issues as the European average in 1981 (see Table 4.2) but by 2008 they were considerably more liberal-minded on homosexuality than the European norm. And by the 2017 wave this divergence had further increased with Great Britain being nearly 20 points more liberal on homosexuality than the European norm of 26.1 per cent, with 43.85 per cent of respondents choosing the most liberal option possible. But in France 34.65 per cent of respondents held liberal views on homosexuality. This may seem surprising, given France's popular reputation for permissiveness on personal behaviour, however, the pervasiveness of radical right politics in France may increase support for slightly more regressive positions on LGBT rights. Although, it is important to note that by the 2017 wave, only around 10 per cent of respondents in both countries selected the most ultra conservative position on homosexuality. Which does show a growth in libertarian social values and a decline in socially conservative worldviews, at least in Western Europe. In contrast, 67.27 per cent of Romanian respondents claimed that homosexuality could never be justified and 44.97 per cent of Polish respondents took the same position (EVS 2020).

But much of the increase in liberal views on homosexuality within France and Britain is not specific to those who hold libertarian economic values. For instance, in Britain 73.47 per cent of radical left respondents picked the most liberal view on homosexuality but only 24 per cent of those who hold radical right views picked the same option (EVS 2020).⁴² In France, 60.67 per cent of radical left respondents picked the most liberal position on homosexuality and only 18.60 per cent of the radical right believed the same. Instead, it is indicative of a general move towards social liberalism – on issues like race, gender, identity, and sexuality – that has become the norm across much of the Global North. This social liberalism does engender a 'culture war' reaction within elements of the right but, in general, societies in the Global North are embracing an increasingly libertarian position on social issues.

⁴² This survey question asked, 'In political matters, people talk of 'the left' and 'the right'. How would you place your views on this scale, generally speaking?'

Table 4.5 Class-based values 2017-2020 (When is homosexuality justified?)

Homosexuality: always justifiable	Low Income	Medium Income	High Income
Britain	34.91	45.35	59.12
France	30.69	32.65	40.45
Iceland	64.41	74.73	81.73
Poland	6.84	11.40	20.00

Source: European Values Study: 2020 (Cumulative dataset based on EVS wave 2017).

Note: Table entries are based on the percentage of respondents.

Table 4.6 Class-based values 2017-2020 (private vs. government ownership of business)

Private ownership: increased	Low Income	Medium Income	High Income
Britain	6.26	7.06	6.08
France	7.14	9.94	10.23
Iceland	5.18	4.18	6.35
Poland	5.53	9.69	6.20

Source: European Values Study: 2020 (Cumulative dataset based on EVS wave 2017).

Note: Table entries are based on the percentage of respondents.

Libertarian values by class and country

Tables 4.5 and 4.6 (above) compares class-based responses in Britain, France, Iceland, and Poland from the 2017 EVS wave, among those respondents that picked the most liberal position possible on homosexuality. Iceland has been included because it is one of the chosen case studies, and Poland has been included in order to represent the divergence in socially liberal values between Eastern and Western Europe. In relation to views on homosexuality there is a similar pattern exhibited in the four countries as with the rest of Europe (see Table 4.5), with high earners tending to be the most liberal on this issue. Once again, the liberalising effect of higher education may be responsible for this divergence (Stubager 2008). In fact, in the case of the UK the nearly 25-point difference between lower and higher income respondents is replicated in the pattern of that country's increasing 'culture wars' – on issues such as LGBT rights and Brexit – that divide more educated younger voters who live in urban areas from older more socially conservative voters who live outside the major cities and university towns (Power et al. 2019, 74-75). However, in France, higher income earners are less likely to take the most liberal position (40.45 per cent) than their

British counterparts (59.12 per cent), some of which may be due to the influence of Catholic social teaching on French upper-class education (Bosworth 2015, 133-137). Unsurprisingly, Iceland as a Nordic and secularised society is the most liberal on this issue, although higher income respondents are still around 15 points more liberal (at 81.73 per cent) than their lower earning compatriots. Once again, Poland mirrors the pattern of other Eastern European countries by being significantly less liberal than Western European respondents, with only 20 per cent of high-income respondents and 6.84 per cent of the lower income category believing that homosexuality can always be justified. Significantly, across every class the 2017 survey data shows that people in Britain, France, and Iceland are significantly more liberal on homosexuality than the European norm. But in every country the working class takes the least liberal position on this issue.

However, this pattern of higher income respondents favouring the most libertarian value is not replicated when it comes to economic libertarian values (see Table 4.6). For instance, Table 4.6 shows responses divided by income bracket based on a survey question which asked each respondent to place their views on scale from one to ten, as regards their preference for increasing private ownership or increasing government ownership of business.⁴³ This survey question represents an excellent signifier for a libertarian worldview. The responses by class show a remarkably similar level of support for the most libertarian economic position (e.g., strong support for increasing private ownership) across the class divide. In fact, in nearly every case support for the most liberal position ranges from a marginal five to seven per cent. It is French higher earners who most support increasing private ownership – at over ten per cent – but that country’s resistance to the neoliberal reforms that have become the norm in other liberal democracies may encourage a reaction against France’s statist system by small sections of its elite. The lack of support for this position, across the assessed countries and their class divisions, may be a result of the Great Recession discrediting liberal reforms or perhaps it represents the saturation point of neoliberal privatisation policies. Essentially, there are just no longer all that much profitable state assets to increase private control over, therefore this position does not garner much public support.

⁴³ The survey question asked, ‘Indicate where you would place your views on this scale: increasing private ownership versus increasing government ownership of business’.

Table 4.7: Libertarian values by country 2017 – 2020

<u>OPINION</u>	Britain	France	Germany	Iceland	Ireland (2008)	Netherlands	Spain
Trade unions- no confidence	16.22	25.24	8.71	5.67	7.12	9.19	27.30
The government- no confidence	19.35	30.64	15.25	20.57	16.28	8.03	38.54
Prostitution- always justifiable	3.47	4.06	8.53	2.22	2.20	8.07	6.95
Abortion- always justifiable	22.15	32.14	22.07	31.47	2.88	25.67	18.69
Homosexuality- always justifiable	43.85	34.65	51.80	73.71	19.29	61.02	29.11
Divorce- always justifiable	32.21	35.56	42.81	47.11	13.11	35.82	32.09
Soft drugs- always justifiable	3.24	2.03	3.82	3.14	1.05	3.24	8.02
Casual sex- always justifiable	11.97	14.71	13.69	22.11	4.76	11.48	23.49
Immigrants have a very bad impact on a country	3.97	8.40	6.82	1.23	5.50	5.57	2.15
Responsibility- individual (minimal state support)	13.53	12.30	8.20	6.71	17.60	6.70	7.44
Competition- a primary good	18.12	14.17	21.38	33.19	17.65	3.37	17.45
Increase private ownership over state industries	6.49	9.14	3.87	5.23	9.53	2.62	7.69
Tax evasion- always justifiable	1.06	1.23	0.78	0.62	1.40	0.62	3.89
Police- no confidence	3.24	6.31	2.21	0.92	3.88	2.75	8.60

Source European Values Study: 2020 and 2008 (Cumulative dataset based on EVS wave 2008 and 2017).

Note: Table entries are the percentage of respondents that provided a first choice to the most libertarian (e.g., radically liberal) position possible. Ireland's results are from the 2008 wave as this country was not included in the 2017 survey.

Table 4.7 (above) shows the liberal responses provided in several Western European countries as part of the 2017 survey wave, including the three case study countries (Iceland, Ireland, and Britain). Western Europe is the focus of this table because these countries are the most likely to combine a socially and economical liberal worldview, which is the basis of libertarian policy preferences. The data for Ireland is based on the 2008 wave because Irish survey data was not collected in the most recent EVS wave.

Given the extent of the fluctuations in libertarian policy within the UK's party politics (see section 4.2 above), perhaps it should come as no surprise that Britain exhibits the most consistently libertarian value positions across both liberal and economic issues. For instance, Britain is solidly liberal on issues like abortion and divorce, and on key economic indicators, such as on competition, immigration, and individual responsibility, Britain remains among the most libertarian of the assessed countries. However, it is important to note that Britain's situation as the most libertarian country is a marginal position. For example, both France and Spain, which have shown no libertarian policy preferences within their political parties' manifestos (see section 4.2 above), have levels of libertarian support that are close to Britain. France and Spain actually exhibit the highest levels of mistrust in government, at 30.64 and 38.54 per cent respectively. And both countries are the most suspicious of trade unionism. But Spain is among the most socially conservative when it comes to issues like abortion and divorce, with the exception of Ireland in 2008. Although, the recent liberal referenda on abortion and gay marriage show that Ireland has moved significantly to a more liberal worldview on social issues in the ten years between these survey waves. So, in the case of France and Spain it is likely that these libertarian values on certain issues are a result of a reaction to their country's statist politics and a certain anti-state sentiment within their populations. For instance, the *Gilets Jaunes* movement united anti-state sentiment on the radical right and left in France, and regional nationalism in Spain fuels some people's mistrust of the Madrid government.

On economic values that are indicative of a libertarian mind-set, the responses given to competition as a primary good are revealing, with the countries that have embraced the most liberal economic reforms and done the best from globalisation being the most radically liberal on this

issue.⁴⁴ For instance, the top scorers on this issue are Iceland, Germany, and Britain (respectively), but Ireland, Spain, and France are only marginally behind these countries' scores. Across the board, nearly one in five respondents believe in competition as a primary good. However, the Netherlands stands as an outlier on this issue, with only 3.37 per cent supporting the most liberal position on competition. Its high tax and high welfare economic model, combined with a lack of anti-state sentiment among its population, may make these competitive values less significant among Dutch respondents. Given Germany's recent economic success it is perhaps unsurprising that it is among the higher scorers for values based on competition, but it scores low on personal responsibility (8.2 per cent) and on a lack of confidence in the state (15.25 per cent). Again, this country's acceptance of authority and faith in state institutions may dampen support for radical libertarian values. For instance, only 8.71 per cent of German respondents have no faith in trade unions, which shows how integrated their labour movement has become into corporatist state structures, which must discourage libertarian economic values among some German citizens.

Table 4.7 has also included categories that include a deeply held suspicion of the police and support for tax evasion. Obviously, this could be viewed as the extent of support for criminal values, but it also provides some sort of gauge for the extent of radical libertarian anti-state views among the general public. Across the table there is no significant support for reneging on taxation. On the police, given that all the countries in the table are stable liberal democracies, it is likely that only the most politically radical (or criminal) of respondents would view the police as oppressive agents of the state. So, perhaps it is to be expected that this radically anti-state position is of marginal support across all countries. Lack of confidence in the police is highest in France (6.31 per cent) and Spain (8.6 per cent), which again may be due to anti-state sentiment among a minority of their citizens.

Conclusion:

The EVS data shows that there is no clear value-based support for a libertarian world view among the European general public, which suggests that there is also no widespread appetite for a libertarian political project. There seems to be little correlation between social and economic

⁴⁴ This survey question asked, 'Competition is good, it stimulates people to work hard and develop new ideas OR competition is harmful, it brings out the worst in people. Rate on a scale from 1 to 10'.

liberalism, and even less reason to expect a significant popular support base for an ideology that combines radical liberal positions on both these issues. The results point to Western European countries being more fertile ground for libertarian values than the rest of Europe; especially with the fact that socially libertarian values on mainstream issues like abortion and LGBT rights have become the dominant norm in Western Europe. However, this has largely been driven by social movements and wider historical forces, rather than a libertarian political project. Although, it is likely that individual libertarian ideologues have been involved in socially liberal campaigns. And on more radical libertarian social policy, such as on drugs and prostitution, there is no significant public support. There is also no coherent support base for libertarian economic values. This means that the widespread suspicion of trade unions and government does not necessarily translate into significant support for increasing private ownership and greater individual responsibility (see Table 4.7). Class differences in support for libertarian values are pronounced when it comes to mainstream social liberalism (e.g., homosexuality and abortion) but negligible in other areas. This shows that even though there is a wealthy donor class attached to the libertarian political project does not mean that a majority of higher earners support libertarian values.

In relation to the Manifesto Project data, what is notable from the libertarian measure is the general absence of libertarian policy positions within the manifestos of European states, especially in countries such as France and Spain. It is safe to assume that Europe, in general, is a hostile climate for libertarian ideas and policy within political parties. However, when a strong libertarian policy position does take hold in a political party, it is usually within a party of the right. Unsurprisingly, given its commitment to free-market principles, libertarianism is most influential within right-wing political parties that are sympathetic to the libertarian conception of freedom defined as non-interference and libertarian economic values. So, despite the wish of libertarian philosophers to transcend the Left-Right divide, libertarian ideas tend to be most popular within the orbit of the right (Block 2010, 160-161; Mises 2005, 125). However, even in broadly sympathetic parties of the right – such as the Conservative Party – the extent of libertarian policy proposals within their manifestos fluctuates significantly over time. What is puzzling about this process is how a radical ideology like libertarianism can gain any policy influence within right-wing political parties that are largely mainstream, conservative, and moderate? And why does libertarian influence fluctuate so widely within these sympathetic right-wing parties?

Chapter 5 – Ireland: Libertarianism on the Margins of Party Politics

We thought there was a market there... in arguing for business culture, for enterprise and, also for prudent public spending and controlling the finances. The state is not the solution to all our problems. – **Eamon Delaney, founding member of the Hibernia Forum.**

I recognise that the state needs to do some things, the problem is that the state does everything in this country. There isn't a facet of the economy that the state doesn't want to get involved in, it feels the need to regulate everything. – **Keith Redmond, founding member of the Hibernia Forum.**

It is against my principles to try to take the state. So, the joke we [anarchist libertarians] always talk about is, we want to take control in order to leave you the fuck alone. – **Rob Duffy, former board member of the Hibernia Forum, Libertarian Ireland coordinator, and regional director of Students for Liberty.**

Introduction

Many scholars have attempted to explain the lack of a significant radical right in Ireland (see: Arlow 2020; Fanning and Mutwarasibo 2007; Garner 2007; O'Malley 2008) and other research has attempted to explain the absence of a left-wing party capable of forming a government as the dominant coalition partner (see: Farrell 1970; Laffan 1985; Mair 1992; Puirseil 2007).⁴⁵ However, the lack of a significant libertarian movement, influential libertarian think tanks, or a strong libertarian faction attached to any of the main centre-right parties in Ireland has largely gone unexplained. This libertarian absence is puzzling given Ireland's position as one of the most liberalised and business-friendly economies in Europe, which would lead us to reasonably expect to see a similar ideological infrastructure of libertarian think tanks and party factions in Ireland, as

⁴⁵ Although the recent success of Sinn Féin in the 2020 General Election may show that some of these explanations are no longer as applicable in contemporary Ireland.

can be viewed in other liberal democracies that have adopted an Anglo-Saxon economic model. For example, the influence of the libertarian movement on centre-right party policy change is well documented in the cases of Australia (see: Mendes 1998; Mendes 2001; Mendes 2003; O'Connor 2001; Stone 1998), Canada (see: Abelson 2002; Frum 1996; Jeffrey 1999; Thunert 2003) and Iceland (see: Boyes 2010; Olafsson 2017; Wade and Sigurgeirsdottir 2010; Sigurgeirsdottir and Wade 2015). And importantly, libertarian influence on centre-right political parties is nearly taken as axiomatic in the cases of the United States (see: Bailey et al. 2012; Skocpol and Hertel-Fernandez 2016; Skocpol and Williamson 2012; MacLean 2017) and the United Kingdom (see: Carswell and Hannon 2008; Cockett 1994; Gilmour 1992; Heppell 2002; Mirowski and Plehwe 2009).

However, while there are some influential business representative bodies, the short-lived Hibernia Forum has been the only free-market libertarian think tank of any significance within Ireland, and libertarian ideas have remained on the margins of Irish party politics. In effect, Ireland acts as an outlier to the dominant explanation for libertarian policy change within mainstream right-wing parties, which tends to focus on the influence exerted by libertarian political actors, factions, and think tanks (Gerring 2007, 105–106).

This chapter will first address the question: why are there no libertarian think tanks or party factions of any significance in Ireland? This will be done through a focus on the current state of the libertarian movement in Ireland and the failed attempt of the Hibernia Forum to fill a libertarian gap in Irish public policy debate. This chapter will then address the central thesis of this research by asking: why does libertarian influence fluctuate within mainstream right-wing party policy? This involves testing the hypothesis through three case studies, which represent punctuated critical events in the policy of Fianna Fáil (FF), and the Progressive Democrats (PDs) when they were in coalition with Fianna Fáil. First, a shift towards libertarian economic policy will be explained in the 1987 Budget. Second, a shift away from libertarianism will be examined during the 2004 Citizenship Referendum. And finally, this chapter will explore a period in which libertarian influenced political actors had to strategically adapt their free-market principles during the public sector benchmarking process.

5.1 The libertarian political project in Ireland

For the purposes of clarification, libertarian thought is not completely absent from the Irish political sphere, there were just no mainstream groups that combined libertarian public policy prescriptions and ideological coherence before the creation of the Hibernia Forum in 2015 (Delaney 2019).⁴⁶ For instance, many mainstream political actors are credited with having libertarian views; however, their ideological motivations, if any, largely go unacknowledged and underreported. Those people in the political sphere credited with being sympathetic to libertarianism include prominent public figures, such as Paschal Donoghue (Minister of Finance-FG), Leo Varadkar (Taoiseach- FG), Charlie McCreevy (former Minister of Finance- FF), Declan Ganley (businessman, prominent Eurosceptic, and right-wing activist) Dan O'Brien (prominent economist and media commentator), Colm McCarthy (prominent economist and media commentator), Brendan Keenan (economics editor with Independent newspapers), Michael O'Leary (CEO of Ryanair), Moore McDowell (prominent economist and media commentator) and the businessman, Lochlann Quinn (Delaney 2019; Redmond 2019).

However, despite the presence of some libertarian influenced individuals within Irish politics, until the Hibernia Forum, the only coherent organisations of self-proclaimed libertarians existed on the more radical edge of the libertarian spectrum. These groups have been small in terms of the number of activists involved and they have had few links with mainstream centre-right parties. Just to take one illustrative example, a group of radical libertarians coalesced around the movement *Tír na Saor* (land of the free).⁴⁷ Interestingly, they drew inspiration from Murray Rothbard's (2016, 286-290) contention that ancient Ireland and its decentralised system of Brehon law is one of the only real-world examples of an anarcho-capitalist system. Obviously, this draws on a historically contentious understanding of ancient Ireland but *Tír na Saor* hoped to use this analogy to Irish heritage in order to facilitate the dissemination of libertarian ideology within Ireland. However, they drew inspiration from the Sovereign Citizen Movement (SCM), a reactionary conservative movement in the USA and Canada that disavows the legal jurisdiction of states over citizens (Matheson 2018, 187).⁴⁸ Some libertarians are drawn to the SCM due to its radical anti-state rhetoric and sophisticated social media presence, but many other more

⁴⁶ Author's interview with Eamon Delaney, 8 August 2019.

⁴⁷ This movement has wound down in recent years, but their twitter account is still in existence, although not currently active (See: https://twitter.com/tir_na_saor?lang=en).

⁴⁸ SCM members can also be known as Freeman of the Land Litigants (FLL).

intellectually engaged libertarians find the SCM distasteful due to its links to white nationalism and its embrace of flawed logic in order to deny legal obligations (*ibid.*, 188-189). For instance, in the Irish context, during the Great Recession some members of *Tír na Saor* attempted to use pseudo-legal arguments to deny the authority of Irish law courts and disavow their obligations to pay mortgages on homes or investment properties (Keys 2014, 1-15). Actually, Direct Democracy Ireland – a small political party which supports direct democracy reform through allowing citizens to petition for referendums on public policy – has attempted to use similar legal manoeuvres in the law courts in order for its supporters to try and avoid following through with commitments made in commercial contracts (*ibid.*, 17). More ideologically coherent libertarians obviously find these attempts to repudiate freely entered contracts to be against free-market principles, as well as an attack on legally constituted property rights, and the liberal rule of law (Duffy 2019).⁴⁹

An example of a more ideologically ‘pure’ version of radical libertarianism is found within Libertarian Ireland. This was formed by a group of three libertarian activists – Rob Duffy, Séan McMann, and Jonathan Devine – who had become disillusioned with the ideological inconsistency and disreputable tactics of *Tír na Saor* (Duffy 2019). They broke away from the *Tír na Saor* movement in 2009, and would go on to form Freedom Ireland, which would later change its name to Libertarian Ireland in 2011 (*ibid.*). Today, 800 libertarian activists are part of this organisation, which in an Irish context is a significant number for a radical movement. To put this number into context, the two big Trotskyist parties in Ireland (the Socialist Party and the Socialist Workers Party) have similar numbers of activists within their parties, and they have managed to gain sustained Dáil representation (Kelly 2019).

From its inception, the intention was for Libertarian Ireland to exhibit an ideologically consistent version of radical libertarianism, effectively becoming a movement – and a mutual support group – for like-minded individuals (Duffy 2019). Rob Duffy, one of the founding members, identifies some of the key principles involved in their version of libertarianism:

Anarcho-capitalism is the idea of a voluntary society and that just speaks to me, because we need to put the individual at the centre of society and get rid of coercive elements. The state is basically a violent organisation that everybody tries to get their hands on and be able to control.... Democracy is just a gang of bullies that have more votes on their side and more

⁴⁹ Author’s interview with Rob Duffy, 4 May 2019.

people behind them to force the rest of society to do what they want. – **Rob Duffy, interview with author (Duffy 2019).**

These kinds of radical anti-state principles places Libertarian Ireland firmly within the tradition of anarcho-capitalism as espoused by such libertarian philosophers as Murray Rothbard (2016) or Walter Block (2019).

As a non-hierarchical social movement Libertarian Ireland has no official leadership but it does have activists who, in effect, take on much leadership responsibility in terms of group organisation. For example, in recent years social media moderators have been working hard to remove alt-right trolls and various other types of white supremacists from their Facebook group. In fact, Libertarian Ireland moderators estimate that hundreds of disreputable Facebook accounts have been blocked by their Facebook account (Duffy 2019). Internationally, this area of the alt-right is now seen as a gateway to libertarian thought, much as Ayn Rand was for an older generation. Much of the alt-right draws upon libertarian rhetoric around free speech and some people who are politicised through alt-right radicalism eventually move into a more intellectually coherent – and less racist – libertarian ideological space (Ganz 2017). This creates something of a pipeline from radical right racism into more respectable libertarianism. In fact, long before the alt-right movement came into existence, Murray Rothbard (1992) argued for the libertarian movement to actively recruit among radical right populists, thus creating a pipeline from the extreme right to libertarian ideas.

However, Libertarian Ireland does not seem to wish to actively recruit from this political milieu; preferring to maintain their ideological consistency and respectability. But this same commitment to libertarian ideological purity is acknowledged as being a weakness when it comes to political organising and delivering on libertarian policy preferences:

Traditionally, I think groups on the left are much better at group organising.... Whereas free-market, libertarian, individualistic types are more like, ‘I’m willing to support it but I don’t want to do too much because I’ve got other things that I’m doing in my life’. It’s about time preferences, their time preference is on their things...they might financially support it but they’re less willing to give of time. – **Rob Duffy, interview with author (Duffy 2019).**

This criticism about collective organisational ability could be levelled at more moderate libertarians as well, it does seem to be a recurring problem within the movement. However, it is fair to say that these genuinely felt principles about the immoral nature of the state and the

importance of individual choice, makes it extremely difficult for more radical libertarian groups – such as Libertarian Ireland – to become ‘anchoring groups’ or factions within mainstream parties in order to deliver on their preferred policy reforms (Schlozman 2015).

Like much of the radical left, many libertarians are unwilling to compromise their fervently held beliefs to enter mainstream politics, unless they are sure of seeing significant policy results. It is not just that these ideologues are unwilling to compromise, it is also that they reject commonly held assumptions about party politics in liberal democracies and are unwilling to attempt political reform unless they have a realistic chance of delivering something that closely approaches their laissez-faire utopia. However, the Hibernia Forum is a rare example of more moderate libertarian inspired individuals coming together to form a libertarian think tank in Ireland. Its aim was to advocate for free-market principles and incremental policy reform, as well as to provide a credible alternative to the statist view of politics that dominates the Irish political scene (Delaney 2019; Redmond 2019).

5.2 Why are there no significant liberation think tanks in Ireland?

The Hibernia Forum was originally set up in 2015, but not formally launched until 2016, its intention was to operate as a free-market alternative to prominent left-wing think tanks in Ireland – such as the Nevin Economic Research Institute and TASC – which receive trade union funding and have social justice remits (Delaney 2019). Its founding members portray it as being a free-market think tank, whose main aim was to be an advocacy group for pro-enterprise principles, while at the same time providing an alternative in the media to what they perceived as a left-wing bias within political commentary:

It was a body presented as being about free-market economics and prudent public spending. It was ostensibly libertarian, but actually I saw it as a broad-based centre-right group but purely on economic issues not on social issues. – **Eamon Delaney, interview with author (Delaney 2019)**

There are so many think tanks in Ireland that are all left-wing, they’re all sponsored by the trade unions, they’re all funded by the trade unions and state funding. They receive funding internationally; Soros has given money to the Nevin Institute. There are a lot of well-funded and very well-known left-wing think tanks that are all given space in the media, as if they’re independent think tanks but they are very much not independent. So, we were trying to set up

something as a counterweight to that. First of all, to give notice in the media that these are left-wing think tanks that you are commenting on. And then, to say if you are going to have these guys on then you need to have us on too. The plan was to build it up and to get sponsorship the same way they do, and ultimately, to get state sponsorship the same way they do and to build it as a competitor. – **Keith Redmond, Interview with author (Redmond 2019).**

This shows that this was a more moderate group, who had libertarian values and libertarian ideological preferences, but who were also pragmatic enough to work within the system to achieve gradual libertarian reform of Irish society. Importantly, this group limited itself to advocacy on economic issues – broadly defined – and avoided the more radical libertarian positions on social issues that are the logical conclusions of their laissez-faire preferences.⁵⁰ This avoidance was a deliberate tactic, partially because there were already many groups campaigning for liberal reform, such as on abortion and marriage equality. But mainly because, unlike free-market economics, social liberalism is not a unifying theme for all free-market ideologists, and it was considered better for the organisation to concentrate on the economic issues that united all strands of libertarian thought in Ireland. For example, some members of the Forum have discussed this avoidance of social liberalism due to a lack of consensus within the group:

Many people are divided [on social liberalism], free-market libertarians can be very pro-choice and very pro-life on abortion, that's just taking one contentious issue. But also, on foreign policy, they can be divided... William Weld, a former Republican Governor of Massachusetts, he had a great phrase, he called it, 'tight money, loose morals'. That is a jocular way of describing socially liberal, fiscal conservatives. But most of the people in our group, like Keith Redmond, would be socially liberal. But I am kind of more of a social conservative myself, in a later flowering. – **Eamon Delaney, interview with author (Delaney 2019).**

The Hibernia Forum was a mix of traditional libertarians and more economic conservative type people. The economic conservatives would not have agreed with the libertarians on social policies...but economically we were all on the same page. We had no interest in even discussing issues like abortion among ourselves. – **Keith Redmond, Interview with author (Redmond 2019).**

Perhaps in a state with a larger political infrastructure for libertarian values, there would be no need for more radical libertarians to coalesce with more moderate socially conservative elements. But, given the lack of free-market alternatives within the Irish political scene, these economic

⁵⁰ They also campaigned against 'nanny state' legislation on sugar, tobacco, and minimum alcohol pricing. But this can also come under the category of a broadly defined economic agenda (Redmond 2019).

liberals were forced to organise solely around the economic issues that had the potential to appeal to most elements within the libertarian spectrum.

These divisions over social liberalism seemed to have taken a toll on Hibernia's intra-group coherence and on its ambition of becoming an entrenched part of Irish politics. For instance, some within the Forum felt that an embrace of a more socially conservative message would appeal to a sub-set of Irish voters who were less well catered for in public debates, and perhaps, were a more natural target group for free-market principles. In fact, some felt they should have taken a lead from Sinn Féin's populist organising tactics and just embraced any message that might appeal to a natural support base:

I personally think they [Hibernia Forum] should have gone for both [free-market advocacy and social conservatism]. I don't know why they were so afraid of embracing the social conservative message, even the pro-life message... It is a personal regret of mine that we should have not done that as well... in terms of tactics you just go for what works. – **Eamon Delaney, interview with author (Delaney 2019).**

But others within the Forum – such as Libertarian Ireland's Rob Duffy – felt that social liberalism was a natural consequence of free-market, laissez-faire principles and would have struggled to strategically adapt their principles enough to remain involved in a group that had embraced a social conservative agenda, even at the expense of potential support and funding (Duffy 2019).

Another significant area of public policy that was not discussed in detail within Hibernia was the Troika bailout and the subsequent payment of unsecured bond-holder debt in the Irish banking system. There were two reasons for this lack of debate. First, by the time Hibernia was set up in 2015, unemployment was decreasing, the economy was growing and, to some extent at least, the policies pursued under Troika supervision were a *fait accompli* that was not worth spending time debating (Redmond 2019). And second, this is another area that may have opened up significant divisions within the Forum. The ideological contradictions around the state bailing out banks and reimbursing failed investors, are obviously intolerable for more radical libertarians who believe in the primacy of the free-market; but more 'pragmatic' libertarians were likely to – albeit reluctantly – support whatever unpalatable measures that were necessary to maintain the system and retain the goodwill of Ireland's European partners.

Are there any other libertarian think tanks in Ireland?

The founding members of the Hibernia Forum correctly identified a gap in the Irish political arena for a free-market economic think tank. Although there are two influential employer representative bodies – the Irish Business and Employers Confederation (IBEC) and the Irish Small and Medium Enterprise Association (ISME) – that are supportive of free-market principles and support pro-enterprise research, they are both looked upon as less than satisfactory from a libertarian perspective. In fact, once again, libertarian criticism of establishment institutions is surprisingly similar to that of the radical left. For example, in the case of IBEC, some within the Hibernia Forum view them as being hopelessly compromised through their links with social partnership and their support from the big Irish banks, which makes them incapable of credibly arguing for free-market economics (Redmond 2019). Similarly, a left-critique of trade union involvement with social partnership argues that it breeds too much identification between the interests of employers, senior civil servants, and trade union officials; which leads to an increasingly conservative trade union leadership that is incapable of private-sector recruitment and unable – or unwilling – to advocate for the interests of workers (Kelly 2004; McDonough and Dundon 2010)

As well as being too wedded to a corporatist industrial relations model, there was a view within Hibernia that IBEC was unwilling to provide support for the Forum’s work because they did not want extra competition in the sphere of right-wing representation and free-market advocacy:

My understanding is that we did approach them [sought funding from IBEC] but they weren’t interested. And really, that is understandable, because we would be speaking against their purposes a lot of the time, they are very much about rent-seeking and captured markets. So, they are not really free-marketeers at all. The notion of a free-marketeer is that a competitor should be allowed to come along. These guys [IBEC] believe in closed shops, shutting it down, no competition. We would be speaking against their purposes, and I think they knew that. – **Keith Redmond, Interview with author (Redmond 2019).**

IBEC are absolutely embedded and compromised, they represent the banks who were bailed out, that’s like corporate welfare. They represent bigger business and semi-state companies, so they represent social partnership. And they were really quite unhelpful actually; I knew Marc Coleman [an IBEC official] as a bit of right-wing maverick and when I made contact, he said, ‘No, I’ve a safe job here on Baggott Street. I don’t want to engage in all that, but I like what you are doing’. So, we became the Al-Qaeda of the free-market in Ireland, they were kind of

more the SDLP [a moderate nationalist party in Northern Ireland] version. – **Eamon Delaney, interview with author (Delaney 2019).**

Conversely, ISME was viewed as being more supportive of the Hibernia Forum’s aims. For instance, Eamon Delaney claims that, ‘ISME were good, and they were very good to us. They enjoyed that we were another free-market presence on the political stage. And I would go to speak at their annual meetings’ (Delaney 2019). This support for Hibernia is perhaps unsurprising given that ISME tends to be more supportive of free-market competition and given its own background as a breakaway group from IBEC, due to that organisation’s perceived bias towards big business and disregard of the interests of SMEs (ISME 2020). However, despite providing moral support and encouraging a collegial atmosphere between like-minded groups, ISME also did not provide funding for Hibernia. And there was a sense within Hibernia that although having laudable aims, ISME was not exactly at the cutting edge of Irish industry (Delaney 2019). For example, few of its members are from the leading ICT sectors and as a representative body it was viewed as being, ‘dusty, old and rural’ (Delaney 2019).

So, the founding members of Hibernia accurately identified a gap within Ireland for a more radical and free-market think tank and advocacy group, with a publicly avowed free-market agenda. And, initially, it did receive support from some influential people (such as Colm McCarthy and Moore McDowell). Why then did Hibernia fail to establish itself on a permanent basis or become a more dominant voice for free-market values in Ireland?

The Hibernia Forum: reasons for failure

One of the biggest reasons for Hibernia Forum’s winding down was a simple lack of money available to build a successful institution, which seems surprising given the fact that Hibernia had successfully tapped into the international libertarian network, forming ties with well-established British groups such as the Adam Smith Institute and the Institute for Economic Affairs (Delaney 2019; Redmond 2019). In fact, similar to the IEA, the Hibernia Forum also received funding from Tobacco companies due to its opposition to nanny-state legislation (Doward 2013), but in the Irish case, this funding was nowhere near enough to create a full-time official base to run the forum (Delaney 2019).

This lack of funds for a credible libertarian institution, led by prominent Irish political figures, is surprising given the contention by many scholars that the libertarian movement has access to incredible amounts of funding from sympathetic millionaires (see: MacLean 2017; Skocpol and Coggin 2011; Williamson, Skocpol & Coggin 2011). Eamon Delaney, who attempted to raise funds for Hibernia's activities, claims that the perception of a generous libertarian funding nexus just did not apply in the case of Ireland:

I did not see it [generous libertarian donors], maybe if you were in touch with the Koch brothers, but I didn't see this libertarian think-tank funding. For example, Atlas Network Philanthropies, they had all these dinners and will send you on social media training and things like that, but didn't squat in terms of money.... These people [libertarian think tank officials] are really rewarding themselves, there is a whole bunch of, kind of, on the right in America, they just hold conferences and scratch each other's backs and give each other awards. You can win awards as a start-up libertarian think tank, but you have to jump through hoops and the grants are minimal. What money we had from donors was Irish businesspeople, Lochlann Quinn gave us money – at the start he was very supportive – but no real money from abroad, sadly. – **Eamon Delaney, interview with author (Delaney 2019).**

This weakness in the libertarian movement's organisational support structures, is not necessarily unique to Ireland. For instance, Skocpol and Williamson (2012) found that one reason for the Koch brothers move towards the funding of the Tea Party was their disillusionment with the ability of their well-funded libertarian think-tanks to deliver on policy change (*ibid.*, 103). Delaney touches on the fact, which is supported by others in the libertarian movement, that a professionalised libertarian elite has emerged, that are more concerned about filling out funding applications and increasing the prestige of their institutions, rather than delivering on structural change (Carswell 2021; Davies 2021; Delaney 2019). Once again, this critique of a rent-seeking libertarian elite, finds parallels in much left-wing criticism of international charity work and social justice NGOs, which are often viewed as being more about supporting professional middle-class jobs rather than changing the status-quo (see: Lang 2013; Roy 2005).

While money was not forthcoming from international libertarian donors, there was more nebulous support and advice from other institutions, such as the ASI and IEA. And Students for Liberty received praise from Hibernia members for its willingness to mentor young Irish libertarians and to provide them with significant funding to attend libertarian conferences (Delaney 2019; Duffy 2019). This shows that the international proselytising structures – for youth indoctrination – apply in Ireland but, once again, this funding was in terms of individual

development of libertarian values, no money was provided for collective action or for trying to change public policy.

So, Hibernia's failure to establish itself as a permanent fixture was largely due to this lack of funding, which directly impacted the second biggest issue for Hibernia members, which was 'time poverty' (Redmond 2019). Most of the prominent members of Hibernia were successful in their own careers, and had limited time to devote to activism, especially if this activism went unpaid. Within the organisation there was a belief that in order to successfully compete against the established think tanks, who already had many full-time officials, it would have been necessary for one of the more prominent members of the Hibernia Forum to devote themselves to that work full-time (Delaney 2019; Redmond 2019). This would obviously involve personal sacrifice, in terms of that individuals pre-existing career, and anyway, given their funding constraints, Hibernia just did not have the resources necessary to fund a full-time paid position. This meant that IBEC, ISME, and the trade union linked think tanks were at a significant competitive advantage to Hibernia. Essentially, in the Irish case, the cost of entry – and the lack of a significant libertarian donor class – was a significant barrier for Irish political entrepreneurs in developing an alternative free-market think-tank to compete with established institutions.

Members of Hibernia failed to point out specific policy successes, in which their work led to a change in policy making towards more libertarian values (Delaney 2019; Duffy 2019; Redmond 2019). In terms of successfully developing a free-market discourse, they point to campaigns such as the 'nanny-state awards' which highlighted libertarian concerns around the imposition of sugar taxes and minimum alcohol pricing, which have obvious implications for free choice and the operation of the free market (Redmond 2019). And perhaps, most importantly, they succeeded in providing an alternative free-market voice within Irish political debates, which without the Hibernia Forum would have been dominated by statist principles. For example, in terms of recent public finances, some former members feel that the free-market values previously espoused by Hibernia are absent in the public debate on the cost overruns of the National Children's Hospital and the provision of rural broadband (Delaney 2019).

5.3 Why are there no significant libertarian factions within mainstream Irish political parties?

In summary, Ireland is a hostile climate for libertarian values (see chapter 4) and the libertarian movement has few dedicated organisations in Ireland attempting to deliver on libertarian policy change. In fact, much of the libertarian movement – such as Libertarian Ireland – operates more as ideological support groups for like-minded individuals rather than as campaigning political organisations. The Hibernia Forum was an unusual example of a prominent Irish libertarian think tank, but its success was hampered by a lack of funding, and the lack of intra-group coherence brought about by radical libertarians being forced to cooperate with more socially conservative elements in a small political milieu. This meant that the Hibernia Forum struggled to become a permanent fixture on the Irish political stage. And the libertarian movement in Ireland, in general, has also failed to become permanently aligned with any single political party or become a distinct faction within party politics. Therefore, it is difficult to pinpoint obvious libertarian influence on changing right-wing party policy. However, part of the reason for this failure of the Irish libertarianism to become an ‘anchoring group’ within party politics may be that most mainstream Irish political parties (with the exception of Sinn Féin) have converged on liberal economic principles, which has eliminated the political space necessary for new groups pushing for libertarian change and negated the ability of such groups to be incorporated into existing political structures (McGraw 2017, 78-79; Schlozman 2015, 18-20).

For instance, in terms of independent state-funded research into Irish society, Jack O’Connor (the former President of SIPTU and ICTU) believes that the Economic and Social Research Institute (ESRI) had an unofficial free-market policy agenda, especially during the Troika bailout years (O’Connor 2020). Although officially an evidence-based research institute, which receives state funding, many on the left believe that its research tends to favour free-market solutions and the dilution of workers’ rights (King 2020; O’Connor 2020). For example, the ESRI’s report on public sector pay during the crisis was widely criticised by the left and trade unions for not fairly assessing the value delivered by public sector workers to the state (Kelly, McGuinness and O’Connell 2008). A right-wing bias in the ESRI is a debatable position, but it is fair to say that the ESRI took up at least some of the space that a liberal advocacy group, such as the Hibernia Forum, hoped to fill.

There are two mainstream centre-right parties in the Irish system, Fianna Fáil (FF) and Fine Gael (FG). When compared to their rivals in Fianna Fáil, the representatives of Fine Gael tend to be viewed as more supportive of free-market principles, to be more fiscally prudent, to be less supportive of welfarism, and to be less quick to support state intervention in the economy (Puirseil 2017, 50; Weeks 2018, 114). However, as the dominant party of government (at least, until the Great Recession), Fianna Fáil has been at the forefront of the Irish party system's convergence on liberal economic orthodoxy. In effect, Fianna Fáil has been the hinge on which liberal economic reform has swung. This is why an analytical focus on Fianna Fáil will be prioritized over Fine Gael in this chapter.

Fianna Fáil's success in embracing liberal economic orthodoxy, led one of the most successful catch-all parties in the world, that was known in the 1930s as the party of the 'men of no property', to become viewed as 'a neo-liberal party of business', with inappropriately close ties to the financial and construction sectors during the Celtic Tiger years (Puirseil 2017, 50-51). Importantly, for most of its existence, Fianna Fáil operated as more of a nationalist movement than a traditional political party (Carty 1983, 101; Puirseil 2017, 51). This meant that in terms of party identity its members viewed Fianna Fáil as the embodiment of the Irish nation – and thus the state – with values based on traditional Irish culture, the Catholic Church, independence, and the nation's historical grievance against British imperialism (Walsh 1986, 4 & 28). These somewhat nebulous foundational principles have led scholars to argue that Fianna Fáil's defining ideological characteristic is that of 'ambiguity' (O'Malley and McGraw 2017) and 'adaptation' (McGraw 2017).

Effectively, Fianna Fáil's vague universal beliefs, linked to an equivocal sense of Republicanism, led to a universal appeal across all classes in Irish society (Walsh 1986, 5; Weeks 2018, 116). Historically, Fianna Fáil received as much support from higher earners as Fine Gael and received more working-class votes than the Irish Labour Party (Marsh et al. 2008, 37). It is this ability to ideologically adapt to the perceived interests of all Irish citizens, that enabled a party that supported economic nationalism and frugality in the 1950s, to morph into a party that firmly embraced conspicuous consumption and the entrepreneurial class by the 1960s (Walsh 1986, 77-78).

This shift from economic nationalism towards economic liberalism was enabled by the traditionalist founder of Fianna Fáil, Éamon de Valera, stepping aside in favour of his second-in-command, Seán Lemass, in 1959. As Taoiseach, Lemass embraced many of the reforms detailed in the *Programme for Economic Expansion*, developed by the influential civil servant, T.K. Whitaker. These reforms pushed Ireland away from protectionism and into a more economically liberal space, and included cuts to tariffs, tax breaks for Foreign Direct Investment (FDI), and an increase in free trade (O'Malley and McGraw 2017, 15). These liberal reforms created the three modern pillars of Fianna Fáil party policy, which are: FDI, free trade, and corporatism (Puirseil 2017, 60). Once again, Fianna Fáil as a party managed to adapt ideologies to suit electoral needs, mixing support for liberal economic orthodoxy with more social democratic support for trade union inclusion on policymaking.

The liberal reforms instituted by Lemass led to economic growth in the 1960s, however, by the 1977 election Fianna Fáil had backtracked on its liberal economic reform agenda in order to gain support from a younger generation of voters who were impatient to see faster improvements to their standards of living (O'Malley and McGraw 2017, 16). The 1977 budget is viewed as a 'giveaway budget' in which the economy was boosted with borrowed money (Ferriter 2005, 669-670). Its policies were meant to stimulate economic growth but included what turned out to be reckless tax cuts which had no obvious economic dividend and just expanded the national debt, such as eliminating domestic rates and motor taxation. This financial recklessness led to increased economic decline and a period in opposition for Fianna Fáil between 1982 and 1987. But by 1987, under their leader Charles Haughey, the party would shift back towards favouring economic liberal reform as a solution to Ireland's economic crisis. Fianna Fáil won the February 1987 election on a broadly left-wing manifesto (Puirseil 2017, 64), but they governed on the right, instituting a fiscally conservative budget in the same year that saw severe cuts to the civil service and tough austerity measures aimed at reining in government spending (Ferriter 2005, 698; O'Malley and McGraw 2017, 16).

However, these libertarian economic policies were counteracted with a more statist inclusion of the social partners. A European style corporatist model was instituted, known as social partnership, in which, broadly speaking, wage restraint and moderation by the trade unions was bought off by the state promising tax cuts for PAYE workers. However, importantly for liberal

principles, trade union inclusion in policymaking was largely conditional on tax cuts for workers, not on any promises to significantly expand the welfare state or to embrace the social democratic Nordic model.

Fianna Fáil: From the Celtic Tiger to the Great Recession

Policy development into the 1990s saw the entrenchment of the modern Irish economic model; in which low tax, light regulation, a business-friendly environment, and a well-educated English-speaking workforce are leveraged to attract high levels of FDI. While this model is an obvious success for libertarian economic policy prescriptions, it must be counter-balanced with the fact that its success is enabled through a highly interventionist state, that provides massive amounts of grants and subsidies to private investors. However, 1987 did see the start of a period of sustained economic growth that would become known as the Celtic Tiger. Fianna Fáil would gain most of the electoral dividend for this economic growth, even though Fine Gael also strongly supported this liberalising of the Irish economy. In fact, with the Tallaght Strategy from 1987 to 1989, that party gave a commitment to not vote against any liberal economic reforms proposed by Fianna Fáil that they viewed as being in the national interest.

This period of growth meant that competent economic management became Fianna Fáil's unique selling point for Irish voters (Whelan 2011, 4). Increased exchequer receipts meant that Fianna Fáil could institute policies that would appeal across the Irish class divide, and to both the left and the right within its own party. For example, from 1997 to 2008, Fianna Fáil were able to appeal electorally to the middle classes through significant cuts in direct taxation, while at the same time maintaining their working-class support through social partnership led increases in social spending, which often took the form of direct cash transfers rather than the expansion of welfare state services (Hamann and Kelly 2011, 62-63; McGraw 2017, 86). For instance, Fianna Fáil trebled child benefit allowance and increased the old-age pension by two-thirds between 1997 and 2004 (Ahern 2009, 285).

These fiscally contradictory policies enabled Fianna Fáil to build a broad voter coalition that managed to include, 'workers, unions, and employers' (O'Malley and McGraw 2017, 16). However, this coalition was built on shaky ground and would disintegrate during Ireland's economic collapse from 2008, in which policy mistakes made under Fianna Fáil governments

would shatter their reputation for economic competency (McGraw 2017, 75) and its position as the natural party of government (Carty 2017). Its vote collapsed from 41.7 per cent in 2007 to 17 per cent in 2011. And FF still struggles to recover from the fallout of the Great Recession, with voters remaining unwilling to forgive the party for past policy mistakes. For instance, in the 2016 election it managed to gain 24.3 per cent of first preference votes. And, despite leading a coalition government with FG and the Green Party after the 2020 election, it failed to recover lost ground electorally, receiving only 22.2 per cent of first preferences.

The graph detailing libertarianism in Irish politics (see Chapter 4, Figure 4.5), shows how the trendline for libertarian policies within FF manifestos steadily increases from 1989 to 2007; until the 2011 election, when it shows a big jump in libertarian values. This jump can be explained by the necessity of defending the liberal economic reforms (or austerity policies) they had agreed to under the *National Recovery Plan* in November 2010, as part of Ireland's bailout programme with the Troika. Importantly, Fianna Fáil's move into a more libertarian space was largely driven by this economic liberalism. In fact, the party tended to be unsupportive of the socially liberal agenda that was slowly becoming the dominant norm in Ireland during this period (Puirseil 2017, 65). In much of the period covered in this graph (from 1960 to 2011), FF is shown to be the most libertarian party in the Irish system, largely driven by being the party at the forefront of the liberalisation of the Irish economy.

Emergence of the Progressive Democrats

However, in the elections held between 1987 to 1997, the Progressive Democrats (PDs) are shown to be the most libertarian party in Figure 4.5 (Chapter 4). This is unsurprising given their reputation as both socially liberal and fiscally conservative. In fact, the stereotypical view of the PDs within the Irish left is of unreconstructed Thatcherites (O'Connor 2020). But according to their former leader, Michael McDowell, the party identity of the PDs was always more liberal than libertarian.⁵¹ And Keith Redmond, a former member of the PDs, asserts that while there were libertarians within their ranks, the party was really just a vehicle for politicians who opposed Charles Haughey and supported the gradual liberal reform of Ireland, he claims that:

⁵¹ Correspondence with author, 23 June 2020.

The funny thing about the PDs, and Irish politics in general, Irish voters are not very ideological. People don't go out to vote on ideology, they go out to vote on names and faces, which explains why we have so many political dynasties. So, the PDs at their higher echelons were really just an anti-Haughey faction, whether they were ex-FF or ex-FG or whatever they were, they were really just anti-Haughey. They also wanted to liberalise things, in a way that FF and FG didn't then, but do now. Social liberalism was anathema to those parties back then...The PDs also recognised that the hyper-taxation that was going on in the 1980s was having a damaging effect... McDowell, in particular, was someone who saw that if you reduce tax, you incentivise people to do things. As a result, we got lower corporation tax, lower income tax and the halving of capital gains tax. The point is that, ideologically, there was certainly a small faction of younger people who were more libertarian or classical liberals in the PDs, drawn by the economics, but there was also other groundworkers who were just Mary Harney, Liz O'Donnell, or Des O'Malley loyalists. – **Keith Redmond, Interview with author (Redmond 2019).**

The PDs were founded in 1985 by Des O'Malley, after he was expelled from Fianna Fáil due to his breaking the whip by abstaining on a vote for the Family Planning Bill, which sought to liberalise Ireland's restrictive laws on contraception (Puirseil 2017, 65). His creation of the PDs was a culmination of the uneasiness among more liberal-minded members of Fianna Fáil, who felt increasing discontent over the domineering leadership of Haughey, the lack of fiscal prudence within party policy, and a nationalistic policy position on Northern Ireland (O'Malley 2012, 80).

The PDs did well in their first election in 1987, overtaking the Labour Party and gaining 12 per cent of the vote. They were a break-away group from Fianna Fáil, but they also attracted former FG members and they tended to eat into the FG voter base more than the Fianna Fáil voting pool. From 1987 on, they would find much of their economic policy positions co-opted by Fianna Fáil, who increasingly embraced pro-enterprise policies, cuts to direct taxation, and deregulation (Ó Muineacháin 2012, 127). This co-option of PD policy was aided by 17 years of coalition government with Fianna Fáil, and through some members of Fianna Fáil, such as Charlie McCreevy, who were sympathetic to the economic agenda of the PDs (Puirseil 2017, 67).

So, once in government together, the PD's policies on tax cuts and deregulation were eagerly embraced by FF. And, in fact, the libertarian trendline in Figure 4.5 (Chapter 4) shows that in the 2002 and 2007 general elections FF were actually more libertarian than the PDs. However, Ireland's significant economic growth during these years meant that liberal economic reforms on taxation could go along with vastly increasing the state's expenditure and the overall scope of the Irish welfare state. This obviously created ideological contradictions for both parties and a distinct

lack of policy coherence. Fianna Fáil was used to this equivocal style of policy making, for instance, in fulfilling its 1977 manifesto the party used increased borrowing to fund tax cuts while at the same time increasing state spending (MacSharry and White 2001, 48). But the smaller PDs lost much of their unique electoral appeal, which was based around fiscal rectitude, and saw a deterioration in the coherence of their party identity.

Further dilution to the distinct party identity of the PDs occurred with their socially liberal agenda. In this arena, they always had competition from the Labour Party, who had stronger links to liberal movements supporting women's rights, gay rights, and abortion. In fact, the socially liberal appeal of the PDs may have reduced over time, especially as socially liberal values became more prominent within the other political parties and society, in general. For instance, comments made about single mothers by their leader, Mary Harney, during the 1997 election campaign, was perceived as a populist attack on a vulnerable group of women and may have cost the party support among a younger generation of socially liberal and feminist voters (Ó Muineacháin 2012, 127).

This subsuming of the PDs liberal policy agenda within Fianna Fáil party policy, and within Fianna Fáil led coalitions, means that for the purpose of this case study it is appropriate to include policy implemented by PD ministers within those governments as part of an analysis on libertarian influence within Fianna Fáil, as they can both be categorised as mainstream centre-right parties and were in government together for a significant period of time (from 1997 to 2011).⁵²

Explaining the lack of libertarian think tanks and party factions in Ireland

So, why are there no libertarian think tanks or party factions of any significance in Ireland? On party factions, Irish party politics has converged on economic liberalism, to an extent that negates the need for more radical liberal alternatives. None of the mainstream parties differ significantly on big liberal policy issues, such as on corporation tax, immigration, Europe, and globalisation. Even the anti-establishment Sinn Féin has moved its policy positions to the centre on issues such as taxation and Europe. Carty (1981) has described the Irish party system as 'programmatically indistinguishable' and for the two centre-right parties of FF and FG this is still an accurate

⁵² Although technically the PDs wound up in 2009, its last two TDs decided to stay part of the 2007 Fianna Fáil/Green Party government until the 2011 election.

assessment. In fact, the extent of this policy convergence has only increased since the confidence and supply agreement of 2016 and their unprecedented step of forming a government together after the 2020 General Election. There are still some social divisions between these two parties (Byrne and O'Malley 2012), but on liberal economic policy they are in effective policy concordance. Their allegiance to the low tax, light regulation, business friendly, and FDI model of Irish economic development means that libertarian ideologues do not need to join these parties to pursue their policy agenda, and libertarian influenced actors within these parties do not need to coalesce into factions in order to push their preferred economic policies. This suggests that libertarian factionalism within mainstream centre-right party politics, and libertarian advocacy within think tanks, may become less prominent in countries that have a high level of inter-party policy convergence on liberal economic policy.

For a similar reason libertarian think tanks have received very little funding or organisational support from the international libertarian donor class. After all, why would wealthy donors invest in furthering a libertarian reform agenda in a country that is already a success story of globalisation? And notably, a country in which easy political access for private business interests, especially in the FDI sector, are an integral part of the state's economic policy and embraced by most political representatives (Baturu and Arlow 2018, 401). Effectively, the political space that a libertarian think tank could fill in the Irish political sphere is already taken by party policy unanimity, state agencies (such as the ESRI and the Industrial Development Agency), the mainstream centre-right parties, a conservative print media, and business representative groups. On top of that, until recently, the Irish left has been historically weak and did not threaten the hard-won liberal economic reforms enough to inspire international libertarian resistance or significant domestic libertarian policy advocacy.

5.4 Testing the theory in the context of Ireland

The following three case studies will address the central research question: why does libertarian influence fluctuate within mainstream right-wing party policy? The hypothesis being tested claims that the opportunity for libertarian policy change within mainstream right-wing parties occurs when a political crisis interacts with pre-existing policy decisions that contradict liberal ideological

values (see Chapter 3). When these political events interact, it creates the necessary space for ideologically motivated actors to push the party into a more libertarian policy direction. Political

Table 5.1: Punctuated periods of fluctuating influence for libertarianism within FF and PD party policy.

	Political Stability	Political Crisis
Policy consistent with liberal ideology	<u>No major change</u>	<u>Shift away</u> FF- Introduction of the Universal Social Charge (2011) FF- 2008 Irish Bank Guarantee (Credit Institutions Financial Support Bill) FF/PDs- Citizenship Referendum 2004 FF- Social Partnership (1987-2009)
Policy contradictory to liberal ideology	<u>Strategic adaptation</u> FF/PDs- Benchmarking (2000) FF- Special Saving Investment Allowance (SSIA) scheme (May 2001) FF- Freedom of Information (Amendment) Act 2003 FF- Increases to universal child allowance (1997-2007) FF- Failure to liberalise pub licencing laws: Café-bar legislation (2005)	<u>Shift towards</u> FF- Minimum Wage Cut (2010) FF- 1987 Budget FF- Tax individualisation (2000) FF- Taxi deregulation (2000) FF- Eircom privatisation (1999) FF- Research and Development Tax Credit (1997)

parties obviously need a policy response to any crisis, but the fact that libertarian ideologues can point to the perceived failure of policy that contradicts liberal ideology in the lead up to the crisis, means that it is easier for them to convince moderates within the party to embrace a more radical liberal agenda. This serves the dual purpose of providing a policy solution that is ideologically

consistent in a centre-right party, and a political response that is more likely to appeal to voters, who will naturally react against past policy failures.

Conversely, if a political crisis interacts with policy that is consistent with liberal ideology, this leads to a shift away from libertarian values within party policy. Under these conditions, party moderates will react against the liberal policy choices which are viewed as being the cause of the crisis and embrace policy that is inconsistent with liberal values as a solution to that crisis. However, if a period of political stability – in which there is inter-party agreement on policy responses – interacts with policy that contradicts libertarian values then libertarian ideologues within their party will lack the necessary conditions to push for their preferred policy change. Instead, during this period of political stability, ideologues will be forced to strategically adapt their real values in order to remain viable political actors within mainstream centre-right parties. It is these moments of opportunity for libertarians to push their ideas that are the casual mechanism for this research, that links cause and effect. It is tracing these casual processes within the following case studies that will provide the evidence for the success or failure of this theory (Beach 2015, 465).

The processes behind this theory can be best understood by examining Table 5.1 (above). This illustrates how the interaction of political crises and policy that contradicts liberal ideology can lead to the fluctuation of libertarian influence in mainstream right-wing party policy. This table also provides examples of libertarian policy shifts within the party policy of Fianna Fáil and the PDs. These periods of policy change also serve as examples of potential theory testing cases within the context of Ireland. Each case is an example of a punctuated change in policy making that was enabled by the changing political processes illustrated through the interaction of the independent variables of crisis and liberal policy contradictions (Baumgartner, Jones and Mortensen 2014, 80).

The following three case studies will test one punctuated change in policy making from each of the interacting processes which help to explain the fluctuation in libertarian policy. This will include one case that tests the shift towards libertarian policy; another case that tests the shift away from libertarian policy positions; and finally, a case that tests the strategic adaptation of libertarian ideologues to policies they dislike during times of policy stability.

