Managing the crisis? Think-tanks and the British response to Global Financial Crisis and Great Recession

Abstract

Ideas matter – but how they do so, and what allows some ideas to become more influential than others is less clear. Certainly, the debate about policy ideas and the many people and organisations producing them continues to occupy researchers. This is also true, more specifically, with regards to the policy responses of British governments to Global Financial Crisis and subsequent Great Recession.

The article presents an analysis of the role of one specific type of 'ideas organisation', the think-tank, during the two interrelated crises and their aftermath between 2007 and 2015. The two central objectives of the article are to understand better, first, if and how government-external policy experts from think-tanks contributed to British governments' policy responses to the crises and whether these actors have, second, contributed to the overall discourse about the nature, causes and origins of the crises and therefore to the environment in which governmental policy responses were made. In that way, the article contributes to a better understanding of think-tanks, to the discussion of the origins of Global Financial Crisis and Great Recession and the policy choices made in their context, and to the question why neo-liberalism has been so resilient in the wake of the crisis.

Introduction – knowledge and crisis

The relationship between policy expertise, politics and policy has inspired a rich literature with academics and journalists, but also people explicitly campaigning for more transparency and accountability in politics, contributing to it. Inter alia, this literature tackles questions of influence and power, discusses the 'red lines' between legitimate exchange among policy field stakeholders and undue influence on and by them, and problematises the role of 'knowledge', 'evidence' and 'expertise' in policy-making and of those actors making claims to this resource. In short, this literature addresses issues which are of fundamental importance to how policy in liberal democratic polities is made.

The near-collapse of the global financial system due to the 2007/08 Global Financial Crisis and the subsequent Great Recession have led to a public debate about past and future policy in many western countries. This debate also involved, but arguably too marginally and timidly, a reckoning about the responsibility which the policy expert community has had – first, for the conditions in
which the crises erupted and, second, for the policy (non)responses to the crises. Within the British context, Queen Elizabeth's question to academics at the London School of Economics and Politics – 'Why did nobody see it coming?' - was widely reported (quoted in Pierce 2008) as a criticism of experts and expertise. Indeed, given that Global Financial Crisis and Great Recession seriously damaged the economies of many countries and negatively affected millions of people, it is crucial to develop an analysis of how policy (non)responses to the crises were formulated and of the role of expertise and experts in this context.

This question has not been sufficiently addressed in the academic literature as little is available about who actually prepared the intellectual foundations for policies designed to 'deal with the crises'. Here 'who' also refers to the high-level government ministers bearing the political responsibility for policy decisions. But arguably, 'who' must primarily address the 'ideas originators’, i.e. individuals and institutions, which counsel government about policy options. These idea originators can be located inside or outside of government and state. This article contributes one answer to this question by focussing on think-tanks as one organisational expression of government-external policy expertise. Equally important analysis could be conducted about the civil service as the 'traditional' source of policy advice. For this article, the focus lies on the United Kingdom (UK). It was chosen for a number of reasons: the depth of the Global Financial Crisis and the subsequent economic crisis in Britain; the drastic (and continuing) austerity policies British governments chose; and the suitability of the UK case to show if and how think-tanks within a very well-developed 'mixed economy' of policy advice influence policy. A single case study was chosen for purely pragmatic reasons – a larger-scale comparative study of similar countries would be highly desirable for the additional opportunities such studies offer. The article concentrates on the years between 2007 and 2015. The two dates demarcate the start of 'the crises' and the end of Britain's coalition government of Conservatives and Liberal Democrats under David Cameron as Prime Minister which led Britain into an 'age of austerity'.

Why the focus on think-tanks? Think-tanks have become a global phenomenon (e.g. McGann 2015; Ladi 2005) after having been a constant feature of British politics for a long time (Cockett 1994; Stone 1996; Desai 1994; Blackstone & Plowden 1988; Denham & Garnett 1995). The number of think-tanks and the diversity of the British think-tank world has expanded over the past two decades to just under 300, indicating that think-tanks as organisations must be seen, by their funders at least, as playing a useful role in policy-making and politics. Think-tanks are omnipresent in the British print and electronic media and, in addition, fill the internet with commentary, thus bypassing the gatekeepers in newspapers and TV via their own channels (Pautz & Heins, 2016). Using these and other channels, some think-tanks make grand claims to influence while others are reluctant to talk
about their relationship to government, civil service and business elites (e.g. Plehwe 2014). In short: think-tanks are important to study because they may matter when it comes to policy-making and they may matter more under certain conditions such as 'crisis' as will be analysed in this article. The discussion about 'influence' and how to 'measure' it has rightly pre-occupied much of the literature. Some research has demonstrated that think-tanks were important for political parties modernising in opposition and readying themselves for government (Pautz 2010, 2012a, b; Desai 1994). However, other research sees think-tanks as relatively passive political actors which, rather than influencing concrete policy or public opinion, mostly engage in 'constructing ideological fellowship' (Denham & Garnett 1998) to assure elites of the validity of their views or provide legitimising discourses for political elites' already existing policy preferences (Medvetz 2012). Others have emphasised the presence of think-tanks in the media (Dahl Kelstrup, 2015) and their symbiotic relationship. Each empirical case study produces its own results about the question of 'influence' and there is no 'one-size-fits-all' answer to rule that think-tanks 'have' or 'have not' influence. This article is in the tradition of case studies (e.g. Pautz 2012: Plehwe 2010a, b; Abelson 2002), some of which scrutinise think-tanks within an environment characterised by 'crisis'.

