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THE POLITICS OF BUDGET CONSOLIDATION IN BRITAIN AND GERMANY: THE IMPACT OF BLAME-AVOIDANCE OPPORTUNITIES

by

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Abstract

According to parts of the literature, blame avoidance opportunities, i.e. the necessity and applicability of blame avoidance strategies, may differ among countries according to the respective institutional set-ups and between governing parties according to their programmatic orientation. In countries with many veto actors, a strategy of "Institutional Co-operation" among these actors is expected to diffuse blame sufficiently to render other blame avoidance strategies obsolete. In contrast, governments in Westminster democracies should resort to the more unilateral strategies of presentation, policy design and timing. At the same time, parties of the left are expected to have an easier time implementing spending cuts while right parties are less vulnerable when proposing tax increases. Evidence from the politics of budget consolidation in Britain and Germany does not corroborate these hypotheses. Instead, it seems that party competition conditions the effects institutions and the partisan complexion of governments have on the politics of blame avoidance.

1. Introduction

When the first oil shock hit the developed democracies in the mid-1970s, producing at the same time high inflation rates and a stagnating economy, most OECD member states started running budget deficits. By the 1980s, governments were confronted with high public debt that had accumulated during the struggle against stagflation in the previous decade and that was worsened by a high international level of interest rates. At the same time, an intellectual shift away from Keynesianism occurred, and the importance of international financial markets was ever increasing (cf. Scharpf 2000). In the 1990s, the Maastricht Treaty demanded low levels of public deficits by EU members. For these reasons, governments may have deemed a reduction of deficits necessary or even desirable; but they will hardly ever find it a politically easy task because the principal alternatives for arriving at that aim, an increase in revenues or cuts in expenditure, are unpopular with the electorate. Thus the politics of budget consolidation should be affected greatly by blame-avoidance efforts (cf. Weaver 1986: 379).

Nevertheless, at least on the theoretical level, it can be argued that blame-avoidance opportunities may vary, i.e., that the necessity and applicability of blame-avoidance strategies may differ from country to country (cf. Sulitzeanu-Kenan and Hood 2005: 9-11). Differing institutional arrangements may affect the politics of blame avoidance, as may the partisan complexion of government. In what follows, I will first discuss these theoretical claims, giving reasons why and how differences in institutions and government composition should influence the politics of blame avoidance. In a second step, I will test these claims empirically by analyzing the role blame avoidance had to play in the politics of budget consolidation in the United Kingdom and Germany since the 1980s. The final section offers some conclusions.

2. Theoretical Considerations

With regard to welfare state retrenchment, Paul Pierson (1994) has argued that it makes a difference whether unpopular policies have to be implemented in a political system with many veto players or whether the same reforms are enacted in a Westminster-style political system (cf. also Bonoli 2001). In the first kind of system, the multitude of veto players might make the adoption of far-reaching policies more difficult but at the same time it allows for a diffusion of responsibility and blame. Parties in these systems can try to "diffuse blame by spreading it among as many policymakers as possible" (Weaver 1986: 385), a strategy I call "institutional cooperation."[1] Such cooperation appears to be a quite natural strategy because, in such systems, a compromise among many different actors is required to change the status quo. When policymakers perceive of spending cuts as highly necessary, this strategy is found to be rather successful in quantitative research (Ross 1997). In contrast, parties operating in a political system characterized by a low level of institutional pluralism can adopt the reforms they wish, while they alone also have to accept the blame for those policies. They will not be able to employ the "Institutional Cooperation Strategy" because they lack the necessary institutional background.

Therefore, it seems theoretically plausible that blame-avoidance strategies adopted by governing parties will be shaped by these differences. In regard to what Hood (2002) calls "presentational strategies," one could, for example, take up Vivien Schmidt's (2002a, 2002b) distinction between "coordinative discourses" among the key political actors and "communicative discourses," which are supposed to generate support for government programs among the voters. Schmidt argues that the predominant form of political discourse differs between single- and multi-actor political systems. While in single-actor systems a "communicative discourse" prevails that can be used as an instrument of blame avoidance, in multi-actor systems "coordinative discourses" dominate, which make "communicative discourses" and thus further blame-avoidance strategies more or less obsolete. Put more generally, governments in single-actor constellations will need to resort to a

[1] This is Kent Weaver's (1986) definition of a blame avoidance strategy he calls "Circle the Wagons." While "Circling the Wagons" is a one-off short-term strategy, the "Institutional Cooperation Strategy" is expected to be used permanently or at least over longer periods of time. The "Institutional Cooperation Strategy" also resembles what Hering (2005) – following Bartolini (2000) – calls "Collusion." In contrast to Hering's concept, however, Institutional Cooperation can occur either as unexpressed collusion or as explicit cooperation.

large number of blame-avoidance strategies while governments in multi-actor systems can rely on an "institutional cooperation" strategy that helps to disperse responsibility and blame.

In addition, the necessity and applicability of blame-avoidance strategies depend critically on which party is in government. The electoral risk of pursuing unpopular policies depends on the policy positions and credibility of the governing parties' rivals. For a governing party considering the adoption of unpopular legislation, it is important whether its opponents can credibly claim they would refrain from the measure in question. For instance, Anderson (1995) has shown that right parties do not need to worry about the impact of inflation on their popular support because voters tend to believe that left parties are unable to solve this problem better than the incumbent. In a similar fashion, Ross (1997: 190; 2000) has argued that "parties of the left are ideologically shielded from the electoral repercussions of pursuing spending cuts." The reason is that bourgeois parties in opposition cannot credibly claim to defend the welfare state more seriously than leftist parties. In contrast, left parties are seen as least inclined to welfare cuts and thus – in a kind of "Nixon-goes-to-China" logic – can hope to be believed that there is no alternative to the cuts they propose. Thus, it might indeed matter which party has to defend an unpopular record in which policy area. In the case of budget consolidation, left parties do not have to be too concerned with avoiding blame for spending cuts because they can credibly claim that they would prefer not to implement them. The same might be true for bourgeois parties regarding tax increases.

Therefore, it seems interesting to analyze how differences in the partisan complexion of government and varying institutional setups influence the role of blame avoidance in legislative processes. Britain and Germany are excellent test cases because they are at opposite ends with regard to institutional arrangements. While Britain must be considered a single-actor political system, Germany is certainly a multi-actor system, given the existence of coalition government and a very powerful second chamber, the Bundesrat. Both countries have also experienced similar changes of government since the late 1970s, with a center-right party/ coalition replacing a Social Democratic government around 1980 and a regaining of power by the Social Democrats at the end of the 1990s.

The empirical analysis will focus on four different blame-avoidance strategies:[2] first, the "institutional cooperation" strategy just discussed; second, presentational strategies; third, policy design; and fourth, timing, i.e., the generation of a political business cycle. Based on the previous discussion it might be expected that the first strategy was pursued in Germany, but not in the U.K. In contrast, British governments should resort to the other three strategies more often than their German counterparts. In terms of partisan effects, left parties might face less electoral resistance when they curb spending, while right parties might be less vulnerable regarding tax increases.

