

BLOCK VOTING IN THE LABOUR PARTY

A Political Exchange Model

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ABSTRACT

This paper offers a retrospective analysis of the trade union block vote, a key internal institution in the decision-making bodies of the British Labour Party. The block vote is normally presented as an institution that facilitated oligarchic control of the Labour Party, a claim largely accepted in this paper. Much less attention has been given to its *efficiency* in safeguarding the supply of trade union resources to the party by linking financial donations to voting power. To understand both the efficient and distributional consequences of the block vote, a political exchange approach to the study of party organizations is adopted.

KEY WORDS ■ British Labour Party ■ party organization ■ political exchange ■ rational choice ■ trade unions

Introduction

One of the most controversial aspects of the organizational link between the Labour Party and the British trade unions has been the ‘block vote’, an institutional means by which big trade unions have been able to dominate the extraparlimentary decision-making bodies of the party. The block vote’s special place in debates about the Labour Party, its seemingly blatant contrariety to democracy, and its gradual dismantling in recent years make it an appropriate object for reappraisal.

The block vote is normally viewed in terms of its ‘distributional’ (power) consequences. This paper examines in greater detail a less considered aspect of the block vote, viz. its *efficiency*. ‘Efficiency’ refers to the way in which different actors within a party continue to have incentives to engage in a political relationship with each other. To analyse efficiency, I adopt a rational choice ‘exchange’ approach to the analysis of political parties. The

first section of this paper sketches an exchange model, which conceptualizes parties in terms of the 'political exchange' that occurs between policy-seeking activists/interest groups and office-seeking politicians. Party organizations are efficient responses to the problems that plague non-simultaneous political exchange. This approach is applied to the Labour Party in subsequent sections. Block voting is revealed as an efficient institution that helped secure trade union funding of the Labour Party for a century. Finally, I show that the contradictions inherent in a trade union-funded vote-seeking party have bedevilled Labour and left it vulnerable to disunity whenever it is in government.

Political Parties and Political Exchange

Before looking at the Labour Party, we need to know something about the nature of political parties qua organizations. Although there is a considerable literature on party organization (e.g. Duverger, 1964; Harmel and Janda, 1994; Katz and Mair, 1995; Kirchheimer, 1966; Panebianco, 1988), rational choice models remain fairly undeveloped (but see Schlesinger, 1984; Strøm and Müller, 1999). In rational choice theory, parties are often regarded as 'black boxes' in wider theories of party competition (Downs, 1957) in the same way that the firm was regarded simply as a production function in neo-classical economics. Indeed, organizational economists' attacks on this conception of the firm point the way forward for reconceptualizing political parties. Oliver Williamson (1985) has argued that firms should be seen as *governance structures* in which certain types of transactions are organized more efficiently than they would be in market exchange.¹ The key elements for Williamson are *imperfect information*, since not everything can be known or planned in advance; *opportunism*, which is 'self-interest seeking with guile'; and *asset specificity*, which refers to the degree to which investments made during the course of a trading relationship are dependent on the continuation of that particular relationship (Williamson, 1985: 30–2). Some exchanges can take place via the market and without the need for institutions because the goods or services being traded can easily be put to alternative uses if an agreed exchange breaks down. Such exchanges involve fairly unspecific assets. By contrast, highly specific assets are vulnerable to opportunistic behaviour in market exchange (e.g. *ex post* attempts to renegotiate contracts) so they are more *efficiently* organized institutionally in firms through a process of 'vertical integration'. Williamson gave the famous example of General Motors buying out the car body manufacturer, Fisher Body in 1926 (Williamson, 1985: 114–15). From 1919, Fisher Body had a 10-year contract to supply GM with car bodies, but a technological shift from wooden to metal car bodies required increasingly specific investments geared to the particularities of GM's cars. GM became dissatisfied with their contract and wanted

to renegotiate more favourable terms. Fisher Body resisted this as well as demands to situate its plants adjacent to GM's. However, Fisher Body could not hold out indefinitely because its investments would increasingly be tied up in supplying GM and it would be costly to switch to other companies. The solution was for Fisher Body and GM to integrate under a unified governance structure, thereby enabling the realization of economies of scale without fear of opportunistic behaviour.

My argument here is that political parties are similar to the Williamsonian conception of firms. Given the nature of the transaction costs attending 'trade' between politicians and activists, such trade is best organized within an institutional framework, whereas politician-voter 'trade' can be accommodated in 'market' (i.e. electoral) exchange. Internal rules and party organs institutionalize politician-activist exchange, providing it with stability and durability. In the remainder of this section, I sketch some general features of party organization before applying the model to the British Labour Party.

Politicians in democracies need activists because in the real world information is imperfect. To win votes, politicians must discover the distribution of voters' preferences and they need to transmit information about their own policies to voters. These tasks require resources such as finance and labour. However, unlike economic entrepreneurs, politicians do not generally recruit workers from the labour market or obtain finance from capital markets. Workers demand wages while loans involve interest payments. Firms can hire workers and borrow capital because they produce private goods, which they sell for profit. By contrast, politicians seek to supply public goods (policies) but the latter do not generate profits because non-participants in the production of public goods cannot be excluded from consuming them. Therefore, politicians must seek voluntary labour and financial donations (Schlesinger, 1984). Rather than offering material incentives, politicians must attract activists with social and purposive incentives. Social incentives refer to such factors as friendship, status and the opportunity to meet like-minded people, while purposive incentives relate to a person's interest in policies or ideology (see Chong, 1991: 31-72; Clark and Wilson, 1961). Social incentives are an important motivation for people to join and participate in parties (see Seyd and Whiteley, 1992: 56-117), but in this paper I focus mainly on policy-oriented purposive incentives.