Here a few words on what 'crisis' means within this article are in order. 'Crisis' can have different meanings – in the colloquial sense it is an objective 'dangerous situation', in a more narrow sense it can be understood as a 'moment of relative structural indeterminism when wilful actors shape outcomes in a more voluntaristic fashion than normal circumstances permit' (Mahoney 2001, 7). Furthermore, crisis can be defined as a 'moment of decisive intervention' in the 'transformation of the state' (Hay 1999, p. 320). In this article, the term appears in different contexts and therefore in different senses.

The article is structured as follows: After an outline of research questions and objectives and the methods chosen, a short overview of the development of the two interrelated crises in Britain will be presented in order to generate the background for addressing the research question. Then the activities of think-tanks are described and analysed. The article is structured by dividing the crises into three phases within which different policy approaches can be identified. First, Gordon Brown’s Labour government (2007-2010) struggled with the 'hot phase' of the financial meltdown. Then, in a second phase, this government pursued a short-lived Keynesian response. The third identifiable phase is that of the ‘age of austerity’, starting under Labour but reaching its highpoint under the coalition government of Conservatives and Liberal Democrats (2010-2015).

The article is based, first, on the data generated from 15 interviews with members of the British policy community – think-tank staffers, special advisers, civil servants and observers of Westminster politics. Due to the nature of think-tanks as 'revolving doors' (e.g. McGann & Sabatini
between politics, civil service and business world, many of the interviewees had 'multiple identities' – as former think-tank staffers and as former civil servants or as people who had moved from think tank to think-tank so that a wide range of experiences and views materialised in the interviews. The number of interviews therefore says little about 'how many think-tanks were analysed'. However, it is true that it was impossible to establish contact to some members in the policy community if they had current or very recent identities as think-tank staffers e.g. at Policy Exchange, a think-tank close to the Conservative Party leadership. In that sense the interviewees represent a convenience sample rather than a representative sample.

Interviewees were assured anonymity so that quotations are non-attributable in order to allow interviewees to speak more freely. All interviews were conducted by the author in summer 2014, were recorded, and transcribed verbatim. Interviews have, as any method, their caveats. Elite interviews cannot be treated as 'objective' sources or 'hard evidence' by which historical processes can be easily reconstructed. Those asked about their involvement might tell it as they see it, they might exaggerate it or they could understate it – whether they do one or the other depends on many factors, including that of their then and current position vis-a-vis government or other powerful actors. It is the responsibility of the researcher to interpret these interviews carefully, but also to reproduce the statements of interviewees at some length to allow the reader to assess the validity of these interpretations.

As a second but less important data source, the article uses government papers, newspaper articles and think-tank papers. FOI requests on the nature of government contacts to think-tanks and other external experts were rejected by all relevant Departments.

**Research questions, objectives and approach**

The article's two central objectives are to understand better, first, if and how government-external policy experts from think-tanks contributed to British governments' policy responses to the Global Financial Crisis and the Great Recession, and whether these actors have, second, contributed to the overall discourse about the nature, causes and origins of the crises and therefore to the environment in which policy responses were made. In that way, the article not only contributes to a better understanding of think-tanks, but also to the discussion of the origins of Global Financial Crisis and Great Recession and the policy choices made in their aftermath, and to the question why the 'Anglo-liberal growth model' and neo-liberalism have been so resilient in the wake of the crisis (Hay & Smith 2013; Blyth 2013; Schmidt & Thatcher 2013).

Given that the article looks at the role of a particular set of actors in observable policy changes – and policy changes always go hand in hand with changes in policy discourse – an explanatory
framework of the role of policy actors in such changes is necessary. For the purposes of this article, Peter Hall's work on policy change was chosen to provide such a framework. It consists of two elements. In the first element, he proposed that there exist three different 'order changes' to policy: a 'first order' change describes the adjustment of existing policy instruments to achieve the same goals specified in the paradigm. A ‘policy paradigm is a framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing’ (Hall 1993, 279). It is a 'second order' change when the same goals are to be achieved with new instruments. Only when the entire paradigm is perceived as failing and first and second order changes no longer seem sufficient to repair what has come to be understood as functional anomalies, a 'third order' paradigmatic shift, marked by radical changes in the overarching terms of the policy discourse, can occur.

The second element helps to drill down to the level of the role of think-tanks in the context of policy change. In that way it is more important for the purposes of this article. Following Hall it is possible to propose that think-tanks can have particular policy relevance when the dominant policy paradigm is perceived, by policy-makers and other members of the policy community, to be in crisis. For Hall, 'processes of first and second order change in policy correspond quite well to the image of “social learning” within the state, for which ‘experts in the public employ’, in his case study, were primarily responsible. Opposed to this, third order changes occurred ‘not as a result of autonomous action by the state, but in response to an evolving societal debate that soon became bound up with electoral competition’. This debate included a wide range of participants: external policy analysts as opposed to internal state-bureaucratic experts, political parties, organised interest groups, the media, the financial markets and finally the ‘marketplace for economic ideas’. These state-external actors fuelled the debate:

where once there was virtually no external commentary on macroeconomic policy, something similar to a ‘policy network’ or ‘issue network’ sprang up to provide outsiders with influence over a formerly closed policy process (Hall 1993, 289).

