# The development of labour market policies. Comparing long-term policy change in the British Labour Party and the Sozialdemokratische Partei Deutschlands.

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# Abstract

During the 1980s and 1990s, the autonomy and capacity of the state has been under considerable stress in regards to the reduction of public policy choice. 'External' forces of globalisation and technical innovations have led to a loss of economic 'boundary control', initiating cross-national policy change and a convergence of public policies on a neo-liberally-led paradigm.

This development has been reflected in the processes of policy change experienced by the British Labour Party and the German Sozialdemokratische Partei Deutschlands (SPD), in particular in the ideologically charged area of 'social democratic' labour market policy (LMP) choices.

This study argues, that although political systems and institutional cultures of 'social democratic' parties and agents differ substantially between the UK and Germany, 'social democratic' parties economic policy approaches are increasingly developing along similar lines. Both parties' responses to the changing contextual 'internal' domestic as well as 'external' socio-economic factors are cross-nationally compared and their constrains encountered by path dependencies and a historically institutionalised economic policy paradigm are investigated.

Faced with a general shift in paradigm from 'Keynesian' to 'neo-liberal', party actors - guided by prescriptive social democratic policy templates - were initially inhibited from aligning policy approaches. This contributed significantly to a 'delayed' shift in both parties' economic policy paradigm, electoral failure, and a lack of the parties' public economic policy credibility.

Several strata of information have been used to combine analytical and empirical evidence - utilising both quantitative (statistical) data as well as the historical analysis of both parties' policy development processes. Qualitative sources have been backed up by quantitative evidence of the parties' programmatic changes in labour market polices that were gathered with a labour market policy coding frame for the statistical multi-lingual comparison and content analysis of parties policy documents.

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# Abbreviations and Acronyms

| | |
|---|---|
| ABM | Arbeitsbeschaffungsmaßnahmen (Employment Creation Scheme) |
| AES | Labour Party's 'Alternative Economic Strategy' |
| AFG | Arbeitsförderungsgesetz (Employment Promotion Act) |
| CCF | Collapsed (labour market policy) Coding Frame |
| CDA | Christlich Demokratische Arbeitnehmerschaft |
| CDU | Christlich Demokratische Union (Deutschlands) |
| CMT | (Labour Party's) Campaign Management Team |
| CSJ | Commission on Social Justice |
| CSU | Christlich-Soziale Union |
| DGB | Deutscher Gewerkschaftsbund / German Trades Union Confederation |
| Die Grünen | German Green Party, from 1993 onwards Bündnis 90/Die Grünen |
| EC | European Community |
| ECB | European Central Bank |
| EMU | Economic and Monetary Union |
| EP | European Parliament |
| EPO | Election programmes only |
| FCF | Full (labour market policy) Coding Frame |
| FDP | Freie Demokratische Partei (Deutschlands) |
| FRG | Federal Republic of Germany |
| GDR | German Democratic Republic / Deutsche Demokratische Republik |
| ILO | International Labour Office |
| IPPR | Institute for Public Policy Research |
| Labour Party | (British) Labour Party |

| | |
|---|---|
| LMP(s) | Labour Market Policy / Policies |
| MdB | Mitglied des Bundestages |
| MP | Member of Parliament (House of Commons) |
| MSC | Manpower Service Commission |
| NEC | (Labour Party's) National Executive Committee |
| NHS | National Health Service |
| NICs | Newly Industrialised Countries |
| OMOV | 'One member one vote' system |
| PACE | (Labour Party's PRP) Productive and Competitive Economy |
| PDS | Partei des Demokratischen Sozialismus |
| PES | Party of European Socialists / Sozialdemokratische Partei Europas (SPE) |
| PLP | Parliamentary Labour Party |
| PMS | Election programmes and mid-term statements |
| PRP | (Labour Party's) Policy Review Process |
| R&D | Research and Development |
| SDP | Social Democratic Party (UK) |
| SPD | Sozialdemokratische Partei Deutschlands |
| TECs | Training and Enterprise Councils |
| TUC | Trades Union Congress |
| WW2 | Second World War |
| YTS | Youth Training Scheme |
| ZIP | Zukunfts Investitions-Programm |

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# Chapter 1. Introduction: The development of labour market policies. Comparing long-term policy change in the British Labour Party and the Sozialdemokratische Partei Deutschlands.

## 1.1. Introduction

This thesis deals with the ongoing policy change and organisational transformation brought about by the British Labour Party (1979-97) and the Sozialdemokratische Partei Deutschlands - SPD (1982-98) in a period of long-term opposition. During this period the autonomy of the state came under considerable stress and the capacity of the parties in government to make effective public policy choices was significantly reduced. Forces of economic globalisation and innovations in information technology have led to the loss of economic 'boundary control', initiating cross-national policy change with convergence of public policies between parties of differing ideological persuasion on the basis of a neo-liberal paradigm. In response, the state and within it (governing) parties have increasingly responded to these challenges by changing their policies, mainly by reducing state interventionist measures or ceasing to advocate such solutions.

The processes of party policy change are to be investigated by analysing the manner in which party political elites have gradually altered their 'belief systems' over time, taking into account the specific conditions and restraints political parties (as mass membership organisations) are under.[1] In other words, how did both 'northern' European social democratic parties - in opposition - solve their problem of achieving a functional alignment of goals and structure, while engaging in an ongoing learning process in the

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[1] The notion of 'belief systems' rather than 'interests' is chosen for this study. While interest models presuppose the definition of a set of means and performance indicators necessary for goal attainment (interests/goals), 'beliefs' are more inclusive and more verifiable. 'Belief systems' models can incorporate self-/organisational interests allowing actors to establish goals in different ways (e.g. perceptions due to

presence of persistent uncertainty? Furthermore, can we draw wider conclusions from the experiences of those two parties?

This thesis uses the example of both the development of labour market policies (LMPs) in both parties to assess comparatively the institutional learning and processes of policy change both 'social democratic' parties engaged in during their long period in opposition. We than draw conclusions from the processes of transformation by looking at how party actors have analysed and incorporated different 'influence-components' into programmatic and organisational responses. The eventual aim is to understand how both 'social democratic' parties (in opposition) have been subject to differing 'external' national and international as well as 'internal' influences (such as different intra-party challenges, traditions, and party policy making processes) and how - in response - processes of policy change have occurred.

In Chapter 2 we assess the exogenous shocks in social and political conditions in the form of increasing state budgetary problems; the rising challenge of high unemployment; changing economic conditions (Europeanisation, globalisation, the rise of the multinationals and NIC's; oil crisis; the decline in economic growth and unsustainability of the previous expansion of welfare states) that altered dramatically the socio-economic landscape and deprived social democratic parties of their Keynesian-inspired economic policy foundations. As a result, their traditional programmes had been deprived of a substantial set of (nation-based) policy solutions.

In Chapter 3 we investigate the 'internal context' (national operational conditions, agenda's, strategies and choices) in which both parties had to place their LMP development. Here, we assess, if the Labour Party and the SPD also suffered under the structural disadvantage of being in opposition, i.e. if it can be claimed that they were deprived of substantial governmental (civil service) resources, up-to-date data and the pressures of having to adopt pragmatic and financially sound policy positions that the public would view as realistically implementable once in office. At the same time, we focus on the changing role of policy presentation, policy communication and the use of

socialisation), making it more inclusive. (Sabatier, Paul A. - 'An advocacy coalition framework of policy change and the role of policy-orientated learning', Policy Sciences, 21, 1988, p 142)

the media. Furthermore, both parties encountered differing national political systems, and to their electoral disadvantage - changes in the social composition of the electorate.

In Chapter 4, we look at the experience in both parties of substantial degrees of institutional path dependency in their policy development outlooks that inevitably hindered a swift switch of economic paradigm by party actors. Furthermore, we discuss, if this led in turn to a situation in which the parties felt unable to modernise traditional Keynesian-led economic policy approaches that remained initially a fundamental part of their ideological framework. In other words, did actors encounter severe problems when considering a shift in the party's economic paradigm, and hence continued to develop - in an incremental and rational manner - policies that were based on traditional institutional rules and operating procedures.

Chapters 5 and 6 deal specifically with the parallel search for credible new labour market policies and considers traditional pathways; their eventual amendment; and the agenda setting by conservative governments as well as both parties' responses and policy review processes. Both parties' organisational and policy transformation is, furthermore, compared and conclusions are drawn from the SPD's and Labour Party policy actors' evaluation of their parties' policy changes. These chapters deal, furthermore, with the reform of Labour's and the SPD's internal procedures and policy-making processes.

In Chapters 7 and 8 we develop and use the tool of a labour market policy framework for the content analysis of the parties programmatic developments in order to assess both parties paradigmatic development of economic policies during the period of investigation. We then apply qualitative data to analyse and explain the policy developments that have taken place in this area. Here, the aim is to show the role paradigms played within the process of parties' making policy choices and deciding upon their political strategy.[2]

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[2] Paradigms are used in this study as frameworks containing explicit statements on perceived concepts of thought and theories. They entail a multitude of commitments to preferred types of instrumentation and to the ways in which accepted instruments may legitimately be employed. Often institutional rules derive from paradigms, but paradigms can guide (research) even in the absence of rules. (Kuhn, Thomas S. - The structure of Scientific Revolutions, The University of Chicago Press, London 1962 [1968], p 40). Paradigms set the limits of action, the boundaries of acceptable inquiry and maintain criteria for the finding of problem solutions. Inevitably, policy-makers may face the problem of being unable to perceive and consider possible

Overall, this thesis focuses on the question, if the continued application of a party paradigm offers part of the explanation why both parties faced long-term electoral failure, and if the eventual overall shift in economic paradigm - leading to a substantial degree of policy convergence in both parties LMPs - can be held responsible for both parties eventual revival in electoral fortunes?

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### Research approach

A. Investigate the environmental context and challenges for social democratic parties.

B. The assessment of the programmatic change with quantitative and qualitative research tools (using the example of LMPs).

C. The coding of party policy documents allows their quantitative content analysis, which can be added to the evidence drawn from the used common and grey literatures as well as the interviews, conducted with party actors.

D. The investigation of institutional constraints on rational party actors in order to enhance the understanding of social democratic party policy choices.

E. The assessment of the question if the crises of the Keynesian paradigm led to exceptional difficulties for social democratic party actors as they tried to adapt to a changed environment and amend traditional policy paths.

F. Is it possible to generalise about the development and changes of LMP-making over time by both social democratic parties?

G. The comparative analysis of programmatic choices and organisational changes, and the significance of their role played in the revival of the Labour Party's and SPD's electoral fortunes.

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## 1.2. Hypotheses

This thesis tests the convergence hypothesis that, although the political and institutional cultures of 'social democratic' parties and agents differ(ed) substantially between the UK and Germany, the experience of similar 'outside' factors (such as the internationalisation of the economy) as well as specific differing 'inside' factors (such as operational difference in the domestic political systems) led to the British Labour Party

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problems or solutions, which lie beyond their own paradigm defined horizon. (Chilcote, Ronald H. - Theories of Comparative Politics, Westview Press, (2nd ed), Oxford, 1994, p 58) In regards to policies makes, Fritz Scharpf has described paradigm rightly as "are operating within institutional settings in which they are much less free in their actions than autonomous individuals might be. They are themselves likely to be constituted by institutional norms that not only define their competencies and other action resources but that also specify particular purposes and shape the associated cognitive orientations." (Scharpf, Fritz - Games actors play - Actor Centred Institutionalism, Westview Press, Oxford, 1997, p 12).

and the SPD's increasing development of economic policies along similar lines (during their long-term spell in opposition) in the 1980s and 90s. In fact, the parties' strategic decisions and their policy-making processes enable us to establish similar overall patterns of 'social democratic' (opposition) party response behaviour. The formulation of changing labour market policies (LMPs) proposed by both parties can be used to illustrate the impact this behaviour has had over both parties' processes of policy change.

Even more significant is the fact that both social democratic parties moved at a similar moment in time towards the adoption of an increasingly neo-liberal (labour market) policy prescriptive economic policy paradigm. This development process was already clearly indicated by both parties incremental expression of LMP changes since the mid-1980s, but gained momentum that led to an overall change of paradigm and hence overall policy approach by the mid-1990s. In fact, a similarly (ten year) delayed shift in economic policy paradigm (compared to their Conservative party rivals) from a Keynesian-led to neo-liberal dominated policy paradigm can be detected among both parties that can be explained by actors' similarly 'path-dependent' application of a 'strongly institutionalised' (social democratic) Keynesian-led policy paradigm that prescribed the parties' labour market policy choices. (Chapter 4)

Furthermore, the remaining substantial traditional differences between party institutions and policy making processes, which could have been expected to have led to a consistently larger range of varying party policy approaches were significantly overwritten by the greater picture of social democratic parties having to re-orientate their common policy approaches (and paradigms) according to the requirements of the substantial change experienced in political and economic circumstances. In fact, the effects of the policy reviews undertaken by both parties since 1979/1982 point towards a dilution of the traditional social democratic model and are an adjustment to constrained circumstances rather than a renewal of the model.[3]

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[3] Until their general election victories in 1997/98, the British and German Social Democrats continued to perform weak during elections, even when they diluted their traditional policy model. Only when they regained the ability to deliver strong and credible policy visions (even if predominantly neo-liberal and increasingly similar to their political party opponents) did their electoral fortunes change. This was even more so the case when they were able to offer policies that addressed the question of unemployment. In fact, as soon as the electorate believed that specific policies were the best possible attempt to cut unemployment, both parties were electorally successful, which also shows that election commitments and programmes of political

## 1.3. Research Aims

The comparative component of the study and the time period under investigation will document the degree of the possible emergence of cross-national policy formation patterns independently of party rules, procedures and institutional design.

Transnational differences in work and welfare arrangements range from minor variations in official definitions to deep-seated and long-lasting contrasts of historical formation, social philosophy, and institutional design. The comparative character of the study offers a useful insight into the degree to which 'internal' and 'external' factors determined the most recent development of 'social democratic' thought and policy positions.

Furthermore, this research adds to the 'party systems' literature by attempting to distinguish more clearly between the institutional and rational factors that determine party policy-making outcomes. Some useful insights into the nature of 'social democratic' party policy development in pre-governmental 1997/98 opposition can be drawn in particular in response to the re-emerging challenge of unemployment. Furthermore, processes of policy convergence are identified, which show that the growing dominance of the external environmental conditions takes place at the expense of historical institutional 'centrifugal' tendencies.

Finally, parties and their changing political appeals are best studied on a comparative cross-national scale, as the basis for judgement must be relative rather than absolute. A cross-national research approach is far better able to shed light on questions such as have parties made use of the entire range of strategies available and have they utilised appeals used by their social democratic sister parties? Which are the significant policy areas and what is the degree of cross-national congruity? What are the national factors influencing parties' choices? Is the search for new policy approaches such as the 'Third Way' and 'Neue Mitte' an attempt by parties to re-define an ideological base for policy making which offers a framework that can be fitted around their increasingly pragmatically orientated policy outlook?

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parties are more significant than many observers believe. In other words, only when social democratic parties were able to portray themselves as confident and competent were they able to dominate the programmatic policy agenda and be electorally successful. Additional aspects, such as policy presentation, communication and the use of the media will also be looked at in greater debts in the Chapters 3 and 6.

## 1.4. The quantitative and qualitative approach to policy analysis

The general strategy of investigation is based on an 'embedded' (multiple units of analysis) as well as 'multiple-case design' approach as specified by Robert K. Yin.[4] Hence, the study of the programmatic developments in the area of labour market policy involves more than one unit of analysis. Within the single (although wide) policy area chosen for the case study, attention is given to a substantial range of sub-units.

It is necessary to focus on the parties' organisations as a whole, while recognising the importance of several intermediary units. At each level of analysis, different data collection techniques will be used, namely programmatic content analysis,[5] statistical data analysis and elite interviewing.[6]

This 'embedded' design has the advantage of allowing the investigation of sub-units, while also dealing with the larger institutional unit. This allows us to remain focused on the phenomenon of party actors' changes in beliefs and interests (party policy-making behaviour) while not neglecting the case (LMPs) and context (historical dimension) of the study.[7]

Several strata of information have been used to combine analytical and empirical evidence - using both quantitative (statistical) data[8] (Chapters 7 and 8) as well as the historical analysis of the Labour Party and SPD's policy development processes throughout their period in opposition (Chapters 2, 3, 5 and 6).

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[4] Yin, Robert K. - Case Study Research, Sage Publications, London, 1984, p 46

[5] Based on party manifestos or platforms, defined as the recognisable statement of policy, which has the backing of the leadership as the authoritative definition of party policy (see: Chapters 7 and 8 on programme and manifesto analysis).

[6] The study of institutional party behaviour includes interviews with individual party actors/functionaries as a sub-unit of study.
In order to evaluate actors perceptions of change, interviews with both parties past and present actors were held which focused on seven areas. First, actors were asked about their evaluation of newly applied LMPs and the way they perceived the process of policy change; secondly about the impact of party institutional specific developments over time; and thirdly how and if they (personally) experienced changes in believes and opinions. A fourth area of inquiry was concerned with their own role and specific events which took place during their tenure in (influential or observant) party positions; a fifth set of questions inquired about what they believed to have been the main factors that led to policy change within their parties; following on from this they were then asked about their evaluation of the changes within party programmes and their causes; and finally actors were invited to express what future LMP trends they expected from their parties.

[7] As suggested by Yin, Robert K. - Case Study Research, Sage Publications, London, 1984, p 50

[8] Quantitative (statistical) evidence has been collected with the help of a especially developed labour market policy framework to enable the statistical multi-lingual comparison of parties policy pledges expressed in party manifesto's and major mid-term statements over time.

While looking at a single policy area, it is important that the research design enables the assessment of multiple sub-cases of policy that fall within the LMP area. This makes this approach unusual, as it is assumed - for the comparative component - that policy preferences of both parties may overlap, i.e. the aggregation of policy approaches are viewed as a whole in order to deal with the labour market and tackle unemployment. However, as much as assessing the single policy outcomes and explanations behind it, multiple-sub cases of policy-making can only be compared loosely when considering actors' intentions and policy contents, as their contextual circumstances are of similar significance.

This thesis will consider agency, institutions and structure. Competing narratives are assessed and drawn from several theoretical approaches while evaluating which one is most helpful and least instructive. Policy decisions of political parties are bound by certain organisational rules. Party rules that were introduced by actors to guide and safeguard decision-making and recognise contextual factors (e.g. environmental change) beyond the control of single actors short-term considerations. However the role of individual (rational) actors cannot be ignored.

In order to simplify the research focus, a variety of factors influencing the policy formation process of political parties in opposition must first of all be identified and grouped. As shown in table (1.1), it is the intend to go beyond the stage of analysing policy change as a function of political parties consisting of input, black box, output and feedback factors. Instead, to gain useful results, different factors and theoretical approaches are identified to explain and evaluate outcomes of party policy-making.

The number of factors listed in the generalised model of the 'policy change function of political parties' are not fixed and their significance and role varies depending on the individual party structures, the distinctive political environment and above all the specific policy area under investigation (1). For the purpose of this study, the factors of motivation (2) and policy making (3) are chosen to be at the heart of the research focus when explaining the process of LMP change. From this follows the choice of theory applied in the analysis in order to gain an improved understanding of the programmatic policy outcome (4) over time. At the same time, the eventual policy outcome (4) produces feedbacks on motivation (2) as well as policy-making process (3) for the next 'round' of

policy change in a continuous process of parties' re-balancing the various and constantly changing interests, factions and influence components within their institutions while responding to the continuously changing 'external' and 'internal' environmental and policy contexts (1).

For this thesis, an approach that contains the quantitative and qualitative analysis of policy programme content has been chosen to document and assess the development of LMPs by the Labour Party and the SPD.

(1) The quantitative approach: Quantitative (statistical) evidence has been collected with the help of an especially developed labour market policy framework to enable the statistical multi-lingual comparison and analysis of parties policy pledges expressed in party manifesto's and major mid-term statements over time.

(2) The qualitative component in form of commonly used empirical research tools: Programme analysis, literature, party documents and interviews with policy actors have been used to assess the processes involved in the LMP-formation of the Labour Party and the SPD and supplement quantitative findings. This means, that LMP-making will be brought into a greater overall context, recognising the overall party behaviour patterns and policy development as well as changing inner-party structures and contextual environmental economic and political conditions.