Politician-voter exchange entails policy promises being traded for votes, but if activists (or interest groups) also want policy promises from politicians, why do they seek to exchange labour and finance for them rather than simply offering votes in electoral exchange? An important reason may be that activists believe that politicians are unlikely to accommodate their policy preferences in conventional electoral exchange because those preferences are 'radical' or 'extreme' compared to those of the median voter. Those voters with 'extreme' preferences may be more likely to engage in exchange with office-seeking politicians if they offer to supply essential resources

other than votes, in particular, finance and labour. This is especially likely in two-party systems, where 'extremists' may have little option but to become political activists if they want their preferences accommodated (May, 1973).

One of the features of offering policy promises in return for resources such as votes or labour/finance is that the exchange is normally *non-simultaneous* (Weingast and Marshall, 1988). Voters offer their votes on polling day in exchange for policy promises, which they hope will be enacted at some future date. Similarly, activists supply finance and labour in the months and years before an election in the hope of obtaining favourable policies when the politicians are elected. In both instances, politicians have a commitment problem because once voters and activists have supplied votes and labour/finance, the politicians could decide to break their promises. Realizing this, voters and activists may undersupply the resources that politicians want (Strøm and Müller, 1999: 16). Politicians thus have incentives to make their promises more credible and thereby reduce their commitment costs.

Commitment problems in non-simultaneous political exchange are similar to the problems caused by high asset specificity in economics (e.g. donated labour and finance cannot be retrieved and reinvested elsewhere), and in the case of politician-activist exchange, the solution is similar: to institutionalize exchange in an efficient rules-based governance structure, i.e. a political party. Strøm and Müller (1999: 16–18) list three institutional means to promote credible commitments in parties: (1) intraparty democracy; (2) internal recruitment policies that favour existing activists; and (3) personnel accountability of leaders to members. The first enables decentralized policymaking, the second permits activists to pursue careers and the third gives activists the power to replace shirking politicians. Each of these is a means, whether direct or indirect, by which activists can influence party policy and limit politicians' autonomy, thereby reducing commitment and agreement enforcement costs. Moreover, policymaking and candidate selection institutions serve to aggregate activists' preferences. This is vital because not every individual activist can obtain her most preferred policy package from the politicians owing to preference heterogeneity among activists. Instead, institutions enable activists to choose which policies they *collectively* want from politicians, for example, by majority rule in a delegate forum. Activists can also change those policies, ensuring that disappointed activists still have incentives to remain in the party because they can fight again within the institutions. In short, the institutions serve as a *substitute* for the explicit exchange of policy promises for resources (a point not always appreciated in other exchange models).

Institutions are necessary in politician-activist exchange, but unnecessary in politician-voter exchange, because, although both types of exchange are non-simultaneous, activists make much higher political investments than ordinary voters. An individual voter has little incentive to form extra-electoral institutions to reduce the still-considerable costs attached to

exchange with politicians because her vote is but one among millions and is cast only once every few years.² By contrast, activists make considerable investments of finance (membership fees) and labour (often in significant quantities). These are wasted if politicians shirk, so institutional guarantees of control are required.

Party organization is thus an *efficient* response to the problems inherent in politician-activist exchange. However, it should be noted that politician-activist relations are not static, but depend on other factors, most notably campaign technologies. With the increasing shift towards capital-intensive campaigning, particularly through the electronic media, and the increasing professionalization of parties, politicians can reduce their demand for activist labour (Katz and Mair, 1995: 20; Panebianco, 1988: 220-35). Although there are limits to the substitutability of capital and labour (Ware, 1992), media-based campaigns enable politicians to communicate more quickly to more voters (see McNair, 1999, for an overview). The effect inside parties can be to increase politicians' autonomy vis-à-vis activists because the politicians are less fearful of an exodus of disgruntled activists. Activists were historically likely to have more control over politicians in the earlier 'mass party' period of party evolution when campaigning was labour-intensive and parties were more likely to have pre-set ideologies and stable constituencies of support (Katz and Mair, 1995). The shift to catch-all and cartel party structures would be expected to reduce the bargaining power of activists, other things being equal.