Hall demonstrated that decision-makers are far more susceptible to external influence and new ideas when no longer armed with a coherent set of policy objectives and policy instruments. When they resist external policy advice and try to cope with a failing paradigm with first and second order changes they may discredit it even further and open the door wider to external expertise. Hence, 'shifts in the locus of authority seem to be a critical component of the process whereby paradigms
shift’ (Hall 1993, 291).

How does a paradigm come to be perceived as failing and how does a paradigmatic shift occur? Outcomes of struggles between intertwined interest and ideas coalitions depend not so much on the quality of arguments but rather on the competing factions’ ‘ancillary resources they can command in the relevant conflicts’. On the basis of the most effective use of these resources, decision-makers decide which actors to trust: therefore paradigmatic shifts, as outcomes of paradigmatic struggles, depend on the authority ascribed to their proponents (Hall 1993, 280). Think-tanks can be one of the (state-)external agents able to provide these ‘ancillary resources’. Through policy-learning and consensus facilitation, they can contribute to the development of new policy discourses when government and ‘traditional’ policy elites have lost their authority due to persistently failing to solve a crisis.

Whether or not ‘the crises’ with hindsight were indeed paradigm-shifting - and there are good reason to answer this question with ‘no’ (see Crouch 2011, Helleiner 2014, Quiggins 2012 or Blyth 2013) – is possibly not so important with regards to Hall's proposition that non-state policy advice has more power in times of paradigmatic crisis. What matters for this analysis is the perception among leading political actors of ‘what was going on’ at the time. Many contemporaries certainly experienced the Financial Crisis and the Great Recession as paradigmatic crises which would bring an ‘end to capitalism as we know it’. Joseph Stiglitz thought that the ‘fall of Wall Street is for market fundamentalism what the fall of the Berlin Wall was for communism’ (Stiglitz 2008). Free market proponent Martin Wolf announced the death of the dream of global free-market capitalism and quoted Josef Ackermann, chief executive of Deutsche Bank, as saying ‘I no longer believe in the market's self-healing power’ (Wolf 2008). Political leaders such as France's President stated that self-regulation, laissez-faire and the ‘all-powerful market that always knows best’ are finished (Sarkozy quoted in Vucheva 2008).

Relating these observations back to Hall and the proposition that in paradigmatic crises non-governmental expertise may matter, not only may people have ‘mattered more’ than in ‘quiet times’ (Jasanoff 2005, 84), but also decision-makers may have been more susceptible to external expert influence than outwith crisis periods.

**Government responses to the crises**

downturn but also to a finance industry crisis in Europe and to a global recession (2008-2012). Finally, it contributed to the European sovereign-debt crisis since 2009.

The UK was severely affected by both the financial crisis and the recession. It also was the first country in Europe to be hit by the crisis, given that already in summer 2007 the British government had to make moves to avert a bank run. Crisis policy responses were overseen by two different governments. When the financial crisis erupted in 2007, a Labour majority government under Gordon Brown was in charge. In 2010, after general elections, a coalition government of Conservative Party and Liberal Democrat Party formed under the leadership of David Cameron. The remainder of this section gives a necessarily brief outline of both governments' policy responses, divided into three phases, between 2007 and 2015.

Early signs of the Global Financial Crisis in Europe appeared when, in August 2007, BNP Paribas decided to block withdrawal of money from three hedge funds. This reduced the availability of inter-bank lending money and caused a ‘credit crunch’. Just a few weeks later, the signs of fundamental structural difficulties of the financial system also emerged in the UK when Northern Rock bank started to collapse. On the evening of Thursday 13 September the BBC revealed that Northern Rock had approached the Bank of England for liquidity support (BBC 2007a). The consequence was a run on Northern Rock by worried Britons queuing at cash machines and counters. The Treasury under Chancellor Alistair Darling authorised the Bank of England to provide an emergency loan to Northern Rock. However, this only exacerbated the run. Consequently, the Chancellor announced on 17 September that the government would guarantee all retail and certain other deposits at Northern Rock (BBC 2007b). Finally, the government nationalised the bank in February 2008. Further banks were (part)nationalised in the same year.

To prevent further bank collapses, the government on 8 October 2007 announced a recapitalisation plan. The amount of money made available very quickly was significant, a combined £37 billion (HM Treasury 2012; also see Edmonds et al 2011). This was the ‘bailout’, i.e. the government became the financial guarantor of last resort which increased government sector debt significantly.

The banking crisis led to a crisis of the ‘real’ economy when the credit crunch made its operations much harder. In late 2008 and certainly in 2009 it became clear that a severe economic recession was about to break loose. Indeed, British economic data from January 2009 demonstrated that the economy was in recession for the first time since 1991 (BBC 2009). Ahead of a G20 summit in March 2009, Brown and his Chancellor led the calls for a globally coordinated Keynesian rescue-mission for capitalism – this was the second phase of policy reactions to the crises. In Britain, Brown’s and Darling’s 'emergency Keynesianism' (Hall 2013) or 'foul-weather Keynesianism' (Hay & Smith 2013, p. 300) introduced a number of fiscal stimulus measures to increase demand. The
main element was a year-long 2.5% cut in value added tax (VAT) to 15% in December 2008 and a 'car scrappage' scheme to bring consumer spending forward. Furthermore, the government decided to spend £3 billion of capital investment earlier than planned. Thus, in 2008/09, the British fiscal stimulus programme reached 1.5% of GDP (Schirm 2009). In comparison to some countries, this was rather timid. Little was done to strengthen the existing automatic stabilisers of the social security system to further boost consumer demand. Rather, the Bank of England used 'unconventional monetary policy' in the form of quantitative easing to boost economic activity as of March 2009.