3. Britain

The United Kingdom was governed by the Conservatives continuously from 1979 to 1997. The premierships of Margaret Thatcher and John Major are nevertheless discussed separately because the change from Thatcher to Major in 1990 was often perceived "as though there had been a change of government without a general election" (Butler and Kavanagh 1992: 18). The third subsection deals with the fiscal policy of the Labour Party under Tony Blair, which replaced the Conservatives as the governing party in 1997.

3.1 The Thatcher government, 1979-1990

Initially, the Conservative government under Margaret Thatcher put a clear priority on budget consolidation. The first three budgets were indeed remarkably contractive in effect – which is particularly notable given the fact that the country was moving into a recession in the second half of 1979. After 1982, the reces-

[2] Note that blame avoidance is just one factor in the explanation of the politics of budget consolidation. Therefore, this paper does not aim at a full explanation of the politics of budgetary policy in Germany and the U.K. Rather it specifically aims at exploring the role blame-avoidance opportunities had to play in these processes.

sion faded away and Britain experienced a rather long boom. This development made the task of budget consolidation significantly easier, since tax revenues increased remarkably while spending was reduced by less demand for benefits. At the same time, the government relaxed its public expenditure aim: instead of a reduction in real terms, the Chancellor of the Exchequer aimed at a reduction of public spending as a share of GDP, which allowed for a rise in public expenditure in real terms provided the rise was lower than GDP growth (Lawson 1992: 305f.).

For the most part, consolidation during the first three years of the Conservative government was brought about by tax hikes – in contrast to the Torys' initial focus on real-term expenditure cuts. In its 1979 budget, for example, the government legislated an enormous increase in the Value Added Tax (VAT): a single rate of 15 percent replaced the previous rates of 8 and 12.5 percent. In addition, some excise duties were increased. In sum, the increases in indirect taxes more than offset the fiscal effects of the cuts to the income tax rates in that year (OECD 1980a: 38). In 1980, the lowest income tax rate was abolished, thus effectively increasing the tax rate for the first £750 of taxable income from 25 to 30 percent. The largest tax increases of the Thatcher era were introduced in 1981 (Shaw 1983): in that year, personal allowances and tax thresholds were not adjusted to inflation, thus allowing for significant fiscal drag. In addition, excise duties were generally raised by twice as much as the rate of inflation. Furthermore, banks had to pay a one-time-only 2.5 percent tax on bank deposits, and National Insurance Contributions for employees were increased. Overall, the tax ratio soared between 1978 and 1982. Despite the immense tax cuts of 1984 and 1988, the government subsequently was not able to bring the tax ratio down to the pre-Thatcher level (OECD 2004).

Nevertheless, the government also resorted to some spending cuts. Subsidies and investment expenditure were the prime targets for cuts throughout the Thatcher era. Spending on housing and on trade and industry was cut dramatically. Moreover, while not reducing overall social spending, the government still adopted some welfare cuts. Probably the most important one was a change in the indexing of most benefits in the early 1980s. Instead of increasing benefits in line with either inflation or wages, whichever was higher, benefits were increased only in line with inflation, which meant a significant reduction in benefit increases (Pierson 1994: 59). Moreover, some benefits (like sickness and unemployment) became liable to income tax, prescription charges were increased, and the earnings-related supplement to unemployment benefits was abolished (OECD 1981a: 53). Later in the decade, the Child Benefit was frozen for three years. Overall spending was also reduced by the extensive use of cash limits and a reduction in civil service employment by 20 percent.

In the second half of the 1980s, the government tried to curb local government spending with the help of the flat-rate "community charge," or poll tax, levied on each adult. The basic idea was to establish a closer link between local spending and local taxation in order to force overspending councils to increase local taxes that everyone would have to pay. The Conservatives hoped that voters, seeing their poll tax bills rise because of their local government's overspending, would vote these parties out of office. Thus, the tax was expected to lower local spending in the medium term (Thatcher 1993: 642-667). Contrary to these expectations, the poll tax backfired disastrously. Local authorities increased their expenditure instead of curbing it and put the blame on the central government. The poll tax bills rose to £400 per capita instead of the envisaged £200 and the government's popularity in the opinion polls dropped sharply (Boix 1998: 196).

In addition, the government was able and willing to rely on one-off revenues to achieve budget consolidation. In the first few years of the government, this was in large part a matter of good fortune, since revenues from North Sea oil increased tremendously during the first half of the 1980s (Pliatzky 1989: 151). Oil revenues peaked at £12bn in 1984-1985, but decreased significantly after 1986 due to the falling world market price for oil. The government then increasingly concentrated on privatization, which amounted to more than £27bn during the 1980s, peaking at more than £7bn in 1988-1989 alone (Richardson 1994: 71ff.).

Since Britain is a single-actor polity, one would expect that blame avoidance was of major importance for budget consolidation under Thatcher. This expectation turns out to be true. Indeed, timing played an important role as a blame-avoidance strategy. As Peter Hall (1986: 103) observed: "The Government's goal was to make deep cuts in public spending early on in its term, so that tax reductions could follow just before the next election." Accordingly, the most restrictive budgets were the ones of 1979 and 1981, while the budgets of 1983 and 1987 saw substantial real increases in personal tax allowances and a reduction of the basic income tax rate, respectively. Not surprisingly, the budgets of 1979 and 1981 were highly unpopular. After announcing the VAT hike the Tories dramatically dropped in the opinion polls, leading some observers to argue that "the Conservative Government had passed through the shortest honeymoon period in history" (Webb and Wybrow 1981: 13). The 1981 budget was even described as "the most unpopular Budget, proposed by the most unpopular Chancellor, in more than thirty years" (Webb and Wybrow 1982: 73f.).

Do these survey results imply that the government did not care about avoiding blame when it designed its policies? A closer look at the consolidation measures reveals that the government deliberately designed policies that were supposed to avoid blame. For example, increases in indirect taxes, although unpopular at their introduction, are less visible than income tax hikes, since indirect taxes are concealed in overall prices. Moreover, increases in "sin taxes" on alcohol or tobacco even turned out to have the approval of a majority of the electorate. The same was true for the one-time-only tax on bank deposits (Webb and Wybrow 1981: 55; 1982: 74). Even some expenditure cuts were popular among the general public, most importantly in the area of defense, where the Thatcher government curbed spending in real terms from 1986 on (after having heavily increased defense spending in the preceding years).

Some other consolidation measures went almost unnoticed by the general public and therefore did not harm the government. A case in point is the reduction in government investment and in public service employment, which was achieved without compulsory redundancies (Thatcher 1993: 46), and thus without political conflict. Reducing public spending as a share of GDP by only allowing for public expenditure to rise at a lower rate than GDP growth is another consolidation strategy that goes mostly unnoticed by the electorate – particularly when growth rates are high. The government also managed to generate revenues without imposing losses or visible costs via privatization. "Selling off the family silver" not only failed to provoke voter discontent but even turned out to be highly popular, while at the same time helping the government to consolidate the budget significantly.