## The policy change function of political parties in opposition

**1. CONTEXT**
**External**
•economic factors
(technical; data
circumstances)
•political factors
(government action,
circumstances change)
**Internal**
•inner-party conflict
•factionalism
•shift power balance

**2. MOTIVATION**
•electoral failure
•maximize vote
•distinguish as
opposition party
• organizational
learning
•ideological beliefs +
and values
•preference shaping
•political strategy /
agenda setting

**PARTY POLICY-**
**MAKING PROCESS**
**rational actor element**
•market exchange
**institutional element**
•culture and traditions
•political system
•internal/external party
situation
•paradigm shift
**sociological element**
•policy learning

**POLICY OUTCOME**
**in the area of labor**
**market policy**
•programmatic change
•policy shifts
•party institutional
change
•change in policy
communication,
presentation and style
•organizational change
•policy innovation

Table 1.1.

While the content analysis process is impartial and direct (quantitative), the inferences drawn from the results may be quite subtle and indirect. Often, an important part of the inference process consists of the recognition and collection of external information aiding the interpretation of the content analysis of the text (qualitative). Quantitative content analysis alone does not necessarily lead to reliable research results (as the frequency of an assertion may not necessarily reveal its importance), hence qualitative research must be utilised to validate the quantitative results.

## 1.5. Social Democracy and labour market policy

Since the experience of the great depression with its severely high levels of unemployment in the 1920s, there is possibly no single aspiration with which Social Democratic parties in Europe have identified themselves more closely than the achievement or maintenance of full employment.

During the thirty post-war years of economic growth (1945-1975) the problem of unemployment seemed to have been diminished and contained with the help of Keynesian economic policy, a policy approach that is often understood as the embodiment of the post-war 'social democratic' model of managed capitalism.[9] Keynesianism unified social democratic revisionist theory and practice creating the conditions that enabled the parties to enact their principal policy ideas of freedom, social justice and equality more effectively than ever.

Therefore a 'strong link' can be established between LMPs advocated by social democratic parties and Keynesianism (even if the actual degree of Keynesian-led policies applied varied substantially between different countries). Furthermore, the evaluation of the responses of policy-makers to the challenges to established welfare states and labour market policies is critical for evaluating the currently widely held thesis that rapid and inexorable social, economic and political strategic change is undermining the viability of distinctive welfare regimes. (Martin 1996, Pierson 1997) Here, comparative policy analysis is essential, as the extent to which 'similar' parties remain capable of adopting distinctive policies or show tendencies towards convergence reveal an insight on how causal mechanisms generate continuity of change in party policy choices over time.

Here, the development and changes in labour market policy positions offer an insight to the validity of arguments about the effects of globalisation on policy-makers' as the pressures for convergence in this area can be expected to have been particularly intense.

## 1.5.1. The quantitative and qualitative approach to policy analysis

For this thesis, the analysis of policy programme content has been chosen to assess the development of LMPs by the Labour Party and the SPD.

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[9] Keynesianism and Keynesian-style policies are notions used in this thesis as a generalising concept that combines the substantial intervention of the state into economic processes, with the Keynesian paradigm being based on the main aspects of John Maynard Keynes 'General Theory of employment, interest and money' (1936). In short, at the heart of the Keynesianism paradigm lies the concept of balancing aggregate demand and supply as a concept of macroeconomic analysis. Furthermore, it entails the provision of an alternative rationale for active government management of the economy to the 'classical' neo-liberal view that the market economy functions best when free from state intervention. Furthermore, the Keynesian paradigm includes a particular set of policy prescription often referred to as 'counter-cyclical demand management'. This means, for example, that during recession Keynesianism advocates active fiscal state policies such as increasing public spending, tax reductions or public works financed by budgetary deficit in order to revive the economy with extra investment and demand. See also 4.1.1. and 4.5.1.

Since the party archives for the period analysed remained inaccessible (20 year rule), the research relied on semi-archival sources such as published and unpublished party documents, "grey" literature (e.g. internal party working papers), the analysis of party events in the academic literature, newspaper reports, speeches and public statements of political actors as well as numerous interviews with leading party actors and observers during the period of investigation.

Political actors' perceptions of events and their explanations of policy changes, actors' stated beliefs, intentions, and motives have been taken seriously in this study as party functionaries are not just expected to have acted within their party position, but also (and probably more importantly) as 'representatives' of their own perceptions. Interviews have also been a very useful source of information as - in the nature of parties - many discussions among actors take place informally or without any written trace to constitute evidence.

Limitations governed by the official requirements of the size and structure of the thesis have meant that only excerpts from various interviews and documents collected have been used. In fact, most of the interviews have been used as evidence for, or illustration of an argument, recognising the pitfalls of actors occasionally distorted perceptions, opinions and memories of past events and motivations. Hence, every attempt has been made to cross-check actors' memories and statements with other documentation and literature.[10]

Most importantly, however, a coding frame has been designed to cover (although not exclusively) the most common micro-economic LMP initiatives and measures intended (directly or indirectly) to improve the functioning of the labour market. The frame divides, standardises and refines various LMPs advocated by the SPD and Labour Party since 1979/1980. It expands on previous work undertaken by the European Consortium for Political Research - Manifesto Research Group (MRG) (Budge et al 1987) to design instruments to facilitate the comparative use of party manifestos and/or platforms to gain an authoritative definition of party policy.

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[10] Interviews with SPD party actors' were conducted in German (see Appendix II). Quotations from interviews as well as citations from written German sources have been translated into English by the author.

The advantage of a standardisation of the party programme texts lies in the fact that it offers a reduction in content detail while increasing the focus of analysis. In fact, policy details are unified under the roof of one LMP framework that has been developed exclusively for this study and focuses intensively on the various policies developed to deal with labour market inefficiencies. An economic perspective has been taken on the choice of coding categories recognising the analytical and sectoral breakdown of LMPs devised by various economists and studies (OECD 1990, Calmfors 1994, Employment Policy Institute 1994, Jackman 1994, Robinson 1996).

In addition, the scheme includes the politically focused categories of 'external relations' and 'ideology and institutions' as they are expected to also carry direct relevance to party policies aimed at improving the overall employment situation.

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**Domains of the Labour market policy framework**

1. External Relations

2. General Policy Outlook and Labour Market Regulation

   *A. Supply Side Measures*

3. Skills and Competitiveness

4. Benefit System and Labour Market Agencies

   *B. Demand Side Measures*

5. Public Sector activity, 'social employment' and employment taxes

6. Macro-economic policies for Economy / Labour Market

   *C. Ideology and Institutions*

7. Ideology and Institutions of the Economy / Labour Market

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The term 'policy' has been defined broadly as a designated (pledged) action concerning a specific policy area envisaged, advocated and promoted by a political party. The frames consist of various coding- and sub-categories, which have been developed in order to filter precise single LMPs out of the programme text.[11] The growing or declining significance given to specific policies by parties can then be comparatively assessed and conclusions can be drawn from the collected data. In addition to the assessment and coding of parties major basic programmes and election manifestos, 'major' party

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[11] See: Appendix III and IV

statements/policy documents dealing specifically with LMPs developed and published by the parties during mid-term are also assessed with the same procedure. Following the ideas of Ole R. Holsti, the 'ideal' content analysis "should use qualitative and quantitative methods to supplement each other. It is by moving back and forth between these approaches that the investigator is most likely to gain insight into the meaning of his data."[12]

## 1.5.2. Parties' operating in opposition

The fact that the Labour Party and the SPD have been in opposition during the period under investigation has been recognised as a substantial factor in the parties' policy development processes (See Chapter 3). The party political constellation of 'opposition' versus 'government' is a prime motivation for party political activity and programmatic outcome. In fact, a variety of factors have been identified which account for distinctive differences in opposition party behaviour patterns.

In fact, parties in opposition may be 'structurally disadvantaged' when attempting to gather information to develop detailed and coherent policies.[13] Furthermore, opposition parties are usually not in a position to react directly - unlike government parties - with actions to (often only anticipated) changing situations, as they are not in a position to implement policies. Instead, they have to decide and voice policy concerns, positions and future policy plans to confirm the credibility of their role as opposition party and display their ability to deal with (governmental) responsibilities.

Just to give some examples, opposition parties adopt policy positions they may decide to advocate not only because they may be popular with the electorate and maximise their vote, but also as they may be perceived as damaging the government parties' preference-shaping strategies. Furthermore, opposition parties may decide to vigorously oppose and contest government legislation to encourage lobby groups to engage the government in time-consuming discussions and protests in order to frustrate the implementation of government legislation and change voters' perceptions of government policies and its degree of competence. In addition, opposition parties can attempt to outbid government

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[12] Holsti, Ole R. - <u>Content Analysis for the Social Sciences and Humanities</u>, Addison-Westley, London, 1969, p 11

[13] Ware, Alan - <u>Political Parties and Party Systems</u>, Oxford University Press, Oxford, 1996, p 118

policies by demanding and promising policies that boost the expectations of the electorate (although they may not be sustainable once in government).

Overall, the sample of possible 'opposition specific' factors listed above shows that the factor of having to act out from a position of opposition must be taken into account when considering the policy-making behaviour and processes of the Labour Party and SPD and their attempts to shape the preferences of voters and outbid their opponents policy appeals.

### 1.5.3. Differences in political systems, domestic challenges and policy traditions

The different policy agendas in Germany and Britain have also been influenced by each country's constitutional framework, which also strongly influences and preconditions Labour and the SPD labour market policy responses.

The fact that British Conservative governments were able to opt for far more radical labour market policy choices than the German CDU/FDP government can be attributed to long-standing differences in traditional labour market policy approaches in Germany and the UK. Furthermore, differences between both countries' political systems with political power centralised in the Westminster Model in Britain, and the federal model in Germany, which offers much greater institutional stumbling blocks, and veto points to substantial short-term policy reform are of substantial importance. Finally, the varying traditional industrial relations systems and the far more consensual relationship between employers and trade unions (German social partnership vs. negative trade union feedback in Britain) conditioned party political labour market policy development in Britain and Germany decisively between the 1970s and 80s.

### 1.6. The Historical Institutionalist approach

Having looked at contextual, country and party specific factors, this study offers a theoretical framework to understand party policy choices. In contemporary political science, the focus has been laid on statistical aggregation models of choice and exchange. The two dominant explanations applied to political events are based on either 'rational' exchange or 'institutional' approaches. The 'rational' exchange approach is based on actors behaving rationally by choosing among 'ranked' choices. In contrast, the institutional approach incorporates aspects of organisational theory as well as sociology to

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emphasise how institutions structure political life and how institutional choices are shaping actors ideas, attitudes, and even their preferences.[14]

This thesis argues that in order to analyse and explain the development of LMP-making by social democratic parties in long-term opposition, a solely theoretical rational choice approach is insufficient. Although recognising the predominant rational behaviour of actors to increase utility, a new institutionalist approach must be added to the analysis of actors to account for them being 'embedded' in institutions.

Institutional constraints to the rational actor include institutional formal rules, compliance procedures, and standard operating practices that structure relationships between individuals in various units of the polity and economy. Historical institutionalists define institutions as formal or informal procedures, routines, norms and conventions embedded in the organisational structure of the polity or political economy. Institutions' activities range from setting standard operating procedures of a bureaucracy to conventions regulating the behaviour of corporatist players.

A historical institutional approach has been chosen for this study as it contains a necessary distinctive view of historical development. 'Social causation' is perceived as 'path dependent' in the way that the idea that the same pressures and forces will generate and lead to the same outcomes everywhere is rejected. Instead, it is recognised that similar inputs (conditions and forces) can lead to differing results as outcomes depend predominantly on the contextual features of a given situation. Hence, institutions are viewed as a major factor premeditating the 'path' of historical development, with policy and party institutional change being understood as 'embedded' in contextual features and behavioural outcomes.

Furthermore, the historical institutionalist approach distinguishes between 'historical events of continuity' and 'critical junctures' that arise when historical developments move onto a new path (e.g. due to economic crises, fundamental economic and political change). As a consequence, at these 'branching points' institutions engage in substantial changes.

Finally, this approach is promising for the purpose of this study, as it tends to locate institutions in a causal chain that accommodates a role for other factors, notably socio-

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[14] Steinmo, S., K. Thelen and F. Longstreth - Structuring Politics, Cambridge University Press, Cambridge, 1992, p 27

economic developments and the diffusion of ideas and rational actors. Therefore it provides a highly inclusive theoretical framework that helps to explain - not exclusively but most realistically - the interaction among a variety of factors responsible for the behaviour of social democratic parties and allows comparisons during the period of investigation chosen for this study.

Here, Steinmo et al (1992) have argued convincingly that institutions shape the goals of political actors "influencing an actor's definition of his own interest, by establishing his institutional responsibilities and relationship to other actors" as well as structuring power relations among actors and therefore policy outcomes.[15] However, while recognising that long-term institutional pathways may constrain policy choices, they cannot be treated as being the sole "cause of outcomes."[16]

However, while path-dependence can offer insights into the policy continuity of parties, the real challenge, however, is to use this theoretical approach to account for both, continuity and change, within parties' policy choices. Although the approach may lack in elegance, it accounts for an important historical perspective in the overall attempt to understand institutional development and programmatic change as investigated in the case of the SPD and the Labour Party throughout the 1980s and 1990s.

## 1.6.1. Linking the neo-Institutionalist approach to the decline of the Keynesian paradigm

Finally, this study applies the use of policy guiding overall paradigms to understand Social Democratic party behaviour. Paradigms contain explicit statements on perceived concepts and theories. They may entail a multitude of commitments to preferred types of instrumentation and to the ways in which accepted instruments may legitimately be employed. Often, (institutional) rules may be derived from paradigms, but paradigms can also guide actors' perceptions of problems and solutions even in the absence of specific prescriptive rules.[17] This means, that paradigms guide, for instance, the

[15] Hall, Peter A. - Governing the Economy: The Politics of State Intervention in Britain and France Oxford University Press, Oxford, 1986, p 19
[16] Steinmo, S., K. Thelen and F. Longstreth - Structuring Politics, Cambridge University Press, Cambridge, 1992, p 3
[17] Kuhn, Thomas S. – The structure of Scientific Revolutions, The University of Chicago Press, London 1962 (1968), p 40

policy-makers selection of problems, his or her evaluation of data, and often the advocacy of an attached theory. A paradigm may set the limits of action, the boundaries of acceptable inquiry and maintain criteria for the finding of problem solutions. Inevitably, policy-makers may face the problem of being unable to perceive and consider possible problems or solutions, which lie beyond their own paradigm defined horizon.[18] In fact, as pointed out by Fritz Scharpf, institutional norms not only define actors' competencies and resources for action, but "also specify particular purposes and shape the associated cognitive orientations."[19] Hence, a once institutionally internalised and applied paradigm may in fact substantially influence the development and adoption of formal rules, compliance procedures as well as standard operating practices.[20] Here, we attempt to operationalise the concept of institutionalised paradigms to political parties.

Quentin Skinner has convincingly argued that analysts also run the real risk of 'applying unconsciously' current paradigmatic beliefs when assessing and trying to interpret texts, something that he feared could 'contaminate' the analysts understanding of historical writings. This problem obviously occurs when attempting to understand policy programmes that were developed during the 1980s and early 1990s. However, drawing from the same assumption, we can presuppose that the writer or political actor of an historical document (during the time of writing) was also unconsciously embedded in his own paradigm, but was most unlikely to have been aware of that.[21] Hence, with hindsight, it is becoming possible to identify the paradigm that was predominant at the time of the formation of a (policy) document. This works however to the advantage of today's analyst of historical texts as 'past' paradigms can be re-assembled, something that greatly enhances today's understanding of 'historic' writings and choices even if current paradigms differ substantially.

Now, if a party's economic paradigm, such as the Keynesian, has grown to become a substantial part of a party's ideological foundation, we raise the question if party policy makers as well as rank and file members could be heavily discouraged from re-shaping

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[18] Chilcote, Ronald H. - Theories of Comparative Politics Westview Press, (2nd ed), Oxford, 1994, p 58
[19] Scharpf, Fritz – Games actors play -Actor Centred Institutionalism, Westview Press, Oxford, 1997, p 12
[20] Hall, Peter A. - Governing the Economy: The Politics of State Intervention in Britain and France, Oxford University Press, Oxford, 1986, p 19
[21] Skinner, Quentin and James Tully (ed) - Meaning and context, Quentin Skinner and his Critics, Policy Press, Cambridge, 1988, p 32

their preferences and allowing a shift in the party's paradigm to take place? In fact, the continuous change of the political economic environment; the increasing desperation of party actors as well as rank and file members the persisting electoral failure; and finally the unequivocal will to re-gain political power and forge new electoral coalitions may have precipitated both parties shift towards considering the adoption of a neo-liberally-led paradigm, something which may have been a precondition for both parties ability to eventually re-gain government office.

The dilemma of the Labour Party and the SPD throughout the 1970s, 1980s and early 1990s has been the need to combine - at the same time – the reform of their Keynesian paradigm, embrace neo-liberal ideas, and the development of 'new' distinctive policy alternatives. Here, the dilemma lay in the need to assuage the diversity of the three requirements.

Finally, the electoral successes of the Labour Party and the SPD experienced in the late 1990s indicate that both parties have not only undergone programmatic and institutional transformation, but that they seem to have been able to find a new sense of purpose and closed some of their ideological and policy gaps that appeared with the decline of the Keynesian paradigm. This thesis documents, accounts and explains comparatively in the following chapters both parties attempts to re-develop and redirect their policy direction in the area of labour market policies at a time of dramatic 'external' and 'internal' contextual change.

# Chapter 2. The development of post-war Social Democracy in Western Europe (A general overview)

This chapter considers the development and problems encountered by European social democracy in order to give a frame of reference to the development process of labour market policy (LMP) making since the early 1980s. It also attempts to set the 'external' historical party context in which the Labour Party's and the SPD's institutional and LMP development activities must be viewed.

Briefly, since the experience of the great economic depression with its severely high levels of unemployment in the 1920s, there is possibly no single aspiration with which Social Democratic parties in Europe have identified themselves more closely than the achievement or maintenance of full employment. In fact, social democratic theory has been primarily concerned with searching and applying for a strategy which viewed the welfare state and full employment policies (i.e. social and economic citizenship) as necessary preconditions for a socialist transformation of society that was envisaged to be based on a modified efficient capitalist economy.[22]

During the thirty 'golden' years of economic growth (1945-1975) the problem of unemployment seemed to have been contained with the help of Keynesian-led economic

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[22] Esping-Andersen, Gøsta and Kees van Kersbergen - 'Contemporary Research on Social Democracy', Annual Review of Sociology, 18, 1992, p 188

policy, a policy approach that is often understood as the embodiment of the post-war 'social democratic' model of managed capitalism. Keynesian policies (not exclusively, but in various forms) were adopted throughout Western Europe and became a synonym for what 'traditional' social democracy is widely imagined to stand for today. Keynesianism unified social democratic revisionist theory and practice, creating the conditions that enabled the parties to enact their principal policy ideas of freedom, social justice and equality more effectively than ever.

However, the renewed occurrence of high levels of unemployment during the 1970s began to question the widely held belief that social democratic labour market policies and Keynesian economics were sustainable. The policy model that had previously grown to be a consensual part of the economic policy tool kit of Western European states was increasingly undermined. In fact, it became clear that the previous economic growth rates encountered by Western Europe were an unsustainable precondition for the success of social democratic economic and public policy and that new challenges, such as rising inflation, could not be dealt with effectively under the old economic policy regime.

The fact that Keynesian policy was so closely associated with social democracy, and that social democratic parties all over Western Europe had incorporated a high degree of state interventionism in the economy into their ideology created eventually enormous problems for those parties in the longer term. As significant changes in the socio-economic environment began to undermine 'traditional' social democratic policy prescriptions, and while parties of different ideology moved away from formerly widely consensually held state interventionist policy prescriptions, most social democratic parties faced an enormous problem in adjusting and modifying their policy approach in response to newly evolving circumstances. The general challenges social democratic parties faced from the mid-1970s onwards and their attempts do deal with them, is dealt with in this chapter in order to provide a broad understanding of the parties' specific responses in the area of labour market policy.

## 2.1. Development of European Social Democracy

Herbert Kitschelt has underlined that "names do not directly reveal differences and similarities in the parties' appeals and strategies."[23] Therefore, during the course of this study, centre-left labour, socialist and social democratic parties will be referred to as 'social democratic' as they are generally from the same generic group of parties.

A definition of what precisely makes up social democratic party policy is a little trickier. The concept of social democracy includes many facets and has evolved as well as changed over the years. In fact, social democracy has been a mixture of many different influences, with different national parties drawing on a melange of ideological and policy traditions. For this study, W. E. Paterson's and A. H. Thomas definition of social democracy consisting of five parameters (revalidating Anthony Crosland's 1956 theses)[24] that describe parties as social democratic, if they "advocate political liberalism, the belief in a mixed economy, the welfare state, Keynesian economics, and the belief in equality", appears to be most helpful.[25]

However, the choice of Paterson's and Thomas five parameters is not entirely unproblematic, as they describe again the features of what social democracy was perceived to entail between the post-war period and the mid-1970s. Since then, two decades of sustained pressure on Keynesianism and public ownership have raised the question of whether it is still appropriate to build conceptually on the Paterson and Thomas model. The answer, however, must still be yes, and although social democratic policies have had to move on since, the parties and policies are still based upon those traditions. Even the recent modernisation of their programmes - according to more recent strategic and socio-economic requirements - relate to those parameters.