Not only was Labour's Keynesianism policy rather timid, it also did not last long in the face of a budget deficit of nearly 12% in 2009/10. Already in Labour's March 2010 election manifesto almost all traces of fiscal stimuli were eradicated in favour of 'fiscal consolidation' over the medium term. Tax increases for high incomes were to be introduced, National Insurance contributions were increased, as were levies on fuel, alcohol and tobacco. The government also announced a reduced growth of public spending of 0.8% (Edmonds et al 2011, p. 21). The age of austerity, the third phase for the analytical purposes of this article, began under Labour.

However, voters decided to not entrust Labour with implementing the 'age of austerity' as the May 2010 general elections led to a change of government. The Conservative Party, led by David Cameron, formed a coalition government with the Liberal Democrat Party. The Treasury was now headed by George Osborne. The new Chancellor talked of 'tough choices' and of a difficult path to 'clear up the legacy' of the old government. In his June 2010 Emergency Budget, the Chancellor proposed measures focussing on balancing the structural current account deficit by 2015-16 (Government 2010). The centre-piece of the plan was a package of fiscal tightening worth £40 billion by 2014/15 of which 80% were to be spending decreases and 20% tax changes, including an increase of VAT to 20% (Edmond 2011). Furthermore, a few changes were made to the tax system – e.g. a reduction of corporation tax and an increase of the personal allowance of income tax. In combination these measures were expected to lead to public sector net debt to fall to 67% of GDP by 2015/2016, compared to 73% proposed in Labour's March budget. The fiscal austerity pursued by the coalition followed the expansionary fiscal contraction hypothesis (Sharpe & Watts 2013; also Dellepiane-Avellaneda 2015) and created budget policies stricter than in any other comparable country.

Besides policies to reduce deficit and debt, the new government also made efforts to re-regulate the financial sector. The Independent Commission on Banking, under John Vickers, was established in Summer 2010 and reported in September 2011. Its most controversial proposal concerned 'ring-fencing' banks' retail divisions from their investment banking arms to safeguard against riskier
banking activities.

Analysis: The Global Financial Crisis, the Great Recession and think-tanks

The three phases identified with respect to the distinct policy responses to Global Financial Crisis and Great Recession serve, for the remainder of the article, as the structuring device for the analysis of whether think-tanks played a part in developing responses to the crises.

Phase I: Financial meltdown and the onset of recession (2007/08)

The financial meltdown hit the British government by surprise. As a former advisor to Gordon Brown said, 'nobody, in terms of the banking stuff, knew what the hell was going on. You could talk to a lot of people but there really wasn't anyone who knew. We were all in uncharted territories […], people having to make it up as they went along’ (Interview 1). Moreover,

one of the big difficulties was actually understanding how much banks were at risk because banks were not being open with the Treasury about how at risk they were or did not know themselves what was going on […]. And that's the difficulty of any crisis where you're reliant on other people for information, in particular when these people are part of the sector and have their own interests and motives,

as a Treasury special advisor (short: SPAD) said (Interview 2). Even when Northern Rock collapsed 'we [at Number 10] were still talking about education and health and public services and housing’, said a SPAD, then at the Prime Minister's Policy Unit (Interview 3). At the Treasury, during the initial weeks of the collapse 'there wasn’t an expectation of a big recession, so there wasn’t really any anticipation that our child poverty targets and spending on those goals would be reduced and have to be cut back in years ahead’, as a Treasury civil servant said (Interview 4).

Did the nature of this crisis mean that government's doors were flung wide open for external expertise as Hall's propositions may lead us to expect? Or did government after all rely on its existing sources of internal expertise for policy-making?

The answer is somewhere in between. The responses to the crisis at Northern Rock and to the shock-waves its collapse sent through the British banking system were made by the Treasury and the Prime Minister – rapidly and in close coordination with Bank of England, the regulatory Financial Services Agency (FSA), individuals from the (investment) banking sector and experts,
often academics. SPADs played a role here as they liaised between Number 10 and 11 and external advisers were brought into the fray. The latter were drawn in because both the Prime Minister's Policy Unit and the Treasury 'had a shortage of people who understood the banking sector well' (Interview 1). In a sense, a new temporary advisory network was organised by Chancellor and Prime Minister as a consequence of the crisis. Within this network external expertise played some role. As one Treasury economist commented: because the 'policy community was out of its depth, [the Treasury] probably paid more attention to external people in 2008/09 than we did before or since. […] I think there was more influence from outside during the [financial] crisis than there was before or since' (Interview 5). Others second: 'The government had a high appetite for, particularly in very difficult circumstances, access to what was regarded as high quality analysis' (Interview 6). Government also listened more to people who said different things even though the openness to new advisers and advice, previously ignored or rejected, had limits: 'You speak to the people you know and trust, even if they had not foreseen the crisis' (Interview 2).

Other observers perceived the interactions between decision-makers and old/new policy expert voices somewhat differently. For them, the 'technocrats', i.e. the civil servants, think-tanks and academics who had previously dominated the policy debate, 'lost control' over the debate when the financial crisis broke (Interview 6). They 'went into panic and were afraid to suggest things' (Interview 2) as they saw their policy expertise de-legitimated by the crisis. Those external experts who had not been part of the old advisory establishment but were equipped with the relevant expertise, included people from the financial industries themselves: 'Having people on our side of the fence who could speak their [people in the finance industries’] language was bloody helpful' (Interview 8). However, advice was certainly not uniform. Instead of the old technocracy providing the basis for politicians' decisions, politicians were faced with the need to make quick decisions on the basis of often contradictory expertise and limited information. Thus, arguably, 'politics' and politicians mattered in the weeks following the collapse of Northern Rock: 'The people who thought that they ran the world lost it' and 'somehow politics, some other mechanism, meant that everything got bypassed and swept away for reasons that weren't entirely obvious, and that meant that a much more political process was happening' (Interview 6).