Indexation regulations were widely used to mask unpopular measures. Take the failure to increase personal income tax allowances in 1981. Even insiders are reported to have been "amazed how many people were fooled into thinking this was not a tax increase" (Keegan 1985: 169) – an effect the government had hoped for (Thatcher 1993: 136). In a similar way, the failure to increase the Child Benefit in line with inflation after 1988 was less controversial than an outright benefit cut. Even the change in the indexation of benefits, which had substantial medium term implications, "generated limited political controversy" (Pierson 1994: 59), because many voters did not realize the importance of that change. Another example of obfuscation strategy is the abolition of the 25 percent income tax rate, which was justified as a simplification of the tax system (Howe 1994: 173), although it was clearly a tax increase. And even the poll tax originally was planned to curb spending while passing the responsibility for "overspending" on to local authorities. In this case, however, the local authorities were able to turn the tables and blame the government.

Finally, presentational strategies played an important role. According to Vivien Schmidt (2002b: 174), a "highly effective communicative discourse" allowed the Thatcher government "to persuade the general public not only of the superior logic of market capitalism […] but also of its appropriateness." Thus, "British" values such as personal responsibility, economic freedom, entrepreneurship and ownership were emphasized in order to justify reforms. More specifically, there were two lines of argument in regard to budgetary policy. The first one emphasized the lack of alternatives to the government's policies. It is summarized by the acronym "TINA," a nickname given to the Prime Minister, made up of the first letters of the words in the sentence, "There Is No Alternative," a sentence Mrs. Thatcher frequently used to justify her policies. This argument gained additional weight from the fact that Labour did not seem to be able to present a workable alternative. The government was prone to refer to James Callaghan's famous speech at the 1976 Labour conference, in which he had argued: "We used to think that you could spend your way out of a recession and increase employment by cutting taxes and boosting government spending. I tell you in all candour that that option no longer exists" (cited in Hall 1986: 95). The second line of argument claimed that the Conservative policies represented common sense. Thus the Chancellor and the Prime Minister argued that "finance must determine expenditure, not expenditure finance" (Howe 1994: 131), that "we cannot just print money" and that "public sector spending will crowd out private sector spending" (Keegan 1985: 187). Even if surveys fail to find evidence that the British electorate has become Thatcherite (Pattie and Johnston 1996), this communicative discourse most likely strengthened the Conservatives' reputation as being the most competent party when it came to managing the economy – an important electoral asset.

3.2 The Major government, 1990-1997

John Major's government inherited two problems from its predecessor: the poll tax, which grew exceedingly unpopular among the electorate, and a severe recession. The first problem was settled by initially reducing poll tax bills by some £140 per head and then abolishing the tax altogether. In order to do so the government had to increase the VAT from 15 to 17.5 percent in its 1991-1992 budget. Concerning the recession, the government relied on so-called "automatic stabilizers" to accommodate the downturn (OECD 1993a: 43) – in significant contrast to its predecessor in the early 1980s. The Public Sector Borrowing Requirement was allowed to rise from close to zero in 1990-1991 to £36.6bn in 1992-1993. Similarly, public spending skyrocketed (Jay 1994: 178). Nevertheless, the Chancellor, Norman Lamont, tried to keep the deficit under control by some minor revenue increases such as above-inflation increases in excise duties, restrictions on mortgage interest tax relief, and failure to index the income threshold for the 40 percent tax rate. In addition, while public spending was deliberately increased, particularly on education, health, transport and social security, defense spending was curbed.

When the projected budget deficit for fiscal year 1993-1994 approached £50bn, while the recovery still failed to materialize, the government returned to budget consolidation. In order not to put the recovery at risk, the government announced a number of tax increases which were to come into operation only in the following two fiscal years, in its 1993-1994 budget (Shaw 1994: 92; OECD 1994a: 35f.). The most important measures were the freeze on personal income tax allowances, an increase in employees' National Insurance Contributions, a further restriction of mortgage interest tax relief, a real-term increase in excise duties on alcohol, a 10 percent increase in road fuel duties and the levying of VAT on domestic fuel and power at 8 percent from April 1994 and at the standard rate of 17.5 percent from April 1995.[3] The 1994-1995 budget saw both further tax increases and significant spending cuts. On the revenue side, tax allowances were frozen, mortgage interest tax relief was further reduced, taxes on insurance premiums and air travel were introduced and the government committed itself to automatic annual real term increases in excise duties on fuel (5 percent) and tobacco (3 percent), the so-called "escalators."[4] A reduction in government spending was supposed to be achieved through a freeze in government departments' operating costs, including pay, and further cuts in defense spending. There were also some changes in welfare programs: the means tests of invalidity benefits were tightened, unemployment benefits became means-tested after six instead of twelve months of unemployment and housing benefits became less generous (Hill 1999). In the following three budgets, government spending was kept under strict control, allowing government spending as a share of GDP to fall to its pre-recession level. Particular emphasis was placed on public-sector pay and defense spending. In addition, the size of the civil service was further reduced. Moreover, privatization proceeds again played an enormously important role in consolidating the budget, amounting to more than £37bn until 1997.

Which role did blame avoidance play for Major's fiscal policies? Again, timing mattered, at least to some extent, as a means of avoiding blame for unpopular measures. Delivered on the day before the Prime Minister announced the election, the 1992-1993 budget reduced income taxes on the first £2,000 to 20 percent. This measure was clearly meant to improve the government's chances in the election (Lamont 1999: 171). Once the 1992 election was over, the government indeed implemented a number of tax increases, which were even more unpopular than the ones in 1981 (Wickham-Jones 1997), while it started with some – rather modest – tax cuts as the 1997 election approached. Nevertheless, the significance of the timing of popular and unpopular reforms decreased. The tax increases were phased in over three years, which "may have made

[3] The increase of VAT on fuel and power from 8 to 17.5 percent was defeated in the House of Commons in December 1994. Instead, excise duties on alcohol, tobacco and fuel were further increased.
[4] A 3 percent escalator on fuel duty had already been introduced in the 1993-1994 budget.

economic sense: in political terms it was a disaster" (Wickham-Jones 1997: 117). In addition, Kenneth Clarke, Major's last Chancellor of the Exchequer, opposed many spending pledges or tax cuts in the run-up to the 1997 election (Butler and Kavanagh 1997: 41), thus effectively reducing the effort to "bribe" the voters.

Concerning policy design, the Major government basically used the same techniques as its predecessor. This is true for most tax increases, most notably the freeze on allowances and thresholds and for the emphasis put on indirect taxes, particularly "sin taxes," and on social security contributions, but also for the prominence of privatizations. One new instrument was the excise duty "escalator," the automatic real-term increase of excise duties on fuel and tobacco, which obfuscated responsibility for increases in these taxes after 1994. On the expenditure side, the government did not have to fear voter discontent too much when cutting defense spending, freezing public-sector pay or reducing the size of the civil service. The cuts in welfare programs, on the other hand, were often obfuscated by the sheer complexity of the regulations. Michael Hill (1999: 175), e.g., commented that "a sequence of complicated and obscure adjustments to housing benefit radically changed the situation for private tenants" – without being noticed by the majority of voters. But some measures are hardly explicable from a blame-avoidance perspective. The most obvious case in point is the substantial reduction of mortgage interest tax relief, which in times of a depressed housing market hurt a core constituency of the Conservatives that was already suffering from negative equity.