5.5 Shift towards: The 1987 Budget

Examples of shifts towards libertarian policy within Fianna Fáil during moments of opportunity created when a political crisis interacts with pre-existing policy that contradicts liberal ideological preferences can be seen in Table 5.1 (above). For instance, the liberalisation of the taxi market in 2000 reintroduced free-market competition within the taxi industry, by ending the government restrictions on new taxi plates (Weir 2019; 2011). This policy came to the fore when a crisis in the availability of taxis in urban Ireland (which had become an issue for voters), interacted with pre-existing public policy which effectively encouraged a closed-shop taxi industry through tight state control of the market (Weir 2019, 116).

Similarly, the reduction of minimum wage by one euro in 2010, came about when a severe unemployment crisis intersected with pre-existing state policy that had continually raised minimum wage rates since their introduction of the Minimum Wage Act 2000. Although this cut was implemented under Troika supervision, it was portrayed by the government as a pro-enterprise reform, necessary to restore wage restraint and maintain jobs. Even when this policy was rescinded in 2011, employers were compensated for this through a reduction in employer PRSI (Schulten 2012, 86). Libertarian economics has long viewed minimum wage legislation as an attack on the freedom of employers, as well as a state-led disincentive for business owners to hire more workers (Gorry 2013, 72-73; Tse, Esposito and Chatzimarkaki 2013, 126). So, any move to reduce or eliminate minimum wage legislation, and restore more market-led pay bargaining, can be viewed as a win for libertarian values.

However, the 1987 budget is the chosen case for testing the shift towards libertarian policy preferences within an Irish centre-right party. This budget is commonly credited with being the change in economic direction, after years of mismanagement and recession, that immediately increased investor confidence in Ireland and led to the significant economic development of the Celtic Tiger years (MacSharry and White 2001, 101; Murphy 2016, 34). This economic turnaround saw GNP growth rates that exceeded seven per cent a year between 1987 and 2001 (Foster 2008, 7), as well as 130,000 jobs a year created between 1987 and 1990 (MacSharry and White 2001, 102). Importantly, it also represents a near formal convergence on liberal economic policy between the Irish parties of the right, in which the adoption of the ‘Tallaght Strategy’ would lead to Fine Gael committing to facilitate the economic reforms implemented by Fianna Fáil in government

(*ibid.*, 75-78). As a policy change, the 1987 budget was adopted when years of policy that contradicted liberal economic values, interacted with an Irish economy that was in crisis and fast approaching a loss of economic sovereignty. According to the hypothesis and causal mechanism being tested, under these conditions we should view libertarian ideologues in Fianna Fáil pushing for libertarian policy solutions and attempting to convince more moderate colleagues to embrace this agenda.

Table 5.2: Chronology of key policy decisions and events in the liberalisation of the Irish economy before 1987

Date	Event
1949	Industrial Development Authority (IDA) established
May 1958	Whitaker Report on liberalising the economy and ending protectionism- ' <i>Economic Development</i> '
23 June 1959	Seán Lemass becomes Taoiseach
1959-1963	Programme for Economic Expansion
15 December 1965	Anglo-Irish Free Trade Agreement- gradual introduction of a free trade area between the UK and Ireland
1973	Entry into the EEC
1977	FF election win and giveaway budget based on generous manifesto commitments
October 1982	<i>The Way Forward</i> - FF economic strategy document
1986	National Economic and Social Council (NESC) produces a strategy report (<i>A Strategy for Development 1986-1990</i>)- this becomes the basis for future economic policy reforms. Single European Act 1986- single European market established.
31 March 1987	1987 budget released

Political background to the 1987 Budget

In the lead up to the 1987 manifesto, public policy on the economy had shifted away from liberal policy prescriptions. For example, implementing Fianna Fáil's generous 1977 manifesto promises significantly increased the national debt and deficit figures; these policies were an attempt to boost employment and growth, but there was no economic dividend forthcoming for this increase in state spending (Honohan 1992, 288). Subsequent governments failed to restore growth and rein in state expenditure, and Fianna Fáil in opposition (from 1982 to 1987) had failed to espouse fiscally responsible policies, much to the annoyance of economic liberals within the party. For example,

Ray MacSharry – the finance minister who would introduce the 1987 budget – was not happy with the ‘fast-and-loose’ approach to economic policy of those years (MacSharry and White 2001, 43), And one reason for the formation of the Progressive Democrats by disgruntled Fianna Fáil members was the lack of fiscal rectitude exhibited by that party, both in government and in opposition (O’Malley 2012, 80). Table 5.2 (above) shows how Fianna Fáil was at the forefront of economic liberal reform in Ireland, with free trade reforms and a pro-enterprise industrial policy leading to a period of economic growth in the 1960s. However, the failure of Fianna Fáil to get to grips with the economic decline of the 1980s or institute coherent liberal reform, would help create the climate for a significant shift in policy direction by 1987, which was achieved with the support of much of the Irish elite (Hastings, Sheehan and Yeates 2007, 25-26).

The Way Forward (see Table 5.2 above) introduced in 1982, was an economic strategy document which had the aim of eliminating the budget deficit by 1986, this was an attempt by Fianna Fáil to return to liberal economic reform and fiscal restraint of the Lemass years (MacSharry and White 2001, 54). However, once in opposition, the leader of Fianna Fáil, Charles Haughey, would abandon the liberal economic policies that Fianna Fáil had committed to in that policy document. The obvious contradictions and blatant political opportunism behind this policy switch was difficult for those within the party who were committed to stabilising Ireland’s economy through liberal reform (MacSharry and White 2001, 43). Once back in power there was a desire to restore the party’s credentials when it came to economic development and to return to an ideologically consistent position for a centre-right party. For example, as Minister of Finance, Ray MacSharry was committed to restoring the coherence of his party’s economic policy in government:

I was not happy with the fast-and-loose approach to economic policy the party had been adopted in opposition. There had been too much opposition for its own sake, which I felt had damaged the parties credibility, particularly given our adoption of *The Way Forward* in 1982... If the line of continuity with past policy was broken by FF in opposition, restoring it, I felt, was critical for the credibility of the new government (MacSharry 2001, 43).

And Bertie Ahern – then Minister for Labour – believed that the entire economic agenda of this Fianna Fáil government was just about following the prescribed script provided by *The Way Forward* document and doing whatever it took to implement it (Ahern 2020).⁵³ As per the central thesis, this shows how policy that contradicts liberal ideological preferences within centre-right

⁵³ Author’s interview with Bertie Ahern, 17 July 2020.

parties, can lead to a swing against these policy contradictions, when liberal party elites attempt to both restore ideological coherence and respond to a crisis.

An allegation of hypocrisy could be levelled at Fianna Fáil for running on a left-wing manifesto in 1987, but then immediately instituting a right-wing budget. For example, one famous poster from that election read, ‘Health cuts hurt the old, the sick, the handicapped’, but then the party went on to apply significant health cuts (Puirseil 2017, 63). This fast-paced switch in policies was aided by Haughey’s own equivocal ideology, which mirrored his party’s policy ambiguity, which meant he portrayed himself as being as equally comfortable with wealth creation as social redistribution, in a calculated attempt to avoid class politics (Ferriter 2005, 697). So, once back in government, Haughey the critic of Fitzgerald’s attempts at liberal reform, quickly became a ‘reborn monetarist leader’, dedicated to reducing public sector borrowing (Arnold 1993, 236). Interestingly, this ‘bait and switch’ approach to elections, as in running on the left but governing on the right, was a practice of many large catch-all parties in Latin America that also implemented severe fiscal readjustment policies during the 1980s (Honohan 1992, 285; Lagos 2008, 111).

However, in the case of Fianna Fáil, the extent of the economic crisis was so great at this point, that party elites felt that any potential voter backlash brought about by reneging on election promises, was far outweighed by the necessity of restoring economic stability (MacSharry and White 2001, 44-46). MacSharry has claimed that his willingness to take on the job of Finance Minister was based upon the implicit agreement between himself and Charles Haughey that restoring economic confidence would be the number one priority of government and to do that, ‘tough and unpopular decisions could no longer be avoided’ (*ibid.*, 44). Crucially, MacSharry viewed the absolute backing by the Taoiseach for his reforms as making it easier for him to both deliver an austere budget in 1987 and to drive through the subsequent public expenditure cuts led by the Expenditure Review Committee (*ibid.*, 70&72). Haughey’s consistent support for this Budget and the subsequent reform measures actually came as a surprise to some within the senior civil service, who felt he did not have the necessary appetite for reform and would reverse policy if met with serious public opposition (Ahern 2020).

The 1987 Budget: Applying orthodox liberal policy solutions

Ray MacSharry’s opening statement to the Dáil when delivering his budget speech details his broad aims for this disciplinary budget:

There can be no concessions to interest groups and all sections of the community will have to bear some of the burden. Today's budget has been framed on the fundamental principles that:

- public finance targets must be consistent with good management of the economy
- there must be a special focus on productive economic activity and on employment, and
- borrowing and the cost of servicing the national debt must be progressively reduced.

The Government consider that firm action and clear signals as to the direction of policy are now necessary if interest rates are to be reduced and confidence restored. The objective, therefore, has been to reduce the budget deficit and the borrowing requirement below the targets proposed earlier (MacSharry 1987).

So, in general terms, the Budget's aim was to restore 'confidence', especially within the international financial markets, through fiscal restraint and deficit reductions, thus reducing interest rate payments and setting the scene for sustained economic growth. Essentially, liberal economic orthodoxy would be the prescribed treatment. Budget measures included significant spending cuts, in core areas like health and education. In fact, MacSharry announced significant cuts in both capital and current spending; with current spending to be 246 million pounds less in 1987 than 1986, along with a 77-million-pound reduction in capital spending (MacSharry 1987). The extent of these cuts came as a shock to the trade union movement, who had felt they were being increasingly included in policymaking through the work of the National Economic and Social Council (NESC), which was a tripartite forum that brought together government, employers, and trade unions (Hastings, Sheehan and Yeates 2007, 36; King 2020).

In terms of fiscal retrenchment, MacSharry went even further than his Fine Gael predecessor, John Bruton, in aiming for budget deficit target of 6.9 per cent (*ibid.*, 36). MacSharry did honour an agreement for a public sector pay increase of two per cent, but the Budget included a public sector pay-freeze starting from June of that year, as well as an embargo on public sector recruiting (MacSharry and White 2001, 66). A voluntary redundancy and early retirement package were announced for the public sector, which would eventually lead to a reduction of 20,000 state employees (Hastings, Sheehan and Yeates 2007, 36). Also included in the budget were increases to hospital charges and reductions in housing grants, reductions in mortgage interest relief, and new limits placed on employment schemes (MacSharry and White 2001, 66). For example, MacSharry introduced hospital charges with immediate effect, levelling a ten-pound charge for inpatient and outpatient visits (MacSharry 1987). And he introduced a more neoliberal policy

regime for unemployment assistance, by creating a new jobseeker programme to interview 150,000 unemployed people and offering 40,000 training courses to them; if these training places were refused, the unemployed would then face welfare penalties (MacSharry 1987). But the main aim of this programme was to discourage the black market in jobs, as well as to push the unemployed into lowering their reservation wage and thus accepting work that they would otherwise consider too badly paid to accept (McGee 2008).

However, this budget did not see significant tax cuts, either on wealth or on work. Honohan (1992, 286) has argued that this is proof that the free-market ideology found in Thatcher's Britain and Reagan's US was not really an influence on Irish policymakers in the 1980s. However, MacSharry's Budget speech shows how the economic orthodoxy established in the Anglo-Saxon world had been embraced by the Irish elite:

Personal taxation is at an all time high and is a serious deterrent to our development. There must be reform in order to remove barriers to economic activity and to make the system demonstrably fairer. There must also be radical improvements in tax collection. In the short-term it is not possible to reduce taxes. The Government will, however, give early consideration to major changes, as soon as the budgetary position allows. We have now reached a point of diminishing returns in relation to some taxes (MacSharry 1987).

And on the night of the budget, Ray Burke – the Fianna Fáil Minister for Energy – would defend their budgetary policy decisions on RTÉ using similar liberal economic rationale:

Our priority is to restore confidence in the economy quickly and open up new opportunities for employment. To do that we must improve the climate for investment, and we must bring down the interest rates... The market is responding well to this, and we must demonstrate our determination to improve the budget position, and we have done that with the measures we have taken. It's tough but fair (RTE 1987).

So, restoring market confidence and creating a pro-enterprise climate through fiscal retrenchment, was the justification for the Budget's reforms. Unlike with the Reagan administration, the Fianna Fáil government obviously felt it would be financially reckless to frontload tax cuts into their liberal reform packages (Prasad 2012). However, these Budget statements do show how Fianna Fáil had embraced the aim of reforming Ireland's high tax system and perceived anti-business climate; and done so based on the status quo being a deterrent to economic development. This may, or may not, have been an accurate economic diagnosis, but it is evidence of a turn away from

post-war European norms on taxation and towards a more neoliberal policy agenda on tax reduction as a litmus test for future economic growth.

Contemporary perception of the 1987 Budget

So, how was this budget received at the time of its release? Policymakers acknowledged it as a significant divergence in government policy at the time, away from ineffectual reform and towards much more stringent fiscal discipline (Ahern 2020). However, Michael Noonan, the FG spokesperson on finance, resentfully pointed out in the Dáil that, ‘this is grand larceny of our policy as put before the electorate’ (Noonan 1987). The same Fine Gael resentment was shown by John Bruton – one of the party’s TDs – during an RTÉ debate in which he highlighted Fianna Fáil’s remarkable volte-face on liberal economic reform performed between the general election and the 1987 budget:

Three months ago, they [FF] were waving dismissively aside all talk about too much government borrowing causing high interest rates and describing this as monetarism and all that sort of thing. And here they are actually implementing a stringent budget and making a virtue of something that three months ago they were condemning. That’s because we forced them into this position, where we forced them to accept economic reality (RTE 1987).

Haughey during the Budget debates in the Dáil would deny that his party had performed a U-turn on economic policy or adopted the economic plans of Fine Gael (Haughey 1987). But it is clear that he was now delivering on the deep cuts that Garret Fitzgerald (the FG leader) was unable to get his Labour Party coalition partners to agree to only a few weeks before the 1987 Budget was delivered (McGee 2008). It is fair to say that the two big centre-right parties had converged on liberal economic policy reform by March 1987, and Fianna Fáil was now implementing policy that Fine Gael had aimed at in government but had been unable to enforce. Effectively, this new Fianna Fáil government had the political will and political capital to drive through a liberal reform programme that had been on the policy agenda of the Irish elite for some time.

As per the central thesis of this research, Fianna Fáil’s shift towards this more libertarian economic agenda was aided by the ideological contradictory nature of this pro-enterprise party having previously opposed liberal reform policies over the previous ten years. Fine Gael’s ‘Tallaght Strategy’ was emblematic of this policy convergence in Irish politics, with that party

agreeing to support the minority Fianna Fáil government on liberal economic reform by backing any measures they viewed as being in the national interest. This consensus, or new policy equilibrium, on economic matters is credited with creating the political stability around economic policy that was integral to attracting FDI and sustaining growth (MacSharry and White 2001, 75-100). This cooperation on economic policy would later be reciprocated by Fianna Fáil, who agreed to a confidence and supply agreement with FG, when that party failed to form a majority government after the 2016 general election.

Many on the left were less supportive of the policy decisions made in the 1987 budget. For instance, in a ‘Today Tonight’ Budget special on RTÉ, Mary Kearns – a community activist – claimed that the budget was evidence that the unemployed and working class needed to emulate the farmers by organising to ensure their interests were taken seriously by policymakers (RTE 1987). The Council for the Status of Women warned at its annual conference, a week after the Budget, that it would lead to ‘particular hardship’ for women who were disproportionately reliant on the state for services (Irish Times 1987a). And Kieran Mulvey – an official with the ASTI teachers’ union – argued that the Budget was overly harsh, claiming that it was:

Bad for PAYE [pay as you earn workers], bad for the public sector, bad for public services, tough on social welfare recipients but good, as usual, for farmers. People said, ‘it’s hard to take skin off a skeleton’, but at the moment we are just breaking the skeleton’s legs (RTE 1987).

The Rev Sean Healy, a social justice campaigner within the Catholic Church, agreed with this assessment, claiming that the Budget ‘widens the gap between rich and poor’, and it did not do enough to address the interests of the lower paid (Yeates 1987).

However, those with technocratic expertise in the field of economics welcomed the Budget and did so using the language of liberal economic orthodoxy. For instance, Frank Bowen – an accountant with Touche Ross – saw the budget as a good ‘statement of intent’ regarding the government’s resolve on fiscal reform and he claimed that, ‘The key reaction to this budget is going to be in the financial markets. If the interest rates start to come down, then key sectors in the economy will improve’ (RTE 1987). Peter Bacon, a senior economist with Goodbody James Capel stockbrokers, also responded positively to the contents of the budget, arguing that it was, ‘Tougher than expected and therefore better’ (*ibid.*). And importantly, the Taoiseach was using his full

authority in support of the tough measures involved in the Budget. For example, in a rousing speech in the Dáil, Haughey asserted that there would be no reversal of this liberal policy direction:

This Budget must and will be rigidly adhered to. The decisions are final. There can be no giving in to sectional pressure or to special pleading, no matter how persuasive. No one has a moral right to hold the country up to ransom in the extreme circumstances that exist today. We must all put the country first (Haughey 1987).

And a month after the release of the Budget, in April 1987, at an Irish Management Institute conference, Haughey would again warn that there would be no reversal of policy and that there was a potential for further tough budgets to reduce borrowing and restore confidence (Irish Times 1987b)

So, for Haughey, as well as the economic policy experts who supported this Budget, the message it sent to the world was as important as its actual policy proposals. Interestingly, the language used for justifying the 1987 Budget, with a focus on inspiring confidence, is remarkably similar to the language used to justify the deflationary budgets implemented under Troika supervision during the years of the Great Recession. For example, Haughey argued that the most important reason for controlling state expenditure and borrowing was to ‘... create a general climate of initiative, enterprise, and to inspire confidence in our ability to overcome our economic difficulties’ (Haughey 1987).

So, these ‘policy sub-systems’ of expert elites, made up of economists and politicians, viewed the Budget as a significant shift in the right direction, and welcomed it as a step towards a more liberal economic agenda (Baumgartener, Jones and Mortensen 2014, 64). However, as well as being a ‘statement of intent’ on fiscal reform, aimed at increasing investor confidence, this budget can also be viewed as a warning to the trade union movement that they would also have to embrace much of this economic agenda or face considerable opposition from the state.

Why no trade union resistance to the 1987 Budget?

The extent of the cuts in the Budget came as a surprise to the trade union movement, who had been assured by Haughey, when in opposition, that he would have an open-door policy to the unions if he was elected Taoiseach (Hastings, Sheehan and Yeates 2007, 33; King 2020). The success of the

NESC in developing policy unanimity between the social partners also made it surprising that there was not more consultation with the trade unions on budgetary policy (*ibid.*, 19).

Specifically, the NESC economic strategy report (*A Strategy for Development 1986-1990*), drawn up under the leadership of Pádraig Ó hUiginn, the NESC chairman and a senior civil servant, had seen the convergence of the social partners on the need for tax cuts, liberal reforms, and wage restraint (*ibid.*, 25-26). This convergence in policy positions meant that some within the Fianna Fáil leadership, such as Bertie Ahern, felt that the 1987 Budget was part of a shared agenda established in the NESC and that the unions should not have been surprised by the significant cuts it implemented (Ahern 2020). This may have been true for some senior trade union figures. For example, Jack O'Connor – the former President of SIPTU – claims that senior trade union figures who were close to Fianna Fáil (such as Billy Attley, John Carroll, and Donal Nevin) would have not been overly surprised by the fiscal retrenchment of the 1987 Budget (O'Connor 2020). This is not to suggest that these trade union leaders colluded in the Budget; instead, they viewed it as an unfortunate but necessary part of a liberal reform agenda.

However, what was unsurprising for some trade union leaders, came as more of a shock to the trade union activists within the movement, and the Budget can be read as an attempt to constrain their radicalism and the movement's potential resistance to liberal reform measures. The agreed NESC policy document was released before the Budget, and the consensus reached within its pages led many within the trade union movement to expect significantly more consultation on policymaking than had previously been the case (Adshead 2011, 76). So, the budget was a disappointment for many trade union leaders and most of the activist membership (King 2020). The NESC document became the basis for future social partnership agreements, but the actual 1987 Budget was viewed as a set-back for the social partnership process among the grass roots of trade unionism (Hastings, Sheehan and Yeates 2007, 33).

One author of the NESC report, Jim O'Leary, claimed that it was an 'ideology free' document that had a 'relentless internal logic' (*ibid.*, 26). Although unsurprisingly, there is some evidence of ideological preferences within this document. For example, the report focuses on liberal economic principles, such as the economic disincentives caused by high personal taxation (NESC 1986, 79-93) and the increasing cost of labour (*ibid.*, 180-184), as well as the need for national debt reduction to create a pro-business climate (*ibid.*, 155-170). On unemployment, the

document does acknowledge that OECD studies had shown that high welfare rates do not encourage unemployment (*ibid.*, 193), but it also claims that in Ireland there was ‘a priori’ evidence that the current welfare rates sustain people’s reservation wage and induces them to stay on welfare longer than necessary (*ibid.*, 192-193). Importantly, it had relatively little to say about tax evasion (*ibid.* 93-95), even though policy makers were aware that it was a significant problem and future tax amnesties would prove it was endemic among the Irish business classes; in fact, the 1987 tax amnesty became a significant revenue raiser for the state (MacSharry and White 2001, 87-89).

Peter Cassells – the then General Secretary of the Irish Congress of Trade Unions (ICTU) – viewed this document as a step towards social partnership and a Nordic model of inclusive policy making (MacSharry and White 2001, 128-129). However, this document can be viewed as the beginning of the social partners buying into a ‘neoliberal reform project’ (O’Connor 2020). The fact that the consensus issues were on the need for debt reduction and negotiated wage restraint in return for tax reductions, meant that social partnership in Ireland would remain a mechanism for agreed liberal economic reform rather than a social democratic expansion of the welfare state (MacSharry and White 2001, 62-63). While social spending increased significantly during the subsequent Celtic Tiger years, this spending often took the form of direct cash transfers, instead of the building up of state capacity to provide universal healthcare or affordable childcare and housing. The fact that the trade unions failed to get collective bargaining legislation agreed, even after twenty years of social partnership and a significant decline in trade union density, points to the fact that social partnership in Ireland was very different in terms of outcome when compared to its European corporatist counterparts, despite many trade union leaders claiming it represented an Irish version of the ‘European social democratic model’ (Hastings, Sheehan and Yeates 2007, 200-201; Murphy 2016, 281).

The Irish trade unions’ fear of the success of free-market doctrine abroad contributed to their willingness to enter into social partnership agreements, and the 1987 budget contributed to this fear (Adshead 2011, 78; Puirseil 2017, 165). The Budget was economically disciplinary and showed the government’s commitment to drive through liberal reform, this helped to also discipline the unions by sending the message that the state had the will to push through reform, either with or without them (MacSharry and White 1986, 126). Billy Attley – the General Secretary of the Federated Workers Union – claimed he had a conversation with Haughey before the 1987

Budget, in which the message was that the unions could either be part of the policy solution or face a backlash from the state (*ibid.*, 126-127). All this was occurring within the context of libertarian policy preferences being instituted by Ireland's nearest neighbour, which had delivered considerable success for Thatcher against the trade unions, specifically with the miners' strike of 1984. And importantly, in January 1987, the dispute by print unions over Rupert Murdoch's move to an automated print factory in Wapping had ended in another failure for organised labour. Irish trade union leaders were acutely aware, and even fearful of these recent examples of trade union defeat:

Thatcher was rampant in England. She had beaten the miners and was systemically dismantling what was left of the trade union movement. In terms of influence, she only met them once, just after being elected and she simply read the manifesto, said that is what she would govern on, and stood up and walked out. John Perry, who was president of the TUC, told me she never met an official from that moment onwards. So, it was a pretty bleak time. Against that background you either had to do something radical. – Billy Attley, Federated Workers Union (cited in Hastings, Sheehan and Yeates 2007, 9)

The Conservatives came to power in 1979 and quickly moved to marginalise and weaken the trade union movement, and by the mid-1980s had largely succeeded in doing that. The trade union movement in Ireland, to a significant degree, had always looked with admiration to the British trade union movement. It was influential and powerful. But, by the mid-1980s, it was reduced to nothing more than an ineffective lobby group. In Ireland politics was changing as well because those were the days when the Progressive Democrats were going around the country recruiting significant numbers of people. So, there was a view abroad that, just as the unions in Britain were seen as part of the problem, there was a concern that the trade unions could be seen as part of the problem in Ireland as well. And that could happen here if there was a shift to the right in politics. – Kevin Duffy, Building and Allied Trades' Union (cited in Hastings, Sheehan and Yeates 2007, 11)

This success for free-market principles against collective organising in Britain, encouraged Irish trade unionism to seek accommodation with the state on liberal reforms and to not seek confrontation with the policies included in the 1987 budget (Adshead 2011, 78).

Importantly, both Alan Dukes (former leader of FG) and Ruari Quinn (former leader of the Labour Party) claim that the success of Thatcher in the UK had a considerable impact on constraining militancy in the Irish trade unions and encouraged them to seek agreement with state reforms rather than resisting economic liberalism (Hastings, Sheehan and Yeates 2007, 29). And former Taoiseach, Bertie Ahern, believes that the contrast between Fianna Fáil's policy of dialogue

with trade unionism and Thatcher's policy of confrontation, created a climate in which union officials were willing to seek compromise with a cooperative government rather than risk a complete breakdown in the future relationship (Ahern 2020).

Fianna Fáil was also attractive to trade union leaders due to their disillusionment with the Labour Party and its inability to become electorally dominant or to win significant concessions from Fine Gael when in coalition with that party (O'Connor 2020). This aided trade union leaders' attempts to seek accommodation with Fianna Fáil, who were viewed as better able to deliver on agreed positions with organised labour. Importantly, other senior trade union figures – such as Jack O'Connor (former President of SIPTU) – viewed the 1987 budget as a 'politically astute' tactic, because although it was austere enough to impress the financial markets, it was not so harsh as to force the trade union leadership into confrontation with the government (O'Connor 2020). The fact that many of the cuts were on capital spending and voluntary public sector redundancies, meant that their members were somewhat sheltered in terms of their own personal standards of living.

For the Irish trade union leadership, lessons were also learnt around the emergence of Arthur Scargill as a British trade union leader. Not only because his attempt to resist government action had ended in abject failure, but he was also an example of what could occur if the radical left within the trade unions rose to prominence during significant industrial disputes (*ibid.*, 12). In fact, the Irish trade union leadership always tended to be more conservative than their European counterparts, and more fearful of left-wing militancy within their own ranks (Adshead 2011, 81). So, Thatcherite success not only constrained Irish trade union leaders due to her wins against organised labour, but also because significant industrial action could damage their own control and leadership positions within their trade unions. The success of Thatcher and Reagan against organised labour proved to trade unionism that their position as influential social actors was in decline; and that the balance of power rested more with employers, who had the active backing of an increasing anti-collectivist state (*ibid.*, 78).

This move to accommodate reform by the trade unions was aided by the emergence of the Progressive Democrats, which the trade unions, and many others on the left, feared was an emerging Thatcherite strain in Irish politics (Hastings, Sheehan and Yeates 2007, 11; MacSharry and White 2001, 128; O'Connor 2020; Puirseil 2017, 65). And the macro-economic climate was working against organised labour, with the increasing unemployment numbers threatening their

membership dues and organisational viability (Adshead 2011, 78). Paddy Teahon, the former Secretary General of the Department of An Taoiseach, also saw Thatcherite success as being crucial to constraining Irish unions (Hastings, Sheehan and Yeates 2007, 23). However, he claimed that the government had not yet developed Thatcherite policy proposals at this time, but if the trade unions had proved recalcitrant on liberal economic reform, then there were policymakers in government departments who would have taken lessons from the UK and pushed for a clash with organised labour (*ibid.*, 23).

In fact, some within the trade union movement at that time, such as Jack O'Connor, feared that the 'Tallaght Strategy' was partly an attempt by Fine Gael to bounce Fianna Fáil into a conflict with trade unionism, and the beginning of the two big centre-right parties in Ireland seeking a Thatcherite approach to labour relations if the unions had not agreed to centralised bargaining and liberal reforms (*ibid.*, 23-24; O'Connor 2020). This analysis probably credits FG with too much strategic forethought, but it does show the legitimate concerns that trade union leaders had in the 1980s. Although, a logical consequence of the 'Tallaght Strategy' for organised labour does suggest that FG would have provided full support to the government in the event of a serious campaign of industrial action by the trade unions. In effect, the Irish social partnership model which followed the 1987 budget, and its rather modest social outcomes, was a sign of trade union weakness not strength (Allen 2000).

The 1987 Budget- a shift towards libertarianism?

Honohan (1992, 286) has argued that the liberal economic reform agenda in 1980's Ireland was largely free from the influence of the free-market ideologues who had driven reform in the UK and the United States. And others have noted the lack of ideological motivation behind much party policy debate and design in Ireland (Ahern 2020; Hastings, Sheehan and Yeates 2007, 24; O'Malley 2012, 80). This perceived absence of ideologues within mainstream parties is supported by the fact that the two most prominent drivers of the 1987 Budget, Haughey and MacSharry, had previously contradicted liberal policy preferences when constructing party policy. For instance, Haughey opposed FG's attempts at liberal economic reforms when he was in opposition, and MacSharry was responsible for creating thousands of public sector jobs from borrowed money when he was the Junior Minister for the Public Service (MacSharry and White 2001, 48-49). And

both Charles Haughey and Bertie Ahern – as Minister for Labour – were very keen on delivering social partnership, and both were viewed as politicians that were close to the trade union leadership (Adshead 2011, 81; Ahern 2009, 92; Ahern 2020; Hastings, Sheehan and Yeates 2007, 30-31). In fact, Bertie Ahern self-identifies as a trade unionist due his time as an elected workplace representative in Dublin’s Mater Hospital (Ahern 2020). And, on a personal level, he was close to senior trade union figures like Billy Attley (Federated Workers’ Union), and John Carroll (Irish Transport and General Workers’ Union), who were instrumental in delivering trade union consent to social partnership (O’Connor 2020).

Although some in the party were opposed to social partnership and would have preferred liberal economic policies unimpeded by consultation, the opposition to this was not significant enough to stop the process (Hamann and Kelly 2011, 62). Importantly for the party, most trade union members tended to vote for Fianna Fáil, and some trade union activists (such as shop stewards and branch secretaries) would have also been active in their local Fianna Fáil Cumainn. Although most activists (as opposed to members) were aligned to the Labour Party and other Left/Republican groups, there was at this time period (unlike today) a significant Fianna Fáil element active in trade union politics (O’Connor 2020).⁵⁴ This obviously meant that it was in the interests of the party to seek compromise over confrontation with trade unions. Even Fine Gael, a party that was always more reluctant to embrace social partnership structures, had no plans to institute Thatcherite restrictions on organised labour, at least, when under the leadership of Garret Fitzgerald (Hastings, Sheehan and Yeates 2007, 29; MacSharry and White 2001, 125).

So, given the lack of free-market ideologues within mainstream parties pushing for liberal solutions to crises, how then did Fianna Fáil embrace this liberal economic agenda represented by the 1987 Budget? As per the hypothesis being tested, the severe economic crisis interacting with pre-existing economic policy that contradicted liberal ideological preferences created the necessary space for a shift towards libertarian economic outcomes within Fianna Fáil party policy; both as a solution to the crisis and to counteract previous ideological inconsistency. There were members of Fianna Fáil who had liberal economic preferences and were distraught that the party’s policy lacked fiscal restraint between 1977 and 1987. But there is no evidence to support the causal

⁵⁴ It is important to differentiate between trade union activists (such as branch secretaries and shop stewards) who were mostly on the left politically, and the non-active membership who were mostly non-political, and tended to vote FF (O’Connor 2020).

mechanism detailed in the hypothesis, in which we should view libertarian ideologues within this mainstream centre-right party, using the crisis as an opportunity to convince moderates that radical liberal reform is the best solution to policy problems.

Instead, policymakers in Fianna Fáil looked to both Europe (on social partnership) and the UK/US (for liberal economic reform) for ideas and solutions, the fact that Ireland was a small country also encouraged this outward search for policy fixes (Adshead 2005, Adshead 2011, 80-81). In terms of the economic crisis of 2008, the Fianna Fáil Taoiseach, Brian Cowen, acknowledged the party had made policy mistakes, but claimed these policy decisions were made based on the best possible expert advice (Murphy 2018, 273). In the same way in 1987, policymakers were looking around for solutions and utilising the best advice which seemed to be delivering results in other countries. If ideology was present, it was in terms of a hegemonic limitation of ideas and policy options, rather than individual ideologues pushing for their preferred change (Gramsci 1999, 306 & 380).

Kaplan's (1964, 28) *law of the instrument* is relevant for this over-reliance on certain types of policy solutions; he claimed that if you, 'Give a small boy a hammer, he will find that everything he encounters needs pounding'. Similarly, Irish policymakers were searching for solutions to economic decline and found that the most credible policy options being prescribed by international experts involved fiscal retrenchment and the liberalisation of the economy (Klein 2007, 161-167). So, that is what they used as the main tool to fix Ireland's economic problems. In the same way that Thatcherite success had taught the Irish trade unions lessons and constrained their options, the success of free-market principles in the US and the UK had taught Irish policymakers similar lessons and constrained their policy options. The success of libertarian ideas within the centre-right parties of other countries, paved the way for the embrace of a more economically liberal agenda by the Irish elite.

5.6 A shift away: The Irish Citizenship Referendum 2004

The Irish citizenship referendum of 2004 is the chosen case for testing the shift away from libertarian policy in an Irish centre-right party. It has been chosen over other options because it involves a well-documented and controversial policy decision that is regularly characterised as a policy reform that contradicted liberal ideological preferences. Surprisingly, it was implemented

by a Minister of Justice with a reputation for holding libertarian values, and who was a member of a political party (the Progressive Democrats) with a libertarian strain to its party identity. So, it is notable that one of the most libertarian members, of the most libertarian party in Irish politics, introduced a policy that contradicts libertarian social values on immigration. A case like this in which a policymaker would be expected to deliver a shift towards libertarian policy but actually delivers a much less liberal policy solution should provide a robust test for the hypothesis that is the basis of this research.

This thesis argues that when a political crisis interacts with policy that is consistent with liberal ideology, this creates a political climate in which libertarian policy positions become less tenable within a mainstream centre-right party. Under these conditions we should see libertarian ideologues fail to convince their more moderate party colleagues about the need for a shift towards libertarian policy solutions. Moderates will instead prefer to embrace policy positions that contradict liberal ideology, both as a reaction against the perceived failure of the previous liberal policy prescriptions and as an attempt to appeal to voters who are similarly disappointed by a perception of liberal policy failure. Therefore, in this case, we should view libertarian ideologues attempting, and failing, to convince moderates to embrace a more libertarian policy solution.

Background to the Referendum

The constitutional referendum was designed to address the fact that citizenship was available to all children born on the island of Ireland, including the children of immigrants and asylum-seekers (Garner, 2007, p. 122) As a policy it was adopted when a perceived crisis around asylum seekers interacted with policy that could be viewed, in some quarters at least, as being too liberal to both migrant workers and asylum seekers. This led to a shift away from libertarian ideology through a referendum to tighten up Ireland's liberal position on providing citizenship to all children born in Ireland. This move away from liberal values on immigration is an obvious failure for libertarianism, which usually supports the free movement of labour. And libertarians within the Progressive Democrats, such as Keith Redmond, expressed disappointment in this policy reform and labelled it as a 'racist' referendum (Redmond 2019). And Liz O'Donnell – Minister of State at the Department of Foreign Affairs for the Progressive Democrats – claimed at that time that she had 'misgivings' about the referendum and was worried about the 'race card being played' (McGee 2004). But other prominent libertarians in Ireland, such as the economist Constantin Gurdgiev,

supported the referendum on the basis that it protected legal immigrants who followed the law over those asylum seekers who might try to manipulate the system (Gurdgiev 2004). Presumably, for Gurdgiev, a liberal commitment to the rule of law trumped liberal values on immigration and the free movement of people.

Table 5.3: Chronology of key policy decisions and events relating to the citizenship referendum 2004

Date	Event
8 December 1989	“Fajujonu ruling”- right to stay for families of Irish Born Children (IBC)
1990	Total population of non-Irish nationals = 2%
1992	39 Asylum applications
1996	Ireland becomes a country of net migration for the first time
1999	7724 asylum applications
2000	Direct Provision Centres established by Minister John O’Donoghue
28 August 2000	Illegal Immigrants Act- increases deportation powers
2001	Minister John O’Donoghue (FF) brings to Cabinet plans for a referendum to end citizenship rights to all Irish Born Children. Minister of State, Liz O’Donnell (PDs) blocks this proposal as a matter of ‘principle’.
July 2002	Operation Hyphen- crackdown on illegal immigrants (visa / asylum overstayers)
2002	11,634 asylum applications Increase in legal immigration- 59,000 migrant workers
March 2002	The Chen Case initiated- Irish and EU citizenship claimed for by a child born in Belfast to Chinese parents that were resident in Wales. ECJ supports the child’s EU residency.
23 January 2003	Fajujonu precedent nullified in Supreme Court – the ‘Lobe and Osayande appeal’ – IBC route to residency no longer automatic
2003	Employment Permits Act 2003- Allows citizens from 10 new EU members to work in Ireland without a permit.
13 June 2003	Cabinet Meeting on Asylum seekers- no longer a process for parents of IBC to claim residency.
14 July 2003	Immigration Act 2003 enacted
12 November 2003	Cabinet Meeting on Asylum seekers- necessity of referendum argued for in cabinet despite decrease in IBC numbers and success of Immigration Act.
18 November 2003	Referendum formally agreed in Cabinet
08 March 2004	Cabinet finalises plan for referendum

10 March 2004	Constitutional amendment to the 2001 Citizenship Act announced by Michael McDowell
08 April 2004	Wording of constitutional amendment agreed
11 June 2004	Referendum passes- 79.8% support
1 January 2005	Citizenship Act 2004

(Sources: Freedom of Information requests, Hewson 2018; Irish Times 2004; Lentin 2007)

Table 5.3 (above) shows the chronology of key events and decisions made in the lead up to the 2004 Irish citizenship referendum. This table highlights how before the late 1990s, the lack of any significant immigration or asylum applications meant that Irish immigration policy was in a state of equilibrium and of little interest to the general public. The public policy debate in this area was dominated by policy specialists, with an interest in the field, leading to a period in which policy change was gradual and dominated by the interests of the ‘policy monopolies’ working in the area of immigration (Baumgartner and Jones 1993, 6-9). However, this period of equilibrium was punctuated by the massive increase in the legal migration of workers, which reached 59,000 new migrants in 2002 alone (Hewson 2018, 576). And in the corresponding increase in asylum applications, which went from negligible numbers in 1992 to 7,724 new applications in 1999 (Hewson 2018, 575). This increase in immigration created a new ‘policy image’ in the public’s consciousness, and helped move the public discourse on immigration from a position of apathy, towards a place in which immigration could be classified as a ‘problem’ for both Irish policymakers and the general public (Baumgartner, Jones and Mortensen 2014, 66-67; Lentin 2007, 621)

The Citizenship Referendum was designed to end Ireland’s liberal position on citizenship which was based on *jus soli* (right of soil) principles akin to the United States position, in which citizenship was provided to any child born within the island of Ireland (Hewson 2018, 570). This made Ireland an anomaly in terms of European citizenship rights. In fact, Ireland was the last EU country to provide citizenship based on the unrestricted territorial based birth right provided by *jus soli* principles, with other European countries preferring the *jus sanguinis* (right of blood) citizenship that is tied to the concept of ‘racial kinship’ (Hewson 2018, 570; Mancini and Finlay 2008, 578). Ireland’s linking of citizenship to land and birthplace was based on its colonial history of dispossession and mass emigration, combined with the Irish nation’s historical claim to sovereignty over the whole island of Ireland, including Northern Ireland (Smith 2008, 60-61). This position was later qualified through the Good Friday Agreement, which committed that all children

born anywhere on the island of Ireland would have the right to become citizens of Ireland, if they so wished (Lentin 2007, 618).

Providing citizenship to any child born on the island of Ireland first became problematic for policy makers – although not with the general public – with the ‘Fajjonu ruling’ in 1989 (see Table 5.3), which set the precedent for non-nationals to gain residency rights based on having a child who was born in Ireland and thus an Irish citizen (Garner 2007, 123). This was not a significant issue until Ireland became a country of net migration for the first time in 1996 (see Table 5.3), which made immigration more of an issue for the general public. This meant that when asylum applications began to significantly increase in 1999, policymakers started to worry that the ability to gain residency based on an Irish born child would become a serious ‘pull-factor’ for those wishing to abuse the asylum process (Hewson 2018, 575). For instance, John O’Donoghue (FF), as Minister for Justice, expressed fears that this ruling would lead to unsupportable increases in asylum applications and claimed – based on anecdotal evidence – that significant numbers of female asylum seekers were becoming pregnant in order to gain residency (Hewson 2018, 575 & 583). And Bertie Ahern, the then Taoiseach, claims that trafficking gangs were using Ireland’s liberal position on citizenship to advertise their services to potential customers who were interested in entering Ireland illegally (Ahern 2020).

In order to counteract the ‘pull factor’ of *jus soli* citizenship, the state introduced an Illegal Immigrants Act in 2000. This increased the deportation powers of immigration officials, and there was a corresponding increase in the number of police-led crackdowns (such as Operation Hyphen in 2002) on illegal immigrants who had overstayed their visas or were abusing immigration rules (Garner 2007, 123). However, the most important of these ‘push factors’ that was used to deter asylum applications, was the introduction of Direct Provision Centres by John O’Donoghue in 2000 (see Table 5.3). This new system meant that while asylum applications were being processed, the asylum seekers would have all their needs – such as food, clothing, and shelter – provided by the Centre they were assigned to, but no right to work and minimal welfare payments (Hewson 2018, 575).

However, this attempt to deter asylum applications through ‘push factor’ policies, was hampered by the ‘Chen case’ ruling of March 2002, in which the European Court of Justice supported the EU residency rights of the Chinese parents of a child born in Belfast, who were

actually living in Wales (Hewson 2018, 578). This kind of anomaly was an obvious headache for policymakers within the Department of Justice, and there was concern that these loopholes could increase anti-immigrant sentiment among Irish voters (Hewson 2018, 578). The concerns about potential loopholes were lessened when the Irish Supreme Court nullified the ‘Fajjonu ruling’ on the 23 January 2003 (see Table 5.3). The Court ruled that non-national parents no longer had a right to stay based on their Irish born child, and the Court’s ruling prioritised both the state’s right to deport failed asylum seekers and its right to design coherent policy on immigration (Lentin 2007, 618). This ruling paved the way for the then Minister of Justice, Michael McDowell, to bring in the Immigration Act of 2003, which instituted a more ‘hostile climate’ for asylum applications and increased the state’s power to deport failed asylum seekers, even when they were the parents of an Irish child (Hewson 2018, 580-581).

In fact, a meeting of the Cabinet Committee on Asylum seekers in November 2003, highlighted the significant reduction in children born to non-national parents brought about by the Supreme Court ruling and the success of the Immigration Act 2003.⁵⁵ And at a previous meeting of the same Committee, on the 13 June 2003, the Minister acknowledged the successful reduction in residency requests based on an Irish born child, but still argued for a constitutional amendment to further address this issue. For example, the minutes from that meeting state:

M/J,E&LR [Minister for Justice, Equality and Law Reform- Michael McDowell] indicated that having considered the 23 January Supreme Court judgement in this area, he is proposing the following course of action:

- No longer a process for claims from non-national parents for leave to remain in the state on the basis of an Irish Born Child.
- Claims for leave to remain in the State on the basis of an IBC will only be considered from parents in the context of a Ministerial proposal to deport them.
- Claims in the system but not brought to finality before the 23 January Judgement will not be given special status.

It was accepted that while the Supreme Court judgement and the Minister’s approach had made a substantial difference, there was a need to consider downstream issues that will emerge in the years to come in relation to IBC persons purporting to be so claiming residency.

⁵⁵ *Minutes of the meeting of the Cabinet Committee on Asylum Seekers Wednesday, 12 November 2003. To An Taoiseach.* (Freedom of Information request).

M/J,E&LR highlighted his intention to further consider a legislative or constitutional method for addressing this issue, particularly to require the parents subject to deportation to bring their children with them. (**Minutes from the Cabinet Committee on Asylum Seekers, 13 June 2003- underlined by author**)

These minutes show that the existing policies were working in terms of reducing potential abuses within the Irish asylum process, but the Minister was still concerned about the state's future responsibility for Irish citizens born to non-national parents, who presumably could eventually return to Ireland as adults with full citizenship rights. Also, the last sentence shows how strengthening the state's ability to force deported non-national parents to take their Irish citizen children back with them to their home countries, seems to be an issue of concern for the Minister.

Aspects to the Citizenship Referendum that contradict liberal values

Again, it is surprising, that Michael McDowell, who is known for libertarian views on some issues, should be in a Cabinet that is liberalising Irish immigration work policies, while at the same time he is restricting the citizenship eligibility of non-nationals. For example, the concerns expressed in the above document about the Irish citizenship rights of children born to parents from outside the EU – while somewhat legitimate – makes it easy to understand why so many scholars have labelled the Citizenship Referendum as an attempt to racialise what it means to be 'Irish' (see: Garner 2007; Lentin 2007; Mancini and Finlay 2008; Smith 2008; Tormey 2007).

While anti-immigrant sentiment has never been a part of Irish party competition (O'Malley 2008), this referendum campaign did include populist anti-immigrant discourse that does not stand up to serious scrutiny, either during or after the referendum debate. For example, Michael McDowell claimed that the directors of Dublin's maternity hospitals had asked for changes to the law due to the number of 'citizenship tourists' presenting in the late stages of pregnancy (Harrington 2005, 444), but they would later deny making such a request (Lentin and Titley 2011, 133). Mary Harney (then Tánaiste and leader of the Progressive Democrats) also claimed that a new maternity hospital might be needed to deal with the numbers of children being born to non-Irish citizens, again without evidence (Breen, Hayes and Devereux 2004, 6). And Micheál Martin, then the Fianna Fáil Minister for Health and Children, also spoke about the risk of increased child mortality among non-EU nationals, brought about by the 'risky' citizenship tourism in the later stages of pregnancy (Mancini and Finlay 2008, 583).

Importantly, the statistics at the time showed that in two of the largest maternity hospitals, only 442 non-national women booked into maternity services in the later stages of pregnancy, and many of them were already legally resident in Ireland or were existing asylum seekers in rural Ireland who, at the last minute, decided to have their children in a Dublin maternity hospital (Brennock 2004). So, despite being labelled a policy ‘problem’, and being viewed as such by the general public, there is little evidence that this issue of citizenship was a real crisis. It is important to note, that this once again highlights the agency that political actors can exert in defining what constitutes a crisis within the public’s imagination (Baumgartner, Jones and Mortensen 2014, 66). In fact, it is possible for crises and critical events to be manufactured by political actors (*ibid.*).

Much of the media discourse could also be viewed as contributing to ill-founded anti-immigrant sentiment, with Fionnán Sheahan (a prominent journalist) coming in for much criticism within the literature due to the content of his reporting during this time period (e.g., Garner 2007; Hewson 2018; Lentin 2007). For example, he reported that:

Irish patients were going to other maternity hospitals instead of the Rotunda in Dublin less than two years ago because the mothers felt they would be in a minority compared to African patients, according to a leading consultant. (Sheahan 2004a)

In his [a consultant obstetrician] letter he also said it was common knowledge that Nigerian women arriving in the latter stages of pregnancy were paying £5,000 to an agency to come here to use the health system with the minimum of difficulty. (Sheahan 2004a)

Non-national women arriving in this country in the latter stages of pregnancy continues to place immense pressures on maternity hospitals, a leading maternity consultant said last night. (Sheahan 2004b)

Hewson (2018, 583) has claimed that Sheahan’s reporting was based on sources provided by a handful of consultant obstetricians, none of whom had management responsibility, and was based on anecdotal evidence, that was not backed up with data from the maternity hospitals. Obviously, this does not prove that ‘citizenship tourism’ did not exist, but it is reasonable to assume that it was not as much of a critical problem as it was portrayed to be. Garner (2007, 124-126), with some justification, points to the Citizenship Referendum as an example of the mainstream parties of government (FF and the PDs) effectively harnessing populist anti-immigrant sentiment in a manner usually redolent of the radical right. So, by embracing a populist anti-immigrant policy on citizenship these centre-right parties were trying to shut

down the potential for public discontent with immigration and, in effect, inoculate Irish voters against a more reactionary radical right alternative (*ibid.*).

Garner's (2007) analysis may be crediting Irish policymakers with too much strategic forethought when it comes to policy design. The Taoiseach at that time, Bertie Ahern, insists that the referendum was just about shutting down the ability of people to abuse Ireland's liberal position on citizenship and their ability to take advantage of the asylum process, and not about preventing the emergence of radical right alternatives (Ahern 2020). And there is no evidence among the minutes of government meetings that the potential for anti-immigrant sentiment was a motivational factor when debating the need for a citizenship referendum.⁵⁶

But it is fair to note that McDowell continually affirmed that the referendum was actually anti-racist in terms of policy design; arguing that xenophobic sentiment among Irish voters would be best deterred by removing the potential to exploit the asylum process (Lentin 2007, 620). McDowell was keen to remove citizenship rights as a pull-factor, and to address the potential for anomalies – such as the Chen case – that could arise due to Ireland's liberal citizenship laws (*ibid.*). In fact, this is likely to have been his overriding concern. However, whatever his intentions, the referendum and the populist discourse surrounding the campaign, did contribute to the public acceptance of an ethnically exclusive form of 'Irishness' and belonging to the nation, that is less prevalent in countries that retain their *jus soli* citizenship rights (*ibid.*, 614).

Why was there a shift away from libertarian policy on citizenship?

Hewson (2018) claims that the focus on the racialisation of what it means to be Irish ignores the role that liberal economic policy played in the construction of the referendum. He claims that the introduction of the Employment Permits Act 2003 in the year before the referendum (see Table 5.3), which allowed citizens from the ten new EU member states to work in Ireland without a permit, had the potential to increase the public anger at immigration (Hewson 2018, 576). But there was Cabinet consensus on the need for legal immigration, and repeated

⁵⁶ Author's Freedom of Information requests.

government sponsored studies had highlighted Ireland's need for largescale migration in order to keep wages under control and to maintain economic prosperity (*ibid.*, 577).

So, the referendum can be viewed as a 'risk management strategy' that was designed to defuse possible anger at increased immigration levels, while still allowing the necessary influx of migrant workers into the Irish economy (*ibid.*, 580-581). So, as per the central thesis of this research, the fact that there was pre-existing liberal policy on immigration interacting with a crisis of asylum applications, meant that policymakers had an incentive to shift away from libertarian policy solutions so as not to alienate voters. And more libertarian party members were not in a strong position to argue for a retention of a libertarian policy position.

Again, there is no evidence to suggest that the Employment Permits Act 2003 was openly raised as a motivational factor in the design of the referendum, but it must have contributed to the sense that liberal policy reforms were the norm on this issue, and led to a potential backlash against that liberalism.⁵⁷ During the referendum campaign, McDowell repeatedly defended the need for immigration, specifically from the new EU member states, but this liberalism was contrasted with increasingly exclusionary policies directed at asylum seekers and the children of non-EU nationals (*ibid.*, 585). Some immigration was thus encouraged and portrayed as beneficial to the Irish state, but other types of immigration – such as asylum applications – was portrayed as bad and to be discouraged through public policy change (*ibid.*, 584-585). Rose (1991, 331) views processes like these as integral to international liberal economic reform, which marginalises and excludes those people deemed to be too economically risky for inclusion into the nation state.

Importantly, Liz O'Donnell TD, when a junior minister in Cabinet, resisted a similar citizenship referendum when it was proposed by a Fianna Fáil Minister of Justice, John O'Donoghue, in 2001 (Irish Times 2004). At that time, O'Donnell is reported as being against this new policy proposal as a matter of liberal principal (*ibid.*). In fact, she was able to convince her Cabinet colleagues to abandon the referendum plan because there was a risk that she would resign from government over the issue (*ibid.*). The fact that the FF/PD coalition was then operating on tight numbers in the Dáil, and with the shaky support of independent TDs, meant that they could not risk her resignation (*ibid.*). However, by 2004, the new FF/PD government had more secure numbers and could risk party resignations over this policy proposal. Although

⁵⁷ Author's Freedom of Information requests.

O'Donnell expressed reservations about the 2004 referendum (McGee 2004), a PD spokesman at that time also claimed that she, 'has made it quite clear that she supports the need for a referendum at this point' (Irish Times 2004). Importantly, during the Irish Citizenship Referendum she did not resign from the party or campaign against the referendum.

This suggests that libertarian opposition to policy that contradicts liberal ideology, will be more effective if they have leverage over policy decisions, and less effective when their more moderate colleagues are willing to risk losing their support. Another contributing factor to a lack of libertarian resistance to this policy in 2004 as opposed to 2001, may also be that the increase in immigration numbers over the previous three years had made it more of a critical policy issue for the political elite, who feared a populist backlash against these policies.

There is only circumstantial evidence that the citizenship referendum was a deliberate policymaking strategy to placate anti-immigrant sentiment. But the referendum did occur when immigration policy that was consistent with liberal ideology interacted with a perceived crisis in the asylum process. This created the necessary moment of opportunity in the previous policy equilibrium to lead to a significant change in Ireland's immigration policy and a move into a less liberal policy space. This tightening up of Ireland's citizenship laws did not occur in a policy vacuum, and undoubtedly the fact that Ireland had further liberalised the right to work by opening the economy to the citizens of the new Eastern European EU states, contributed to the closing down of any immigration loopholes that could become a focus for public anger.

This suggests that the interaction of a crisis with policy consistent with liberal values, lead to a shift away from libertarian values within the party policy of Fianna Fáil and the PDs. In relation to the causal mechanism detailed in this thesis; we can see how liberal resistance by Liz O'Donnell to the referendum proposal was successful in 2001 but failed in 2004. In fact, attempts to resist a policy that contradicted liberal ideology within the PDs and Fianna Fáil was muted at best. Although libertarians as individuals opposed the referendum, it proved popular within both Fianna Fáil and the PDs, and there is no evidence of significant opposition to this policy in either party (Ahern 2020; Redmond 2019). This may just be evidence of the political opportunism (or insight) of party activists in not opposing this policy reform, as the referendum would eventually prove extremely popular with the voting public, passing with 79.8 per cent support.

5.7 Strategic Adaptation: The Public Service Benchmarking Body

The strategic adaptation of libertarian ideologues within centre-right parties occurs when they must disguise their true policy preferences during a period of policy equilibrium. Under these conditions, there is no crisis or at least there is inter-party unanimity on the correct policy responses and there is general agreement on the need for gradual policy reform measures. Much of the policy debate is dominated by ‘policy sub-systems’ of special interest groups and experts in the field; with the general public either being apathetic to the policy reform, or moderately supportive of it (Baumgartner, Jones, and Mortensen 2014, 64). When there is such strong policy consensus on an issue, libertarians within mainstream centre-right parties cannot openly oppose these reforms if they want to remain politically viable and influential in their parties, even if the policy reforms contradict their liberal preferences. Therefore, under these conditions we should view libertarian actors, attempting to change policy direction but eventually adapting their beliefs and supporting policy that contradicts liberal values.

What is public sector benchmarking?

This section will examine the Public Service Benchmarking Body (PSBB) and the subsequent pay awards it delivered to the public sector, as an example of liberals within Fianna Fáil being forced to strategically adapt their real policy preferences when there is widespread policy consensus on an issue (see Table 5.1 above). This case has been selected as it is regularly referenced as an example of profligate Fianna Fáil spending in government, that contributed to the collapse in the state’s finances during the Great Recession. And, most importantly, this increase in public sector wages was overseen by a Finance Minister, Charlie McCreevy, who was known for his libertarian views and who was ideologically close to his coalition partners in the Progressive Democrats.

The benchmarking body was established as part of the social partnership process, during the negotiations for the Programme for Prosperity and Fairness (PPF) agreement (see Table 5.4 below). Like many other social partnership structures, it was an ‘extra parliamentary institutional adaptation’ designed to outsource contentious policy decisions from government to technocratic

industrial relations bodies (McGraw 2017, 74). By creating independent benchmarking procedures on pay, policy makers could avoid making decisions on one of the most problematic areas of government responsibility. This inclusion of the unelected social partners, especially the trade unions, in government policymaking is obviously contradictory to liberal ideological preferences.

Table 5.4: Chronology of key policy decisions and events relating to the Benchmarking process and public sector pay

Date	Event
1 May 1998	'Blue Flu' by Gardai
19 – 27 October 1999	First ever national nurses strike
2000	Programme for Prosperity and Fairness (PPF)- government seeks significant pay negotiations on pay linkage and modernisation
July 2000	Public Service Benchmarking Body (PSBB) established under the PPF
30 June 2002	Benchmarking Body Reports- insists on, 'change first, money later'
October 2002	Public sector pay freeze (due to an economic downturn)
December 2002	Budget announces 5,000 cuts in public servants
Spring 2003	Pay linkage system ended, modernisation and benchmarking implementation terms agreed
Summer 2003	First national private sector pay rise under Sustaining Progress agreement. First benchmarking payments made (25%) backdated to 1 December 2001 Performance Verification Groups (PVGs) report on modernisation progress in public sector
November 2003	PVGs report satisfaction with the agreed reforms.
June 2005	Last of benchmarking pay increases awarded (Public sector pay awards tended to run into the next social partnership agreement)
December 2007	Second Benchmarking report- recommendation of a 0.3% pay increase on average Recommendations never paid by the government due to decline in the economy
December 2009	Pay cuts of up to 15% in public sector
June 2010	Croke Park Agreement- government agrees no further pay cuts

As a policy it was designed to address a perceived gap between public sector pay and the private sector, which was experiencing significant market-led pay increases due to Ireland's booming economy. So, as per the central thesis of this research, policy that contradicted liberal

preferences interacted with a period of political stability, in which ‘policy monopolies’, made up of policy experts, agreed that their needed to be some concessions made to the public sector on pay (Baumgartner, Jones and Mortensen 2014, 64).