## 2.1.1. A Brief history of post-WW2 European Social Democracy

After the Second World War, in the context of the experience of the depression, the defeat of fascism, and above all with the onset of the greatest boom period in the world economy, the conditions were established for the successful expansion of Social Democracy. With Keynesianism and the welfare state providing a substantive content to

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[23] Kitschelt, Herbert - The Transformation of European Social Democracy, Cambridge University Press, Cambridge, 1994, p 1

[24] Crosland, C. A. R. - The Future of Socialism, Cape, London, 1956

[25] Paterson, W. E. and A. H. Thomas - The Future of Social Democracy, Clarendon Press, Oxford, 1986, p 3

'state interventionism', it seemed no longer necessary for Social Democratic parties to emphasise public ownership as the centrepiece of planning or control over the economy. Instead, emphasis was placed on the idea that a sufficiently state controlled capitalist economy could deliver adequate levels of social justice, equality and wealth.

By the early 1950s, the large majority of European Social Democratic parties had dropped the idea of abolishing capitalism and replaced it with a strategy of state interventionism to counteract uneven development of the capitalist economy. This strategy owed its real inspiration to Keynesianism, which popularised the idea of the state using steering mechanisms to aim at economic growth, high wages and full employment. In accepting a role for both, the market and the state, social democracy accepted capitalism under the condition that limited state interventionism would be acceptable to capital in the overall management of the economy. Furthermore, an essential part of social democratic policy became the idea of the state redistributing the economic surplus in progressive ways with the help of social insurance, welfare programmes and tax laws.

Finally, the post-war years brought a period of Social Democratic governments to large parts of Western Europe. Parties like the Austrian, Scandinavian or German Social Democrats, who had abandoned the aim to create a socialist economy and instead advocated the idea of a mixed economy, were most successful. Some socialist party leaders and members (including significant elements within the socialist parties of France, Italy, Britain and Greece) criticised their contemporaries for managing the capitalist system rather then making the transition to 'socialism'. However, much of this criticism was rhetorical. For instance - in the case of the British Labour Party - socialist principles on ownership (such as stated in Clause IV) were not officially abandoned until the 1990s, but played no major role and were never attempted to be implemented by a moderate and highly pragmatic Labour Party whenever in government.[26]

Overall, describing the post-war decades as 'social democratic' is of course a generalisation that relates to the role of social democratic parties during that period as much as to the overall policy consensus that existed within many Western European countries. A consensus that often cut through various political party lines and which was

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[26] Taylor, Gerald. R. – Labour's Renewal, MacMillan, Basingstoke, 1997, p 168 + 174

based on principles that can predominantly be accredited to social democratic policy ideas and principles rather than those of any other ideological tendency.[27]

## 2.1.1.1. Pillars of corporatism and the role of trade unions

The 'traditional' social democratic state consisted of working towards the collaboration between labour and capital (often referred to as 'revisionism') based on the idea that the state intervenes when the balance of power seems to be shifting too strongly towards one side. This kind of 'state appeasement policy' grew - during the 1950s - into an all-encompassing party policy consensus in most of Europe's political systems. Social Democrats also derived prestige from some nationalisation and the establishment of social insurance systems, which were introduced as a cornerstone for the desired 'welfare state'. In addition, the most unacceptable feature of capitalism, namely unemployment, seemed to be dealt with successfully through Keynesian demand management techniques.

Economic growth was the underlying central assumption of the social democratic approach, an assumption, which led eventually to the crisis of the model. Growth was essential in order to accommodate for a continuous increase in state spending. The period of economic boom encountered during the 1950s, 1960s and early 1970s was therefore a precondition for the successful implementation of social democracy throughout Western Europe.

As previously mentioned, this system worked best in countries where powerful and centralised trade union movements where able to organise the working class enforcing a strong degree of discipline on their members in order to support wage restraint and hence keep inflationary pressures low. However, the degree of corporatist structures has varied substantially among northern Europe's countries. In addition, the role of trade unions and their influence on social democratic parties has undergone substantial changes during the last 25 years. An important component of the activities of social democratic parties in their domestic policy systems have been the roles played by

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[27] Hence, with the clear exception of the 'social democratic' countries of Scandinavia, most of Western Europe witnessed a compromise between social democracy and - social democratic influenced - moderate conservatism. Admittedly, many of the key characteristics of labour market policies in Britain and Germany were built on a compromise and were not purely social democratic in character - for instance the reliance on predominantly passive LMPs as opposed to active Scandinavian type policies. There were even exceptions such as the structure of the German pensions system which was rather of a non social-democratic character.

the national trade union organisations and the degree to which corporatist structures had been established.[28]

In the case of the Labour Party, the role of the trade unions had been very distinct, not only because of traditional links, common interests, personnel and membership base, but also because the unions helped to found and finance the party, and played a vital part in Labour's overall (policy) decision-making procedures. Until the mid-1970s, the unions had played a predominantly supportive role whenever a Labour government had been in office. However, the lack of a traditionally strong corporatist arrangement in Britain; decentralised and pluralistic union structures; and a strong shop steward movement led to a sectionalised union movement and a localised collective bargaining structure. This meant, that the degree of centralisation and union discipline had been far less developed than that of the powerful centralised trade union movements on the continent, something that had grave consequences. In contrast, in Germany, the state as well as industry and employers accepted the 'centralised' role of the Deutscher Gewerkschaftsbund (DGB) in participating in corporate decision-making.[29]

Gøsta Esping-Andersen and Kees van Kersbergen have been arguing convincingly that social democratic parties have been more capable of altering the distribution system and maintaining growth with full employment when having been linked to powerful and centralised trade unions movements. Even though social democratic parties have not necessarily escaped trade-offs between equality and efficiency, they have succeeded in shifting distributional pressures from the market to the state. Hence, the labour movement has often successfully traded market wages for a social wage, and, by doing so, reaped the benefits of full employment and strong social citizenship.[30]

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(Schmähl, Winfried - 'The public-private Mix in Pension Provision in Germany', in Rein, M. and E. Waadensjö (ed) - Enterprise and the Welfare State, Edward Elgar, Cheltenham, 1997, pp 99-111)

[28] We use Philippe C. Schmitter's definition of corporatism, which refers to it as a concept in which interest groups (such as trade unions or employers federations) do not only attempt to influence governmental decision-making, but instead become themselves - preconditioned by their ability to enforce a significant degree of discipline on their members - part of a countries decision-making and policy implementation system. This in turn, contributes to a countries policy-making process becoming less confrontational and more consensual. (Schmitter, Philippe C. and Gerhard Lehmbruch [ed] – Trends toward corporatist intermediation, Sage, London, 1979, p 14-16)

[29] Koelble, Thomas A. - 'Challenges to the Trade Unions: The British and West German Cases', West European Politics, July 1988, Vol. 11, No. 3, p 102

[30] Esping-Andersen, Gøsta and Kees van Kersbergen - 'Contemporary Research on Social Democracy', Annual Review of Sociology, 18, 1992, p 202

Nevertheless, in Britain the unions played an important role during Labour's spell in government in the 1970s as the party required union support to fight inflationary pressures by initiating a social contract to keep wage increases low. Folklore has it, that in 1978 union leaders failed increasingly to moderate their members demands and that the powerful and highly influential trade unions brought not only the country to a grinding series of strikes ('winter of discontent') but also ensured - as a consequence - Labour's defeat at the following 1979 general election. In other words, trade unions played - in particular during the 1970s - a undisciplined and destructive role right until the anti-union legislation initiated by the new Conservative government undermined their ability to hold the country at ransom.

This version, however, of the union role has been strongly questioned in recent literature on the 1970s and 1980s, with Eric Shaw arguing that the description of "brute union power" is a clear misrepresentation of the fact that the unions actual influence on Labour's economic decision-making as well as their failure to avoid the "benefiting no-one and harming many" strikes were rather a consequences of Labour's deflationary economic strategy applied from 1976 onwards.[31] Similarly, Gourevitch and Bornstein have argued that the 'social contract' (1973) negotiated between the trade unions and the Labour Party meant, that for the union's co-operation on incomes policy, Labour committed itself to a programme of public investment and stimulation of domestic demand, industrial restructuring through nationalisation and economic planning. However, as soon as the conditions for a loan from the International Monetary Fund in 1976 became clear, Labour abandoned its part of the bargain.[32]

What is clear, is the fact that in Britain the unions lost much of their influence throughout the 1980s (as a consequence of anti-union legislation and overall changes in employment patterns) while their influence on the Labour Party's decision-making also began to ebb away with party institutional reforms and Labour's search for new sources of finance. By now, the unions have become one of many organisations that the Labour Party may consult during its policy-making process. However, the continuous lack of corporate structures and 'New Labour's' failure to develop any enthusiasm towards

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[31] Shaw, Eric - The Labour Party since 1945, Blackwell Publishers, Oxford, 1996, p 210
[32] Gourevitch, Peter and Stephen Bornstein - 'Unions in a Declining Economy: The Case of the British TUC', in Gourevitch, P.A. et al - Unions in Crises, Allen and Unwin, London, 1984, p 48-60

engaging in a more continental style industrial relations approach means, that Labour's link with the British trade union movement is still evolving, if not even cooling further.

In Germany, the relationship between the SPD and German trade union confederation (DGB, which consists of eleven individual unions) has been one of mutual recognition. Although the trade unions have neither (in comparison to the Labour Party) been as directly involved in the institutional decision-making processes of the SPD nor have they held a similar financial clout within the party, the overwhelming majority of the SPD's party executive has traditionally consisted of trade union members.[33] It is also clear that both organisations have been strongly dependent on each other, with the SPD having traditionally been the party most sympathetic towards demands from the DGB. However, the SPD has always been aware that in order to be an inclusive 'peoples party', it could not and did not want to become a "prisoner of the trade unions" - a notion which had been frequently used by the CDU and FDP when attacking the SPD during election campaigns.[34]

The relationship between political parties and the trade union movement differs dramatically in Britain and Germany. In Germany, the DGB is by law 'party neutral'. Although more SPD functionaries may belong to the trade unions than those of the CDU, the number of CDU functionaries is still substantial and the party - as a classic 'catch all' party that attempts to attract a following among most social groups in society - relies not only on the votes of union members but also contains trade-union orientated 'Sozialausschüsse' that have traditionally been highly influential on the CDU's labour relations policy choices. Hence, the CDU views the unions as potential allies for their policies as well as a crucial part of the electorate for which it competes.[35] In contrast, the British Conservative Party has treated the trade unions as Labour allies and therefore traditionally as political opponents.

Even though the DGB has played an indispensable role in Germany's post-war corporatist structure and industrial relations system, its power - similar to that of the TUC

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[33] For instance, by 1994 - 95 per cent of MPs and 100 per cent of the Parteivorstand (similar to Labour's NEC) were trade union members according to Langkau, J. et al (ed) - SPD und Gewerkschaften, Verlag J.H.W. Dietz, Bonn, 1994, p 69

[34] Langkau, J. et al (Hg.) - SPD und Gewerkschaften, Verlag J.H.W. Dietz, Bonn, 1994, p 68

[35] Koelble, Thomas A. - 'Challenges to the Trade Unions: The British and West German Cases', West European Politics, July 1988, Vol. 11, No. 3, p 105

- has been threatened by the effects of economic modernisation. Innovations in information technology as well as an increase in deregulated and flexibilised employment patterns have led to a steady decline in union membership which - in addition to employers increasing rejection of static corporatist structures - has begun to undermine the traditional role and strength of the trade unions, with some analysts foreseeing the further decline of the movement.[36] Similar to Labour, trade union activists and members inside the SPD have often been allied to the more traditional wing of their party. However, when Helmut Schmidt during his final years as Bundeskanzler in 1981/82 - advocated an increasingly neo-liberal economic policy programme, the trade unions began to withdraw their support from the Schmidt government, something that substantially undermined his power base within the party.[37] In fact, Schmidt's policies of cutting back on welfare expenditure marked a significant turning point in German politics, as this new trend was actually started during the final years of the SPD government and only continued (from 1982 onwards) by the new Christian Democratic administration under the notion of 'Wende'.[38]

Interestingly, while the CDU/CSU certainly used anti-state interventionist and trade union 'Wende' rhetoric in its 1980s, 1983 and 1987 election campaigns, serious conflicts with the German trade union movement remained rare. In contrast, the Tories followed up their anti-union rhetoric with actions - the most important being the 1980 and 1982 Employment Acts and the 1984 Trade Union Act that seriously attacked the strength of trade union organisations by making unions liable for secondary picketing (picketing industrial sites that were not directly involved in strikes); undermining closed shop arrangements by requiring unions to hold secret ballots; and enforcing changes to the way the unions were funded and the way their resources were used to fund the Labour Party.[39]

Overall, it is fair to say that the relationship between social democratic parties and the trade unions in Britain as well as Germany are still undergoing a process of transition in response to the changing role not only of trade unions in society, but also as a result of

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[36] Windolf, P - 'Vom Korporatismus zur Deregulierung. Thesen zum Strukturwandel der Gewerkschaften', Journal für Sozialforschung, 1989, p 367-87
[37] Lösche, P. and F. Walter - Die SPD, Wissenschaftliche Büchergesellschaft, Darmstadt, 1992, p 158
[38] Götz, Christian - Für eine neue Wende zur sozialen Demokratie, Pahl-Rugenstein Verlag, Köln, 1984, p 11
[39] Mitchell, Neil J. - 'Where traditional Tories fear to tread: Mrs Thatcher's Trade Union Policy', West European Politics, Vol. 10, No 1, January 1987, p 33

the institutional as well as policy modernisation processes that both social democratic parties engaged in.

## 2.1.1.2. Social Democratic policy agenda setting

Intellectually, Social Democracy dominated the political agenda during the 1950s and 1960s, while other ideologies faced great problems. Marxism was discredited because it was identified with Soviet Union style communism that had been shown to provide lower living standards than in the West while at the same time being highly repressive as a system.

Conservatism (ideological, not party political) found less intellectual support in a period that was dominated by very rapid social and demographic change. This change appeared to be moving in the Social Democratic direction of managed capitalism, while retaining a certain idealistic appeal in its commitment to redistribution and equality. This made some observers believe, that the role of ideology had been pushed aside by a common pragmatism and a high degree of consensus in society that had diminished the role of ideology in Western society, i.e. hence leading increasingly to the claim of an "end of ideology".[40] Overall, it is fair to say that a general, often cross-political party 'traditional social democratic policy consensus' had developed between the years of the 1950s and early 70s. Even when Social Democratic parties themselves were not in government, Social Democratic values, ideas and policies were often put into practice by their Christian Democratic or Conservative opponents.

In addition, a newly found mass appeal was formally expressed, for example, in the "Bad Godesberg Programme" of the German SPD in 1959 that was paralleled by similar developments in other European Social Democratic parties. Social Democrats realised that in order to gain an 'electoral' majority and in response to a reduction in the size of the manual working class, the traditional core clientele of the social democratic parties, it had to appeal to a greater variety of groups in society. The manual worker's image of social democratic parties seemed electorally disadvantageous and socially inappropriate and in the case of the Labour Party, the influential party reformer Anthony Crosland argued during the 1950s that the party would have to seek to build a new

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[40] Dahrendorf, Ralf - 'Das Ende der Ideologie', Die Zeit, No.44, 11/11/1963

identity as a 'peoples' party'.[41] In fact, the Labour Party - far from being a reflection of its own constitution (and in particular Clause IV's call for public ownership) - was strongly linked with the actual programme of its 1945 Attlee government that had been essentially liberal, making Labour a fundamentally pragmatic party.[42]

Until the world-wide economic problems of the early 1970's, the Social Democrats could fairly claim to be at least the agenda setting party - if not the "natural" party of government - over wide stretches of Western Europe. In Sweden, for example, forty years of being in office only ended temporarily during the mid-1970s. In Austria, Social Democrats enjoyed a permanent status of government until the early 1980's. In West Germany, after several years during which their power had been limited to the country's Länder and regional parliaments, Social Democrats entered coalition governments under Willy Brandt and Helmut Schmidt in 1966 that lasted until 1982. And in smaller countries, such as Norway, Denmark, Sweden, Belgium, the Netherlands and Switzerland, Social Democratic parties played - if not directly in power - often a formative part in government coalitions.

However, there were exceptions from extensive electoral success. For example, the French Socialist Party and the British Labour Party managed only short spells in government. Both parties policies used highly 'socialist' rhetoric, were more strongly committed to the expansion of nationalisation, increases in public spending as well as economic planning than their sister parties, a fact that is often used to explain their lack of electoral success.[43]

## 2.1.1.3. Demographic change and electoral strategy

Another major factor influencing the policy formation and electoral strategy of parties has been the change of their electoral profile due to factors of demographic change. Already in the late 1950s the Labour Party and the SPD were faced with the transition in the social composition of the electorate. Although social democratic parties' electoral

[41] Paterson, W. E. and A.H. Thomas (ed) - The Future of Social Democracy, Clarendon Press, Oxford 1986, p 5

[42] Taylor, Gerald. R. – Labour's Renewal, MacMillan, Basingstoke, 1997, p 168 and 174

[43] Morgan, Roger - 'Social Democracy in Europe: A Comparative examination', Government and Opposition, Winter, 1982, Vol 17, pp 21-34

support had never been entirely based on the manual working class electorate, this had been their traditional core clientele. Both parties recognised the fact that they had to widen their electoral appeal in order to be able to gain an electoral majority, which led to their re-invention in the late-1950s. This process of broadening the parties appeal to become 'catch-all' or 'people's parties' led to two major consequences. Parties were "no longer obliged to listen almost exclusively to their own distinct clienteles", and were in addition less burdened with the particularistic demands of their core clienteles, something which enabled the parties to become more responsive to changing circumstances and develop a greater degree of policy flexibility.[44]

The stability of parties also depends on their capacity to draw voters into their organisational nets. By widening their appeal and loosening links with core clientele voters, parties became "more remote from the every day lives of the citizenry" hence weakening the organisational preconditions for stability as well as voter loyalty.[45]

Changes in the nature of work over time, the rise of new social groups and the continuous fragmentation of the existing class structures as well as the 'individualisation' of society and with it of voters meant that both parties had to strategically adjust to the changing and increasingly more and more fluid electoral profiles of the voters. In fact, the Labour Party and the SPD have tried over the years to expand their appeal to attract greater parts of the middle classes, civil servants, skilled employees and those employed in the growing service sector.[46] From this follows, that elections could only be won by Social Democratic parties if they were able to attract the vote of this 'highly fragmented' target audience.

However, members of these groups are less loyal to a single political party and often vote according to rational considerations, which in turn means that they are more easily prepared to change their electoral party allegiances if they perceive greater individual gains from another parties' advocated policies. However, these voters are considered to be of extreme importance as elections are decided by groups of the electorate that consider switching their vote. As parties compete for the votes of this group of the electorate, they have to take account of the specific policies favoured by those target

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[44] Mair, Peter - Party System Change - Clarendon Press, Oxford, 1997, p 10
[45] Mair, Peter - Party System Change - Clarendon Press, Oxford, 1997, p 36
[46] Padgett, Stephen and William Paterson - A History of Social Democracy in Post-war Europe, Longman, London, 1991, p 125

groups and align their electoral strategy accordingly if they want to win elections. In respect to party's political choices, this situation has automatically meant the enhancement of the interests of the target audiences. In other words, in order to gain an electoral majority, parties have had to overrate the interests and policy expectations of a minority target group and respond specifically to their political demands, which do not necessarily reflect the wishes of the majority of the electorate.

For social democratic parties, this situation has created additional problems. Members of the electoral target groups command usually above average incomes and are not prepared to support parties which promote policies of substantial wealth redistribution by means of high tax levels. Bearing this in mind, social democratic policy-makers are - strategically - well advised to remove or play down the (traditional social democratic policy) issue of redistribution from their party programmes and agendas. For Labour as well as the SPD, this has meant that strategic electoral considerations have ruled out policies of large-scale egalitarian redistribution.

In fact, the 'traditional' social democratic conviction that economic growth would allow a positive sum socialism in which difficult re-distributive choices were no longer necessary has been replaced with a situation in which social democratic parties are forced to justify to their electorate distributive decisions, such as, to provide more resources for schools means inevitably less for something else.[47] This process has naturally been reflected by social democratic parties' electoral strategies and their programme formation decisions.