Indeed, the realization of this leads us to acknowledge more generally that institutions have not only efficient effects but also *distributional* consequences for intraparty actors, as attested by the ubiquity of power struggles in parties. Institutions, along with preferences, co-determine party policy, and just as politicians and activists may have different preferences over policy, they may also clash over institutions. Party change is an ever-present possibility, with the aim usually being to increase or reduce politicians' autonomy. Politicians need some autonomy because they must chart a course between the competing preferences of voters and activists. If activists have extremely tight control over politicians, they may be tempted to foist extreme policies on the party, which reflect the activists' preferences but lose votes. Yet it is too simplistic to regard activists as pure policy-seekers who have no interest in electoral considerations – even the activists' preferences require electoral success for their realization. Activists face a trade-off between doctrinal purity and electability, so it is more realistic to regard them as *constrained* policy-seekers. This means that they wish to establish policy at a position that guarantees a minimum probability of electoral success (which in reality will be an empirical question). Activists may be willing to bargain with politicians and settle for policies that are more moderate than their ideal ones. Intraparty institutions can enable activists to permit some policy drift while retaining ultimate control over the politicians, but the *sine qua non* of electoral competitiveness means that

enforcing activists' preferences is not straightforward. However, the more autonomy politicians enjoy, the greater the potential commitment costs and the more likely that activists will undersupply labour and finance. Party organization reduces but does not eradicate commitment problems. While party organization can make politicians and activists better off than they would be in its absence, it also has distributional effects, which may periodically precipitate intraparty conflict.

The value of the exchange approach sketched above is that it provides microfoundations for parties, enabling us to examine the incentive structures of intraparty actors and the institutions they devise. The approach informs us that efficiently overcoming commitment problems is the major function of party organization. The distributional effects of institutions are also important and explain many of the changes that parties subsequently undergo. These arguments become apparent in the remainder of this paper, which applies the model to the British Labour Party.

Political Exchange and Block Voting in the Labour Party

The Labour Party was formed in 1900 by a coalition of trade unions and socialists, mainly from the small Independent Labour Party (ILP) and the Fabian Society. Its initial mandate was to campaign for votes from the enfranchised working classes to secure the election of Labour candidates to parliament (see Pelling and Reid, 1996). During the 1890s, some trade unions had entered into local electoral alliances with the Liberal Party to secure parliamentary representation, but this failed to protect them from waves of political and judicial attacks on their liberties. An organizational alliance with the ILP and the Fabians became more appealing. The ILP had tried unsuccessfully to develop into a mass membership party similar to the German Social Democrats. Vote-seeking required a well-resourced party organization to campaign on the ground, but attracting members and funds could not be achieved overnight. The choice facing the ILP was a decades-long wait for a mass party based on individual subscriptions or a fast-track to numerical strength through an alliance with the unions. It chose the latter option. Large-scale collective action is easier to organize by drawing together already-existing groups than by starting from scratch, because it dramatically lowers mobilization costs (Chong, 1991: 36).

The ILP's decision to piggyback on the unions represented a trade-off between ideological objectives and medium-term organizational viability. The union leaders were more concerned with issues of direct importance to their members, such as industrial relations law than with ideology and radical policies. Thus, while they would allow the ILP and the Fabians to form the ranks of the political and parliamentary leadership (the busy union leaders faced high opportunity costs in participating in parliamentary politics), the unions would remain in overall control and check the social-

Table 1. Labour Party membership

<i>Year</i>	<i>Individual members^a</i>	<i>Trade union members^b</i>	<i>Socialist and coop. societies</i>	<i>Total membership^c</i>
1900	0	353,000	23,000	376,000
1910	0	1,394,000	31,000	1,431,000
1920	n/a	4,318,000	42,000	4,360,000
1930	277,000	2,011,000	58,000	2,347,000
1940	304,000	2,227,000	40,000	2,571,000
1950	908,000	4,972,000	40,000	5,920,000
1960	790,000	5,513,000	25,000	6,328,000
1970	680,000	5,519,000	24,000	6,223,000
1980	348,000 ^d	6,407,000	56,000	6,811,000
1990	311,000 ^d	4,922,000	54,000	5,287,000
1999	387,776 ^d	n/a	n/a	n/a

Source: Tanner et al. (2000: 394–7).

^a No individual members until 1918. From 1918 to 1927 no count was made of individual members.

^b 'Contracting-in' between 1928 and 1946. 'Contracting-out' before and after that period.

^c Total membership figures for 1900 and 1910 include members of Co-operative and Women's Labour League.

^d New basis for calculation (changed in 1980), but each CLP still allowed a minimum of 1000 votes at the annual conference.

ists' radical impulses. The new Parliamentary Labour Party (PLP) would enjoy a degree of autonomy over parliamentary tactics, but while it remained a weak force in parliament with a small electoral base, Labour would be mainly a policy-seeking party for the unions, hoping to influence Liberal governments (Miliband, 1987). The new party was dominated by the unions, both in terms of membership and funding, though it also permitted a number of small socialist societies (including the ILP and the Fabians) to affiliate. In 1918, a system of constituency Labour parties (CLPs) was established, permitting individuals to join the party independently of the unions and socialist societies, though their membership was, and would remain, dwarfed by that of the unions.