The policy unanimity on this issue was fuelled by the ‘blue flu’ in which the Gardaí, who are legally forbidden from going on strike, organised an unofficial industrial action by phoning in sick on mass (Hastings, Sheehan and Yeates 2007, 141). In addition, the nurses went on strike for the first time in the state’s history in October 1999 (see Table 5.4). Previously, this vocational group resisted industrial action due to the potential risk to patient safety, but discontent over low pay had broken this reluctance to strike (ICTU 2003, 1). The fact that the two sectors leading the way on public sector pay, the nurses and the Guards, were the two groups of public sector workers most likely to receive public sympathy helped to create a climate in which both the general public and politicians agreed that some pay concessions needed to be granted to state employees.

Some trade union officials felt that the ‘small scale’ of Irish society also helped to create a ‘shared agenda’, in which most citizens felt that public service workers should be valued, especially if they were on the ‘frontlines’ like nurses and Guards (Hastings, Sheehan and Yeates 2007, 196; King 2020). The government also felt that something must be done on public sector pay because, at the higher levels, they were seeing recruitment and retention issues among professionals who could earn more money in the private sector (Ahern 2020; ICTU 2003, 2; O’Connor 2020). So, as a process it would quite literally set a ‘new benchmark’ between the public and private sectors on pay and conditions, which would even out any disparities and the trade unions hoped it would reward the public sector for exceptional working conditions in areas like ambulance provision and policing (King 2020).

The Public Service Benchmarking Body (PSBB) was established in July 2000 under the PPF social partnership agreement. Its stated aim was to ensure equity between public and private sector workers in terms of pay, while at the same time delivering on modernisation and efficiencies in the public sector (ICTU 2003, 2). In terms of pay, its methodology involved carrying out a detailed examination into the jobs, pay, and conditions of the public sector and comparing them with jobs of equal merit in the private sector (PSBB 2002, 7). Five international and independent consultancy companies were selected to carry out this work (Hastings, Sheehan and Yeates 2007, 138). When the PSBB delivered its first report in June 2002 (see Table 5.4 above), it would

recommend relatively modest pay increases that averaged out at 8.9 per cent per public sector worker, and these would be staggered over a five-year time period (Hardiman 2006, 356-357). And under a ‘change first, money later’ provision, no pay awards would be delivered until modernisation reforms had been undertaken by each grade of worker due a pay award (ICTU 2003, 3).

In order to independently ascertain that real change was being carried out, Performance Verification Groups (PVGs) were set up to report on the modernisation process (see Table 5.4 above). However, despite this detailed benchmarking policy design, the process began to be viewed as overly generous and bad public policy once Ireland’s economy declined. For instance, an ESRI report from December 2008, showed that there was a significant public sector pay premium, with public sector workers earning on average 23.5 per cent more than their private sector counterparts (Kelly, McGuinness, and O’Connell 2008). Trade union officials would argue that this data does not include fair like-for-like job comparisons with the public sector (King 2020; O’Connor 2020). However, parliamentary questions have shown that the PSBB pay awards led to an increase of €1.2 billion a year on the public sector wage bill (Cowen 2010). This was quickly identified as a drain on state resources during an economic crisis, which led to significant pay cuts in December 2009 and the abandonment of social partnership structures (see Table 5.4).

Why did the Fianna Fáil and Progressive Democrat governments deliver significant public sector pay increases?

As previously stated, what is curious about the benchmarking process is that the Minister of Finance driving this reform was Charlie McCreevy, who is viewed as being extremely sympathetic to the free-market ideology of the PDs (Puirseil 2017, 67). In fact, he is credited as being largely responsible for the public’s increasingly right-wing perception of Fianna Fáil during their second term in government from 2002, and it is no coincidence that Bertie Ahern made him a European Commissioner following their poor performance in the 2004 local elections in order to reduce this right-wing image (Ahern 2009, 282-283; Puirseil 2017, 67). However, according to Ahern, despite his reputation as a free-market ideologue, it was Charlie McCreevy, with the active support of the Taoiseach, who drove through the establishment of the PSBB within a Cabinet that was largely unsupportive of the process (Ahern 2020; Hastings, Sheehan and Yeates 2007, 124 & 140).

Although, it is important to note that Cabinet ministers were not actively hostile to the PSBB either; cautious and reluctant may be the best way to describe Cabinet hostility to the benchmarking process at this point (Ahern 2020).

However, Bertie Ahern claims that many of the elected representatives within the backbenches of Fianna Fáil, who were on the ‘pro-enterprise’ side of the party, actively disliked the idea of any policy reform that was likely to lead to significant public sector pay increases (Ahern 2020). So, what made a right-wing Minister of Finance, who had previously reduced Capital Gains Tax by half in the 1997 Budget, support a controversial process that was effectively a mechanism to increase the public sector wage bill? And, why was there not more opposition from ‘pro-enterprise’ backbenchers?

Bertie Ahern’s commitment to delivering on social partnership may be part of the answer (Ahern 2009, 285-286). Ahern was in a dominant position within his party at this point, and while McCreevy was not exactly a close friend of the Taoiseach, he was the closest to him of all his Cabinet ministers (Ahern 2009, 284). It made sense for McCreevy to prioritise his leader’s policy preferences over any ideological qualms he may have held in relation to public sector pay. Additionally, it was politically expedient for him to benefit unionised public sector workers who had become a key support base of his party (O’Malley and McGraw 2017, 16). On top of that, Bertie Ahern genuinely believed that the public sector deserved a pay increase due to years of both pay moderation within the sector and the increasingly high cost of living (Ahern 2020). Ahern also felt that lower earners deserved a pay award on the basis of fairness, and that the higher earners needed a pay increase in order for the state to retain and recruit the best talent (*ibid.*).

Another key reason was the strength of the trade unions in certain key sectors. Employer representatives had correctly recognised that the trade unions were weak before the establishment of social partnership; they based this analysis on their poor performance bargaining at the company level in the early 1980s, when there had been no centralised wage bargaining agreements after the ‘national understandings’ for centralised wage increases had collapsed in 1981 (Hastings, Sheehan and Yeates 2007, 7; O’Connor 2020). However, the public sector was one area where employers and the state still viewed the trade unions as powerful, with relatively small numbers of workers being capable of widespread disruption during industrial action (Ashead 2011, 82). But McCreevy’s avowed aim in pushing for the PSBB was the end of pay linkages in the public sector

as part of the modernisation commitments within benchmarking, and he would consistently defend benchmarking based on this reform (Hastings, Sheehan and Yeates 2007, 132-134).

The end to pay linkages was the most significant modernisation delivered through benchmarking. This was a system of cross-sectoral pay links across the public sector. This meant that if nurses negotiated a pay rise based on increased duties, this would automatically lead to an increase for guards, then soldiers, then prison officers, and so on (ICTU 2003, 4). Importantly, these linked pay increases would apply even if the other workers did not take on extra duties. It was the long-term aim of the union representing senior managers within the civil service – the Public Service Executive Union (PSEU) – to get rid of these pay linkages (Hastings, Sheehan and Yeates 2007, 126). Senior civil servants felt that changes in their own working conditions were not being rewarded in their pay, because any increase for executive officers would increase the pay of academics, firemen, nurses and then prison officers (Hastings, Sheehan and Yeates, 2007 126; O'Malley and Murphy 2012, 50 & 55). This created an interesting dynamic where Secretary Generals and Assistant Secretaries had a vested interest in delivering a benchmarking process which would decouple their own pay increases from other public sector workers.

As a group, senior civil servants were also extremely worried about the retention and recruitment of highly skilled professionals, who had the opportunity to earn significantly more money in the booming private sector (Ahern 2020; O'Connor 2020). For example, after Ireland's economic crash there would be much criticism about the lack of technical and financial expertise within the civil service during the Celtic Tiger years (Murphy 2018, 271). But Bertie Ahern contends that many of these highly skilled professionals had already left the civil service in the early years of economic growth due to the uncompetitive remuneration within the public sector (Ahern 2020).

The pay linkage system did create an obvious disincentive for public servants to reform work practices, given that they knew that they would not necessarily be compensated for their efficiency because of the knock-on effect it could have for the state's wage bill. However, SIPTU's lead negotiator on benchmarking, Patricia King, contends that many public sector workers at lower incomes were keen to retain the principle of pay linkages, so they would remain in the same pay grade as some of their peers, who might be in a better position to negotiate higher pay awards (King 2020). For instance, the fire brigade trade union wanted to retain their pay linkage to the

Garda Síochána, because they felt that they were a comparable profession to their own but that the Guards were in a stronger position to negotiate pay increases than the fire service.

Even though higher earners in the public sector supported ending pay linkages, it was an issue within trade unionism as a whole, especially among those unions representing lower earners, and it required strenuous negotiations in order to get the majority of public sector unions to agree to this reform (King 2020). McCreevy saw this concession as the biggest win from benchmarking, claiming that the system of pay linkages was ‘mad’ because the state could never finish pay negotiations because a pay settlement with one sector would always lead to more pay claims, so a finance minister could never be certain of the final public sector wage bill (*ibid.*, 134). McCreevy claimed that the ability for future finance ministers to be able to accurately predict the state’s wage bill was worth the pay increases, and worth incurring criticism from the media and from some within the party (*ibid.*, 132). For Ahern as well, the end to pay linkages was the key modernisation reform that the state won from benchmarking, and he claims that the importance of this policy reform is regularly forgotten when people criticise the benchmarking process (Ahern 2020).

Apart from Ahern and McGreevy, the rest of the Cabinet were not enthusiastic supporters of the establishment of the PSBB, although they also did not actively oppose it in Cabinet (Hastings, Sheehan and Yeates 2007, 124). And McCreevy would complain that Fianna Fáil politicians did not do enough to publicly support benchmarking and to defend it from media criticism once the economy began to deteriorate (*ibid.*, 140). Ahern believes this was because some TDs in Fianna Fáil were overly intimidated by the virulent opposition that benchmarking received in the media and from Fine Gael (Ahern 2020). And Patricia King believes that there was an organised and influential ‘cadre of critics’ within a hostile print media, that became even more vocal in their opposition to trade unions and public sector workers around the time of the benchmarking negotiations (King 2020). Fine Gael were also extremely forthright in opposing this policy proposal in Dáil debates and the media, especially their spokesman on Finance, Richard Bruton (Bruton 2003).

According to Ahern, another reason for the lack of public support for benchmarking from the backbenches of Fianna Fáil, was that many of these representatives agreed with the criticisms being raised by both Fine Gael and IBEC against benchmarking, but they were not willing to break the party whip over this issue (Ahern 2020). This shows that more right-wing and ‘pro-enterprise’

Fianna Fáil representatives were viewed by the party leadership as being hostile to public sector pay awards but, also, they were not willing to push the issue to a crisis point within the party.

However, despite this less than fulsome support, McCreevy was still able to push benchmarking through government and there was little public opposition or media briefing against the policy by Fianna Fáil representatives. Perhaps this is unsurprising because traditionally Fianna Fáil TDs tend not to vote against party policy in the Dáil (Farrell et al. 2012, 6). But TDs will still regularly let local constituents, or the media, know that they disagree with a policy reform, even when they were forced to support it through the whip system (McGraw 2017, 82). This lack of public opposition in the early years of benchmarking was linked to the voting power of public sector workers. Additionally, the fact that Ireland's economic growth ensured that pay increases could be delivered without immediate financial consequences also contributed to a lack of coherent opposition. But once the economy began to slide, there is more evidence of both public opposition to benchmarking and criticism from Fianna Fáil party members (see: McConnell 2007; O'Sullivan 2008)

For example, John McGuinness TD was a vocal critique of Ahern's leadership and is viewed as being on the right of his party (Ahern 2009, 262). But he only made strong public statements against benchmarking after the 2008 economic crisis and the subsequent electoral defeat for Fianna Fáil in 2011. In a speech to the McGill Summer School of 2011, he was not shy about denouncing public sector pay deals negotiated by Fianna Fáil in government, specifically the Croke Park Agreement in which Fianna Fáil agreed to no further pay cuts in return for public sector reform and industrial peace (see Table 5.4):

The Croke Park Agreement was negotiated by unionised senior public servants, representing the government, and unions that were, well, representing public servants. That is as big a conflict of interest as you can get. The then Fianna Fáil government should have appointed external labour relations and human resources professionals to do the negotiations or, at least, lead the team, which might have made the exchanges a little more robust, and cost the country a lot less. The fact that they didn't was a failure of leadership (McGuinness 2011).

And he would go on to denounce public sector workers and trade unions in terms that would be familiar to any libertarian:

Why do we need to radically reform our public service? Because it is not fit for purpose and is becoming a weight too heavy to bear on the shoulders of our economy. There is really no use blaming people in the public service for the decrepit state it is in now. The slide into that

condition began some time ago. Those people were overpowered by the culture, and they committed to the instincts of the collective, with its suspicion of individuality and exceptionality and its desire to resist change and defend the status quo. That is how spent cultures survive, and they self-perpetuate until they self-destruct, unless a strong exterior force intervenes, which is what successive governments have not done. And, I believe, this government [FG and Labour] isn't doing it either (McGuinness 2011).

Surprisingly, for a member of a centre-right party that is broadly supportive of statist policy solutions, he went on to claim that the role of the state should be limited to:

...advising and urging on our businessmen and entrepreneurs, giving ministers real best advice, arguing for it if necessary, and ensuring that public service organisations, paid for out of the public purse, are managed and run in accordance with the standards of private sector best practice (McGuinness 2011).

This suggests that some members of Fianna Fáil, especially those committed to liberal economic reform, disguised the true extent of their dislike for social partnership structures and public sector wage deals during times of political stability on this issue. They strategically adapted their beliefs when opposing the need for public sector wage increases was politically unpopular and risked incurring the wrath of the party leadership. For example, Ray MacSharry, writing in 2014, detailed his concerns about the spending and public sector pay policy of FF under Charlie McCreevy's tenure:

A big problem for Brian [Brian Lenihan- Minister for Finance (FF), 2008-2011] was that because of benchmarking, the public wage bill had gone through the roof. I have always maintained that Charlie McCreevy, as Minister for Finance, was short-sighted in the scale of the expenditure he sanctioned. Brian Lenihan was left to pick up the can for the 'when there's money, we'll spend it' philosophy, which in my view was never strategically sensible. The focus of that FF-PD government was all wrong. They were concentrating on expenditure and where they could profitably spend money and not enough attention was being paid to the sustainability of the revenue stream. The government felt that they could afford both massive increases in public pay and huge reductions in income tax because of the enormous revenues that property-related taxes were bringing in. The culture of the time seemed to be to spend this revenue without giving a second thought as to whether this level of revenue would be available the following year. When I suggested this was a mistake, McCreevy was far from happy. In one conversation, he said to me 'I have two billion of a surplus. Do you think I should leave that there?'. I replied, 'Yes, I do', but he just laughed at me. (MacSharry 2014, 105-106).

This is a strong rebuttal of Fianna Fáil policy during those years by a senior member of the party, and one who was associated with past liberal economic reform. But, even though he raised his concerns with McGreevy privately, there was no public repudiation of his party's policies at the

time. Although retired from politics, MacSharry was still a prominent party member, who was consulted by serving ministers for advice (such as Brian Lenihan), and in an influential position as a well-known former Finance Minister (MacSharry 2014, 104). He had the option to raise his concerns publicly, and these concerns would have been taken seriously and received media attention, but he chose not to do so.

Benchmarking- Results

Even though some party members within FF may have had concerns, or even been ideologically opposed to measures like benchmarking, they did not oppose them in any significant or coordinated public fashion. So, as per the hypothesis being tested, we can see that when a period of policy stability interacts with policy that contradicts liberal policy preferences, party members sympathetic to libertarian values (such as John McGuinness or Ray MacSharry) must strategically adapt their real policy preferences in order to remain a viable force within their parties and not be ostracised by the party leadership based on their beliefs. However, when this policy equilibrium ends, and there is a punctuated period of crisis (such as with the 2008 Great Recession) then they have more freedom to denounce party policy and push for a shift towards libertarian values. For example, it is important to note, that it was only a year before the anti-benchmarking speech by McGuinness, that the FF party leader – Brian Cowen – was defending both benchmarking and the Croke Park Agreement in the Dáil, with the vocal support of his TDs (Cowen 2010).

Hewson (2018, 575) views benchmarking as part of the marketisation of the Irish public service, a symptom of the neoliberal turn in the Irish state. Benchmarking, as a measure for institutional comparison, is often used as a tool for the marketisation of public services through a phoney relativity and comparison with private sector norms (see: Anderson and McAdam 2004; Kaplan and Norton 2001). However, in the Irish context, benchmarking was part of the established structures of social partnership and represented a well-established trade-off involving reform (on pay linkages) in return for modest pay increases. It cannot be viewed as a liberal reform measure, despite some gains in productivity and modernisation. How affordable the benchmarked pay awards were for the state, and how accurately they compared jobs between the public service and the private sector are separate issues.

Both Bertie Ahern and the trade union movement defend the integrity of the benchmarking process on the basis that the second benchmarking report in December 2007 recommended only a 0.7 per cent pay increase (see Table 5.4), which shows that the process could respond proportionately to private sector movements on pay (Ahern 2020). What benchmarking, and social partnership in general, does show is that when there is policy stability on an issue, liberals within centre-right parties will tend to hold off on criticising policies and strategically adapt their true preferences to the current political climate, due to a fear of a backlash from the party elite and voters. Even when their party's policies go against their ideological principles.

5.8 Conclusion

Michael McDowell – when Minister for Justice, Equality and Law Reform – famously claimed that, ‘A dynamic liberal economy like ours, demands flexibility and inequality in some respects to function’ (McGarry 2004). So, libertarian values are not completely absent from Irish politics, even among politicians like McDowell, who will occasionally institute policy decisions that contradict liberal ideological preferences. However, libertarianism is a marginal force in Irish politics and there are no libertarian think tanks of any prominence, and the one attempt at creating one (with the Hibernia Forum) ended in failure.

Although the trade union movement believes that IBEC and ISME are an influential voice for right-wing policy reform within Ireland's media (King 2020), we can see how these corporatist bodies lack a consistent free-market ideological position. Additionally, the libertarian donor class, which is so prominent in other countries, seems to have little interest in funding libertarian attempts at policy change in Ireland. However, given the existence of ideologically driven groups like Libertarian Ireland, it is safe to view libertarianism as an embryonic social movement in Ireland (della Porta and Diani 2006, 20-21). However, unlike with Iceland and the UK, this movement has been unable to become a distinct faction, or an ‘anchoring group’ attached to a mainstream centre-right party, and remains on the political margins (Schlozman 2015, 3-4). This obviously impedes the ability of libertarian actors to deliver on their preferred policy changes.

In explaining this lack of an ideological support structures or distinct links with a centre-right party, some libertarian political actors blame the political culture of Ireland, which they view as managing to be both statist and anti-individualist:

What always intrigues me in Ireland you have all these groups on the left, it's like the old Monty Python gag [on left-wing factionalism], so there is a large group there ready to go onto the streets and do stuff. But we don't really have that on the libertarian right. Is this a numbers problem? Well no. When I sit down with people who aren't political and explain to them about libertarianism, they say, 'well I think that'...but they just didn't learn about it in school, they learnt about socialism, because all your teachers are socialist. All economics in school is Keynes, no Hayek. I was looking at the new syllabus and it's all about the state, there is no libertarian thought in it. This is a soft bias that pushes people in that direction [away from libertarian values] – **Keith Redmond, Interview with author (Redmond 2019).**

So, libertarians view Irish political culture to be hostile to laissez-faire principles, and the empirical data does support this contention, showing that libertarian values are just not that popular with the general public in Ireland (see Chapter 4).

In testing the hypothesis, we can see that the dual processes of crises and policy contradictions do lead to fluctuations in libertarianism within the party policy of Fianna Fáil. So, the political processes unleashed by the interaction of the independent variables of political crisis and pre-existing policy that contradicts liberal ideology does lead to a shift towards libertarianism within Fianna Fáil. However, the causal mechanism that should see libertarian ideologues within the party pushing for their preferred policy change at a time of crisis is not prominent in the case of Ireland. Perhaps this should be expected, given that the causal mechanism is conditional on the variables of crises and contradictions creating the necessary policy gap for libertarian political actors to push through their ideas, and Ireland is just not a conducive political environment for ideologically driven actors within mainstream centre-right parties.

But it is curious how Irish political elites seem to have utilised liberal economic policy solutions, without having influential libertarian actors within their ranks or significant libertarian think tanks advocating policy change. In the 1970s, Margaret Thatcher was a leader in search of big ideas in order to provide ideologically consistent solutions to Britain's policy problems, and the libertarian influenced actors surrounding her were more than happy to provide these big ideas (Moore 2014, 350-352). However, the Irish political elite (both in the civil service and party politics), largely avoided an ideologically driven battle of ideas when seeking policy solutions

(Ahern 2020). Instead, they sought out those policy solutions that seemed to be working in other jurisdictions and sought to apply them in an Irish context. So, it seems that the embrace of liberal economic reform within party policy was fuelled by libertarian policy success in the UK and the US.

In explaining this it is useful to consider Carstensen and Schmidt's (2016, 332) contention that in understanding the policymaking process we should look at the ideational structures which limit the knowledge available to political actors and constrain their policy choices. They claim that there are three types of ideational power: *power through ideas*, which is political entrepreneurs utilising their ideas to convince other actors to embrace their preferred policy change; *power over ideas*, meaning the capacity of actors to control and contest the meaning of ideas and limit the public discourse on them; and *power in ideas*, which is the creation of hegemonic ideological norms which constrains what actors consider to be viable and rationale policy solutions (Carstensen and Schmidt 2016, 321-322).

Importantly, Hardiman and Metinsoy (2018) draw upon the concept of *power in ideas*, to explain why Ireland did not embrace the policy of Europe-wide Financial Transaction Tax (FTT), despite its potential to raise significant revenue and to limit the reckless behaviour of financial institutions. They find that the FTT was rejected as a policy, not just because of the lobbying of the powerful financial services industry, but also because Irish policymakers had embraced a 'dominant policy paradigm' in which Ireland's FDI economic model of low tax and light regulation, excluded alternative policy options and ideas (Hardiman and Metinsoy 2018, 16). This resistance to alternative policy choices is especially true when a policy like FTT is ruled out by Ireland's more influential competitors in the UK and the US (*ibid.*, 14-15).

Similarly, when Irish policymakers were seeking solutions to political crises, such as on the economy in 1987, their options were limited to the liberal policy reforms that were ideologically dominant within the English-speaking world. This power in liberal ideas, limited the shared knowledge of political actors and constrained what they considered to be viable policy options to solve Ireland's problems. This policy consensus contributed to the cross-party convergence in Irish politics on the big ideological issues, such as on globalisation, the economy and immigration (Adshead 2011, 76; McGraw 2017, 78-79). This dominance in liberal public policy, meant that the absence of significant numbers of libertarian ideologues within Irish centre-

right parties did not restrict the fluctuation of libertarian policy brought about by the variation in crises and contradictions.

Chapter 6 – Iceland: Libertarianism as a faction within the Independence Party

The SIC is of the opinion that the operations of the Icelandic banks were, in many ways, characterised by their maximising the benefit of the bigger shareholders, who held the reins in the banks, rather than by running reliable banks with the interests of all shareholders in mind and showing due responsibility towards creditors. – Special Investigation Commission Report 2010, Chapter 21- Causes of the Collapse of the Icelandic Banks (SIC 2010b, 10).

The main conclusion of the Working Group are that although several individuals in the financial, administrative, political, and the public sphere, showed negligence and sometimes reprehensible action, the most important lessons to draw from these events are about weak social structures, political culture, and public institutions. It is the common responsibility of the Icelandic nation to work towards strengthening them and constructing a well-functioning democratic society. – Working Group on Ethics, April 2010 (WGE 2010).

At least until the financial crisis of 2008, Iceland was viewed as a success story for the libertarian political project. A small faction of committed libertarians, centred around David Oddsson (Prime Minister from 1991 to 2004), took over the leadership of the Independence Party (IP), a conservative centre-right party that has been the dominant party of government since Icelandic independence (Bergmann 2014, 34-35). This faction moved the Independence Party significantly to the right through an embrace of libertarian ideas, and once in power after the 1991 election it implemented a series of libertarian policy reforms that were similar in ambition and scope to Margaret Thatcher’s economic reforms of the 1980s (Olafsson 2017, 399). The liberal policies implemented by Oddsson’s faction led to a prolonged period of unprecedented growth and wealth generation, which saw Iceland develop into a modern open economy that was lauded by both international political elites and the institutions designed to guide international capitalism (see: IMF 2011; Mishkin and Herbertsson 2011; OECD 2011; Portes and Baldursson 2011). However, as the above quotes show, the Great Recession of 2008 would expose serious structural flaws in the Icelandic state’s liberalisation programme. Paul Krugman, the prominent economist, has claimed that in Iceland, ‘An economy that produced a decent standard of living for its people was

in effect hijacked by a combination of free-market ideology and crony capitalism’ (Krugman 2010). Many scholars have emphasised how the Icelandic economic crisis was a direct result of its radical libertarian economic reforms and the principles of light-touch regulation (see: Boyes 2010; Chang 2010; Peck 2010; Loo 2011; Olafsson 2017; Wade and Sigurgeirsdottir 2010; Sigurgeirsdottir and Wade 2015; Stuckler and Basu 2014) and these conclusions are supported by the Icelandic Althing’s statutory investigations into the economic collapse (see: SIC 2010; WGE 2010). Predictably, libertarian scholars have argued that the policy choices were fundamentally correct, but that they should have been implemented with more care and rigour (Gissurarson 2017a; 2017b). However, while the literature critiques the policy decisions of a small number of free-market ideologues within the Independence Party, their ability to gain control of a mainstream right-wing party and deliver on their preferred policy change, without significant base for their libertarian ideas, has largely gone unexplained.

This chapter will first examine the history and current state of the libertarian movement in Iceland, including the influence of libertarian think-tanks within the country. It will then take a detailed look at the influence of libertarianism within Icelandic party politics. Finally, it will explain why libertarian influence fluctuates within the policy choices of the Independence Party. This will involve testing three cases, which represent fluctuations in libertarian policy outcomes within the Independence Party. First, a shift towards libertarianism will be explained through the bank privatisation programme from 1998 to 2002. Second, a shift away from libertarian policy will be examined during the introduction of capital controls in October 2008. And finally, this chapter will test a period in which libertarian ideologues had to strategically adapt their ideological principles during attempted implementation of the Icelandic Media Law in 2004.

6.1 The libertarian political project in Iceland

Before Oddsson’s election victory of 1991, libertarian ideas found little purchase in Icelandic society and it generally lacked a ‘sophisticated’ liberal tradition (Gissurarson 2017a, 241). But interestingly, just as Murray Rothbard (2016, 286-290) claimed that Ancient Ireland exhibited libertarian values, some libertarians have also claimed that the early Icelandic Commonwealth (930AD – 1262) was an example of a libertarian system of private law enforcement (Gissurarson 2017a, 242 -243). For example, David Friedman (1979) argued that:

... medieval Icelandic institutions have several peculiar and interesting characteristics; they might almost have been invented by a mad economist to test the lengths to which market systems could supplant government in its most fundamental functions. Killing was a civil offense resulting in a fine paid to the survivors of the victim. Laws were made by a “parliament,” seats in which were a marketable commodity. Enforcement of law was entirely a private affair (Friedman 1979, 400).

This interest in Icelandic history during the late 1970s was a result of the growing recognition by libertarian intellectuals that libertarian ideas were beginning to become influential among a small number of political activists on the island (this shall be discussed in greater detail in section 6.2). Despite these, somewhat clumsy, attempts to claim early Icelandic history as libertarian, it is fair to say that until the 1970s libertarianism was not a significant feature of Icelandic politics.

But the more moderate versions of classical liberalism did appeal to small numbers of the Icelandic political elite within the independence struggle from Denmark. For instance, Jon Sigurdsson (1811 – 1883), the leader of the nineteenth century independence movement, embraced liberal values and repackaged them to justify Icelandic self-determination (Gissurarson 2017a, 243-245). This was intellectually significant because many liberals at the time felt that increased independence for a small country from a more modern European colonial power could only hamper the cause of liberalism (*ibid.*, 246). However, Sigurdsson’s liberalism was more pragmatic than ideological, tending to be limited to the principles of free trade and the rule of law (Olafsson 2017, 401). After Home Rule was achieved in 1904, this liberal tradition within the independence movement was continued by Jon Thorlaksson (1877 – 1935) who founded the Conservative Party in 1924. Thorlaksson deliberately modelled his party on the centre-right British Conservative Party, in which he especially admired those conservatives who were committed to the values of free trade and limited government (*ibid.*, 250-251). In 1929, under increased party-political competition, he amalgamated his party with the remaining parties linked to the independence movement, and they formed the Independence Party (IP). This party would then become the bastion of liberal values in Icelandic society, although liberal ideas were embraced only by small numbers of the political elite within the ranks of the IP. Liberalism never became central to the Independence Party’s identity. Instead, the IP remained the dominant voice of conservative centre-right nationalism and, most importantly, it continued to be the political vehicle for the elite families that had made most of the money and policy on the island since it became fully independent from Denmark in 1944 (Bergmann 2014, 35). Like Ireland, the Icelandic ‘nation’ is ancient, but the state

is new, and sections within the Icelandic elite viewed it more as a vehicle for pursuing sectoral interests rather than the common good.

The main opposition to the Independence Party was provided by another centre-right party, the Progressive Party (FSF), which was an agrarian party that catered to a rural landowning elite. In contrast to other Nordic countries, the conservative Independence Party held a hegemonic electoral position, and it would often govern in coalition with the smaller Progressive Party (Wade and Sigurgeirsdottir 2010, 10). The Independence Party can be viewed as a traditional ‘bourgeois conservative party’, with its main support base among employers, landowners, and the upper-middle classes (Olafsson 2016, 64). The main left-wing opposition was from the Social Democratic Party, which represented the small urban proletariat and the even smaller number of committed socialists (Bergmann 2014, 34). Like in Ireland, the left generally came in third place electorally, behind the two major centre-right parties (Sigurgeirsdottir and Wade 2015, 105). In fact, the first left-led government would not occur until after the fallout of the Great Recession in 2009. However, despite the weakness of the political left, the trade union movement was strong, with between 80 to 90 per cent trade union density among workers (Olafsson 2017, 406). The need for continual wage increases to counteract chronic inflation meant that labour disputes were commonplace (*ibid.*, 406-407), with Iceland actually achieving one of the highest rates of strike actions within the OECD until the late 1990s (Sigurgeirsdottir and Wade 2015, 105). But this trade union militancy did not translate into electoral success for the left because of the innate conservatism of many Icelanders and the dominant position the traditional Icelandic elite exerted over the political life of the country.

Icelandic political culture

Compared to the Progressive Party, the Independence Party tended to be more likely to support liberal reform measures. However, its liberalism was a minority pursuit within the party, and its structures were effectively controlled by one special interest group, which represented a small number of elite families with interconnected interests, which the Icelandic people call the ‘Octopus’. Wade and Sigurgeirsdottir (2010, 10-11) have claimed that the Octopus consists of as few as fourteen families, who have tentacles in most areas of Icelandic public life, and that it is possible to trace a direct line of descent from ‘the quasi-feudal power structures’ of the nineteenth

century to the political structures of post-independence Iceland. The same pre-independence elite managed to retain control of both the political and economic life of the island; retaining a shaky class solidarity through intermarriage and attendance at the same secondary schools (Boyes 2010, 45). The Octopus controlled transport, banking, insurance, fishing, and the timber industry; all sectors that are crucial on a remote island without many natural resources (Boyes 2010, 34; Wade and Sigurgeirsdottir 2010, 10).

Importantly, they controlled the Independence Party, the dominant party of government, and maintained this control through the electoral over-representation of non-urban areas where the Octopus was most influential (Wade and Sigurgeirsdottir 2010, 11). The Octopus families provided most of the political elite that ran the country. They also controlled the media, as well as appointments to the civil service, the judiciary, and the police (*ibid.*, 11). This meant that they had the power to punish anyone that tried to oppose them politically, or at the very least, to place a cap on their career advancement (*ibid.*, 11). The heads of these families acted like old-style chieftains, controlling powerful patronage chains, so that it was necessary to go through them to get access to jobs, state services, and even bank loans (*ibid.*, 11).⁵⁸ In opposition to the Octopus concentrating ownership in their own hands, a strong cooperative movement, which became popularly known as the ‘Squid’, took hold to defend the interests of smaller producers, in areas such as agricultural production and fish smoking (Boyes 2010, 35). However, by the 1970s, the Squid had also become a closed-shop system, working to preserve the interests of its existing membership, by excluding new entrants to its markets and deterring outside competition.

Being a small country, the dominance of the Octopus led to a small-town political culture in which both bullying and sycophancy were the expected norms (Wade and Sigurgeirsdottir 2010, 11). This obviously caused tensions, which built up complicated patterns of resentment, passed down through generations, that still influences political decision-making to the present day (Gissurarson 2017b, 371-372). The dominance of the patriarchal chieftains behind the Octopus, led to a paternalistic state in which there was no beer available for sale until 1989, for fear that beer drinking would encourage the excessive consumption of hard liquor among younger citizens

⁵⁸ The prominence of clientelism and patronage networks in Iceland resembles the role played by TDs in twentieth century Ireland (Higgins 2006, 90-91; O’Leary 2011).

(Boyes 2010, 32). And similarly, there was no television broadcast at the weekends, which was specially reserved for 'family-time' (*ibid.*).

However, this paternalism did not lead to a conservative and judgemental society when it came to sexual mores. The dangerous nature of traditional Icelandic industry, and a correspondingly high death-rate for working aged men, meant that for women there was little social stigma attached to relationships outside of marriage, or to the children born from these relationships (Boyes 2010, 30). Like other Nordic states, Iceland was secular and there was consensus around a laissez-faire attitude to social issues. Iceland also had a strong egalitarian tradition, in which airs and graces were discouraged; with the elite viewing conspicuous consumption as vulgar and even dangerous for social cohesion in such a small society (*ibid.*, 45). This would later lead to tensions developing between the old Octopus elite and a new generation of nouveau-riche entrepreneurs, who had taken advantage of Oddsson's reforms and had no qualms about openly enjoying their wealth openly (Bergmann 2014, 70-74).

Despite being capable of organising to defend their own class interests, the Octopus should not be understood as a formal group with a clear hierarchy and a distinct decision-making leadership. In fact, some scholars have argued that an analytical focus on the Icelandic elite, provides a narrative that is too reductionist and ignores the ambiguous class relations that are the norm in any complex society (Ingimundarson et al. 2016, 6-7). However, it is fair to understand the Icelandic elite as an informal group of interrelated clans (Gylfason 2009), who operate as a distinct ownership pattern or a mutually beneficial patronage network (Boyes 2010, 35; Wade and Sigurgeirsdottir 2010, 10). Boyes (2010, 35-36) has compared the Octopus to the old-style mafia families in Sicily, in that they operate under separate leaderships and often compete against each other, but they are also able to cooperate on areas of common interest and in order to preserve the system from which they benefit. However, unlike in Sicily, politically motivated violence, beyond a few thrown punches, has never been a feature of Icelandic politics.

Instead of a mafia conspiracy, which seems an exaggerated metaphor, Thorhallsson and Kattel (2013, 87) have claimed that Iceland's political system is best understood as representative of 'sectoral corporatism', which they define as, 'a single-interest special access to policy processes'. Unlike formal corporatist structures, which involves balancing the interests of various corporate groups for the benefit of society as a whole, Icelandic sectoral corporatism allowed one

interlinked special interest group, the Octopus, to dominate the government's decision-making processes for their own benefit (Thorhallsson and Kattel 2013, 88). However, it is important to note, despite the problems inherent in sectoral corporatist governing structures, Iceland remained a stable and functioning liberal democracy after independence. Elections were respected, the rule of law was largely upheld, and the government enjoyed the consent of the governed. The Octopus subverted the quality of Icelandic democracy – through its dominant position of authority bred from its concentration of ownership, its powers of patronage and its control of the Independence Party – but it did not undermine the fundamentals of democratic rule.

Libertarian ideological infrastructure: the libertarian movement and think-tanks in Iceland

In summary, in the 1970s Iceland was a heavily regulated state, that was both paternalistic and clannish. Like other Nordic States it was corporatist (Katzenstein 1985), but it was not collectivist in terms of outcomes, as Iceland's sectoral corporatist structures led to powerful families controlling the political agenda and excluding outsiders from policy decisions. In effect, this meant the political life of the island was overseen by a small number of interconnected families, who generated wealth from monopolies and then set policy to protect their position. It was ostensibly egalitarian but not equal, as personal connections often mattered more than ability or merit. While formally capitalistic, it was a long way from the open competition and individual freedom espoused by classical liberal theorists. Given this stifling political culture, it is perhaps unsurprising that some younger and ambitious Icelanders, who were not attracted to the socialist radicalism of most other 1970s students, should instead turn to libertarian ideas for solutions.

The small number of Law and Business students in the University of Iceland who adopted libertarianism were facilitated in this embrace of a quintessentially American ideology by the influence of the US airbase in Keflavik on Icelandic politics (Boyes 2010, 21). This base had become a permanent presence in 1941 and was culturally influential as well as being a significant revenue generator for the island (Thorhallsson et al. 2018).⁵⁹ Some Icelanders had resisted its presence and NATO membership, but to resist the American presence on the island quickly became synonymous with being anti-modern and against economic progress (Boyes 2010, 26).

⁵⁹ In fact, Iceland was one of the founding members of NATO in 1949.

This meant that Icelandic political activists were as likely to look West for inspiration as they were to look East to their fellow Nordic countries (*ibid.*, 25).

In 1972, this group of libertarian students, most of whom were already members of the Independence Party, took over a small journal, *The Locomotive*, in order to disseminate their libertarian ideas (Gissurarson 2017a, 258). The publishers of this magazine were called the ‘Locomotive Group’, and this also became the name commonly associated with this group of libertarian ideologues attached to both the magazine and the Independence Party. Their editorial position was to support the move to the right of the Independence Party, to oppose communism, and to push for libertarian policy change within Icelandic society (*ibid.*, 258). For example, a typical cover article from *The Locomotive* in January 1974 was titled ‘Allende and the Myth Makers’, which reflects a common libertarian preoccupation with defending the overthrow of Allende’s democratic government and supporting Pinochet’s liberal reforms (The Locomotive 1974). And the same edition has another article on the ‘Philosophy of Anarchy’, detailing how best to apply anarcho-capitalist principles to Iceland (The Locomotive 1974).

This journal would eventually cease publication in 1975 due to a dispute with its owners. Hannes Holmsteinn Gissurarson – the chief intellectual of the libertarian movement in Iceland and informal political advisor to David Oddsson – has claimed that the Locomotive Group became an ‘informal luncheon club’ after the closure of the magazine (Gissurarson 2017, 258; Magnusson 2009). However, it became far more than that. In effect, it became a close-knit group of libertarian ideologues, attached as a faction within the Independence Party (Olafsson 2017, 399-400). They were dedicated to pursuing libertarian policy objectives, but they also created an alternative patronage system, in order to provide career opportunities for themselves and other like-minded individuals, which could operate outside of and in competition to the established Octopus system (Wade and Sigurgeirsdottir 2010, 11).

The Locomotive Group shall be examined in detail in the next section (see section 6.3), but Hannes Gissurarson, would eventually build on the work done by *The Locomotive* to set up a series of libertarian organisations and think-tanks that existed to disseminate libertarian ideology among the general public, as well as to influence the policy direction of the Independence Party. In fact, his organisational abilities made him the main driver behind libertarian ideological support structures in Iceland. The organisations he developed worked as ‘anchoring groups’ designed to

pull the mainstream Independence Party into a new policy direction, but at the same time not to act in competition to that party (Schlozman 2015, 242) For example, in 1979 Gissurarson set up The Libertarian Alliance (*Felag frjalslyggjumanna*) whose aim was to educate people about the tenets of libertarianism (Gissurarson 2017a, 259). The Alliance set up a new libertarian journal, *Liberty*, to help disseminate libertarian values among the general public (*ibid.*, 259). However, The Libertarian Alliance was also designed to support the rightward direction of the Independence Party, and some of its board members were in both the party and the Locomotive Group (RNH 2020a). However, Hannes Gissurarson claims that the Libertarian Alliance was more radical and ideologically pure than the Locomotive Group, which tended to consist of more moderate libertarian political actors attached to the Independence Party (Gissurarson 2020a).

In 1980, the Libertarian Alliance arranged a high-profile visit of Friedrich von Hayek to Iceland and Gissurarson translated the *Road to Serfdom* into Icelandic just before his arrival (Gissurarson 2017a, 259). In 1982, James Buchanan – famous for his work on Public Choice Theory – visited Reykjavik, and David Oddsson as mayor of the city gave him a dinner in the prestigious Hofdi House (*ibid.*, 260).⁶⁰ Milton Friedman also visited that same year, and when a reporter asked him his advice on how best to improve Iceland in one word, he responded, ‘Freedom’ (*ibid.*, 261). And when the Icelandic Chamber of Commerce gave a dinner in Friedman’s honour, he was asked what was the greatest challenge to capitalism? Presciently for the Icelandic capitalist class, he replied, ‘Look into a mirror. The greatest danger to capitalism is the capitalists themselves. They are always ready to ask for small and big favours from government. They do not like competition’ (quoted in Gissurarson 2017a, 261).

These visits of Hayek, Buchanan, and Friedman – then the Holy Trinity of living libertarians – were obviously important for spreading libertarian values in Iceland. And this ideological networking would lead to Hayek extending an invitation to both Gissurarson and Oddsson to join the Mont Pelerin Society, which is the most exclusive of the international libertarian organisations (Boyes 2010, 69; Gissurarson 2017a., 260).⁶¹ And in 2005, a regional meeting of Mont Pelerin was actually held in Reykjavik, at which David Oddsson was a speaker

⁶⁰ This was the location of the 1986 summit between Gorbachev and Reagan at which they discussed nuclear disarmament.

⁶¹ For a clear synopsis of the libertarian movement’s early anti-Keynesian aims, see the Mont Pelerin mission statement: <https://www.montpelerin.org/statement-of-aims/>.

(Gissurarson 2017b, 371) These visits are a testament to Gissurarson's networking abilities among the intellectual elite of libertarianism, and on a personal basis, being able to meet their heroes must have been extremely gratifying for the liberation ideologues within the Locomotive Group (Gissurarson 2017b, 362). But these visits are also a sign that the Locomotive Group as a political vehicle for libertarian politicians was beginning to show results, and international libertarian intellectuals were doing their best to show their support for this political project (see Section 6.2).

The Libertarian Alliance was successful in raising the profile of libertarian ideas within Iceland, but by 1989 it was gradually winding down and this libertarian group was replaced by a dedicated libertarian research institute, the Jon Thorlaksson Institute, with Hannes Gissurarson acting as the institute's director (Gissurarson 2017a., 262; RNH 2020a). This institute was broader based than The Libertarian Alliance and consisted of a mixture of academics and prominent businesspeople, including the directors of Coca-Cola Iceland, Eimskip (the largest Icelandic shipping company), Icelandair, and a large aluminium plant (RNH 2020b). This process of linking big business, politicians, and libertarian intellectuals had a proven track record abroad. For example, The Adam Smith Institute, The Centre for Policy Studies, and the Institute of Economic Affairs all followed this formula in the UK. And these institutes undoubtedly contributed to the growth of libertarian values within the party policy of the Conservative Party (Cockett 1995); in a similar way it was hoped that the Jon Thorlaksson Institute would help contribute to libertarian policy advances within the Independence Party (Olafsson 2017, 402-403).

The new institute's main aim was to continue to educate the general public on libertarian ideas, but as a research institute it also produced original research on topics of libertarian interest; regularly publishing short monographs, translations of libertarian thinkers, and collections of academic essays (Gissurarson 2007b, 371; RNH 2020b). Despite gaining support from elements within the Icelandic business classes, and libertarian success in Icelandic intra-party politics (see section 6.2), the Jon Thorlaksson Institute ceased to exist by the mid-1990s (RNH 2020b). The main organisational momentum behind the Institute was still Hannes Gissurarson, so when his academic career advanced and he became a professor of politics at the University of Iceland, it became easier to use that university as a base for libertarian research and education (RNH 2020b).

As we shall see in Section 6.2, the Independence Party under David Oddsson's premiership (1991 – 2004) became the focus of libertarian political ambitions, and during these

years there was a distinct absence of libertarian institutes or proselytizing groups, apart from those libertarian individuals attached to the University of Iceland or the Independence Party. The Libertarian Society of Iceland (*Frjálshyggjufélagið*) was set up in 2002, however, this group is made up of a small number of more radical libertarians, who would find the compromises necessary in mainstream politics to be against their ideological convictions. Like Libertarian Ireland, this organisation largely operates as an ideological support group for like-minded individuals; having little to no contact with academics or mainstream political parties (Frjálshyggjufélagið 2020).

After the banking collapse those who had vocally supported libertarian economic reforms became far less vocal due to the extent of public anger against their policies (Boyes 2010, 190-193; RNH 2020b). However, libertarian ideologues such as Hannes Gissurarson felt that an ‘anti-liberal narrative’ was being established that unfairly blamed their record of policy reform for the economic collapse (Gissurarson 2017b). These libertarians were also distressed by the left-wing policies instituted by the government led by the Social Democratic Alliance (2009 – 2013), so in order to counter both left-wing policies and an anti-liberal discourse, a group of young entrepreneurs approached Hannes Gissurarson, asking him to help them set up a new libertarian research institute (Gissurarson 2017b, 392). The Icelandic Research Centre for Innovation and Economic Growth (RNH) was established in 2012, and like the previous institutes its main aim is to educate the general public on libertarian values and to advocate for libertarian policy preferences, today it is the principal libertarian think-tank operating in Iceland (RNH 2020b).

6.2 Libertarianism in Icelandic party politics: The Locomotive Group / David Oddsson faction

Schlozman’s (2009) concept of an ‘anchoring group’ can be applied to these libertarian organisations developed by Gissurarson. Effectively, they were allied to the mainstream Independence Party, through a distinct faction within that party (the Locomotive Group) that had embraced libertarian ideas, but they were outside formal party structures. This meant that libertarians were in a strong position to influence policy change within the Independence Party, and the allied libertarian think-tanks provided the intellectual tools that were necessary to justify their libertarian policy solutions (Schlozman 2009, 242). But this close proximity to a major party

also constrained the radicalism of these libertarian think-tanks, they could criticise the Independence Party but never enough to completely alienate the moderates within the party structures who were needed to support their preferred libertarian policy changes (*ibid.*, 246). Usually an ‘anchoring group’ needs significant public support, but this was not the case for libertarianism in Iceland (see Chapter 4). Instead, the success of these libertarian think-tanks and the libertarian faction within the Independence Party compensated for the lack of a popular support base (*ibid.*, 244-245). This research uses Zuckerman’s (1975) definition of a party faction as its analytical framework, which claims that a faction is:

... a structured group within a political party which seeks, at a minimum, to control authoritative decision-making positions of the party. It is a ‘structured grouping’ in that there are established patterns of behaviour and interaction for the faction members over time. Thus, party factions are to be distinguished from groups that coalesce around a specific or temporarily limited issue and then dissolve... (Zuckerman 1975, 20).

So, this next section will show how this faction of libertarians within the IP came to dominate that party’s power structures and were able to push party policy towards a more libertarian agenda.

The Locomotive Group as a distinct libertarian faction within the Independence Party, managed to dominate the political direction of this party from 1991 until the Great Recession of 2008 (Wade and Sigurgeirsdottir 2010, 11-12). In 1972, however, the Locomotive Group were just a group of libertarian students and young Independence Party members who wished to spread their libertarian ideas and deliver libertarian policy change (Gissurarson 2017a, 258-259). It is important to note that these libertarians were self-radicalised, largely due to Iceland’s stagnant version of capitalism. Although the international libertarian movement would embrace these young libertarian activists, especially once they started to accumulate political power (Gissurarson 2017a, 261-263), the international proselytizing structures of libertarianism played no role in the initial embrace of libertarianism among these young right-wingers. In fact, it was Hannes Gissurarson, who became interested in libertarianism through his own studies, that personally introduced libertarian ideas into his group of friends associated with the Locomotive (Gissurarson 2020a). So, it was the autonomous sharing of the work of libertarian thinkers – such as Friedman and Hayek – and the extent of attention these thinkers were receiving in the 1970s, that led to the radicalisation of these young right-wing students (Gissurarson 2017a, 258). Drawing on Carstensen and Schmidt (2016), this influence can be viewed as the most straightforward version of ideational power,

which is the ‘power through ideas’, the ability of political actors (such as Gissurarson) to get others to adopt their views through the use of persuasion and ideational argument, in this case through the writings of prominent libertarian thinkers (Carstensen and Schmidt 2016, 322-323).

Iceland has been described as a ‘pure’ example of the processes behind the Great Recession of 2008; to the extent that it is a small country, with a small number of policymakers, who wholeheartedly instituted free-market reforms and deregulation (Wade and Sigurgeirsdottir 2010, 7). This concentration of decision-making means that in Iceland, in strong contrast to other countries affected by the economic crisis, it is easy for the general public to point fingers at those they feel are to blame for policy failure. For example, the consumer rights activist, Vilhjalmur Bjarnason, has claimed that the Icelandic crisis can be traced to the decisions made by thirty-three individuals, thirty men and three women (Chartier 2011, 199). Obviously, these individuals were part of larger economic dynamics that led to a worldwide crisis, however, their decisions did lead to an unusually severe crisis that saw a collapse in the currency and the banking system, as well as unsustainable levels of sovereign debt that nearly led to the bankruptcy of the state (Stuckler and Basu 2014, 62-64). Some of the individuals that have been linked to poor policy decisions have been part of the Locomotive Group, which would morph into a faction attached to the Independence Party, dedicated to the political advancement of David Oddsson and his libertarian political agenda (see Table 6.1).

Table 6.1: Prominent members of the Locomotive Group / Oddsson political machine

Name	Biographical details
David Oddsson	Mayor of Reykjavik (1982-1991), Vice-chairman of the Independence Party (1989), Prime Minister (1991-2004), Foreign Minister (2004-2005), Governor of the Central Bank (2005-2009), Editor of <i>Morgunblaðið</i> newspaper (2009 to present).
Geir Haarde	Minister of Finance (1998-2005), leader of IP in 2005, Prime Minister (2006-2009), prosecuted for negligence (2012), Ambassador to the US (2015 to 2019), Official in the World Bank (2019).

Thorstein Palsson	Leader of IP (1983), Minister of Finance (1985-1987), Prime Minister (1987-1988) Lost leadership challenge to David Oddsson (1991), Minister of Fisheries and Justice (1991-1999), Ambassador to London and Copenhagen (2000-2006), Editor of <i>Fréttablaðið</i> (2006-2009).
Hannes Holmsteinn Gissurarson	Informal advisor to David Oddsson. Founder of numerous libertarian think-tanks, professor of politics in the University of Iceland (1995), Board of Directors Mont Pelerin Society (1998-2004).
Magnus Gunnarsson	Prominent businessman. Managing Director Hafskip (shipping company). Managing Director Eagle Air (1976-1981). Vice President Esso Oil company in Iceland (1981-1983). MD of The Confederation of Icelandic Employers (1983-1986). MD Union of Icelandic Fish Producers (1986-1994). Board member of FBA, Islandsbanki and Búnadarbanki Íslands banks. Chairman for the Icelandic Export Council (1988-1993).
Kjartan Gunnarsson	Prominent Icelandic lawyer, Executive Director of the Independence Party (1980-2006), Vice-chairman of Landsbanki
Hafnr Gunnlaugsson	Film Director and television producer, head of production of <i>Ríkisútvarpið</i> (RÚV)- the Icelandic national broadcaster (1991-2006)
Kari Stefansson	CEO of Reykjavik-based biopharmaceutical company deCode genetics.
Jon Steinar Gunnlaugsson	Lawyer and prominent supporter of Oddsson. Appointed to the Icelandic Supreme Court (2004) despite protests that he was underqualified.

(Sources: Boyes 2010; Gissurarson 2017a, 2017b, 2017c; Olafsson 2016; Wade and Sigurgeirsdottir 2010, 2011)

The above table (Table 6.1) shows just some of the most prominent people attached to the Oddsson political machine. A cursory glance at their biographical details shows how prominent this libertarian faction was within both the Independence Party (IP) and the wider Icelandic state. For instance, this group includes three Prime Ministers, as well as two very wealthy businessmen. Other positions of influence held by the Locomotive group include: Minister of Finance, Foreign Minister, academic, Central Bank Governor, Supreme Court Judge, ambassador, and the editorship of major national newspapers. The Locomotive Group successfully leveraged these positions of power to deliver on their preferred libertarian policy changes. For instance, Hannes Gissurarson, the main intellectual of the group, has spoken about the importance they placed on libertarian ideas and policy solutions:

You could say that I had a lot of opportunities to implement my ideas and ideologies in the years 1991-2004, when Davíð Oddsson was Prime Minister, because we are good friends and collaborators. I will gladly acknowledge that I supported a lot of the changes that were made in our economic system during that time: We increased freedom of trade and of the individual, lowered taxes, opened-up the economy, privatised and deregulated. I think it was a great success. When we left the scene in 2004, Iceland was one of the richest and most free nations in the world.... What happened here in Iceland was that we had for long lived under a closed economy and were stagnant in many areas. Eventually a new generation became influential around and after 1990, and I was part of that generation. I wrote books and translated books by great free-market thinkers, such as Milton Friedman and Friedrich A. Hayek. It all amounted to something, and in 1991 a new government started implementing a lot of what I had fought for in my youth. (Hannes Gissurarson, quoted in Magnusson 2009)

Interestingly, many of the above-named individuals went to the same prestigious secondary school, the *Menntaskólinn í Reykjavík*, which has educated nearly every Icelandic Prime Minister since independence (Boyes 2010, 30). There are two schools in Iceland that operate as incubators for the political and business elite, unlike in Ireland and the UK they are not fee-paying. Instead, they are more akin to the old British grammar school system in which entrance is determined by academic merit and not wealth. These school-based ties are important for understanding this faction, which also operated as a mutual support group in a way that can become especially influential in a small society. For example, Gissurarson (2017c, 47) claims that, ‘...there are many interpersonal relationships between people in a small society, “Old boys’ networks” are not only formed at Eton, Harrow, Oxford and Cambridge’.

Oddsson emerged as the most skilled politician from this group of libertarian friends. He was a polarizing, often domineering figure, but also charismatic and capable of inspiring deep loyalty (Gissurarson 2020a). Like Thatcher, who he greatly admired, his world view was Manichean, and he was capable of vitriolic abuse against his political opponents, both on the left and within his own party (Boyes 2010, 6 & 7). He also saw it as his mission to liberalise the Icelandic economy and bring about a national rejuvenation through the power of free-market economics (Gissurarson 2017b, 362). The Locomotive Group sought to aid him in that project by pushing the Independence Party to the right and emulating the pro-market policies of Reagan and Thatcher (Bergmann 2014, 41; Olafsson 2016, 16). Once he gained political office his main criteria for promoting his supporters was their personal loyalty to him, their libertarian ideological commitments, and their competence; and the priorities were usually in that order (Boyes 2010, 30).

In 1982, Oddsson became mayor of Reykjavik, and set about liberalising that city's government. Rahm Emanuel, the former mayor of Chicago, has argued that cities are the new 'laboratories of democracy', where 'progressive' mayors can experiment with innovative policy solutions without being hampered by the glacial pace of policy reform that occurs at the national level (Emanuel 2020; Runciman 2020, 28). And this is exactly what David Oddsson did during his time as mayor of Reykjavik. His friend and advisor, Hannes Gissurarson, has claimed that his policy success as mayor was crucial for building his future career:

David was an outstanding mayor who went from one electoral triumph to another, as you can see, ending up with 60 per cent of the votes. He fulfilled all his electoral promises, publishing in 1986 a list of them and the performance. People also liked the fact that he reduced the number of municipal members from 21 to 15, as he had promised. He built the City Hall against much opposition, and the Pearl, a revolving restaurant and structure, and reformed old buildings and ran the city with a surplus. He also privatised the municipal fishing firm which had been operated at a great loss. I sometimes made the point that the City Hall was free of charge because it cost approximately as much as was saved from the privatisation of the municipal fishing firm. – **Hannes Gissurarson, written response to author's questions (Gissurarson 2020b).**

So, the success of these liberal reforms in local government, such as the privatization of the municipal fishing fleet, was leveraged to justify introducing similar policies at the national level, once Oddsson became Prime Minister. The privatisation model used for the fishing fleet, HB Grandi, would become the template for the future privatisations of the banks. Instead of

confronting the power of the Octopus directly, Oddsson made sure that they could be co-opted into embracing his privatisation policy, by emphasising that the privatization of the fishing fleet would be a significant investment opportunity for anyone with spare capital (Boyes 2010, 36). In this way, the Icelandic elite supported his liberalising reforms because the process of privatisation did not necessarily lead to a diminishing of their control of key sectors of the economy.