So, did think-tanks play a role in this temporary advisory network created for dealing with the financial crisis? Interviews and documents reveal that think-tanks were not significantly involved in the bank rescue discussions and were not a significant player in the new temporary network. This explains why the answer is 'somewhere in between' – government utilised external expertise but not from think-tanks.

Why were think-tanks not 'invited' to contribute directly to government discussions at this early
The Institute for Public Policy Research (IPPR) exemplifies why think-tanks were not relevant at this stage with regards to making concrete policy. IPPR had 'stopped thinking about economics' in the 2000s as all 'attention was on how to spend the proceeds of growth' (Interview 3) after Labour had declared the end of 'Tory boom and bust' (e.g. Brown, 1999). But it was not simply blindness to the possibility of economic crises or lack of interest in the workings of the finance industry which hindered IPPR building up the expertise suddenly needed after September 2007. It had also been difficult for IPPR to hire economists and finance experts because the City's pay and career prospects attracted the most promising candidates. The phenomenon of 'under-preparedness' was not limited to think-tanks on the centre-left. IPPR’s centre-right equivalent, Policy Exchange, had been publishing on health, education or the police when the crisis erupted and had little to say on economics or 'the banks'. Think-tanks, in sum, did not have a huge impact on the kind of crisis responses partly because the crisis was fast moving, partly because a lot of the intelligence you needed to respond was about markets, the City, the banks themselves. These are the things that think-tanks are not particularly well connected to. So if you're in Number 10 or the Treasury you've got to be picking up the phone to people that are either the banks themselves or people that understand how the markets work (Interview 3).

If think-tanks were of little significance for the making of concrete policies in response to the unfolding banking crisis, did government perhaps seek their support for building a legitimising discourse around its policies in order to promote public support e.g. through a media always keen on think-tank input? After all, it was a Labour government which found billions of Pounds to 'save the banks' while preparing the country, certainly from March 2010 onwards, for hard times. From the interviews with government insiders and think-tank staffers, little evidence can be found that Chancellor or Prime Minister strategically attempted to involve external actors in coordinating a narrative to wrap concrete policies, including those of austerity, into Labour values. In fact, a search on the publication websites of think-tanks sympathetic to the Labour government at the time reveals very little in way of thinking about policies on the financial crisis, and a search in newspapers during the height of the financial crisis also shows little think-tank engagement with financial industry and bank 'bailouts'. This reflects the lack of relevant expertise within think-tanks at the time.
Phase II: Timid Keynesianism and the dawn of the 'age of austerity' (2008/10)

This section addresses the question whether think-tanks had an impact on the government's policies in the 'fiscal stimulus phase' of the crisis.

Think-tanks need access points in order to talk to civil servants and elected politicians; such exchanges can then lead to think-tanks mattering for policy decisions. Gordon Brown's government created one such potential access point in September 2008: the National Economic Council (NEC). It was established to plan for the economic crisis expected to start following the financial meltdown (Rutter 2011; Corry 2011). Set up at Number 10, the Council was based on 'the view then that new machinery was needed at the heart of government' to deal with the crisis. The Council brought most departments together which could have a role in fighting recession – including the Treasury which normally 'fights hard to keep other departments out of economic policy', as a SPAD to the PM finds (Corry 2011, 462). For this reason, the NEC could be interpreted as an attempt by Gordon Brown, the former Chancellor, to usurp power from the Treasury and empower Number 10 as a policy engine in the crisis, but in need of more resources given the 'very small size of Number 10' in 'normal' times (Corry 2011, 459).

The Council brought in external experts only on an ad hoc basis and not very frequently – the NEC was not primarily meant to be a forum for discussing policy expertise or formulating concrete policy but to coordinate policy measures. Nonetheless, the NEC played a role in the formulation of policy in some areas: 'measures to help the young unemployed and the longer term unemployed, help for school leavers, support for business through the Time-to-Pay schemes, through business lending schemes and help of trade credit insurance, scrappage scheme, help for training where hours were reduced, support to the house-building industry through kick start and shared equity products, stamp duty holidays' (Corry 2011, 465).

Was external expertise at all brought in to bear on the NEC? Again, SPADs assigned to this 'war council' (Corry 2011) discussed policy with invited external experts and ‘imported’ any results from these meetings into the NEC. A former Cabinet Office advisor remembers that particularly in the intense period of the crisis, i.e. from September 2008 through to the G7 in 2009, we brought in quite a few external economists to talk both to me and to my superiors and, indeed, at one point to the Prime Minister. And they were very much selected as individuals, not as coming from organisations, and they were selected on the basis that they were people with macro-economic expertise who had something interesting or useful to say. [...] they're all fairly obvious: Sam Moore [economist
Did the NEC function, for think-tanks, as an access point? Judging from the interviews, think-tanks were not involved in devising the fiscal stimulus approach within the NEC as most of the ideas came from civil servants. However, SPADs on the NEC organised seminars to which experts, including some from think-tanks, were invited. Discussions from these seminars were fed back into the NEC.