From this, it is apparent that the dominant form of political exchange in the Labour Party differs somewhat from the conventional politician–activist exchange sketched earlier, because it is organizations rather than individual activists that trade with politicians. However, the fundamentals of the exchange relationships are the same. It is realistic to assume that each union is controlled by a dominant coalition, ranging from elected elites and their supporters lower down the organization. Control of the union enables this coalition's elite to engage in exchange with the Labour Party, supplying funds in exchange for policy concessions. However, trade unions have their own internal decision-making and leadership selection structures (through which shirking leaders can be replaced). Thus, a union can always potentially be captured by a new coalition, which then demands different policies

from the party. This is the main difference from the simple politician-activist model, but the other elements are the same. In particular, mutual commitment problems attend the trade between politicians and unions, stemming from the non-simultaneous exchange of union resources for policies. Resources are needed immediately, but policies may not be delivered until years later. By then, the politicians could have incentives to supply different policies. The risk of shirking by the politicians could encourage unions to undersupply resources, to the detriment of both the party and the unions themselves, since the party would be less able to fight for the unions' preferred policies. Party institutions were needed to enable politicians and unions to make credible commitments to each other and reduce the scope for PLP shirking.

However, rather than just one union funding the party, there was a multiplicity of unions, each with different preferences and priorities. This was beneficial because it increased the supply of funds and spread the burden over many contributors, but it also produced problems by creating the possibility of inter-union opportunism. Individual unions might have commitment problems because there would be a temptation to free-ride on the financial contributions of other unions. If a number of unions decided to undersupply donations in the hope that other unions would compensate, then the party's finances could be seriously damaged, which in turn would hinder its ability to campaign for the unions' favoured policies. A means of preference aggregation was needed, which also protected the party's funds from inter-union opportunism.

The solution was to construct internal party institutions that linked financial contributions to decision-making power. A confederal annual conference, dominated by union delegates, would decide policy and serve as the party's supreme decision-making body. A National Executive Committee (NEC) would run the party between conferences and it too would be dominated by the unions. Furthermore, union placemen would be guaranteed places in the PLP. To give unions an incentive to maintain the supply of funds, they would be allocated votes at the conference in direct proportion to the money they donated to the party. The mechanism by which this was achieved was the *political levy*, a small sum that trade union members pay to their unions in addition to their normal union fees. Each union affiliated to the party its own members who paid this levy, even though not all these members were usually aware of the levy's purpose. A system of 'contracting out' ensured that unless levy-payers specifically stated that they did not wish to pay the levy, it would be automatically deducted from their wages. Inertia and ignorance ensured that most uncommitted members failed to 'contract out'.³ For each trade unionist whose political levy went to the party, his union received one vote at the party's annual conference. Big unions affiliated more members and thus obtained more votes.

However, although this was a necessary condition for the unions to maintain their commitments to continue supplying funds, it was not sufficient

because the temptation to free-ride remained. A union might affiliate 150,000 levy-payers, but the latter would have widely differing policy preferences, as would the delegates that represented them at the party conference. If the union's 150,000 votes were divided among its delegates, under a system of 'one delegate – one vote' (ODOV),⁴ it would be the delegates, rather than the individual unions qua organizations, that would hold power. Preference heterogeneity among delegates would mean that delegates from the same union could cancel out each other's votes on the conference floor. For example, if three-fifths of these delegates supported policy resolution X, while the other two-fifths voted against it, the union's 150,000 votes would be split 90,000 to 60,000 in favour of X, leaving only 30,000 (90,000 – 60,000) 'effective votes'. Thus, although the union has paid affiliation fees for 150,000 members, only one fifth of these affect the outcome of the vote. Certainly, the same could happen in other unions, but the greater the differential between those in favour and against a policy, the higher a union's effective vote would be. A smaller union could have more effective votes if there were a greater consensus among its delegates. Thus, a union that affiliated only 60,000 levy-payers would have 40,000 effective votes if its delegates were five-to-one against policy X. By contrast, big general unions with a vocationally heterogeneous membership might be prone to greater opinion diversity and thus a small effective vote.

A system of ODOV or any other form of internal vote-splitting within unions could give big unions in particular incentives to reduce their affiliation levels and thereby their supply of funds to the party. A union with a finely split delegation or membership could reduce its affiliation level with only a marginal impact on its effective votes, since all factions would be equally affected. Alternatively, internal decision costs could rise as union leaders expended resources on reducing the strength of rival factions in order to increase the union's effective votes. This would mean time and effort taken away from other activities and might necessitate costly offers of patronage to pull individual delegates into line. To minimize these problems and thus increase efficiency, Labour adopted an 'indirect' federal structure (Duverger, 1964), whereby individuals could join only through an intermediary affiliated organization such as a trade union. Each affiliate retained internal decision-making autonomy and spoke with a single voice, which in turn facilitated the dominance of the big unions and safeguarded their commitment to continued funding. This system was institutionalized through *block voting* at the party conference.⁵

Block voting involves each organization casting all its allotted votes as a single unit. Each organization arrived at a decision and cast its votes unanimously in favour of that decision while minority opinion was not represented. Thus, in the previous example of a union with 150,000 affiliated levy-payers, the union would cast a single block of 150,000 effective votes at the party conference, whether they were cast in favour of a policy or against it. Although never specified in its constitution, block voting was a

consistent feature of the Labour Party since its formation in 1900 (it was first used by the large unions at the TUC in 1894). Until 1953 there were provisions for unions to split their block votes at the conference, but they were rarely used, and even then mainly by federal unions with distinct regional divisions, such as the miners' union. Before 1953, block votes were printed on cards, which were held up by union leaders at each vote. But with the televising of the conference party leaders were anxious about audiences' response to this practice, so 'secret' balloting was adopted. Where unions previously required just one voting card, they now needed 80 (40 'for' and 40 'against') and it was deemed impractical to multiply this further by giving each delegate a book of voting cards (see Minkin, 1991: 283–6). Secret card voting entrenched the practice of block voting but the latter had existed since the party's formation because it institutionalized the link between financial contributions and organizational voting power. This secured the party's supply of funds by reducing the risk that the big unions might resent their financial burden.