By and large, the discourse that the government used to justify its policies also remained the same under John Major. There were some small changes. "Majorism" was presented as "Thatcherism with a human face," aiming for "a classless society" and "a country that is at ease with itself," to quote the Prime Minister himself (cited in Evans 1999: 143). Concerning economic policy, Major argued for a "radical Tory agenda" based on "four cardinal principles: choice, ownership, responsibility and opportunity for all" (cited in Dorey 1999: 227) – clearly no departure from Thatcherite rhetoric. Nevertheless, the Major government failed to convince the voters to elect the Tories for a fifth straight term of office. There are a number of reasons for this. The most prominent clearly was the ejection of the U.K. from the European Exchange Rate Mechanism in September 1992, which undermined the Conservatives' reputation as competent managers of the economy. In contrast, the Labour Party had reformed itself to such an extent that it could hardly be portrayed as a danger to the economy anymore. Moreover, the government was deprived of its most important issue, namely tax policy, which had basically allowed the Tories to win the 1992 election. In 1997, Labour argued that the Conservatives had increased taxes twenty-two times since 1992 (Dorey 1999: 244). The Conservatives were not able to portray themselves credibly as a tax-cutting government any more with voters viewing the tax-cutting budgets of 1995 and 1996 as "attempts to bribe the electorate, efforts which might well be reversed after the election" (Wickham-Jones 1997: 106). Evidently, the limits of the politics of blame avoidance had become apparent.

3.3 The Blair government, 1997-2005

In the 1997 electoral campaign, the Labour party promised to stick to the Conservatives' spending plans for the next two fiscal years, with the exception of the "welfare-to-work-programme," and to refrain from increasing income tax rates. These promises were kept. On the expenditure side, the government was able to take advantage of the ongoing economic recovery, which led to declining demand for social spending due to lowering unemployment. In addition, debt interest payments decreased because of lower deficits, lower interest rates, and £22.5bn of revenues from the sale of third-generation mobile phone licences, which were used to repay debt (Mullard 2001: 311). At the same time, the government kept spending under strict control outside its priority areas of education and health. Even some social programs were affected (such as the Lone Parent Benefit, which was cut, and the Incapacity Benefit, which became means-tested), and pensions were increased by only seventy-five pence per week in 2000 due to the clinging to the indexation formula established in the Thatcher era (cf. Toynbee and Walker 2001: 18-24). As a result, public expenditure as a share of GDP declined by three percentage points between 1996 and 1998 (OECD 2000a: 63). The additional expenditure for the "welfare-to-work-programme" was financed by a one-time tax levied on privatized utilities deemed to have earned "excess" profits (OECD 1998a: 173).

In addition, the first Labour Budgets saw a large number of revenue increases: the fuel and tobacco escalators were increased from 5 percent and 3 percent to 6 percent and 5 percent respectively, mortgage interest tax relief was further reduced and finally abolished, as was the married couples allowance which, however, was replaced by a new tax credit for children. What is more, dividend tax credits for pension schemes and U.K. companies, and the Advance Corporation Tax, were abolished, generating receipts of £7bn by 2000 (Stephens 2001: 192f.). Finally, the insurance premium tax and a number of stamp duties were increased. These tax hikes led to a significant increase in the tax ratio in the first three years of the Labour government. Not surprisingly, therefore, the budget turned into surplus by the fiscal year 1998-1999 (OECD 2000a: 70).

This favorable fiscal situation allowed the government to take a more expansionary policy stance in the second half of its first term. The 1999-2000 Budget saw substantial tax cuts, particularly to the lowest but also to the standard income tax rate. A number of family-oriented tax credits (Working Families Tax Credit, Child Tax Credit) came into operation, or were adopted and increased later on. Excise duties were frozen or increased only in line with inflation in the 2001 budget. From the 2000 budget onward, public expenditure was boosted, particularly on health, education and the least well-off pensioners (Stephens 2001: 186; OECD 2002a: 46-9).

Labour's second term in government began with the tax-increasing 2002 budget. National Insurance Contributions of employees, employers and the self-employed were increased, and tax allowances for those under sixty-five were frozen, as were tax thresholds. At the same time, substantial additional funding, particularly for the NHS, was made available, and the Child Tax Credit and Working Tax Credit became more generous (Grant 2003: 275; Annesley and Gamble 2004: 148). For the rest of the parliamentary term, consolidation measures played a negligible role. Apart from some anti-tax avoidance measures the Blair government accepted a growth in public borrowing from zero in fiscal year 2001-2002 to well above 3 percent of GDP in 2003-2004 to let public spending grow by 4.7 percent over the Spending Review 2000 period, covering fiscal years 2001-2002 to 2003-2004 (cf. Chote et al. 2004: 3). However, spending growth was highly unequal across different departments. The main beneficiaries were health and education, while defense spending was further cut.

Toward the end of Labour's second term, experts from the Institute of Fiscal Studies (2005a) argued that tax increases would be necessary in the near future if the government wanted to adhere to its aims concerning both public deficits and the quality of public services. Gordon Brown, the Chancellor of the Exchequer, was unwilling to accept this view before the 2005 election. Rather, he hoped that administrative savings and an ambitious target for public-sector productivity growth (2.5 percent annually) would save some £21bn annually by 2008 without impairing public services (Chote et al. 2004: 10). It remains to be seen whether these savings are deliverable or whether the Chancellor will come back to tax increases now that the election is over.

In what way did New Labour try to avoid blame for unpopular consolidation policies? Timing again played an enormously important role. As the Institute for Fiscal Studies (2005a: 117) observed: "It is worth remembering that the only significant revenue-raising measures implemented by Labour since 1997 were announced in the Budgets of July 1997, March 1998 and April 2002 – all of which occurred in the first 12 months after a general election." In contrast, in the run-up to the 2001 election, the Chancellor delivered some giveaways, such as increases in tax credits, particularly the Child Tax Credit, a widening of the 10 percent tax band, freezes on excise duties, a large pension increase and additional spending on schools and hospitals. The 2005 budget had to be more cautious, given the real danger that the Chancellor might fail to meet his own fiscal policy "golden" rule, according to which government borrowing may not be higher than government investment over the economic cycle (Institute of Fiscal Studies 2005b). Nevertheless, the £200 payments to pensioners who pay council tax or the six-month postponement of the increase of petrol duty were clearly aimed at the voters, as was the failure to introduce tax increases which might well be necessary in the future.

As did the Conservatives, Labour also tried to design consolidation measures in such a way as not to attract attention. This is true for the tax on "excess" profits of privatized utilities. Moreover, Stephens (2001: 196) rightly calls the abolition of the dividend tax credits "apparently arcane but lucrative." The freezing of personal allowances in the 2002 budget is another case in point. An interesting example is the increase in National Insurance Contributions, which also affected earnings above the upper earnings limit, introduced with the 2002 budget. The Labour Party had pledged not to increase income tax rates in its 2001 election manifesto (Butler and Kavanagh 2002: 87). As Annesley and Gamble (2004: 148) correctly observe, the actual effect of this measure nevertheless was to raise income tax rates (and even the higher income tax rate; see Grant 2003: 275 for a similar interpretation), but the policy design largely concealed this fact. The use – and extension – of the excise duty escalators seemed to be another way of increasing revenues without being held responsible by the voters. In this respect, Labour nevertheless experienced a significant setback in autumn 2000 when protests against high fuel prices caused a sharp drop by Labour in the opinion polls. The government reacted by freezing the duties on petrol in 2001 and kept on doing so for most of its second term.