Regarding one fiscal stimulus measure not discussed and coordinated by the NEC but by the Treasury, that of the relatively conventional policy tool of VAT reduction, it seems that staffers from two of Britain's academic think-tanks, the Institute for Fiscal Studies (IFS) and the National Institute for Economic and Social Research (NIESR), took part in the debate with government. The question is whether their 'independent expertise' was merely sought to publicly legitimate decisions already taken by government or whether it really influenced governmental thinking. What is clear is that after government announcement of its plans, NIESR came out in opposition to VAT reductions and more targeted spending on the lower income groups while IFS argued for a lower VAT: 'So we came out and said that the VAT reduction had lots of good features for a fiscal stimulus, we were publicly very supportive of it', as an IFS analyst reports (Interview 2). This certainly helped government to maintain the case for the decrease but the impression was, as the analyst at IFS said, that government had already planned VAT cuts before it engaged in discussions with external experts (see also IFS, 2010). Nonetheless a NIESR researcher assessed that on VAT the policy work that IFS provided 'won the day' (Interview 7).

Did government seek a strategic conversation with think-tanks in order to improve communication of policy to the public? Certainly SPADs had conversations with think-tanks to 'let them understand what we were trying to think and also understand what they're trying to think. I'm not sure a mass of ideas popped out of them. [...] They were commentators on it in a way, and sometimes they'd be amplifying what we were saying and sometimes they'd be opposing it', as a SPAD remembers conversations with think-tanks as opportunities to communicate government policy rather than to learn from them (Interview 1).

Phase III: Governing in the 'Age of Austerity' (2010/15)

In 2010 the Labour Government shifted from timid Keynesianism to stark austerity. In late 2009,
the pressures on Gordon Brown had mounted to 'deal with' deficit and debt, which by now had come to be understood by many in Britain as linked not to saving the banks but to pre-crisis overpending on welfare state and other public services, through spending cuts rather than by promoting economic recovery by boosting demand. In the run-up to the May 2010 elections, Number 10 and 11 engaged more intensely with think-tanks in order to develop a policy agenda beyond the question of 'austerity vs. fiscal stimulus':

We definitely drew in people and talked to people about the future of banking and as the parties prepared their manifestos they did talk to people about economic questions. But the main point was the question “How do you continue to ensure that the economy recovers?”. And that was about fiscal choices and you didn't need a huge amount of think-tank material to understand that question. [...] We were looking for ideas from think-tanks about housing or childcare of schools but it was less to do with the economic crisis,

as a SPAD remembers (Interview 3). Any such policy ideas mooted in the run-up to the elections underwent public scrutiny regarding their affordability in the light of Labour's commitment to reduce spending and deficit. IFS acted as a most respectable 'financial watchdog'. In its 'Filling the Hole' report ahead of the 2010 elections, IFS pointed out that all three main parties 'are vaguer than they could be or should be' with regards to giving voters the information necessary to make an informed choice on the different approaches to 'repair our public finances' (IFS 2010, 35). Reports such as this, including the regular Green Budgets, constitute tools to allow IFS to 'enlighten the public' (Interview 4). While these attempts at highlighting contradictions or gaps in party policies garnered significant media echo, IFS' efforts at pointing out that public debt had not exploded from 40% to 80% of GDP because of the stimulus package were less successful in dismantling belief of the 'debt and deficit' discourse. The May 2010 elections brought the Conservatives and Liberal Democrats into power. The coalition government showed resolve to clean up the 'mess' that Labour had left behind – i.e. debt and deficit. A second important item on the new government's agenda was the re-regulation of the British finance industry. These two foci will be scrutinised in the following to address the research questions.

The unfolding crisis in Greece in May 2010 made it much easier to pursue austerity politics as 'inevitable' if the UK wanted to ‘avoid becoming like Greece’ (see Osborne 2009; Osborne 2010). Thus, in 2010 the UK switched to austerity. But already in 2011 Chancellor Osborne's course was
increasingly criticised when the economic crisis worsened and threatened to turn into a double-dip recession in April 2012. However, Osborne refused to change what came to be called 'Plan A', i.e. his austerity course. But this public refusal was a façade behind which the Treasury adapted its policies to changing analysis and reality. These policy changes should not concern us here, for the moment, but rather the question whether any think-tanks contributed to the coalition's austerity policies and whether George Osborne obtained intellectual support from think-tanks to publicly stay the course of ‘Plan A’. After all, some claim that for Osborne's choice 'to bluff it out, and insist that his original plan was on track […], a compliant media' was needed (Wren-Lewis 2015). Think-tanks are, arguably, an important source of media content as their reports are often reproduced as 'independent' analysis not only by the British partisan print media but also on TV and in radio (Pautz and Heins 2016).

Think-tank influence did not extend to making the detailed policies for the 'age of austerity'. The Treasury's civil service was very keen for the new government to adopt a firm consolidation plan – be it through cuts or tax increases – and to 'do something quickly to rebuild confidence in Britain and gain credibility by implementing the policies immediately, regardless of the impact', as a former Treasury civil servant said (Interview 4). It had plans ready for either approach, and the new government chose the austerity route swiftly while giving the impression that it was willing to listen to ideas by inviting 'literally everybody' to seminars. In particular Oliver Letwin, as Minister of State for Government Policy, demonstrated a keenness to listen. However, 'because absolutely everybody was there it wasn't a serious engagement. It felt more like a kind of relationship management' (Interview 3).