### 2.1.1.4. Party families

Overall, the fortunes and conditions encountered by Europe's social democratic parties since the end of the Second World War have been quite diverse. In fact, until 1989, Western Europe's social democratic parties could be roughly divided into two major families acting under quite different conditions.[48] One group consisted of the 'traditional' 'northern' social democratic parties, with those of the Scandinavian countries commonly being referred to as the most conventional models, although the German and Austrian

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[47] Gray, John - Is equality a lost cause?, New Statesman, 28/02/1997b, p 45

German social democratic parties, the labour parties of the Netherlands and Britain as well as the socialist party of Belgium can also be broadly based in the 'northern' category. All of these parties operated in advanced capitalist countries. Instead of reforming capitalism, they perceived their role as managing it by distributing the wealth accumulated by the system; hence they were able to declare as their major political aims the achievement of full employment and the establishment of a full-fledged welfare state.

In contrast, a second family of even greater variety of southern European 'modernising' social democratic parties can be identified, which include those of Spain, Portugal and Greece that operated in economies, which can be described as rather backward. In the case of France and Italy, both the economic development of both countries been of a rather mixed nature with certain backwards areas contrasting with highly developed ones. On the one hand were the socialist or left of centre, parties of France and Italy, which over long periods faced strong competition from Communist parties. This meant that they were only able to gain majorities and government office after Communist competition had substantially declined or lost its radical edge. On the other hand were the social democratic parties of Spain, Portugal and Greece, which were able to establish themselves only after periods of quasi-democracies and dictatorships (that lasted until the mid 1970s). Furthermore, southern European social democratic parties had to operate in countries with restrained overall economic conditions, which meant that they often played the role of being the major modernising political force.

Therefore, the difference between the two party groups was quite significant until the 1980s, and the historic late-development in the case of the southern European parties as well as their disadvantageous economic circumstances - compared to those faced by their 'classic' "northern" European sister parties - mean that both party families have to be treated 'historically' separately.[49] Similarly, the British Labour Party and the German SPD had far more factors in common with each other than with most of their southern European sister parties.

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[48] Sassoon, Donald – Fin-de-Siècle Socialism: The United, Modest Left, New Left Review, No. 227, Jan./Feb. 1998, p 91

[49] Thomson, Stuart - The Social Democratic Dilemma: Ideology, Governance and Globalisation, MacMillan, Basingstoke, 2000

## 2.2. The 1970s and the challenges to European Social Democracy

For a variety of reasons, social democratic parties in Europe were faced with growing crises since the mid-1970. After the world-wide recession of 1973, social democratic governments were increasingly on the defensive, trying to maintain the modest gains from earlier decades.[50] Parties experienced a loss in electoral support and with it the loss of government office a diminished agenda setting capacity together with an increasingly defensive party behaviour in regards to Keynesian-type state interventionist policies. There was also a growing acceptance of the neo-liberal paradigm in economic and political sciences as well as in public discourse; the decline in party membership; increasing internal party conflicts; internal doubts about aim and identity; and the realisation and recognition that the 'traditional' Keynesian principles underlying the social democratic approach towards economic and social policy were not sufficient any longer to safeguard traditional social democratic policy responses.[51]

The degree to which the encountered problems weakened the appeal of Social Democracy in Europe varied from country to country and will be analysed in greater detail in the case of the British Labour Party and the SPD later. However, apart from nationally specific circumstances and developments it is possible to identify a set of common factors that impacted on all of Western Europe's Social Democratic parties. Overall, social democratic parties suffered under the crises of Keynesianism and state interventionism; changing international/historical circumstances; an increasingly fierce intellectual attack from the right as well as left, besides the rise of the new social movements. All these factors contributed to the parties' loss of identity and general crisis of socialist ideology and post war approaches to social democracy.[52]

### 2.2.1. The crises of Keynesianism and state interventionism

The drawing to a close of the post-war boom in the early 1970s revealed the fragility of the Keynesian welfare state. It became clear that not just Social Democratic policies, but a combination of special conditions had produced the high investment ratios of the 1950-1973 period. These included the cleansing of unproductive and less dynamic

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[50] Braunthal, Gerard - The West German Social Democrats, 1969 - 1982 - Profile of a Party in Power, Westview Press / Boulder, Colorado, 1983, p 290
[51] Meyer, Thomas - Die Transformation der Sozialdemokratie, J. H. W Dietz Nachf., Bonn, 1998, p 11
[52] Taylor, Gerald. R. – Labour's Renewal, MacMillan, Basingstoke, 1997, p 193

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capital during the depression and the war; vast post-war pools of skilled cheap labour; clusters of technological innovations favouring productivity growth and mass consumer demand; the weakening of trade union militancy during the cold war and the abundance of cheap raw materials and the availability of new markets and relatively open trade under US economic leadership.[53]

With the oil crisis and a dramatic change in the international economic environment, conditions for social democracy changed unfavourably and irrevocably. The end of economic growth meant a decisive decrease in the ability of governments to put forward Keynesian-inspired demand expanding policies due to budgetary constrains. Therefore, the idea of centrally placed state institutions being able to actively intervene in the market had been met by a crisis.

Furthermore, previous economic policies had ensured coherent intensive regimes of accumulation that provided a co-evolution of non-inflationary growth and increased standards of living. Even though a catalyst for the economic 'stagflation crises' of the West was the OPEC 'oil crises' that signalled the end to this 'Fordist' form of accumulation, far more fundamentally was it an expression of Taylorist production norms reaching their socio-technological frontiers. In fact, by the 1970s productivity growth had already begun to decline and could no longer underwrite aggregate demand expansion.[54]

Furthermore, even though the reasons behind the increasing unemployment rates were initially due to the various factors that had pushed the world economy into recession, by the 1980s unemployment was hardly 'cyclical' anymore (i.e. caused by the end of a business cycle). In fact, governments, such as the Conservatives in Britain, had begun to de-prioritise the unemployment question or adopted at least the view that aiming for a 'natural' rate of unemployment would be more sensible then increasing the use of further state resources and interventionist measures to halt the increase in unemployment. Furthermore, unemployment grew increasingly 'structural', with the rationalisation and globalisation of economic competition playing an increasingly greater part in this. Hence, a vital pre-condition for the successful application and implementation

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[53] Ryner, J. Magnus - 'Neoliberal Globalisation and the Crisis of Swedish Social Democracy', EUI Working Papers, European University Institute, SPS No. 98, 4, 1998, pp 6

[54] Lipietz, Alain - 'The Globalisation of the General Crisis of Fordism', in Holmes, John and Colin Leys (ed) - Frontyard and backyard - The Americas in the global crises, Between the Lines, Toronto, 1987, p 24-32

of traditional Keynesian-led labour market policy approaches had been lost.[55] As convincingly argued by Gøsta Esping-Andersen, the "welfare state and labour market regulations have their origins in, and mirror, a society that no longer obtains: an economy dominated by industrial production with strong demand for low-skilled labour; a relatively homogenous and undifferentiated, predominantly male labour force," meaning that policy ideas responding to conditions, egalitarian ideas and risk profiles that were dominant during the 1950s and 60s had undergone dramatic change since.[56] This view has been supported in the case of Germany - by observers such as Claus Offe, who has been pointing for some time to institutionalised 'Fehlkonstruktionen' (faulty constructions) within the German welfare system. Apart from 'benefit traps' that discourage people to seek low paid employment - which are also common within the British system - Offe has been pointing at traditional welfare state and institutionalised 'faulty' procedures within them.[57] These include, for instance, in the case of Germany, local authorities that are strongly tempted to offer (nonessential) short-term employment to 'Sozialhilfeempfänger' (income support claimants, usually long-term unemployed) in order to make sure that they can claim 'Arbeitslosen Hilfe' (employment benefits) after six month, which are paid by the federal government, hence saving the regional community expenditure on the locally financed 'Sozialhilfe'. This procedure may make sense for local administrations as it saves them money in the medium-term, but it exaggerates financial inefficiencies within the welfare system. Federal money could have, for instance, been spent far more effectively on measures to reduce unemployment, while the local jobs on offer were usually not helping those unemployed to improve their medium-term career prospects, nor were they of any use in tackling structural unemployment. Although these kinds of developments cannot be blamed necessarily on the social democratic welfare state, they are nevertheless symptoms of a welfare system that has grown increasingly unsustainable and requires active state attempts to reform it. The fact that 'New Labour' and the SPD promised to deal with them clearly indicates that both parties had changed their perceptions of the welfare state before regaining office in 1997/98.

[55] Heinze, Rolf G., Josef Schmid and Christoph Strünck - Vom Wohlfahrtsstaat zum Wettberwerbsstaat Arbeitsmarkt- und Sozialpolitik in den 90er Jahren, Leske und Budrich, Opladen, 1999, p 30

[56] Esping-Andersen, Gøsta - Social Foundations of Postindustrial Economies, Oxford University Press, Oxford and New York, 1999, p 5

[57] Offe, Claus - 'Schock, Fehlkonstruktion oder Droge?', in Fricke, Werner (ed) - Zukunft des Sozialstaats, Dietz, Bonn, 1995, p 39

For a long time, however, Social Democratic parties and admittedly to some extent their political opponents encountered severe problems in responding programmatically to the change of economic conditions and appeared to be unable to develop or alter their key state interventionist concepts successfully. The revival of neo-liberal policy solutions and the loss of the ability to dominate political and economic agenda setting has been mirrored - in the case of the Labour Party and the SPD - during the late 1970s and early 1980s by an apparent problem to develop coherent alternative long-term policy strategies.

### 2.2.2. Intellectual attack from the left, new social movements and free marketeers

The described changes that began to take place in the political and economic environment since the 1970s were not the only factors that led to a decline of social democratic 'hegemony'. In addition, social democratic ideology came increasingly under fierce intellectual attack from multiple sides of the political spectrum, with challenges being launched from the left and right as well as the new social/green movements.

### 2.2.2.1. The left challenge

Left-wing critics, partly inside the Social Democratic parties, began to argue, that their parties were only able to retain popular support and programmatic direction when it appeared that the system could support it, but that it had lost a good deal of both when economic conditions and right wing pressure against previous reformist gains (under the new more difficult economic conditions) proved that Social Democracy had depended only on the goodwill of industry. [58]

As a result, the left tried to increase its influence inside the Social Democratic parties by attempting to revitalise an ideological discussion focusing on the limits and contradictions of Social Democratic ideology. In general, mass unemployment starting in the 1970s, cuts in social expenditure and tax concessions for the better off were seen by them as proof that the welfare state was only tolerable as long as it did not interfere with the logic of production. This then resulted in an assault from the left on "the 'we are all socialists now' strategy", leading to the revitalisation of the left in many European Social

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[58] Benn, Tony - The Benn Diaries, (ed by Ruth Winstone), Arrow Books, London, 1995

Democratic parties, which demanded that a greater emphasis should be placed on 'socialist' ideas.[59]

This 'left challenge', however, hit the Labour Party much more severely and had a far more existential effect on the party than it had on the SPD. In fact, Labour's consequential weakness resulting from the 'left challenge' strongly influenced the domestic political situation in 1980s Britain by aiding the structural weakness of opposition towards Thatcherism. Hence, the strength of the left challenge and its role within the Labour Party during the late 1970s and early 1980s as well as its following impact on the party should by no means be underestimated.

Labour faced the fiercest leftist challenge of any western political social democratic party at that time, a challenge that led - in 1981 - to the first formal split within the party since 1931.[60] This split, together with the temporary political and electorally rather successful rise of the so-called splinter Social Democratic Party (SDP) had enormous implications on the political forces within the UK that opposed the Conservatives. In fact, it must be strongly emphasised that the split furthered the fragmentation and decisively weakened the anti-Conservative parliamentary opposition throughout the decade of the 1980s.[61]

Although partially successful in the short term (in particular in Britain) and on single issues - however with a highly destructive impact in the UK in electoral terms - the left was never really able to radicalise and succeed in turning Social Democratic parties in a more socialist direction. This was due to the fact that any incorporation of 'far-left' socialist policies in Social Democratic party programmes proved to be predominantly unpopular with the electorate.

Furthermore, socialism as the underlying theory and goal on which Social Democracy was originally based upon was increasingly neglected and pushed aside by the majority of the parties' elites. Socialism defined as the aim of far reaching reforms in society providing its followers with a long historic tradition and distinctive collective

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[59] Panitch, Leo - Socialist Register 1985/86, Merlin Press Ltd, 1986, p 51
[60] Pelling, Henry – 'The S.D.P. Secession and the Dream Ticket (1979-84)', (Chapter XI) in Pelling, H. – A short history of the Labour Party, St. Martin's Press, New York, 1991, pp 175-88
[61] Hobsbawm, Eric – Politics for a Rational Left - Political Writing 1987-1988, Verso, London, 1989, p 65 + 240

identity began to lose its importance in the self-conception of most Social Democratic parties. For example, the German SPD did not see the need to use the word socialism in any of its main 1990s policy programmes. In fact, the partial divorce from its ideological socialist roots became a general tendency, which could be witnessed in all of Europe's Social Democratic parties.

It follows from this, that although parties have been attempting since the mid-1970s to develop alternatives to Keynesian policies, the revival of traditional 'socialist' policies was perceived by the parties' leaderships as a political and strategic threat instead of being treated as a viable alternative policy option. This explains, at least partly, the limited long-term success of the 'left' inside social democratic parties to achieve a lasting change of party policy preferences.

The 'left' challenge increasingly faded further with the collapse of the Eastern Bloc states which re-emphasised decisively the shortcomings of the 'communist' state planned economies and further undermined the intellectual credibility of Marxist ideology. Secondly, the Western European party political landscape was been transformed irreversibly. Former far-left radical or Communist parties (with the exception of France) were either disbanded, underwent fundamental transformation, abandoned their socialist credentials or have been rendered electorally irrelevant. Thirdly, the influence and size of the 'socialist left wings' inside Europe's major Social Democratic parties have declined substantially. This has taken place often as a consequence of continuous electoral defeats, the general unpopularity of far-left policies with the public as well as the realisation that 'socialist' policies of economic planning, nationalisation and demand management were increasingly unsustainable in the international economic marketplace. Finally, the left had to face up to the diminishing ability of national governments to implement distinctively state interventionist policies. For example, the failure of the French socialist government to introduce 'Keynesian-led' social democratic state interventionist demand-stimulating policies (*programme commun*) and the adoption (after two years in government) in 1983 of an economic policy approach labelled *désinflation compétitive* (competitiveness through disinflation) based on the three main mechanisms of the *franc fort* (the pegging of the franc

to the Deutsche Mark; wage discipline; and public-deficit reduction) underlined the increasing failure of nationally based policy instruments available to governments.[62]

## 2.2.2.2. New Social Movements

A second challenge to social democratic ideology came from growing environmental groups, and on a parliamentary level from Green parties, which questioned the self-proclaimed 'reformist-agenda' of social democratic parties. Central to their challenge was the questioning of the very idea of economic growth - as one of the core pillars of Social Democracy - which came under sustained intellectual attack. Various influential publications and studies - such as the Club of Rome's 'The Limits of Growth' (1972) - published in the early 1970s began to increasingly question the sustainability of economic growth in the view of its environmental and physical impacts.[63] Environmental and Green movements, also present inside the social democratic parties, focused attention onto the nature of the earth's resources and the implications of further environmental destruction (caused by continuous growth). Apart from the environmental concerns, political groups campaigning on a wide variety of post-materialist issues such as the emancipation of women, nuclear power and disarmament that operated outside the parliamentary framework began to grow.

When social democratic parties realised they had to deal with the concerns raised by the new social movements, they found themselves in a difficult and defensive position. In fact, social democratic parties were most of the time only able to react and respond to the 'new' concerns raised, as their policy makers were not themselves in a position to set the political and programmatic 'reform' agenda in those policy areas. Inevitably, the new social movements became the building blocks constituting the formation of Green parties in most Western European countries which `not only competed for the traditionally centre-left electorate of social democratic parties, but more significantly challenged the claims of social democrats to embody a state reformist agenda.

As a result, Green Parties have been able to attract a substantial amount of votes and changed many national party political systems. Currently, in countries such as the

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[62] Lordon, Frédéric - 'The logic and limits of désinflation compétitive', Oxford Review of Economic Policy, Vol 14, No 1, Spring 1998, p 103

[63] W.E. Paterson and A.H. Thomas (ed) - The Future of Social Democracy, Clarendon Press, Oxford 1986, p 9

Netherlands, Germany and France the importance of Green Parties has become so significant, that an electoral majority of the centre-left seems unthinkable without their support.

However, after more than fifteen years of Green Party existence, Green Party politics have become increasingly institutionalised and part of the political establishment in many European parliaments. Although the parties have raised environmental awareness and introduced notions such as post-materialism to Europe's political systems, Social Democrats have been able to argue quite successfully that the threat of environmental destruction effects everybody, and to deal with it in a purely party political context is a contradiction in itself.

Hence, green policies have been incorporated to a considerable extent into social democratic party programmes throughout Europe. In fact it has been argued - in the case of the SPD - that the sole appearance of a Green party within the political system strengthened the inner-party position of those groups inside the SPD whose policy demands in this area had previously been ignored.[64] The following two examples express clearly the growing importance of environmental issues to both Labour and the SPD. It is clear that the SPD has been influenced by the strong electoral challenge from the Green Party in Germany, which has led to the development and adaptation of very detailed environmental policies. Policy proposals include the adoption of policies for 'an ecological tax reform' as well as the promotion of ecologically friendly and 'energy saving products and production processes' to protect the environment.[65] In addition, the SPD has increasingly emphasised the economic growth and job creation potential that the successful opening up of future markets with German environmentally friendly products and technology could carry.

Although to a much lesser extent (due to decisive differences in national party systems), the mid-90s Labour Party's programmes have had a stronger emphasis on environmentalism than any previous Labour policy documents. In Labour's 1994 main environmental policy statement it is argued that there is a 'need to place the environment

[64] Leinemann, Jürgen - 'Am Ende des langen Marsches', Der Spiegel, Nr 25, 1997, p 117
[65] SPD - Das Regierungsprogamm der SPD - Reformen für Deutschland, Bonn, 1995, p 27

at the heart of all areas of policy' expressing the belief that 'a green industrial strategy' will be 'leading to a higher GDP and higher (levels of) employment'.[66]

Overall, ecological concerns, at least rhetorically, are increasingly adopted by social democratic parties and have found their way into their programmes and manifestos. As with the variety of policy issues raised by the new social movements, social democratic parties have adopted those policy issues on a case-to-case basis. The incorporation of those concerns may be part of an up-dating and constant renewal process of the social democratic agenda, but cannot be claimed as a replacement for 'traditional socialist' policies. One reason for this is the fact that the concerns of 'the new social movements' are not 'totalising' in the way socialism is (or was), promising a new 'stage' of social development beyond the existing order.'[67]

Nevertheless, Social Democratic parties had originally been rather hesitant when adopting and incorporating new post-materialistic concerns into their traditional economic growth based ideology, a fact that in particularly in countries with proportional electoral systems, cost them a considerable amount of voters and agenda setting influence during the 1980s.

## 2.2.2.3. The challenge of the right

The development of the 'social democratic state' with its economic, education, and social welfare goals led to the creation of large state bureaucracies, which became increasingly a target for attack from the 'right' of the political spectrum. Once questions were raised about the sustainability of taxation and state expenditure levels, the right demanded the restoration of the authority of the market and the breaking up of those bureaucracies.

From the early 1980s onwards, a growing number of free market advocates argued that social welfare and high levels of state expenditure blocked the way to economic recovery and a prosperous market economy.[68] The rise of free market believers during the 1980s - in Europe represented most radically by Thatcherism - constituted a major

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[66] Labour Party - In trust for tomorrow, London 1994, p 11
[67] Giddens, Anthony - Beyond Left and Right - The Future of Radical Politics, Polity Press, 1994, p 3
[68] Safarti H. and C. Kobrin (ed) - Labour market flexibility - A comparative anthology, Gower, Aldershot, 1988

challenge to Social Democratic values. In the UK, consecutive Conservative governments began to break up state monopolies, deregulate markets, privatise national companies, break trade union power and expose public services (including the health service) to competition. In fact, the growing condemnation of state interventionism by the right constituted a major intellectual attack on the core of the 'traditional' social democratic state.

In addition, the end of the planned economies in the East and the dynamics of globalisation of the world economies led to an enormous increase in neo-liberal and conservative policy popularity within public opinion as well as among political parties. The American Edward Luttwak has suitably described the new economic policy trends and beliefs that have been breaking their way since the mid-1980s and which are increasingly adopted and accepted by most governments of the industrialised world within the formula of "technological change + privatisation + deregulation + globalisation = Turbo-Capitalism = Wealth".[69]

The intellectual attack from the right and the new social movements questioned the core pillar of the social democratic state i.e. the central role of the state institutions as a directing force. However, while believers of monetarism favoured the role and capabilities of the market as a more efficient alternative to a strong state, new social movements' advocates objected to the idea of a central state in favour of more regional and local policy approaches.