One of the peculiarities of New Labour's fiscal policy, in its first term in particular, was to obfuscate not spending cuts (e.g., there was done little to conceal the cuts to the Lone Parent Benefit), but certain spending *increases*. "The Blair government has appeared to follow a peculiar strategy of 'credit avoidance': they have reshaped the welfare state, rebuilt a welfare consensus and in many instances have expanded welfare provision, but they have shied away from claiming credit for it" (Annesley and Gamble 2004: 157). One way of implementing this kind of "stealth spending" (Rhodes 2000: 60) was by switching from benefits (which count as spending) to tax credits (which do not) (cf. Glyn and Wood 2001: 59). Examples are the Working Tax Credit and Child Tax Credit. This pattern of "credit avoidance" was limited to policies which were redistributive in character. For the increases in spending on health and education, the government happily claimed the credit, sometimes even "over-claiming" (Toynbee and Walker 2001: 2), as was the case when the Chancellor in July 1998 announced £40bn extra spending for education and health – a much inflated sum in which some spending increases had been triple-counted (cf. Rawnsley 2001: 160-1). The reason for these differences in presentation is rather obvious: while the increases in spending on public services were popular (not least among the voters of Middle England on whom Labour focused under Blair), these voters were not overly supportive of redistribution (for the relevant evidence cf. Hills 2002: 542-548).[5]

Finally, the Labour government was able to establish a very successful communicative discourse. Tony Blair argued for a "third way" between "Old Labour" and neo-liberalism, insuring that "after a century of antagonism, economic efficiency and social justice finally work together" (cited in Schmidt 2002a: 269). In terms of fiscal policy Chancellor Gordon Brown argued for "stability, rules, discipline, prudence, transparency" (Stephens 2001: 186). Of particular importance in this regard were the fiscal policy rules introduced by the Chancellor in 1998. The rules established limits for government borrowing and debt over the economic cycle (for the details, cf. OECD 1998a: 46f.). Adherence to these rules was meant to reassure the financial markets, but also to convince the voters that Labour was finally able to pursue sound fiscal policies. But at the same time, Brown argued for "prudence with a purpose," suggesting that a sound fiscal policy was not an end in itself, but rather the necessary pre-condition for social improvements (Wickham-Jones 2002: 108). As he put it in his 2001 Labour Party conference speech: "[…] Our spending plans are affordable precisely because we have not made the mistakes of the last two Labour governments who, by refusing to take early action to maintain stability ended up cutting, not increasing public spending – and were denied the capacity to fulfil their social goals" (cited in Wickham-Jones 2002: 104). This rather coherent – and credible – political discourse has certainly helped the Blair government dominate the economic argument since the mid-1990s and get re-elected even as the coherence of that discourse and consequently the public's trust in the government dropped significantly in the second term (Toynbee and Walker 2005: 318-21).

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[5] In 2000, over 80 percent of the respondents wanted higher spending on health and two-thirds wanted higher spending on education. In the same year only 39 percent agreed that "government should redistribute income to the less well-off" while 36 percent disagreed (Hills 2002: 543, 547).

4. Germany

During the period under study, Germany was ruled by two governments. From 1982 to 1998, Christian Democrats and Liberals formed a coalition under Chancellor Helmut Kohl that was then replaced by a government of Social Democrats and Greens under Chancellor Gerhard Schröder. Because German unification in 1990 was an important turning point that brought unprecedented challenges for fiscal policy, the analysis of the Kohl government is broken into two parts, covering the period from 1982 to 1990 and from 1990 to 1998, respectively.

4.1 The Christian-liberal coalition before unification, 1982-1990

The primary fiscal policy goal of the coalition of Christian Democrats and Liberals under Helmut Kohl was to reduce the budget deficit. Less than three months after the government came to office, the Budget Reform Act 1983 was passed despite a rather deep recession. It stipulated an increase in the VAT from 6.5 and 13 percent to 7 and 14 percent, respectively. Moreover, social security contributions were increased and a compulsory non-interest-bearing loan for the better-off (*Investitionshilfeabgabe*) was introduced. In addition, cuts in welfare programs were adopted. They included the postponement of annual increases in pensions and other benefits for six months, the reduction of child benefits for families with higher incomes, cuts in educational grants, increases in co-payments in health care and a reduction of the period for which unemployment benefits were paid. The Budget Reform Act 1984 contained further cuts in welfare programs. This time some benefits, including the unemployment benefit, maternity benefit and social welfare, were cut (although some only for recipients without dependent children), and some were made liable to social security contributions. Apart from an extension of the '*Investitionshilfeabgabe,*' taxes were not increased further. But the lack of any statutory indexation provision in the tax system allowed the coalition to let fiscal drag do some of the consolidation work (OECD 1985b: 18; Andel 1991: 28), as the income tax schedule was adjusted only in 1986.

After 1984, the budget deficit was basically brought under control, thanks both to the government's consolidation efforts and the improving economic situation, which provided the government with rising tax revenues while diminishing the demand for social spending. While still keeping an eye on the budget deficit, the coalition even started to expand the welfare state again from 1985 onwards (M. Schmidt 1998). This course of action did not keep the Kohl government from lowering public spending, taxes (including social security contributions) and the deficit as a share of GDP. Privatizations also played some role in Germany in the 1980s, yet the proceeds were comparatively low, amounting to less than one-seventh of British proceeds in that period (van Suntum 1990: 273).

Was there a role for blame avoidance in the politics of budget consolidation in Germany in the 1980s? Contrary to the theoretical expectations, an "institutional cooperation" strategy did not materialize. There were two reasons for this failure: first, the opposition parties' consent was not needed, since they did not hold any institutional veto points that would have given them some leverage over policy. Most importantly, the opposition was in a minority position in the Bundesrat, Germany's powerful second chamber, until 1990. Second, the opposition parties were not willing to back spending cuts (particularly in the welfare area). Instead they opposed these cuts fiercely and promised to revoke them if elected (Gohr 2001). Thus, the government could proceed with its policies, but also had to accept political responsibility for any unpopular measure. How then did the Kohl government avoid the blame?

Since Kohl's election as chancellor resulted from a vote of no-confidence in parliament and not from an electoral victory, the new government opted for early elections to legitimize the change of government. The Bundestag election took place five months after the Christian-liberal coalition had come to power. During these five months, the government implemented a number of benefit cuts and, in its electoral campaign, it promised to further curb social spending, while it only started to expand the welfare state again after the budget deficit was under control and the economy was starting to recover. This is certainly not what we would expect in terms of blame avoidance. Nevertheless, this behavior was made possible by the prevailing public sentiment concerning welfare spending in the early 1980s. Surveys found a broad acceptance of limited cuts in welfare-state benefits among the population, rendering the government policy less risky (Alber 1986).