Among the many contributors to those conversations as well as the public debate was the Social Market Foundation (SMF). In June 2010 it proposed reductions to universal benefits – e.g. child benefit and winter fuel payments to pensioners – in order to deliver 'progressive cuts' that would hit the poor the least. It did so in response to George Osborne's announcement to make cuts in ways that would not hurt the most vulnerable. However,

the kind of things we were suggesting were similar to the kind of advice that was going on in government and we probably helped to play a role just by making noise about it, creating some space for the discussion about sacred cows that no politician would ever touch and it wasn’t even worth talking about because there's no way that they'd do anything. That changed with the crisis,

as a former SMF staffer said (Interview 4). SMF adopted the discourse about the inevitability of
'deficit and debt reduction' and decided that, in order to remain relevant, 'we can't propose any policy ideas that cost money. Everything that you propose has to be about saving money' (Interview 4). This approach was shared by many centre-left as they considered an anti-austerity course as an increasingly outlandish mode of thinking which barely struck a chord with either the journalistic nor the political establishment nor, by implication, with 'the public', as opinion polls after May 2010 suggest (Elliot & Clark 2010; also see Krugman on the 'austerity delusion', 2015).

Not surprisingly, think-tanks on the right of the political spectrum were also eager to join the 'conversation' to give the government ideological backing in its attempt to reduce the size of the state. The Institute of Economic Affairs (IEA), for example, argued strongly that the proposed cuts and their speed were insufficient and too timid. In its 2011 'Sharper Axes, Lower Taxes' (Booth 2011) publication IEA's authors argued for cuts of £215 billion to reduce public spending to around 29 per cent of national income. IEA also published an opinion poll which showed 'overwhelming public support' for more spending cuts (IEA 2011) and argued that 'government needs to adopt a Plan A+' (IEA 2011). Such criticism created the opportunity for the Treasury to present its 'Plan A' as a moderate approach between the 'extremes' of left and right. However, this does not mean that IEA published its criticism simply to support Osborne's austerity agenda. As a highly ideological think-tank, IEA was seriously frustrated by the government's lack of willingness to make more significant cuts.

A further example of a think-tank intervention meant to strengthen the resilience of neo-liberalism is a collaboration between think-tank Reform and Deloitte, one of the UK's 'Big Four' accounting firms. Grasping the crisis as an opportunity to promote public sector privatisation both organisations put together two easily digestible reports called 'The State of the State' (2012; 2013). Deloitte initiated the collaboration and took the lead in writing the reports – Reform successfully insisted on omitting the planned juxtaposition of a high-tax/high-spend 'Nordic model' to the austerity model of low taxation and small state – but needed Reform to establish the political connections required to communicate their work. Judging from an analysis of print media, these reports did not garner much public attention, but they may have served as a resource for politicians: 'Politicians say to me “I really like the reports because they say the kinds of things that we want to say”. It makes the kind of challenges that are helpful to make and they like the fact that a credible third party is making these statements', as a contributor to the reports said (Interview 8).

Reform and IEA, as openly ideological think-tanks, were not alone in their criticism of the government's austerity politics. In June 2010, NIESR's director Martin Weale, just before leaving the think-tank to join the Bank of England’s Monetary Policy Committee, commented that the Chancellor was not acting decisively enough to reduce the deficit while dismissing worries about
the impact of public spending cuts on economic activity (Liadze & Weale 2010). NIESR had been a consistent proponent of fast fiscal consolidation since the eruption of the crisis and its director was a critic of Brown and Blair's legacy. He and others used the think-tank as a platform to argue that Labour had left the country badly equipped to deal with any crisis (cf Budd 2010). With Weale's departure and Jonathan Portes, a keen Keynesian, becoming director, NIESR's public profile changed with regards to analysis and views on debt and deficit.

Besides NIESR, Britain's other large academic think-tank also commented on the coalition government's efforts to reduce deficit and debt. The Institute for Fiscal Studies (IFS) and its Green Budget, co-produced with economic consultancy Oxford Economics, continued to be an important mechanism for IFS to perform its watchdog function. As with all its work, IFS presented it as an objective analysis of policy options and their consequences rather than as 'policy advice'. The power of IFS' public verdict on governmental policy becomes clear when a former Treasury civil servant says that civil servants were 'always concerned to make sure the IFS come out with the same answers that we do or the same analysis that we do' (Interview 4). The choice of Oxford Economics as a partner for the Green Budget was not merely pragmatic or coincidental. They

have a particular view on austerity. We're very aware that they and NIESR agree and think that there's much more spare capacity in the economy, there was much less the case for austerity, say, in 2010/11. Had we done our Green Budget with other organisations like Fountain Consulting or PWC - they think there's far less spare capacity in the economy and think the case for austerity is much, much stronger (Interview 9).

Did think-tanks give George Osborne any noteworthy systematic support for persevering with 'Plan A'? While think-tanks on the centre-right did not follow a deliberate strategy to deflect attacks from the Treasury, it is clear that the storyline about the urgency and necessity of debt and deficit reduction was safely anchored in public discourse and that 'austerity – the dangerous idea' (Blyth 2013) had become unassailable. The few think-tanks taking an explicitly Keynesian stance – such as NIESR after 2010 – were no longer involved in the inner circles of policy debate and had significantly less space in the media. Think-tanks like SMF and also IPPR between 2010 and 2015 adopted the conviction that debt and deficit reduction were without alternative – they differed, however, with regards to the scale of public spending reductions and as to where cuts should be made (see e.g. SMF 2012 for a cuts-funded stimulus or IPPR 2014 (p 239) for its advocacy of 'fiscal realism' for any government). Generally, think-tanks on the neo-liberal right helped government by
criticising so-called 'deficit deniers' and gave government’s deficit reduction plans the apparition of being 'moderate': 'I think Osborne deliberately tried to play off the Thatcherite right against the sort of Labour left position and say “Well, actually, I'm doing the kind of mainstream sensible course”’ (Interview 3).