Since block voting compels each union's delegates to adopt a single position on each policy issue, the policies adopted by the conference cannot be seen as a simple reflection of the preferences of individual delegates at the conference. This can be illustrated by looking at a simplified conference consisting of two unions (Figure 1). Union A is left-wing and has 400,000 votes, while Union B is right-wing and has 500,000 votes. Assuming that each union takes up its full entitlement of one delegate per 5000 votes, Union A has 80 delegates while Union B has 100. Under a system of ODOV, the overall distribution of opinion is more important than that within each union, so the median delegate at the conference is at point *M* in the upper panel, and this is where conference policies would be positioned. However, block voting ensures that the preferred position of each union's median delegate is the preferred position of that union as a whole: point *a* in the case of Union A and point *b* for Union B. However, since Union B has more votes than Union A, it can unilaterally decide policy, which it sets at *b*. As we can see, there is a significant distance between *b* and *M*. In this example, the right-wing union wins. From its earliest days until the 1970s, most trade union leaders tended to be from the centre-right of the party (reflecting their concern with its electability), so it is apparent how the left was often disadvantaged by block voting.

The left was also disadvantaged by the intra-union distributional consequences of block voting. At the turn of the twentieth century, when liberals dominated the unions but socialists were growing in influence, block voting prevented socialist union delegates voting with the left-wing socialist societies, and later the CLPs, at the party conference.⁶ If it were ever to capture the party, the left would need concentrated support in the big unions. Block voting enabled centre-right union leaders to control the left by imposing upon it high mobilization costs. Factional conflict had to be waged *within* organizations as well as between them, so minority factions

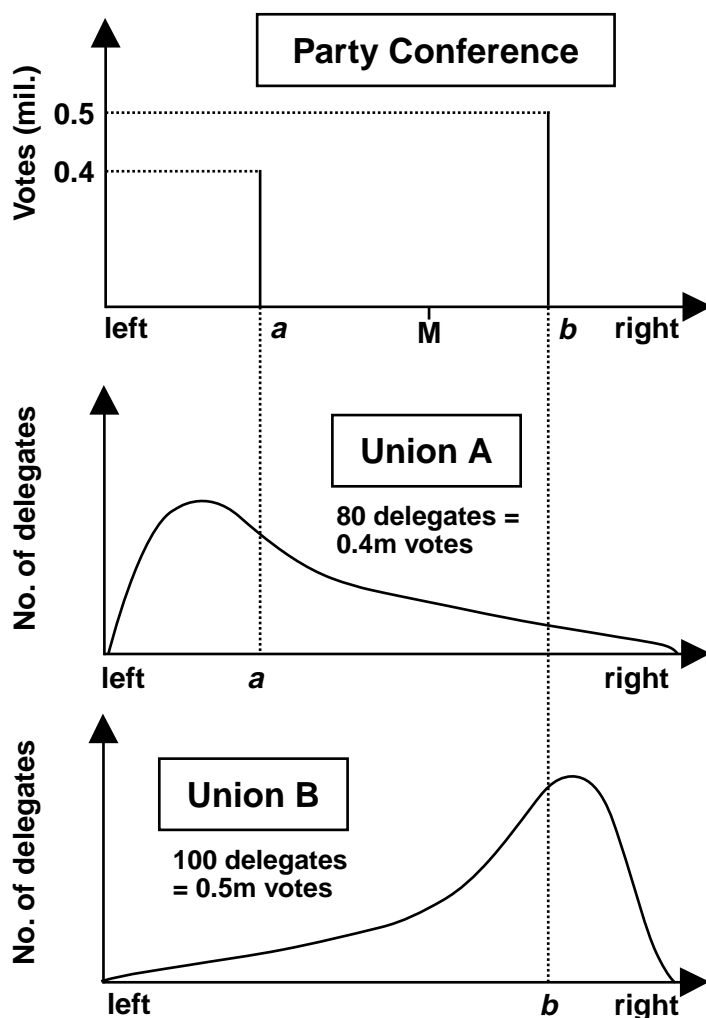


Figure 1. Distributional consequences of block voting

would first need to win majorities inside individual unions – a significant undertaking. Under an ODOV system, factional conflict would be mainly extra-organizational, with majority and minority factions within each union affecting the conference's factional balance. A mandating system or some way of 'whipping' delegates would be needed to bind all delegates to union policy, but it might not be sufficient. Mandating exists in the Labour Party, but the volume of policy resolutions submitted to the conference means that a union's 'official' attitude to a given resolution may be difficult to discern. It is costly trying to write complete contracts or mandates because the future is uncertain. Block voting reduced these measurement costs by providing a

means of voting the preferences of the unions' dominant coalitions. Moreover, measurement costs were increased further by the system of *compositing* resolutions, i.e. merging together different resolutions to reduce the number of issues debated. Often composites could contain elements that a union supported and other elements that it opposed, making it difficult to use mandates as a guide to which way to vote (Minkin, 1980: 164). Block voting circumvented these problems by letting union delegations decide.