When considering the overall impact of the 'left', 'right' and 'green' challenges social democracy has been faced with since the 1970s, it becomes clear that their influence on social democratic parties has differed considerably. Many policy ideas and convictions of the 'right' have been recognised and partly incorporated into 1990s European Social Democratic ideology. Thus it can be argued that on the one hand, social democratic parties have moved 'voluntarily' to the right under the auspices of engaging in a new 'realism', joining the general move to the right of the European political agenda as well as for strategic electoral considerations. On the other hand, parties had to recognise the

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[69] Luttwak, Edward - Turbo Capitalism - Winners and losers in the global economy, Weidenfeld & Nicolson, London, 1998, p 27-53, 238-40

changes taking place in the economic environment, which increasingly forced social democratic parties to abandon their 'traditional' interventionist policy solutions and beliefs. Overall, 'green' and 'right' challenges to social democratic ideology since the 70s have left their deep marks on European social democracy at the beginning of the 21th century. While the left challenge seems to have faded, both, 'green' and 'right' ideas have been increasingly recognised and included in the programmes of 1990s social democratic parties, hence playing a vital role in the ongoing transformation process of social democratic ideology.

Overall, it is fair to say that the fundamental questioning of the former seemingly consensual ideas of social democracy produced a major crisis of confidence and lack of political direction for Western Europe's social democratic parties throughout the late 1970s, 1980s and 1990s. National Social Democratic parties, their strategists and policy makers were drawn in three different directions, which produced a great variety of programmatic policy responses over time, ranging from advocating neo-liberal economic policies and notions of sustainable growth to ideas of a strengthening of socialist state interventionism. From this it follows that social democratic ideology appeared to be strongly incoherent and in desperate need of a consistent attempt of reform. This apparent lack of coherent or even credible policy solutions led to a loss by social democratic parties of political agenda setting power. Furthermore, in the case of Britain and Germany, the Labour Party and the SPD appeared disunited and their policies unconvincing to the electorate, which explains at least partly their continuous electoral defeats and subsequent long spells in opposition.

### 2.2.2.4. Social democratic partisan voters, issues of power and strategic dilemmas

The unprecedented difficulties of social democratic parties to choose and implement economic policies during the 1980s and 1990s must also be linked to their difficulties in framing electoral appeals within an increasingly complex environment of party competition. In fact, the pressures to engage in party reform and develop new innovative policy generated substantial strains on the social democratic party organisations among members, activists and supporters.

While the global capitalism emerging during the 1980s and 1990s favoured neo-liberal approaches, it is important not to forget that these approaches had also negative effects on certain sections of the population. This explains why new policy approaches were more easily embraced by some parties – shifting rapidly from previous Keynesian path dependencies towards neo-liberalism and were electorally successful (such as the British Conservatives and the German Christian Democrats) - and why social democratic parties - such as the Labour Party and the SPD - initially refused to follow this trend.

In fact, the parties that depended traditionally most strongly on those groups of voters that were increasingly hurt by the application of neo-liberal policy approaches faced clearly the greatest difficulties in accepting the need to follow those 'new' policy approaches themselves. In fact, its voters and indeed members had a strong interest in discouraging 'their parties' from shifting their policies towards a greater application of neo-liberally influenced policy prescriptions.

For example, Herbert Kitschelt has been rightly identifying various strategic dilemmas European social democratic parties were confronted with during the 1980s and 1990s, of which the 'political-economic' and 'electoral' are of particular relevance.[70] As already described by Horst Kern and Michael Schumann in the mid-1980s, the changing face of contemporary capitalism required increasingly well educated, highly skilled employees that could operate within an increasingly flexible working environment, while the demand for unskilled industrial or 'Fordist' employment was declining. This development inevitably created a 'new' polarisation among labour along the lines of increasing wage differentials with a substantial amount of employees finding themselves worse off in financial terms as well as in regards to their job security as a direct consequence of the newly emerging labour market conditions.[71] As described in the words of Kern and Schumann, "in major industrial sectors a fundamental change in the utilisation of labour is taking place" that means a "re-evaluation of work organisation, training and personnel policies and the allocation of work".[72] In addition to this, trade and

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[70] Kitschelt, Herbert - 'European Social Democracy between political economy and electoral competition'; in Kitschelt, Herbert et al - Continuity and Change in Contemporary Capitalism, Cambridge University Press, Cambridge, 1999, pp 322-33

[71] See: Kern, Horst and Michael Schumann - Das Ende der Arbeitsteilung, C. H. Beck, München, 1984

[72] Kern, Horst and Michael Schumann - 'Limits of the Division of Labour. New Production and Employment Concepts in West German Industry', Economic and Industrial Democracy, Vol 8, 1987, p 159, pp 151-170

finance deregulation allowed an increasingly free flow of international capital that enabled companies to locate production processes to less industrially advanced countries in which costs were significantly lower, a process that amplified the above described trends.

Furthermore, with the additional wide spread abandonment of capital controls during the 1980s, Europe's national governments could no longer engage in expansionary demand-side policies to boost employment levels and economic growth. This left social democratic policy-makers unable to avoid any longer the adoption of economic policies that would accommodate market liberalisation and account for the increasing importance to encourage international competitiveness of domestic economic sectors by reducing costs in order to boost economic performance levels.

Hence, as pointed out by Kitschelt, social democratic parties that rejected the need for liberalisation often witnessed, as a consequence, long spells in opposition no matter how high domestic unemployment levels had grown and how the actual general performance of the economies under the sitting conservative governments had been.[73] In fact, using the example of the Labour Party's electoral defeats during the 1983 general election (even though the unemployment rate had doubled since 1979)[74] and 1992 (with elections taking place during a severe economic recession) it becomes clear that the Conservative Party had been able to win both times as they had succeeded in decoupling the governments economic performance record from the voter's perception of policy competence of the Conservative governments.[75]

Furthermore, Herbert Kitschelt has pointed out convincingly that social democratic parties - such as Labour and the SPD - faced during the 1980s and 1990s the dilemma of failing to gain electoral majorities when signalling their aversion to economic policies of liberalisation as voters, in turn, began to doubt the parties' economic policy

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[73] Kitschelt, Herbert - 'European Social Democracy between political economy and electoral competition'; in Kitschelt, Herbert et al - Continuity and Change in Contemporary Capitalism, Cambridge University Press, Cambridge, 1999, p 323

[74] Whiteley, Paul - 'Perceptions of Economic Performance and Voting Behaviour in the 1983 General Election in Britain', in Eulau, Heinz and Michael S. Lewis-Beck - Economic Conditions and Electoral Outcomes: The United States and Western Europe, Agathon Press, New York, 1985, pp 62-77

[75] Gray, John - False dawn: The delusions of global capitalism, Granta Books, London, 1998, p 33

credibility. In addition, potential coalition partners were lost when centrist parties demanded greater degrees of market liberalisation than social democrats were prepared to accept. However, social democrats that were prepared to embrace substantial liberalisation policies - once in office - often experienced rapid and substantial electoral decline.[76] In this case, the traditional social democratic core constituency voters who were losing out in status, income and security under the increasingly economic internationalisation and deregulation abandoned 'their' social democratic parties as their expectations of the defence of the traditional welfare state provisions as well as use of active state interventionist policies were not met. Hence, social democratic parties in government found themselves often in a no win situation as they were not able - under the newly encountered conditions - to sufficiently serve the interests of this clientele and hence often began to alienate their voters who then turned away to the left or right. However, the refusal to embrace a greater degree of liberalisation deterred other crucial electoral groups - at the opposite end of the political spectrum - from voting social democratic, leaving social democratic parties significantly short of an electoral majority.

The fact that conservative-led governments (most explicitly in Britain) also began to fight trade union power and successfully reduced their influence weakened the overall position of social democratic parties even further, as unions had 'naturally' been the traditional allies of social democrats. In fact, here conservative governmental policies constituted a systematic shift in labour relations, with the cost of deregulative measures being carried predominantly by those groups of voters who - in most cases - had been most likely to vote Labour or SPD in the first place.

Overall, the fact that Labour's as well as the SPD's political principles and values had been traditionally connected to the interests of groups whose societal power base was losing 'influence' and who had lost 'power' under the changing socio-economic conditions, policies of liberalisation and the reduction of welfare state provisions meant - in addition to causing problems of party strategy - that party actors were understandably

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[76] Kitschelt, Herbert - 'European Social Democracy between political economy and electoral competition'; in Kitschelt, Herbert et al - Continuity and Change in Contemporary Capitalism, Cambridge University Press, Cambridge, 1999, p 323

hesitant to weaken their parties link with these traditional groups and institutionalised interests and abandon their parties long-established policy approaches and beliefs.

## 2.2.2.5. The moral dimension

Finally, the moral dimension behind social democratic polices focusing on the redistribution of resources and high public expenditure appeared not only increasingly unsustainable by the mid-1970s, but it became questionable as a tool to promote egalitarianism. In fact, the belief that state directed social democratic social engineering assumed that state resources spent on 'appropriate' courses would automatically result in the implementation of policies dealing effectively with an identified problem lost its persuasiveness. Instead, what followed was often the realisation that 'social engineers' in the form of civil servants may have their own agendas, which do not necessarily match actual policy requirements. An ever expanding civil service and state sector was economically not sustainable and could possibly not deliver the required goods most effectively, hence questioning one of the main assumption of the social democratic state.

In fact, while social democracy at the time was largely identified with equality, fairness, freedom, public ownership and human rights, intellectually ideas such as community, solidarity and responsibility had been increasingly marginalised and largely deleted from the modernised and revisionist social democracy of the 1950s and 1960s.[77] The arising misconception of the true nature of the state by social democracy as well as the growing public perception of the state as a (hand-out) resource provider meant that traditional social democracy increasingly lost the 'moral' element of its heritage.[78] Therefore, Social Democracy as a governing philosophy of post-war Western Europe began to break down when changes in economic conditions during the 1970s exposed its fundamental weaknesses.

As a philosophy predominantly based on state interventionism with an emphasis on public responsibility, there was a clear imbalance between the give and take in society, which was displayed by a lack of emphasis on the public good and individual responsibility. Therefore, in times of crises the social democratic state encountered great difficulties in providing the moral basis for the hard choices, which had to be made when

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[77] Boswell, Jonathan - Community and Economy: The Theory of Public Co-operation, Routledge, London, 1994

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the economic climate changed. David Marquand has been arguing, that as a direct result - in the UK [and not just there] - the public sector became the battleground for predatory private interests throughout the 1970s, instead of being a state instrument for a coherent public response to the worsening economic situation.[79]

Most social democratic parties throughout Europe were faced with a similar set of problems which provided the base for the argument that a 'modernised' social democracy would have to revive its ability to state a moral dimension that would contain notions of solidarity and communitarian philosophy in its model in order to increase its ability to make social choices.

## 2.3. The Europeanisation and increasing convergence of Social Democratic parties

The increasing Europeanisation and convergence of social democratic economic party policies throughout the 1980s and 1990s in Western Europe can be derived from the changing socio-economic environment as well as the search for alternatives to meet social democratic aims. A movement towards the growing convergence of social democratic parties strategy, political options and policy direction can be expected to further accelerate with the 'deepening' of European integration continuing.

### 2.3.1. Social Democratic parties taking on a pro-European integrationist agenda

The recognition of an increasing loss of nationally based economic policy options and the lessons learned from this are an experience that has been shared by all of Western Europe's social democratic parties. It has led to a revaluation of policies and strategies towards European integration based on the admission: 'If you can't beat them, join them'. From this follows, that social democratic parties in general changed over time their attitude towards European integration. Instead of hoping to implement wide ranging nationally based demand management policies, parties turned pro-European integration, hoping that the benefits of the process would outweigh the unsustainable 'traditionally' favoured social democratic policy options. Furthermore, integration was perceived to increase economic growth rates while a re-focusing of attention on European integration was seen to offer benefits by increasing the influence on the very agenda of integration,

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[78] Marquand, David - <u>The New Reckoning - Capitalism, States and Citizens</u>, Polity Press, Oxford, p 25

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e.g. by being able to campaign more effectively for the social dimension of the European integration process. A prime example personifying the change in policy and strategy has been the former head of the Commission and French socialist Jacques Delors, who has played an instrumental role in promoting a positive pro-active position of Europe's social democratic parties towards integration.

From this it follows, and it is no surprise, that Social Democratic parties have been supporting the strict implementation of the convergence criteria laid down in the Maastricht Treaty to qualify for Economic and Monetary Union. Even when Lionel Jospin shortly after winning government office in France in 1997 attempted to find allies for loosening the convergence criteria for EMU in order to free up badly needed resources to tackle unemployment (one of his central election pledges), he was made to realise his isolation among his fellow European social democratic sister parties. In fact, even in a traditionally high state spending and deficit country such as Italy, the centre-left government under Romano Prodi remained totally committed to meet the convergence criteria and did not support Jospin's suggestion.

## 2.3.2. Globalisation, Europeanisation and Co-operation

The differences in policies as well as the conditions under which social democratic parties in Western Europe have to operate, has decreased. This has inevitably led to a narrowing of economic policy positions advocated by the various parties on the centre-left.

The gap between the families of 'modernising southern' and 'classic northern' social democratic parties has lost much of its relevance. Respectively, in Portugal, Spain and Greece, modern political systems have developed while their economies have made great strides towards cohesion and European integration.

The 'northern' European social democratic parties moved away from their 'traditional' Keynesian interventionist policy agenda towards more market led policies. Furthermore, the 'classic' Western European social democratic parties of Sweden, Finland and Austria, which had traditionally been opposed to their countries joining the European integration process changed their policies in favour, hence playing a significant role in

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[79] Marquand, David - The Unprincipled Society: New Demands and Old Politics, Jonathan Cape, London 1988

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their countries decision to apply for full EU membership. It is significant to notice that these parties, by committing themselves to full EU integration - within an EU institutional framework that had been dominated by attempts to promote neo-liberal policies - were indicating their willingness to abandon remaining 'national' Keynesian interventionist policies from their policy agendas. In addition, the 'northern' social democratic parties of EU member states that had already supported the signing of the Maastricht Treaty in 1992 had beforehand accepted that the struggle against inflation was the fundamental task of governments, while that of direct policy initiatives against unemployment were unsustainable and of secondary importance.[80]

Overall, 'northern' social democratic parties (including the British Labour Party),[81] which had in the past remained at best lukewarm, if not at times hostile towards European integration, slowly repositioned themselves on the issue and adopted pro-integrationist policies accepting the inevitable consequences arising from such a change in party policy. In fact, the Labour Party has (at no time) ever been more mainstream European social democratic (than at any previous point during her history). Like her continental sister parties, commitments to wide-ranging nationalisation, to neutralism and the aim for a state of 'socialist' collective ownership have been abandoned as well as the more traditional social democratic commitments to full employment and state interventionism. In Chapter 8, quantitative and qualitative comparisons between Labour's and the SPD development of their LMPs strongly confirm this trend.


A crucial factor for the internationalisation of the socio-economic conditions of parties economic policy-making been trends of globalisation. These trends refer to a process, which is marked by the attempt to overcome the historically developed national borders and their organisational and projectionist functions. This process has not only been motivated by inevitable developments of world economic forces, but has been predominantly the product of conscious political interventions by national governments, for example, in form of further integration on the EU level (e.g. EMU) and the negotiation

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[80] Sassoon, Donald - <u>One Hundred Years of Socialism</u>, I.B. Tauris Publishers, London 1996, p 448
[81] See: Statements on European integration from 'Prosperity through co-operation: a new European Future' (Labour Party, 1993) onwards, a statement which was developed in response to the invitation of (at the time) Commission President Jacques Delors to submit proposals for economic renewal in the European Community.

for the General Agreement on Trade and Tariffs (GATT). Hence, the abolishment of barriers to the free movement of capital, goods and services and (to a limited extent) labour has been expressed in three ways.

Firstly, an increased movement of global financial capital has exposed a 'hierarchy of markets'. The rates of return on capital investment in goods- and services industries depends substantially on a countries exchange rate and interest rate, which in turn influences strongly the levels of employment and wages in national economies.

Secondly, globalisation is strongly expressed in the competition of currencies. Under conditions of flexible exchange rates, global financial markets predetermine the margins in which national/European monetary policy can set to influence a countries/member states interest rates. This leads to a situation in which governments are forced to make the stability of their currency the predominantly aim of their economic policies. In fact, governments can be engaged in an international contest on currency stability, in which countries attempt to attract capital by offering conditions of the highest rates of interest and lowest levels of inflation.

Finally, the cross-border reorganisation of production and work patterns via transnationally operating firms as well as the free movement of capital undermined the regulatory and wealth-redistributional capacity of the nation state. However, in response, new but weaker regulatory frameworks based on a macro-regional level of economic blocks such as the EU are emerging, which set out new protectionist and regulatory rules.

Through increasing transnational mobility, capital began to be increasingly able to counter attempts at regulation by states, which began to find themselves in the context of competing among each other far more directly for investment resources. This new structural power of business has been taking the form of governments increasingly and voluntarily prioritising the provision of the best possible conditions for capital and business in their countries. In fact, factors such as 'business confidence' have never before determined to such an extent the direction of capital flows, the availability of finance, and investments, upon which future production, tax revenues and ultimately employment levels depend on.

Overall, the national state's capacity to pursue non-economic goals - such as welfare, ecology or even cultural objectives - has decreased. As all countries have had to

join the race of providing an internationally competitive national environment for companies and by giving priority to meet the monetary standards of global financial markets, it is possible to observe a substantial convergence of economic policy responses to the constraints of the world market. This has been clearly demonstrated by the adoption of policies of deregulation (in particular of labour markets), the liberalisation of price and exchange rates, the privatisation (of public service sectors), the stabilisation of national currencies, a restrictive national budgetary policy as well as the political support provided for the creation of an environment which aims at offering the greatest possible returns on productive investment.[82] In the words of Colin Crouch and Wolfgang Streeck, "the demise of national state capacity under globalisation is likely...to destroy a range of governance mechanisms in institutional economies...reducing the overall diversity of available governance arrangements."[83]

However, Paul Hirst, asking the question if globalisation has killed Social Democracy, has argued that the European welfare state has not necessarily been threatened by the abstract process of globalisation, but by the successful creation of the Single Market and the advent of Monetary Union within the European Union that reduces national state capacities to act on economic policies. Highly critical, Hirst believes that globalisation has become a key term in a "rhetoric aimed at silencing voices that are in favour of regulating markets rather than regulating for greater market freedom."[84] There is no doubt, that if countries overspend their budgets these days by financing generous social programmes, international bond markets impose an immediate punishment on those states in the form of higher interest rates. This new golden straight-jacket on countries spending operates on a political level as well as through a process that Thomas Friedman has labelled 'global-ution' (revolution via the global economy).[85]

It is clear that 'traditional' social democratic regimes required and presupposed a far more closed economy than possible and desirable at the turn of this century. Hence, the 'traditional' social democratic state has been undermined by the downward spiral of

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[82] Mahnkopf, Birgit - 'Soziale Demokratie in Zeiten der Globalisierung', Blätter für deutsche und internationale Politik, 43 Jahrgang, November 1998, pp 1318
[83] Crouch, Colin and Wolfgang Streeck - The Political Economy of Modern Capitalism, Sage, London, 1997, p 13
[84] Hirst, Paul – 'Has Globalisation Killed Social Democracy?', in Gamble, Andrew and Tony Wright - The New Social Democracy, Blackwell Publishers, Oxford, 1999, p 93-5
[85] Friedman, Thomas - The Lexus and the Olive Tree, Harper Collins, London, 1999

harmonisation as governments progressively dismantle themselves in order to compete on social and labour costs.[86]

Globalisation - real or perceived - has been an important force in the policy convergence process of Europe's social democratic parties as it has led to a realignment of their policies away from the traditional orientation towards 'national' social democratic policies. In fact, the perception of globalisation has not only brought a convergence among the parties of the left, but also among parties of the left and right, although largely on the post-Keynesian neo-liberal terms of the right. Here, the strong degree of convergence among parties on the left and right can be compared with the situation of the 1950 and 1960 when they shared the belief in full employment and an all encompassing welfare state (although that time the political terms were set by the left).[87] Overall, the perceived need by social democratic parties to accept the dominance of the markets, the adaptation of neo-liberal policies and the abandonment of 'socialist' policies have meant that the economic policy gap among the social democratic parties of Europe has never been smaller.[88]

In fact, most national parties' have adopted policy strategies that minimise the degree of state interventionism according to the requirements of the markets, while attempts to move regulatory issues onto the European stage have predominantly led to the reinforcement of the neo-liberal policy paradigm and hence further reduced parties' economic policy options (in a feedback loop). Here, critical observers such as Stephen Gill have described the process of EU integration as the creation of a "new constitutionalism", which overall strengthens disciplinary neo-liberalism while reducing in turn the amount of pragmatically and nationally viable policy choices available to national parties.[89] According to this school of thought, the developing 'new constitutionalism' reshapes state-market boundaries in order to maximise the exposure of states to international

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[86] Gray, John - False dawn, Granta Books, London , 1998, p 88 + 92

[87] Marquand, David - The New Reckoning - Capitalism, States, and Citizens, Polity Press, Oxford, 1997, p 55

[88] Sassoon, Donald - 'Fin-de-Siècle Socialism: The United, Modest Left', in New Left Review, No 227, January/February 1998, p 92

[89] Gill, Stephen - 'The Emerging World Order and European Change', in Miliband, Ralph and Leo Panitch (ed) - The Socialist Register 1992, Merlin Press, London, 1992, p 157-96

capital markets, which in turn reduces the capacity of states to manage aggregate demand or to even out market generated social disruptions.