Despite Oddsson's success in local government, it was Thorstein Palsson, who was the first member of the Locomotive Group to achieve significant national office, becoming leader of the Independence Party in 1983, Minister of Finance in 1985 and then Prime Minister in 1987 (see Table 6.1). During the 1980s, Independence Party governments would draw upon Locomotive Group ideas, such as the monetarist concept of prioritising the control of inflation through fiscal discipline and high interest rates (Bergmann 2014, 41). However, Gissurarson claims that within the Independence Party, it was becoming increasingly clear that Palsson was unable to deliver on an extensive liberalising agenda:

Thorsteinn [Palsson] on the other hand turned out to be a mediocre politician who did not have the ability to command the loyalty of people. He was not able to overcome the old and entrenched members of parliament to become government minister in 1983, and when he finally became minister in 1985, it was an awkward move. He also alienated his coalition partners. It was quite clear to the leadership of the party that he would not be able to form a government [after the 1991 election]. Iceland has a system of coalition governments, and you just do not enter a government with a weak leader. – **Hannes Gissurarson, written response to author's questions (Gissurarson 2020b).**

Believing he could provide better leadership, David Oddsson successfully challenged Palsson in 1991, and would deliver an election victory that same year for the Party, leading them into coalition with their left-wing opponents, the Social Democratic Party. Oddsson's admirers portray this political in-fighting between friends as regrettable, but necessary for Oddsson to deliver on his mission to liberalise the economy (Gissurarson 2017a, 262-263). But his detractors depict it as an example of his political ruthlessness (Boyes 2010, 33-34). However, pragmatism and ruthlessness are not mutually exclusive; in reality, both character traits seem typical of Oddsson's politics.

Like Thatcher in 1975, Oddsson's leadership bid can be viewed as a 'hostile takeover' of the party from the established party elite (Gissurarson 2020a). But according to Hannes Gissurarson, there was little ideological division between these Locomotive Group members, this

dispute was more personal (and generational) than political, and it was Oddsson's successful electoral record that swung the leadership in his favour:

David, when he went against Thorsteinn, was elected, although Thorsteinn only narrowly lost. The narrow loss was mainly because people in the Independence Party were used to close ranks behind the party leader. It was the tradition. But Thorsteinn lacked the charisma and the good record David had.

But it should be stressed that there was no ideological difference between Thorsteinn and David. If anything, Thorsteinn was more interested in political ideas than David who was more ruled by his common sense. David was more of a populist, in the good sense of the word. He knew the common people. – **Hannes Gissurarson, written response to author's questions (Gissurarson 2020b).**

Once again, it is important to recognise this pragmatic side to Oddsson, despite his genuine libertarian principles (Gissurarson 2017b, 260-261). He was an ambitious politician operating in a mainstream centre-right political party and was more than capable of working with moderate elements, and even with political opponents in the Social Democratic Party.

Libertarian economic reforms: 1991 to 2006

In 1991, Oddsson faced a 'stagflation' problem that was similar to the crisis Margaret Thatcher faced in 1979. Inflation and unemployment were high, growth was low, and the national debt was increasing significantly (*ibid.*, 33). His prescription for this crisis deliberately followed the economic libertarian reforms of the Thatcher years. As per the central thesis of this research, he was aided by the fact that the crisis intersected with a period of Icelandic public policy that contradicted liberal ideological preferences. This meant he was able to convince moderate party members that a more radical liberal agenda could provide both the correct policy solutions and appeal to voters' natural reaction against the perception of failure directed at policies that are inconsistent with liberal values.

This shift towards libertarianism was facilitated by the fact that he had already trialled many of these types of policy solutions in local government. Oddsson was also fortunate that by this time liberal reforms had already been instituted in the UK and the US, and he could point to them as a successful policy precedent (Gissurarson 2020a). As examined in this chapter's case studies, his most significant policy reforms were on taxation and privatisation. However, there

were some liberal economic reforms that had provisionally started before Oddsson, that he made into a more entrenched part of the Icelandic state.

For example, by 1990 the system of Individual Transferable Quotas (ITQs) of fishing rights had become part of the Icelandic fishing industry and are an example of the practical application of libertarian economic values to public policy. This policy was originally introduced under the leadership of the Progressive Party but with the active support of the IP; moreover, the Locomotive Group had been advocating for the privatisation of fishing stocks since the early 1980s (Bergmann 2014, 41-43). ITQs involved the application of a catch quota based on each fishing vessels previous catch history, averaged out over three years. These quotas effectively became akin to property rights, and could be sold between fishing companies, often at great profit. The supporters of this policy saw it as creating an efficient private system of fishing rights, which would reward the most efficient companies, while at the same time preserving the fish stocks (Gissurarson 2017a, 263-267). And it is viewed as a policy success by liberal international institutions (OECD 2017, 2 & 6-7). Its critics compared it to the enclosure of the commons, because the state gave a commonly held resource (fish) to private individuals for free, making some fisherman millionaires overnight (Gylfason 2000; Olafsson 2011).

Opponents of ITQs preferred a rental scheme for fishing rights, which would retain public ownership of the fishing stocks, raise extra revenue for the state, and allow for the free market to reward the most efficient fishing vessels (Olafsson 2011). However, given the ideological leanings of Oddsson and Gissurarson, they obviously preferred a system of private ownership as the most effective means of preserving a resource that was once commonly held (Gissurarson 2017b, 374). So, Oddsson naturally defended the ITQ policy against its critics and cemented its position as a permanent part of Icelandic fishing industry policy (Olafsson 2017, 404).

Once in government a priority for Oddsson was to reduce inflation – which was at 20 per cent in 1990 – through monetary and fiscal discipline, ensuring that government borrowing was kept at a minimum (Gissurarson 2017b, 365-366). This was an obvious win for libertarian values; coming after a period of rampant wage increases that chased increases in the cost of living. But, contrary to his libertarian values, he also reached an accommodation with trade unionism and renewed the ‘National Pact’, which was established in 1990 and was a limited form of corporatism between employers, government, and trade unions. It involved the trade unions agreeing to

moderate pay increases in return for commitments from government to rein in inflation, or to compensate workers with increased wages or social benefits if inflation failed to reduce and continued to eat into the real value of wages (Olafsson 2017, 406-407). This willingness to engage and make deals with political opponents shows the more pragmatic side of David Oddsson, which ran parallel to his ideologically driven libertarian project. This potential for moderate compromise helped him to advance in a conservative centre-right party, despite his personal ideological commitment to libertarianism.

Oddsson also continued Iceland's long-term project of capital market integration into the wider European economy by joining the European Economic Area (EEA) in 1994 (Sigurjonsson 2011, 26). Prior to this, Iceland had also joined the European Free Trade Association in 1970 and entered into a free trade agreement with the EEC in 1972 (*ibid.*, 27). Oddsson supported EEA membership, even though he was not a supporter of the European political project, because he believed the principles around the free movement of goods and capital would benefit a nation strategically situated between the US and Europe. The capital in-flows resulting from EEA membership allowed Icelandic businessmen to gain capital investment and grow the economy, but the unrestricted flows of capital would later prove problematic during the massive expansion of Icelandic financial services after bank privatisation (Sigurgeirsdottir and Wade 2015, 104-105).

On taxation, Oddsson's government took the lead on reforming Iceland's system, and his successor as Independence Party leader and fellow Locomotive Group member, Geir Haarde, would continue his policy of tax reductions. The IP's policies gradually lowered corporation tax from 51 per cent to 15 per cent, making Iceland a tax competitor with Ireland (Sigurjonsson 2011, 28). Tax rebates for investing in privatised companies were introduced, and taxes on inheritance, wealth, and property were gradually phased out (Olafsson 2017, 411; Sigurjonsson 2011, 27-28). The effective personal taxation rates were reduced from 30.41 per cent in 1997 to 22.75 per cent in 2007, and the increased rate of income tax for higher earners was abolished by 2007 (Gissurarson 2017b, 369). A flat-rate tax, which is a policy preference among many libertarians, was introduced on all capital income at ten per cent, which included rent and share dividends. Unsurprisingly, this flat-tax policy was praised by libertarian economists such as Richard Portes (Portes and Baldursson 2011, 200-201). Importantly, despite this radical project of tax reduction,

the overall tax revenue actually increased, as the tax cuts came during a time of economic growth that helped to further turbo-charge the economy (Sigurjonsson 2011, 28).

However, left-wing intellectuals, such as Stefan Olafsson (2005), produced research which showed that although Iceland had similar standards of living to other Western countries, largely due to the economic growth achieved under David Oddsson, the rates of poverty and inequality were higher than other Nordic states. And he claimed that this erosion of a Nordic-style welfare state was a deliberate result of the libertarian tax policies introduced by David Oddsson (Olafsson 2005, 230-233). However, Hannes Gissurarson (2017b) has disputed the accuracy of Olafsson's data, claiming that he incorrectly included capital gains from shares in his calculations on income inequality (Gissurarson 2017b, 375 & 377). The effectiveness of the Icelandic welfare state in comparison to other Nordic countries may be debatable, but what is incontrovertible is the fact that the Great Recession impoverished ordinary Icelanders to a far greater extent than their Nordic compatriots (Olafsson and Kristjansson 2010). And the overall share of the taxation burden for lower income groups actually increased under Oddsson's governments, when compared to higher earners, as government policy sought to incentivise hard work and risk-taking in order to stimulate the economy (Gissurarson 2017b, 378; Olafsson 2003). The findings of the Special Investigation Commission (SIC) report into the Icelandic economic crisis, held these radical tax reduction policies to be partially to blame for the severity of the Icelandic crisis; it claims that:

The authorities decided to lower taxes during an economic expansion period. This was done despite expert advice and even against the better judgement of policy makers who made the decision. This decision was highly reproachable.... These decisions [on lowering taxation and reducing bank lending restrictions] in fiscal and monetary management and others named in the report exacerbated the imbalance in the economy. They were a factor in forcing an adjustment of the imbalances, which ended with a very hard landing (SIC 2010a, 5).⁶²

The SIC report also claimed that this policy of tax reductions was driven by a reckless commitment to low tax policy solutions and by inter-party competition to appeal to middle-income voters (SIC 2010a, 24). These conclusions make it easy to understand why some scholars have concluded that the libertarian drive to cut taxes, despite the risk that it could lead to unsustainable levels of revenue

⁶² The SIC was established by the Icelandic parliament and reported on the causes of the Icelandic financial collapse, this report consists of ten chapters plus appendixes, and includes first-hand testimony from all the key people involved in the decision-making process leading up to the economic crisis. Importantly, it made findings of negligence against key decision-makers, including Geir Haarde (who would be prosecuted for his role in 2012) and David Oddsson.

for the state during a crisis, were a significant contributor to the size of Iceland's economic readjustment after the Great Recession (Olafsson 2011; 2017; Wade and Sigurgeirsdottir 2010).

Privatisation policies under Oddsson's leadership

Privatisation is the other policy instigated by David Oddsson that represented a significant shift towards libertarian values in Iceland. Like Thatcher, he saw the selling of nationalised industries as a primary good, delivering a more efficient economy and a more enterprise orientated citizenry (Johnsen 2016, 37; Moore 2016, 188). And like Thatcher, with her initial privatization of British Airways and Rolls-Royce, he naturally sought to privatise the most market orientated industries first, in order to set a future good example for more controversial privatizations (Moore 2016, 188-189). When he came to power in 1991, the Icelandic state was still heavily involved in many aspects of economic life, which arguably could have been provided more efficiently through the private sector. For example, during his first government he was able to privatise the state monopoly on alcohol production, a printing company, a travel agency, a pharmaceutical company, and a seaweed factory (Gissurarson 2017b, 366-367). Like with Thatcher's privatization project, he received some criticism for under-pricing the value of these assets when they first went to market (Moore 2016, 207; Olafsson 2017, 407). But, in general, these initial privatization projects were successful and led to the sale of larger assets that were more integral to the Icelandic economy, such as Icelandic Telephone and a large fishmeal factory (Gissurarson 2017b 366-367).

However, the financial services industry was his major target for privatization, after all, capitalists cannot grow their businesses without access to credit, and the state dominated banking system meant that lending was often slow and politicised. The privatization of the banks was a success for libertarian economic policy, even if the process was flawed, and the availability of credit helped to develop Icelandic industry and enable Icelandic entrepreneurs to expand internationally. It was a significant policy shift towards David Oddsson's dream of turning Iceland into a major financial services centre in the mid-Atlantic (Johnsen 2016, 38). This policy of privatisation shall be dealt with in more detail in this chapter's case study on bank privatisation (see section 6.4). But it is important to note that the SIC report found that flawed private ownership structures were a major reason for the extent of the banking collapse, and governance issues could

have been avoided if government policy had encouraged the inclusion of international shareholders into the privatisation process (SIC 2010a, 2-4).

Table 6.2: Icelandic governments from Oddsson’s first premiership to 2020 (parties listed in order of largest percentage vote share)

Years	Coalition governments (in order of vote share)
1991 – 1995	Independence Party and Social Democratic Party
1995 – 1999	Independence Party and Progressive Party
1999 – 2003	Independence Party and Progressive Party
2003 – 2007	Independence Party and Progressive Party
2007 – 2009	Independence Party and Social Democratic Alliance
January 2009	Social Democratic Alliance and Left-Green Movement (interim government)
2009 – 2013	Social Democratic Alliance and Left-Green Movement
2013 – 2016	Independence Party and Progressive Party (PM from this party)
2016 (snap election) – government formed in 2017	Independence Party, the Reform Party and Bright Future
2017 to 2020	Independence Party, Left-Green (PM from this party) and Progressive Party

Libertarian policy failure and a shift away from libertarian policy solutions

During the period from 1991 to 2006, these libertarian economic reforms paid off for Iceland. A country that had regularly known periods of boom and bust, coinciding with the fluctuations in the fishing and growing seasons, had enjoyed economic stability and significant economic growth. Oddsson based his economic strategy on three pillars: Liberalisation, Stabilization, and Privatisation, which he called LSP (Boyes 2010, 112). As shown in Table 6.2 (above) these three strategic aims paid dividends in terms of electoral success, in that he returned his party to government as the largest coalition partner after every general election. During this period of economic growth Iceland was branded the ‘Nordic Tiger’ to match Ireland’s ‘Celtic Tiger’ (*ibid.*, 109). However, much of this growth was funded by easy access to cheap international capital.

Joseph Stiglitz (2001) wrote a report for the Central Bank of Iceland (CBI) warning of the dangers of unrestricted capital flows into a small economy, however, the government continued to artificially inflate the boom through approving financial products such as Icesave and the deregulation of the mortgage market (Sigurgeirsdottir and Wade 2015, 109-110). This helped to inflate a housing bubble and the Icelandic entrepreneurs who controlled the banks used this access to easy credit to fund the expansion of their business empires through reckless acquisition sprees (*ibid.*, 109-111). The personal debt of the Icelandic people increased during these years, as the middle-classes purchased new cars and investment properties (Olafsson 2016, 65-67). The financial services sector also grew exponentially, increasing from one year's GDP in 2000 to 744% of GDP by 2007 (Zoega 2016, 23). When Lehman brothers collapsed in September 2008, and short-term liquidity dried up, this led to a crisis that combined a run on the Icelandic Krona, bank insolvency, and a sovereign-debt problem, because the Icelandic state could not cover the losses incurred by its banking industry (Wade and Sigurgeirsdottir 2010, 5-6). Within a week of the Lehman brothers collapse, all three big Icelandic banks were back in national ownership, and their combined bankruptcies were among the top ten largest bankruptcies in world history (Zoega 2016, 21). This was obviously a huge failure for the Oddsson political project, which had sought to turn Iceland into an international financial centre, similar to Frankfurt or London (Sigurgeirsdottir and Wade 2015, 107-108).

The crisis naturally led the Icelandic people to turn against the policies of liberalisation and privatisation, and those policymakers who had implemented them (Bernburg and Vikingsdottir 2016, 89-90). Coinciding with the theory behind this research we can see that this unprecedented crisis, which intersected with policy consistent with liberal ideology, created a punctuated period in which policy shifted away from libertarian preferences. Geir Haarde, who was Prime Minister during this crisis and David Oddsson's chosen successor, was forced to institute capital controls due to a run of deposits from the Icelandic banks. This ended the free movement of capital into and out of Iceland, a significant policy failure for a libertarian (Sigurgeirsdottir and Wade 2015, 113). On the 24 October 2008, when close to bankruptcy, the Icelandic state was forced to officially ask the IMF for help. By this point the IMF had begun to accept that its policies that had favoured economic liberalisation and the deregulation of financial services had, at least partially, failed. So, the IMF shifted away from decades of its institutional policy by supporting and strengthening the capital controls within Iceland, it even rationed the amount of foreign exchange

purchases available to Icelandic residents, the first time it prescribed this policy in a developed economy (*ibid.*, 113-114). Restricting the free movement of capital during the crisis was an obvious failure of libertarian policy, but it did manage to limit the fiscal deficit by reducing the amount of capital needed by the banks, helped to sustain the domestic market, and protected the welfare state from the impact of capital flight (*ibid.*, 122).

In the immediate aftermath of the crisis, the Icelandic people were shell-shocked and incapable of collective action (Boyes 2010, 193-187). However, by January 2009, anger began to solidify against the political elite in Iceland. Specifically, against the Independence Party, the Prime Minister Geir Haarde, and David Oddsson, who was then serving as a Central Bank governor. A protest movement known as the ‘kitchen revolution’ formed, this name coming from the banging of pots and pans by the protestors on the streets of Reykjavik (Bergmann 2014, 135-137). The protesters sought the removal from office of all those they blamed for the crisis, namely the Independence Party from government, and David Oddsson from the Central Bank. Surrendering to intense public pressure, Geir Haarde resigned from office and an interim government was formed by the Social Democratic Alliance and the Left-Green Movement (see Table 6.2 above). In the subsequent election, there was a huge swing to the left by the electorate, that now distrusted liberal policy solutions, and the left-wing interim government would win a large majority in the Althing (the Icelandic parliament).⁶³ The Independence Party received its lowest percentage vote ever in a general election (23.7%) and for the first time in Icelandic history there was a left-led government (Ingimundarson et al. 2016, 4). Once again, this coincides with the central hypothesis being tested, in that there is a policy shift away from libertarian solutions when a crisis intersects with a period in which policy implantation is consistent with liberal ideological preferences.

The left would reverse many of the policies implemented by Oddsson, through tax increases and the increased regulation of the economy (Gissurarson 2017b, 392). The new government managed to stabilize the economy, increase employment, strengthen the welfare system so that the most vulnerable were protected through the recession, and returned the country to modest growth by 2011 (Ingimundarson et al. 2016, 4, Olafsson 2016). However, by the 2013 general election (see Table 6.2 above) the voters had shifted to the right again and brought back to

⁶³ Interestingly, the Althing is the oldest parliament in the world.

power the Independence Party with their long-time partners the Progressive Party. The left lost credibility with much of the voting public due to a failed constitutional reform project, which was viewed as unnecessary by many Icelanders (Olafsson, J. 2016) and a perceived failure to stand up for Iceland's interests by their willingness to pay some of the losses incurred by Icesave deposit account holders (Gissurarson 2017b, 391).

The Icesave fallout and a return to power for the IP

Icesave was a high-interest deposit account developed by Landsbanki, which sought investment from across Europe. It was designed to bring in extra capital to the Icelandic banks when their credit rating faced a 'mini-crisis' in 2006. When the Icelandic banks collapsed, the European deposit account holders faced losing their savings. European countries, such as the Netherlands and the UK, wanted the Icelandic state to cover these deposits, which angered Icelanders who felt they should not pay for the failed investments of privatised institutions (Bergmann 2014, 147-150). By appealing to the old-fashioned liberal value of *caveat emptor* and refusing to add failed investors' losses onto the debt of the Icelandic people, the Independence and Progressive Parties were standing behind their liberal principles and appealing to the anger of voters with an unashamedly nationalist and populist message (Hallgrimsdottir and Brunet-Jailley 2016).

Their position was proven correct in the eyes of many Icelandic voters when the European Free Trade Association court ruled that Iceland did not have to pay for the deposits lodged by British and Dutch citizens into the Icesave deposit scheme (Sigurgeirsdottir and Wade 2015, 121-122). Their opposition to the stringent capital controls and support for mortgage debt relief also benefited these parties, especially the Progressive Party, as many within the Icelandic middle-class felt that their interests were not being catered to by the Left-Green and SDA coalition (Bergmann 2015). However, despite the Independence Party being in government continually since their win in 2013, the party has not returned to the radical libertarian reform it had previously espoused, and Oddsson's libertarian faction had lost influence within the party. The new leader, Bjarni Benediktsson, is from the older, more conservative, and less radical tradition within the Independence Party. The governments in which he has taken part, have been more active in the economy, maintained welfare provision, and been less liberalising (Olafsson 2016b). He has gone into coalition with the Left-Green movement in 2017 (see Table 6.2 above), even accepting their

leader as Prime Minister, something that would have been unthinkable for the more partisan libertarian group around Oddsson, who viewed the Left-Green as dangerous ‘communists’ (Gissurarson 2017b, 391; Magnusson 2009).

So, the economic crisis that intersected with policy consistent with liberal ideological preferences, has shifted both the Icelandic state and the Independence Party away from libertarian policy solutions. The Icelandic state is more interventionist post-crisis, but this shift away from liberalism has not led to radical systemic change in Icelandic society (Ingimundarson et al. 2016, 3). Much of Oddsson’s liberalising programme has been retained and become normalised. Apart from the banks, the privatisation project remains untouched, Iceland remains the lowest taxed of the Nordic states, and the Icelandic people can be viewed as the most entrepreneurial in the region (Iceland Monitor 2016). Oddsson likes to compare himself to his hero Margaret Thatcher and to the extent that his radical liberal reforms have led to long-lasting, and perhaps irreversible, changes to his country this may be a fair comparison (Boyes 2010, 6 & 7). However, like Bertie Ahern, his reputation within his own party has suffered as a result of the perceived policy failings during his years in government leading up to the Great Recession and it is nearly taken as axiomatic by scholars that his libertarian agenda was to blame for the extent of the Icelandic crisis (see: Johnsen 2016; Olafsson 2016, 2017; Zoega 2016). Importantly, the SIC report makes findings of negligence against Oddsson (as CBI governor) and Haarde (as Prime Minister) in regards to their failure to respond appropriately to the danger posed by the reckless behaviour of the Icelandic banks (SIC 2010a, 9-10 & 18), it was outside the remit of the report to ascribe ideological motivations, but their libertarian ideological preferences did encourage them to resist the necessary state-led intervention on a rapidly growing financial market (Arnason 2016).

In summary, this chapter has demonstrated how libertarian ideas became the ideological motivational force for a small group of like-minded right-wing students in Iceland. This same group became the dominant faction within the Independence Party and pushed its policy significantly to the right. Once in power, they sought to implement their libertarian values through public policy, and they replicated the policy prescriptions of the Thatcherite political project. This led to both economic growth and electoral success under Oddsson’s leadership. However, the fallout from the Great Recession and the near bankruptcy of the Icelandic state, caused a reaction against these libertarian economic values both within the IP and, more importantly, among voters.

While the IP has recovered to its former electoral position after the devastating 2009 General Election, its libertarian wing no longer controls the party apparatus and policy control has returned to the less radical pre-Oddsson elite (Gissurarson 2020a). The next three case studies (see Table 6.3) will explore this process of libertarian ideologues pushing for liberal policy solutions within a centre-right political party such as the IP, but often meeting resistance due to a reaction against the perceived failure of liberal policy and the electoral need to appeal to voters' preferences.

Table 6.3: Punctuated periods of fluctuating influence for libertarianism within Independence Party policy

	Political Stability	Political Crisis
Policy consistent with liberal ideology	<p><u>No major change</u></p>	<p><u>Shift Away</u></p> <p>IP – Bank nationalisation (2008)</p> <p>IP – IMF led Capital controls (2008)</p> <p>IP – Support for Iraq War (2003)</p> <p>IP- Collapse of deCODE Genetics (2001)</p> <p>IP- A higher rate of income tax set for higher earners (1993)</p>
Policy contradictory to liberal ideology	<p><u>Strategic Adaptation</u></p> <p>IP- Closing of the Competition Authority and the National Economic Institute (2002)</p> <p>IP- Icesave (2006)</p> <p>IP- Media law (2004)</p> <p>IP- National Pact renewed (1993)- limited social partnership through wage bargaining with the trade unions</p>	<p><u>Shift Towards</u></p> <p>IP – Privatisation of municipal fishing fleet: HB Grandi (1987)</p> <p>IP – Bank privatisation (1998-2003)</p> <p>IP – Joined European Economic Area (1994)</p> <p>IP – Lowering of Corporation tax from 45 to 18 per cent (1992)</p> <p>IP- decision to end capital controls (2015)</p>

6.3 Shift towards: The Bank Privatisation Programme (1998 – 2003)

The hypothesis being tested claims that the opportunity for libertarian policy change within mainstream right-wing parties occurs when a political crisis interacts with pre-existing policy decisions that contradict liberal ideology. When these political processes interact, it creates the necessary space for ideologically motivated actors to shift their party policy into a more libertarian direction. This is the causal mechanism that unites cause and outcome within the theory being tested, and through the use of process tracing in this case study, the extent or existence of the causal links can be established (Beach 2015, 471). Under these causal mechanism conditions, we should view libertarian ideologues within centre-right parties pointing to the failure of policy that contradicted liberal values in the lead up to the crisis. And through this process convincing moderates within their party to embrace a more radical liberal agenda. This serves a dual purpose of providing a policy solution that is ideologically consistent for a right-wing party, while at the same time appealing to voters who will also naturally react against the perceived failure of policies that contradicted liberal ideological preferences. The above table (Table 6.3) shows the cases that illustrate this shift towards libertarian policy within the Independence Party, which occurs when the independent variables of crisis and liberal contradictions interact, creating a moment of opportunity in which radical changes to policy becomes more feasible.

For example, joining the EEA in 1994 was a win for the free movement of goods, capital, and labour (see Table 6.3). The SIC report viewed as critical the role that free access to European capital markets played in the expansion of both the Icelandic economy and its financial services during the late 1990s and early 2000s (SIC 2010b, 19-20). Also, David Oddsson's government took the decision to reduce Iceland's corporation tax from 45 to 18 per cent in 1992, and they would gradually reduce it to 15 per cent by 2003, making it one of the lowest rates in the EEA (Sigurjonsson 2011, 28). Again, this is an obvious win for libertarian policy preferences, as Oddsson viewed low taxes as being an incentive for homegrown growth as well as a pull-factor for multinational investment (*ibid.*, 28).

However, the chosen case is the bank privatisation project from 1998 to 2003, because it was the centrepiece of Oddsson's long-term plan to liberalise the Icelandic economy and to build sustainable growth based on the three pillars of fish, tourism, and financial services (Bergmann 2015, 65-67). He had already cemented the marketisation of the fishing industry through the ITQ system and now he wanted to use the privatisation of financial services to spur development within

Iceland (*ibid.*, 41-44). When Oddsson came to power in 1991, the banks were state-owned, provincial, and under the control of political elites (Wade and Sigurgeirsdottir 2010, 10). This position was obviously contradictory to liberal ideology, and the crisis in Iceland's economy in 1991 provided David Oddsson with the necessary opportunity for him to push through his plan to financialise the Icelandic economy. In this he was following his libertarian instincts in using financial liberalisation to drive forward an arthritic economy (Johnsen 2014, 59). But he was also following the best expert advice which had converged on the need for the privatisation and deregulation of financial services in order to encourage entrepreneurship in the wider economy (see: Boycho and Vishny 1996; Martin and Parker 1997; Vickers and Yarrow 1988; Villalonga 2000). So, on this policy, his own libertarian preferences were in tune with the economic orthodoxy of the day and, at first, this policy delivered the central libertarian success of his premiership.

The causal mechanism of the theory behind this research suggests that in order to gain acceptance for their libertarian policies of privatisation, the ideologues within the IP would need to convince the moderates that this policy shift is the correct response to the crisis. However, by the 1991 election victory, David Oddsson and his libertarian faction were in a dominant position within the party (Olafsson 2016, 63). During the 1980s this libertarian faction had been pushing its ideas within the party, and party members had been looking with interest at the policy reforms pursued by Reagan and Thatcher (*ibid.*, 63-64). Hannes Gissurarson has claimed that within the Independence Party in the 1980s, '...there was some opposition to liberalisation, mainly from old party members from rural areas, but by 1991 it had more or less dwindled to nothing. It was grumbling rather than any principled and articulate opposition' (Gissurarson 2020b). This is an interesting position for a mainstream right-wing party, as it is very rare for a libertarian faction to become so dominant within a centre-right party that libertarian policy positions effectively became the new norm. Even Margaret Thatcher, with her forceful personality and electoral successes, was never able to completely exclude her ideological opponents within her party from Cabinet, she always had to make some concessions to one-nation conservatives (known as the 'wets' by Thatcherites). Oddsson, however, thanks to the success of the Locomotive Group faction in spreading libertarian ideas within the party in the 1980s, never had to convince moderates to adopt his policy positions once he became leader; in fact, he was often less radical than some of his colleagues (Gissurarson 2020b).

So, in terms of policy at this point in his leadership there was no one in the party that was either interested in or brave enough to challenge Oddsson's liberalising agenda. Importantly, this shift towards libertarian values only ever included economic issues, as in Iceland, like other Nordic countries, the society was already predominantly secular, and social liberalism was not really a cleavage issue (Gissurarson 2020a). This meant that challenging societal taboos or pushing for change on issues like abortion rights or gay marriage was not a significant part of normal party politics. Instead, there was societal convergence on these issues, even in a centre-right conservative party. However, while social conservatism was not a significant part of the Independence Party's identity, neither did it support more radical libertarian positions on legalising drugs and prostitution, even under David Oddsson's watch.

So, by the 1991 election, the Independence Party had become thoroughly convinced of the need for liberalisation and it was actually the moderates within their junior coalition partners that David Oddsson needed to convince in order to shift policy into a more libertarian direction. For example, the privatisation of the banks was not possible in his first government with the Social Democratic Party (SDP) in 1991 (see Table 6.2 above). Like many social democratic parties, the SDP had moved to the centre since the 1970s and had embraced many liberal tenets; for example, Hannes Gissurarson claims:

In fact, there was not much opposition from the Social Democrats to liberalisation [in general]. They wanted an open economy. They were strongly for free trade... But the Social Democrats were not as enthusiastic about tax cuts and privatisation as the Independence Party. It was far easier to get that through in the coalition with the Progressive Party afterwards [after the 1995 election]. – **Hannes Gissurarson, interview with author (Gissurarson 2020a)**

This shows that the SDP had moved to the right and was willing to cooperate on some modest privatisations of market orientated firms, such as a drilling company and alcohol production, but privatizing the big state banks was a step too far for them at this point, although they would later become enthusiastic supporters of the financialisation of the Icelandic economy (Gissurarson 2017, 366). So, it took David Oddsson going into coalition with the Progressive Party in 1995 (see Table 6.2) for him to get the chance to really push his liberalising agenda (Olafsson 2016, 62). The Progressive Party was also moving rightward during the early 1990s, it was moving away from its core rural support and trying to increase its following among the urban middle classes (Bergmann 2015, 45). In the programme for government negotiations, Halldór Ásgrímsson, the leader of the

Progressive Party and subsequently the Minister for Foreign Affairs under Oddsson, agreed to a comprehensive privatisation plan (Johnsen 2014, 60). In order that this process would be completed fairly, and to avoid the kleptocratic privatisation processes that had recently occurred in the former Soviet bloc, they agreed to set up a Committee on Privatisation (CoP) to oversee privatisation policy. David Oddsson's testimony to the SIC shows his liberalising intentions when commencing bank privatisation:

Financial services here were, of course, quite primitive, you see, very primitive, though many have forgotten; so, people figured that with privatisation, Iceland would have to attract the experience of market players who had been in this business in the free market elsewhere for 200 or 300 years... (SIC 2010d, 23)

The initial flotation of the first tranche of bank shares would come close to achieving Oddsson's stated aim, as these shares were offered in an open sale, to both the general public and institutions, leading to something approaching his aim of a 'property owning democracy' (Johnsen 2014, 61; Thatcher 1986). However, despite having no serious resistance to privatisation within his parliamentary party, there was still a need to placate traditional elites attached to both his own party and within the Progressive Party. This would lead to a flawed privatisation process that excluded outsiders from purchasing the controlling shares in the biggest state-owned banks, and to the eventual collapse of 98 per cent of Iceland's financial institutions (SIC 2010b, 6-8).

The next section will look at the privatisation of each of Iceland's three big banks – Landsbanki, Kaupthing, and Glitnir – focusing on Oddsson's need to retain elite control over them, which would lead to claims of 'crony capitalism' and even economic sabotage (Olafsson 2016; Wade and Sigurgeirsdottir 2010). Effectively, his need to placate conservative elites, and his own supporters, meant that by 2003, the three largest banks in Iceland, would all be in the hands of shareholders with political connections to the Independence and Progressive Parties, but with no banking experience (Johnsen 2016, 38-39). And crucially, these same politically connected shareholders would become the largest borrowers from the banks in which they controlled appointments to the boards (SIC 2010b, 6-8).

Landsbanki

The big financial institutions were among the last state-owned industries to be privatised, because marketing them was more complicated than in other industries and more important to the economy

(Sigurjonsson 2011, 27). Even with the support of the more moderate Progressive Party, this complicated process could not begin in earnest until 1998. The CoP recommended that the banks should be privatised in order of size, with majority shares in Landsbanki being offered before the smaller Bunadarbanki (Johnsen 2014, 60). And a memo from the Ministry of Commerce to the CoP set out the government's good intentions for these sales:

It is proposed to sell the shares both in Iceland and abroad, and to register at least one of the banks at the London Stock Exchange and possibly elsewhere. There are two main reasons. One is that the scope of the sale is probably greater than the domestic market is capable of handling adequately in a single year. The other is the desirability of attracting foreign investors to participate in providing financial services in Iceland. (cited in Johnsen 2014, 60)

This shows that the Icelandic state knew that an efficient financial services sector in a small country would need foreign investors and at least some international expertise. And Oddsson's testimony to the SIC shows that he also recognised this need (SIC 2010d, 23). However, when Skandinaviska Enskilda Banken (SEB), a big Swedish bank, sought to secure a controlling share of Landsbanki in 1998, David Oddsson and Geir Haarde would personally step in and stop the sale (Johnsen 2014, 61). In testimony to the SIC, Oddsson claimed that this was because he wanted to ensure a transparent process of privatisation that was open to the public and to get a better price for the state (SIC 2010e, 231). And his subsequent decisions would ostensibly support this argument. For example, in 1998 the state offered an initial share offering consisting of 13 per cent in both Landsbanki and Bunadarbanki (Sigurjonsson 2011, 34). And in December 1999, the government offered more shares in both banks, diluting public ownership to 72 per cent in each, and over 55 thousand subscribers bought shares in this offering, most of them Icelandic citizens (Johnsen 2014, 61). This went a long way to engendering the 'popular capitalism' that both Oddsson and Thatcher believed in (Thatcher 1986).

However, the success of the first tranche of shares did not negate the need for foreign capital, and more importantly, international financial expertise. In 2001, the Committee on Privatisation (CoP) made the decision to release a large share offering in Landsbanki, and HSBC was hired as an advisor for the sale (Johnsen 2014, 62). But the fallout from the dotcom bubble of 2001, meant that an international buyer could not be found. Oddsson, would use this failure as justification for seeking purchasers from within the Icelandic elite (Johnsen 2014, 63-64). However, maintaining Icelandic ownership was also about securing the bank for his preferred

bidders among the traditional Independence Party elite and excluding businesspeople he viewed as his enemies. Eventually, a trio of Icelandic businessmen with close ties to the Independence Party – Bjorgolfur Gudmundsson, his son Bjorgolfur Thor Bjorgolfsson, and Magnus Thorsteinsson – became the front runners to buy a controlling share in Landsbanki (SIC 2010b, 8-10). Much has been made of their links to the Independence Party; for example, Bjorgolfur Gudmundsson was from an IP ‘Octopus’ family and had been a senior unelected official within the party (Sigurjonsson 2011, 29). Gissurarson has defended the bad optics surrounding their bid by claiming that Bjorgolfur Gudmundsson was actually from a faction opposed to Oddsson in the 1980s (Gissurarson 2017, 381-382). This is true, but when in December 2002, the Samson Group (the name given to their investment company) secured a controlling 45.8 per cent share in Landsbanki, this meant that the largest bank in the state would remain in the control of the Icelandic elites connected to the Independence Party, who had always controlled that bank (Sigurjonsson 2011, 29). As with the municipal fishing fleet in Reykjavik, Oddsson used the privatisation process to advance his libertarian policy agenda, but also to reassure the ‘Octopus’ elite that they had nothing to fear (and everything to gain) from a liberalised Icelandic economy.

In the same way that Goldman Sachs was willing to manipulate Greek economic data on behalf of PASOK, to ensure Greece’s entry into the Eurozone, so HSBC was willing to enable a privatisation process that favoured the Samson Group and the Independence Party (Will et al. 2013, 318). For example, an email from a HSBC employee, Edward Williams, to a senior Icelandic civil servant stated:

By defining the criteria and weighting carefully, it is possible to arrive at the ‘right’ result in selecting the preferred party [Samson Group], whilst having a semi-scientific justification for the decision that will withstand external critical scrutiny (SIC 2010e, 263)

And private emails of Independence Party members made available to the SIC discussed this privatisation; in these emails, the editor of the influential *Morgunbladid* paper stated that Landsbanki needed to be kept in the hands of people who were, ‘on good speaking terms with the IP’ (Olafsson 2016, 75). This flawed process behind the sale to the Samson Group led one member of the privatisation committee, Steingrimer Ari Arason, to resign in protest (Johnsen 2016, 39). In testimony to the SIC, he claimed that he had never previously witnessed such unprofessional behaviour (SIC 2010e, 266). And in one of the findings of the SIC, it states that the Icelandic Financial Supervisory Authority (FME) actually raised concerns about Samson Group’s other

investments and ordered this group to limit the cross financing of their enterprises; the report states that:

When the banks were privatised, it was clear that the FME was somewhat concerned about the owners of the banks running other businesses at the same time as running the banks. This can, inter alia, be seen in its original requirement to the fact that Samson Group would commit itself to limit the purpose and the activities of the company to managing its ownership of the bank in question. It can be assumed that this was, inter alia, done in order to prevent the owners from putting the shares in Landsbanki up as collateral for other operations they truly were engaged in. (SIC 2010b, 11)

However, right from the start of its control of Landsbanki, Samson would use its share ownership, and influence on the Landsbanki board, to leverage further borrowings and fund the expansion of their personal business empires (SIC 2010b, 11-12). This is important because according to the SIC, the major shareholders of the Icelandic banks using the banks they controlled to provide excessive borrowing to their other companies, would be a major factor in the Icelandic economic collapse (SIC 2010b, 6). The regulation of these business practices by the FME remained weak to non-existent (Arnason 2016).

Bunadarbanki / Kaupthing

So, despite the initial well-run share offerings, the Independence Party's traditional control of Landsbanki was retained after privatisation by ensuring it was delivered into the hands of sympathetic businessmen, who were part of the traditional Icelandic elite. And a similar process would occur with the privatisation of Bunadarbanki, the second biggest bank in the state. When the Progressive Party learnt that the Samson Group were the front runners for the Landsbanki bid, their party's Minister of Commerce, Valgerdur Sverrisdottir, instructed the CoP that Bunadarbanki should be sold at the same time (Johnsen 2014, 63). This deliberately contradicted the Committee on Privatisation's (COP's) position that the banks should be sold separately (*ibid.*, 60), and occurred despite Oddsson knowing that the market conditions were not right to get a good price for both banks (SIC 2010e, 239). Importantly, Oddsson stated to the SIC that it was the Progressive Party who insisted on Bunadarbanki being sold at the same time as Landsbanki, and that he compromised on this issue to ensure the smooth running of government (SIC 2010e, 239). However, the suspicion is that once the Progressive Party learnt that Landsbanki was likely to

remain in control of people connected to the Independence Party, they wanted to ensure that Bunardarbanki, which was traditionally a Progressive Party bank, would remain in the control of their own party elites (Johnsen 2016, 39). Essentially, the stance was, if your people get one bank, our people need to get the other (Olafsson 2016, 408).

And this is what happened when the S-Group became the front runners to buy the 45.8 per cent controlling share in Bunardarbanki. The S-Group was made up of a group of investors with strong connections to the Progressive Party; for example, one investor was a former Minister and Central Bank Governor (Johnsen 2016, 39; Sigurjonsson 2011, 29). Once again, HSBC played a role in securing this bid, and they gave the S-Group the highest rating of all potential investors (Johnsen 2014, 68). This was despite the fact that the reputable international financial institution they had included to make their bid more credible – the small German private bank, Hauck & Aufhäuser (H&A) – had a minimal role in advising on the purchase and would later play no part in the running of the bank (*ibid.*, 70-71). The S-Group would secure the controlling share in the bank in January 2003, and in April of the same year this bank would merge with a small privately owned investment bank, changing its name to Kaupthing (Sigurjonsson 2011, 35). As with Landsbanki, the SIC would find that the financial inexperience of the major shareholders, and the provision of massive loans to these same shareholders, created the conditions for the bankruptcy of the second biggest bank in Iceland (SIC 2010b, 7).

Glitnir

Glitnir bank was actually the first bank to be privatised, in what was the most straightforward and open of the Icelandic bank privatisations. It helped that it was a small investment bank designed to fund modest regional development, so it was not a systemic part of the Icelandic economy, and it was less complicated to float on the free market. *Fjarfestingarbanki atvinnulífsins* (FBA), as the bank was then called, was privatised in two tranches of 49 and 51 per cent between 1998 and 1999 (Gissurarson 2017b, 367). However, the fact that the shares were open to purchase on the Icelandic stock exchange meant that anyone could build up a sizeable shareholding. And the Baugur Group, led by Jon Asgeir Johannesson, would become the largest shareholders in this bank, as well as the largest borrowers (SIC 2010a, 2).

Glitnir was privatised fairly but as with the other Icelandic banks, it would become a vehicle used to fund the expansion of its own shareholders enterprises (SIC 2010a, 2-3). But unlike with the other banks, Jon Asgeir (the largest shareholder) was outside the traditional ruling elite in Iceland. His family fortune was built on supermarkets, and he would expand their interests into high-street fashion (Boyes 2010, 61). They lacked political connections and were viewed as ‘barrow boys’ by the more snobbish Octopus families (*ibid.*, 64). A rivalry developed between Oddsson and Asgeir, with both men believing that the other was out to destroy them, this rivalry descended into a complicated pattern of feuding in which both men tried to damage the other’s career and reputation (Boyes 2010, 43; Gissurarson 2017b, 372-373). The problems between Asgeir and Oddsson were more personal than political, as both men supported laissez-faire capitalism (Olafsson 2016, 402). In fact, there is some ideological inconsistency in Oddsson’s dislike of Asgeir and some of the other nouveau-riche businessmen that had taken advantage of his liberal reforms. This led people in Iceland to refer to these new and brash entrepreneurs as ‘Oddsson’s bastard children’, both because he was responsible for creating them and because there was much resentment between them. (Boyes 2010, 109). Thatcher admired the hard-working but vulgar ‘city-boys’ that emerged in the City of London after her financial reforms, but Oddsson disliked wealth and power accruing in areas that his party (and by extension himself) did not exert some control over (*ibid.*, 109-111). The fact that a political enemy, like Asgeir and his Baugur Group, gained a foothold in a big Icelandic bank may have further encouraged Oddsson to deliver the two biggest banks to people connected to his party and the traditional power structures within Iceland.

Why was the privatisation process so flawed?

In summary, the economic crisis in Iceland when Oddsson came to power in 1991, interacted with banking policy that was statist and inconsistent with liberal values, with the state-owned banks acting as a brake on economic development. As per the central thesis of this research, this interaction created the necessary opportunity for libertarian ideologues to push through a more radical liberal policy agenda. Oddsson and the libertarian faction surrounding him, were in a dominant position in terms of policymaking within the Independence Party (Gissurarson 2020a). So, initially it was the moderates within his SDP coalition partners that he needed to convince in

order to shift policy in a more libertarian direction. He failed in this endeavour, as privatising the state's main banks would prove to be a step too far for this centre-left party in 1991. It was not until the coalition with the Progressive Party in 1995 (see Table 6.2 above), that we can find evidence in support of the causal mechanism. Its moderate leadership was convinced by libertarian ideologues within the IP to support bank privatisation as part of the programme for government.

The bank privatisation process started off well, as per the liberal concept of a property-owning democracy. However, Oddsson's need to retain the goodwill of conservative elites within the Independence Party led him into the 'flawed' privatisation of Landsbanki, this set a precedent, and the Progressive Party then sought to secure Bunadarbanki for their own party elite (WGE 2010). So, in order to deliver bank privatisation, Oddsson needed to placate conservative moderates within his coalition partners as well as the Icelandic elite attached to his own party. The moderates within the Progressive Party were easily convinced, but unfairly prioritising his own traditional party elites in the sell-off of bank shares created a dynamic in which a poor privatisation model would lead to the failure of the Icelandic banking system and its renationalisation within six years (SIC 2010a, 1-3; WGE 2010).

6.4 Shift Away: Capital Controls

When a political crisis interacts with a policy failure that is consistent with liberal ideology, this creates the necessary opportunity for a shift away from libertarian policy within mainstream parties. Under these conditions we should view libertarian ideologues failing to convince their more moderate colleagues about the need for radical liberal reform, and instead the party will embrace a much less liberal policy agenda. So, party moderates will react against the liberal policy choices which are viewed as being the cause of the crisis and embrace a party policy solution to the crisis that contradicts liberal values. This will serve a dual purpose of also appealing to voters who will be similarly disillusioned with liberal policy solutions.

Table 6.3 (above) provides some examples of this shift away from libertarian policy within the Independence Party. For example, the decision by the state to provide support for deCODE Genetics in 2000. This occurred when Oddsson's project to liberalise the Icelandic economy, interacted with a crisis caused by Iceland's overreliance on tourism, aluminium, and fish for

economic development (Bergmann 2014, 44-46). This wish to diversify the economy led Oddsson to provide state guarantees for a new biopharmaceutical company, deCODE Genetics, a state-led intervention in the private sector that obviously contradicts liberal economic values. This company aimed to garner the genetic sequencing of Icelandic citizens, and then use their insular gene pool to isolate the genetic codes for specific diseases (Bergmann 2014, 66-67). Importantly, deCODE's founder was Kari Stefansson, an old school friend of David Oddsson and another member of the Locomotive Group (see Table 6.2 above), which undoubtedly encouraged this intervention in the market (Boyes 2010, 40). The state support for this business, along with a state-led advertising campaign, encouraged many Icelandic citizens to borrow money to invest in deCODE shares (Bergmann 2014, 67). However, the company failed when the public's concern about data protection, combined with the collapse of the dotcom bubble, leading to the state having to cover much of the losses from the deCODE investment (Boyes 2010, 40-41). In fact, this process behind the deCODE policy failure is very similar to the later financial bubble that eventually led to the renationalisation of the Icelandic banks in 2008.

Another example of a shift away from libertarian policy is the support of David Oddsson's government for the Iraq War in 2003. This occurred when Iceland's long-time support for multilateralism and the liberal rule of international law, interacted with a crisis caused by the planned closing of the US airbase in Keflavik, which was strategically and financially important to Iceland (Bergmann 2014, 180-181). This led Oddsson to cave into US pressure and pledge his support for the Iraq invasion during an awkward press conference in the White House with George W. Bush (Boyes 2010, 26-27). He was able to pledge this support despite the opposition of the Althing, and the opposition of many liberals within his own party (Bergmann 2014, 180). In the Icelandic political system, the executive is significantly more powerful than parliament and the executive has substantial leeway in ignoring parliamentary objections (Bergmann 2014, 181).

However, the chosen policy shift for this section is the introduction of capital controls in Iceland during the economic crisis of October 2008. This is because it is an obvious failure for the libertarian principles of the free market and the free movement of capital; representing a significant setback for the libertarian project of financialisation, instituted by the Locomotive Group. Not only does it represent a policy shift away from liberal outcomes for the Independence Party, the

implementation of capital controls also represents a policy shift for liberal financial institutions, such as the IMF.

Icelandic capital controls occurred when the policy of increasing the free movement of capital – best illustrated by the ratification of the EEA in 1994 (Bergmann 2014, 47) and the privatisation of the banks (see Section 6.4 above) – interacted with a crisis caused by the Lehman Brothers collapse and the near bankruptcy of the Icelandic state (Zoega 2016, 31). The sequence of events that led to the introduction of capital controls are as follows:

- 1) The decision to privatise the banks and financialise the economy meant that the Icelandic banks needed to borrow money on the international financial markets in order to compete with foreign banks and fund the business expansion of Icelandic enterprises, due to the small size of the Icelandic deposit base (Sigurjonsson 2011, 26-27)
- 2) This flow of capital was enabled by the legal framework provided by the EEA, the loose monetary policy of the US Federal Reserve, and initially favourable credit ratings provided by the ratings agencies to both the state and the privatised banks (Sigurgeirsdottir and Wade 2015, 106)
- 3) The decision by the Central Bank of Iceland (CBI) to raise interest rates during the 2000s led to further capital in-flows as investors borrowed money in low-yielding Yen and US dollars to invest in financial instruments denominated in the Icelandic Krona (*ibid.*, 107-107). The CBI also lowered bank reserve requirements twice in 2003 to aid the newly privatised banks and to encourage further lending (*ibid.*, 107).
- 4) The flawed privatisation of the banks, their lack of financial expertise, and their weak regulation encouraged bank officials to use these capital in-flows to fund poor lending decisions, notably to the main shareholders of the banks (SIC 2010a, 1-3). In addition, the Icesave and Kaupthing Edge online deposit accounts further increased capital inflows, growing deposit accounts beyond the ability of the CBI to provide effective guarantees during a crisis (Johnsen 2014, 170; SIC 2010a, 6)
- 5) The decision by the state to approve 90 per cent mortgages and to allow the banks to compete against the Housing Fund (a type of state-owned mortgage provider) further inflated an Icelandic housing bubble and increased the household debt of ordinary citizens

who borrowed to fund both their own homes and investment properties (Sigurgeirsdottir and Wade 2015, 107).

- 6) Lehman Brothers collapsed on 15 September 2008, leading to a liquidity crisis, and within a week the nationalisation of Iceland's three big banks. Their foreign assets and liabilities were transferred to insolvent 'bad' banks, and their domestic assets and liabilities were transferred to 'good' banks, the deposits in the 'good' banks were then guaranteed by the state (*ibid.*, 111).
- 7) There is a flight of capital out of Iceland as both domestic and international investors seek to protect the value of their capital; this capital flight is further encouraged by a run on the Icelandic Krona (ISK). This continues to threaten the viability of both the newly nationalised 'good' banks and the Icelandic state. So, on 10 October 2008 the CBI, with the agreement of the IMF, instituted capital controls, which included the emergency rationing of foreign exchange for all residents of Iceland (*ibid.*, 113). This ended Iceland's experiment in international financial capitalism.

The support of the IMF for the capital controls came as a surprise to many, and this support occurred despite the opposition of some of that organisation's executive directors (*ibid.*, 113). From the 1970s, the IMF had advocated for the liberalizing of financial markets as a primary good, arguing that unrestricted property rights and the free movement of capital would lead to long-term economic development (*ibid.*, 103-104). However, as per the hypothesis that is the basis of this research, when this liberal policy interacted with the economic crisis of 2008, the IMF also shifted away from libertarian views on capital rights and formed a new 'institutional view' stating that:

For countries that have to manage the macroeconomic and financial stability risks associated with inflow surges or disruptive outflows, a key role needs to be played by macroeconomic policies, including monetary, fiscal, and exchange rate management, as well as by sound financial supervision and regulation and strong institutions. In certain circumstances, capital flow management measures can be useful. (IMF 2012, 1-2, underlined by author)

However, the IMF would refuse to describe this new policy direction as capital controls, preferring to use the euphemism 'capital flow management' instead (Grabel 2015). But this does show that even in institutions renowned for their commitment to libertarian economic reform, the interaction of pre-existing policy consistent with liberal ideology and a political crisis can lead to a shift away from libertarian policy.

Keeping the show on the road- Libertarian attempts to avoid policy change

As early as 2006 has been described as the point of no return for action to be taken in order to avert financial disaster and the introduction of capital controls that effectively dropped Iceland out of the international financial system (Olafsson 2016, 52). For instance, the SIC report (2010a, 2) found that, ‘No later than 2006 it would have been necessary to take action, if there was to be any chance of preventing the collapse of the banks, without severely impacting upon the value of their assets’. However, key policymakers instituted a public relations campaign to increase international confidence in the Icelandic banks, instead of taking concrete action to reduce the exposure of Iceland’s financial services. These policymakers included Geir Haarde as Prime Minister and his finance minister, Arni Mathiesen, a younger protégé of the Locomotive Group (Johnsen 2014, 193).

The Icelandic ‘mini-crisis’ of 2006 has been identified as an early sign that the banking system was in trouble and that action needed to be taken in order to restore stability (Johnsen 2016, 41). This crisis was caused by Fitch Ratings providing a negative outlook on the future of the Icelandic economy in February 2006, partly based on the overexposure of the banking system (Sigurgeirsdottir and Wade 2015, 104 & 107). The following month both Merrill Lynch and Danske Bank produced reports that highlighted problems for the Icelandic economy caused by the overexpansion of the banks, future refinancing obligations, and governance issues resulting from the flawed privatisation process (Johnsen 2016, 41-42). This caused the borrowing rates for the Icelandic state and its banks to increase, as investors in the capital markets prepared for a possible default on at least some of the bank debt (*ibid.*, 43). The price of the Krona also fell and there was a steep increase in capital out-flows from Iceland (Sigurgeirsdottir and Wade 2015, 109). According to the SIC if action had been taken at this point, the exposure of the state to banking losses, while severe, would have been manageable (SIC 2010a, 1-3).

However, instead of addressing the financial problems, Icelandic politicians, businessmen, and regulators united around a public relations strategy designed to counteract the negative reports and assuage investors’ concerns (Johnsen 2016, 43). Sympathetic academic economists, of known libertarian beliefs – such as Frederick Mishkin (Columbia Business School) and Richard Portes

(London Business School) – were hired by the Icelandic Chamber of Commerce to provide reports that inspired confidence in the Icelandic banking system (see: Mishkin and Herbertsson 2011; Portes and Baldursson 2011). And when the IMF’s 2006 country report (see: IMF 2011) sounded a warning note about Icelandic banks’ balance sheets, Prime Minister Geir Haarde and his finance minister leaned on the IMF to get this warning toned down in the final public version (Wade and Sigurgeirsdottir 2010, 16). Geir Haarde, Arni Matheisen, and Valgerour Sverrisdottir (the SDA Foreign Minister) also did a tour of world capitals and did rounds of interviews with major newspapers claiming that the Icelandic banks were fundamentally sound (Johnsen 2016, 43). The SIC report (2010a) specifically criticises this public-relations focused response by the Ministers:

The ministers focused too much on the image crisis facing the financial institutions rather than the obvious problem, that the Icelandic financial system was far too large in relation to the Icelandic economy. When the ministers intended to improve the image of the banking system by partaking in public discussions, mainly abroad, it was done without any assessment of the financial capability of the state to come to the banks’ assistance and without information being available on the cost of a possible financial shock (SIC 2010a, 10).

What is noteworthy, and even contradictory, about this response is that it was libertarians within politics (such as Geir Haarde and Arni Matheisen) as well as academia (such as Richard Portes and Frederick Mishkin) who did the most to interfere with the sound judgement of market actors through their public relations campaigning. The assumption would be that their commitment to the free market would make them loathe to intervene in sound market-based judgements. However, their need to keep the show on the road, in the hope that the banks could successfully trade their way out of danger, led them to concentrate on cosmetic solutions to the banking problem rather than real policy changes that could have limited state exposure. The SIC report (2010a, 17) explicitly claims that, ‘All the energy seems to have been directed at keeping the financial system going. It had grown so large, that it was impossible to risk that even one part of it would collapse’. So, this need to keep the show on the road, and avoid making tough decisions on restructuring the banks, led libertarian policy makers to choose actions that obfuscated market reality and went against their espoused liberal ideological preferences.

However, one concrete policy innovation that did result from the mini-crisis was the introduction of Icesave by Landsbanki in October 2006, followed by Kaupthing Edge in January 2007. These were high interest online deposit accounts offered to international consumers; mostly in Ireland, the United Kingdom, and the Netherlands. Their objective was to address some of the

criticisms that the IMF had levelled at the weak balance sheets of Icelandic banks by increasing their deposit base (IMF 2011, 44). These commercial innovations were highly successful at increasing the inflow of capital into Icelandic banks. This early success was aided by the fact that the investors were mostly ‘ill-informed’ individual consumers who were overly reliant on media-led investment advice and unaware of the risky nature of Icelandic financial capitalism (Johnsen 2014, 169-171). The government, Icelandic citizens, and the rest of the world viewed these capital inflows and subsequent Krona appreciation as a sign of the entrepreneurial skill of the banks and of wider economic success (Sigurgeirsdottir and Wade 2015, 108). However, as argued by Joseph Stiglitz (2001), large increases in deposit collections can be as risky as capital flight in a small open economy like Iceland, and once the Icesave deposits began to flow out of Iceland this destabilised the whole system (Johnsen 2014, 170; SIC 2010a, 6).