Timing still mattered as a blame-avoidance tool. Recognizing that the favorable state of public opinion would not last forever, the government speedily introduced retrenchment reforms. Besides, the government had to introduce at least some consolidation measures before the election, since this was the very reason the Liberal party had changed coalition partners. Moreover, some notable differences are evident between the Budget Reform Act 1983, adopted before the election, and its follow-up, adopted after it had taken place. While the 1983 Act included a larger number of tax measures, the 1984 budget concentrated on welfare cuts. Since tax measures were seen as politically less damaging as compared with welfare cuts by the policymakers (Zohlnhöfer 2001: 81f.), a clear timing effect is evident. What is more, after the 1983 election, a pattern of post-election welfare cuts and pre-election welfare expansion emerges: the coalition introduced further spending cuts right after the election, while it returned to welfare state expansion in the time before the 1987 general election.

A closer look at the reforms shows that some of the retrenchment measures were also designed to avoid blame. The tax measures, for example, focused on indirect taxes and social security contributions, which are far less visible than income tax increases. Concerning social security contributions, the government could even credibly claim that contributors would get something in return for their payments. In addition, fiscal drag is probably the closest thing to an invisible tax increase in tax systems without statutory indexation provisions. By the same token, the welfare cuts were designed in such a way as to attract as little blame as possible. The reduction of the period for which unemployment benefits are paid in the 1983 act, e.g., limited the number of affected claimants dramatically as compared with the other option then discussed, a general cut in unemployment benefits. What is more, with the '*Investitionshilfeabgabe*' and the reduction of child benefits for families with higher incomes, the coalition signaled the voters that it intended to call upon the more affluent parts of the population too.

These latter measures also helped the government to shape its communicative discourse. The coalition sought to convince the voters that it pursued a policy of "social balance." It also used its predecessor government as a scapegoat, arguing that harsh measures were necessary to correct the errors of the Social Democratic-led governments of the 1970s. But probably the most important argument that helped the Kohl government justify its policies of budget consolidation was the government's claim to revive the "Social Market Economy," the economic system introduced by the Christian Democratic Minister of Economic Affairs, Ludwig Erhard, in the 1950s. For many Germans, this economic framework was the foundation of the country's postwar economic miracle, and Kohl and his cabinet time and again reiterated their ambition to revive it (Zohlnhöfer 2001). This reminiscence certainly led voters to believe that after a period of austerity better times were to come again. The success of the government's strategy can be seen from the ease with which it won the 1987 general election and from the fact that it retained its majority in the Bundesrat until early 1990.

4.2 The Christian-liberal coalition after unification, 1990-1998

Although the Kohl government succeeded in budget consolidation in the 1980s, the problem was back on the agenda after German unification in 1990. The Eastern part of the country was (and still is) heavily subsidized; the annual west-east net transfers reached an average share of about 4.5 percent of West German GDP in the 1990s (Renzsch 1998), while total outlays of government as percentage of GDP increased sharply after 1989. As far as the Federal government had to bear these transfers, they were financed to a surprisingly small extent through increased taxes, e.g., the solidarity surcharge on the income tax originally levied for only one year in 1991-1992 or increases in the VAT by one percentage point in 1993 and 1998, respectively. These tax increases were more than compensated for by a number of cuts to corporate and personal income taxes, leading to a decreasing tax ratio between 1990 and 1998. Instead, the government resorted to higher social security contributions. In the first years after unification policymakers also accepted a sharp increase in budget deficits (Czada 1995)

This latter policy soon reached its limitations, as the Bundesbank reacted to the skyrocketing budget deficits with an increase in interest rates. In 1993, the first serious effort toward a restriction of the deficit was made. Government and opposition agreed on the reintroduction of the solidarity surcharge on the income tax from 1995 onward and on some expenditure cuts as well. Welfare programs were supposed to be spared, however. The selection of programs to be cut did not follow larger conceptual considerations but was mostly done on an ad hoc basis (Schwinn 1997). In the same year, the government enacted another fiscal retrenchment program. This time, rather sharp cuts in the welfare area were implemented. Particularly unemployment compensation, but also a number of other benefits were cut. A restriction of government expenditure through reductions in subsidies and a zero wage round for civil servants were also pushed through.

These efforts notwithstanding, a new all-time-record Federal budget deficit was reached in 1996. Adding to the pressure, the convergence criteria of the Maastricht Treaty had to be met in 1997. Therefore, another attempt was made to reach a budget consolidation by means of fiscal retrenchment programs. Savings were mainly achieved by lowering transfers of the Federal budget to the pension and unemployment systems, a reduction in public-service employment and economies in the process of budget implementation (OECD 1997b: 43-44). At the same time, privatization efforts were also massively expanded. The revenues from privatization totalled around DM 30bn between 1990 and 1998. In addition, the government resorted to ad hoc measures such as spending freezes or the revaluation of the Bundesbank's gold reserves to keep the budget deficit under control.

What role did blame avoidance play in budgetary policy during the second half of the Kohl era? On the face of it, the opportunity for a strategy of "institutional cooperation" was better than in the 1980s, since the opposition parties controlled decisive votes in the Bundesrat. To attain Bundesrat approval the government would have to make concessions to the opposition, which, in turn, could have allowed the coalition to share the blame with its opponent. This pattern materialized in early 1993 when government and opposition agreed to reintroduce the solidarity surcharge. But such cooperation remained a rare exception. For most of the period the Federal government was not able to make the financing of German unification a "national project," which would have meant making the SPD take some responsibility for necessary but unpopular decisions in fiscal policy. One reason was that the Bundesrat's approval was not necessary for most consolidation measures and the government invented elaborate techniques to circumvent the second chamber. Moreover, the SPD did not intend to cooperate with the government in fiscal policy. Many Social Democrats felt that they had lost the 1990 election, which had taken place only weeks after unification, because they had announced tax increases if elected, while the government had argued that higher taxes would not be necessary for the financing of unification. Once it had turned out that the SPD had been right, the party was not willing to help the Kohl government with fiscal policy problems whose existence it had denied before the election. When the government – against an explicit election promise – introduced some very moderate tax increases in early 1991 the SPD mobilized against the government's "tax lie" in the electoral campaigns in Hesse and Rhineland-Palatinate in the same spring – with much success as they won the election and managed to bring about a change of government in both *Länder*, thereby breaking the government's majority in the Bundesrat (Decker and Blumenthal 2002).

Since the immense costs of unification had to be borne somehow and since large-scale spending cuts or tax increases were seen as too dangerous politically (not least as a result of these electoral setbacks), the coalition resorted to other means of blame avoidance. In the first years after unification the coalition gave up the consolidation aim altogether. To obfuscate the rising deficits, the latter were partly hidden in subsidiary budgets and were thus not reported in the regular budget. Moreover, massive increases in social security contributions, which are less risky politically than tax hikes, were legislated. When tax increases could not be avoided, mostly indirect taxes were affected or the increases were only introduced temporarily, as was the case with the original introduction of the solidarity surcharge. This strategy became less feasible as time went by because from the middle of the 1990s the Federal deficit had grown large enough to endanger Germany's EMU entry. The Federal government thus turned to the privatization of government-owned enterprises as well as ad hoc measures of dubious quality, such as spending freezes, economies in the process of budget implementation or the revaluation of the Bundesbank's gold reserves (Zohlnhöfer 2000). Cuts in civil-service employment and pay, and reduced defense and investment spending also reflect the imperatives of blame avoidance, since they are among the few popular (defense) or at least politically easy areas for spending cuts.