Colin Crouch and Wolfgang Streeck agreed with this thesis when they argued - with respect to the decline of the governing capacity of the nation-state and its impact on capitalist diversity - that a diminished role of state interventionism will mean that "instead of being imposed on markets and hierarchies by public power, with a capacity to redistribute resources and decision rights for the purpose of protecting social cohesion, regulation will increasingly be private and market accommodating".[90] This was, in fact, learned by many social democratic parties in Western Europe throughout the 1980s and 1990s when they experienced severe problems in regards to the implementation of their Keynesian inspired policy model.[91]

Following from this, 'globalisation' constrains substantial demands by policy makers for the public protection against market effects, and to discipline social actors to conform to market constraints and criteria. Seen from this perspective, globalisation is not only about a shift in the structural power of capital constraining states, but also about policy makers and state-actors deliberately engaging in a neo-liberal strategy in order to mobilise the structural power of global capital in their favour.[92] Hence, parties are not necessarily forced to abandon Keynesian style policies, but they end up voluntarily adopting and advocating neo-liberal policy approaches of orthodoxy and deregulation, if their policy strategy is aimed at attracting capital, ensuring national competitiveness and to avoid the contraction of the economy. As a result, "the capacity of the nation state to pursue market inhibiting regulation has decreased, and the social forces that stand to

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[90] Crouch, Colin and Wolfgang Streeck - 'The future of capitalist diversity', in C. Crouch and W. Streeck (ed) - Political economy of modern capitalism - Mapping convergence and diversity, Thousand Oaks, London, 1997, p 15

[91] Examples for this include the continuous erosion and structural crisis of the Swedish model; the aborted French attempt to adopt a Keynesian-style demand-management strategy in 1981; as well as the policy constrains enforced on national governments by the Maastricht Treaty to promote a fast track to real convergence via monetary integration which made the implementation of demand management techniques merely impossible. These experiences brought social democratic parties' policy choices eventually more into line with their Conservative and Christian Democratic counterparts. (Boyer, Robert - 'The convergence hypothesis revisited', in Berger, S. and R. Dore (ed) - National diversity and global capitalism, Cornell University, London, 1996, p 57)

[92] Panitch, Leo - 'Globalisation and the State', in Miliband Ralph and Leo Panitch (ed) - Socialist Register 1994, Merlin Press, London, 1994, p 60-93

benefit from such regulation find it increasingly difficult to organise the relational power necessary to make politically effective demands."[93]

This was realised by the SPD and Labour and expressed by their influential strategists, in the case of the SPD for instance by Fritz Scharpf, who began to argue - in respect to the abandonment of Keynesian style policies by social democratic policy makers - that "...there is now no economically plausible Keynesian strategy that would permit the full realisation of social democratic goals within a national context without violating the functional imperatives of a capitalist economy".[94]

Therefore, we can conclude that 'globalisation' has strongly affected party policy options as it pushes parties' of various ideologies towards the eventual adoption of similar neo-liberal economic policy approaches. Secondly, as argued by various authors (though often rather pessimistically), the capacity of the nation state to act effectively under the constraints identified can only be recovered when, in the case of Europe, states and parties move towards a higher European Union policy level strategy, and aim to pool their resources and sovereignty. By doing so, they can attempt to re-gain some ability to re-regulate the economic sphere if they so wish.[95] However, most observers rule this out as unrealistic and expect instead that the nation states of the future will predominantly accept the role of provider for the infrastructure and public goods that business requires at the lowest possible cost, in order to safeguard international competitiveness.

Hence, the practical advantages of an increasingly more European level policy outlook and strategy of national political parties cannot be ignored and is reinforced further by the fact, that the European Parliament (EP) has been able to increase its powers over time and that it carries further potential for the extension of its role and status in the future.

European level co-operation of Europe's Social Democratic parties may still be insignificant, but it will be argued throughout this thesis that in particular economic factors (such as the growth of multi-nationals, more interdependent national economies

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[93] Ryner, J. Magnus - 'Neo-liberal Globalisation and the Crisis of Swedish Social Democracy', EUI Working Paper, European University Institute, SPS, No. 94:4, 1998, p 13

[94] Scharpf, Fritz - Crises and Choice in European Social Democracy, Cornell University Press, NY, 1991, p 272

[95] Hirst, Paul and Grahame Thompson - Globalisation in question - The international economy and the possibilities of governance, Cambridge Polity Press, Cambridge, 1996; and Drache, Daniel - 'From Keynes to

and trade patterns, further 'Europeanisation' etc.) will inevitably lead to the further cohesion of national social democratic economic policy agendas. However, so far the process of convergence is still at an early stage while distinctive national programmatic differences will remain due to differing national political interests, traditions, histories and cultures.

## 2.4. 'Modernisation': The response of Social Democracy

As described earlier, throughout the 1980s Social Democratic parties seemed to have lost the policy initiative and ability to set the political agenda. In fact, parties that gained government office quickly adopted policies of fiscal prudence and neo-liberal influenced policies, while others such as the Labour Party and the SPD - less inclined to follow this path - spend long periods in opposition. Parties out of office during the early 1980s found themselves in a situation of uncertainty over what policies to adopt. In the case of the Labour Party, this led to severe political infighting and a radical move to the left with the adoption of socialist state interventionist policies. In the case of the SPD, a substantial variety of policies were adopted, while a clear and consistent approach was missing.[96] In both cases, the parties ended up losing consecutive elections and remained firmly in opposition.

The attempt of social democratic parties to fill the gaps left by a new agenda of fiscal prudence and the abandonment of Keynesian policies led to the search for new programmatic orientation and policy responses. This search for a way to modernise social democratic policies and ideology gained momentum in the early 1990s when neo-liberal policies were failing to provide social cohesion as well as employment. In fact, the ongoing search for new ideas led to an increasing degree of pragmatism applied in policy choices, the acceptance of more fiscal prudence, an end to tax increases and even the re-emphasis of the role of communities and (in the case of Labour) stakeholding as options for the renewal of social democratic policy orientation.

K-Mart: Competitiveness in a corporate age', in Boyer, Robert and Daniel Drache - The state against markets: The limits of globalisation, (Chapter 1), Routledge, London, 1996

[96] Borchert, Jens, Golsch, Lutz und Uwe Jun - Das sozialdemokratische Modell - Organisationsstrukturen und Politikinhalte im Wandel, Leske und Budrich, Opladen, 1996, p 18

## 2.4.1. 'Modernisation' and 'innovation'

One of the core terms of 'New' Labour and 'Neue Mitte' rhetoric has been the notion of 'modernisation'. In fact, it appears that the Labour Party's use of this notion suggested that policies could be identified that had been modernised or attuned to reform, something that seemed always the right thing, even if this meant that so called 'hard choices' were required. Anything else could be labelled, by definition, as being out of touch with changing requirements or opposed to modernisation. In a nutshell, any institution or practice that had been identified as not working sufficiently seemed to require some kind of 're-new-al' or 'modernisation' action.

In the case of the Labour Party, this went so far that even its very own advisers and Millbank insiders - such as Derek Draper - made fun of Labour's obsession with 'presentation' and 'soundbites' by mocking the party's constant emphasis of the term 'new' as "New Labour, New Europe, New Everything."[97] Whether Gerhard Schröder's notion of 'Neue Mitte' as a new policy approach that combines modern pragmatism with a strong sense of fairness has been a convincing formula or not,[98] it is clear that the use of terms such as 'new', 'neu' and 'modernisation' were based on the idea that there had been some sort of identifiable and irreversible historical shift within both parties, emphasising that the public acceptance of processes such as globalisation, technologisation and alleged realignments in social and class structures that had to be dealt with. Hence, these processes - treated as given facts - required a policy 'modernisation' process in order to respond effectively to the changing circumstances.

It then appeared, that the idea of 'modernisation' as defined above, created a distinctive line that encircles and identifies everything to the left of "the modernising left"[99] as 'old' and therefore in need of 'modernisation'. In the case of the SPD, it was not so much the notion of 'modernisation' that expressed the party's 'newly' found and reformed self-definition. Instead the SPD used the term 'innovation' - a term that had been used in the party's 'Fortschritt '90' programme as well as in the party's 1994 general election programme. It was, however, not until the run up to the 1998 election programme

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[97] Draper, Derek - <u>Blair's 100 Days</u>, Faber and Faber, London, 1997, p 77

[98] 'Schröder beschwört den Geist der 'Neuen Mitte" - <u>Neue Züricher Zeitung</u>, 11 November 1998

[99] One of the preferred terms used by the influential 'Third Way' author Anthony Giddens, Lecture at the London School of Economics, London, 03 February 1999

that the term's meaning went beyond business economics.[100] By the time the SPD had developed its 'Innovationen für Deutschland' economic policy outline in 1997, the term 'innovation' had been adopted as a synonym for the traditionally used notion of 'reform', as the word 'reform' - pointed out later by the first minister for work and social affairs (Arbeit und Soziales) in the Schröder cabinet Walter Riester - had been discredited by the previous Kohl-led government as something negative which meant reductions and/or cuts.[101] Hence, the SPD chose the notion of 'innovation' as an expression for its 'modernised' institution - while the emphasis on 'innovation' was also sought to portray the SPD and its policies as new, innovative and pragmatic in approach, in order to solve the economic and political ills of Germany.

Inevitably, this understanding of 'modernisation/innovation' must be set against Labour and SPD governments that had to begin to act in practice, while those actions did not seem to be based on a clearly prescriptive all-encompassing 'new' political theory. Hence, two approaches to (re)gain a guiding political theory to 'modernise/innovate' social democracy are comprehensible.

First, one could purely measure the 'new' Labour / SPD governments by attempting to identify an underlying consistency to their actions that could then be turned into an implicit policy pattern that would perhaps reveal an established new form of social democratic theory. Alternatively, the Labour Party and social democratic parties in general may attempt to develop and redefine their value system and their aims in response to the new circumstances in order to establish a set of guiding principles for future policy developments. In fact, this is the context under which the term 'modernisation' and the search for a wider ideological frame of reference have to be understood.

Naturally, the readjustment of social democratic parties to changing policy options would have to affect their overall strategic behaviour. Anthony Giddens, as an academic with strong "New Labour" credentials, has argued that social democratic ideology must be redefined by replacing orthodox beliefs with pragmatism. While social democrats - or as

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[100] Unger, Frank, Andreas Wehr and Karen Schönwälder - New Democrats, New Labour, Neue Sozialdemokraten, Elefanten Press, Berlin, 1998, p 177

[101] Riester, Walter - 'Soziale Innovationen vor dem Wandel der Arbeitsgesellschaft', in Lafontaine, O. and G. Schröder et al - Innovationen für Deutschland, Steidl Verlag, Göttingen, 1998, p 199

he calls and widens them to all parties on the 'centre left' - should continue to draw inspiration from traditional 'left' values, such as equality and democracy, Giddens believes that they must also accept that "socialism is dead as a theory of economic management".[102] However, according to this view, the left could continue to act upon the principal belief that the state and its institutions are of major importance and must be used to act upon the above-mentioned values. The modernisation process of social democracy envisaged by Giddens would neither require the need nor the ability of social democratic parties to reinvent or develop a new overall economic theory, hence freeing social democracy from the need to develop a replacement for its lost Keynesian paradigm. Instead, Giddens prefers to subscribe to the idea - popular with 'New Labour' - that in an increasingly complex world, governments must positively accept the uncertainties of the modern high-risk economy, which are increasingly the basis of successful global economic competition.[103] This idea applied to party ideology means that 'allowed is what works', with the previous problem for many social democratic parties - namely the lack and search for a clear policy prescriptive ideological vision - having been abandoned by making a virtue out of something that had been made out of a necessity. From this follows the conclusion that instead of searching for an all-encompassing new theory of social democracy, policies should be pragmatically based and gain consistency from a general set of principles. This means in practice, that a social democratic government could reform the welfare state by introducing more flexible arrangements to meet peoples needs and circumstances (such as new employment patterns) without requiring an overall theory on which those policy choices are based on.

This view is however strongly contested, with Giddens being criticised for insisting with his 'third way' ideas that the world has changed so dramatically that textbook macroeconomic analysis and state steering has become irrelevant, while ignoring at the same time - as pointed out by Frank Vandenbroucke - the fact that neo-corporatist industrial relations have remained a highly formative and positive part within those countries in which these arrangements have been traditionally and successfully applied.[104] In fact, some argue that the historical strength of the German economic model may - with

[102] Giddens, Anthony - 'Centre left at centre stage', New Statesman, May 1997, Special Edition, p 37
[103] Giddens, Anthony - 'Centre left at centre stage', New Statesman, May 1997, Special Edition, p 38
[104] Vandenbroucke, Frank - 'European Social Democracy: Convergence, Divisions, and Shared Questions', in Gamble, Andrew and Tony Wright - The New Social Democracy, Blackwell Publishers, Oxford, 1999, 42

the help of its economic institutionalised networks - will prove to be far more resilient to the apparent inefficiencies uncovered and not be threatened by trends of globalisation as it continues to provide indigenous companies with competitive advantages through providing stable and innovative factor conditions; meaning that it will require far less system change than advocated by the proponents of the third way.[105]

In fact, the 'five principles of the centre left' envisaged by Tony Blair in February 1998 reveal that the envisaged modernisation of social democracy is predominantly a continuation of the policies envisaged by Conservative and Christian Democratic parties alike and nothing substantially new. The vision to build the 'centre left' on a diet of (a) stable economic management; (b) steering state interventionism away from issues like industrial intervention or tax and spend; (c) reforming the welfare state as well as being (d) internationalist in outlook are not necessarily aims which are any different from the policies envisaged by parties on the right.[106] In fact, even the final point of Blair's 'centre left' principles for the modernisation of social democracy that envisages a distinctive and core role for (e) limited state interventionism in form of state provisions for infrastructure, social security, education, training and health matters is shared by the centre right too. Here, only extreme neo-liberals of a kind not really found in Europe would reject the idea of infrastructure spending - especially on education and training. Certainly neither the CDU nor the British Conservatives would reject this.

What we find, however, in the 'five principles of the centre left' is the perceived need by Blair and his allies to move the 'centre left' beyond the rather defensive social democratic pragmatism of the mid-1990s - with its often incoherent policy ideas - and to establish a set of more or less coherent policy principles that would enable a more consistent policy outlook. Only the successful filling of the previous gaps will offer the policy guidance and future vision necessary for Europe's social democracy to offer a distinctive challenge to the neo-liberal paradigm.

However, arguments over the available paths of social democratic modernisation are bound to continue. On the one side, numerous authors such as Jens Borchert et al have

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[105] Harding, Rebecca - 'Germany's Third Way' in Funk, L. (ed) - The Economics and the politics of the Third Way, Transaction, London, 1999, p 71-77

consistently been arguing that what has been labelled as 'modernisation' or 'opening towards the middle' has in fact been the bringing into line of social democracy with conservative labour market policy prescriptions.[107] On the other side, New Labour as well as the SPD leadership have begun to set out more positively and distinctively pro-active visions of state responses to the new socio-economic challenges of the post-Keynesian area.[108] In fact, the definition and understanding of the 'Third Way' and 'Neue Mitte' concepts as well as the attempt to use communitarian ideas for a moral renewal indicate the state of discussions – in particular in Britain and Germany - and hence shows current trends for developments and future contents of social democracy that can be currently expected to evolve.

## 2.4.2. The 'Third Way' and a bit of 'New Mitte'

> "Let the politics of the Third Way and the Neue Mitte be Europe's new hope."
>
> Blair/Schröder Paper, June 1999[109]

The use of the terminology 'third way' has previously been associated with revisionist reform of the left and the search for a compromise between two established 'extremes'. In fact, when communism was still perceived viable, democratic socialism was referred to as a third way between communism and capitalism. Then in post-war Europe, social democracy was often seen as a third way between Anglo-Saxon capitalism and socialism. However, with the growing crises of traditional social democracy and electoral defeats throughout the 1980s, academics such as Anthony Giddens claimed by the late 1990s a (new) third way between traditional social democracy and neo-liberal capitalism.

Discussions surrounding the ideas of ideological realignment of social democracy in this form were predominantly started in Britain even before the Labour Party's general

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[106] 'The next step' - Blair interview, The Guardian, 07/02/1998, p 3

[107] Borchert, Jens, Golsch, Lutz und Uwe Jun - Das sozialdemokratische Modell - Organisationsstrukturen und Politikinhalte im Wandel, Leske und Budrich, Opladen, 1996, p 8

[108] For instance, Oskar Lafontaine declared in a speech at the conference 'Innovationen für Deutschland', Bonn, 21/05/1997 (p 1): 'The Conservatives perceive the globalisation of markets as a threat. In fact, they have used the fear from globalisation to justify the re-distribution of wealth at the cost of the majority of the population. Instead, for us globalisation is an opportunity. We want to make the most of this opportunity, to increase wealth and secure old and create new employment opportunities'. Cited in Unger et al – New Democrats, Elefanten Press, Berlin, 1998, p 151

[109] The official titles of the Blair/Schröder Paper were 'The Way Forward for Europe's Social Democrats' and 'Der Weg nach vorne für Europa's Sozialdemokraten', 09 June 1999, (p 15)

election victory in May 1997. The need to embed a newly defined role and political philosophy for social democracy that would set out a political strategy fitting the new socio-economic realities has been popularised by the Labour Party itself. Its aim was to search, revise and modernise a social democratic policy outlook and develop ideas to redefine the role and political philosophy of the 'centre' and fill its theoretical and ideological vacuum.

The overall aim of third way politics - in the words of one of its founding fathers - should be to help citizens pilot their way through the major challenges of our time. Namely, "globalisation, transformations in personal life and our relationship to nature. Third way politics should take a positive attitude towards globalisation, preserve, however, a core concern with social justice....look[ing] for a new relationship between the individual and the community, a redefinition of rights and obligations (no rights without responsibilities)."[110] As listed by Anthony Giddens, the values of the 'third way' include "equality, protection of the vulnerable, freedom and autonomy, no rights without responsibilities; no authority without democracy; cosmopolitan pluralism; and philosophic conservatism."[111]

Finally, common features of 'third way' inspired economic policies include "a more narrow distribution of income than in a mainly free market economy, placing public finance on a healthier footing, more flexible labour markets, increasing educational and training opportunities, reduced social costs, welfare-to-work programmes and a macro-economic free market orthodoxy."[112] In other words, 'third way' supporters have emphasised the necessity to adopt efficiency-increasing and sustainable employment-enhancing domestic economic policies.