Block voting reduced the costs of exchange between unions on the conference floor by facilitating vote trading. The latter is ubiquitous in voting bodies but it consumes time and resources that could be more profitably employed in other ways. By concentrating voting resources in a small number of organizations, block voting enabled union delegations and parliamentary leaders to organize deals quickly. Three or four big unions could collude to ensure their preferred resolutions were passed. Vote trading was particularly prevalent during elections to the NEC, where the big unions normally voted for each other's candidates. Moreover, despite secret voting since 1953, it was usually easy to monitor the voting record of the major unions because each controlled such a large proportion of the votes. Deals were thus more likely to stick, because if a union reneged on promises to vote for another union's resolution it could face retaliation in later votes. By contrast, vote trading under a system of ODOV would be a laborious activity, consuming precious resources and entailing high opportunity costs. Hundreds of individual delegates would have to be canvassed, yet each would have only a small chance of being pivotal to the result of a vote. Furthermore, even if they did promise their votes it would be impossible to determine how they actually voted in the secret ballot.

Nevertheless, a block voting system could become susceptible to instability once the factions were more evenly balanced, as they were from the 1960s onwards. For example, the amalgamation of unions – a steady feature of the post-war years – could impact on conference votes. If a small left-wing union merged with a larger right-wing union, the right would take the combined block vote of the new union, increasing its share of the conference vote without a single delegate's opinion having been changed (Crouch, 1982: 180). Similarly, small shifts within a single delegation could alter the stance of its union and that of the party conference. Thus, in 1979 the large engineering union controlled the decisive block votes at a conference finely balanced between left and right (928,000 votes out of a conference total of seven million). But its own delegation was evenly split, with one floater being pivotal. On his whim, the engineers and thereby the entire party conference passed an important left-wing reform to the party's constitution (mandatory reselection contests for MPs), but defeated another (broadening the franchise for electing the party leader) (McSmith, 1996: 118–21, 139–40).

The thrust of the argument so far has been that big block votes translate into an ability to bring about outcomes, yet an obvious objection is that voting resources are not synonymous with outcome power (Shapley and

Shubik, 1954). If the conference is factionally divided among coalitions of unions, each coalition as a whole might have an incentive to buy more votes and gain a majority. However, each union within the coalition could free-ride, letting its allies buy the extra votes from which they would all benefit. By the same reasoning, some unions might be tempted to reduce their affiliation fees and thereby harm the financial position of the party. We should therefore be wary of viewing unions as vote-*maximizers*. Nevertheless, there are good reasons for supposing that such free-rider problems might not be overly serious. The large- and medium-sized unions probably comprise a 'privileged' group in the Olsonian sense of a group whose members have an incentive to contribute towards the supply of their desired collective good – in this case, money to support the party (Olson, 1971). Moreover, empirical evidence suggests that concentrated voting power at the conference *is* positively correlated with outcome power. A power index analysis of the Labour Party conference in the mid-1980s showed that the 'power' of the transport workers' union (TGWU), then the biggest union, was considerably greater than that of medium and small voting bodies. Each 1000 votes cast by the TGWU was worth 23 percent more on the Shapley–Shubik power index than 1000 votes cast by a CLP (Leech, 1992: 250).⁷

Unions thus had an incentive to maintain their affiliation levels because their voting power was related to their ability to change outcomes. Block voting ensured that unions considering cutting their contributions would be reducing their own voting power at the conference, making them less able to ensure that their policy preferences were prioritized by the party as a whole. Block voting thus helped insulate the party from possible financial threats by its constituent affiliates. Intuition suggests that unions unhappy with the party's policies would have an incentive to cut their funding. In fact, if the opposing faction's majority were not too great, it might be rational for a dissatisfied union to *increase* its affiliation level, and thereby increase the supply of funds to the party. (The incentive would be weaker if either faction had a large majority.) In the 1970s, NUPE, a left-wing union angered by the public spending cuts of the Labour government, increased its affiliated membership from 100,000 in 1974 to 600,000 by 1980 and subsequently helped narrowly pass a left-wing package of reforms to the party constitution. Some right-wing unions considered choking off funds to the left-wing NEC, but pulled back because a reduction in funds would reduce their voting power at the conference, further entrenching the left (Minkin, 1991: 518).

In conclusion, block voting alleviated some of the transaction costs, including commitment, measurement and bargaining costs that might have distorted political exchange between the politicians and the unions. It weakened incentives for unions to free-ride on the contributions of other unions, but the unions' commitment to supply funds is dependent on the politicians' commitment to supply policies. As we shall see, enforcement problems have sometimes plagued the supply of policies.