In contrast, timing did not play an obvious role in post-unification budgetary policy. The sheer number of elections at the *Länder* level which were important for the federal government because of the composition of the Bundesrat, and whose number even had increased after unification hardly made timing possible.

With regard to presentational strategies, the government – in contrast to the period after 1982 – displayed tremendous difficulty in legitimizing its policies. These problems again stemmed from the run-up to the 1990 general election in which the government – driven in part by misjudgment of the economic problems unification would bring about, in part by electoral considerations (Sturm 1998) – promised that no tax increases would be necessary to finance unification, that nobody would be worse off as a result of unification, and that economic equalization between both parts of the country was a matter of only a few years. Indeed, the government argued that, thanks to the operation of the Social Market Economy, East Germany would experience an economic miracle comparable to the one the Western part of the country had enjoyed after World War II – thus leaving unnoticed the large dissimilarities between the situations (Busch 1991). As a result, the government failed to capitalize on the initial willingness of a large part of the electorate to accept burdens for the sake of unification (Zohlnhöfer 2000). When, in 1992, the government finally admitted that its forecasts had failed to materialize, the opportunity was gone and the government was unable to develop a purposeful consolidation strategy at all (let alone one which convinced the voters). This lack of credibility in budgetary policy contributed significantly to the electoral defeat of the Kohl government in 1998 (Jung and Roth 1998).

4.3 The red-green coalition 1998-2005

The Kohl government was replaced by a coalition of Social Democrats and Greens in 1998. The Social Democrats, dominating the government's economic policies, had campaigned on a platform of "innovation and justice," promising to fight unemployment by stimulating aggregate demand and to revoke the welfare cuts the Kohl government had adopted in its final years. Not surprisingly, therefore, the Federal government's spending increased by 6 percent in nominal terms in its first year in office while budget consolidation was not a prime objective under the new minister of finance, SPD leader Oskar Lafontaine (for the following, Zohlnhöfer 2003).

After little more than four months in office, however, Lafontaine resigned. Under his successor as minister of finance, Hans Eichel, a turnaround in the red-green government's fiscal policy took place. Within a few months, Eichel committed himself to attaining a balanced budget in 2006 and presented a DM 30bn austerity package, consisting almost exclusively of spending cuts. All government departments had to implement cuts in proportion to their respective size. Particularly noteworthy were the package's welfare cuts, which included the abolition of one particular unemployment assistance program, the indexing of pension increases in 2000 and 2001 to the inflation rate as opposed to wage increases, and a reduction of the government's pension contribution payments for the unemployed and other groups.

The coalition continued on its path of consolidation in the following years. Even the extra revenues from the sale of the third-generation mobile phone licences, which amounted to nearly DM 100bn, were entirely utilized to repay government debt. On the other hand, the government avoided further spending cuts, so that the budget deficits only declined very slowly. When a downturn in the economy fully hit Germany in 2002, it became clear that consolidation efforts had not been sufficient. A supplementary budget for 2002 was adopted and the federal budget deficit increased substantially. At the same time a new consolidation package was presented that concentrated on closing tax loopholes. In 2004 further cuts in welfare benefits, namely unemployment assistance, were adopted. During the whole period, privatization continued to play an important role. Proceeds amounted to €8.5bn between 1999 and 2002. Privatization even grew in importance in the government's second term (Mayer 2005: 256). In 2005 alone, privatization revenues of €15bn were budgeted (cf. BT-Drs. 15/3625). But still the government did not succeed in consolidating the budget. Supplementary budgets were necessary in 2003 and 2004 and Germany has violated the Stability and Growth Pact for three consecutive years since 2002. Accordingly, the government has also given up its intention of presenting a balanced budget as early as 2006.

What role did blame avoidance play for the politics of budget consolidation of the red-green coalition? Although the government lost its majority in the Bundesrat after less than six months and thus depended on at least some votes from *Länder* governments in which the opposition participated, no "institutional cooperation" took place. Like its predecessor, the government was unable to make the Bundesrat majority accept part of the blame for unpopular measures and thus exploit the opportunity diverging majorities in the two parliamentary chambers theoretically offered. Again, the second chamber's consent was not necessary in most cases, and, like its predecessor, the red-green government looked for ways to minimize the Bundesrat's influence because the opposition usually diluted the government's consolidation packages, most notably the one introduced in 2002 (Zohlnhöfer 2003). But even when the opposition agreed on certain consolidation measures, it did not accept blame for them and did not publicly defend the government's position. In fact, the opposition did not see any reason why they should help the government. The Christian Democrats hoped to capitalize on the government's unpopularity in forthcoming elections and indeed benefited from the Social Democrats' spectacular defeats in *Länder* elections in autumn 1999 and after spring 2003, defeats which at least partly resulted from the announcement of Eichel's austerity programs.

The government was not able to gain from the diverging majorities in both chambers in terms of avoiding blame. Did it resort to policy design, presentational strategies or timing as means of blame avoidance then? Again, timing turned out to be rather difficult, given the frequency of *Länder* elections. What is more, the government started with expansionary policies under Lafontaine in 1998 and changed course in the middle of the parliamentary term. Still, in the run-up to the 2002 election the government concealed the necessity for further tax increases, only to introduce them after Election Day.

Some policies were designed in such a way as to minimize the political damage. Reducing public spending as a share of GDP by restricting the rise of public expenditure to a rate lower than GDP growth obviously spares the governing parties fierce political conflicts. Certainly privatization and the enormous proceeds of the sale of the third-generation mobile phone licences helped to reduce the budget deficit – or even public debt in the latter case – without imposing political costs, too. Most welfare cuts were also designed to minimize the electoral backlash by focusing on rather remote programs with a rather limited number of affected claimants, or changes were rather technical in nature and thus difficult to evaluate for most voters (as in the case of the pension contribution payments the government has to make for certain groups).

In regard to the communicative discourse the red-green government made the same mistake as the Kohl government after 1990. In the electoral campaign of 1998 the Social Democrats and their then leader Oskar Lafontaine argued that they would revoke the spending and welfare cuts the Kohl government had adopted in its final years, which were thought to be unfair, but also unnecessary. Once Lafontaine left the government and less, than one year after winning the election, the red-green coalition itself announced a number of welfare cuts. These were argued to be necessary to win back the capacity to act on fiscal policy, to set new priorities and to adapt to the forces of integrated markets. Since the same parties – although with a different leader in the case of the SPD – had denied these alleged necessities when they were still in opposition, the credibility of their claims was rather low. As a result, the governing parties suffered a number of defeats in *Länder* elections. In addition, the government was unable to design a persuasive discourse even after Lafontaine had left – oscillating between a Blairite "third way" market-oriented and a more economically nationalistic social-justice-centered discourse (Schmidt 2002a: 299f.). Thanks to situational circumstances, such as the conflict over Iraq and the flooding of the river Elbe, the red-green coalition was nevertheless able to win the 2002 general election (Roth 2003). Ironically, that the government could still win in 2002 despite its inability to convince the voters of the necessity for reforms can be explained by the failure of both post-unification governments to design a convincing communicative discourse. According to surveys the number of voters who do not hold either of the established parties to be competent to solve Germany's economic problems has been ever growing since unification (Roth 2003: 44).