More libertarian attempts to avoid a shift away from libertarian policy

David Oddsson did make some attempts to convince less ideologically committed political actors within both his party and the state of the need to act in order to avoid a policy outcome that would damage his liberal reform agenda. From 2006 he was serving as a CBI Governor. This followed on from him voluntarily standing down as Prime Minister in 2004 in favour of the Progressive Party leader, Halldor Asgrimsson, which was part of the coalition agreement made after the 2003 election (see Table 6.2 above). He originally became Foreign Minister, but after a health scare he decided to stand down from national electoral politics and move to the CBI, where he could oversee the economic liberal reforms he had instituted. As governor he became aware of the risks posed to the state from Icesave and Kaupthing Edge, due to the fact that under the EEA treaty all deposit accounts must be state guaranteed up to the first €20,000 but the small CBI did not have the funds to meet these commitments (SIC 2010a, 11). For example, in a recreation of a meeting between Oddsson and bank officials, the SIC report (2010c) details Oddsson’s concern about possible state liabilities, and the need to create a separate subsidiary for Icesave accounts that would be outside Icelandic jurisdiction:

In the notes Mr. David Oddsson, Chairman of the Board of Governors of the Central Bank, is reported to have said that nowhere was it stated that the Icelandic State was under an obligation [to cover Icesave deposit accounts], to which Mr. Sigurjón Þ. Arnason, CEO of Landsbanki, is said to have replied: “Oh God! Don’t bring up that story.” The notes show that the transfer of

the Icesave accounts into a Landsbanki subsidiary, Heritable Bank, was discussed, and Mr. Halldór J. Kristjánsson, CEO of Landsbanki, is quoted as saying that he is not the only one of the opinion that EUR 20,000 is an obligation in accordance with international law [under the EEA]. Mr. Oddsson is then quoted as saying: “No state guarantee unless stipulated by law.” According to the notes, Mr. Kristjánsson replied that such an authorisation should be requested, to which Mr. Oddsson replied: “[You] are raising deposits without speaking to the nation about the commitment. The two of you cannot bankrupt the nation.” ... In his statement before the SIC, Mr. Oddsson stated that this attitude of Mr. Kristjánsson’s had caught his attention and that following this meeting he had phoned the Prime Minister Haarde, and Mr. Baldur Guðlaugsson, Permanent Secretary of State of the Ministry of Finance, and told them about this opinion held by a CEO of Landsbanki (SIC 2010c, 70)

This shows Oddsson’s realisation that the banks could pass their losses onto the state, and thus bankrupt Iceland. The sound advice to create a subsidiary company to hold Icesave deposits never materialised because Icelandic bank officials realised that the more stringent regulatory bodies in European countries, such as in the United Kingdom, would be unlikely to approve a subsidiary company due to the poor reputation of the Icelandic parent banks (Johnsen 2014, 170). Unfortunately, Oddsson was unable to convince Geir Haarde or Arni Matheisen on the need to decisively act in order to avoid a bank collapse, and anyway, by this time in July 2008, it was probably already too late to avoid that outcome (SIC 2010c, 70-71).

According to the SIC report, one reason for this inability of Oddsson to encourage policymakers to act on his warnings was his antagonistic and domineering political style, which meant that his warnings, which were not couched in diplomatic language, were not taken with the seriousness that they deserved (Gissurarson 2017b, 380). And his previous vitriolic abuse directed at the SDA, who had become the coalition partners of the Independence Party, meant that their political leaders mistrusted his advice and refused to take his warnings seriously (SIC 2010a, 9). Also, the amateurish processes of the CBI were criticised in the SIC report, the CBI provided advice in meetings that did not have proper minutes, and the lack of formal written recommendations from the CBI meant that it was difficult for policymakers to act on the advice that was given (SIC 2010a 8-9).

Hannes Gissurarson claims that David Oddsson told him privately that he believed the Icelandic banks were bankrupt in the Summer of 2008 (Gissurarson 2020a). Oddsson’s actions show that from this point on he attempted to resist the policy outcomes that could result from this banking crisis, because they would be inconsistent with his libertarian reform agenda and could

reverse his attempt to liberalise Icelandic society. For example, he initially strongly resisted the state requesting assistance from the IMF, stating that, ‘The IMF will not set the agenda in my house’ (quoted in Sigurgeirsdottir and Wade 2015, 110). And he initially resisted the introduction of capital controls and used his position as Governor to use increases in interest rates to try and retain capital within Iceland, however, by early October it was apparent that interest rates were not sufficient to control the capital flight (*ibid.*, 114). Importantly, for the central thesis of this research, this resistance from Oddsson failed to convince more moderate colleagues of the need to avoid capital controls and IMF assistance (Bergmann 2014, 138).

Capital controls were initially introduced on the 10 October 2008, a policy that was strengthened over the next few months, and the IMF were formally asked for assistance on 24 October 2008 (Sigurgeirsdottir and Wade 2015, 113). However, it is important to note, that despite his initial opposition, Oddsson had come to accept the need for capital controls and IMF intervention by late October, simply viewing it as a ‘matter of life and death’ that was necessary ‘just to avert disaster’ (Gissurarson 2020a; Ibson 2008). Once again, pragmatic political necessity trumped ideological purity. For Geir Haarde and Arni Mathiesen, it seems that the pace of events had overtaken them, and they were too shell shocked to resist policies that contradicted their liberal preferences because by this point, they had largely become unavoidable (Gissurarson 2020a). In fact, Geir Haarde’s performance during this crisis is viewed as being so indecisive and weak that in Iceland the neologism *Haarder* now means to prevaricate in a crisis, or to put your head in the sand (Boyes 2010, 142). Eventually, these libertarian politicians, who had done so much to encourage the free movement of capital, would look upon capital controls as a useful short-term tactic because it placed the state in a good bargaining position with creditors because they could not get their money out of the country unless they came to a negotiated arrangement (Gissurarson 2020a).

In summary, the case of capital controls does show how policy consistent with liberal ideology interacting with a crisis, results in a shift away from libertarianism and towards more statist policy outcomes. However, the causal mechanism that should see ideologues in the Independence Party fail to convince more moderate colleagues of the necessity of continuing with radical liberal policies is only partially in evidence. Instead, this case shows libertarian policymakers, such as Geir Haarde and Arni Mathiesen, providing little resistance to capital

controls. It seems that the extent of the crisis shocked them to such an extent that they were willing to try whatever policy solution might work, even if it contradicted their ideological preferences. However, David Oddsson made a greater attempt to resist capital controls, which is unsurprising given that his political legacy was based on the liberalisation of the Icelandic economy. And, as described in this section, there is some evidence of him trying, and failing, to convince moderate party members and policymakers to avoid a shift away from libertarian economic preferences. But even Oddsson was forced to bow to the inevitable and by October 2008 he had reluctantly accepted capital controls as the only possible solution to capital flight. In fact, he would even come to view them as a somewhat positive policy development as capital controls helped Iceland avoid paying all their private bank losses as happened in EU countries like Ireland (Gissurarson 2020a).

Even though the Independence Party had a distinct libertarian faction that came to hold a dominant position in terms of policy development, the IP was still a mainstream centre-right party. Any politician attached to it needed to be pragmatic enough to be able to bend to the needs of political necessity and public opinion. So, libertarian ideologues within the Independence Party may attempt to resist shifts away from libertarian policy, but if it becomes necessary during a critical period then they will eventually acquiesce to policy change that contradicts liberal values. However, it is important to note that in the 2013 general election, when the country was facing a new crisis brought about by its refusal to pay for the Icesave losses accrued in the UK and the Netherlands, the Independence Party returned to arguing for the free movement of capital (Sigurgeirsdottir and Wade 2015, 122). But given the shift in voters preferences, this return to libertarian economic values would not be supported with the libertarian inspired rhetoric that Oddsson embraced. Instead, the IP would couch these demands using the ‘illiberal’ rhetoric of a nationalist populist agenda, that painted the UK and the IMF as a nefarious elite, trying to subvert the independence of the Icelandic people (Bergmann 2014, 150-152).

6.5 Strategic Adaptation: Media Law 2003

The theory behind this research claims that when a period of political stability – in which there is cross-party convergence on an issue – interacts with policy that contradicts liberal ideology, then libertarian ideologues will lack the necessary crisis to push through their preferred policy solutions. Instead, they will need to strategically adapt their real policy preferences, in order to remain relevant in a mainstream party and maintain their electoral appeal. Under these conditions we

should view libertarian ideologues reluctantly adapting to policy solutions that contradict liberal ideology, and not providing significant public opposition to their party's embrace of the status-quo policy solutions.

For example, in the case of Iceland (see Table 6.3 above), it is possible to identify some policy decisions that exemplify this theory, such as the closing of the National Economic Institute in 2002. This was an institute designed to provide evidence-based research used to inform public policy debate and decision-making (Gissurarson 2020a). The SIC report found that Oddsson deliberately closed this institute as an 'act of revenge' because it had released reports that criticized his policy choices (Arnason 2016, 130). This occurred during a period of political stability, in which the economy was growing and Oddsson's liberalising project was proceeding according to plan, and in policy terms all major parties had embraced his liberal economic agenda. This political stability interacted with policy that was inconsistent with liberal free-market values, in which the unbiased collection of economic data was being undermined. For instance, earlier that year Oddsson had also decided to close the Icelandic Competition Authority which had also criticized his decisions (Wade and Sigurgeirsdottir 2010, 27). The closure of these institutes represents an obvious power grab against state institutions, an undermining of the rule of law, and a reduction in the ability of policymakers to make informed decisions. This decision led to criticism from political actors both within and outside of the IP, because after their closure the state was overly reliant on the privatized banks for financial analysis (Arnason 2016, 130-131).

Another example would be the decision to renew the national pact in 1993 which had cross-party support (see Table 6.3 above). This was a form of limited corporatism in which trade unions, employers, and the state, agreed to modest wage increases in return for guarantees that inflation would not reduce real earnings (Olafsson 2017, 407). Again, this occurred during a period of political stability, in which the economy and inflation were stabilising, and all major parties supported its renewal. This interacted with policy that was contradictory to liberal values; for instance, the state bringing the collectivist trade union movement into policymaking is anathema to the liberal values of free markets and individual freedom. This being one reason why Margaret Thatcher pursued a policy of confrontation and exclusion with the British trade unions instead of policy inclusion (Hastings, Sheehan and Yeates 2007, 11-12). However, despite some concern among libertarians in Iceland about communist infiltration of the trade union movement, Oddsson

still strategically adapted his libertarian beliefs in order to provide a limited trade union deal that could deliver wage restraint and stability (Gissurarson 2017b, 364-365). Once again, it is important to emphasise that Oddsson's ideological preferences were always tempered with pragmatism, just like most other successful leaders of mainstream right-wing parties (Gissurarson 2020a).

However, the critical moment chosen for this section is the proposed Media Law of 2004, which involved a period of political stability (in which there was party political convergence on the need for an unregulated media) interacting with pre-existing policy that contradicts liberal ideological preferences. The Oddsson government's official reason for passing this legislation through the Althing was to ensure a plurality of ownership within the Icelandic media. The Media Law banned a company whose main interest was not in the media from receiving a broadcasting licence, as well as refusing licences to any company in which the owners had a dominant position in another commercial sector or even if they published a print newspaper (Boyes 2010, 108). Laws limiting concentration of ownership contradict liberal ideology because they interfere with the smooth running of the free market and limit the property rights of the most successful individuals, who are entitled to reap the rewards accruing from their efficiency and entrepreneurship. Not only did this proposed law contradict libertarian policy preferences, but it an ideological contradiction that Oddsson, known for his libertarian beliefs, would be the driving force behind a law that intervened in the free market.

For example, Hannes Gissurarson (2017b, 373) has agreed that, '...such a law goes against the presumptions of economic liberalism'. And furthermore, this law was introduced during a period of political stability for the Icelandic media. Across the ideological divide there was agreement that the status-quo should be maintained, and that the private media should be left to arrange its own affairs (Johannsdottir and Olafsson 2018, 198). Iceland was unusual among Nordic countries, in that the media had embraced a 'liberal model' in which there was no state subsidies for broadsheet newspapers and public broadcasting requirements were limited to the state broadcaster, RÚV (*ibid.*, 197-198). Apart from the state broadcaster, all other media operated on a commercial, for-profit basis and was largely free from state intervention. In fact, Oddsson's law was perceived as a naked power grab by many citizens, designed to limit media criticism of his government. The left-wing President of Iceland, Ólafur Ragnar Grímsson, even refused to sign the Media Law after it was passed by the Althing, the first time a President refused to sign a law since

the foundation of the Icelandic state (Freedom House 2007). Under the Icelandic constitution, the President – which is largely a ceremonial role – has the power to veto legislation, and for it to then to pass into law the government must hold a referendum on the issue (Tryggvadóttir and Ingadóttir 2007). This was an unprecedented step which has only happened twice since 2004, both times in relation to bills that involved the partial payment of Icesave losses in the UK and the Netherlands (Hallgrímsdóttir and Brunet-Jailly 2016, 110-111). Given the unpopularity of this proposed media law, and the political risks attached with bringing this issue to the people, Oddsson eventually withdrew the legislation rather than face losing a referendum on the issue (Gissurarson 2017b, 373).

Media law contradictions

So, why did Oddsson decide to attempt to regulate the already liberal media sector, while at the same time he was deregulating and liberalising the rest of the Icelandic economy? And did libertarians within the Independence Party need to strategically adapt their values in order to support this policy position that was inconsistent with their liberal beliefs?

The main reason for Oddsson's plan to intervene in the media market was the fact that Jon Asgeir, and some of his business associates, were moving into the media sector and buying up TV stations and newspapers. As we have seen in Section 6.4 (above), Oddsson and Asgeir had become political enemies, with both men believing the other was trying to damage their position. Asgeir, through his Baugur Group investment company, had bought up the *Frettabladid* in 2002, a free daily newspaper, which had the largest circulation of any newspaper in Iceland (Asgeir 2020). He then bought Northern Lights in November of 2004, the largest television and radio company in Iceland, which was the catalyst for Oddsson's media law (*ibid.*). Asgeir then merged *Frettabladid* and Northern Lights into the media giant 365, which he passed into the ownership of his wife during the Icelandic economic crash (*ibid.*). He would use his control of this media to attack Oddsson and the Independence Party, although how effective this was is debatable as Oddsson still won the 2003 election, despite this more hostile press coverage (Olafsson 2016, 402).

Once again, it is important to point out the contradictory nature of Oddsson's antipathy to Asgeir, given that they both agreed on laissez-faire economics and it was his liberalisation

programme that had enabled Asgeir to become so wealthy (Boyes 2010, 110). And Asgeir was not the only businessman that Oddsson was in conflict with, he was just the most prominent member of a group of nouveau riche entrepreneurs popularly known as the ‘Viking Capitalists’, who were viewed as challenging the dominant power structures linked to the Octopus and the Independence Party (Bergmann 2014, 70-71). Oddsson’s close political advisor, Hannes Gissurarson, has highlighted some of the contradictory aspects to this intra-elite conflict:

Because we had this very strange situation, a leader of a conservative party, that has always been supported by the upper classes, or people with money, like the Conservative Party in England, was waging war against the richest people in Iceland. Not a war in terms of destroying their assets because they could under Oddsson’s regime become wealthy, there was never any question about trying to hinder them in their business affairs. But Oddsson often perceived them as enemies and threats, and I suppose they were buying up all the private media in self-defence. It was a case of two powers that were threatened by the other and trying to arm themselves as much as possible. One side by buying up all the media in Iceland and Oddsson by introducing a law prohibiting that kind of behaviour. – **Hannes Gissurarson, interview with author (Gissurarson 2020a).**

This highlights how the fear of political enemies buying up a dominant stake in the Icelandic media and using it against his party was a significant motivating factor behind Oddsson’s Media Law. Like Thatcher, Oddsson felt that liberalising the state could coincide with concentrating state power in his own hands (Boyes 2010, 111). But unlike Thatcher, he was deeply uncomfortable with new money threatening the interests of established elites, and he was willing to use the state to prevent them from gaining too much influence.

Personal animosity and rivalry may have been the dominant motivating factor in the Media Law, but there were also some reasonable concerns about media concentration, that are anti-ethical to libertarian values but not completely against a moderate liberal reform agenda. For instance, Gissurarson placed some of David Oddsson’s legitimate concerns into context:

On the face of it, it was an intervention in the market processes... But you have to realize that it was an intervention in a market that was very small, and where you cannot use the traditional remedy that classical liberals would use, which is to open up the market to competition from abroad, because this is a media that is operated in Icelandic. You know, this is a problem that you in the Anglosphere do not have, because you are surrounded by people who speak English, so for you this is not a problem. If somebody buys a newspaper or TV station that operates in English, and you don’t like it, then you just turn to another one. There are always plenty of them. There is very little danger that only one person will own all the English-speaking media in the world. It is impossible. But Iceland is a very small linguistic area, so people here felt that

there was a real danger if one business tycoon owned practically all the media in Iceland and he was at the same time the owner of the retail chain and so on. That was the problem, the size of the market and the impossibility of opening up the market - **Hannes Gissurarson, interview with author (Gissurarson 2020a)**.

So, concerns about a business elite controlling the media in a very small market, and the fact that Icelandic is a minority language which obviously inhibits outside competition, is the main justification for this state intervention in the free market. And this analysis is supported by international media coverage from this time. For instance, the Independence Party is reported by the *Financial Times* as being extremely worried about the concentration of media ownership and the potential this had to distort Icelandic politics (Tricks 2005). And Illugi Gunnarsson, a close political advisor to Oddsson is quoted as saying:

What David Oddsson is worried about is that a small country like ours needs a free market economy. You have to worry about a player with a dominant position. Imagine if Tesco had control of half the English media. There would be an outcry (quoted in Tricks 2005).

This shows that if it was not for Oddsson's own libertarian political agenda it would be possible to portray this law as a moderate liberal reform measure, necessary to safeguard press pluralism.

But Oddsson's libertarian values do open him up to accusations of hypocrisy over state intervention in private business affairs. Even the SIC report confirmed Oddsson did have a longstanding vendetta against Asgeir (SIC 2010a, 13), and his concern about media concentration never arose until Asgeir's Baugur Group started purchasing media outlets. For instance, the owners of the largest Icelandic tabloid (*DV*) and the paper of record (*Morgunbladid*) were sympathetic to the Independence Party, and their papers had followed a supportive editorial line without any complaints about diversity in the media (Johannsdottir and Olafsson 2018, 193). In fact, the party links to these media outlets have remained so strong that Oddsson has been working as the editor of *Morgunbladid* since 2009.

Within the Independence Party there was no public resistance to Oddsson's media law. But the more ideologically committed liberals were forced to strategically adapt their more libertarian values or risk the wrath of the leadership; essentially, they kept their concerns private. For example, Hannes Gissurarson claims that:

I think actually that some people disagreed with David Oddsson, but he had such a strong position in 2003, he was leader for 12 years and having led the party in successful elections, so

nobody would dare oppose him. But there were people in the party who disagreed with him on this and were close to the millionaires. – **Hannes Gissurarson, interview with author (Gissurarson 2020a).**

So, Oddsson's dominant position within the party meant that party members and representatives were hesitant to openly oppose his wishes, but they could withhold fulsome support. In effect, their acquiescence to this policy proposal could be grudging. For example, after the Icelandic banking crisis, which was exacerbated by the recklessness of the 'Viking Capitalists' (SIC 2010a, 2-4), Hannes Gissurarson expressed regret that libertarians like himself had not done more to support Oddsson in his battle against this new breed of Icelandic tycoon:

I believe I should have better supported David Oddsson when he criticised the magnates. I grew up on Hayek and Friedman, on their beliefs that wealthy capitalists were useful for society. As I said before, that is still my conviction, and it is backed up by centuries of experience and evidence. But I still should have supported David more strongly in his fight against Goliath. (Hannes Gissurarson, cited in Magnusson 2009)

This points to an interesting ideological conundrum for libertarians, or anyone else who holds radical political views, about when pragmatic necessity collides with ideological purity. For any political actor operating in a mainstream party this need to adapt ideological purity to the needs of day-to-day politics is a continual problem. Hannes Gissurarson, has referenced a conversation he had with Robert Nozick about this disconnect between belief and practice in relation to the media law:

A libertarian would have a knee jerk reaction [to the media law], and say, 'Yes, yes, everyone should be able to buy up anything'. You see, I knew Robert Nozick, and he said to me, 'There are two kinds of political positions [in libertarianism]. One is propertarianism and the other is libertarianism. And Murray Rothbard [a radical 'free-market anarchist' libertarian] is a propertarian, not a libertarian'. Personally, I don't want to see a situation where all the roads would be owned by some person who would discriminate against an unpopular person, whether that is a Jew or an African American or a White right-wing type person. Which takes precedence, liberty, or property? And for Nozick it was liberty. – **Hannes Gissurarson, interview with author (Gissurarson 2020a).**

So, in this case, despite some reservations expressed by Gissurarson, it is possible to see how Oddsson could arrive at a policy supporting market intervention, while at the same time remaining true to a more moderate libertarian worldview. In this case siding with Nozick's (1986, 113-118) belief that liberty can require a minimal – and only a minimal – intervention by the state in order to ensure security and the smooth running of the free market.

Hypocrisy or strategic adaptation?

Both those in support of and against the Media Law alleged that the other side is hypocritical (see: Tricks 2005). For example, it is obviously easy to accuse Oddsson of hypocrisy, as this law goes against the deregulation he was applying in the rest of the economy and was targeted at entrepreneurs he should have admired, but instead hated. On the other side, the most vociferous opponents of the Media Law were the Social Democratic Alliance (SDA) and President Grímsson, who was a member of the Left-Green Movement. Oddsson's supporters claim that their position was hypocritical as many of them had previously complained about press bias that favoured the Independence Party and support for media regulation is commonplace among the left internationally (Gissurarson 2020a; Johannsdottir and Olafsson 2018). With some justification, they point to the fact that in 2011 the SDA supported a new Media Law that encompassed many of Oddsson's proposed legislation – such as a government-controlled media committee to handle complaints about content – as proof of the Icelandic left's disingenuousness on this issue (Althing 2011). And, in 2012 the new Media Act was updated to include laws allowing the state to restrict ownership concentration, just like Oddsson's proposed law introduced in 2004 (Johannsdottir and Olafsson 2018, 196-197). However, despite some controversy and accusations of hypocrisy, President Grímsson did not veto this new Media Act in 2012.

President Grímsson, and many within the SDA, were known for being close to Asgeir and the other new entrepreneurs that were outside the Octopus elite, often acting as their advocates both in the Althing and the media (Bergmann 2014, 84-86). Given their support for the 2011 law, it is hard not to conclude that it was not the principle of state intervention in the media that they objected to, but Oddsson using the state to intervene in a media landscape that was becoming more favourable to them and less favourable to him. Although, it should be noted that in the aftermath of the Great Recession it was felt that the Icelandic media had been too close to business, acting as its cheerleaders instead of providing independent scrutiny and asking tough questions (Arnason 2016, 128-129). So, to some extent, the 2011 law may have been an attempt to address the weaknesses within Icelandic journalism.

However, what this case shows is that politicians in mainstream parties, right or left, must adapt their ideological preferences to meet political necessity. If there is political stability and the

party leadership tries to push through policy that contradicts the policy preferences of some ideologues within the ranks, then these ideologues must adapt their principles or else risk leaving the party. In this case, Oddsson was in such a dominant position that other libertarians within the Independence Party were unwilling to resist his policy decision that contradicted liberal ideological orthodoxy (Gissurarson 2020a). But what is curious about this case is that the driving force behind this policy, David Oddsson, was also a committed libertarian who had pushed through significant liberal reforms. In effect, his desire to hinder a political opponent, outweighed any ideological considerations. This points to the fact that pragmatism and the ability to compromise on ideological preferences, are essential qualities for any successful politician in a mainstream party. That for political actors in mainstream parties, ideological commitment will always come second place to realpolitik.

6.6 Conclusion

Much of the literature specifically blames libertarian policy decisions for the extent of the economic crisis in Iceland (see: Bergman 2014; Johnsen 2014; Olafsson 2016; Wade and Sigurgeirsdottir 2010); but unsurprisingly, the libertarians attached to the Independence Party blame the individual capitalists who made bad, even immoral, choices in the lead up to the crisis (Gissurarson 2017b, 385-386; Oddsson 2009). Effectively, they argue that it was individual capitalists, who had acted recklessly and without a moral compass, that had undermined a sound liberal reform agenda. For example, in February 2009, Oddsson wrote a public letter to the new SDA Prime Minister, Johanna Sigurdardottir, in response to her formal request for him to stand down as Central Bank Governor due to his perceived negligence, claiming that:

There are numerous reasons for the calamity that has struck the economy in Iceland and elsewhere. The topic will be discussed in detail for a long time to come. Without doubt, however, an important factor in that catastrophe is the fact that the old-fashioned values of honesty, conscientiousness, and prudence gradually yielded to less desirable qualities. (Oddsson 2009, 3-4)

It is easy to characterise this complaint about dishonest capitalists as Oddsson trying to pass the buck. However, given the extent of the hubris exhibited by the Icelandic business class, this analysis did gain some traction among the voting public. Like in Ireland, the public sense was that

such extreme levels of financial incompetence must be indicative of serious ethical failings within the business and political elite (Arnason 2016, 122-123). In order to investigate these potential moral issues, the SIC included a Working Group on Ethics (WGE); its report found that:

The Working group sees the primary problem reside in the fact that in the wake of a flawed process of privatization, where inexperienced owners gained large shares, the banks were allowed to grow far beyond the ability to supervise them properly. The policy to trust the bankers to largely regulate themselves proved fatal and the culture within financial institutions severely neglected professionalism and good working practices. The supervisory institutions did not put any real pressure on the banks to downsize and public administrators and politicians were as lamed in the face of a far too powerful banking system and failed to respect their primary obligations. The prevailing social discourse about the unique success of the Icelandic bankers also facilitated the events. (WGE 2010, underlined by author)

Much of these ethical faults could be applied in any country that was severely impacted by the Great Recession; problems around weak institutions, a servile media, and immoral social structures were (and probably still are) commonplace within financial capitalism. However, the underlined parts in relation to a flawed privatisation process, forced financial growth, and excessive deregulation can be laid at the door of the libertarian political project in Iceland. Some of these problems occurred in other countries, but the extent of the Icelandic crisis can be linked to the to the libertarian policy reforms influenced by the laissez-faire beliefs of key policymakers within the Independence Party.

So, as per the central thesis of this research, when a crisis combined with policy that contradicts liberal ideology, Oddsson's libertarian faction used this moment of opportunity to push through their preferred libertarian policy outcomes (such as bank privatisation). However, the same libertarian faction introduced less liberal policy solutions when a crisis interacted with policy that was consistent with liberal ideology (such as capital controls). And when necessary, these libertarian ideologues also introduced policy that contradicted liberal values during times of political stability, which required some liberals within their ranks to strategically adapt their real policy preferences for fear of incurring Oddsson's displeasure (such as with the proposed Media Law). This suggests that libertarian ideologues in mainstream parties will deliver on libertarian policy reform when the political climate is auspicious for libertarianism, but political necessity and appealing to voters preferences takes precedence over ideological consistency.

For the shift towards libertarian policy during the bank privatisation programme, the findings of this chapter suggest that the causal mechanism supporting this theory was only partially exhibited in the Independence Party. The libertarian faction surrounding Oddsson had become so dominant that there was no significant intra-party competition, and these ideologues did not need to convince more moderate party officials to embrace a libertarian economic agenda. In these policies they were aided by the fact that their proposed liberal reforms were, by the 1990s, in accordance with expert opinion and had become the new economic dogma. However, Oddsson still needed to placate the traditional conservative elite within his party, known as the ‘Octopus’, and the need to keep these less ideologically driven supporters behind his liberalisation programme led him to support a flawed privatisation process. And importantly, he could not deliver privatisation until he was in coalition with the centre-right Progressive Party, and it was the moderates in that party that he needed to convince to embrace a shift towards a libertarian policy outcome.

On the shift away from libertarian policy within the IP, as per the causal mechanism, there is significant evidence of Oddsson attempting to avoid capital controls and stay true to his libertarian reforms. However, he was unable to convince more moderate colleagues of the need to retain a liberal capital market. The extent of the crisis was so great that the then IP leader, Geir Haarde, was too shell-shocked to act decisively and made little attempt to avoid a policy shift away from libertarianism. And on libertarians strategically adapting their beliefs when a period of policy stasis intersects with a policy proposal that contradicts liberal ideology (as with the Media Law); this chapter has shown how even the most committed libertarians in a mainstream centre-right policy may adapt their beliefs enough to not oppose, and even implement, policy that is inconsistent with their liberal beliefs if it is in their strategic political interests.

Drawing on Carstensen and Schmidt (2016, 323) we can see that libertarianism in Iceland corresponds with the most common approach to ideational power and change; known as *power through ideas*. In that Hannes Gissurarson used his interest in libertarian ideas to radicalise a group of right-wing young students in the Locomotive Group, who were naturally sympathetic to these values built upon individual freedom (Gissurarson 2020a). These libertarian ideas then became the motivational drive and ideological justification for this same group to push the Independence Party to embrace their ideas and their preferred policy solutions. This proved highly effective electorally,

but their ideological commitment to libertarian ideas always came second place to political necessity and ambition. This suggests that in an Icelandic mainstream centre-right party, ideas will tend to matter more than ideologues. Especially, if these ideas are pushed through at an opportune period of crisis. Politicians in these mainstream parties will, out of necessity, have to be able to move with the ebb and flow of political expediency and popular opinion. Without this ability to respond to voters' preferences and, occasionally, to make a tactical retreat from a point of ideological principle, they would not be successful politically and thus they would be unable to deliver on any of their political agenda. Their flexibility leads to ideological inconsistency and contradictions, but without it their ideas would never be able to be moved from the intellectual periphery and into the political centre.

Chapter 7 – United Kingdom: Libertarianism within Conservative Party Identity

Now, the disposition to be conservative in respect of politics reflects a quite different view of the activity of governing. The man of this disposition understands it to be the business of a government not to inflame passion and give it new objects to feed upon, but to inject into the activities of already too passionate men an ingredient of moderation; to restrain, to deflate, to pacify and to reconcile; not to stoke the fires of desire, but to damp them down. And all this, not because passion is vice and moderation virtue, but because moderation is indispensable if passionate men are to escape being locked in an encounter of mutual frustration. – Michael Oakeshott (Oakeshott 1962, 192)

The above quote represents Oakeshott's position that there is no defined conservative ideology, instead there is a conservative disposition which views good governance as involving the preservation of order, social cohesion, and established traditions (Oborne 2021, 146). In this way, conservatism avoids the disorder and chaos that can be brought about by more ambitious or utopian political projects. It also respects established societal institutions, on the basis that their longevity has proven their usefulness and that they serve an important purpose in preserving good governance (Fawcett 2014, 320). As the conservative philosopher Edmund Burke has claimed, 'I feel an insuperable reluctance in giving my hand to destroy any established institution of government, upon a theory, however plausible it may be' (Burke 1783). This conservative disposition, usually dominant within the Conservative Party, can be viewed as the antithesis of libertarian ideology; given that libertarianism is committed to a complete overhaul of the established liberal democratic state (Freeman 2001, 150-151). However, classical liberal views, which are the political forebearer of libertarianism, have always made up a small part of Conservative Party identity (Hoover 1987, 247-249). For instance, as early as 1846, Robert Peel split the Tory party due to his decision to repeal the Corn Laws and embrace the free trade ideas espoused by Richard Cobden (Fawcett 2014, 71). Janda et al. (1995,71) define political party identity as the commonly held view that informed citizens hold about a party and its position on important issues. To this extent, the libertarian values of free trade, small government, and individual freedom have always been an integral part of modern Conservative Party identity. However, it is fair to say that these libertarian values came to the fore under Thatcher's leadership.

Although Thatcher is often portrayed as a representative of 'libertarian Conservatism', this is a misrepresentation of her politics (Heppell 2002, 301). Thatcher was fond of libertarian

thinkers and tended to use libertarian language in support of her preferred policies, but she was not deeply wedded to a libertarian ideological project (Runciman 2013, 16). Thatcherism was more of an alliance of anti-state radicals rather than a coherent ideological perspective, but those people in the Conservative Party of libertarian sympathy naturally gravitated to her willingness to revolutionise the state (Bale 2011, 23). And these libertarians provided Thatcher's natural libertarian instincts on economic issues with both policy substance and economic rationale (Fawcett 2014, 379). This chapter will first trace the ebb and flow of libertarian values within Conservative Party identity during the post-war period. It will then follow the rise and fall of libertarian values during its period in opposition during the New Labour years, the Cameron/May governments, and Boris Johnson's premiership. The central hypothesis of this research will then be tested through three case studies, which represent punctuated periods of policy crisis for the Conservative Party. First, a shift towards libertarianism will be explained during the Miners' strike of 1984. Second, a shift away from libertarianism will be examined under Boris Johnson's leadership during the Covid-19 crisis and the subsequent 2021 Budget. And finally, this chapter will examine a period in which libertarian ideologues had to strategically adapt their principles during the bailout of British Leyland in 1981.

7.1 Libertarianism in the post-war Conservative Party

During the 1945 election campaign, Churchill focused his political rhetoric on Labour's plans for post-war Britain, which he portrayed as an attack on individual freedom (Zweiniger-Bargielowska 2000, 211). And in Hayek's *Road to Serfdom* (1944), he found the intellectual justification for this position, even going so far as to have rationed paper set aside to provide copies for Conservative Party members (Porter 2013, 32). Hayek claimed that his philosophy was based on the sturdy 'English' values of self-reliance, so it is unsurprising that his work should have found a receptive audience in Churchill's party (Hayek 1944, 160-161). For the next ten years, the language and rhetoric inspired by Hayek would fill an intellectual 'vacuum' in Conservative Party thought and would be the basis of their public opposition to Labour's statist reforms (Carr 2013, 179). However, in terms of policy proposals it would be a mistake to think of the Tory Party as in anyway libertarian, or even all that liberal during this period (Freeman 2018, 525). For instance, even before his 1945 defeat Churchill had supported a policy of compulsory social insurance and, in

opposition, he pledged not to reverse Labour's nationalisation programme (Fawcett 2014, 312). This created an obvious contradiction between the Conservative Party's avowed liberal principles and their desire to win elections, and unsurprisingly, the Party shifted policy to suit voters' preferences (Freeman 2018, 525). But Hayek still inspired their thinking and provided intellectual justification for their hostility to the welfare state (*ibid.*, 534-535).

This division between liberal theory and a practical policy accommodation with the welfare state continued throughout the Keynesian inspired post-war consensus (*ibid.*, 525). Keynes may have mocked the Tories as the 'stupid party' due to their slowness in accepting the new economic dispensation, but they were not so slow as to allow Labour to hold a monopoly on power, and they remained an electorally successful party of government (Fawcett 2014, 385). For instance, this continued accommodation with statist structures, and a corresponding lack of significant liberal policy success, can be viewed in MacMillan's creation of the National Development Economic Council in 1962 (Ringe and Rollings 2000, 336). This was a corporatist body that he developed to counteract the crisis brought about by the UK's relative decline compared to the economic success of West Germany and France (*ibid.*). It was essentially an early version of social partnership structures with representatives from organised labour, business, and the government, meeting to discuss issues of mutual concern and to shape industrial policy (*ibid.*, 332-333). Once again, during these years, libertarian values remained a part of Conservative Party identity, but they rarely informed policy. In fact, intra-party competition between those favouring libertarian policy solutions and those favouring more traditional and paternalistic conservatism is an integral aspect to Conservative Party politics (Hoover 1987, 247-249).

In terms of its prominence within Conservative Party policy proposals, libertarian values increased under Heath's leadership, but this failed to deliver significant practical policy success for libertarianism under his governments (Charmley 1998, 193). Surprisingly, given his long opposition to Thatcher and her policies, Heath as leader of the Conservative Party can be viewed as a 'failed proto-Thatcher' (Charmley 1998, 181). And he did make a concerted effort to shift Conservative Party policy into a more liberal direction. For example, when he became leader in 1965, he embraced the policy document *Putting Britain Right Ahead* as the basis for his Party's ambitions for the UK (Green 1999, 32). It included libertarian economic policy proposals such as tax reductions, trade union reform, increased free trade, and an end to universality in social services

(*ibid.*). Through these policies Heath hoped to attract new Tory voters, such as upwardly mobile small businessmen in the North and Midlands, as well as young management types from Grammar School backgrounds who had embraced meritocratic values; a group of people who would eventually make up Thatcher's electoral coalition (Charmley 1998, 183). The 1970 manifesto, which Wilson had pejoratively characterised as the 'Selsdon Man' document, was designed to appeal to these types of voters (*ibid.*, 34). The extent of its liberal reforms were exaggerated by Wilson for electoral purposes, but it is fair to view it as a significant break from the post-war economic consensus and a shift towards a more libertarian Conservative Party agenda (Charmley 1998, 190; Green 1999, 34).

However, once in government, it was a case of Heath embracing liberal rhetoric and ideological positions but delivering a very different policy outcome in practice. Heath's government started off well by eliminating the Prices and Income Board (Charmley 1998, 193). But issues such as the oil crisis and a series of industrial disputes, notably led by the coalminers in 1972 and 1973, forced Heath into a series of U-turns and compromises that undermined his efforts at liberal reform and cost him the election in 1974 (Moore 2016, 143; Routledge 1994, 77). In fact, his leadership would become synonymous with a sterile status-quo, which would greatly aid in Thatcher's surprise victory against him for the leadership of the Conservative Party in February 1975.

7.2 Thatcher and the rise of libertarian values

Thatcherism can be viewed as a 'reactionary movement', to the extent that her victory against Heath was a reaction against his weakness in government and a reaction back to the liberal principles of the 'Selsdon Man' 1970 manifesto (Charmley 1998, 198). Keith Joseph was the preferred choice of leader for many of those disillusioned with Heath's leadership, but he lacked personal ambition and tended to use impolitic language that had the potential to alienate voters (*ibid.*, 197). Thatcher became an 'accidental leader', that many within the Party initially thought would be unable to defeat Heath (*ibid.*) However, she was greatly aided in her challenge by the support of Joseph whose disenchantment at the 1974 electoral defeat led to a political radicalisation and an embrace of a more libertarian worldview (*ibid.*). This libertarianism was fostered through Antony Fisher, who was a successful businessman that had set up the Institute for Economic

Affairs (IEA) under the encouragement of Hayek, who believed that the ‘battle of ideas’ was as important as party politics (Lawrence et al. 2019). Keith Joseph would always acknowledge the debt he owed to the IEA for consolidating his libertarian ideas and this would encourage him to set up another libertarian think-tank, the Centre for Policy Studies (CPS), which will play a significant role in influencing the policy shifts detailed in this chapter’s case studies (*ibid.*). The IEA was also influential with Geoffrey Howe, even before Margaret Thatcher became interested in their work (Moore 2014, 258). And the IEA was responsible for the early adoption of a monetarist policy programme – in which a tight control of the money supply and deficit reduction becomes the primary tool to reduce inflation – by Thatcher’s supporters (*ibid.*, 258-259).⁶⁴

As detailed above, Thatcher’s instincts were often libertarian, but she was not a coherent libertarian ideologue. However, Joseph hoped that she could become the ‘standard-bearer’ of libertarian values within the country (*ibid.*, 272). To a large extent Thatcher was the prophet of other people’s more fervently held ideologies. For instance, Alfred Sherman, who set up the CPS along with Joseph, claimed that she, ‘...wasn’t a woman of ideas’ (quoted in Moore 2014, 302). And John Hoskyns, a committed libertarian who would lead her Policy Unit once she became Prime Minister, claimed that her belief that ‘something simply had to be done’ to end British decline was far more valuable than ideological coherence (*ibid.*). And Milton Friedman described Thatcher in the 1970s as ‘a leader in search of ideas’ (*ibid.*, 351). So, unlike many of her early supporters she was not a libertarian ideologue, but their influence and her own libertarian instincts were revealed in her first speech to the Conservative Party Conference in October 1975:⁶⁵

It wasn't Britain I was criticizing [on a trip abroad]. It was socialism. And I will go on criticizing socialism and opposing socialism because it is bad for Britain – and Britain and socialism are not the same thing. As long as I have health and strength, they never will be...

Let me give you my vision: a man’s right to work as he will, to spend what he earns, to own property, to have the State as servant not as master: these are the British inheritance. They are

⁶⁴ The IEA, CPS, and the Adam Smith Institute (ASI) are the libertarian think tanks with the strongest Tory Party links but some other influential libertarian think tanks in the UK include: Bow Group, Bruges Group, Centre for Entrepreneurs, Centre for Social Justice, Civitas, Economists for Free Trade, Initiative for Free Trade, Legatum Institute, Libertarian Alliance, Selsdon Group, Society for Individual Freedom, Students for Liberty UK, TaxPayers’ Alliance, and The Cobden Centre.

⁶⁵ Interestingly, Airey Neave was unusual in being one of her early supporters that had relatively little interest in free-market principles (Moore 2014, 286).

the essence of a free country and on that freedom all our other freedoms depend. (Thatcher 1975)

Like many Conservative Party members Thatcher had read Hayek during the 1950s, relatively early on in her political formation (Thatcher 1993, 12). But through the CPS and the IEA, Thatcher was exposed to a series of libertarian thinkers that encouraged her pre-existing instincts on the best course of action to take for both the Party and the country (Moore 2014, 342). She discussed politics with Hayek, Friedman, Hugh Thomas, and Isaiah Berlin (*ibid.*, 347). And for a time in the 1970s she was fond of walking into rooms, taking a copy of Friedman's *Constitution of Liberty* out of her handbag and proclaiming, 'This is what we believe' (Cockett 1994, 174). However, libertarian thought only ever influenced Thatcher's thinking on economics and the Soviet Union, on social issues she remained traditionally conservative, even provincial in her outlook (Heppell 2002, 302). Perhaps the best example of this perceived social conservatism is the Clause 28 of the Local Government Act, which prohibited the 'promotion of homosexuality' by local authorities or any organisation receiving public funds (Mars-Jones 2021, 19). Although, Thatcherites did frame this socially conservative policy as an attempt to reign in excessive spending on political projects by Labour dominated councils (Mars-Jones 2021, 20).

So, it was this libertarian influence on economics that helped to instil in Thatcherism its focus on 'popular capitalism' and its desire to create a 'property-owning democracy' that would become a major part of her electoral appeal and her legacy (Thatcher 1986). Importantly, significant planks of her liberal reform programme would fail to deliver as expected. For instance, monetarist policies did not reduce the national debt or successfully control inflation (Gilmour 1992, 92-93). And her poll tax reform, which resembled a prototype of a flat-tax that is a favoured libertarian policy, became politically toxic (*ibid.*). And counterintuitively, her desire to end the old statist status-quo resulted in her concentrating even more power in Whitehall and the Prime Minister's Office, in order to break the influence of bureaucrats, trade unions, and local government (Fawcett 2014, 380). But in her privatisation project – which included council housing – she created a long-lasting, perhaps even irreversible liberal reform that would become the template followed by privatising governments around the world (Lawson 1993, 197-199). In fact, another libertarian think tank – the Adam Smith Institute (ASI) – was one of the key drivers of this privatisation policy, providing both ideological justification and practical policy advice (ASI 2021;

Davies 2021). And another area of long-lasting change was her defeat of militant organised labour, as the case study of the Miners' Strike will explore in greater detail below.

But it is shifting the political orthodoxy away from the post-war statist consensus and towards a more liberal and less collectivist dispensation that is her most important achievement, from the viewpoint of libertarian values. Thatcher was once asked what she thought her greatest achievement was and she replied, 'Tony Blair and New Labour. We forced our opponents to change their minds' (Burns 2008). And Blair has acknowledged that in power, 'I always thought my job was to build on some of the things she had done rather than reverse them' (Blair 2013). Importantly, Gordon Brown's Mansion House speech shows how much Thatcherite views on financial capitalism had become the political orthodoxy among political elites on both sides of the ideological divide:

The message London's success sends out to the whole British economy is that we will succeed if like London we think globally. Move forward if we are not closed but open to competition and to new ideas. Progress if we invest in and nurture the skills of the future, advance with light touch regulation, a competitive tax environment and flexibility. Grow even stronger if this is founded on a strong domestic market built on the foundation of stability (Brown 2006).

In Gramscian terms, the Thatcherite political project helped to create a new 'common sense' hegemony that would deny legitimacy to socialist and social democratic policy solutions in the minds of both voters and policymakers within the UK (Hall and O'Shea 2013, 11).

Libertarian values in the Conservative Party after Thatcher

Chapter 4 (Figure 4.1) of this research shows the ebb and flow of libertarian values within Conservative Party manifestos. Undoubtedly, the extent of libertarianism peaked in the 1979 election and then showed a steady decline due to the often socially conservative positions of the Conservative Party and the pragmatic compromises of government. This libertarian decline continued under the more traditional 'One Nation' conservatism of John Major (Bale 2011, 32). And through the return to family values conservatism under William Hague's leadership, which was designed to draw a line in the sand under the perceived 'sleaze' of the Major years (Bale 2011, 80-81). Ian Duncan Smith and Michael Howard continued to focus on social conservatism and crime, while at the same time matching many of the spending increases pledged by Labour in

government (Hayton 2010, 495-496). Libertarian policies began to increase again under David Cameron due to his emphasis on reducing the ‘nasty party’ image through a focus on socially liberal policies such as gay marriage (Hayton 2010, 492). In fact, his focus on social liberalism, combined with austerity politics can be viewed as an authentic return to libertarian policy preferences. For instance, Stephen Davies, the Head of Education within the IEA has claimed that:

Social liberalism plus economic liberalism was a coherent libertarian offering [from Cameron and Osborne]. Moving the Party away from the social conservatism that it was associated with under Thatcher and Major.... But they mishandled the crisis because of the focus on ‘austerity’. This was a mistake in rhetoric and conception. On rhetoric, the implication was that the cuts were painful and nasty, but we are being forced to do it. The implication of that is that you don’t really want to do it and it is also somewhat morally wrong. Therefore, it is not seen as a positive thing, a move in a positive direction, towards a beneficial outcome. Its viewed as an unpleasant necessity rather than the right thing to do... What they should have launched was a reconstruction of government... And changed the administrative structure of the state. So, ‘austerity’ politics used up all the political capital and shifted public opinion to the left on economics and against a smaller state- **Dr Stephen Davies, interview with author (Davies 2021)**

So, for some within the IEA, even though Cameron’s policy prescriptions were more libertarian than at any time since Thatcher, the fact that he did not make the normative case in favour of deficit reduction was a lost opportunity. And, importantly, the public’s distaste for austerity measures that disproportionately targeted local government – due to the ring-fencing of health, police, and pensions – led to a reaction against liberal economic orthodoxy among voters, who saw a significant decline in the provision of state services (Crewe 2016). There is a lot of merit to this analysis, no doubt Thatcher would have made the normative argument that austerity was not just a brutal necessity but also the right thing to do, which may have galvanised more support for these policies among voters who lean to the right and favour personal responsibility.

Other libertarians within the Party also felt that the Great Recession was a ‘lost opportunity’ to deliver significant libertarian reform during the crisis (Carswell 2021; Davies 2021). For instance, Douglas Carswell and Daniel Hannon, two well-known libertarian ideologues, produced a policy document called *The Plan: Twelve months to renew Britain* (2008). Essentially, this was the libertarian wing of the party setting out their preferred policy solutions to the crisis. It undoubtedly helped provide intellectual support for austerity policies and became influential within Tory circles (Carswell 2021). Its most influential policy proposal was the Great Repeal Bill, which sought to eliminate a whole host of state sponsored bureaucracy such as employment rights,

environmental regulations, health and safety regulations, as well as laws on money laundering (Carswell and Hannon 2008, 106-117). However, true to their libertarian ideological roots the Repeal Bill also included libertarian social policies to ban ID cards, reduce police detention powers, and to repeal some of the more draconian anti-terror legislation instituted by New Labour (*ibid.*, 118-122). In fact, a watered-down version of this legislation would be instituted by the Cameron/Clegg coalition with their Freedom Bill (Clegg 2017, 28-29). But, in general, the feeling remained among libertarian ideologues that the Cameron-led governments could have done much more to institute free-market based reforms (Baker 2021; Carswell 2021; Davies 2021).

Libertarian Brexit- The other 'Lexit'

Owen Jones, the left-wing Guardian columnist, coined the phrase 'Lexit' to describe a potential left-wing exit from the EU; as a reaction to the austerity policies that were then being enforced by the ECB and Germany, and to free the UK from onerous EU rules on state-aid to national industries (Jones 2015). But the other 'Lexit' was the libertarian inspired exit from the EU, which hoped to create a low taxed and deregulated 'Singapore in the North Sea' (Eaton 2016). At first, the libertarian political project was divided on the Brexit issue. For example, even the radical Cato Institute produced opinion pieces opposing Brexit, due to the fear it would increase nationalism and xenophobia within Europe (Rohac 2014). And the most influential libertarian think tanks in the UK – the IEA, the ASI, and the CPS – were all essentially 'agnostic' during the referendum (Davies 2021).⁶⁶ This was partly due to an unwillingness to move publicly against the Cameron leadership, and thus potentially lose policy influence if he had won the referendum, but mostly it was because the officials within the institutes were themselves too divided on the issue to take a unified position (*ibid.*). For instance, Stephen Davies of the IEA claims that his institute conducted a straw poll on Brexit; with 60 per cent in favour and 40 per cent against (Davies 2021). So, even in the IEA a sizeable minority were against Brexit, but it is fair to say that most libertarian

⁶⁶ Technically these institutes are non-partisan and are not aligned with any party. However, given that libertarian beliefs are more commonly held among right-wing political actors, they tend to have a closer relationship with the Conservative Party due to their 'policy convergence' on many issues (Davies 2021). However, institutes such as the IEA have also advised policymakers on the right of the Labour Party, such as Andrew Adonis, and on the right of the Liberal Democrats, such as Vince Cable (*ibid.*).

ideologues supported Brexit, due to their ideological opposition to supranational bureaucracy, combined with the hope that exiting the EU would lead to smaller government and increased trade.

Within the Conservative Party, many of the MPs who made up the European Research Group (ERG) – which made life so difficult for both Cameron and Theresa May – were from the libertarian right of the Party (Lawrence et al. 2019). And, importantly for the conduct of the referendum campaign, libertarian activists with the Conservative Party conspired to ensure that Euroscepticism became more politically acceptable. In fact, they went so far as to infiltrate UKIP, with the aim of detoxifying its brand and moving it away from potential radical right extremism (Jack 2017). For example, Daniel Hannon and Douglas Carswell devised a plan that led to Carswell leaving the Conservative Party for UKIP, resigning his seat, and then fighting the by-election as a UKIP candidate (Carswell 2021; Jack 2017).

UKIP was a party founded by self-described libertarians – such as Paul Nuttall and Nigel Farage – and had a significant libertarian activist base; but counterintuitively, these libertarians turned to anti-immigrant policies for electoral support (Ford and Goodwin 2014, 73 & 277). Ford and Goodwin (2014, 83-84) have shown that this policy was a deliberate tactic by the UKIP leadership to garner support for leaving the EU by replicating the electoral strategies of the populist right in Europe, which combined anti-Islamic and anti-immigrant appeals with anti-EU rhetoric. This strategy worked well in attracting white, older, male, and less well-educated voters (*ibid.*, 157). But it also lost the party respectability in the minds of better educated, middle-class voters (*ibid.* 153). Hannon and Carswell were worried that the extremists within UKIP, and its toxic image with many voters, would damage the Brexit cause (Carswell 2021). So, by joining UKIP, and gaining influence within the Party as its sole MP, Carswell hoped to keep Euroscepticism within an acceptable political bandwidth and away from the radical right xenophobia that could damage the Leave campaign (Carswell 2021; Jack 2017). The fact that Carswell left UKIP once the referendum was won, shows that it was not a natural political home for him, given the obvious right-wing extremism of some party members (Carswell 2021).

Libertarians were at the forefront of the campaign to leave the EU but, so far, Brexit has not delivered the hoped for free-market reforms. The reasons for this will be explored in greater detail in the case study on the Covid restrictions (below) but this lack of policy success has led to disappointment for many Leave voters and libertarian activists (Carswell 2021; Davies 2021). In fact, despite some free trade deals with countries like Australia and New Zealand, Brexit has

resulted in an increase in protectionist and nationalistic economic policies that seek to create state sponsored ‘national champions’ (Davies 2021). The Conservative Party’s economic policies have moved farther to the left than at any time since Edward Heath’s leadership (*ibid.*) And on social issues they are becoming ever more draconian, with libertarian ideologues, such as David Davis, vocally opposing the restrictions to free association included in the 2021 Policing Bill (Davis 2021).

In summary, we have seen how libertarianism (or at least classical liberal values) have always been a part of Conservative Party identity, and that its influence tends to ebb and flow depending on external factors such as economic crises or great shifts in voter preferences for statist policy solutions, such as during the post-war consensus years (Polanyi 1954, 243-250). Under Thatcher the influence of libertarian ideologues became most pronounced due to the crisis that impacted the social democratic dispensation in the Global North during the 1970s. Jean Charlot (1989, 361) has argued that political party identity is best understood using a dialectical model of relations, in which a party has two faces, one designed for the outsiders in the media and the voting public, and another designed for the insiders and ideologues within the party. Party elites in mainstream parties must continually tailor their message between these dual faces, in order to retain the sympathies of their members while still appealing to a larger enough section of voters to get elected (Charlot 1989, 361-362). The next case studies (see Table 7.1) will explore this process of libertarian ideologues pushing for liberal policy solutions within a centre-right political party, but often meeting resistance due to reaction against liberal policy failure and the electoral need to appeal to voters’ preferences.

7.3 Shift Towards: The Miners’ Strike (1984 to 1985)

A Synopsis of The Miners’ Strike

The thesis behind this research argues that when a political crisis interacts with pre-existing policy that contradicts liberal ideological preferences, this creates the necessary conditions for libertarians to push their policy solutions within mainstream right-wing parties. Under these circumstances, we should see libertarian ideologues successfully convincing their more moderate colleagues on the need for a shift towards libertarian policy solutions, both as a response to the perceived failure of policy decisions that contradicted liberal values and as a policy solution that is ideologically

Table 7.1 Punctuated periods of fluctuating influence for libertarianism within Conservative Party policy

	Political Stability	Political Crisis
Policy consistent with liberal ideology	<p><u>No major change</u></p>	<p><u>Shift Away</u></p> <p>Con – Vote for military intervention in Syria (Dec. 2015)</p> <p>Con – Lawson’s ‘shadowing’ of the European Exchange Rate Mechanism (1985)</p> <p>Con – MacMillan sets up the National Economic and Development Council (1962)</p> <p>Con – Heath’s U-turn on economic liberalisation (1972)</p> <p>Con – 2021 UK Budget / Covid Restrictions</p> <p>Con – Policing Bill 2021</p>
Policy contradictory to liberal ideology	<p><u>Strategic Adaptation</u></p> <p>Con – British Leyland Bailout 1981</p> <p>Con – Thatcher concedes to coal miners’ demands and halts the closure of uneconomic pits (February 1981)</p> <p>Con – Geoffrey Howe’s 1981 Budget (includes tax increases)</p> <p>Con – Home Office ‘hostile environment’ immigration policy (2012)</p> <p>Con – May’s Energy Bill Freeze (2017)</p>	<p><u>Shift Towards</u></p> <p>Con – Vote against military intervention in Syria (Aug. 2013)</p> <p>Con – Edward Heath’s ‘Selsdon Man’ manifesto (1970)</p> <p>Con – Thatcher’s election as party leader (1975)</p> <p>Con – Great Repeal Bill 2008</p> <p>Con / Lib Dem – Osborne’s Emergency Budget (2010)</p> <p>Con – David Cameron’s legalising of gay marriage (Marriage Act 2013)</p> <p>Con – The Miners’ Strike (1984)</p>

sympathetic within a right-wing political party. Tracing the processes involved in this causal mechanism, which involves this moment of opportunity for libertarian ideologues to push their

ideas, we can provide insight into the links between societal structures and the agency of political actors (Bennett and Checkel 2015, 3).

Table 7.1 (above) shows some of the available cases that fit the pattern of crisis and ideological contradiction. The case selected is the miners' strike, both because it has taken on an iconic position within recent UK history and because it is commonly regarded as the greatest policy success for the Thatcherite political project in its second term (Lawson 1993, 161; Young 1989, 354). This crisis commenced on 6 March 1984, when the leader of the National Union of Mineworkers (NUM), Arthur Scargill, called a strike due to the National Coal Board's plans to close some of the loss-making pits. It ended one year later in ignominious defeat for the miners, when they returned to work without a settlement. Within the Conservative Party this crisis is regarded as one of the best examples of Thatcher's unique leadership abilities (Gilmour 1992, 91; Lawson 1993, 162). Thatcher took a hard-line position of no compromise with the NUM in relation to the closure of economically unviable pits. She ignored the more cautious advice from moderate party officials, but at the same time she avoided the extreme positions that more libertarian policy makers were encouraging her to take. This tightrope walk between anti-union radicalism and pragmatic policy decisions enabled her to outmanoeuvre Scargill and deliver a crushing defeat to the NUM. In effect, victory over the miners enabled Thatcher to finally answer the question posed by Edward Heath in the 1974 election, 'Who governs Britain?'

Thatcher's skilful handling of the strike contributed to her victory, but the three years she spent preparing for the confrontation with the NUM was also crucial. During this time, she built up massive coal stocks for both industry and power generation, so that a miners' strike would not result in the power rationing or shortened working weeks of the 1970s. To counteract the threat posed by flying pickets and secondary strike action, she increased funding for riot squads, pursued a policy of 'mutual aid' between police constabularies, and authorized unlimited overtime for police officers during the crisis (Moore 2016, 178).

