Wayne Swan has drawn a parallel between the the ALP's 'Laborism' and New Labour's 'Third Way' in the UK. Number 10/flickr , CC BY-NC

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The Australian Labor Party and Britain's Labour Party are in vastly different places. While the ALP holds a firm lead in opinion polls over the Coalition government, its British counterparts pulled off a shock election result in June. Its leader, Jeremy Corbyn, proved critics wrong and increased Labour's vote share more than any other party leader since 1945.

Although Labour was not able to form government, Corbyn's "win" signalled the party's existential crisis had come full circle. His success as leader can be seen as a fundamental rejection of Tony Blair's centrist policies, or " Third Way ", and a return to the party's democratic socialist foundations.

Ed Miliband's defeat at the 2015 UK election marked the beginning of a radical turn back to the left for Labour. This shift led to various reports about internal conflict within the party.

All of this may seem remarkably familiar to Australians, after the now-infamous ALP leadership spills between 2010 and 2013. Labor MPs ousted two sitting prime ministers.

What appears to be a critical juncture for both parties was their respective embrace of the free market and economic liberalisation. But was this move a necessary evil for both parties to return to government? Or was it a response to broader global economic liberalisation? Or a genuine attempt to achieve equity through trickle-down economics?

The answer lies somewhere in between.

Neoliberalism or 'Laborism'?

Labor prime ministers Bob Hawke and Paul Keating are perhaps best remembered for the economic reforms that opened Australia's economy to the world after decades of protectionism and stagflation.

Arguably, Gough Whitlam initiated these reforms. After inheriting one of the most protected and least competitive economies in the world, Whitlam took the first steps toward liberalisation through the flat 25% reduction of tariffs.

Hawke and Keating continued this economic liberalisation by further reducing tariffs, deregulating the financial sector, floating the Australian dollar, and privatising state assets.

Within a wider context, the shift toward more economically liberal policies was part of a move within the English-speaking world toward the Anglo-American model of neoliberalism, as promoted and implemented by Margaret Thatcher and Ronald Reagan.

However, in retrospect, it would appear the ALP is reluctant to label these reforms as neoliberal. Recently, Australia's former federal treasurer, Wayne Swan, argued that Whitlam, Hawke and Keating's agendas were not strictly neoliberal; they were an example of "Laborism".

Swan explained that neoliberalism was a poor description of Labor's economically liberal reforms because, ultimately, their aim was to create greater equity in Australia through trickle-down economics that would lift the standard of living for working-class Australians alongside wealthier citizens.

Swan also pointed to other social reforms that were implemented alongside the tariff cuts and privatisation, such as the reintroduction of Medicare. Such social policies were not, he argued, necessarily in line with what he believed to be the broader neoliberal doctrine.

Bob Hawke and Paul Keating's reforms opened Australia's economy to the world after decades of protectionism and stagflation.Bentley Smith/flickr

Tony Blair and the 'Third Way'

Swan drew a parallel between the ALP's "Laborism" and the "Third Way" of New Labour in the UK.

Blair crafted the "Third Way" with the view that old class divisions between the "left" and "right" were redundant. He saw a greater move toward the centre as not only necessary but practical.

The original argument for a "Third Way" came from Anthony Giddens, who argued that reformist governments could no longer rely on the left-right binary in the face of powerful globalising forces. To adapt, the traditionally left-leaning Labour Party would need to adopt more conservative policies.

In moving toward the Third Way, New Labour cast aside traditional party preferences for Keynesian economic policies that relied heavily on state intervention. Instead, it looked to the ALP for lessons in “marrying economic openness with social justice” .

In doing so, Blair and his chancellor of the exchequer, Gordon Brown, introduced reforms that made the Bank of England independent and allowed for freer movement of labour between the UK and the European Union.

It appeared New Labour was continuing some of the economic reforms begun by previous Conservative governments. Yet Blair also declared his party's commitment to a “21st-century welfare system”, which was directly aimed at reducing the perceived inequities and social divisions that Thatcher's policies created.

A necessary evil?

"Neoliberalism" often gets used as a catch-all description for the negative aspects of the modern world. Hence the ALP and Labour's reluctance to refer to their policies as being "neoliberal".

One of New Labour's legacies has been a perceived failure of the "Third Way". It has been argued that New Labour's economic policies set the UK up for a spectacular fall during the global financial crisis.

Corbyn, along with the movement that supported his rise, defined his policies as being a return to the party's democratic socialist roots. His success was an inherent rejection of the Third Way.

A song for Jeremy Corbyn.

The ALP, on the other hand, appears content to continue on the path of Hawke and Keating. The reason for this could lie in the relative success of the ALP's decision to embrace the free market. Economist Thomas Piketty estimated the share of income going to the top 1% is about 14-15% in Britain – but only 9-10% in Australia.

And unlike other Western economies such as the UK and the US, Australia is yet to undergo a recession. One of the factors that have been credited for this was the economic policies of former Liberal prime minister John Howard; Howard was continuing the neoliberal program first set out by Hawke and Keating.

Howard was succeeded by Kevin Rudd. His government's stimulus programs of 2008-10 were credited by most economists, both local and international, for helping Australia avoiding a post-global-financial-crisis recession.

So, was embracing the market a necessary evil? While it's easy to assess this with the gift of hindsight, it's important to place Britain and Australia's move toward economic liberalisation within the context of a broader global shift towards neoliberalism.

Both countries had significant recessions during the 1970s. Britain required IMF assistance in 1976; Australia experienced sustained "stagflation".

The Bretton Woods system had collapsed, and it appeared Keynesian economics had failed both countries. A shift toward freer markets appeared to be the radical change that was needed to remedy the economic malaise.

But it can also be argued that neither party was truly neoliberal. Both created an ideology that attempted to marry economic liberalisation with the democratic socialist values upon which they were founded.

The varying successes of "Laborism" and the "Third Way" not only tell of how two democratic socialist parties sought to modernise through the creation of new ideologies, but also point toward why the ALP has remained firmly in the centre while Labour has taken a sharp turn back to the left.

While both parties may have set out to modernise and renew their ideologies, the attempts by the ALP and Labour to marry the old and new precipitated two separate identity crises, which have carried through to the present day.

Especially in light of Corbyn's election performance, questions about whether Labour's return to the left is still symptomatic of an identity crisis or a solid acceptance of a return to its roots are louder than ever.

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