5. Conclusion

What conclusions can be drawn from the comparative case studies? The first result worth noting is that blame avoidance indeed did matter a great deal in the politics of budget consolidation in both countries. There are only a very few tax increases or spending cuts that were not timed or designed to do as little harm as possible at the next general election. Nevertheless, there have actually been some significant exceptions, for example, in the case of the Major government after 1992. Further research is required to better understand under what circumstances blame avoidance ceases to be all important. Nevertheless, the main theoretical concern of this paper is on the relevance of blame avoidance *opportunities*. The theoretical considerations led one to believe that there should have occurred differences in the way blame avoidance worked in Germany and the U.K. How does the empirical evidence relate to these considerations?

While the British case seems to fit the theoretical expectations fairly well, the German one poses problems. The evidence does not support the notion that a strategy of "institutional cooperation" dominates in political systems with a high degree of institutional pluralism, or that a dense coordinative discourse supersedes communicative discourses. In fact, cooperation between the large parties hardly occurred at all in Germany. Even at times when majorities in both chambers differed (which could be seen as facilitating an "Institutional Cooperation" Strategy by forcing parties to cooperate), compromises could only rarely be reached. Rather, governments sought to circumvent the Bundesrat with ever more elaborate techniques, thus not only minimizing the opposition's influence but also the amount of blame which could reasonably be assigned to it. In the rare instances of government and opposition adopting unpopular reforms jointly, the opposition soon defected and blamed the government for the unpopular parts of the reforms, thus trying to capitalize on the public outcry.

Does the partisan hypothesis concerning the role of blame avoidance hold? Again the question has to be answered in the negative in the German case. The German Social Democrats ran as large a risk of losing forthcoming elections when curbing (welfare) spending as their Christian Democratic rivals, because the latter are perceived as credible a defender of government spending as the former. In contrast, it seems that in Britain partisan effects can be observed. In the 1980s, the Conservatives had a hard time curbing social spending and were less successful in this respect than the Kohl government before unification. Instead, the Thatcher government resorted to increased taxes because in this area the party was less vulnerable, given the fact that very few voters expected the Labour Party to do better. The British Labour Party in turn had to be more concerned about its "tax-and-spend" image, which was perceived to have led to the electoral defeats of 1987 and 1992. Therefore, the party was actually willing (if not forced) to promise to stick to the Conservatives' restrictive expenditure plans when it finally came to power in 1997. Indeed, blame avoidance strategies under the Blair government seem to have aimed more at obfuscating certain spending increases than at obfuscating spending cuts, at least in the first term.

Party competition goes a long way towards explaining both why we do find partisan effects in Britain but not in Germany, and why institutional cooperation did not work in Germany, while we rightly expected it not to occur in the U.K. The German opposition is always tempted to capitalize on the government's lack of popularity and thus has every reason to be reluctant when it comes to taking part of the responsibility for unpopular measures. Moreover, when in opposition, both large German parties can credibly claim to be defenders of almost any spending program the current government is intending to cut. That is why the German Social Democrats did not have an easier time introducing spending cuts than their bourgeois rivals. In contrast, the British Labour Party had lost most of its credibility as a defender of the welfare state in the 1980s because its track record in government was seen by most voters as proof that the old policies Labour stood for were not working anymore. To add insult to injury, the party was enormously weakened when its right wing split away in 1981 to establish the Social Democratic party, and the 1983 election manifesto was socialist to an extent that did not seem credible to the voters (Crewe 1985). This weakening allowed the Conservatives some leeway to pursue their consolidation policy. The Blair government is even less constrained by party competition because of the extremism and lack of credibility of the Conservatives' fiscal policy positions (Norris and Lovenduski 2004).

Therefore, German governments of either partisan complexion depended at least as much on finding effective ways to limit the electoral backlash of unpopular consolidation measures as their British counterparts. In terms of policy design, governments in both countries proved rather creative in finding ways to obfuscate unpopular aspects of their reforms. Which measures were actually taken to limit the blame very much depended on the opportunity structure for blame avoidance. Nevertheless, doing nothing and letting fiscal drag do the work was one of the most promising strategies of maximizing revenues while minimizing political costs (cf. Rose and Karran 1987).[6] In contrast, timing did not play as obvious a role in Germany as it did in the United Kingdom. The reason is that Germany's federal structure precipitates an almost permanent electoral campaign: some election at the *Länder* level, which is important for the federal government because of the composition of the Bundesrat, is almost always imminent. Timing would have to take into account the more important *Länder* elections, too; but to do so would be unfeasible because there would hardly be any election-free period in which budget cuts could be implemented.

British governments were much more successful in convincing their voters of the necessity and appropriateness of their fiscal policy reforms than the German governments of the 1990s and 2000s. The reason is that neither the Kohl government after 1990, nor the Schröder government, were consistent in their discourse – both had to renege on major election promises and found it hard to justify their unpopular reforms thereafter. In Britain, only the Major government after 1992 suffered from similar problems. At the same time, the German governments' successes in terms of economic performance were much more limited than those of British governments, particularly since the mid-1990s. This lack of success may well have made it more difficult for the governing parties to convince voters of the appropriateness of the reforms. But again, it seems that the success of communicative discourses primarily depends on the way party competition works. It is obviously much harder to establish new ideas of what necessary and appropriate reforms look like in the context of intense competition with a rival that can credibly deny the necessity and/or appropriateness of unpopular reforms than in contexts where rivals either lack credibility or their own competing ideas.

Therefore, one general conclusion of the empirical discussion in this paper is that party competition is of prime importance for the way different strategies of blame avoidance are used. This conclusion is very much in line with more recent research on welfare state retrenchment, which argues that the success of welfare state retrenchment depends on the respective constellations of party competition (e.g. Kitschelt 2001; Green-Pedersen 2001). The basic argument of this literature is that the potential electoral backlash of unpopular reforms, and thus the importance of blame avoidance, differs according to the constellation of party competition. According to Kitschelt (2001), it should be easier to curb the welfare state (necessitating less engagement in blame avoidance) in countries where only strong Liberal and Social Democratic parties compete – as is the case in the U.K. In contrast, in a situation like the German one where Social Democrats compete with weak Liberals but strong centrist (i.e. Christian Democratic) and left-libertarian parties, party competition is very intense. This pattern, in turn, makes welfare state retrenchment difficult and blame avoidance a priority. Consequently, it could be argued that party competition conditions the effects institutions and the partisan complexion of governments have on the politics of blame avoidance. Future research will have to examine whether this conclusion holds more generally.

[6] Fiscal drag was easier to use in the German tax system, which does not have any kind of statutory inflation indexation, than in the British one. But even in the British case "automatic" fiscal drag plays an important role because of the effects of economic growth and rising real wages.

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