In contrast to Thatcher, the failure of the miners' strike would see Arthur Scargill labelled 'an astute tactician but a poor strategist', even by many within the trade union movement (Lawson 1993, 148). Scargill's biggest mistakes are commonly understood to be the failure to call for a national ballot on strike action, which ostensibly denied the strike democratic legitimacy, and the decision to call the strike in the Spring, when the good weather placed less demand on coal supplies (Milne 2014, 11-12). Even some senior civil servants, such as Peter Gregson in the Cabinet Office,

could not understand why Scargill ever allowed such huge coal reserves to be built up by the government without instigating industrial action (Moore 2016, 144). But Scargill actually did try to call for strike action on three separate occasions between 1981 and 1984, but each time he narrowly lost the ballot (Gilmour 1992, 86). What Gregson underestimated is the difficulty in getting union members to agree to strategic strike action when jobs are secure and overtime payments plentiful, which was the case at that time due to the government's policy on building up coal reserves (Armstrong 1983). The decision by the NUM executive to call for strike action in the Spring, and without a ballot of members, was taken because they thought they might lose the vote and because they believed this was their final chance to fight the government on pit closures before the coal reserves became too big for them to ever win another industrial action (Gilmour 1992, 87; Milne 2014, 12).

During the strike, the failure of the Nottinghamshire miners to come out in support was a crucial blow for the NUM, as the coal produced from these pits helped to supplement the government's coal reserves and meant that Britain could get through the winter of 1984 without any power rationing. The police were also successful in stopping NUM strikers from impeding working miners, coal deliveries to power plants, and other essential industries. The fatal blow came when the executive of the National Association of Colliery Overman Deputies and Shotfirers (NACODS) decided against strike action in the Autumn of 1984. This was the union representing coalmine foremen, including safety officers and, importantly, no pit could legally operate without safety officers. If they had agreed to industrial action then all the working mines in Nottinghamshire would have been forced to close and the government's position would have become untenable; in fact, this was the closest that Thatcher ever came to defeat during the strike (DOE 1984; Milne 2014, 329).⁶⁷ However, the government managed to avoid strike action through a last-minute deal with the NACODS, which involved a fudged compromise that allowed independent arbitration to determine the economic viability of pits set for closure (Young 1989, 374). After this set-back for the miners' cause, defeat was a foregone conclusion. The numbers of miners returning to work steadily began to increase every week from January 1985, and by March of that year the membership voted to return to work without any concessions (Moore 2016, 177-178).

⁶⁷ Department of Energy secret report for Margaret Thatcher, 24 October 1984 (DOE 1984).

However, claiming the scalp of the NUM was far from bloodless and the extent of the social rancour unleashed during the strike would tarnish the reputation of the government (Young 1989, 377). The public did not support the non-state violence of the miners in places like Orgreave, but many were also horrified by the extent of police violence directed at British citizens, with police often acting more like strike-breakers rather than keepers of the peace (McCabe and Wallington 1988, 129-130). Scargill was viewed as a dangerous ‘class-war revolutionary’, but people could not delight in the defeat of the NUM as they did the Argentinians, after all, the miners were viewed as salt of the earth working-class Britons (Lawson 1993, 146; Young 1989, 375). The humiliation of the miners was a win for libertarian policy, but it would also help to cement the reputation of Thatcher’s government as being ideologically rigid, callous, and indifferent to industrial unemployment (Gilmour 1992, 91; Lawson 1993, 162).

Libertarian attempts to change policy direction on trade unions before 1984

Hostility towards trade unionism is part of Conservative Party identity but before the 1984 dispute the strength of the unions, and the NUM in particular, repeatedly forced Conservative Party governments to acquiesce to their demands (Young 1989, 344). For example, Edward Heath’s government lost the 1972 miners’ strike, in large part due to the ‘flying pickets’ developed by Scargill and used to devastating effect at fuel depots such as Saltley Gate (Routledge 1994, 77-79). And in 1973, an NUM overtime ban, followed by a strike in February of the following year, led to a three-day working week to conserve fuel and Heath’s subsequent electoral defeat in the election he called on the issue of trade union militancy (Moore 2016, 143).

It was important for the Conservative Party, and notably those libertarian party members who held an especially strong aversion to organised labour, that these defeats be avenged (*ibid.*). The election of Thatcher to the leadership of the Conservative Party can be viewed as the rise of the liberal free-market ideas that were embraced by the ‘New Right’, in part as a reaction to the compromise and moderation of the Heath years (Hooper 1999, 21). Under the auspices of Thatcher’s leadership, libertarian ideologues began to draw up internal party policy documents to try and push for a more confrontational approach to industrial relations. For example, Nicholas Ridley – who was a founding member of the Selsdon Group and was actually removed by Heath from his Front Bench due to their ideological differences – spent the late 1970s working on a report

that sought to tackle the trade unions and nationalised industries (Young 1989, 358). The Ridley Report (1977) categorised industries by the likelihood of the Conservative Party winning a strike against them; where the coal industry was in the 'middle' of the three groups of industries mentioned. In the confidential annex attached to this report, which was only meant to be read by senior party officials, he advocated for laws that could allow the government to sequester trade union funds, new laws that would extend police powers to tackle pickets, and the recruitment of 'scab' labour by nationalised industries to act as strike-breakers (Ridley 1977, 24-26). These were viewed as radical steps for this time, and it proved hugely controversial when this report was leaked to the Economist in 1978, causing considerable embarrassment for Conservative Party leaders (Hatfield 1978). In 1978, there was still little political capital to be gained by being too antagonistic with the unions (*ibid.*) Importantly, Ridley's report contained no plan for privatisation; which was a step too far to openly contemplate in 1977 (Ridley 1977; Young 1989, 359).

The Ridley Report (1977) was followed up by another internal policy document on how best to tackle the unions and nationalised industries. John Hoskyns' report – titled 'Stepping Stones' – included a 15-page appendix on the 'trade union problem' (Hoskyns 1977, 49-64). Like Ridley, Hoskyns was also heavily influenced by libertarian ideas, and he worked in the influential Centre for Policy Studies (CPS). Thatcher admired both his business background and his political analysis, even if he sometimes harshly criticized her management style (Beckett 2020; Thatcher 1993, 30). Hoskyns' strategy document viewed organised labour as the biggest obstacle to the free-market reforms he believed were necessary to revitalise the British economy (Hoskyns 1977, 1-2). He argued that a policy of conciliation for the Tories would be politically disastrous for the country and the Party. For example, the report claims:

There is one major obstacle [to economic recovery] - the negative role of the trade unions. Unless a satisfying and creative role [for the Conservative Party] can be developed, national recovery will be virtually impossible.

To compete with Labour in seeking peaceful co-existence with an unchanged union movement will ensure continued economic decline, masked initially by North Sea oil. It may also make a failure to win Office, less likely, for the Tories. There is nothing to gain (except just possibly, Office without authority), and everything to lose by such a "low risk" approach.

Skilfully handled, however, the rising tide of public feeling could transform the unions from Labour's secret weapon into its major electoral liability, and the fear of union-Tory conflict could be laid to rest (Hoskyns 1977, 2).

This reveals how libertarian policy makers were trying to push confrontation with the trade unions to the top of the Conservative Party's political agenda. And this political strategy of attempting to shift public opinion against the trade unions, both within the party and the general public, is remarkably similar to the policy eventually pursued by Thatcher's government in its second term. Hoskyns' report went on to argue that the principal objective of the party should be to persuade voters to reject socialism both in the ballot box and in the workplace (Hoskyns 1977, 3). However, as a skilled political strategist he was not afraid to highlight the main internal obstacle for the Tories in gaining new aspirational voters and undermining public sympathy for trade unionism, which was the stereotypical class background and perceived dishonesty of party representatives:

Party members' behaviour, personality and style must be a bridge to this new [free market] society. Trust is a problem here. It raises the question that some Tory personalities (and some bosses for that matter) do not strike one as being able to generate that quality [trust] in some audiences, particularly working-class audiences of a hostile bent.

So, the message dissemination should be so structured that the old bits [law and order / traditional values] are done by the people who are less trusted, while the new bits [economic reform] are being done both by people who are more trusted, and by newer, younger and more class free, people who have been shown to generate trust and popularity (Hoskyns 1977, 49)

This gradual move away from the public schoolboy image of Conservative Party representatives, and towards more upwardly mobile grammar school graduates would be a feature of Thatcher's Cabinets.⁶⁸ And many other aspects of Hoskyns advice would end up becoming part of the Conservative Party electoral appeal.

However, this shift in policy was not immediate, and throughout the 1970s and into Thatcher's first term, conciliation and not outright confrontation with the trade unions would be the established party policy. Libertarian ideologues within the Party, such as Ridley and Hoskyns, were free to continue to push their preferred libertarian policies, but in the absence of real reform they needed to strategically adapt their values until a more opportune moment arrived. In fact, this would prove too difficult for Hoskyns who resigned from the CPS in 1982 due to a lack of libertarian reform; although he did continue as a party member (Beckett 2020; Young 1989, 358).

⁶⁸ For example, John Major, Norman Tebbit, Ken Clarke, Norman Fowler and Michael Portillo were all grammar schoolboys made good.

The NUM defeat of Thatcher- February 1981

Once in office in May 1979, Thatcher had her Ministers begin to make plans for a final showdown with the miners; she felt that the last Conservative government had been destroyed by the NUM and avenging that defeat would be a symbol of British renewal under her leadership (Moore 2014, 537). However, the first confrontation came earlier than expected in February 1981, after news had leaked that the NCB planned to close up to 50 coalmines (*ibid.*, 538). These plans to close pits based on economic viability was part of the government's efficiency drive within the nationalised industries but the news leaked out too early for the government to effectively resist the NUM. For instance, at this point the power plants only had six weeks of coal reserves (Moore 2016, 143). Thatcher's press secretary – Bernard Ingham – took the lead on passing information to her from the trade unions due to his background within the Department of Energy and as a former labour correspondent with the *Guardian* (*ibid.*, 152). His confidential minutes warned her not to underestimate the threat of the NUM, that the miners were angry and could not be bought off on this issue with pay increases or enhanced redundancy packages (Ingham 1981a).⁶⁹ He also highlighted that the moderate NUM leader, Joe Gormley, would be forced to support a strike due to the threat posed by Arthur Scargill on his left flank (*ibid.*). Importantly, a few days later he warned Thatcher that the press were aware that the Conservative Party backbenchers were nervous about the strike and that they felt she had pushed the NUM too far on this issue (Ingham 1981b).⁷⁰

It was not just Bernard Ingham and moderate Tory backbenchers who were against fighting the NUM at this time, but the moderates within her own cabinet were also pushing for compromise (Lawson 1993, 141). For example, Willie Whitelaw, Peter Carrington, and Jim Prior were all against pursuing the dispute (*ibid.*). Under these conditions, as per the theory being tested, anti-union ideologues were not in a strong position to convince their moderate colleagues of continuing a policy of trade union confrontation, especially when there had not been enough preparation for that battle. Within a week Thatcher had conceded to the miners' demands of no new pit closures; in fact, many of her supporters credit her with making this decision so quickly, thus avoiding a needlessly prolonged defeat (Lawson 1993, 141; Moore 2014, 53). However, even her Press Secretary struggled to portray this incident as anything other than a humiliating U-turn, especially

⁶⁹ Bernard Ingham, confidential minute to Margaret Thatcher, 13 February 1981 (Ingham 1981a).

⁷⁰ Bernard Ingham, confidential minute to Margaret Thatcher, 17 February 1981 (Ingham 1981b).

given that the concession was made by the government without knowing its full economic cost (Ingham 1981c).⁷¹

Preparing for the next battle and convincing party moderates

In September 1981, when Thatcher appointed Nigel Lawson as Energy Secretary, she said to him, ‘Nigel, we mustn’t have a coal strike’ (quoted in Lawson 1993, 140). But this did not mean that she did not wish to prepare for a near inevitable showdown with the NUM in the future (*ibid.*). This preparation was not only designed to ensure a strong chance of victory in the next strike, but also to reassure moderates within her own party and Cabinet that a strike was likely to succeed, thus gaining their backing for a more confrontational approach to the unions.

To this end she ordered a stockpiling of coal reserves for both energy and industry, an example of Thatcher’s strategic thinking at its best, as the threat of fuel scarcity was the NUM’s most powerful weapon (Young 1989, 368-369). All three of her Energy Secretaries between 1981 and 1984, were instructed to carry on this policy, which became known by the euphemism of ‘endurance’ (Gilmour 1992, 84; Moore 2016, 143).⁷² This proved an expensive policy, but the true financial cost of endurance was hidden from the NUM by moving it from the NCB’s balance sheet to that of the Central Electricity Generating Board (CEGB) (*ibid.*, 144). Some within Thatcher’s Cabinet, such as Jim Prior, were against the policy of endurance and believed that it was needlessly provocative towards the miners (Lawson 1993, 150). However, the defeat in February 1981 had been so embarrassing for the government that the more ideologically committed party officials were able to convince moderates to support strike preparation. In fairness, the government were lucky that the NUM proved unusually unwilling to vote for strike action until the coal reserves had been built up to significant levels by 1984 (Milne 2014, 12). For example, in a report provided to Thatcher by her Cabinet Secretary, Robert Armstrong, he outlines how endurance had increased from six weeks to an estimated six months by November 1983; with plans to increase endurance to the maximum storage capacity of nine months by 1986 (Armstrong 1983).⁷³ A remarkable success in less than three years, given that it was such a contentious industry, but it was also

⁷¹ Bernard Ingham, confidential minute to Margaret Thatcher, 19 February 1981 (Ingham 1981c).

⁷² These were: David Howell, Nigel Lawson, and Peter Walker.

⁷³ Robert Armstrong, report to Margaret Thatcher on power plant endurance, 21 July 1983 (Armstrong 1983).

reassuring for moderates to know that the government had a chance to wait out the miners without risking fuel shortages.

Strengthening the law to limit the power of trade unions during industrial action would be another area that Thatcher sought both to prepare the ground for the next dispute and to reassure more cautious party members that the next battle was winnable. This process began with the 1980 Employment Act which made the use of flying pickets illegal; thus, limiting the ability of miners to picket fuel depots or working mines (Moore 2016, 149). This Act also weakened the closed shop system and curtailed the right to form secondary pickets (Young 1989, 353). Norman Tebbit, then the Employment Secretary, drew up the next Employment Act in 1982 as a direct response to the NUM's victory in February 1981 (*ibid.*). This Act increased the rights of individuals to take civil actions against unions, outlawed politically motivated strikes, and allowed union assets to become liable in the case of unlawful industrial action (*ibid.*). Importantly, all these tools would be used against the miners in the next strike.

A further catalyst for strengthening the power of the police were the race riots of 1981 in Liverpool and London (Gilmour 1992, 82). These riots had found the police woefully underprepared for dealing with mass protests, especially when the protests became violent. After this failure Thatcher's government provided significant funding for riot police, police vehicles, crowd control weaponry, and body armour (Young 1989, 368). Much of this extra funding for riot police occurred while Willie Whitelaw was Home Secretary, and he would later claim, 'If we hadn't have had the Toxteth riots [in inner-city Liverpool], I doubt we could have dealt with Arthur Scargill' (quoted in Young 1989, 368). So, the increased funding of riot police addressed the immediate policy concern of discouraging race riots, but it also helped to prepare for future conflict with the miners and helped to further reassure Conservative Party officials that everything was being done to successfully fight a major NUM strike (Gilmour 1992, 82-83). Importantly, during the miners' strike Thatcher authorized Leon Brittan (then Home Secretary), to release nearly unlimited amounts of overtime to fund the policing of NUM pickets (McCabe and Wallington 1988, 85). Thatcher even went so far as to reassure nervous Tory backbenchers in Prime Ministers Questions that the policy of 'mutual aid' – involving overtime payments funding the transfer of police from Southern English constabularies to police the miners' strike in the North – would be funded directly by the Home Office and not impact on regional police budgets (Hansard 1984, col.

251). In fact, this police overtime would become emblematic of the tensions unleashed by the strike, with NUM supporters arguing that the potential for increased pay encouraged the police to antagonise picketers so that more violence could justify further overtime (Young 1989, 359). For example, on their pay day the police would regularly wave wads of cash at miners on the pickets (Milne 2014, ix).

Time was also spent encouraging division within the ranks of the miners. This divide and rule policy was instituted by Nigel Lawson and Ian Gow (then Thatcher's Personal Private Secretary) with the active support of Thatcher (Lawson 1993, 144-146). This involved rewarding the more moderate Nottinghamshire miners for their moderation, through increased government investment in their coal pits, but not providing similar investment in Yorkshire, where the miners were noted for their radicalism. For example, Nottinghamshire received approval for new coalmines, even though this involved overriding environmental concerns and providing increased state funding, something Lawson did not like to encourage (*ibid.*, 142 & 144-145). Importantly, Lawson would credit this policy as being a major factor behind most Nottinghamshire miners' decision to continue working during the strike (*ibid.*, 146).

In the Heath years, during disputes with the miners, significant pressure was placed on moderate backbench Tory MPs by their constituents who wished an end to three-day weeks and power rationing (Moore 2016, 147). Many voters would not have been sympathetic to miners' demands but at the same time they wanted to end the disruption to their daily lives. So, in order to ease political pressure on backbench MPs – who were often not as ideologically committed to fighting the unions – Thatcher encouraged a policy of 'dissimulation' about who was in charge of negotiations (Young 1989, 369). This tactic was designed to take the pressure off Conservative Party representatives by sticking to the official position that the government was not making policy decisions on the strike, that it was a dispute solely between the NCB and the NUM. This meant that any Minister or MP that was pressed on the strike had a rote response ready, about how the government was not involved, and it was a matter for the NCB. For example, the minutes of a Cabinet meeting, one week after the strike started, show how Thatcher emphasised the need for this perception of non-intervention:

The Prime Minister, summing up the discussion, said that the dispute in the coal industry was strictly between the NCB and the National Union of Mineworkers and the Government should

not intervene nor comment on the issues. The Home Secretary should simply continue to ensure the law was upheld (Margaret Thatcher, quoted in: Downing Street 1984a).⁷⁴

Even Thatcher's critics within the Party, who disliked her free-market radicalism, still acknowledged the importance of this dissimulation policy. For instance, Ian Gilmour claims that:

Margaret Thatcher and Peter Walker [Energy Secretary] conducted the war [miners' strike] brilliantly. Their cleverest tactic was to make out that the government was scarcely involved in it. (Gilmour 1992, 91)

However, it is important to note that this depiction of non-intervention by the government was fictional. The reality was that Thatcher kept abreast of every decision the NCB made, she continually pushed them for no compromise on the principle of economic pit closures and she occasionally made decisive interventions, such as during the NACODS dispute (Moore 2016, 157 & 171; Thatcher 1993, 367-368).

So, these policies of preparation for industrial action by the NUM also coincided with measures that helped to convince moderate party officials that the government could win a strike and could do so without too much collateral damage. This process helped to get the party behind a more confrontational approach to organised labour. This coincides with the causal mechanism of this thesis, which claims that ideologues will try to use a crisis as an opportunity to convince their moderate colleagues of the need to adopt libertarian policy solutions. This strategic preparation was so successful that by January 1983, Thatcher could give Nigel Lawson approval to reassure the NCB that they would have full government backing in the event of a strike over economic pit closures (Lawson 1983).⁷⁵ And by the time the strike was called in March 1984, Thatcher had full Cabinet unanimity on the need for a hard-line position with the NUM (Moore 2016, 154). In fact, Thatcher's government precipitated the strike in January 1984, at a time of their choosing, by giving permission for the NCB to extend the pit closure policy and to offer enhanced redundancy packages to miners (Downing Street 1984b).⁷⁶

Appointing anti-union decision makers

Thatcher's liberal faith in the power of the individual to deliver lasting change is demonstrated in the appointments she made to decision-making positions linked to coal mining (Young 1989, 360).

⁷⁴ Minutes of Full Cabinet- section 3 on miners' strike (Downing Street 1984a).

⁷⁵ Lawson minute to Margaret Thatcher on NCB pit closures, 21 January 1983 (Lawson 1983).

⁷⁶ Downing Street record of conversation on coal policy, 19 January 1984 (Downing Street 1984b).

Importantly, she wanted the right people, who shared her anti-union instincts, as key policy makers in the coal industry in the event of an industrial dispute. For example, when she appointed the hard-line Scottish American, Ian MacGregor, as Chairman of the NCB in March 1983, the moderate Tory backbenchers were in uproar, predicting that this appointment would lead to industrial conflict and the loss of the next election (Lawson 1993, 157-158). Ian MacGregor had just emerged from a successful run in British Steel, where he had turned around that nationalised industry, but at the cost of severe job losses (Young 1989, 365). This reputation for cost cutting obviously earned him the enmity of the trade union movement and the NUM. It was Keith Joseph, in conjunction with Jim Prior, who headhunted MacGregor for his position in British Steel, even offering him a generous wage deal to take on this nationalised industry (More 2016, 145; Young 1989, 365). That Joseph approved of him enough to offer him a wage package of nearly £2 million pounds demonstrates a certain mutual sympathy, and a confidence in a shared approach based on antipathy to nationalised industry and organised labour (Young 1989, 365). In fact, Thatcher admired MacGregor's abilities so much that she is reported as having said that he was the only man she knew that was her equal (*ibid.*). However, their relationship would cool during the strike due to her perception that he was a poor negotiator with the NUM and bad at dealing with the NCB management, even if he did have the right anti-union ideas (Thatcher 1993, 342). During the strike he also became close to the libertarian activist, David Hart, who encouraged him to take an increasingly hard-line position against coalmine managers, to the detriment of the governments overall strike strategy (Milne 2014, 327).

As Energy Secretary, Nigel Lawson had wholeheartedly supported Thatcher's policies of endurance and preparation for confrontation with the NUM (Lawson 1993, 146-151). He was heavily influenced by libertarian economic ideas, but he was also a pragmatic mainstream politician (*ibid.*, 13-14). However, Scargill was viewed as such a dangerous militant that his belief in full on confrontation with the NUM never wavered (*ibid.*, 146). This support continued when he was appointed Chancellor of the Exchequer, as he freed up funds for both policing and coal reserves (*ibid.*, 146-151). For example, during the strike he gave an important speech to the libertarian Selsdon Club in July 1984, which summarised the position that the Thatcherite inner circle took against the NUM:

Let us be clear about Mr Scargill's strike. The strike in the mines has been organised in defiance of the miners' democratic rights. They have been refused a ballot. Almost everywhere a local ballot has been held, the men continue to work.

The strike is sustained through brutality by pickets on the picket lines, and by their reign of terror on the pit villages involving physical violence and the intimidation of women and children.

The strike is being led by a man avowedly committed to so-called class warfare. A man who has openly boasted that industrial action can bring down democratically elected governments... This government will defend democracy, and we shall succeed in preserving it. First, because the vast majority of the British people are wedded to freedom and will support us in defending it. Second, because we are determined ourselves to do so at any cost (Lawson 1984).⁷⁷

It is telling that Lawson chose to defend the government's actions against the miners through the libertarian conception of freedom (defined as non-interference) and in the language of the liberal rule of law.

However, there was one key appointment that did not fit the Thatcherite mould, this was Peter Walker, who was the last Heath Conservative still in her Cabinet, to the position of Energy Secretary (Young 1989, 369). Thatcher did not fully trust Walker, partly due to their differences on economic policy, but she admired his political ability (Moore 2016, 145). He was also generally regarded as being a Minister who was extremely skilled at public relations and the media, skills that would be essential in any high-profile miners' strike (Gilmour 1992, 81; Lawson 1993, 160). Also, like most of the Conservative Party, he had a visceral hatred of Arthur Scargill. This hatred was exacerbated by Scargill's well-publicised speech after the Conservative election victory in June 1983, in which he told the NUM conference that, 'A fight-back against this government's policies will inevitably take place outside rather than inside Parliament; extra-parliamentary action will be the only course open to the working class and the labour movement' (quoted in Young 1989, 367). This confirmed all Tory suspicions about both Scargill and organised labour; confirming their perceptions of the NUM as militant and undemocratic bullies, committed to subverting liberal democratic norms. Walker initially wanted to refuse the position as Energy Secretary when offered it in June 1983, but he did not want it to be said that he was afraid to face Scargill head on (Moore 2016, 145). His ideological opposition to the militancy represented by

⁷⁷ Nigel Lawson's speech to the Selsdon Club, 18 July 1984 (Lawson 1984).

Scargill and the NUM is made clear in a speech he gave in Oxford University during the mass picketing at Orgreave:

The battle we are witnessing is not a battle to improve miners pay and conditions; but a battle enthusiastically supported by Marxists to see whether or not the mob, using mob violence, can rule.

Only the courageous and tenacious action of the police has stood between these rights and freedom, and the triumph of violent mob rule. As a result, this country has been saved from chaos. If the police had not done their duty, then, by now violent mobs would have closed every power station in the country, even though the power workers want to work.

The mob would have closed every steel works in the country, even though the steel workers desperately want to work. The mob would have closed every coal mine in the country, even though virtually all those mining areas that have had a chance to vote, have voted to work, not strike. But the rule of law has been maintained and the mob has failed everywhere... The Government is determined to continue to uphold the right to work and freedom under the law (Walker 1984)⁷⁸.

This speech reveals his opposition to the miners' strike using libertarian ideas on the right to work and freedom under the law; showing how even the least Thatcherite Minister in her Cabinet viewed Scargill as an existential threat to liberal democratic norms, and a threat that should not be appeased. However, Thatcher remained mistrustful of Walker's potential for moderation throughout the strike and kept a close watch on his actions in case he was tempted to negotiate a deal with the NUM on economic pit closures (Moore 2016, 152).

Ideologues pushing for a harder line on the miners' strike

So, we can see that Thatcher paved the way for the strike by appointing people with anti-union views to decision making positions. But there were others surrounding her political project that had embraced even more radical libertarian anti-union views. Like Thatcher, these libertarian ideologues in the party were using the opportunity provided by a crisis interacting with past policy decisions on trade unionism that contravened liberal values, to push through a more libertarian policy position on organised labour. However, although Thatcher agreed with their ideological

⁷⁸ Peter Walker, speech in Oxford University on Orgreave pickets, 30 May 1984 (Walker 1984)

driven opposition to trade unions, she was careful to moderate their policy proposals so as not to alienate the general public or, crucially, the moderates within her own party.

For example, Ronnie Millar, the playwright, and unofficial Conservative Party speechwriter sent draft lines to her suggesting ratcheting up the rhetoric against Scargill (Millar 1984).⁷⁹ He was on the libertarian right of the party, was an early admirer of Thatcher and a critic of Heath (Bakshian 2017, 92). In the first speech he wrote for Thatcher, when she was still a Minister, he included a quote from Abraham Lincoln, 'you cannot help the poor by destroying the rich' (Herald Scotland 1998). When he handed this speech to her, Thatcher opened her handbag and revealed that she carried the same quote with her at all times (*ibid.*). He is also responsible for providing one of her best-known quotes, given at the 1980 Conservative Party Conference, 'The lady's not for turning' (Thatcher 1993, 122). This speech was given at a crucial period when wets within her own cabinet were urging more moderation in economic reform due to high rates of inflation and unemployment (*ibid.*). The lines Millar sent to her in July 1984 included a handwritten note in which he reassured Thatcher about her handling of the Miners' strike, 'I am sure the country is just waiting for you to tear this gentleman [Scargill] apart' (Millar 1984). His draft lines continued in this confrontational vein, encouraging strong personal attacks on Scargill:

Deliberately, repeatedly and with calculation the miners' leader stands words on their head. Over and over again he seeks to justify his political strike by referring to his union as "independent, free and democratic". Under his leadership, independent of what? The Truth?

Under his leadership, free to do what? To bully, browbeat and use brute force against thousands of his own members, their wives and even their children, in their homes and villages? Under his leadership, democratic as what? As the countries behind the Iron Curtain are democratic? As failure to ballot his members is democratic?

Under the guise of telling his members the truth, he is deceiving them. Under the guise of preserving their jobs, he is destroying them. Under the guise of union solidarity, he is tearing it apart. Hypocrisy can hardly go further, and any political leader who fails to condemn it or, worse still, lends it his support, is unworthy of the people's trust or the post he holds (Millar 1984).

These lines were gratefully received; however, she did not use them in public as it was felt that too much confrontational rhetoric, especially directed personally at Scargill would be counterproductive, as at this point the government was trying to portray the dispute as being

⁷⁹ Ronnie Millar draft speech to Margaret Thatcher, 16 July 1984 (Millar 1984).

predominantly between working and non-working miners (Moore 2016, 151). But it is likely that their strident tone influenced the speech she gave two days later at the 1922 Committee, in which she delivered her famous line about ‘the enemy within’, by which she meant the miners’ leaders and some local councils (Thatcher 1984a).⁸⁰ So, libertarian influence was radicalising her intra-party statements, and after the Brighton Bomb in October of 1984, she became much more likely to use heated rhetoric directed personally at Scargill.

John Redwood had become Director of the Number 10 Policy Unit in 1983 and won the admiration of Thatcher due to his hard-line on the BL bailout and his libertarian economic beliefs (Thatcher 1993, 438). Throughout the dispute he provided her with advice and policy documents urging her to continue to take a tough stance on the unions and, occasionally, encouraging even more confrontational tactics. For example, he encouraged Thatcher to hire spin-doctors using party funds to professionally manage the media’s coverage of the coal strike and to push an anti-NUM line (Redwood 1984).⁸¹ The same document included a six-page annex detailing the names and biographies of trade union activists who supported the dock worker and miners’ strikes, presumably to be used as part of that anti-union media strategy (Redwood 1984a).

Importantly, in July 1984, one month after the vicious battle for Orgreave, he encouraged Thatcher to avoid any compromise in the government’s position of no settlement without a return to work (*ibid.*). At this point, Peter Walker was pursuing a change in strategy by requesting permission to enter open-ended talks with the NUM, with the expectation that they would collapse, but with the hope that it would show to the public that the government was acting in good faith and willing to behave reasonably (Redwood 1984b, 3).⁸² But, in passages heavily underlined by Thatcher, Redwood argued that this change in strategy would be a terrible mistake:

You cannot both follow a strategy of encouraging a war of attrition to get miners back to work, and a strategy of trying to find a fudged formula in talks which allow normal life to be resumed.

Given the current NUM negotiating stance – which clearly wishes to see the whole pit closure programme withdrawn – the negotiating option does not offer anything which the government and the NCB could find acceptable, or which could enable the government to come out of the strike with any credit.

⁸⁰ Margaret Thatcher, draft speech to 1922 Committee, 19 July 1984 (Thatcher 1984a)

⁸¹ John Redwood, policy document to Margaret Thatcher, 18 July 1984 (Redwood 1984a).

⁸² John Redwood, strategy document to Margaret Thatcher, 13 July 1984 (Redwood 1984b).

It would therefore seem better to go back to the original strategy of war of attrition, where the only perceived way of the strike ending is for the miners to go back to work (Redwood 1984b)

Thatcher was quite convinced by this argument, and Walker would never receive permission to begin talks with the NUM. Undoubtedly, it helped that Redwood's libertarian influenced arguments were laced with the same language that appealed to Thatcher when dealing with the coal dispute, such as 'revolution', 'class-war' and 'insurrection' (Redwood 1984b; Thatcher 1993, 339).

Alfred Sherman was another back-room libertarian operator who attempted to influence Thatcher's thinking on the miners' strike towards an even more radical libertarian agenda. By the time of the miners' strike, Sherman had been forced out of the CPS due to his libertarian critique of government policy, but he still exerted some influence over Thatcher, once claiming that 'I articulate her instincts' (Kavanagh 2006). Two weeks after the start of the dispute Sherman sent Thatcher an unsolicited memo, detailing his analysis of the main cause of the dispute, which he claimed was the socialistic mentality of miners and their supporters:

Our problem is that the miners believe that they have a divine right to well-paid employment, in arduous but useless work. Many of their fellow trade-unionists, and others besides, believe this too. While working in the longer term to change these perceptions, in the shorter term we have no choice but to work within them (Sherman 1984).⁸³

His suggestion to ease miners off coal dependency was to employ them for land-reclamation and restoration projects, which would also help to aid British farming and the environment (Sherman 1984). However, he also emphasised for Thatcher the economic importance of fighting and winning a coal strike on the issue of economic viability:

According to an estimate by Ferdie Mount, the NCB costs us a real gross subsidy of about two billion pounds a year, just to keep miners in the pits and Miners' union bosses in their offices, the TUC council and a bloc vote in the Labour Party. This works out at about ten thousand per miner per year, in other words, it would be cheaper to pay them the wages to stay at home, to avoid the 'complementary cost' (Sherman 1984).

Sherman's situating the miners' strike as not just another industrial dispute, but as a battle with the whole labour movement is typical of the Thatcherite perception of this contest. This analysis chimed with Thatcher's own instincts – she heavily underlined the original document – and it

⁸³ Alfred Sherman, memo to Margaret Thatcher on coal mine industry, 19 March 1984 (Sherman 1984).

would help to fuel this dispute into an existential battle between Thatcherism and the remnants of the post-war consensus.

In her political memoir, Thatcher described the wealthy businessman, David Hart, as simply, ‘...a friend who was making great efforts to help the working miners’, who also informally passed on information about mining areas during the strike (Thatcher 1993, 365). But he was far more than this, he was also a libertarian ideologue, a Conservative Party operator, and a committed anti-communist (Moore 2016, 153). He was friends with Alfred Sherman and had been loosely attached to the CPS since 1980 (*ibid.*). Viewed with some distaste in senior Tory circles due the belief that he was ‘dangerous’ and too fond of the shadier side of big business; Thatcher’s inner circle repeatedly tried, and failed, to keep him away from government affairs (*ibid.*). He was an insider to the extent of being the son of a wealthy banker and having gone to Eton, but he was bullied terribly there due to his Jewishness, which may have contributed to his later anti-establishment free-market radicalism (Milne 2016, 323).

Throughout the dispute he made himself invaluable to Thatcher through numerous memos and phone calls detailing the situation on the ground in mining areas, especially in the Nottinghamshire area where he encouraged disaffection with the NUM (*ibid.*, 324). He was a skilled courtier and wrote her notes from the coalfields expressing fiery anti-union diatribes that were likely to find a sympathetic hearing with Thatcher. For instance, in April 1984, when describing a NUM meeting in Sheffield, he compared the miners to fascists:

Sheffield was very different. Standing in a crowd of miners - not the seven thousand of the press reports, more likely three thousand - I could not escape thoughts of Nuremberg. Though they were better humoured, the other elements were there. The stink of fascism. Admiration bordering on adoration for their leader (underlined by Margaret Thatcher: Hart 1984a).⁸⁴

In the same memo, he went on to warn her about the threat of violence emanating from the miners and Scargill:

The police behaving immaculately despite grave provocation... It's not just small fry who are inciting the militants to violence against the police. Scargill himself said at meeting two weeks ago, when fighting broke out amongst miners inside the hall, that they should save their energy for the police outside (underlined by Margaret Thatcher: Hart 1984a)

⁸⁴ David Hart, memo to Margaret Thatcher, 26 April 1984 (Hart 1984a).

However, in these memos he did not just fuel Thatcher's pre-existing prejudices about the NUM, he also provided concrete advice to help her win the dispute. Advice she often followed. For example, he advised her to make the case more forcefully about the lack of state money to fund uneconomic pits and to reinforce MacGregor's pledge that there would be no compulsory redundancies, so as to keep the Nottinghamshire miners from supporting the strike (Hart 1984a). Both of which would remain government policy throughout the dispute (Turnbull 1984).⁸⁵

In even more practical terms, he helped to foster solidarity among the Nottinghamshire working miners, by providing the start-up funds for the National Working Miners' Committee, and he would later seek further funds for this organisation from wealthy Tory supporting businessmen (Moore 2016, 153). Importantly, he encouraged individual working miners to bring civil cases against the NUM, using the new Employment Act of 1982, in order to attack the NUM's strike funds (Milne 2016, 325). If the government had sought to use the new anti-union laws to go after a trade union's finances this would have alienated the Trade Union Congress (TUC) and risked them supporting the miners with sympathy strikes. But by Hart and the working miners taking the lead on this policy, it kept the governments hands clean and avoided direct confrontation with the TUC (*ibid.*, 326). For example, Hart organised the Folkstone and Taylor case, brought by two working Yorkshire miners, which would eventually lead to the Court sequestering £200,000 of NUM funds and a personal fine of £1000 for Scargill (*ibid.*, 327).

Hart also became close friends with Ian MacGregor, with some believing he gained undue influence over his decision making (*ibid.*, 327). But this friendship did not stop him from warning Thatcher about MacGregor's potential for moderation and the risk of him agreeing a compromise with the NUM:

Immense pressure continues to be put on MacGregor to settle. From within his own organisation and from outside. I can tell you more about this when I next see you.

MacGregor is an acute business negotiator who has not yet fully understood that he has been cast in the greater role of statesman. His close advisors at the NCB have no broader vision than the running of their business. He has his 'wets' as you had yours. He is more likely to give in to them.

⁸⁵ Andrew Turnbull, memo to Thatcher on the coal dispute, 13 November 1984 (Turnbull 1984).

This is the greatest danger for you (underlined by Margaret Thatcher: Hart 1984b)⁸⁶.

Peter Walker was reported as being furious over Hart's ability to encourage Thatcher's least temperate opinions on the strike and the NUM (Milne 2016, 331). He also became a *bête noire* for the left in UK politics, due to his activism against the miners and because of his influence on Conservative Party governments, under both Thatcher and Major (*ibid.*, 333). In fact, the left of the Labour Party tabled a motion condemning his influence on government policy in 1995, because of his backroom influence on arms procurement, his links to MI5, and his activism during the miners' strike (Hansard 1995).⁸⁷ Hart operated in murky waters, so it is difficult to tell the extent of his influence within the Conservative Party, but his influence on the miners' strike was profound and ascertainable. After the strike Thatcher is reported as saying privately, 'I could not have done it [defeat the miners] without him' (cited in Milne 2016, 329).

As with Millar, Sherman, and Redwood, here we have a libertarian ideologue warning Thatcher against more moderate colleagues and the potential for compromise with the NUM. All four libertarians wanted a 'war of attrition' with the miners, viewing this fight as an existential battle between socialism and freedom. Thatcher eagerly embraced these views, and sympathised with their fervour, but at times she would be forced to choose between her own libertarian ideas on organised labour and her pragmatic instincts as a successful mainstream politician,

Thatcher- the ideologue

At times Thatcher's own ideological prejudices would come to the fore when dealing with the miners' strike and she would need little encouragement from libertarian ideologues in pursuing a radical policy agenda. For example, at one point, perhaps channelling Conservative Party resistance to the General Strike of 1926, she contemplated encouraging rugby club members and army officers into forming snatch squads to get coal stocks out of picketed mines (Moore 2016, 156). However, with most of these more outlandish ideas, her more moderate colleagues and the civil servants managing the dispute in the Cabinet Office – such as Robert Armstrong, Andrew

⁸⁶ David Hart, note for Margaret Thatcher, 18 September 1984 (Hart 1984b)

⁸⁷ Diane Abbot and George Galloway sponsored this motion and well-known left-wing figures such as Jeremy Corbyn and Dennis Skinner supported it.

Turnbull, and Peter Gregson – could be relied upon to convince her to adopt a more cautious policy position (*ibid.*).

However, at times her speeches would lack this moderate approach and her words would betray a more radical agenda than her official policy. For instance, the ‘enemy within’ speech was received enthusiastically by Conservative Party MPs (Thatcher 1984a). But when it leaked, it was generally understood to be an attack on all miners and not just the NUM leadership, fuelling the perception that her confrontation with the miners was both ideologically driven and a personal vendetta (Young 1989, 371). By 1984, her Cabinet supported a confrontational approach to the NUM (Moore 2016, 154). But well-known wets in the party – such as Jim Prior and John Biffen – were worried about the extent of animosity between the coal mining regions and the Government (*ibid.*). And another former cabinet minister on the wet side of the party, Ian Gilmour, referred to the comments at the 1922 Committee as ‘unwise’ due to the likelihood of them increasing tensions with the miners (Gilmour 1992, 91).

The scenes of violence along picket lines enraged Thatcher, but instead of dampening tensions her off-the-cuff remarks, which revealed her true feelings, would often raise the political pressure. For instance, when reporters asked her to comment on the violence in Orgreave, she responded with a denunciation of ‘mob rule’ that would become a familiar quote on the miners’ strike:

You saw the scenes that went on in television last night. I must tell you that what we have got is an attempt to substitute the rule of the mob for the rule of law, and it must not succeed. It must not succeed.

There are those who are using violence and intimidation to impose their will on others who do not want it. They are failing because of two things.

First, because of the magnificent police force well trained for carrying out their duties bravely and impartially [loud cheers from supporters].

And secondly, because the overwhelming majority of people in this country are honourable, decent and law abiding and want the law to be upheld and will not be intimidated, and I pay tribute to the courage of those who have gone into work through these picket lines, to the courage of those at Ravenscraig and Scunthorpe for not going to be intimidated out of their jobs and out of their future. Ladies and Gentlemen, we need the support of everyone in this battle which goes to the very heart of our society. The rule of law must prevail over the rule of the mob (Thatcher 1984b).

Even her scripted remarks were sometimes designed to antagonise the NUM, their supporters, and the Labour Party. For instance, her speech to the Carlton Club portrayed trade unionism as a threat to liberal democracy and inferred that the Labour party sympathised with ‘extra-parliamentary’ attempts to destroy the government (Thatcher 1984c).⁸⁸

Many within her Party were shaken by similar scenes of violence during the Battle of Orgreave (18 June 1984) and even the Queen was reported to be shocked by the decline in social cohesion (Moore 2016, 158). By July, it was reported to Thatcher that her moderate backbenchers were getting nervous about the coal strike, claiming that ‘something should be done’ to alleviate the extent of the crisis, although crucially, they did not put forward any concrete proposals on what should be done about it (Gaisman 1984).⁸⁹ Importantly, the backbenchers expressed a sense of ‘doom and gloom’ about the progress of the industrial dispute (*ibid.*). However, Thatcher remained determined to see the strike out, without concessions, despite this contributing to her reputation for intransigence. For instance, towards the end of the strike, in December 1984, when the NUM were most likely to negotiate due to the pressure of Christmas, Cabinet minutes find her reaffirming that Peter Walker cannot compromise and should instruct the TUC that talks with the NUM on economic viability would only commence after a return to work (Downing Street 1984c).⁹⁰ And in February 1985, the last month of the strike, she wrote to the wife of a working miner – a group of people that Thatcher had much sympathy for – to reassure her that, ‘For my part, I have made clear that there can be no fudging of the central issue [no settlement before a return to work], and no betrayal of the working miners to whom we owe so much’ (Thatcher 1985; Thatcher 1993, 364-365).⁹¹

Significantly, at the October 1984 Conservative Party Conference, Thatcher planned to make a fierce assault on the NUM and Scargill, but the Brighton Bomb changed the priorities for the speech and made it politically unwise to attack the NUM in such strident terms after a terrorist attack had shocked the nation (Moore 2016, 169). However, she famously rebuked the NUM for their portrayal of working miners, ‘Scabs their former workmates call them. Scabs? They are lions!’ (Thatcher 1984d). But controversially she stated, ‘what we have seen in this country is the

⁸⁸ Margaret Thatcher, speech delivered to the Carlton Club, 26 November 1984 (Thatcher 1984c).

⁸⁹ Tessa Gaisman (Thatcher’s diary secretary) minute to Michael Alison on backbench meeting (Gaisman 1984).

⁹⁰ Margaret Thatcher, Number 10 record of conversation, 13 December 1984 (Downing Street 1984c).

⁹¹ Margaret Thatcher, letter to Pauline Linton, 4 February 1985 (Thatcher 1985).

emergence of an organized revolutionary minority who are prepared to exploit industrial disputes, but whose real aim is the breakdown of law and order and the destruction of democratic parliamentary government' (Thatcher 1984d). Although there is nothing new from Thatcher in the sentiments expressed in this statement, coming after the PIRA actually did try to destroy the British Executive, it was commonly understood to be a direct comparison between PIRA terrorist tactics and the industrial action being taken by the NUM.

Thatcher- the pragmatist

Unsurprisingly, once in government Thatcher had pushed to deliver anti-union legislation – the 1980 Employment Act and the 1982 Employment Act – in her first term (Moore 2016, 149). Genuinely believing that they empowered the individual against an overweening and corrupt trade union movement (*ibid.*). Initially, she was keen to use this legislation against the NUM, specifically the sections that held unions financially liable for illegal pickets (Young 1989, 353). However, more moderate elements advised her to avoid using these provisions, so as not to alienate the TUC, who were reluctant colleagues of the radical NUM, but would be forced to come out in full support of the miners if anti-union legislation was utilised (Young 1989, 370). The moderates advising against the use of the Employment Acts included: Andrew Turnbull (Cabinet Office), Peter Walker (Energy Secretary) and even Norman Tebbit (Trade Secretary), who had written the 1982 Act (Moore 2016, 156; Young 1989, 370). Thatcher's instincts were to use all the powers available to her against the miners, but she recognised the importance of not fighting the entire trade union movement at the same time, so she instructed her ministers not to pursue the unions on legal grounds, but instead passed this process to unofficial actors such as David Hart (Milne 2016, 325).

Again, in November 1984, it was Andrew Turnbull in the Cabinet Office who encouraged her not to follow the advice emanating from the libertarians in the Number 10 Policy Unit (Turnbull 1984).⁹² The Policy Unit argued that MacGregor was not taking a hard enough position on the NUM, and that the best way to encourage miners back to work over the Christmas period was to publicly state that miners' jobs were now at risk due to the length of the strike, and that the economic damage done to the industry was so great that the generous redundancy packages

⁹² Andrew Turnbull, memo from Peter Warry in the Number 10 Policy Unit, 13 November 1984 (Turnbull 1984).

previously agreed may no longer be affordable (Turnbull 1984). In a handwritten cover note attached to this memo, Turnbull argued against this escalation in tactics:

Prime Minister, I don't agree [with the Policy Unit] that the time has come to switch from the carrot to the stick. The back pay card is the best one to play.

Withdrawing the job guarantee and the redundancy terms would represent a major change of course by the NCB/Government. It should not be undertaken, other than as a last resort (Turnbull 1984).

Thatcher responded to this cover note by writing, 'I agree with you' (Turnbull 1984). Understanding that it was not practical to follow a more libertarian policy prescription, when the government was already winning the dispute without increased measures, and a steady number of miners were returning to work every week (Moore 2016, 176).

But perhaps the best example of Thatcher's pragmatic moderation of her more radical inclinations was with her intervention during the threatened strike by the NACODS. This occurred in August 1984 when MacGregor, under the influence of David Hart, ordered the NACODS members (who were mostly coal mine foremen and managers) to cross all NUM pickets or face a loss of pay (Milne 2016, 327-328). Before now the NACODS were not on strike and would work in open mines, but at the same time the NCB had a policy of not forcing them to work in mines where the NUM had strong pickets in place, due to the risk of violence and because many NACODS members would struggle to walk past colleagues on a picket (*ibid.*). This was a major escalation in NCB policy. The expectation would be that Thatcher would support this position, out of her own ideological beliefs and because she so admired the working coal miners who crossed NUM pickets every day to get to work (Thatcher 1993, 376-377). In fact, in her political memoir she claimed that, 'It was easy to understand why the NCB acted as they did' (*ibid.*, 363). However, she quickly understood it as a 'major error' because it resulted in the NACODS members who had previously voted against strike action in April 1984, voting 83 per cent in favour of strike action by October 1984 (Milne 2016, 20). This would have made the crucial winter of 1984 untenable for the government's position, as the winter coal reserves could not last without the Nottinghamshire pits remaining open (Thatcher 1993, 363). In fact, the Department of Energy prepared a secret report for Thatcher that outlined how government coal reserves would likely run out by February 1985 in the event of an NACODS strike (DOE 1984).⁹³ Thatcher remained coy about what she

⁹³ Department of Energy report for Margaret Thatcher, 24 October 1984 (DOE 1984).

exactly ordered on the threatened NACODS strike in her political memoir, but Ian MacGregor's political memoir claims that she unambiguously told him to settle the NACODS dispute in order to save the Government (MacGregor 1986, 281; Thatcher 1993, 366-368). Undoubtedly, Thatcher and Peter Walker immediately understood the importance of the NACODS vote for industrial action and had the pragmatic sense to avoid it at all costs, even at the price of sacrificing certain anti-union principles (Young 1989, 370). Fortunately for the Government, the NCB allowed the status-quo on not forcing NACODS members to cross pickets to remain and they agreed a compromise that allowed independent arbitration to determine the economic viability of pits in return for the NACODS calling off the planned strike (*ibid.*, 374).

The Miners' Strike- a shift towards libertarian policy

Thatcher claimed that she had no desire to fight a miners' strike, but she always knew one was coming due to the Marxist agenda of the NUM (Thatcher 1993, 339-340). She certainly did everything in her power to prepare for one after the NUM forced her to reverse the pit closure policy in February 1981. And the evidence does show that in the lead up to the strike there was a deliberate attempt to accelerate the closure of uneconomic pits with the full knowledge this would lead to a major industrial dispute (Armstrong 1983; Downing Street 1983; Lawson 1983). Most supporters of the miners remain convinced that Thatcher deliberately provoked the strike for ideological reasons (Milne 2016, 17). However, to some extent this is a chicken and egg argument, it is pointless to argue over which came first. Thatcher's position was that economic necessity and the dictates of good governance forced her to rationalise the coal industry, if that common-sense agenda caused the NUM to go on strike, that was their choice and not due to her deliberate provocation (Thatcher 1993, 140-141). To her critics the strike symbolised a deliberate attempt to accelerate the decline of an industry that opposed her economic libertarian agenda, without thought for the damage this would inflict on communities or on social cohesion in the North of England (Young 1989, 377). Even some of her supporters felt that the divisiveness of the strike had damaged the reputation of the government, although this was viewed more as a matter of tone rather than principle (Baker 2021; Gilmour 1992, 91; Moore 2016, 180). Given that the Thatcherite project and the NUM were so diametrically opposed to each other, conflict can be viewed as inevitable, no matter who instigated it or for whatever reason. However, the strike was not pain

free for the Thatcherite fiscal project; for instance, the strike increased borrowing by £2.75 billion pounds, reduced GDP, and increased inflation rates (Lawson 1993, 160). But it remained the central political event of Thatcher's second term and this defeat of trade union power remained one of her most lasting legacies (*ibid.*, 161).

The miners' strike marks a major shift in Conservative Party policy on trade unionism, from antagonistic but also conciliatory, to mostly just confrontational. Thatcher failed to gain the support of moderates in her party for an industrial dispute with the NUM in February 1981, and the state was not in a position to defeat the miners at that point anyway. The causal mechanism behind this thesis is exhibited between 1981 to 1984, when Thatcher's coal policies concentrated on building up endurance to deliver a victory against the miners, but they also served a dual purpose of proving to moderate Tory MPs that she was doing everything in her power to prepare for the next battle and that it was winnable. She also spent these years moving aside policy makers that were more conciliatory to the unions and installing people who shared her ideological distaste for organised labour. This helped install confidence among the formerly wavering party officials that defeating the NUM was both necessary and had a good chance of success. During the dispute libertarian ideologues tried to take advantage of the crisis to push party policy on trade unionism into a more libertarian space, often with some success. But Thatcher was a skilful politician and was pragmatic enough to listen to more moderate voices, who urged her to ignore or to overrule the more extreme libertarian policy proposals. However, this moderation did not stop the strike setting in motion a process of decline in the power of organised labour in the UK, a shift in workplace power relations from collective institutions, towards the individual non-union worker and, most importantly for the libertarian project, the employer.

7.4 Shift Away: The 2021 UK Budget and Covid restrictions

This thesis argues that when a political crisis interacts with policy that is consistent with liberal ideology, this creates a political climate in which libertarian policy positions become less tenable within a mainstream centre-right party. Under these conditions we should see libertarian ideologues fail to convince their more moderate party colleagues about the need for a shift towards libertarian policy solutions. Moderates will instead prefer to embrace less liberal policy positions,

both as a reaction against the perceived failure of the previous liberal policy prescriptions and as an attempt to appeal to voters who are similarly disappointed by liberal policy failure.

The Covid restrictions and the subsequent 2021 Budget delivered in March 2021, represent the chosen case that fits the pattern of a crisis interacting with policy consistent with liberal ideological preferences (see Table 7.1 above).⁹⁴ These two public policies need to be considered together because they both represent a contiguous failure of libertarian values. The covid restrictions necessitated a draconian reduction of people's personal liberties and the same crisis contributed to a Budget that delivered tax increases combined with a huge increase in public borrowing. These policies confounded many political commentators and libertarian activists who predicted that Johnson's Cabinet would deliver a further libertarian shift in Conservative Party policy, the likes of which had not been seen since Thatcher's premiership (see: Andrews 2019; Elliot 2019; IEA 2019).

This shift away from libertarian policy preferences – as represented by the Budget and Covid restrictions – followed a period of largely unheralded success for libertarian policy preferences within the Cameron and May governments. For example, Cameron's socially liberal agenda – demonstrated through his support for gay marriage and increasing the diversity of Conservative Party representatives – masked the tough austerity measures carried out in George Osborne's budgets (Ford and Goodwin 2014, 70-71). The crisis of the Great Recession created the space for the Conservative Party to shift away from their previous commitment to match Labour spending pledges and instead to focus on deficit reduction as the preferred policy solution to the crisis (Seldon and Snowdon 2016, 9). This framing of the Great Recession as 'Labour's debt crisis' appealed to the right-wing press, and it became the dominant political narrative (*ibid.* 18). This refocusing of the Party's economic strategy onto austerity as a solution to the economic crisis was an obvious win for the libertarian wing of the Party and it delivered immediate results once the coalition government was formed (Baker 2021). For example, Osborne's emergency Budget in 2010 delivered £6.2 billion of in-year cuts to government spending (*ibid.*, 31). By 2015, Osborne's policy of cuts – enthusiastically supported by Treasury Officials – had delivered a growing economy and a reduction in government spending as a proportion of GDP from 45 per

⁹⁴ This Budget was originally scheduled for Autumn 2020, but the pandemic led to it being postponed to March 2021.

cent to 40 per cent, a significant achievement in only five years (*ibid.*, xxxiv & 554). There were indications that Cameron eventually planned to shift towards a ‘life chances’ agenda that would prioritise his vision of a ‘Big Society’ over fiscal rectitude but his resignation after the vote for Brexit occurred before this repositioning could be set into motion (*ibid.*, 149 & 554).

Teressa May’s government also hoped to shift party policy away from austerity and towards a less libertarian economic agenda. For example, her joint Chief of Staff, Nick Timothy, tried to develop a ‘Red Tory’ policy programme which would see the Party appeal to Northern working-class voters through policies that would tackle ‘rogue’ big business, deliver inter-generational fairness, and alleviate in-work poverty (Shipman 2018, 17-18).⁹⁵ The Conservative Party’s election manifesto for 2017 was his brainchild, designed to be both a statement of philosophy and of public policy; an attempt to define ‘Mayism’ in one document (*ibid.*, 280). In fact, he hoped that it would be viewed as a modern version of the 1942 Beveridge Report, which influenced the design of the British welfare state (*ibid.*, 281). However, May’s disastrous campaigning abilities combined with the public perception of the ‘dementia tax’ policy meant that this was the most ill-conceived manifesto in the modern history of the Conservative Party and contributed to May losing her majority. This failure for ‘Red Tory’ policy and the Party’s factional fighting over Brexit meant that there was no shift away from the libertarian economic policies pursued during the Cameron years.

So, the Cameron and May premierships did move policy towards a more libertarian economic agenda in which fiscal rectitude was the overriding aim of public policy; and Cameron’s support for gay rights and reductions in the time allowed for police detentions did the same for a socially libertarian agenda (Davies 2021; Ford and Goodwin 2016, 70-71). However, there was a feeling among libertarian ideologues that the recession was a ‘lost opportunity’ and that it should have been used to limit the role of government and control state spending to a much greater extent (Baker 2021; Carswell and Hannon 2008; Carswell 2021; Davies 2021). Cameron’s lack of ideological rigour and support for nanny state legislation – such as state mandated controls on sugar and alcohol – drew criticism from some libertarians within the Party. For instance, Douglas Carswell contends that:

⁹⁵ Nick Timothy served as Chief of Staff alongside Fiona Hill.

David Cameron is a nice guy and I like him personally, but he's fundamentally patrician. He fundamentally thinks that he and a group of people in the policy unit of Number 10 know best for you as to whether or not your kid should buy a chocolate orange in the supermarket. It's not because he has an ideology, it's because he is an ego in search of a purpose. If you want to become Prime Minister and you want a career in politics and you think you will be awfully good at it; most of your friends went to work in a bank and you went to work in Tory Central Office. So, you get into a position that you are leader of the Tory Party and you're looking around for a purpose. So, unless you have a clear philosophical approach based on free markets and Friedman and what not; you just kind of morph into being a patrician Tory- **Douglas Carswell, interview with author (Carswell 2021).**

This partiality for patrician style policies within the Cameron government, and the lack of ideological tenacity, led some libertarians to hope that Boris Johnson's government might deliver an even greater shift towards libertarian policy preferences.

Importantly, on the policy response to Covid, the pre-existing emergency disaster plan within Whitehall, that was designed by the government's medical advisors to respond to a potential Coronavirus pandemic, sought to take a more liberal (or libertarian) strategy in tackling a pandemic (Baker 2021; Blanco-Jimenez 2021). This relied on a policy response that focused on people voluntarily following public health advice and being given the freedom to manage their own health-risks (Blanco-Jimenez 2021). The strategy was to manage the spread of Covid, but also maintain personal freedoms and economic activity until a vaccine could substantially reduce the health risks for vulnerable citizens (Baker 2021). This was the initial UK policy response, which was in-line with libertarian policy responses and Johnson's public statements on pandemic policy. However, the UK government performed a policy U-turn on this issue and changed direction by enforcing a mandatory lockdown policy response to the pandemic that is viewed as a draconian overreach of state power by many libertarian political actors (Baker 2021; Carswell 2021).