Not surprisingly, the search for a 'third way' has been strongly associated with attempts to provide Blair's 'New Labour' project with a more theoretical grounding. However, while some observers understand the search for a 'third way' as looking for an alternative path to a socially cohesive capitalism, others believe that the 'third way' term 'has moved from obscurity to universality without passage through a phase of

[110] Giddens, Anthony - The Third Way - The Renewal of Social Democracy, Blackwell Publishers, Oxford, 1998, p 64-5
[111] Giddens, Anthony - The Third Way - The Renewal of Social Democracy, Blackwell Publishers, Oxford, 1998, p 66
[112] Funk, Lothar (ed) - The Economics and the politics of the Third Way, Transaction Publishers, London, 1999, p 5-6

definition',[113] while the rhetoric surrounding the term has mainly served to recycle the 'neo-liberal consensus' and marginalises opponents of that hegemony by suggesting that they are somehow out-of date with reality.[114] Fierce critics such as Marquand have therefore expressed his fear, that this new notion enables the Labour Party to exclude 'old' social democratic concerns like redistribution from serious discussion, while recycling and representing the neo-liberal consensus with some talk of equality and communitarian perspective bolted on to it.[115] This fear has at least been partly confirmed by Labour's Trade and Industry Secretary Steven Byers who declared that Labour's ideas of the 'Third Way' demonstrate the realisation that "wealth creation is now more important than the redistribution of wealth" and herewith burying one of the central traditional tenets of the Labour movement.[116]

However, what makes the 'third way' discussion so interesting is the fact that it is a clear attempt to devise a cohesive strategy for parties on the 'centre-left' aimed at redefining social democracy in order to regain the policy initiative. The 'third way' clearly takes account of the changing circumstances in which centre left parties have to operate in and attempts to refine how traditional centre-left values should be applied in the future. Naturally, academics and politicians closely associated with New Labour claim that the 'third way' is not the search for a new strategy in an old game, but it is the path ahead in a totally new game which takes into account the dramatically changing political and economic environment and goes inevitably beyond the old notions of left and right. In the words of Gerald Holtham (at the time director of the Labour friendly think-tank the IPPR), 'New' Labour's aim is to develop policies that apply "traditional social-democratic values to contemporary circumstances, recognising the inevitable dominance of capitalism and the market economy and the need to work with, not against it."[117] This however sounds like nothing particularly new, as it has traditionally been social democratic common sense to work with the market as a functioning economy with high growth rates

[113] Kaser, Michael - 'Post-Communist transitions as 'muddling through'', in Funk, Lothar (ed) - The Economics and the politics of the Third Way, Transaction Publishers, London, 1999, p 56
[114] Plender, John - 'A New Third Way', Prospect Magazine, February 1998
[115] Marquand, David on NEXUS 'UK-Policy Forum on the Third Way', 28/01/1998, NEXUS-Archive, London
[116] 'Wealth creation is the priority, insists minister' – The Guardian, 02/03/1999, p 9
[117] Holtham, Gerald - 'Confessions of a clocking-off think-tanker', in progress, IPPR, Autumn 1998

has always been the precondition for its policy approach. However, what the above definition indicates is, that the centre-left does not seem to be able to develop a simple policy prescriptive formula similar to what the right had been able to come up with during the 1980s.

It is, however, possible to identify a new 'third way' rhetoric coupled with a different approach to the understanding of the causalities in society. The strong emphasis on individualism found in neo-liberalism has been given a more equal status to the role of communal responsibilities. Also new about the rhetoric is the fact that policy ideas are not based on egalitarianism as was common in 'traditional' social democracy. Instead, the means envisaged by the Labour government to achieve social justice have been shifted from the traditional social democratic idea of redistribution and equality to the 'narrower' notions of the state ensuring 'minimum standards' and 'equality of opportunity'.

Hence, the question remains, how can political actors on the centre left characterise in simple terms their prescriptive policy principles? In fact, in the absence of a strong 'narrative', a story-line that plays up continuities and gives the inattentive voters something to identify with is what the SPD and the Labour Party continue to search for, with Labour advisors - such as Philip Gould - admitting that what is needed are "...uncompromising and single-minded positions in all of the policy and issue areas rather than a whole raft of often confusing and abstract 'third way' messages."[118]

However, academics taking part in the search for a 'third way', such as LSE's Professor Julian LeGrand belief that the Labour Party's increasing emphasis on community and accountability as well as on responsibility and opportunity represents a distinctive 'third way' that is different from neo-liberalism and traditional social democracy. This may, however, be an over-interpretation of the capacities of the notion in practical politics.[119] In fact, the distinctive pragmatism displayed by the Labour Party policies put forward since May 1997 confirms that there is still a lack of an all-encompassing 'grand idea'.

Although most policies put forward by governments entail compromises, the question remains, if it is possible to gain clear guidance for policy decisions from a seemingly vague, rather non-visionary and highly pragmatic set of principles which

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[118] 'Gould's dire warning to Labour', The Guardian, 20/07/2000
[119] Le Grand, Julian – 'The Third way begins with Cora', New Statesman, 06 March 1998, p 27

borrow from a variety of ideas and theories? So far, the main emerging ideas of a third way for the 'centre left' contain libertarian and individualistic notions as well as an emphasis on community responsibilities. Furthermore, a missing automatic belief in the virtues of the free market is complemented by a seeming lack of commitment in favour of the public sector or the belief in a mixed economy.

What remains is the acknowledgement of a state role, but one, which is decisively weaker than what it used to be under traditional social democratic policies. While the notion of the third way appears to be highly pragmatic, it is difficult to envisage it being instructive for policy planning. This then raises overall doubts whether a 'what counts is what works' approach to policy making is able to replace the lost economic policy paradigm under which social democratic parties have been suffering in recent decades.[120]

Finally, the discussions and search for a 'third way' have only just begun. While the foundations and direction of the search for a new ideological and policy outlook have been marked out and ideas such as 'stakeholding' and communitarianism been introduced into the search, the final outcome of the attempt to redefine social democratic identity is far from certain. However, it can be stated that the 'third way' - in contrast to the usual way of ideological development - is something currently developed in order to fit, justify and give coherence to policy approaches that have already been applied under the banner of 'New Labour' or 'Neue Mitte' without having been inspired by pre-existing guiding principles. Now, this approach can certainly be called 'new'.

## 2.4.2.1. What's different? - 'Third Way' and 'Neue Mitte'

It is fair to say, that there has been a marked difference between Tony Blair's and Gerhard Schröder's intellectual and political ambition to develop and modernise - possibly together with party friendly think-tanks and academics - their parties' ideology and programmatic policy visions.

Beginning with his assumption of the party leadership and long before his party's accession to government office, Tony Blair portrayed himself as a reformer who perceived it to be necessary not only to reconstruct Labour's institutions but also social democratic theoretical principles by adopting more market-orientated and liberal doctrines.

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[120] Blair, Tony - 'Tough on red tape', Financial Times, 09/03/1998

Furthermore, Blair used and encouraged during the 1990s the growth of more or less labour friendly informal networks of think tanks (IPPR, Demos, Centre for European Reform etc.) and the country's academic community to feed successfully the party's ideological modernisation and programmatic reform as well as development of 'third way' thinking.[121]

In contrast, Gerhard Schröder never displayed the same ambition or even perceived the need for a similar degree of party policy modernisation. His legendary distance to the SPD's party institution, official policy positions and formal policy making processes may have contributed substantially to the fact that he would have met - and indeed met in the case of the Blair/Schröder paper - substantial resistance within his party when pushing for the redefinition of its policy outlook and ideology. Hence, the more traditional and less flexible think-tanks close to the SPD such as the Friedrich-Ebert Stiftung, Max Plank Institute or Hans-Böckler Stiftung have not been used and encouraged to engage as actively - in comparison to UK institutes - in a policy and party ideology development drive.

Finally, the 'third way' as well as the 'Neue Mitte' discussions have divided social democrats right through the middle of their parties with the eventual acceptance by Labour's and SPD's activists as well as rank and file members only being understandable, if one recognises the strong will of the parties to regain government power after an exceptional long period in opposition. The unease of large groups within the parties about the adoption of these 'new' ideas is also clearly shown by the strong need of the parties leaderships to use 'spin doctors', new 'modern' policy rhetoric and professionalised communications to sell those policy institutional and policy reforms - not only to the electorate, but to highly critical party members.[122] This selling of the 'third way' and 'Neue Mitte' appears to have been an important part and another aspect of both parties' leadership's strategies to overcome the resistance to policy change among their own party ranks.

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[121] Michel, F. and L. Bouvet - 'Paris, Bonn, Rome: A Continental Way', in Hargreaves et al - Tomorrow's Politics, Demos, London, 1998, p 144

[122] Wallis, Joe and Brian Dollery - Market failure, government failure, leadership and public policy, MacMillan, Basingstoke, 1999, p 138-90

Overall, after having assessed the 'external' context for the crises of the social democratic welfare state; the parties ideological and electoral challenges as well as the other exogenous factors that played a crucial part in this equation, it is clear that although problems varied and impacts differed for the Labour Party and the SPD, some general underlying problem patterns and trends that both parties had to similarly deal with can be identified that will help us to understand better both parties shifts in policies during the period under investigation. Having furthermore identified the most recent theoretical and programmatic responses by the Labour Party and the SPD to deal with the issues, we can now assess the 'internal' factors that have determined and conditioned both political parties strategies and their programmatic choices in order to see if the direction of policy change was inevitable and reveals common response patterns between the parties.

# Chapter 3. The 'internal' context: National differences, changing operational conditions, strategies and choices of parties in opposition

As described in the previous chapter, 'external' problems such as the emerging economic crises of the post-war system, an emerging ideological crises, and the change of environmental conditions that diminished the capacity of party leaders and policy-makers to offer successful policy alternatives to party members and the electorate were one of the problem areas that can be partly blamed for Labour's and SPD's electoral and party problems between the 1980s and mid-1990s. However, the parties' loss of influence over domestic policy agenda setting and the ability to influence government policy was not solely caused by those 'external' factors, but also by various 'internal' factors that were due to the German and British political systems, traditions, changes in their use of the media and parties' ability to influence preference formation.

While Chapter 2 dealt with the specific historical context in which the analysis of party LMP making takes place, this chapter looks at the changing conditions for social democratic party actors within the historical period under investigation in order to enable a more holistic comparative analysis of both parties behaviour that includes the recognition of variations in national influence components as well as general changes in factors conditioning party policy communication in order to be able to help us identify cross-national social democratic party policy change patterns and a possible common redirection of public policy choices on a neo-liberal paradigm.

In fact, only after having taken into account aspects of 'internal' conditioning will it be possible to draw wider conclusions and understand both parties undertakings to achieve a functional alignment of their goals and structures.

## 3.1. Factors of party policy-making

In order to gain an insight into the policy development process of both political parties and to assess the significance of their programmes / statements it is helpful to sketch out country 'internal' features of parties that are relevant for this study.

Political parties can be understood as bodies in which a group of like-minded members attempt to pursue the aim of promoting a particular set of ideas as well as to canvass for the acceptance of an ideology. Furthermore, the foundation of political parties is an attempt to facilitate and encourage members and supporters alike to increase their involvement and participation in political life.

Traditionally, the membership of parties is perceived as an important factor as parties require a large number of people to fulfil tasks such as campaigning for votes during election campaigns; to generate party resources such as money; to legitimise a party's ideas as well as the 'democratically' selected 'party candidates' which run for public office.

Differences among parties can often be traced back to social cleavages that were present at the time of foundation. In fact, cleavages provide parties with the role of building alliances for conflicts over policies, resources and value commitments within the larger body of the state.[123] Furthermore, parties do not only integrate various cleavages in society, but also have to function as agents of conflict management among their leadership, members and electorate. This circumstance explains why policy-making within party institutions is not a simple evolutionary process but instead represents a process of mediation among various political conflicts and interests. An intra-party process of negotiations and coalition building is facilitated by developed intra-party institutional procedures, something that lies at the heart of most democratic political party organisations policy formation and formulation process. Hence, party policy development must be understood as the facilitation of a variety of interests and conflicts to internal

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[123] Lipset, S. M. and S. Rokkan (ed) - Party Systems and Voter Alignments, Free Press, New York, 1967, p 5

pressures as much as a response to external constrains. Aptly, Samuel Eldersveld appropriately described parties as 'miniature political systems' with authority structures, a representative process, and an electoral system that provides for inner-party processes such as decision-making, choices of leaders, the definition of goals and programmes, and the means to resolve internal party system conflict.[124]

In order to facilitate the analysis of decision-making processes taking place inside parties, a scheme is needed to map out and differentiate among the structure and strength of party sub-unit groups (i.e. wings, fractions, Richtungen or Flügel). Giovanni Sartori has developed a helpful scheme for analysis by devising three types of sub-unit groups consisting of (a) 'fractions' as a general, unspecified category; (b) 'factions' which can be defined as specific power groups; and (c) 'tendencies' which are representing merely a patterned set of attitudes.[125] As policy-making inside parties takes place in a 'miniature political system', the behaviour, strategic choices and interaction among different sub-party groups/players is of great interest to this investigation. According to Sartori's classification, parties that are composed of strong factions are highly factionalised, with inner divisions being highly visible and highly salient. In contrast, a party composed primarily of tendencies would be a party whose inner division were of lower visibility and low salience, and therefore according to Sartori's definition, a party with little fractionalisation.[126] Overall, the inclusion of this definition scheme of sub-groups of parties is useful when attempting to assess the 'group' interactions that have taken place during parties' policy-making processes as sub-unit level groups that consists usually of a fluid mixture and combination of differing proportions of factions, tendencies as well as individuals and independent actors try to promote their policy positions, beliefs and interests within parties institutions.

Summing up, we can establish that electoral motivations that facilitate party policy change, the domestic environment as well as intra-party factors must be considered when investigating parties policy choices as changes in the domestic/national political and

[124] Eldersveld, S. J. – Political Parties: A behavioural Analysis, Rand McNelly, 1964, p 1
[125] Sartori, Giovanni – Parties and party systems – A framework for analysis, Cambridge University Press, Cambridge, 1976, p 75
[126] Sartori, Giovanni – Parties and party systems, Cambridge University Press, Cambridge, 1976, p 75

institutional environment (microfoundations)[127] have a substantial effect on party behaviour, strategy and organisations. This also includes changes in the party political system, such as the emergence of new parties, changes in coalitions, party structure, electoral system, the overall corporatist structure of the state as well as exceptional events of significance (e.g. war, unification).

### 3.1.1. Reasons for party policy change

In order to understand the different interests and conflicts that may lead to changes in parties programmatic policy direction or emphasis, it is important to establish that processes can set off or require the change of programme contents. Kenneth Janda et al (1995) - in a study on party behaviour after elections - identified four major factors that lie at the heart of political parties' motivation to engage in the processes of changing policies and identity. Namely, parties may initiate a policy facelift by changing or repackaging their policies in order to shift their identity (image that citizens have in mind) of the party. Secondly, parties' display different identities to voters over time. Thirdly, parties may be driven to (re)formulate their policy statements prior to an election campaign in form of election manifestos in an attempt to correspond to the (strategic) requirements of the specific electoral situation. In fact, party policy and ideological principles on which leaders and supporters were once united, inevitably change and evolve over time.[128] In addition, one could add that shifts in the influence of sub-party groups could lead to a re-orientation in parties' policy priorities or strategic goals.

### 3.2. The increasing role of marketing and the media

An increasing reduction in social democratic parties' public policy options - as indicated in the previous chapter and discussed later - has inevitably affected areas such as the political culture of party competition. Peter J. Grafe has fittingly described (for the case of Germany) the impact the increasing adoption of similar policy options and the cohesion of parties' programmes may hold for the political contest within our political systems. Here, Grafe warned as early as 1986 that one effect of this development would be

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[127] Budge, Ian et al (ed) - Ideology, Strategy, and Party Change: Spatial analysis of Post-war election programmes in 19 democracies, Cambridge University Press, Cambridge, 1987

[128] Janda, K., Harmel, R., Edens, S. and P. Goff - 'Changes in Party Identity - Evidence from Party Manifestos', Party Politics, Vol 1, No 2, 1995, p 172

an increasing (over-) emphasise of parties on programmatic differences even though they were clearly shrinking in substance. In fact, he foresaw that parties' activities would have to meet increasingly the need for offering entertainment value to supporters in order to cater for a growing leisure character of politics that would partly replace parties' competition on policy ideas.[129] Furthermore, since the late 1970s trends of policy convergence among party organisations have been facilitated by the increasing homogeneity of communication systems, and above all, by the role of the mass media (print, radio and television) which has strongly influenced the development of parties' policy presentation and communication between party leadership and members as well as parties and the electorate.[130]

### 3.2.1. The media, party and leadership behaviour

'Traditionally' parties have relied heavily on their organisations to carry and spread policy beliefs and messages. This has been of particular importance during electoral campaigns when party leaders had to rally for their policy ideas directly by addressing large meetings of party members and the electorate. Here, the growing importance of the media and mass communications is increasingly changing the political cultures and communication structures of political parties. In fact, there is an increasing belief that in order to reach the widest possible electoral audience, parties have to create campaign strategies that contain a proper up-to-date mix of an appealing charismatic candidate, forceful slogans, and key non-ideological issues confirming Richard Rose's view that a "general election is about a choice between organisations, not ideas."[131]

In fact, today political messages are increasingly filtered through to the electorate via a complex top-to-bottom communication system, with party attention focusing and

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[129] "Wenn sich SPD and CDU in ihrem politischen Spektrum immer weiter annähern, dann müssen zur Motivierung der Anhänger und Wähler Unterschiede inszeniert werden, dann werden auch Unterhaltungswert und Freizeitcharakter von Politik immer bedeutsamer." In Grafe, Peter J. - Schwarze Visionen, Rowolt Taschenbuch Verlag, Reinbek, 1986, p 31

[130] 'Media Momentum' - Media Monitor, Vol. VI, Nr 6, Juni/Juli 1992, p 6
However, the technique to combine content analysis with opinion polls and the prove of a strong relationship between both variables can be traced back to the early 1970s and a study of McCombs, Maxwell and Donald Shaw - 'Agenda Setting Function of Mass Media' - Public Opinion Quarterly, 36, 1972, pp 176-87; Petersen, Thomas - 'Das Ende des Blindflugs. Weitere Belege für den Einfluß der Berichterstattung auf die Bevölkerungsmeinung', Medien Tenor, Nr 35, Februar 1996, p 8

[131] Rose, Richard - Do parties make a difference?, MacMillan, London, 1984, p 44

resources increasingly allocated to party 'media' centres (such as the SPD's 1998 Campa[132] and Labour's 1997 Millbank election centres)[133] which have had the task to 'sell' policies and candidates as well as provide the means for effective 'permanent' campaigning by providing systems for rapid policy responses and rebuttal units. In addition, it can be detected that the range of policy areas covered by parties electoral communications has increasingly been converging on a limited range of issues focusing on low inflation, low taxation and value for money public services, and welfare issues.

It is fair to say that the increasing need to meet media requirements when communicating with the wider public facilitates the attempt by parties to present their policies in an increasingly media friendly package. In order for politicians to reach voters and get policy messages transmitted by the media, messages have to be very brief, simple and catchy, something that has recently often been referred to as a 'sound bite' culture of politics. Here, complex policy proposals are increasingly giving way to a 'policy presentation' that fits media friendly three-minute television policy presentation slots, short slogans on advertising boards and 'pledge cards'. The growth of 'sound bite' politics – possibly epitomised most pointingly by Labour's 1997 ambiguous but brilliant election commitment to be 'tough on crime and tough on the causes of crime' – are a good example for a short policy message that is easy to remember, holds a wide appeal and means a variety of things.

Overall, parties are increasingly reliant for their electoral success on notions of image in the form of attempts to emphasise to the electorate party policy competence, unity, credibility, moderation and the quality of the leadership. In fact, it can be observed that party leaders are increasingly chosen by their parties on merits such as their ability to perform adequately and convincingly on television than predominantly on policy competence.

While some observers have been extremely critical of the 'marketisation' of party politics - criticising the replacement of rational debate with 'soundbites' or the

[132] Ruzas, Stefan - 'Marketingkommunikation – Im Wechselfieber', W&V, No 16, 17 April 1998, p 70-1
[133] At the cost of two million pounds, the Labour Party had set up a new media centre and rebuttal unit at Millbank Tower close to Westminster. At the heart of the 'Rapid Rebuttal Unit' was a computerised database called 'Excalibur EFS' (Electronic Filing Software) that enabled the party to respond quickly (during one 24 hour news-cycle) to the attacks of competing party opponents. (Butler, D. and D. Kavanagh - The British General Election of 1997, St. Martin's Press, London, 1997, p 57-8)

substitution of party political stature with business like marketing and sales techniques[134] - others have argued that the parties' use of marketing and market research enhances the ability of parties to deal with the real concerns of the people as 'focus group' research and the opinion polling of the electorate makes parties more democratic and responsive to the wishes of the electorate.[135] Furthermore, parties have increasingly recruited experts in modern media techniques who professionally employ modern means of communication (facilitating 'spin doctoring') to enhance their cause. Hence, increasing resources have been allocated by parties on advertising and campaigning budgets; new technologies have been employed to aim at target electoral groups and to help make strategic programmatic policy decisions that offer the widest electoral appeal.[136] As convincingly described by Margaret Scammell in her book on 'designer politics', parties' increasing application of 'new' marketing techniques and attempts to improve their responsiveness to the changing wants of the electorate ultimately affect party policy goals, priorities, policies, candidates choice, party organisation and behaviour.[137]

In fact, 'modern' political marketing is all about attempting to make the product (party appearance and programme) suitable to the consumer (voters) demands. In a nutshell, the increasing political marketing of political parties does not only influence the way party policy content is communicated to the electorate, but it also influences the actual content of policies advocated.