A former Policy Exchange staffer goes further by arguing that think-tanks and journalists made 'strategic' efforts to protect Osborne from harsh criticism. For example, Spectator editor Fraser Nelson 'was running around attacking the government saying that they aren't cutting spending nearly enough so that there was someone more extreme than them. And that was strategic. I don't believe for a moment that Fraser thought that the cuts were actually too slow'. Also the flat-tax proponent and Telegraph editor Alister Heath contributed to a discourse that made actual government policy look moderate. However, it would be wrong to speak of an explicit alliance between these different actors: 'Nobody has any purchase over the IEA. They are not people who you would go to to get them to say something helpful. [...] Policy Exchange is a very different beast' (Interview 4).

The second focus of the government was to re-regulate Britain's finance industry. Little expertise existed on this field in government and even less in the world of think-tanks. In order to remedy this situation, think-tanks started hiring experts to accompany the work of the Vickers Commission tasked by the government to propose a reform to the financial sector. The Vickers Commission, reporting in September 2011, made its most controversial recommendations on 'ring-fencing' banks' retail divisions from their investment banking arms. Policy Exchange also made efforts to develop credible expertise in the field of financial regulation. In 2011 it recruited James Barty – a former hedge fund manager – to develop its work on the financial industries. Adding to Policy Exchange's work on banks' capital requirements (Lilico 2010), reports on macro-prudential regulation of the financial system (Brown & Holmes 2011), re-floatation of nationalised banks (Barty 2013a; Barty & Reddin 2013) and executive compensation (Barty & Jones 2012) were published. Barty also used his expertise to argue against ring-fencing (e.g. Barty 2013b) – but to no avail as government adopted Vickers' recommendations.

The Chancellor, however, in 2015 softened his stance of banking regulation in general and ring-fencing in particular. The sacking of the Financial Conduct Authority in summer 2015 was certainly an indication of this (Chu 2015).

Conclusions

The article's two central objectives were, first, to discuss if and how government-external policy experts from think-tanks contributed to British governments' policy responses to the Global
Financial Crisis and the Great Recession, and whether these actors have, second, contributed to the overall *discourse* about the nature, causes and origins of the crises as the environment in which policy responses were made. What is the verdict?

In Britain, there was little debate about alternatives to the 'bank bailout', and the discourse of the necessity of debt and deficit reduction became dominant very quickly after a brief resurgence of Keynesianism. The 'austerians' were extremely successful in telling their story loud and clear, thus deafening the ears not only of the public to alternative policy options, and in reducing dissenters to preposterous ideologists unable to learn from their own mistakes.

Did think-tanks play much of a role in helping the Labour or the Coalition governments to make concrete policy? Arguably, neither government used think-tanks very much as ideas generators. This is true for the financial crisis, the economic crisis and its consequent fiscal stimulus period, and the austerity period. Regarding the immediate responses to the financial meltdown – the crisis being perceived by central actors at the time as (at least having the potential to be) 'paradigm-shifting' - no-one 'possessed' the relevant expertise. Rather, a new expert network came together to advise Number 10 and 11. Think-tanks were not relevant actors in this network. Once the economic crisis hit the country, government relied on the expertise of civil servants and a few advisers but not on think-tanks directly. The example of the debate around VAT reduction may be a partial exception. Think-tanks were not important as sources for policy-making in the third phase, the 'age of austerity', either.

What does this conclusion mean with regards to the speculation, based on Peter Hall's proposition, that during potentially paradigm-shifting crises such as the Global Financial Crisis space is created for experts who would not be involved in policy-making during 'normal times'? In the unfolding crisis the British government, in 2007, indeed started to assemble a temporary new advisory network to deal with the specific challenges of the banking crisis and the emerging economic crisis. However, think-tanks were not among those organisations providing expertise to this new network.

How about the second research question – did think-tanks contribute to the policy discourse in any of the three phases of bailout, Keynesian stimulus and 'age of austerity'? In particular in the third phase think-tanks made contributions to a climate of opinion in which policy options to do with spending cuts could be discussed which had previously been 'taboo' at least for politicians worried about a public backlash. The dogma that the necessity of 'debt and deficit reduction' had become in 2010 allowed think-tanks to put ideas forward as legitimate which would not have been taken seriously before the crisis. Of some importance was the symbiotic relationship between think-tanks and journalists which allowed think-tank output to develop at least the potential for influence. This is important – as e.g. Gourevitch (1986) argues, ideas must link up with the 'politics of mobilisation...
of consent' for policy. Powerful ideas must not only be administratively and economically functional but also politically viable in the sense of being embraced by important actors and then used to build political coalitions (Dellepiane-Avellaneda 2015). Neo-liberalism in the UK may also have proved so strikingly resilient to Global Financial Crisis and Great Recession because think-tanks – those on the right and those considered, in 'normal times' at least, on the centre-left - mobilised consent for debt and deficit reduction and thereby for the resultant dogma of the inevitability of austerity.
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