Party Vote-seeking Versus Union Policy-seeking

The Labour Party's internal institutions were intended to solve two sets of commitment problems: commitment among the unions not to free-ride on each other's financial donations, and the commitment of the politicians to supply the preferred policies of the dominant coalition of unions. In practice, the institutions were more successful in solving the first of these problems. Even with the block vote, the conference's lack of direct elective control over PLP personnel deprived it of enforcement mechanisms and ensured that the unions could never simply *instruct* Labour MPs to implement policies in parliament. One of the most enduring debates about the Labour Party has been whether the party conference or the PLP has ultimate authority over policy (McKenzie, 1964; Minkin, 1980). The potential significance of this issue grew after Labour overtook the Liberal Party in the 1920s to become one of the two great parties of state. Parties in two-party systems have incentives to be *vote-seekers*, accommodating the preferences of 'floating' voters. If their preferences were dissimilar to those of union leaders, Labour's parliamentary leaders would find themselves facing a choice between keeping the unions happy but losing elections, or winning elections with policies opposed by the unions and thereby destabilizing the party. Vote-seeking parties measure their success by 'market' criteria, i.e. elections, but interest groups are *policy-seekers*, which lobby governments but do not measure their own success in electoral terms (Schlesinger, 1984). Trade unions are interest groups seeking to promote the interests of their members, but in Britain the unions are also the main sponsors of a competitive political party. If the party is to be successful, the unions must allow it to adopt a vote-seeking electoral strategy, otherwise they may have to accept Conservative governments, which are instinctively less sympathetic to union demands. On the other hand, unions as interest groups must lobby for policies favourable to their members.

The history of the party-union relationship in Britain is the history of attempts to solve this contradiction. In practice, the party has often been prepared to compromise on policies that were 'popular enough' to be electorally competitive, while still providing some rewards for the unions. In turn, the unions have historically been willing to permit considerable autonomy to the politicians, provided key union interests in society were protected. Once these interests were safeguarded, the party conference could be the public arena where the unions and the politicians struck policy agreements. Since neither side had an incentive to be embarrassed by public disagreements, they were usually willing to 'fix' conference votes in advance so that both sides could save face. The concentration of voting resources in a small number of units facilitated such bargaining and kept the left under control. This 'agreement' at the heart of the Labour Party meant that union leaders left 'politics' and policymaking to the parliamentarians, while the latter agreed to protect key union interests. These interests

included progressive industrial relations legislation and the preservation of free collective bargaining – the system of market-based employer–union bargaining through which British workers had historically secured significant material improvements. Thus, while the unions retained their block votes, rather than using them to seek to impose policies on a reluctant PLP they used them for managerial purposes at the conference, pushing through policies sought by the parliamentary leadership and keeping the left in check. Angelo Panebianco (1988: 94) described this system as one of ‘crossed oligarchies’, which captures the interdependence of the political and industrial elites and the mutual ballast and support they afforded each other.

However, changes in the post-war economy presented problems for the party–union relationship that the party’s institutional structure could not solve. Labour’s landslide victory in 1945 confirmed its arrival as a major force in British politics and thereby increased the incentive for politicians to adopt a vote-seeking electoral strategy, and, once in government, to implement policies that ensured economic stability. All distributional claims by interest groups are dependent on a growing economy, including those of trade unionists, the backbone of Labour’s electoral support. In times of economic recession, all governments are compelled to take measures that restore economic growth, even if they create short-term hardship for the government’s own supporters. For the British Labour Party, with institutionalized links to the trade unions, economic crises could have traumatic effects on intra-party politics.

The unions assumed a greater role in the nation’s political economy, a process that began during the war years and which continued through the 1950s and 1960s. The achievement of full employment created the possibility of spiralling wage costs and inflation unless capital and labour could agree on how to distribute the national income. The result was the growth of tripartite corporatist arrangements between the TUC, the CBI and the government, regardless of whether the government was Conservative or Labour. If the economy were growing strongly, this need not present problems, but in times of recession governments would look to the unions for ‘wage restraint’. The British economy started to experience a significant slowdown in the 1960s, which would last through to the 1980s. It was during this period that relations between Labour and the unions stretched almost to breaking point.

Labour’s attempts in the 1960s and 1970s to impose wage restraint violated the long-standing ‘agreement’ that the party would not intervene in industrial relations to the detriment of the unions. Moreover, incomes policies met with limited success in Britain because the unusual extent of internal decentralization in British trade unions compared with continental unions simply reinforced the attractiveness of free collective bargaining over national wage negotiations. In countries such as Sweden and Norway, corporatist measures and incomes policies were viable because governments could bargain with centralized union movements whose leaders could make

deals stick. By contrast, British union leaders had less control over their members, since considerable power lay with the shop stewards, whose parochial concern for local wage rises had no discernible *individual* effect on national inflation, but all such claims in aggregate had a major impact.⁸ Shop-steward resistance bedevilled incomes policies in Britain.

With rising worker discontent, the left finally achieved a critical mass within the unions, capturing the huge block votes of the transport workers' and engineering workers' unions. For the first time in the party's history, union block votes at the party conference were being cast consistently against the preferences of the party leadership. However, rather than bow to the conference's demands, the Labour governments of Wilson and Callaghan simply ignored the defeats being handed out to them on the conference floor, pushing through deflationary policies and demanding wage restraint. The result was a serious rupture in the party-union link, culminating in the 'winter of discontent', a wave of strikes that sealed the fate of the Callaghan government. The unions fund the Labour Party in order to secure the election of Labour governments that help the unions. When Labour governments are unwilling or unable to do this, union bosses, in their capacity as interest group leaders, must consider the interests of their own members or risk being displaced.