Early Libertarian Promise

So, why did libertarians, and many commentators, believe that Johnson's Cabinet could deliver libertarian policy solutions that would revolutionise the British state? First, the ideological backgrounds of those he appointed to Cabinet suggested that the Conservative Party would be making a further significant shift towards libertarian policy. For example, in a jubilant newsletter

from July 2019, the Institute of Economic Affairs (IEA) bragged about the libertarian sympathies of Johnson's Cabinet appointments:

This week, liberty-lovers witnessed some exciting developments as newly elected Prime Minister Boris Johnson appointed possibly the most liberal, free-market oriented cabinet since the days of Margaret Thatcher.

The IEA is delighted to note that no less than 14 cabinet members and cabinet attendees are alumni of IEA initiatives, the 'Free Enterprise Group' and 'Freer', both designed to champion ideas of free enterprise and social freedom... IEA spokespeople were across the media discussing whether the new PM and Cabinet will deliver positive pro-market reforms and usher in a competitive and free economic environment. (IEA 2019).

The Free Enterprise Group (FEG) was fostered by the IEA within the Conservative Parliamentary Party, with the expressed aim of encouraging libertarian policy solutions and inculcating the libertarian values of individual liberty, free markets, and limited government (Lawrence et al. 2019).⁹⁶ The fact that three of the four great offices of state were made up of these FEG members provided a reasonable expectation for significant libertarian reform under Johnson's premiership (IEA 2019). For instance, Kate Andrews, the associate director of the IEA wrote an opinion piece for *The Times* lauding the new libertarian direction of Johnson's Cabinet:

'Socialism is back in vogue', they said. 'You have to pivot left to garner support', they said.

The May administration listened to this prevailing narrative over the past three years, stealing Ed Miliband's tombstone policies and implementing them. Energy price caps, crackdowns on lifestyle freedoms, and more red tape wrapped around business defined a short era of interventionist conservatism.

Champions of free markets and free people were paid lip service over the years, but their ideas rarely embraced. The solution to every problem seemed to be more state intervention. The fix for delayed infrastructure projects was more spending.

But the tables have turned. Overnight, classical liberalism has been put back on the agenda. The Johnson administration is directly challenging the common narrative, with a Cabinet that is made up of the most liberal, free-market representatives we've seen in decades.... Given his appointments, Johnson must think the track record of free trade, free markets and liberty has a

⁹⁶ The 14 Cabinet attendees, appointed in July 2019, who were also IEA alumni include: Sajid Javid (Treasury Secretary), Dominic Raab (Foreign Secretary), Priti Patel (Home Secretary), Robert Buckland (Justice Secretary), Alun Cairns (Welsh Secretary), James Cleverly (Party Chairman), Matt Hancock (Health Secretary), Alister Jack (Scottish Secretary), Andrea Leadsom (Business Secretary), Brandon Lewis (Minister of State- Home Office), Kwasi Kwarteng (Minister of State- Business), Julian Smith (Northern Ireland Secretary), Liz Truss (International Trade Secretary), Jacob Rees-Mogg (Leader of the House of Commons) (IEA 2019).

fighting chance against protectionism and nanny state-ism. I'm inclined to agree (Andrews 2019).

Libertarian expectations were also heightened by the fact that the new Chancellor of the Exchequer, Sajid Javid, had made a speech in honour of the IEA's sixtieth anniversary, in which he paid tribute to the IEA for both reflecting his libertarian views as a young man and fostering them to a more sophisticated level as an early career politician (Javid 2015). Similarly, Dominic Raab, the new Foreign Secretary, also speaking to commemorate 60 years of the IEA, enthused about the impact the IEA's education had on him as a young man, which helped to cement his belief in the 'eroded liberty' that he claimed was becoming the norm in the UK (Raab 2016). In fact, the IEA's focus on 'British idlers' encouraged him to organise the publication of the libertarian manifesto, *Britannia Unchained* (2012), with other ideologically sympathetic Conservative Party MPs (Lawrence et al. 2019).

Britannia Unchained has regularly been described as a blueprint for turning the United Kingdom into a 'Singapore in the North Sea' (Bower 2020, 39). Written by five MPs who had all been elected in May 2010 and were all part of the FEG; its focus was on arresting Britain's 'national decline' brought about by a 'dependency culture' that stifled individual ambition and creativity (Kwarteng et al. 2019, 4 & 7-9). This was to be achieved by recreating the optimism of Thatcher's Britain through an emulation of the entrepreneurial drive and free-market reforms exhibited in many developing countries, such as in India and China (Kwarteng et al. 2012, 113-115). The importance of this worldview for Johnson's Cabinet was highlighted by Rachel Sylvester, writing in *The Times*:

With the promotion of Kwasi Kwarteng to business secretary last week [Johnson's second ministry, appointed on 16 December 2019], four of the five authors of *Britannia Unchained* are now in the cabinet. Dominic Raab is foreign secretary, Priti Patel is home secretary and Liz Truss is international development secretary, giving the libertarian "freedom fighters" influence over both domestic and foreign policy. Only Chris Skidmore, until last year universities minister, is absent from the top table.

Boris Johnson, in search of a big idea to underpin his personal ambition, has clearly been impressed by the clarity of the group's free market vision (Sylvester 2021a).

Again, with so many authors of *Britannia Unchained* (2012) taking leading ministries in Cabinet there would be a reasonable expectation that this would lead to more libertarian policy solutions. In fact, journalists spotted a copy of this book on the backseat of Johnson's car just before he was

appointed Prime Minister (Sylvester 2021a). It is impossible to know whether this was a coincidence or a contrivance, but it does indicate that Boris was familiar with that book's agenda. And even within the Conservative Party more moderate MPs were dismayed by the ideological background of Johnson's new Cabinet; for instance, the Remain supporting Nick Boles MP said:

The hard right has taken over the Conservative Party. Thatcherites, libertarians, and no deal Brexiters control it top to bottom ... The Brexit Party has won the war without electing a single MP. Boris Johnson isn't our new prime minister. Nigel Farage is. (Nick Boles, quoted in Elliott 2019)

So, based on the ideological leanings of many Cabinet appointees, a libertarian turn in policy was a reasonable assumption to make in July 2019.

This expectation was further encouraged due to the links of many of the most prominent Cabinet ministers to the international libertarian network. For instance, the IEA's links to the Conservative Party meant that they were able to help develop a generation of Tory MPs that had close relationships with libertarian think tanks and networks that resembled the established structures of US politics (Lawrence et al. 2019). And presumably, this generation would be keen to develop policy solutions that would be in keeping with their ideological preferences. For example, the IEA was able to utilise its membership of the Atlas Network to foster closer ties between libertarian political actors in the US and UK (*ibid.*). Boris Johnson, Michael Gove, and Liz Truss had all specifically flown to the US to meet with libertarian think tanks, such as the Heritage Foundation and the American Enterprise Institute (*ibid.*). And before joining Johnson's Cabinet, Sajid Javid had also attended the annual American Enterprise Institute World Forum six times in eight years (*ibid.*).

Finally, much of Boris Johnson's own political identity suggested a libertarian policy shift under his leadership. There was a public perception of Johnson as an 'optimistic, fun-loving, freedom-seeking libertarian' (Sylvester 2021b). A perception he helped to foster over the years through his work as a journalist; which included numerous opinion pieces denouncing the 'nanny state', 'petty bureaucracy' and 'meddling government' (Johnson 2004; 2006; 2012). And even his well-publicised (but vacillating) Euroscepticism can be read as an extension of his small government libertarian instincts (Johnson 2016). This libertarian perception has been embraced by much of the media, with even the political editor of ITV claiming that, 'If Boris Johnson has a political philosophy it is that he will not restrict our liberties unless there is an overwhelming

reason to do so' (Peston 2021). These libertarian instincts came to the fore in his initial response to the Covid crisis. This emergency saw him repeatedly playing down the seriousness of the pandemic; going so far as to shake hands on a Covid ward, as well as allowing Cheltenham and the Six Nations Rugby to continue without restrictions (Bower 2020, 458; Osborne 2021, 77 & 83). In fairness to Johnson, in initially pursuing a natural 'herd immunity' strategy he had the support of the UK's most senior public health experts, such as the Chief Medical Officer, Chris Witty, and the Chief Scientific Advisor, Patrick Valance (Bower 2020, 462 & 466). But it is also fair to say that this initial course of action also coincided with his political instincts to resist draconian policy measures, especially any policy that could restrict individual liberty and the normal functioning of the free market (*ibid.*, 467).

Libertarian disappointment in Johnson's leadership

Johnson's government has disappointed on delivering a shift towards libertarian economic and social policy. In fact, Rishi Sunak's 2021 Budget represents a shift to the left for the Conservative Party on economic policy and shows a concerted effort to rein in the vagaries of the free market (Ganesh 2021). For instance, instead of opening-up the economy as demanded by many libertarian Conservative Party backbenchers, this budget extended the Coronavirus Job Retention Scheme and the Self-Employed Income Support Scheme until at least September 2021 (HMT 2021, 44-45; McGuinness 2021). It also budgeted for the highest UK budget deficit in peacetime history; and predicted that national debt would rise from 88 per cent of GDP in 2021, to 93.8 per cent in 2022 and peak at 97.1 per cent by 2023 (HMT 2021, 28-29). The Budget included no tax cuts on income, national insurance, or VAT (*ibid.*). And tax-free allowances, such as on income and inheritance, were frozen instead of increased (*ibid.*, 67). From a libertarian policy perspective perhaps the most egregious part of the Budget was the decision to raise corporation tax from 19 per cent to 25 per cent (*ibid.*, 42). This is despite Johnson heavily criticizing Jeremy Corbyn for economic recklessness due to Labour's proposed plans to increase corporation tax to 26 per cent (Osborne 2021, 26). However, with the decision to institute eight free ports, Rishi Sunak did embrace at least one policy proposal beloved by libertarians (HMT 2021, 58-59). But this was a diluted version of the preferred libertarian policy; instead of duty-free ports with no bureaucracy, they will consist of ports with just some tax incentives and reduced red tape (*ibid.*).

On Covid restrictions, the government abandoned the pre-existing policy plan for a less restrictive approach to the pandemic, and instead of pursuing a policy of natural herd immunity that respected people's personal freedoms and attempted to live with Covid, they instituted three significant lockdowns in March 2020, November 2020, and January 2021. For instance, Steve Baker MP, a former Brexit Minister on the libertarian wing of the Party, believes that the government should have followed the pre-existing disaster plan for a Coronavirus pandemic that involved a natural herd immunity strategy of 'flattening the curve' (Baker 2021). Johnson's unwillingness to follow this plan earned him the ire of anti-lockdown backbenchers within the European Research Group, which morphed into the Covid Recovery Group (CRG) and includes 70 MPs among its membership (Walker and Walker 2020). The CRG is made up of disgruntled backbenchers who attacked the Covid restrictions using the language of libertarian rights; for example, Steve Baker MP, a leader within both the ERG and CRG, is quoted as saying that the lockdown restrictions, 'hammers freedom, hammers the private sector, hammers small business owners and hammers the poor' (McGuinness 2021). Baker even went on to claim that Johnson's leadership would be 'on the table' if he did not set out a clear and immediate plan to exit lockdown restrictions (*ibid.*). However, this libertarian critique from the CRG had limited impact on government policy. In February 2021, the CRG issued an ultimatum to Johnson demanding he lift all Covid restrictions by May (Walker et al. 2021). In response, Johnson sent Ministers into the media to give interviews rejecting the May deadline as being too early, and he instructed them to claim that an end to restrictions must wait upon the delivery of the vaccination programme (*ibid.*). Even Dominic Raab, the instigator of *Britannia Unchained* (2012), refused to countenance an early end to Covid restrictions (Walker et al. 2021).

This refusal to prioritise personal liberty over public health also earned the Johnson's government the enmity of libertarian columnists in the right-wing press. For instance, Stephen Glover in the *Daily Mail* contended that:

He [the old libertarian Boris] would have been appalled by this massive extension of state power, and done his utmost to reverse it at the earliest opportunity... That optimistic, freedom-loving Boris has disappeared, and I wonder whether we will ever see him again (Glover 2021).

And Ben Kelly in *The Telegraph* also criticized Johnson's public health measures on the basis of their impact on individual freedoms:

Yesterday, while being grilled by MP's about the government's coronavirus response, *Boris* Johnson proclaimed that the UK was a "freedom-loving country". That patriotic, idealistic view of Britain and Britons is typical of *Boris* the liberal. That champion of freedom who was going to cheer the nation up, roll back the nanny state and stop the government meddling in our lives.

It was less characteristic of Prime Minister Johnson, the head of a government that is actively encouraging Britons to snitch on each other, who floated the idea of busybody 'Covid marshals' enforcing the restrictions on our social lives and who raised the idea of calling in the military to free up police to enforce Covid-19 rules...

Now "libertarian" Boris is a prolific producer of illogical rules that are inhumanely inflexible and enforced with the threat of fines so heavy that for many they would be financially ruinous. You can appeal a £30 parking fixed penalty notice, but you cannot appeal a £10,000 coronavirus fixed penalty notice. The only way to challenge is to not pay and risk prosecution. Not very liberal.

This isn't *Boris* the liberal, it's *Boris* the accidental totalitarian. He micromanages our lives and abolished English liberties by diktat. There is no democratic process, no debate, no scrutiny, just send out the scientists to terrify the public with their extrapolations and then scythe through our freedoms and casually tell us he may clamp down on us further... (Kelly 2020).

And even the IEA, usually a close partner in Conservative Party policy, produced research that criticized the extent of public health restrictions and the lack of a more nuanced policy response to regional variation in the severity of the pandemic (Pennington 2020, 23). And some IEA officials shared similar anti-lockdown opinions in the right-wing media (Snowdon 2020). In fact, the Head of Education within the IEA, has acknowledged the extent of disappointment with Johnson's government among libertarian intellectuals in general:

I'm afraid there is a lot of disappointment [in Boris Johnson] not just in the IEA, but for what you might call the more broadly defined classical liberal thinktank world. In that type of intellectual milieu there is a lot of disappointment. But my personal view is that this shows their naivety, because I've been arguing that the Conservative Party is in the process of moving away from the free-market orientation its reported to have since Thatcher... So, for me, no disappointment. But a lot of the people I know are painfully disappointed. **Dr Stephen Davies, interview with author (Davies 2021)**

This disappointment and pressure from libertarian ideologues, from both within and without the Conservative Party, failed to deliver an end to the public health measures that libertarians found so offensive to their conception of personal freedom. However, Johnson's own understanding of personal liberty did mean that each significant lockdown that occurred during the Covid crisis was delayed until the inevitable restrictive policy measures – which were the norm across most of

Europe – had become unavoidable due to public concern, the increase in infection rates, and a deterioration in NHS capacity (Shrimpsley 2021).

Reasons for a shift away from libertarianism

So, why did this most libertarian of governments deliver economic and public health policy that contradicted libertarian values? First, the Conservative Party under Johnson’s leadership decided to pursue an electoral strategy that would have been hamstrung by libertarian reform of the economy. When Dominic Cummings was appointed Special Advisor to the Prime Minister in July 2019, he commissioned polling that showed that Labour was vulnerable in the Midlands and the North, mainly because of Brexit and Corbyn (Bower 2020, 399).⁹⁷ Party officials understood that voters in these traditional ‘red wall’ areas could only provide a ‘transactional’ relationship with a Conservative Party that they would usually look upon as acting against their interests (Power, Bale and Webb 2020, 79). So, Cummings took the lead on pushing through an extra £20 billion pounds for the NHS, even before the Covid crisis, in order to attract these traditional Labour voters and assuage their concerns about trusting the Conservative Party with social provision (Bower 2020, 399).

To some extent, this could be looked upon as the implementation of the ‘Red Tory’ policies espoused by Nick Timothy; but unlike May, Johnson had the political capital to deliver on these policies (Davies 2021; Shipman 2018, 280). As shown above, these decidedly non-libertarian spending commitments continued into Rishi Sunak’s Budget in March 2021. But they also crept into the 2019 Manifesto, which even included the Keynesian proposal to borrow £100 billion pounds to funnel into public infrastructure, especially the expensive HS2 rail project (Conservative 2019, 27). These were deliberate policies designed to increase Conservative Party majorities in ‘red wall’ constituencies, based upon a commitment to end the austerity of the Cameron years and to end the Brexit logjam (Tonge et al. 2020, 4). The Chancellor of the Exchequer, Sajid Javid, attempted to push back against these spending plans and stay true to his free market, small

⁹⁷ Cummings’ ideology is difficult to pin down. Much of his well-publicised blog posts suggest a libertarian sensibility but, in practice, he seems to have no discernible ideological commitment beyond a vague anti-establishment combined with a dislike of policy ‘elites’ (Wanga 2021). Steve Baker contends that both Gove and Cummings are both heavily influenced by Platonism, to the extent that they seek to develop ‘Philosopher Kings’ who will wield power for the public good and deliver radical policy change to revolutionise the state (Baker 2021).

government principles (Bower 2020, 466). But Johnson, and Cummings, were insistent on ‘levelling up’ the economy in the North and increasing spending on the NHS (*ibid.*). Javid’s eventual resignation from Cabinet was over issues of power and control – Johnson wanted the right to appoint all of his political advisors – but tensions over economic policy contributed to his exit in February 2020 (Osborne 2021, 105).

As previously mentioned, this commitment to pivot away from the policy preferences of deficit hawks extended to the design of the Conservative Party’s election manifesto of 2019. The messaging behind this manifesto was a collaboration between the Australian political strategist, Isaac Levido, and Dominic Cummings (Power, Bale and Webb 2020, 66). They devised a ‘light’ document that focused primarily on delivering Brexit for the committed Leave voter and delivering an end to the Brexit stalemate for those voters who were weary of the political deadlock and had no appetite for a second referendum (*ibid.*, 66-67). However, another core promise was to end austerity policies and to take a more casual approach to state borrowing, which represented a significant shift away from the libertarian economic policy and fiscal conservatism of the Cameron/May years (Tonge et al. 2020, 3-4). Another electoral strategy was to keep Johnson away from intense scrutiny of his policies, hence their refusal of the Andrew Neil interview (Power, Bale and Webb 2020, 67-68). And the Party made sure that Johnson stuck mainly to choreographed photo-ops in which his bumbling amiability, or buffoonery, played to his populist strengths (*ibid.*). Another feature of the campaign was the print media’s hostility to the Corbyn project; newspaper sales may be down, but they still influence the news agenda, and importantly, they are read by older voters who tend to vote in higher numbers (Wring and Ward 2020, 284). Even the impartial BBC received credible allegations of bias in its coverage of the Labour Party (*ibid.*, 276-277). And there was a surprising unwillingness by the media to tackle Johnson on his blatant lies during the election campaign or to place him under the same scrutiny as Corbyn (Osborne 2021, 15-33). Under these conditions Johnson’s disciplined messaging of ‘Get Brexit Done’ could not help but resonate more with red wall voters than May’s ‘Strong and Stable’ slogan, which only made her seem weak and chaotic in the 2017 campaign (Power, Bale and Webb 2020, 79).

So, even though the Conservative Party went into the December election campaign expecting a victory, they were not expecting to pick up such a huge majority (Shipman 2019). This ‘Boris Bounce’ meant that the Conservative Party gained 56 seats in Leave voting constituencies,

and 30 per cent of the Conservative Party's MPs were new to the House of Commons (Tonge et al., 4). Importantly, these MPs knew that they owed their own electoral good fortune to Johnson's electoral victory and remained decidedly loyal to him based on this electoral appeal (*ibid.*). Fear, as well as loyalty, may also play a part in the failure of libertarian ideologues within the party to successfully push against policy proposals that contradicted their liberal beliefs. For example, Johnson was ruthless in who he appointed to Cabinet. In Thatcher's first Cabinet she included many 'wets' who did not support her candidacy, but Johnson purged the Cabinet of any MPs that were not willing to support a possible no deal Brexit (Bower 2020, 400). In fact, Amber Rudd was one of the few remain supporting Ministers he appointed and even she resigned over Brexit policy two months later (*ibid.*, 391). He also purged 21 remain supporting MPs from the Party who had refused to back Brexit legislation (*ibid.* 405-406). This obviously created a climate in which opposition to the leader's plans, even if that opposition is based on sincere ideological principles, will carry the risk of significant negative consequences for a political career.

In terms of policy the 'libertarians' in Cabinet could not convince the 'levellers up' about the need for more libertarian reform (Sylvester 2021a). For example, in relation to the libertarian element in Cabinet, the Conservative Peer, Lord Patten said, 'If they try to implement that rag tag of neoliberal promises they can say goodbye not only to the red wall but to quite a lot of the blue wall as well' (*ibid.*). Essentially, electoral concerns meant that the libertarians were failing to resist the shift away from their policy preferences by less ideologically committed party representatives. For instance, the new Conservative Party electoral coalition included support from 47 per cent of DE voters (unskilled workers and the unemployed) compared to the Labour Party's 34 per cent share (Power, Bale and Webb 2020, 74). And age was the biggest indicator of voting intention in the 2019 election, with a significant majority of older voters preferring the Conservative Party over Labour (*ibid.* 78). As both the working class and older people are more likely to rely on the welfare state, neither sets of voters are likely to approve of a libertarian reordering of the social safety net. So, despite early libertarian promise, in practice Boris is, '...looking beyond his party to the voters who propelled him to Number 10' (Sylvester 2021b).

So, why have the libertarians in Cabinet not put up more of a fight against these policy proposals that contravene their liberal ideological preferences? Why has Javid been the only

resignation?⁹⁸ As mentioned above, fear of retribution, as fostered by the treatment of Remain supporting MPs, keeps any resistance low key and within the Party. However, some libertarians believe that it is an issue of character, and that many of the self-professed libertarians in Cabinet, may use libertarian rhetoric when it suits them, but they lack any ideological conviction beyond their own career progression (see: Allen Green 2021). For example, Douglas Carswell, is scathing about the ideological commitment of the current Cabinet:

What matters is not what pamphlets they put their name to when they are trying to get noticed in their first term. What matters is not what columns they write when they are doing a gig in *The Telegraph*, while being a shadow minister. The only thing that matters is the relationship inside them – and this is to do with character – between what they believe and what suits them. You can write as many *Britannia Unchained* books as you want, if you don't have the character that says, 'I'm going to forsake my interests because I have an abstract belief in something', then it doesn't matter how many books you have written. Let me put this delicately, I look at the current Cabinet and I think back to the days when I was running a shadow whipping operation and trying to get people to vote in favour of holding a referendum. Just holding a referendum. And I see some very big beasts in the Cabinet – if they are not all Lilliputians – who define themselves today on their Euroscepticism, who I know would find every excuse in the book not to be in Parliament to lend support for critical votes when it mattered. And that is because what they say they believe in now and what they believed in the past, is totally overshadowed by personal self-interest.

If you have a Cabinet of Lilliputians, with the character of third raters, without the character to stand up for what they believe in. It doesn't matter what they call themselves, it really doesn't matter. They will be at the mercy of events and the Whitehall machine and the orthodox opinions around them. That explains why this supposedly 'libertarian' group of people are standing over this extraordinary Corbynesque expansion of the state. And all their PR and spin doctors saying, 'they're really libertarian, they don't want to do it'. It's meaningless. Character is everything in politics **Douglas Carswell, interview with author (Carswell 2021)**.

To some extent this can read like the statement of a typical ideologue criticizing Cabinet Ministers who have to make the 'tough decisions' and compromises necessary in government. However, Carswell makes a valid point about the extent of the U-turn performed by so many committed and previously ideologically driven libertarians within government, and what this points to in terms of character:

Unless obsequiousness oozes out of every pore of your being, you don't get on the A-list. You don't get considered to be a junior minister in charge of paper clips unless you show obsequiousness. You end up with Cabinet Ministers who frankly wouldn't have made it into

⁹⁸Although, as of June 2021, he has been appointed as Health Secretary to replace Matt Hancock (BBC 2021).

Suffolk County Council when Thatcher was around. **Douglas Carswell, interview with author (Carswell 2021).**

This suggests that having ideological commitments, at least to libertarianism, within the modern Conservative Party is not conducive to a successful career and that a willingness to bend when the political climate shifts away from your preferred outcome is a necessary attribute to have as a successful mainstream politician.

Steve Baker MP, a former Brexit Minister, to some extent concurs with Carswell's assessment about the extent of ideological commitment to libertarianism within the current Cabinet. However, he also believes that the extent of autonomy available to Cabinet Ministers is greatly reduced and the balance of power has shifted towards the Prime Minister and his special advisors. Essentially, he believes that Ministers in this government are not free to pursue their preferred policies, and that they are dictated to by special advisors, such as Dominic Cummings (Baker 2021). He contends that this has led to a Cabinet that is full of 'Hollow Men' who will not stand up for their beliefs (*ibid.*). Importantly, even as a committed libertarian, Steve Baker does not believe that all forms of political compromise are representative of political defeat; in fact, he views compromise as a necessary aspect to being successful within a mainstream party:

Obviously, I have to be a practical politician and compromise. All politicians want power for themselves. And there's no point being in politics if you can't get power for yourself. There's an element [in Cabinet] that wrote stuff because they thought it would help them get power for themselves because it was going with the weather at the time. And to some extent they were setting out what they truly believe, and I like to think Tories believe in free markets, otherwise who else is going to.

But you also hear that there are two types of politicians in Parliament, there are 'signposts' and 'weathervanes'. I am undoubtedly a signpost, I read what I believe, I've committed to it, and I keep pointing to it. And I'll compromise around it, and I'll be reasonable, but I keep pointing in the same direction. Some of those politicians in Cabinet, what they want is to just be in Cabinet, and congratulations to them because they are in Cabinet and I'm not. **Steve Baker, interview with author (Baker 2021).**

This shows how libertarian ideologues in mainstream right-wing parties are willing to strategically adapt (and compromise) their ideological beliefs in order to deliver libertarian policy change from within government. But that the current Cabinet is lacking an ideological 'backbone' and has been deliberately chosen for their willingness to accommodate themselves to a policy agenda that is set in Downing Street and not in Cabinet (Baker 2021; Carswell 2021).

However, Stephen Davies of the IEA, believes that a focus on political character is overly harsh given the lack of agency available to the average politician (Davies 2021). He believes that the public backlash to austerity policies has meant that, ‘The tectonic plates of public opinion have shifted to the left on the economy’ (Davies 2021). And that it is churlish to expect mainstream politicians, who are like ‘weathercocks’ that will swing whichever way the prevailing wind is blowing, to push too much against whatever political orthodoxy is in ascendance (*ibid.*). He contends that the easing off of the Covid crisis may see more libertarian resistance within Cabinet to big spending projects and state expansion, given that emergency conditions will have past and normal politics will resume (*ibid.*). This is a fair point. But it is also worth acknowledging that a certain moral elasticity seems especially prevalent in the current UK Cabinet, whose behaviour in terms of awarding contracts to friends and cronies during the Covid crisis best supports Ambrose Bierce’s definition of politics as ‘the conduct of public affairs for private advantage’ (Bierce 1906).

On Covid restrictions, there seems to have been more of an attempt to resist a shift away from libertarian policy preferences than on the economy, not least from Boris Johnson himself. Despite current denials, it seems clear that in the initial stages of the pandemic he pursued a natural ‘herd immunity’ strategy that is in keeping with libertarian principles to allow the individual to manage the extent of their own tolerance for risk and to avoid a complete shutdown of huge swathes of the economy (Osborne 2021, 77). Both media reports and Dominic Cummings’ testimony to the Health and Science Committees of the House of Commons make it clear that herd immunity was initially the preferred policy response and each lockdown met resistance from Johnson (Casalicchio, 2021). In the early stages of the pandemic, it seems that Johnson’s libertarian instincts were encouraging him to listen to Tory backbenchers who were opposed to the curtailment of personal liberty brought about by a public health strategy of Covid suppression (Shipman 2021). However, his own brush with Covid, which meant that he could not work effectively for a month, encouraged him to support more draconian measures to tackle the pandemic (Osborne 2021, 78).⁹⁹ In fact, his illness was so severe that his estranged children from his second marriage were given a police escort from Wales to visit his hospital bed, so that they could make their final goodbyes (Bowers 2020, 484).

⁹⁹ Johnson tested positive for Covid on 27 July 2019, admitted to hospital on 6 April 2019, discharged on 12 April 2019 and was officially back to work on 27 April 2019 (Osborne 2021, 78).

But the main factor influencing the decision to pursue tighter public restrictions to tackle Covid was simply the unpopularity of the herd immunity strategy among the voting public, not least amongst older voters who are the Conservative Party's base. For instance, in an incredulous article, the libertarian Conservative Party member, Daniel Hannon, points out the popularity of restrictions on personal liberty based on the demands of public health:

Ninety-three per cent of people backed the first lockdown, and 85 per cent the second. Then came the vaccination rollout, the thing we had all supposedly been waiting for - and it made barely any difference to public opinion. When the 'cautious but irreversible' timetable was abandoned, and the 21 June reopening postponed, 71 per cent approved...

I have learned some hard truths about my country these past 15 months. I used to imagine that we would reflexively favour liberty. Sure, we would be open to persuasion, ready to accept proportionate restrictions if they were justified by the evidence. But our default assumption would be that, as freeborn Brits, we should be able to go where we pleased without needing to explain ourselves to anyone.

Boy, did I get that wrong. The epidemic brought out our most petty, priggish, and puritan tendencies (Hannon 2021).

And Steve Baker argues that the policymakers who designed the original pandemic policy strategy, which relied on voluntary control measures that respected personal liberty, had overestimated the stoicism of the British public when faced with a natural disaster:

What went wrong was that they [policymakers] overestimated the fatalism of the British public. So, the plan that the scientists were originally urging on Boris was that we are going to flatten the curve, get the NHS ready and then we are just going to brace, brace, brace, until its gone through our society. That was informed by the idea that the British public would understand that this disease was an externally imposed factor and if three quarters of a million people die, this is not the fault of the government. That was the planning assumption when they did the previous policy planning for a coronavirus pandemic...

What then happened was that they did the polling and they discovered that the public were not fatalistic. They wanted the government to protect them. And that's how we went from 'flatten the curve' to all out suppression, because the public just would not tolerate very large numbers of deaths. **Steve Baker, interview with author (Baker 2021).**

It is this popular support for restrictive measures, combined with Johnson's own near-death experience, that meant libertarian ideologues within the party were unable to convince moderates of continuing with a more libertarian friendly natural herd immunity strategy (Snowdon 2020). Libertarians would have preferred a Swedish-style public health model, but popular opinion and

the preferences of voters meant that the UK followed the Covid policy pursued by most other European countries (*ibid.*).

The lack of success for libertarian values may also be explained through the personality of Boris Johnson. His avowed libertarianism may only have been a thin veneer and he remains ‘more libertine than libertarian’ (Allen Green 2021). His biography indicates someone with a certain flexibility when it comes to values, and it is a mistake to think he has any firm convictions. Peter Osborne (2021, 15-33) has detailed the extent of his public lies, not least during the 2019 election. And Johnson has been twice sacked for dishonesty (Osborne 2021, 53 & 57). Even many of his early supporters, expected little from Johnson in terms of ideological consistency. For instance, Steve Baker, who as leader of the ERG helped to get Johnson elected party leader, claims that:

I’ve never regarded him [Boris Johnson] as a libertarian. If anything, he is a libertine and I’m afraid people sometimes confuse the two. I think libertarianism requires, or at least is associated with a highly moral point of view. Boris’ personal conduct is not for me to judge, but it speaks for itself...

I helped make him PM because he was going to get us out of the EU and he was the most likely to beat Corbyn and McDonnell, but beyond that my expectations [for libertarian policy change] were not high. **Steve Baker, interview with author (Baker 2021).**

Stephen Davies of the IEA agrees with this analysis of Johnson’s ideological beliefs, claiming that:

Boris Johnson has no beliefs except one, which is that he should be Prime Minister. I think apart from that he has no sincere beliefs of any kind. But he is a very astute politician. And as soon as he became Prime Minister, it was clear to me that in order to get Brexit through Parliament and then to win a subsequent election. He and Dominic Cummings were going to reorientate the Party into a nationalist/collectivist direction. **Dr Stephen Davies, interview with author (Davies 2021).**

So, once again, electoral appeal and the path to power are viewed as Johnson’s overriding concerns. This should come as no surprise. This is a man, after all, whose libertarian values did not stop him from saying ‘fuck business’ in relation to its opposition to a hard Brexit (Sylvester 2021a). And a close advisor to Joe Biden, disgusted at Johnson’s cosying up to Trump and then pivoting to Biden after the November election, claimed that Johnson was a ‘shape-shifting creep’ (Goodwin 2020). This may be harsh, but it is probably an accurate portrayal of the rigidity of his political belief system.

Johnson's biographer, Andrew Gimson (2016, 302-304), has claimed that Johnson's classical education in Eton and Oxford has left him with a morality that is pre-Christian, even pagan in its scope. And Steve Baker contends that Johnson's classical education is crucial to understanding his views on power and politics (Baker 2021). In Ancient Rome, the political elite climbed the *cursus honorum* (the Roman political ladder) for personal and familial glory, with the only injunction being that you helped your friends and harmed your enemies along the way. This may explain his willingness to aid the sinister Darius Guppy in his wish to attack a journalist, another unedifying moment in Johnson's past that has received relatively little media attention (Gimson 2016, 174-180). And in a letter to Johnson's parents, his Eton housemaster claimed that, 'I think he honestly believes it is churlish of us not to regard him as an exception, one who should be free of the network of obligation which binds everyone else' (quoted in Rahim 2019). This analysis may be verging into popular psychology, but perhaps it is his chameleon-like ability to shift values, and to believe that rules are for other people, that makes Johnson an effective electoral campaigner.

In summary, on economic policy we have viewed a period of austerity, which is consistent with liberal ideological preferences, interact with a crisis brought about by Brexit and the public's weariness of cuts. Under these conditions, it is unsurprising that the agenda of libertarian ideologues was overshadowed by those more concerned with 'levelling up' and appealing to a disaffected and older working-class voter base. In Boris Johnson, the Conservative Party has a leader whose value system is mercurial enough that he can easily shift the party's policy on the basis of political necessity and to suit the changing preferences of the voting public. And, unlike Thatcher in her first term, he has appointed no political opponents to Cabinet and has proved that dissenting from his chosen line can lead to the end of political careers. This means that ministers in this most libertarian of Cabinets have been forced to shift their policy preferences towards less liberal economic policy solutions, or else risk the end of their careers.

On the crisis brought about by the Covid pandemic, which accelerated this shift to more statist economic policy, an early attempt to follow the pre-existing pandemic policy – which involved the pursuit of a natural herd immunity strategy to provide a policy solution that was more in tune with libertarian policy preferences – failed due to the opposition, and even fear,

this policy inspired in the voting public. With much justification, people felt that this natural herd immunity policy risked swamping the NHS, was too risky for vulnerable sections of the population, and could lead to an unacceptable level of death. When this public opposition combined with his own health problems, Johnson quickly shifted away from the libertarian policy preferences as espoused by many backbenchers within his Party, and towards the more restrictive measures being pushed by his special advisors, such as Dominic Cummings (Shipman 2021). Johnson's decision to allow a big bang reopening in England on 'Freedom Day' (19 July 2021), can be viewed as him returning to his libertarian instincts on public health and listening more to his CRG backbenchers. However, the UK government had also reached its goal of offering every adult a vaccination by this date, and 68 per cent of adults were also fully vaccinated (Leach 2021). And polls do show that by July 2021, the public were more divided on the easing Covid restrictions, with 50 per cent against reopening the economy and 41 per cent supportive (Helm and Savage 2021). While 'Freedom Day' is a risky policy shift, the fact that public opposition has become less intense means that it is safer for Johnson to shift back towards libertarian policy preferences and away from restricting individual freedoms.

7.5 Strategic Adaptation: The British Leyland Bailout 1981

When libertarian ideologues operating within centre-right parties are met with a period of political stasis interacting with policy that contradicts liberal ideas, then they will be forced to 'strategically adapt' their true policy preferences due to a pragmatic desire to remain politically relevant and competitive within the confines of mainstream party politics (for Conservative Party examples, see Table 7.1). Under these conditions libertarian ideologues will adapt their own ideological preferences towards a more pragmatic policy solution; and will even implement policies that contradict liberal values, as they await a more opportune critical period to push their party policy in a libertarian direction. In testing this theory, we should expect to see a period of political stasis in which a significant policy change is viewed as too impractical and too unpopular with voters, intersecting with policy solutions to the crisis that contradict liberal ideas. Libertarian ideologues should attempt to change the direction of party policy, but ultimately fail to convince more pragmatic party officials of the need to break the political stasis. However, despite this failure to

overturn the status-quo, the libertarian ideologues will remain within the party- and ultimately concede to, and even implement, the policy solutions that contradict their liberal ideological preferences.

An underexamined example of pragmatic compromise within Thatcher's first government is the case of British Leyland (BL) and its corporate bailout programme implemented in February 1981, which saw her government invest over £1 billion to save this nationalised industry from liquidation. Most scholars have dealt with the case of BL as part of Thatcher's struggle with nationalised industry and her government's privatisation agenda (e.g. Evans 1997; Ferner and Colling 1991; Gibson and Watt 1989; Nuttal et al. 2011; Stevens 2004; Vickers and Wright 1988) but only her most perceptive of biographers have highlighted the personal ideological struggles within the Thatcherite political project that involved agreeing to even more state aid for this failing nationalised industry (Young 1989, 361-362; Moore 2016, 188-189). Thatcher had a Manichaean worldview, and she even saw industrial policy in terms of good and evil, believing that a productive entrepreneurial private sector was pitted against a state-subsidised and heavily unionised nationalised industry (Young 1989, 352-353). Thatcher's political memoir shows how she viewed her programme of privatization as an attempt to reclaim personal freedom from the pernicious effects of collectivist nationalisation:

It [privatisation] was one of the central means of reversing the corrosive and corrupting effects of socialism . . . Just as nationalisation was at the heart of the collectivist programme by which Labour Governments sought to remodel British society, so privatisation is at the centre of any programme of reclaiming territory for freedom' (Thatcher 1993, 676).

This view – shared by many of her Conservative Party Colleagues – meant that state aid for BL was not a foregone conclusion; as it was for the Labour government of Harold Wilson, and his Secretary of State for Industry, Tony Benn, who was the Minister responsible for nationalising BL in 1975. Thatcher's government struggled between their ideological commitment to free-market ideas and the political risks generated by allowing such a large employer to collapse. Not for the first or last time, Thatcher's government behaved in a more pragmatic fashion than popularly understood and implemented policy solutions that contradicted liberal economic values, in order to manage the decline in the British car industry, even in the face of much intra-party opposition from free-market ideologues (Merlin-Jones 2010, 1-2).

British Leyland: background to a policy problem and political stasis on industrial policy

British Leyland (BL) was created by the forced merger of British Motor Company and Leyland Motor Company in 1968. This merger was personally driven by Tony Benn (then Minister of Technology) and Harold Wilson, their aim was to bolster British car manufacturing by creating a large ‘national champion’ that could compete against the big international car companies (Church 1994, 84-85). It is important to note that at this point the state was a major shareholder in BL, but it was not yet a fully nationalised industry. The merger plan made sense in theory but its implementation did not deliver rationalisation of production or economies of scale (Merlin-Jones 2010, 6). For instance, there were more than seventy plants across England, most of them based in the West Midlands. These plants employed 200,000 people across eight divisions and seventeen trade unions (Reich 1985, 170); within these plants there was an old-fashioned and hierarchical management style that fostered shop floor disputes with workers (Church 1994, 88). Inter-union rivalry also contributed to lost working hours as trade unions competed for management concessions (Reich 1985, 170). And old rivalries between formerly competing factories – such as between Jaguar and Morris – meant that resources were not shared productively (*ibid.*). The newly merged BL initially improved in terms of overall car sales, but this was bolstered by the easing of credit controls by the government (Church 1994, 89). Importantly, during this time period the company’s products increasingly gained a reputation for poor performance and reliability (*ibid.*, 89 – 90).

By 1974 the company was again losing money and its principal bankers had refused to lend it any more capital. Tony Benn, now Secretary of State for Industry, sought approval from the House of Commons for increased state aid, including a potential option for nationalisation (Reich 1985, 171). He also commissioned the *Ryder Report* (1975) to identify the problems in the company and to develop a recovery plan. This report claimed the key problems for BL were its lack of investment capital, inefficient production, and poor labour relations (Ryder 1975). As a solution it proposed the state provide investment capital by becoming the major shareholder (effective nationalisation), that production should be rationalised, and that a system of ‘industrial

democracy' be instituted to give workers and trade unions a stake in the reform process (Ryder 1975).¹⁰⁰

Wilson accepted the Ryder Report's recommendations in full, which is unsurprising given the report shared the interventionist inclinations of his government (Ryder 1975). But the state investing so much money in a failing industry was obviously more problematic for the Conservative Party. Margaret Thatcher had become leader of the Conservative Party in February 1975, but her position within the Shadow Cabinet was not strong at this point. For example, Michael Heseltine fully expected to lose his position as Shadow Secretary of State for Industry, but Thatcher decided to retain him in this position due to her admiration for his opposition to Benn in the House of Commons and because she needed to retain the goodwill of the less radical one-nation conservatives (Crick 1997, 180-181). Heseltine managed to convince the Shadow Cabinet to take a nuanced position on this BL bailout. Officially, the Party supported the principal of some state intervention to save BL, in order to show their support for protecting jobs in marginal constituencies within the West Midlands. Instead, they focused their opposition on the implementation of the Ryder Report, which they viewed as a flawed and impractical document (Crick 1997, 182-183). However, the debate in the House of Commons on the BL Bill in May 1975, which gave the government the mandate for nationalisation, reveals the ideological tensions within the Conservative Party around state aid.

For example, Heseltine went to great pains to clarify that he did not support the closure of unprofitable divisions within BL and protecting jobs was of paramount importance (Hansard 1975, col. 1444). He even went out of his way to agree with Benn's criticism of the working conditions on BL's assembly lines (Hansard 1975, col. 1435). But at the same time, Heseltine questioned the details of the bailout plan pursued by the government and the accuracy of the financial data quoted in the Ryder Report (Hansard 1975, cols. 1442-1443). However, this moderate position – which essentially was a continuation of the Industrial policy pursued by Edward Heath – angered the more 'Thatcherite' conservatives who were wedded to free-market policy solutions. For instance, Alan Clarke, who would later serve as a junior minister in Thatcher's Cabinet, pointed out how a 'golden handshake' of £10,000 to every employee of the Austin-Morris division would cost less than half of the proposed bailout, be more than acceptable to the workers, and solve the problem

¹⁰⁰ The nationalisation process would cost the British state over £2 billion (Nuttall et al. 2011, 1287).

of profitability within BL (Hansard 1975, col.1430). Benn argued against this proposed quick-fix solution by claiming it would be a long-term recipe for destroying the UK as an industrial manufacturing nation (Hansard 1975, cols. 1430-1431). Christopher Tugendhat MP criticized the cost of the nationalisation project by asking Benn, ‘In the light of what the right hon. Gentleman has said about the motor car workers and the consideration they deserve from Government and public at large, does he not feel that the taxpayers are also worthy of some consideration?’ (Hansard 1975, col. 1431). Importantly, Nicholas Ridley MP – an early backer of Thatcher’s leadership bid, a future Minister under Thatcher, and a member of the libertarian Selsdon Group – took a position in the debate that directly contradicted Heseltine and the official position of the Shadow Cabinet. He argued that no more state subsidies should be given to BL, that the company should be taken into receivership, the profitable divisions sold off, and any resulting job losses should be absorbed into more profitable industries (Hansard 1975, cols. 1489-1493). He also bolstered this call for liberal economic orthodoxy with a philippic against the corruption and inefficiency of all nationalisation policies (Hansard 1975, col. 1488).

However, it was Nicholas Budgeon MP, who best summarised the free-market opposition to the BL bill through the libertarian conception of freedom from interference and the rule of law:

The precedent of subsidising and nationalising British Leyland creates a great area of unfairness. That leads me to the proposition that these proposals are not merely unfair but are dangerous. Most of all, the proposals are in breach of the rule of law. The rule of law is not only a narrow concept of lawyers. It requires first that there should be equality under the law. Secondly, I accept the definition put forward by Hayek. "Stripped of all technicalities, this means that the Government in all their actions are bound by rules fixed and announced beforehand, which make it possible to foresee with a fair degree of certainty how authority will use its coercive powers in given circumstances and to plan our individual actions on the basis of that knowledge." Adherence to this principle of the rule of law as so defined is vital to our survival in the perilous times ahead. (Hansard 1975, 1504)

In his speech he revealed how this debate epitomised the policy divisions between the moderate one-nation conservatives and the more radical free-market liberals; his account of these tensions would also presciently mirror the future divisions between the ‘wets’ and the ideologically driven Thatcherites within the next Conservative government:

This is an important moment in the history of the Tory Party. It is no secret that the official position of the Tory Party is plainly a compromise. It will not be the first time—I dare say that

it will not be the last—when we shall see the Tory Party divided between the Liberal free traders and the Tory paternalists. I find this division reflected in myself.

By deepest inclination I am a Tory paternalist. I recognise that Tory paternalism, with its muddled, inconsistent decency, has done more than anything else in our society to bridge the gaps that divide this House and the nation. After all, it is the Tory paternalist who most of all strives towards the ideal of one nation.

Equally, by intellectual conviction, I am a liberal free trader. I recognise that the harsh logic of liberal free trade has brought most of the wealth and power that this country has at present. If there is a single concept which may bridge the gap between the paternalists and the free traders, it may be the rule of law. I believe that as we stagger towards hyperinflation, as we try to rebut the suggestion that Britain is now ungovernable, it may be only by the rule of law that we shall be saved. (Hansard 1975, cols. 1505).

Here we have the ideological strains within the Conservative Party, between traditional paternalism and more radical liberalism, articulately encapsulated in a few lines. It exposes how industrial policy, and specifically BL, was a site of ideological struggle within the Conservative Party. However, despite intra-party ideological tensions, officially there was political stability on this issue, as both Labour and the Conservative Party backed some form of state intervention in order to avoid catastrophic job losses in car manufacturing and other ancillary industries. It was only the nature and the extent of that intervention that was in dispute. And importantly, in policy terms a precedent had been set for cross-party support for the less liberal policy solution of providing state aid to BL. However, nationalisation and the implementation of the Ryder Report (1975) failed to stall the decline of BL and it would remain a policy problem for Thatcher in her first term as Prime Minister.

The first Conservative Party BL bailout- 1979

It is fair to say that Thatcher hated the idea of providing state aid to BL, all her ideological convictions suggested she should let it go into receivership, allowing the profitable sections to be sold off and the unprofitable closed (Moore 2014, 514). She despised nationalised industry in general, but she specifically despised BL due to its poor history of labour relations, its inability to raise private capital, and just because it took up so much of her working time that she felt could be better spent elsewhere (Moore 2016, 189). The tone was set early in 1979 when the chairman of BL – Sir Michael Edwardes – arranged a lunch for her and the BL board, when she was still leader

of the Opposition. She took her seat at the table and her first words were, ‘Well Michael Edwardes, and why should we pour further funds into British Leyland?’ (quoted in: Young 1989, 361). Her relationship with Edwardes was complicated by the fact that he was different to many of the other heads of nationalised industry, and she could not dismiss him as an incompetent product of the state sector. He was head hunted for the role of BL chairman in 1977 and was regarded as a corporate high-flyer. Since then, he had successfully delivered on production rationalisation, voluntary redundancies, avoided labour disputes, and overseen the production of the successful mini metro (Reich 1985, 173). His competence meant that it was difficult to refuse his requests for extra investment, there was a fear that intransience on this issue would make the Party seem to key voters in the West Midlands like they did not care about job losses (Moore 2014, 514). And the fact that the workers in BL voted by 87.2% to accept Edwardes hard-hitting reform plan also meant that the Party needed to be seen to be making a similar contribution to reform measures (Reich 1985, 173-174). So, in 1979, Keith Joseph agreed to provide £300 million in emergency funding with the reluctant approval of Thatcher (*ibid.*). This most ideologically libertarian of Thatcher’s ministers struggled with this decision, his conscience and empathy for the workers involved battled with his free-market convictions (Moore 2014, 517). However, at the time this was viewed as a once-off investment, provided to factories in marginal Conservative Party constituencies, in the first year after their election victory. It may have grated the Thatcherites to provide this state aid, but they could live with a strategic one-off payment. However, when BL came back in late 1980 looking for a further cash injection amounting to billions of pounds this would cause both shock and resistance from libertarians within Thatcher’s government.

The 1981 Bailout and libertarian opposition

In summary, the case of BL involves a period of political stability, in which there is cross-party consensus on the issue of state support for BL, interacting with policy solutions that contradict liberal ideological preferences. Under these conditions libertarian ideologues operating within the Conservative Party should attempt to change the direction of public policy but their ideas will fail to break through the dominant status-quo which is against liberal policy solutions. However, in order to remain politically relevant and competitive, these libertarians will adapt their personal

ideological beliefs and accept the policy course pursued by the Party, even though it is inconsistent with their liberal values.

Table 7.2 (below) details the key policy makers involved in the decision to bailout BL in 1981 and their various positions on this policy proposal. The list of those most against the bailout, and who supported placing the company into immediate receivership, tended to be those party officials most wedded to libertarian values on the free market. And those who reluctantly supported a bailout were those policy makers who were more paternalistic in their political attitudes and preferred a more one-nation conservative ideology (with the notable exceptions of Thatcher and Tebbit). In between these polar positions were those policy makers (such as Howe and Joseph)

Table 7.2 The position of key influencers / decision makers on the 1981 bailout of BL

Against bailout	Vacillating	Reluctant supporters
Alan Walters (economic advisor to PM)	Geoffrey Howe (Chancellor of the Exchequer)	Margaret Thatcher (PM)
Alfred Sherman (Director of the Centre for Policy Studies)	Keith Joseph (Secretary of State for Industry)	Norman Tebbit (Minister of State for Industry)
Robin Ibbs (Central Policy Review Staff- CPRS)		James Prior (Secretary of State for Employment)
John Hoskyns (Number 10 Policy Unit)		John Biffen (Secretary of State for Trade)
Jon Nott (Secretary of State for Defence- previously Secretary of State for Trade)		<u>Cabinet 'wets'</u> Ian Gilmour (Privy Seal) Francis Pym (Chancellor of Duchy of Lancaster) Norman St John-Stevas (Leader of House of Commons) Michael Heseltine (Secretary of State for the Environment) Lord Hailsham (Lord High Chancellor) Peter Walker (Secretary of State for Agriculture)
Denis Thatcher		

who vacillated between early ideological opposition to further state support for BL and then eventually grudging support for bailout terms due to pragmatic political concerns.

On first glance, it may seem strange to include Denis Thatcher in a list of party officials and politicians that were against any further state aid to BL. However, when it came to the nationalised industries Thatcher often sought advice from her husband due to his business expertise (Moore 2016, 189). And Norman Tebbit believes that during this period Denis was giving his wife rather ‘brutal’ advice about the viability of BL and the undesirability of further state support (*ibid.*). Thatcher’s ideological instincts and personal prejudices all favoured following free-market orthodoxy and allowing BL to go into receivership (Young 1989, 361-362). However, her pragmatic political instincts tended to win out when it came to actual decision making on this issue. For example, in December 1980, at a meeting to discuss BL’s request for a further investment of £1.2 billion, she felt that there was no other option but to provide some sort of support to avoid liquidation (Downing Street 1980).¹⁰¹ At this meeting Keith Joseph requested permission to arrange a meeting between Robin Ibbs (of Central Policy Review Staff- CPRS) and John Hoskyns (of the Number 10 Policy Unit), to draw up plans for a possible liquidation of BL, which was the option recommended by the then Secretary of State for Trade, John Nott (Downing Street 1980). Thatcher refused this request outright, stating that, ‘she did not see this option [for liquidation] as a starter, and therefore she did not believe such a meeting would be worthwhile’ (Downing Street 1980). However, Thatcher’s support for the state keeping BL out of liquidation was extremely reluctant, even somewhat ambivalent, and when the following day Joseph sent a note to her requesting that she reconsider this decision, she readily agreed to allow Hoskyns and Ibbs to begin drawing up plans for BL liquidation with civil service officials (Joseph 1980).¹⁰² And, in early December, when Thatcher first learnt of the scale of BL’s need for capital, in a memo from Keith Joseph, her initial response was to write ‘Sell off’ in relation to Land Rover and Jaguar, which she double-underlined, always a sign that this was a point she considered important or aggravating (Moore 2014, 517).¹⁰³

¹⁰¹ 10 Downing Street, minutes of meeting between Keith Joseph and Margaret Thatcher on nationalised industry, 22 December 1980 (Downing Street 1980).

¹⁰² Keith Joseph, note to Margaret Thatcher on plans for BL, 23 December 1980 (Joseph 1980).

¹⁰³ Underlined in original.

This ambivalence towards a BL bailout was efficiently summarised by Jon Nott, the departing Secretary of State for Trade, in a minute he wrote for Thatcher based on a meeting they had on BL in December 1980. In sentences that were heavily underlined by Thatcher, he wrote:

Whatever decision we take, we are in trouble.

If we refuse to fund the plan there will be a deluge of praise for Michael Edwardes and his achievements. It will be said that despite his splendid efforts the government has pulled out the plug at the most inappropriate political and economic moment. We will be charged with the grossest insensitivity to jobs and activity.

If we agree to fund the plan, any lingering belief in the determination of this government to support the wealth-creating private sector – and in particular the growth industries of tomorrow – will be hopelessly undermined... In my view we would be ridiculed, and rightly so, since such an investment will be seen to be wholly contrary to the industrial and economic philosophy which we have been promoting for the past five years (Nott 1981).¹⁰⁴

The fact that Jon Nott – who was an ideological bedfellow of Thatcher and an early supporter – was firmly in the camp against the bailout influenced her decision making and encouraged her to keep options open, even though the pragmatic politician in her realised she did not have the support in Cabinet to push through a liquidation programme that could risk so many jobs (see Table 7.2 above). Nott went on to outline how liquidation would cost the state an estimated £2.23 billion in terms of bad debt, redundancy payments and unemployment benefit (Nott 1981). This was over £1 billion more than the cost of the proposed bailout plan, however, he went on to justify this added cost in terms of libertarian values. Arguing that high liquidation costs does not mean that the government should keep every ‘downbeat business’ as a going concern, and claiming that, ‘... we would be better to let events take their natural course – and save as much profitable employment as possible in receivership (Nott 1981)’. He also made the salient point that it might be less risky politically to go for immediate receivership and hope that the unemployed could find work before the next election, rather than having a situation where there could be significant BL job losses in two years’ time (Notts 1981).

A similar summary report was prepared for Thatcher by John Hoskyns, following the previously agreed collaboration of the Central Policy Review Staff (CPRS) and the Number 10 Policy Unit with civil service officials on a liquidation plan for BL (Hoskyns 1981a).¹⁰⁵ This

¹⁰⁴ Jon Nott, Minutes sent to Margaret Thatcher on future plans for BL, 4 January 1981 (Nott 1981).

¹⁰⁵ John Hoskyns, Report sent to Margaret Thatcher on BL, 8 January 1981 (Hoskyns 1981a).

mirrored many of the points made by Jon Nott, and came down in favour of immediate liquidation (Hoskyns 1981a). Overall, the report was not optimistic about BL's future as a successful company, claiming that:

In other words, CPRS and ourselves are convinced that BL are [sic] and will remain permanent state pensioners. Treasury and DOI [Department of Industry] think there is a chance – less than 50% - that this will not be so (Hoskyns 1981a).

Unsurprisingly, given how sympathetic the people in these policy units were to libertarian ideas at this time, the report couched its support for liquidation in terms of economic independence and free-market values, arguing that:

Refusing further support for BL would send a shock wave through British industry. It would reinforce – far more than speeches ever can – our commitment to economic realism and to companies and individuals paying their way. It would signal the end for which BL acts as a beacon: that if it is big enough – and politically embarrassing enough – a company can count on government support regardless of its performance (Hoskyns 1981a).

However, Hoskyns also raised some significant issues relating to receivership, the main one being the potential loss of jobs in the West Midlands, which were key marginal seats for the Conservative Party that they could easily lose to Labour in the next election (Hoskyns 1981a). Thatcher was acutely aware of this political point, even fearing that heavy job losses in BL and its ancillary industries, occurring over a short period of time, could result in the Conservative Party losing every seat in the West Midlands (Moore 2014, 514). Despite the Number 10 Policy Unit sharing Thatcher's libertarian economic worldview, and the couching of their report in the language of liberalism, the party-political threat posed by an immediate liquidation seemed too great for Thatcher to countenance (Moore 2016, 189). However, in the report's recommended next steps, Hoskyns gave an option to provide the bailout on an agreed 'one more chance' basis, and it was towards this compromise position that Thatcher would turn her attention.

The 'middle way' policy solution

At a meeting between many of the key decision makers (see Table 7.2 above) on the 12 January 1981, Keith Joseph claimed it was morally right to refuse further funding to BL, but he also gave only half-hearted support for allowing BL to fall into liquidation, claiming that, 'he was marginally in favour of withdrawing support' but if ministers took the opposite view he would back the

majority decision (Downing Street 1981).¹⁰⁶ Obvious evidence of libertarian adaptation to political necessity within mainstream parties. But it is also a sign of his vacillating, or fence-sitting, on this issue which even began to annoy the Prime Minister (Moore 2014, 517). For example, at the same meeting he also accentuated how politically risky it would be to refuse a bailout given the potential job losses and the recent improvement in labour relations within the company (Downing Street 1981). Geoffrey Howe was another policy maker who vacillated between early opposition to bailing out BL, but then moved to grudging support for bailout (see Table 7.2). For example, Alan Walters diary shows that Howe offered early support to him in opposing a bailout but by this meeting he argued that further subsidies were no worse for the state than closure (Walters 1981; Downing Street 1981). And interestingly, even after the bailout was agreed Howe continued to work with Walters in order to push BL towards an eventual break-up of profitable sections and the liquidation of the unprofitable (Walters 1981).