Conclusion

For most of its history, the British Labour Party's organization has institutionalized political exchange between vote-seeking politicians and a set of policy-seeking trade unions. Politicians benefited because they had a ready supply of finance, while the unions benefited by enjoying formal links with a major party of state. Union dominance was institutionalized through the block vote, an *efficient* institution that preserved the supply of union finance for a century. It reduced, though never eradicated, commitment problems between the unions and the politicians.

The significance of the block vote altered once the unions had shifted to the left in the 1970s and economic crisis exposed the weaknesses inherent in a union-based party. Trade union leaders and politicians are driven by different incentives, with politicians needing to take a broader outlook, particularly on economic matters. Clashes over policy were bound to reverberate throughout the party. Indeed, the demise of the Callaghan government in 1979 precipitated an attack on the autonomy of the parliamentarians with a series of organizational reforms, inspired by the activist left but backed by many unions, and which left the party leader and MPs subject to stricter control by activists and unions (Seyd, 1987).

However, politicians in vote-seeking parties need some autonomy if they are to devise policies that can win elections. Labour's wilderness years on the left in the 1980s and the anti-union policies of the Thatcher government

were to force the unions into recognizing this. Moreover, the traumas of the 1970s created a negative public image for the unions in the 1980s and 1990s, and the Labour leadership subsequently sought to distance itself from them. The unions' increasing desperation for a Labour government meant that they went along with the call for reform. After Labour lost its fourth consecutive general election, in 1992, qualitative research by Philip Gould, a key Labour election strategist, suggested that voters distrusted Labour and believed it was a Trojan horse for the unions (Gould, 1999). The party undertook a series of reforms that ended union participation in the selection of parliamentary candidates and abolished block voting in leadership elections, allowing instead individual levy-payers to vote by postal ballot. It also reintroduced facilities for unions to split their block votes among delegates at the annual conference, yet unions' delegates have continued to cast their votes as single blocks, re-confirming the efficiency of this practice (Alderman and Carter, 1994). Furthermore, voting resources were redistributed at the party conference, with the CLPs being allocated 50 percent of the votes by 1996. These reforms have increasingly nudged the unions out of decision-making in the party and heightened their sense of alienation. But they became an inevitable consequence of funding a party that must respond to electoral shifts.

The value of the exchange approach to parties becomes apparent here. The present party-union relationship is characterized by *unequal* exchange, yet Labour remains dependent on union funds, not least because the costs of campaigning have soared. Labour has embraced capital-intensive campaigning, which might reduce its reliance on activist labour, but it requires considerable funds, which only the unions can guarantee. Individual membership drives in the 1980s and 1990s offered initial limited success, but membership quickly fell back. Labour did benefit from increased business donations after Tony Blair became leader, but business donors are rarely loyal: business wants to back winners, as it did with the Conservatives in the 1980s and with Blair in the 1990s, but if Labour looks set for opposition, business donations may dry up. State-funding of parties could rescue Labour, but given the low regard in which politicians are popularly held in Britain, it seems unlikely that any government could secure full state-funding of parties in the short or medium term, though there has been some recent movement. The Neill committee's report on party funding recommended a three-fold increase in existing state subventions ('Short money') to opposition parliamentary parties and new legislation has imposed a cap on campaign spending up to a maximum of £20 million per party, thereby easing parties' demand for cash from sponsors. Nevertheless, campaign and organizational costs will still pose considerable difficulties for Labour if its new-found private and business donors desert it, which leaves only the unions as reliable financial suppliers. The realization of this explains the lack of calls recently from government allies for a party-union split. However, a small number of union voices have begun to broach the subject, notably the

leader of the fire brigades' union, Ken Cameron.⁹ Rational union leaders want a return on their investments. If internal party institutions are skewed against them and government policies are seen as timid or even regressive, then only different policies or different institutions will prevent increasing demands for a divorce.

Notes

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- 1 Williamson's approach falls within the realm of 'transactions cost analysis'. For reflections on transaction costs in politics, see North (1990).
- 2 An important dimension of asset specificity is the frequency of exchange, with infrequent exchange less needful of costly governance structures (Williamson, 1985: 72–3).
- 3 In 1928, the Conservative government changed the law so that levy-payers had to 'contract in' otherwise their dues would not be deducted. Inertia and ignorance now worked to the disadvantage of the Labour Party, and its affiliated membership duly fell. The Attlee government reintroduced 'contracting out' in 1946.
- 4 Labour's rules stipulate that a union can send one delegate to the conference for every 5000 affiliated levy-payers.
- 5 In this paper, I concentrate on block voting in policymaking. Block votes were also used in elections to the NEC and, during 1981–93, in the CLP and union sections of the electoral college for electing the party leader. During election campaigns the unions contributed extra funds that were not reflected in voting rights.
- 6 The socialist societies and CLPs also cast block votes, but they were vastly outnumbered by the unions.
- 7 The dominance of the large unions was reduced in 1996 when the CLPs were allocated half of the conference votes.
- 8 On the link between decentralization and free collective bargaining, see Crouch (1982) and Taylor (1991).
- 9 See Sassoon (1993) for an argument in favour of a party–union 'divorce'.

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