The minutes of this meeting further indicate the concern the Conservative Party had for their marginal seats in the West Midlands, but now spelled out with greater context. This statement is not clearly attributed to any person present at the meeting, but the point was made that:

Even if there was a case in principle for withdrawing support [for BL], closures in the steel and shipbuilding industries should have higher priority, and it was not politically possible to achieve all at once (Downing Street 1981).

To some extent this was just stating an obvious fact, shipbuilding and steel were even more unprofitable than car manufacturing, the process of de-industrialisation (or rationalisation) had already begun in these industries, and it was politically difficult to absorb so much unemployment over a short period of time.¹⁰⁷ A case could be made that strategically adapting liberal economic principles into supporting a BL bailout in the short term, could be viewed as part of longer-term project of economic liberalisation and de-nationalisation of the overall economy. However, shipbuilding and steel, were heavy industries predominately based in Scotland and the North of England, areas that did not deliver Conservative Party seats. This meant that economic shocks caused by manufacturing decline and job losses could be absorbed with much less risk for the Conservative Party's position in Parliament. But, as previously stated, BL's manufacturing base

¹⁰⁶ Present at this meeting: Margaret Thatcher, Keith Joseph, Geoffrey Howe, Norman Tebbit, Robert Armstrong (Cabinet Secretary), Robin Ibbs and Jon Hoskyns.

¹⁰⁷ To put this into context, unemployment would reach a record figure of 2.6 million by June 1981 (Moore 2014, 527).

was in marginal Conservative Party seats, which meant that a process of state managed decline was viewed as a more politically expedient option, as opposed to the free-market discipline that was applied in other areas.

Contrary to her popular image, on the BL issue, Thatcher was keen to achieve a compromise between the free-market solution of liquidation and the continued state backing of BL's unprofitability. Many men she admired were advocating for liquidation (see Table 7.2) and doing so in terms of the libertarian economic values she shared.¹⁰⁸ However, at this point, most of her Cabinet were not ardent 'Thatcherites' and they preferred more paternalistic policy solutions as opposed to the rigours of the free market. For instance, the Cabinet members who would become known as the 'wets', were all opposed to refusing state aid to BL (see Table 7.2). Some of them – such as Michael Heseltine – represented constituencies that had BL plants, but beyond practical considerations, there was a sense among the 'wets' that they needed to manage manufacturing decline in order to conserve community cohesion (Gilmour 1992, 276-277). This was at odds with Thatcher's thinking and Robert Armstrong (her Cabinet Secretary) went so far as to warn her that if she was seriously considering liquidation as a policy option, she should not disclose this in Cabinet meetings, as some within her Cabinet could use it to brief against her in the media (Moore 2014, 517). All these factors encouraged Thatcher to move away from the policy option preferred by her more libertarian advisors and towards a 'middle way' solution (Downing Street 1981). Essentially, this compromised position involved approving the proposed bailout of £1.2 billion but at the same time encouraging Edwardes to seek purchasers for the profitable divisions in the hope that this would lead to a managed BL decline and the minimum amount of job losses possible (Downing Street 1981, Reich 1985, 174).

Ideological struggle surrounding the 1981 bailout plan

On BL, Thatcher's political pragmatism battled with her ideological principles. For instance, in a letter from Norman Tebbit to Geoffrey Howe, in which Tebbit sought the full amount of bailout funds requested by BL (in order to keep them afloat until after the next general election), Thatcher

¹⁰⁸ In fact, she admired Alan Walters' opinion so much that her unwillingness to part with him, despite his vocal criticism of Nigel Lawson and his preferred policy of joining the Exchange Rate Mechanism (ERM), would lead to the eventual resignation of both men and her eventual loss of power (Lawson 1993, 961).

gave her grudging approval by writing, ‘Agree- reluctantly’ (Tebbit 1981).¹⁰⁹ And her angry scrawls cover the draft parliamentary statement on the BL bailout that Keith Joseph sent to Thatcher for her approval (Joseph 1981).¹¹⁰ For example, this statement originally included a sentence that claimed, ‘The government wishes the BL board and the company’s employees well in their difficult task’ (Joseph 1981). Thatcher crossed out the word ‘difficult’ and wrote, ‘not difficult, compared with those who have not just got a subsidy of £1 billion’ (Joseph 1981). Also, in public Thatcher was careful to stress that it was Edwardes who managed BL as a going concern and that she had full confidence in the Board (Thatcher 1980).¹¹¹ But in private, she reasonably felt that the government’s continued investment in BL and its position as the major shareholder gave her the right to intervene on the Board’s decision making (Young 1989, 361-362). Again, she underscored this point in her notes on the draft parliamentary statement. One section stated that, ‘The Board undertakes to seek Government approval for the disposal of any significant equity holding in BL Ltd or any of its major subsidiaries’ (Joseph 1981). In response, she angrily wrote:

This understanding is superfluous. The govt. (a owner) owns the shares. The management of BL are not in a position to dispose of what is not their property. i.e. the shares, nor can they issue further equity shares without govt. consent. This won’t do!! – Margaret Thatcher, underlined in original (Joseph 1981).

Surprisingly, for an economic liberal, she is here defending the government intervening in business decisions, but true to form she is justifying it from a position that underscores the government’s position as a property owner and through the liberal conception of private property rights. Thatcher may have resented nationalised industry but there was no way she was going to relinquish state control – and power – over something that was still in the possession of the state. Thatcher was similarly angry when the European Commission looked like it may intervene on the bailout due to its rules on competitive practices and state aid.¹¹² In theory, she may have had sympathy with laws that limited governments’ ability to intervene in the market. But she was temperamentally incapable of acquiescing to a foreign body intervening in sovereign decisions made by the UK government, even if she might agree with the principle, and especially if that interference emanated from Europe. In a letter from the Department of Industry (DOI) on this issue, she instructed

¹⁰⁹ Norman Tebbit, Letter to Geoffrey Howe on the financial limit for BL, 28 January 1981 (Tebbit 1981).

¹¹⁰ Keith Joseph, Draft parliamentary statement on BL sent to Margaret Thatcher, 22 January 1981 (Joseph 1981).

¹¹¹ Margaret Thatcher, interview with David Rose (ITN), 31 December 1980 (Thatcher 1980).

¹¹² Interestingly, this kind of bailout that the Conservative Party provided to BL would likely now be illegal in an EU member state due to Lisbon Treaty rules.

Norman Tebbit that, ‘We must make it clear to the commission that they must not make difficulties’ (DOI 1981).

Thatcher was not the only decision maker who was ideologically conflicted about the BL bailout. It was a difficult policy decision to accept for all those who had argued for market orthodoxy and allowing BL to go into receivership (see Table 7.2). For example, Alfred Sherman – the Director of the Centre for Policy Studies (CPS) – turned his old friend Keith Joseph’s photograph to the wall in the office of the CPS because he was so disgusted over the implementation of such a statist policy proposal (Moore 2014, 518). And by February 1981, both Ibbs and Hoskyns were very eager to seek approval from Thatcher for drawing up further liquidation plans for BL, in case the agreed bailout package should prove less effective than predicted; a contingency plan that Thatcher readily gave her assent to pursuing (Hoskyns 1981b).¹¹³ And Alan Walters’ diary shows that he continually sought to take a tough line on BL after the bailout (Walters 1981). However, none of those libertarian minded individuals within the party bureaucracy who had opposed the bailout resigned over the issue or sought to publicly undermine the government’s decision. They strategically adapted to the necessity of some form of state support, partly for party political reasons and, undoubtedly, partly to remain relevant in their chosen career path. Figures like Thatcher and Keith Joseph, who subscribed to libertarian economic values, quickly realised that politically they could not push for liquidation in BL when most of the Cabinet opposed this move. Especially during a time of increasing unemployment in other heavy industries and, perhaps most importantly, not in an industry that was concentrated in Tory voting constituencies. Their political pragmatism outweighed their ideological inclinations, and in the end, the political status-quo remained the policy norm, in which the state would continue to subsidise British car manufacturing. Presciently, Thatcher’s ‘middle-way’ proposal of providing one more state bailout but pushing the board to manage car manufacturing decline and to sell off the most profitable divisions, proved to be long-term outcome. In an interview in 2008, Edwardes credited this state-aid policy as having ensured an ordered management of industrial decline in car manufacturing and claimed it was responsible for the continued success of the companies that were sold off from BL; such as Land Rover, MG, and Jaguar (Schwartz 2008). It is worth noting that these companies still provide significant employment within the UK today, albeit under foreign ownership. This leads to a hypothetical question that is worth posing: would more heavy industry

¹¹³ Jon Hoskyns, letter to PM seeking approval on contingency BL plans, 27 February 1981 (Hoskyns 1981b).

have survived in the North of England and Scotland if the Conservative Party had similarly adapted their libertarian economic values when it came to the traditional industries of these regions?

7.6 Conclusion

Once again, this research draws upon Carstensen and Schmidt's (2016) understanding of ideational power to explain its findings. In the context of British politics, the type of ideational power most applicable is their concept of *power over ideas* (Carstensen and Schmidt 2016, 326). *Power over ideas* can take the form of political actors with the power to impose their ideas on others and the form of political actors with the power to resist considering alternative policy proposals or ideas (*ibid.*). Each case study exhibits these forms of ideational power.

For instance, in the shift towards libertarianism shown during the Miners' Strike we can see how Thatcher pushed for a 'war of attrition' against organised labour, she spent years building up the state's ability to endure a coal strike, spent time reassuring moderates that a confrontation was winnable, and appointed key decisionmakers who shared her distaste for the NUM. In this more confrontational policy approach against the trade unions, she was aided and encouraged by libertarian ideologues within her party. Thatcher also resisted moderate demands for a negotiated settlement and resisted the more radical libertarian policy proposals which she viewed as morally correct but too risky and impractical.

The shift away from libertarianism during the Covid restrictions and the subsequent 2021 Budget shows how Johnson, and his special advisor Dominic Cummings, were able to force their 'Red Tory' policies through a Cabinet consisting of many libertarian ideologues without significant resistance. And that the need to cater to the interests of the new Conservative Party voter base, which now consists of significant numbers of older and working-class Northern voters, has led to a move to the left on economic policy. On Covid, despite Johnson's initial reluctance on instituting lockdown policies, once this policy was implemented, he was able to resist the remonstrances from the libertarians in the CRG and their calls to for an easing of lockdown restrictions, despite their support for him during his leadership bid. Johnson had significant political capital after his election victory; voters were tired of the liberal deficit reductions of the Cameron/May years, and Johnson could afford to ignore libertarian ideologues within the party

and push economic policy into a more left-wing direction in order to appeal to changing voter preferences.

Finally, on the strategic adaptation of libertarians during the British Leyland bailout, we can see how a libertarian policy solution, which would have allowed BL to enter receivership, was side-lined due to electoral and economic necessity. Libertarian ideologues failed to convince moderates within the civil service and the Conservative Party on the need to break the status quo on providing aid to lossmaking nationalised industries, and to embrace a market-based policy solution. Much against her personal instincts and ideological beliefs, Thatcher was forced to provide a bailout, and libertarians within the party and Cabinet were forced to strategically adapt their own policy preferences out of pragmatic necessity.

Evidence supporting the hypothesis being tested is strongest within this chapter. The causal mechanism is in evidence in each case study, with libertarian ideologues either using a crisis to convince moderates to shift policy in a more libertarian direction or failing to do so when a crisis interacts with policy that was consistent with liberal ideological preferences. And in the case of BL, we can observe libertarian ideologues strategically adapting their values due to pragmatic political necessity during a period of political stability on public policy.

So, why is the theory explaining fluctuations in libertarian influence on policy outcomes most applicable in the case of the UK? First, Duverger's law (1964) may explain why there are more active and influential libertarian ideologues within the Conservative Party. Duverger claims that single-ballot plurality elections in single member districts will tend to deliver a two-party system (Duverger 1964, 217). Under these conditions voters will be averse to 'wasting' their vote on a third-party candidate and instead vote for one of the two largest parties that come closest to their ideological preferences (Schlesinger and Schlesinger 2006, 60-61). This also means that ambitious candidates will not sacrifice their careers by joining a third party with little hope of winning a seat; instead, they will join the party that best represents their ideological beliefs, even if this involves significant compromise (*ibid.*, 58 & 62). So, in the Conservative Party, given the lack of other options on the right of the political spectrum, libertarianism plays a more integral role in party identity, when compared to the centre-right parties in proportional representation systems such as in Ireland and Iceland. And unsurprisingly, the libertarian ideologues within the

Conservative party are more numerous and tend to push their policy prescriptions with more confidence at times of crisis.

Another reason explaining the fluctuations in libertarian influence within the Conservative Party is also linked to this majoritarian electoral system. Lijphart (2008, 170) shows how decision making in Westminster-style governments tends to be faster than in non-majoritarian models of 'consensus democracy'. This fast pace of policy delivery can be useful during national emergencies or for defence, but it can be counterproductive on economic policy in which a slower rate of decision making is often preferable (*ibid.*). This means that during periods of crisis (such as after the war or the 'winter of discontent'), British governments can deliver rapid economic change. And it is to be expected that libertarian ideologues within the Conservative Party should canvass for their preferred outcomes during a crisis and, at times, be considerably successful when the political climate supports a more market orientated shift in policy.

Conclusion

So, why does libertarian influence fluctuate within mainstream right-wing parties? The central contention of this thesis attempts to answer this question by building on recent research into public policy change and ideational power. This study argued that it was the interaction of political crises with pre-existing policies that contradicted liberal ideological preferences, which provided libertarian ideologues with the opportunity to convince more moderate party colleagues to embrace a radical libertarian agenda. But the same interaction of independent variables could lead to conditions in which ideologues would fail to convince party moderates to embrace libertarian policy solutions or, at other times, these same ideologues would have to disguise their true ideological preferences in order to remain competitive within a mainstream party. Importantly, this thesis argued that the extent of the libertarian ideological infrastructure – also known as think tanks – would act as a key intervening variable. This meant that a substantial think tank network acting in support of libertarian ideas within a country, would increase the ability of libertarian ideologues within mainstream right-wing parties to convince party moderates to embrace their ideas. Essentially, ideologues would just have a greater support system in place to help them spread their ideas.

The purpose of this concluding chapter is to summarise and contrast the main findings of this research into libertarian policy change. First, this chapter will provide a summary of the findings for each country-specific case study in turn and assess these findings within the context of the main hypothesis. Second, these findings will be brought together and presented in a comparative context, specifically drawing upon Carstensen and Schmidt's (2016) theory of ideational power to explain the results. Finally, potential avenues for future research will be explored, based on the findings of this study.

Ireland: What if there are no ideologues?

In the Irish context, the 1987 Budget represents a clear shift towards the sort of liberal economic reform that would become the backbone of Ireland's transition into a wealthy developed country and contribute to its unprecedented economic growth during the Celtic Tiger period. In policy

terms, it cemented decades of work by policymakers to create an Irish economic model based on a business-friendly environment of low tax, light regulation, and FDI. However, unlike with the UK or the US, this transition to a liberal economic model occurred without the encouragement of libertarian inspired actors within influential institutions and political parties.

For instance, the two main drivers of this budget, Charles Haughey and Ray MacSharry, had previously instituted policy that was inconsistent with liberal values when previously in government, through reckless spending commitments and increases in public sector employment. Neither man sought a ‘war of attrition’ with the trade unions; moreover, Haughey was close to many trade union leaders and hoped to develop a corporatist model of social partnership that would bring organised labour into the policymaking process. The causal mechanism of this thesis, which should involve libertarian ideologues convincing their moderate colleagues to embrace a more libertarian agenda does not apply in this case. Instead, there was near unanimity among the Irish elite within the two main centre-right parties (Fianna Fáil and Fine Gael) about the need to finally implement liberal economic policy proposals, as evidenced by Fine Gael’s support for these policies through the ‘Tallaght Strategy’. The Irish elite looked East, to Europe, for policy inspiration on a corporatist model of trade union inclusion. And West, to other English-speaking countries and the institutions of financial capital (such as the IMF and OECD), for policy inspiration on economic reform. Perhaps unsurprisingly for a small country within the European Community, Fianna Fáil did not seek to develop uniquely Irish policy solutions, at least when it came to the economy. Policymakers were looking around for solutions and utilising the best advice which seemed to be delivering results in other countries. If ideology was present, it was in terms of a hegemonic limitation of ideas and policy options which favoured liberal economic solutions. Fianna Fáil was looking for tools to solve Ireland’s economic problems, and the most credible tool available, with the strongest international support, involved utilising liberal economic orthodoxy (Kaplan 1964, 28). However, the ideological success of Thatcher’s political programme did influence Irish politics, to the extent that a fear of a similar existential confrontation with the state constrained the trade union movement’s opposition to these liberal reforms.

However, the interaction of the independent variables did encourage a shift towards liberal policy outcomes in 1987. For instance, a severe economic crisis interacted with pre-existing policy within Fianna Fáil that had contradicted liberal ideological preferences. The period of fiscal ill-

discipline in the 1970s, and while in opposition after 1982, had caused much disquiet among more liberal-minded members of Fianna Fáil. For instance, this lack of fiscal prudence was one of the reasons why some discontented members of Fianna Fáil left the party to set up the Progressive Democrats (O'Malley 2012, 80). Ray MacSharry was also unhappy with the inconsistency of these policies and took the job as finance minister in 1987 on the basis that Fianna Fáil would be returning to an economically consistent programme, that coincided with his party's past liberal reforms (MacSharry 2001, 43-44). So, as per the central thesis, a crisis interacting with liberal ideological contradictions helped create an opportunity for a shift towards libertarian economic policy. But the causal mechanism does not apply because ideologues, or significant ideological commitments of any kind, are just not a feature of Irish centre-right politics.

For instance, a left-right divide was not a significant driver of political competition in Ireland (Mair 1986, 456), and Irish voters tended to focus on issues rather than class-based politics (Carty 1981). In fact, in terms of policy, the two biggest parties of Fianna Fáil and Fine Gael became 'programmatically indistinguishable', and this 1987 Budget solidified this policy convergence (*ibid.*). The ideological ambiguity of Fianna Fáil helped to sustain it as the dominant party of government; consequently, it was able to present itself as representing the interests of both business and the working class (O'Malley and McGraw 2017). But under these ambiguous conditions, a radical ideological commitment to liberalism would not be conducive to a successful political career. In fact, it is likely that ideologues of all hues avoided activism within the two big catch-all parties in Ireland; given that compromise and generalised state-led policies have been the normal solutions to Irish political problems. This political moderation was also encouraged by the ideological leanings of Irish voters, who traditionally favoured conservative centre-right politics (Muller and Regan 2021, 8). Although, recently the electorate has moved towards a more reformist centre-left position as part of a reaction against the Great Recession and subsequent imbalanced recovery (*ibid.*).

Interestingly, with the Citizenship Referendum of 2004, it was a minister of known libertarian sympathies that implemented a policy that represented a significant shift away from libertarian policy preferences. This referendum ended a position in which citizenship was available to all children born on the island of Ireland, irrespective of their parents' nationality. Michael McDowell's decision to shift policy towards a less liberal position occurred when a perceived

crisis around asylum applications interacted with pre-existing policy that could be viewed, in some quarters at least, as being too liberal in relation to both migrant workers and asylum seekers. Some scholars believe this was an attempt by Fianna Fáil and the PDs to mirror right-wing populist tactics on immigration (Garner, 2007) and others believe it was an attempt to inoculate Irish voters against anti-immigrant views, by shutting down an unpopular loophole, so as to be able to maintain a liberal immigration system that benefited employers (Hewson 2018). This research finds that the stated aim of the government, which was to shut down a citizenship loophole that placed Ireland out of step with its European counterparts, is likely to have been the main political motivation. But politicians within Fianna Fáil and the PDs exaggerated the extent of the crisis and unleashed anti-immigrant discourse in order to achieve this aim. Undoubtedly, the fact that Ireland already had one of the most liberal immigration systems for migrant workers in Europe increased the political desire to push Ireland into a less liberal space on asylum.

This shift received little to no resistance within Fianna Fáil, but there was some opposition within the PDs which did have a small libertarian element within its party identity. For instance, some members expressed their view that this policy was racist, and the PD junior minister Liz O'Donnell successfully blocked a previous citizenship referendum in 2001 due to concerns that it could lead to an increase in populist anti-immigrant sentiment (Irish Times 2004; Redmond 2019). However, she was unable to block the 2004 referendum because the government had a larger majority by then and could risk her resignation on the issue (*ibid.*). So, libertarian-influenced political actors may be better able to policy shifts away from libertarianism in minority governments. Although Liz O'Donnell's actions provide some evidence in support of the causal mechanism, what is notable is the lack of public opposition to this policy shift engendered among the elected officials of Fianna Fáil and the PDs. Once again, significant ideological driven commitment is not a part of centre-right Irish politics.

The benchmarking policy does show evidence of liberal actors within Fianna Fáil strategically adapting their true policy preferences. To the extent that both Ray MacSharry and John McGuinness criticised the Public Service Benchmarking Body (PSBB) after the economic crash, but there is no evidence of significant intra-party resistance to this policy between 2000 and 2009 (McGuinness 2011; MacSharry 2014). Essentially this period of political stability interacting with pre-existing policy that contradicted liberal ideology (e.g., social partnership) meant that

opposing the wishes of the party leadership on this issue would risk too great a backlash. So, they disguised their misgivings on this public-sector pay policy, which was inconsistent with liberal economic values, until a more opportune moment arose for them to express their opposition.

Interestingly, as with the Citizenship Referendum 2004, it was once again a minister of known libertarian economic sympathies, Charlie McCreevy, who implemented this boon to public sector employment that contradicted liberal ideological preferences. Although, this research finds that an underacknowledged aspect of benchmarking was that in return for this public sector pay policy, McCreevy was able to end the pay linkages between differing grades of public sector workers. Crucially, this has eased the burden of pay negotiations for subsequent finance ministers. But the fact that a minister of finance, who was a strong supporter of free market reforms, could deliver a compromise on pay that was widely viewed as overly generous to the public sector, shows how ideologically-driven values are not a feature of centre-right Irish politics.

While each of the cases that test the hypothesis shows some evidence of the causal mechanism, the fact that ideologues and ideational disputes are not a significant party of mainstream right-wing party identity in Ireland raises significant hurdles for the theory. Effectively, Irish mainstream right-wing parties are made up nearly exclusively of political actors who are relatively moderate, have acquiesced to state-led policy solutions, and are not significantly ideologically driven. In fact, there is a question about how focused mainstream Irish politicians are on policy issues and ideological debates in general, given their extensive constituency caseload and focus on local issues (Baturo and Arlow 2018, 400). For most centre-right political actors in Ireland, liberal reform was designed to strengthen the state, not weaken it, which is at odds with a libertarian worldview. Effectively, for these moderate political actors, the state and not the free market is the primary driver of both policy development and liberal economic reform.

Iceland: What about factions and coalition partners?

Iceland is an unusual case in that a libertarian faction, led by David Oddsson, gained a dominant position within the Independence Party (IP). This faction's control over their party was so great that during Oddsson's years in power, between 1991 to 2004, there was remarkably little intra-party resistance to his libertarian reform agenda. In fact, his position of dominance within the

Independence Party was so great that it is comparable to Margaret Thatcher's position after her victory in the Falklands War and her second electoral win. Instead, it was moderates within his coalition partners that initially resisted his libertarian reforms, specifically on the privatisation of the banks.

As per the hypothesis being tested, when Oddsson became Prime Minister in 1991 a severe economic crisis interacted with pre-existing banking policy that contradicted liberal ideological preferences. Effectively, Icelandic banks were regional, state owned, and conservative institutions under the control of domestic elites, which obviously contradicted free-market ideals. Therefore, this economic crisis provided ideologues like Oddsson with the opportunity to push for a libertarian policy of privatisation. But on the first attempt, Oddsson failed to convince moderates within his left-wing coalition partners (the Social Democratic Party), to embrace a privatisation agenda. Instead, he had to wait until the 1995 election, which led him into coalition within the centrist Progressive Party, for a renewed opportunity to push his privatisation project. This time he managed to convince moderates within the Progressive Party to embrace his shift towards a liberal banking policy and this programme of libertarian economic reform helped to significantly grow the Icelandic economy in the subsequent years. However, Oddsson also needed to retain the goodwill of the traditional conservative elites attached to his party, known as the 'Octopus'. This research finds that to retain their support, for both his leadership and his libertarian reforms, he delivered a flawed privatisation process that was orchestrated for the benefit of this domestic elite. Their lack of financial expertise and reckless borrowing would eventually lead to financial disaster and the renationalisation of the banks.

So, the interaction of the independent variables provided the opportunity for a shift towards libertarian policy on banking, and once Oddsson was in coalition with a more amenable partner he was able to convince moderates within the Progressive Party to embrace privatisation policies. However, his need to retain domestic elite support sabotaged this project. In this case, if the causal mechanism is broadened out to include coalition partners and elites allied to the party (but not formally party officials) there is evidence to support the theory, but because Oddsson's faction was so dominant within the Independence Party there was no internal resistance to libertarian policy reform from his parliamentary party or party officials.

The introduction of credit controls in Iceland does show evidence of libertarians attempting, and failing, to resist a shift away from libertarian policy prescriptions. This shutting down of the free movement of capital is an obvious repudiation of libertarian ideas and policy. As per the central thesis, it occurred when a crisis around the viability of the Icelandic banks interacted with pre-existing policy that was consistent with liberal ideology (i.e., deregulation, free movement of capital, and privatisation). In 2006, when concerns were first raised about the Icelandic financial system, two prominent political leaders attached to Oddsson's libertarian faction – Geir Haarde (Prime Minister) and Arni Matheisen (Finance Minister) – resisted policy reform of the banks and launched a media campaign to inspire confidence in Iceland's banks among investors and international policymakers (Johnsen 2016, 43). Also, libertarian economists were hired by the Icelandic Chamber of Commerce to provide reports that inspired confidence in the Icelandic banking system (see: Mishkin and Herbertsson 2011; Portes and Baldursson 2011). According to the SIC enquiry into the Icelandic financial collapse, this was the last opportunity for policy reform of the banks before bankruptcy became unavoidable, and it was blocked by these libertarian actors (SIC 2010a, 10).

So, libertarian ideologues successfully resisted policy change in the initial stages of this crisis but when Lehman Brothers collapsed the crisis was too great for libertarian ideologues to reassure moderates and block policy shifts away from liberal values. David Oddsson, as Governor of the Icelandic Central Bank, did make a concerted attempt to convince moderate policymakers to avoid credit controls in Iceland, but by this time the crisis was so great that most libertarian resistance to policy change that contradicted their liberal preferences had disappeared (SIC 2010c, 70-71). In this case, there is clear evidence in support of the theory, to the extent that when the banking crisis interacted with pre-existing liberal policy, libertarian ideologues tried and failed to convince moderate colleagues to avoid a shift away from their libertarian policy preferences.

There is also evidence to support the theory in relation to the strategic adaptation of libertarian ideologues within the Independence Party on the Media Law policy. Hannes Gissurarson and others in the party viewed this policy as problematic as it attempted to place state controls on the media market for the first time in Iceland, Gissurarson even acknowledged it was inconsistent for libertarians to legislate for this type of state regulation (Gissurarson 2020a). However, it was loyalty to Oddsson and concerns over Icelandic as a minority language that meant

that the ideologues in the party backed Oddsson on this policy (*ibid.*). What is surprising is that it was Oddsson who was personally driving this reform measure. His libertarian commitments did not override his political instincts that encouraged him to limit the media presence of those businessmen who opposed him politically, even if this contradicted his laissez-faire beliefs. Once again, this shows that in mainstream right-wing parties most libertarian ideologues will favour pragmatism and the pursuit of power over ideological purity.

There is more evidence to support the central thesis within the context of Iceland than Ireland. But what the theory failed to contend with is the importance of coalition partners in proportional voting systems. In fact, on bank privatisation, the Oddsson faction had such a dominant policy position within the Independence Party that it was the only the moderates within the Social Democratic Party and the Progressive Party that they had to convince to embrace their libertarian policy solutions. The theory also failed to consider the ability of a faction, specifically a libertarian faction, to dominate the policymaking processes of a political party. Under these conditions, the need to convince moderates to embrace libertarian ideas becomes redundant. Thorhallsson and Kattel (2013, 87) have claimed that Iceland's elite, known as the 'Octopus', is representative of 'sectoral corporatism', to the extent that this elite can be viewed as a special interest group that dominated the policymaking processes of a state for their own benefit. Oddsson, viewed his Locomotive Group faction as an alternative patronage system to the 'Octopus' and they in effect replaced them as the dominant interest group that controlled policymaking; installing their own supporters in positions of power in key institutions, such as the banks, the media, regulatory bodies, and the central bank. This meant that for his period in office, Oddsson's libertarian economic reforms faced limited opposition within his party, and only occasionally faced effective resistance from his political opponents.

This finding supports the 'theory of parties' as espoused by Bawn et al. (2012), which views political parties as coalitions of interest groups and ideological motivated activists rather than institutions dominated by election-orientated politicians. This theory claims that factions (based on a shared policy agenda) can form within political parties in order to deliver on their preferred policy change; by controlling key policymaking offices these factions can deliver on their policies even when they lack public support, especially during a crisis where voter attention may be on other more immediate issues (Bawn et al. 2012, 571-572). However, the findings of the

Iceland case shows that these factional coalitions can be temporary, with little long-term control over party policy. Tellingly, this libertarian faction's control of policymaking ended after the crisis of the Great Recession when the Independence Party returned to centre-right conservatism and the leadership of politicians linked to the 'Octopus' families

United Kingdom: Why is the theory most applicable in the UK?

On the Miners' strike (from March 1984 to March 1985) there is clear evidence in support of the hypothesis. This study finds that Thatcher made a concerted effort to build up state 'endurance' to a miners' strike after the NUM forced her into a humiliating concession on the closing of uneconomic pits in February 1981. Building up the state's coal reserves, and developing anti-trade union employment policy, had the dual purpose of preparing the state for the next strike, as well as convincing and reassuring her own moderate party members that the Conservative Party could win an existential fight with the NUM. During the 1970s, we can view libertarian ideologues within the Conservative Party, such as Nicholas Ridley and John Hoskyns, pushing a more libertarian and aggressive approach to organised labour. By 1984, these policy recommendations were being put in place as part of Thatcher's preparation for the strike. Thatcher also made sure that by 1984 key policymakers within Cabinet shared her antipathy to the trade union movement and willingness to tackle the NUM.

Importantly, Thatcher's own ideological inclinations came to the fore during this crisis, as she viewed the NUM as undemocratic bullies that had to be defeated to restore Britain's greatness. During the dispute, she listened to libertarian ideologues pushing her to increase pressure on the miners, such as David Hart, Ronnie Millar, John Redwood, Keith Joseph, and Alfred Sherman. But she tempered this radicalism with a pragmatic approach to the dispute, which saw her rein in some of her more extreme tendencies (and the tendencies of her libertarian supporters), so as to not lose too much public support and the support of her moderate party colleagues. Thatcher also avoided actions that could have antagonised the wider labour movement. This victory was the central achievement of her second term in office and was one of the most longest lasting of her policy legacies. By breaking the power of radical trade unionism, Thatcher shifted her Party's

labour policy away from hostility but conciliation, and towards just hostility and even apathy bred from a lack of fear for a much-weakened trade union movement.

Interestingly, the Cabinet that Boris Johnson appointed in July 2019 was the most libertarian in the history of the Conservative Party. All the great offices of state and a total of 14 Cabinet attendees were of known libertarian sympathies; being members of the Free Enterprise Group within the Conservative parliamentary party and aligned to the Institute of Economic Affairs (IEA). This led many commentators to reasonably expect a significant shift towards libertarianism in Tory party policy. This process involves a subversion of May's (1973) Law of curvilinear disparity, which contends that elected officials tend to be less ideologically driven than the membership because professional politicians need to appeal to a more moderate voting public in order to win office. However, the extent of the ideological commitment to radical libertarian ideas exhibited in Johnson's Cabinet is far greater than the Conservative Party membership, who tend to be older and politically conservative, and much greater than the voting public who find libertarian ideas to be unappealing. Instead, the Conservative Party, like other political parties in plurality voting systems (e.g., the US Republican Party), exhibits a distortion to May's (1973) theory. Political parties in plurality systems tend to align with Kitchelt's (1989, 418-420) adaptation of May's theory, where he shows that party officials can be more radical than the membership, as political ideologues who have electoral ambitions will join more centrist parties in order to become competitive political actors and push their preferred policy. This means that in some cases party officials can actually be more radical than the membership or the voting public.

However, what is interesting about this case is that these libertarian ideologues completely failed to deliver policy solutions that coincided with their libertarian beliefs. As per the central hypothesis of this research, when a political crisis brought about by the continued fallout from the Great Recession and the Covid pandemic interacted with pre-existing policy that was consistent with liberal ideology (i.e., the Conservative Party austerity programme and the pandemic planning policy that initially prioritised personal freedom), there was a significant shift away from libertarian policy preferences. Specifically, through the Covid-19 restrictions and the subsequent Budget 2021, which included massive increases in public spending, borrowing, and even increases to corporation tax. These policies were implemented despite the opposition of some libertarians in the party, such as those attached to the Covid Recovery Group (CRG). However, the libertarian

ideologues within Cabinet largely acquiesced to this policy shift away from libertarianism, only Sajid Javid, as Chancellor of the Exchequer, resisted the spending commitments. This partly contributed to his resignation from Cabinet, but his recent reappointment as Health Secretary suggests that he has also learnt to live with economic policies that contradicted liberal values as a member of the government. This shift away from libertarianism under these outlined conditions supports the central thesis. But this study also finds that some of this lack of resistance is due to the nature of Boris Johnson – who is ideologically mercurial – and the fact that so much power over previous decades has been concentrated within Number 10 and with the prime minister’s special advisors. This means that the ability of Conservative Party Cabinets to resist policy they disagree with is much less than in previous administrations.

Importantly, by 2019, the voter base of the Conservative Party had changed, becoming more Northern and working-class, and the British public’s attitude to austerity policies had reached the point of exhaustion. And the public’s attitude to Covid policy was also risk adverse; favouring lockdowns over natural herd immunity policy. So, by shifting away from libertarian policy preferences, Johnson was prioritising voter policy preferences over that of his Cabinet. This finding corresponds with Downsian theoretical perspectives which unlike the ‘theory of parties’ (Bawn et al. 2012), views office-seeking politicians as the primary actors shaping party policy, not coalitions of activists and interest groups (Aldrich 1995; Downs 1957). This median voter theorem suggests that politicians will seek to align party policy towards the policy preferences of the median voter in order to maximise their chances of winning or retaining power. Therefore, in this case, Johnson’s policy shift away from libertarianism occurring during the interaction of a crisis and pre-existing liberal policy, was a strategic response to voter preferences, designed to maintain public support. Under these conditions, resistance to this policy shift by libertarian ideologues was ineffectual.

British Leyland (BL) also provides evidence in support of the theory. Here we have libertarian sympathisers in Cabinet (and the wider party apparatus) having to support a policy that involved substantial state aid to a failing car manufacturer, at a time when Thatcher’s government was privatising other failing nationalised industries. This occurred when a crisis around car manufacturing in the Midlands, interacted with a pre-existing policy of providing state aid to the various car manufacturers that made up BL. This BL bailout was an obvious failure for libertarian

ideologues. Libertarians attached to the party – such as Alan Walters, Alfred Sherman, Robin Ibbs, Johns Hoskyns, and Jon Nott – did attempt to resist this policy. But they were unable to convince the moderate Cabinet ‘wets’ to support a receivership policy that would have been in line with libertarian values (see Table 7.2). Importantly, Thatcher herself (most reluctantly) supported a bailout due to party-political necessity. This research finds that a significant reason for this bailout was the fact that BL was based in marginal Conservative Party seats that the Party needed to retain. This means that, once again, Conservative Party policy was facing the needs of their voters and not their ideologically motivated party activists. However, the libertarian ideologues who opposed this move, remained in the Party and Cabinet. Instead, they strategically adapted their true views and policy objections, until a more opportune time arose for them to pursue a policy of BL liquidation.

Finally, this research finds that the main reason the central thesis is most applicable in the case of the UK relates to its electoral system. Duverger contends that single-ballot plurality elections in single member districts will tend to deliver two-party systems (Duverger 1964, 217). These plurality systems have a much wider spectrum of ideological preferences within their mainstream parties because ideologically motivated actors will tend to join one of the two mainstream parties that are closest to their ideological beliefs (*ibid.*, 58 & 62). So, for ambitious political actors in plurality systems, joining a third party that might be more in tune with their ideas is impractical because they are unlikely to ever win office. Also, in a plurality system, voters are averse to ‘wasting’ their vote on third-party candidates; instead, they will vote for one of the two largest parties that comes closest to their own ideological preferences (Schlesinger and Schlesinger 2006, 60-61). Therefore, plurality systems tend to deliver ‘mass membership’ parties which include a wide variety of views within their party membership and among their voters (*ibid.*, 59). Some of the political actors who join these parties may be ideologically motivated, but they are also pragmatic enough to settle for incremental policy change, rather than risk having no policy change or no political career.

Although party membership has been declining in the Global North (Mair 2013), these catch-all parties still include wide varieties of partisan actors within their ranks (Norris 2004, 96). This means that there are just more partisan political actors within mainstream plurality-system parties. Therefore, it should not be surprising that the influence of libertarian ideologues at critical

moments within the Conservative Party is greater than the influence of libertarian ideologues in mainstream right-wing parties in proportional voting systems. Effectively, the ratio of partisan political actors to moderates is just higher in plurality systems, so they are able to exert greater influence when the political conditions favour a shift towards libertarian policy. Importantly, plurality systems also enable faster and more extreme policy shifts within the state when the governing party has a majority (Nagel 1998, 263-266). This means that there is more to win, and more to lose, from intra-party ideational contestation, which may increase the extent of policy disputes between moderates and ideologues. In fact, this electoral system driven contestation is partly responsible for the extent of the bitter policy debates within the UK Labour Party when the Corbyn faction dominated that party's policymaking (Seymour 2017, 14-15).

The findings in aggregate

The evidence shows that the theory is most applicable within the UK, and that a significant factor influencing this outcome is the nature of the UK's electoral system. Therefore, it is reasonable to assume that ideational contestation within mainstream right-wing parties is greater in plurality systems because they have a wider range of ideological beliefs within their party membership (Norris 2004, 96). This means that at opportune moments there are just more libertarian ideologues attempting to convince party moderates to embrace their more radical liberal agenda. In fact, significant ideational contestation is not a feature within the mainstream right-wing parties in some proportional voting systems, such as Ireland. And, even in Iceland where a libertarian faction controlled policymaking, once this faction lost power, the Independence Party returned to its conservative centre-right roots.

Process tracing and its close analytical focus on causal mechanisms can aid the discovery of new testable implications during the case study analysis that may fit a redesigned and modified theory (Bennett and Checkel 2015, 18). Therefore, based on the findings detailed above, the central theory of this thesis should be amended to include the electoral system as an antecedent variable, as it affects the cause-and-effect relationship between the variables, specifically the strength of the causal mechanism which involves libertarian ideologues convincing party moderates to adopt their policy agenda. And when applied to proportional voting systems the theory should include within

the causal mechanism the ability of libertarian ideologues to convince moderates within coalition partners as a factor determining the success or failure of libertarian policy.

This research draws upon Carstensen and Schmidt's (2016) three types of ideational power to help explain the results of this study. This is appropriate for this thesis because their understanding of ideational power is agency orientated but it also focuses on the ways that political actors can use ideational elements to influence other actors' normative and cognitive beliefs (Carstensen and Schmidt 2016, 322). Coincidentally, Carstensen and Schmidt's (2016) three types of ideational power coincide with the results of the three empirical case studies.

First, within an Irish context, the fluctuation of libertarian policy outcomes within Fianna Fáil can be understood as *power in ideas* (Carstensen and Schmidt 2016, 329). This concept coincides with a neo-Polanyian claim that the ideas held by political actors within political parties can be predominately supportive of either market or societal forces, depending on the double movement cycle (Blyth 2008, 29). It also has parallels with a Gramscian understanding of hegemony, which constrains what political actors consider to be viable and rationale policy solutions, as well as manufacturing the consent of the governed for the capitalist system (Anderson 1976, 26-27). Hardiman and Metinsoy (2018) used the concept of *power in ideas*, to explain why Ireland did not embrace the policy of a European wide Financial Transaction Tax, showing that key policymakers were limited in their ability to change policy due to the extent of their ideological commitment to the Irish low tax, light regulation, and FDI friendly business model; which was reinforced by a focus on the economic policies of the US and the UK.

Crucially, *power in ideas*, concerns the way political actors draw upon ideational and institutional structures for both policy solutions and to gain consent for their implementation (Carstensen and Schmidt 2016, 329). *Power in ideas* can depoliticise policy solutions to the point where they become self-evidently correct, to the extent that their existence, overall goals, and implementation, becomes an uncontested policy area for political actors and the general public (*ibid.*). In effect, Fianna Fáil's shift towards libertarian economic policy can be explained by this embrace of ideology and policy norms developed in the Anglo-Saxon world, rather than significant ideational contestation within that party. Similarly, the shifts away from libertarianism can be understood as an embrace of European norms (e.g., Citizenship Referendum) or a continuation of a European style corporatist policy solutions (e.g., Benchmarking Body). Like the case of the

Independence Party in Iceland, the Irish elite's policy changes were aided by the fact that they could point to these solutions as representing international best practice in other larger countries and the recommendations of international policy experts.

Second, Iceland and the case of fluctuations in libertarian policy within the Independence Party can be understood through the concept of *Power through ideas* (Carstensen and Schmidt 2016, 323-324). This represents political actors utilising their ideas – through cognitive and normative arguments – to convince other actors to embrace their preferred policy choices; this can be viewed as a compulsory version of power (*ibid.*). The cognitive arguments focus on the political actors ability to effectively define a problem and propose realistic policy solutions (*ibid.*). The normative arguments are much more focused on the value added by the proposed policy solution, to the extent that the proposed reform is appropriate to the values (either traditional or emerging) of the community (*ibid.*). Essentially, this process is agency focused and involves elite actors persuading other political actors to embrace their preferred ideas. It is not about structural manipulation (as with hegemony) but is instead about convincing others about the validity and normative benefits of your ideas.

In the Independence Party, the libertarian faction attached to Oddsson, used this *power through ideas* to such an extent that they dominated their party's policymaking processes. The initial wealth generated from their reform programme meant that a 'Nordic Tiger' economic model increased their ability to persuade others about the validity of their policy solutions. Effectively, these libertarian ideas dominated the policy expectations of most of the political parties in the Althing and a majority of Icelandic citizens until the economic crisis of 2008. Unlike with Ireland, the libertarian faction in the Independence Party was aided by an influential structure of libertarian intellectuals and think tanks, but they failed to gain the same degree of influence as the UK's equivalent free-market think tanks.

Third, the case of the UK and the Conservative Party represents the concept of *Power over ideas* (Carstensen and Schmidt 2016, 326). *Power over ideas* relates to the capacity of political actors to control and contest the meaning of ideas, place limitations on the public discourse, and limit what policy options enter the policymaking process (*ibid.*). This concept takes three general forms: the first, is the power to impose ideas; the second, is the power to shame other actors and their ideas; and third, is the power to resist alternative ideas (*ibid.*). The shift towards

libertarian policy outcomes in the UK represents each one of these forms. For instance, although Thatcher was more pragmatic than popularly perceived, her government was able to impose monetarist policies despite massive increases in unemployment and inflation. In terms of shaming alternative ideas and political actors, the Thatcherite political project portrayed the labour movement as an undemocratic threat to liberal values and framed those reliant on the welfare state as ‘scroungers’. Most importantly, Thatcherism was able to resist alternative ideas to such an extent that the policies she implemented became the new established norm, discredited social democratic policy solutions, and became a policy inspiration for other liberal reformers around the world. Specifically, her policies on a more aggressive state-led approach to organised labour, the privatisation of state assets, and financial deregulation would become the policy templates for liberal political actors internationally. In this way, it is possible to argue that Thatcherite *power over ideas* in the UK, helped established liberal (and libertarian) economic values in other countries (such as Ireland) through a hegemonic *power in ideas*, relating to neoliberal policy solutions.

Finally, the intervening variable, represented by the extent of libertarian think tanks within a country, has provided interesting results. In Iceland, the case study shows a temporary ‘anchoring group’ of libertarian think tanks attaching itself to the Independence Party, formed around the leadership of one man, Hannes Gissurarson (Schlozman 2015). From their earliest inception they were designed to support the policy aspirations of David Oddsson and the libertarian faction that he led. However, their influence on party politics has declined considerably since the Great Recession, to the extent that they can no longer be considered ‘anchored’ to the Independence Party. Interestingly, the lack of a successful libertarian ideological infrastructure in Ireland, as viewed by the failure of the Hibernia Forum, shows how significant ideational debate is just not a priority for right-wing elites within mainstream Irish Parties.

In contrast, the UK exhibits a dense and influential network of libertarian think tanks, all linked to a greater or lesser extent with the Conservative Party. The most influential of these institutes – the Institute of Economic Affairs, the Adam Smith Institute, and the Centre for Policy Studies – are technically not linked to the Conservative Party. But in terms of policy advice, elite networking, and the dissemination of ideas they are very much in the same orbit as the Tory Party. At times, such as with Thatcher’s policies of monetarism and privatisation, they have been very

influential but as evidenced with the policy response to Covid-19 and shift against austerity, the Conservative Party leadership can completely ignore their ideas without any concern of a political backlash. Importantly, the fact that these libertarian institutes have sympathetic policymakers within Cabinet has not stopped this shift away from libertarian policy preferences. As detailed above, the central hypothesis of this study explains this outcome. But this finding is also interesting because it undermines recent scholarship that focuses on the agency of elite actors attached to libertarian institutes in explaining libertarian policy change (e.g., Bailey et al. 2012; Cockett 1994; Olafsson 2017; Wade and Sigurgeirsdottir 2010; MacLean 2017). Essentially, in Europe at least, libertarian think tanks seem to be a lot less influential than their American counterparts, or at least only influential under certain conditions (as predicted by the central thesis).

An explanation for this can be found by the strength of the whip system within party politics. Abelson (2018, 220-227) contends that one reason why libertarian institutes in the US are more influential on policy change than their Canadian counterparts is that the whip system is so weak in Congress. This means that political actors in the US are more easily lobbied and more open to ideational argument, because they are less concerned about voting against party policy. Undoubtedly, the fact that the US also exhibits a generous libertarian donor class willing to fund sympathetic political actors also helps deliver policy change (Skocpol and Hertel-Fernandez 2016). However, the fact that this same donor class are unwilling to fund libertarian institutes in Ireland, where there is a business-friendly climate and a strong whip system (Gallagher 2018, 187), but they will help to fund UK libertarian think tanks, where there is a weaker whip system, shows that this is an underexplored factor determining think tank influence.

Importantly, this research contradicts MacLean's (2017) contention that the influence of libertarian think tanks on policy change is conspiratorial and underhand. These think tanks may be funded by shadowy business figures, but this could apply to a lot of political advocacy groups and is more representative of the problem of money in politics rather than something uniquely libertarian. Also, researching these institutes has been straightforward. Their goals are clearly stated, similar to their left-wing or trade union linked opponents in the policy world, their agenda is obvious and freely expressed. A conspiracy requires secrecy and libertarian think tanks are not secret. They publicly espouse their libertarian ideas and openly seek to deliver on their preferred policy change, which is part of normal democratic politics. There may be an issue in relation to

funding and lobbying, but left-wing think tanks also receive plenty of funding from sympathetic millionaires, political parties, and trade unions. So again, this is a wider debate and not linked specifically to the libertarian political project.

Future Research

In terms of external validity, the theory and causal mechanism developed to address libertarian policy change in mainstream right-wing parties should be applicable to any radical policy change within any mainstream political party; especially those parties in plurality voting systems. For example, it could help to explain the Corbyn project's influence on Labour Party policy under his leadership and the shift to the left within the Democratic Party encouraged by the success of Bernie Sanders in primary elections. Future research that sought to test this theory on mainstream left-wing parties – such as Sinn Féin, the UK Labour Party, and the SPD (Germany) – would represent an interesting research agenda. In terms of case-specific findings, the research on the Hibernia Forum and the reasons for a lack of libertarian think tanks in Ireland, is worthy of further study and may be of interest to social movement journals. Also, the research that tests the thesis based on the failure of libertarian ideologues within the Conservative Party to deliver libertarian policy change after their appointment in July 2019 is both topical and of interest to a wider (non-academic) readership.

The novel libertarian measure developed for this study should be of interest to scholars working with the Manifesto Project Database in general. Its high level of face validity also means that it should be of use to any future scholars seeking to study libertarian influence on political parties. Future quantitative research could use this measure for regression analysis that sought to test the theory developed in this study or test other factors that may lead to fluctuations in libertarian policy within right-wing parties. For instance, this measure could be combined with electoral and economic data to determine if economic crises interacting with pre-existing liberal economic policies leads to a shift away from libertarian policy solutions. Also, future research that included the electoral system as an antecedent variable, which increases ideational debate within mainstream parties in plurality systems or increases the need for ideologues to convince coalition partners to embrace their ideas in proportional systems, would be of scholarly interest. Finally, in

relation to libertarian think tanks – or any other kind of institutes with a public policy advocacy agenda – future research that compares the strength of the whip system in a host country to their influence on public policy change could represent a fruitful avenue for further study.

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Appendix A: The Content of the Variables for the Libertarian Measure

In order to aid the reproducibility of this research, the full code for the libertarian measure is as follows:

Libertarian scale = (per103, per105, per201, per203, per203, per303, per304, per304, per401, per407, per414, per505, per507, per604, per702) – (per104, per107, per405, per406, per409, per412, per413, per415, per416, per501, per503, per504, per603, per605, per608, per701).

This represents the sum of positive indicators for libertarianism, minus the negative indicators for libertarianism, which gives a number that indicates the overall extent of libertarian ideas within the manifestos of the political parties assessed by the Manifesto Project Database. The choice of variables that contribute to the validity of this measure for libertarianism is justified in the following two tables (see: Table A and Table B). These tables detail the coding instructions for each variable, with a focus on the content that actually constitutes positive or negative indicators for libertarianism.

Table A: Content of variables that positively indicate libertarian ideas

Libertarian <u>Positive</u> Indicators within the Manifesto Project Dataset Codebook	Coding instructions for variable that includes content that matches libertarian ideas
per103- Anti-Imperialism	Negative references to imperial behaviour and/or negative references to one state exerting strong influence (political, military, or commercial) over other states. May also include: <ul style="list-style-type: none"> • Negative references to controlling other countries as if they were part of an empire • Favourable references to greater self-government and independence for colonies • Favourable mentions of de-colonisation.
per105- Military: Negative	Negative references to the military or use of military power to solve conflicts. References to the ‘evils of war’. May include references to: <ul style="list-style-type: none"> • Decreasing military expenditures

	<ul style="list-style-type: none"> • Disarmament • Reduced or abolished conscription.
per201- Freedom and Human Rights	<p>Favourable mentions of importance of personal freedom and civil rights in the manifesto and other countries. May include mentions of:</p> <ul style="list-style-type: none"> • The right to the freedom of speech, press, assembly etc. • Freedom from state coercion in the political and economic spheres • Freedom from bureaucratic control • The idea of individualism.
per203- Constitutionalism: Positive	<p>Support for maintaining the status quo of the constitution. Support for specific aspects of the manifesto country's constitution. The use of constitutionalism as an argument for any policy.</p>
per303- Governmental and Administrative Efficiency	<p>Need for efficiency and economy in government and administration and/or the general appeal to make the process of government and administration cheaper and more efficient. May include:</p> <ul style="list-style-type: none"> • Restructuring the civil service • Cutting down on the civil service • Improving bureaucratic procedures.
per304- Political Corruption	<p>Need to eliminate political corruption and associated abuses of political and/or bureaucratic power. Need to abolish clientelist structures and practices.</p>
per401- Free Market Economy	<p>Favourable mentions of the free market and free market capitalism as an economic model. May include favourable references to:</p> <ul style="list-style-type: none"> • Laissez-faire economy • Superiority of individual enterprise over state and control systems • Private property rights • Personal enterprise and initiative • Need for unhampered individual enterprises.
per407- Protectionism: Negative	<p>Support for the concept of free trade and open markets. Call for abolishing all means of market protection (in the manifesto or any other country).</p>
per414- Economic Orthodoxy	<p>Need for economically healthy government policy making. May include calls for:</p> <ul style="list-style-type: none"> • Reduction of budget deficits • Retrenchment in crisis • Thrift and savings in the face of economic hardship • Support for traditional economic institutions such as stock market and banking system

	<ul style="list-style-type: none"> • Support for strong currency.
per505- Welfare State Limitation	Limiting state expenditures on social services or social security. Favourable mentions of the social subsidiary principle (i.e., private care before state care).
per507- Education Limitation (privatization)	Limiting state expenditure on education. May include: <ul style="list-style-type: none"> • The introduction or expansion of study fees at all educational levels • Increasing the number of private schools.
Per604- Traditional Morality: Negative (divorce, abortion etc.)	Opposition to traditional and/or religious moral values. May include: <ul style="list-style-type: none"> • Support for divorce, abortion etc. • General support for modern family composition • Calls for the separation of church and state.
per702- Labour Groups: Negative	Negative references to labour groups and trade unions. May focus specifically on the danger of unions ‘abusing power’.

Source: Manifesto Project Database codebook (MPD 2015).

Table B: Content of variables that negatively indicate libertarian ideas

Libertarian <u>Positive</u> Indicators within the Manifesto Project Dataset Codebook	Coding instructions for variable that includes content that contradicts libertarian ideas
Per104- Military: Positive	The importance of external security and defence. May include statements concerning: <ul style="list-style-type: none"> • The need to maintain or increase military expenditure • The need to secure adequate manpower in the military • The need to modernise armed forces and improve military strength • The need for rearmament and self-defence.
Per107- Internationalism: Positive	Need for international co-operation. May also include references to the: <ul style="list-style-type: none"> • Need for aid to developing countries • Need for world planning of resources • Support for global governance • Need for international courts • Support for UN or other international organisations.
per405- Corporatism/Mixed Economy	Favourable mentions of cooperation of government, employers, and trade unions simultaneously. The

	collaboration of employers and employee organisations in overall economic planning supervised by the state.
per406- Protectionism: Positive	Favourable mentions of extending or maintaining the protection of internal markets (by the manifesto or other countries). Measures may include: <ul style="list-style-type: none"> • Tariffs • Quota restrictions • Export subsidies.
per409- Keynesian Demand Management	Favourable mentions of demand side oriented economic policies (assistance to consumers rather than businesses). Particularly includes increase private demand through: <ul style="list-style-type: none"> • Increasing public demand • Increasing social expenditures. May also include: <ul style="list-style-type: none"> • Stabilisation in the face of depression • Government stimulus plans in the face of economic crises.
Per412- Controlled Economy	Support for direct government control of economy. May include, for instance: <ul style="list-style-type: none"> • Control over prices • Introduction of minimum wages.
per413- Nationalisation	Favourable mentions of government ownership of industries, either partial or complete; calls for keeping nationalised industries in state hand or nationalising currently private industries. May also include favourable mentions of government ownership of land.
per415- Marxist Analysis	Positive references to Marxist-Leninist ideology and specific use of Marxist-Leninist terminology by the manifesto party (typically but not necessary by communist parties).
per416- Anti-Growth Economy: Positive	Favourable mentions of anti-growth politics. Rejection of the idea that all growth is good growth. Opposition to growth that causes environmental or societal harm. Call for sustainable economic development.
per501- Environmental Protection	General policies in favour of protecting the environment, fighting climate change, and other 'green' policies. For instance: <ul style="list-style-type: none"> • General preservation of natural resources • Preservation of countryside, forests, etc. • Protection of national parks • Animal rights.

per503- Equality: Positive	<p>Concept of social justice and the need for fair treatment of all people. This may include:</p> <ul style="list-style-type: none"> • Special protection for underprivileged social groups • Removal of class barriers • Need for fair distribution of resources.
per504- Welfare State Expansion	<p>Favourable mentions of need to introduce, maintain, or expand any public social service or social security scheme. This includes, for example, government funding of:</p> <ul style="list-style-type: none"> • Health care • Childcare • Elder care and pensions • Social housing.
Per603: Traditional Morality: Positive	<p>Favourable mentions of traditional and/or religious moral values. May include:</p> <ul style="list-style-type: none"> • Prohibition, censorship, and suppression of immorality and unseemly behaviour • Maintenance and stability of the traditional family as a value • Support for the role of religious institutions in state and society.
per605- Law and Order: Positive	<p>Favourable mentions of strict law enforcement, and tougher actions against domestic crime. Only refers to the enforcement of the status quo of the manifesto country's law code. May include:</p> <ul style="list-style-type: none"> • Increasing support and resources for the police • Tougher attitudes in courts • Importance of internal security.
per608- Multiculturalism: Negative	<p>The enforcement or encouragement of cultural integration. State-led appeals for cultural homogeneity in society.</p>
per701- Labour Groups: Positive	<p>Favourable references to all labour groups, the working class, and unemployed workers in general. Support for trade unions and calls for the good treatment of all employees, including:</p> <ul style="list-style-type: none"> • More jobs • Good working conditions • Fair wages • Pension provisions etc.

Source: Manifesto Project Database codebook (MPD 2015).