The behaviour of the Labour Party in preparation for the 1997 British General Election offers a revealing insight into what has been described as the 'professionalisation' or 'Americanisation' of parties' election campaigns. In fact, the Labour Party compiled an internal document that recommended a list of areas in which Labour could learn from the US presidential election campaign of Bill Clinton in 1992. This list stressed among other points the need to improve the handling of the media during the election campaign by increasing the flexibility of press briefings and the candidate's schedule as well as the setting up of a rebuttal unit in order to deal as quickly as possible with attacks from other

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[134] Franklin, Bob - Packaging Politics, Edward Arnold, London, 1994
[135] Scammell, Margaret - Designer Politics - How Elections are Won, MacMillan, London, 1995, p 298
[136] Newman, Bruce I. (ed) - Handbook of political marketing, Sage, London, 1999
[137] Scammell, Margaret - Designer Politics - How Elections are Won, MacMillan, Basingstoke, 1995, p 8

parties.[138] Furthermore, the document stressed the important role brief, clear, consistent policy themes and campaign pledges had played in Bill Clinton's successful bid for the White House.

Asked later about the significance of the report, one of its authors, the Labour Party's veteran organiser John Braggins, argued that the most important thing Labour had learned from Clinton's 1992 presidential campaign had been the need for the party's 25 top politicians to be disciplined and remain 'on message' when talking to the media and voters. Furthermore, Braggins emphasised that Labour had learned - in comparison to previous elections - the importance to focus its campaign on the key issue of the economy, rather than on "160 different policies to be found within huge manifestos that were comparable to policy shopping lists."[139]

A leaked electoral strategy document of the Labour Party called the 'War Book: Version 3' revealed the degree of 'professionalisation' of the 1997 election campaign, which consisted of the precise pre-planning of Labour's election strategy, laying out the electoral battleground, identifying strong and weak points of Labour's appeal as well as stressing the party's policy themes and campaign pledges.[140] A Guardian journalist described the 'War Book' fittingly as "a cross between post-modern 'list journalism' and present day marketing vogue for visual presentation....(with) hardly a traditional sentence in it. No verbs. Just bullet points."[141] The Labour Party's approach towards the 1997 election campaign included, furthermore, the pre-testing of themes, slogans and phrases in so-called 'focus groups' as well as the extensive use of public opinion polling to check 'performance levels' i.e. the electorates (and in particular target groups) perception of the party was continuously monitored. Hence, policy priorities reflected the need to appeal to Labour's target voters, i.e. those groups of swing voters that had to be won over if the Labour Party would want to secure a parliamentary majority. For this, the profile of

[138] Braggins, J., M. McDonagh and Barnard, A. - The American Presidential Election 1992 - What Can Labour Learn?, Internal Labour Party Document, (unpublished), 1992
[139] Interview with John Braggins, London, 08/02/2000
[140] Labour Party - War book: Version 3, Two Futures, leaked internal party document (approx.) Nov. 1996, pp 4-19
[141] Kettle, Martin - 'Leaked War Book highlights main strength and weaknesses in candid detail', The Guardian, 24 April 1997

Labour's "target audience" was identified as consisting of voters that were "mortgage holders; younger; and on higher incomes".[142]

Not surprisingly, the Labour Party's election manifesto was aimed at the electoral centre and focused on 'neo-liberal' policy approaches in form of pledges for low marginal rates of interest and low inflation as well as low levels of spending and borrowing (with Labour even adopting the spending commitments of the Conservative government), hence underlining the significant impact of modern market research techniques on the party's electoral and policy strategy.

Many of the above described campaign ideas and techniques were later adopted by the SPD during its 1998 election campaign. This included the party's establishment of a war room and rebuttal unit, the printing of programme pledge cards; a highly leadership focused election campaign and even the declaration of electoral target seats which were published on the SPD's election campaign internet site.

### 3.2.2. The emergence of a new type of media effective party leadership?

Much has been written in recent years about a new style of leadership that has been increasingly successful with the media and above all the electorate. Prime example for this new type of party politics in Europe has been the electoral revival of the British Labour Party under the leadership of Tony Blair. His leadership style, relatively new for Europe's political systems, seems to have been at least partly inspired by the Democrats in the USA. Here, the increasing use of the media to focus on a party leader, spread ideas, sell politics, symbols and images has certainly played a part in the revival of the Labour Party in Britain.[143] Also, the combination of the increasing role of the media and professionalised use of party policy presentation has played an important role in pushing personalised party politics to new heights.[144] In fact, the former SPD party leader Björn Engholm stressed the importance for today's politicians to win over and co-operate with an all important media as there is no alternative to transport messages, with politicians "who do not use this, who do not smile and bite with pleasure into every microphone,

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[142] Labour Party - <u>War book: Version 3, Two futures</u>, (approx.) Nov. 1996, p 21
[143] Meyer, Thomas - 'Der Blair-Effect', p 226-234, in: Thierse, Wolfgang (ed) - <u>Ist die Politik noch zu retten?</u> <u>Standpunkte am Ende des 20. Jahrhunderts</u>, Aufbau Verlag, Berlin, 1996
[144] This is in comparison to previous party leaders such as Harold MacMillan (Conservatives), Harold Wilson (Labour) as well as Konrad Adenauer (CDU) who also used successfully the media to stress the role of their personalities.

leaving the biting to the neighbour from the CDU" i.e. political opponent.[145] Similarly, Labour's former spin-doctor David Hill expressed his belief that modern politics are all about a "constant sense that you have to keep communicating" with, for instance, "Blair going to take any opportunity to communicate what he is going to achieve [and]... giving the same message."[146] Politicians such as Blair or Schröder have gained in effectiveness and stature from their ability to exhibit individual charisma with the help of the media as they carry the human face of often unfamiliar party organisations, unknown policy making structures and programmes. Hence, they offer a personalised policy orientation in political systems that lack increasingly clear conflict lines, transparency and contain - for the individual voter - incomprehensibly complicated social and political realities. Here, media accelerated party leadership personalities increasingly replace the role of ideologies which in the past enabled voters to a greater extent to identify party policy concepts, policy frameworks and bench marks that provided orientation for the evaluation of party political choices.

Not surprisingly, Gerhard Schröder and Tony Blair are examples of party leaders that have gained in leadership status in parallel to their ability to show to the electorate a degree of independence from their party organisations. In fact, both have been able to enhance their individual public charisma by portraying themselves as standing partly aside of their party organisation and interests of their parties' clientele.

### 3.2.3. The changing role of the party leadership

The increasing media focus centred on a few politicians representing their parties in the public eye leads inevitably to a decrease in the democratic accountability of party leaderships. Decisions and instant responses to the actions of political opponents' actions are expected to be given by party leaders on the spot in the media. This means that party 'position' statements must be delivered instantaneously by leaderships, a circumstance, which reduces their ability to consult their parties.

The increasing importance of mass communication can, however, also be used by party leaders to their advantage and strengthen their position, as it enables them to appeal directly to party members when proposing policies. This means, that party leaders are

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[145] Interview with Björn Engholm, Lübeck, 15/06/1999
[146] Interview with David Hill, London, 26/08/1999

increasingly able to cut out traditionally influential party layers of consultative party functionaries that in the past would have been decisive for influencing and channelling party opinion between the leadership and party members. This has led to an enormous increase of decision-making power in the hands of fewer party functionaries and leaders with party leaders being increasingly able to coerce their parties into accepting policies advocated by them. In fact, those within the party openly disagreeing with the party leadership are open to the accusation that they risk undermining the public's perception of the party's unity, hence damaging the party's optimal electoral performance capacity. In addition, party elites have increased their potential in influencing rank and file members precisely because of their ability to employ the media for their appeals and because of their advantage in terms of information.[147]

All this must be seen in the context of both, the Labour Party and the SPD, engaging in a substantial processes of reform of inner-party procedures during the late 1980s and 1990s that although upgrading individual membership (with the introduction of plebiscitary elements in the party structures such as membership ballots and internal votes) led at the same time to a weakening of the power of the parties' body of 'delegates' (activists and associated members) while providing the parties elite's and leadership with extra room for manoeuvre and autonomy of actions.[148]

Thomas Meyer et al have fittingly explained parties increasing prioritisation and professionalisation of their media communication operations in the age of television by the fact that parties' policy agenda's have become increasingly dominated by the perspectives of professional party strategists and communicators.[149] In fact, Meyer et al see party functionaries as well as rank and file members increasingly relegated to the status of consumers who have delegated their policy and decision making capacities to the professional politicians, making political action increasingly the exclusive domain of office holders and heads of the party executives.

The above described general observations on the role of the mass media and its effects on the role of party leaderships is easily confirmed by developments in the Labour

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[147] Jun, Uwe - 'Inner-Party reforms: The SPD and Labour Party in Comparative Perspective', German Politics, Vol 5, No 1 (April 1996), p 64

[148] Jun, Uwe - 'Inner-Party reforms: The SPD and Labour Party in Comparative Perspective', German Politics, Vol 5, No 1 (April 1996), p 71-3

[149] Meyer, Thomas et al - Parteien in der Defensive?, Bund Verlag, Köln, 1994, p 126

Party and SPD. Here, Tony Blair and Gerhard Schröder - as party leaders - represent the image conscious examples of youngish, effective media friendly party representatives. Once chosen to challenge their conservative opponents, both politicians gained substantial personal authority over party policy direction and strategy, a situation which underlines that trends of convergence do not only exist in the area of policy choices, but also in areas such as party policy presentation and inevitably formulation as well.

The changing media environment and its impact on democracy and legitimacy has already led to calls to reform Europe's political system. For example, Peter Mandelson (influential architect of 'New Labour' and in 1998 Minister without Portfolio) envisaged a growing importance for plebiscites, referenda, focus groups, lobbies, and 'citizens' movements as ways to complement representative democracy with more direct forms of involvement.[150] This shows that current party convergence in behaviour due to changes in the role of the mass media may only be the beginning of a much greater process of political system transition which may not only alter dramatically the content of party policies and ideology, but also the future role of political parties and politicians in general.

Finally, the issues raised above, although highly visible and of increasing importance, and indeed their precise impact on party policy formation and actor behaviour cannot be easily measured. In fact, a study conducted by Robert Worcester (MORI) and Roger Mortimer on Labour's 1997 landslide victory confirmed the old saying that 'opposition parties do not win elections - governments lose them'. Both authors argued in their book that the Labour Party as the opposition party only had to portray "a renewed image of electability" as the unpopularity of John Major's Conservative government, the "Tory image of economic incompetence" (Black Wednesday), "hopeless divisions" within the party and sleaze allegations "laid the foundations of Labour's victory" four years before the general election took actually place.[151] Hence, Worcester and Mortimer - using extensively public opinion surveys - have shown that even without Labour's 'professionalisation' of campaigning and message communication and the 'Blair-factor', the Labour Party would still have been most likely to win the 1997 election.

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[150] Traynor, Ian - 'Peter's passions - Blair's spinmeister startles Germans', The Guardian, 16/03/1998

Overall, a large number of factors play a role in determining the electoral success of parties. And while the 'professionalisation' of parties election campaigning, the growing importance of policy communications via the media with the electorate as well as a more leadership focused campaigning style may influence and significantly contribute to the success or electoral failure of a party, contextual issues such as the overall state of the economy at the time of election or the appearance of the party/parties in government office are equally of significant importance within regard to electoral outcomes.

## 3.3. Domestic policy systems as conditioning factors for Labour's and the SPD's policy formation processes (The Westminster Model vs. German federalism)

Before looking in greater debts at the Labour Party and the SPD as actors in opposition, it is important to point out the policy prescriptive role institutional stumbling blocks, veto points to policy reform and country specific electoral mechanics (constitutional constraints and differences in co-operative systems) have played in both parties responses to policy challenges. In fact, the differences in the actions and degree of policy radicalism of both parties domestic political opponents - the Conservatives and CDU - can be expected of having played a substantial role in determining both parties actors policy choices and strongly influencing national policy agenda's.[152]

### 3.3.1. Features of party political opponents: The CDU and the Conservative Party
The German Christlich Demokratische Union (CDU)

If we look at the features of the CDU/CSU in government and the Kohl administration, various points that conditioned the government's actions and attitudes are worth pointing out, as they - in turn - conditioned the SPD's strategy in opposition as well

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[151] Worcester, Robert and Roger Mortimer - Explaining Labour's Landslide, Politico's Publishing, London,. 1999

[152] Klingemann, H.-D. et al are right in their observation that "parties are effective articulators of a policy agenda to the extent that the profiles enacted by governments reflect the profiles of programs that parties have presented to the electorate. Collectively and over time, the parties that compete in a country present a changing set of programmatic concerns, which provide evidence of the shifting boundaries of policy discourse. If these also correspond with the boundaries of changing government action, then we can claim that the parties have portrayed the effective agenda from which the policy process has proceeded." Hence, they argue that "policy-making has been structured by the process of competition through which the agenda has been publicly forged." Therefore, the agenda setting does not necessarily depend on a party holding a mandate in form of government office, but "rather upon their holding a legitimate and effective place in the public forum". Klingemann, H.-D. et al - Parties, Policies, and Democracy, Westview Press, Oxford, 1994, p 241

as the policy agenda put forward by the CDU/CSU. Furthermore, the SPD could also attempt significant ways to obstruct the CDU-led governments policy setting.

There were the failing attempts of the Kohl government during the 1990s to engage in a thorough programme of policy reform and labour market policy modernisation, often referred to in Germany as 'Reformstau' (reform-log-jam), which were due to the CDU/FDP's governments inability to push through any major economic or tax-policy reforms and were largely a consequence of the German constitutional and political system.

A fundamental difference of the German political system in contrast to the British is the fact that it is based on federalism. This means that executive power is divided between the national level and the federal Bundesländer level, each with its own Bundesland government and parliament, something that stands in stark contrast to the traditional centralisation of power in the British system. This circumstance creates decisively different conditions for (opposition) party behaviour in Germany, making it, for example possible, that the same party/parties which is/are in federal government office may find her/themselves at the same time in opposition in certain Bundesländer governments. It also reflects on the institutional set up of parties and party political veto points within the German political system.

Constitutionally conditioned, the second legislative chamber (Bundesrat) proved to be a major obstacle to policy reform attempts by the CDU/FDP government from 1991 onwards, when the SPD gained the status of - Länder vote - majority party that enabled the SPD to veto virtually all major governmental economic and welfare policy reform attempts. For instance, major parts of the 'Action Programme for Investment and Employment' put forward by the Kohl administration in 1997 - notably 'the tax reform of the century' - were blocked i.e. vetoed outright by the SPD dominated Bundesrat.

Unlike the British Conservative Party, the CDU/CSU has always had close organisational ties with the German trade union movement. Although unthinkable for the British Conservatives, the longest serving minister in the Helmut Kohl government cabinet was the popular trade unionist Norbert Blüm (Minister für Arbeit und

Sozialordnung) who was Minister for Employment between 1982-1998. This link has been built up since the party's foundation after the war and the CDU still contains the influential Christlich Demokratische Arbeitnehmerschaft (CDA - 'Christian Democratic employees') grouping which during the 1980's and 90s remained an important player in the party's welfare and labour market policy choices. The CDA counterbalanced campaigns within the government parties for more extensive deregulation efforts and the neo-liberal demands of the CDU's business wing (Wirtschaftsflügel) as well as the FDP.[153]

In addition, the German trade unions have been relatively independent from the SPD - in contrast to the Labour Party and the unions - something that has meant that the DGB has been able to influence CDU governments much more effectively than British unions. In contrast, British Conservative governments have traditionally regarded their national trade union movement as the backbone of their political opponent.[154] Hence, this difference explains why the CDU-led governments shared far more restraint when planning to introduce extensive labour market 'flexibilisation' measures, even when the CDU leadership had repeatedly promised a more drastic approach.

Finally, as the relationship between the trade unions and CDU has been traditionally far more consensual than in the UK, the CDU has been able to attract and also relied to a greater extent on votes from trade union members in order to win elections. This has meant that the CDU has been attracting votes from trade unionists whose interests - in turn - had to be dealt with sympathetically by the CDU (offering these groups substantial veto-points over policy changes) when choosing and developing labour market policies.

The British Conservative Party

In the highly centralised Westminster political system, the British Conservative Party and its government had been allocated an exceptional degree of power. The first-past-the-post electoral system, in addition providing single-party governments, ensured that once in power, the Conservative government was not constrained by major

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[153] The CDA has originally been a descendent from the German pre-war Christian trade union movement. It has been successfully lobbying for the interests of workers and employees inside the CDU/CSU and whenever in government, the CDU's government Minister for Arbeit and Sozialordnung has been appointed from the ranks of the CDA (such as Hans Katzer etc.). It is, however, fair to say that the influence of the CDA inside the CDU has been declining since the late 1980s.

[154] Koelble, Thomas A. - 'Challenges to the Trade Unions: The British and West Germany Cases', West European Politics, July 1988, Vol 11, No 3, p 106

constitutional policy veto points (since the Conservative controlled House of Lords holds only powers to delay legislation). In addition, the Conservatives did not need to worry about the House of Lords as the party held a permanent and large majority. Furthermore, the 'winner takes-all' electoral system has meant that the opposition party's ability to influence government policies is reduced to a minimum. In addition, the fact, that during the period of investigation the Labour Party and the Liberal/SDP/Lib-Dem opposition parties were splitting the opposition vote did only guarantee unrivalled Conservative Party dominance over the House of Commons, but also enabled the governments to push through its legislative plans while being able to widely ignore its opponents.

Hence, during the 1980s the Conservative Party was able to use these powers to introduce extensive labour market policy reforms. In fact, the Conservatives did not suffer defeat once or had to compromise reforms in order to gain a parliamentary majority for policies that often benefited the Conservatives southern clientele of rising wage earners, often at the expense of the traditional urbanised Labour voter in the north of the country. Furthermore, from 1981 onwards the parliamentary opposition to the Conservatives had been decisively weakened as intra-party quarrels within the Labour Party had finally led to a formal split with an influential amount of MPs on the right leaving the party to set up the Social Democratic Party (SDP). Finally, the effect of Conservative governments successful defeat of the miners during the miners' strike (1984-85)[155] - confirming the substantial weakening of the trade union movement and with it the Labour Party's traditional natural ally - should not be underestimated as an indicator for the shift of power within British society in favour of the Conservative Party.

Overall, for the Conservatives it was far easier to decide upon and pass radical deregulative labour market policy reform through parliament than for the constitutionally and inner-party constrained CDU and its coalition government.

In fact, the Conservative Party - unlike the CDU - never developed strong organisational ties with outside interest groups. This stands in stark contrast to the Labour Party which - until the late-1980s - was institutionally linked with the country's trade union movement; relying not only financially on the unions, but a party constitution that guaranteed decisive decision-making power to the trade unions via their 'block votes', the

Labour Party's policy choices were strongly reliant upon and constrained by trade union interests.

In the case of the Conservative Party, the parliamentary party had been at the very centre of the party's organisational structure, a structure that does not depend – as in the case of the CDU – on local, regional, federal as well as Länder party organisations. Hence, the Conservative Party's apparatus and leadership personnel as well as decision-making machinery had traditionally been highly centralised. As rightly observed by Thomas Koelble, "the dominant faction in the British Conservative Party...enjoys a great deal more decision-making freedom than their counterparts in the West Germany Christian-Democratic Union (CDU). The organisation of the British Conservative Party allows its leaders greater autonomy from interest group pressure than in the CDU."[156] Hence, this difference in political culture (centralism vs. federalism) between Britain and Germany is mirrored by the parties in government as well as parties in opposition.

David Butler and Dennis Kavanagh have correctly pointed out that the federal structure of the SPD has meant that it is far less centralised than the Labour Party. For instance, when in opposition, the central (now) Berlin based parliamentary party was weakened as it could not make use of the government bureaucracy and civil servants to develop policies. Furthermore, regional SPD Länder governors hold the resources and power base to decisively influence the policy making of the national party organisation especially if the federal party is in opposition. This circumstance explains, why the SPD in opposition was not tempted to choose more radical policy approaches, as Länder 'Ministerpräsidenten' in power had a moderating influence with their interest being, that the central party organisation would adopt pragmatic unorthodox policy positions that could easily be supported by the Länder governments. In contrast, the Labour Party experienced policy formation patterns – as pointed out by Butler and Kavanagh – under which "in opposition, influence shifts to the extra-parliamentary party, particularly the

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[155] The Labour Party leadership complained later, that during "a crucial 15-18 month period" of the miner strike and in its aftermath, it was prevented from concentrating on re-developing policy issues and improving the party's public appeal. (Interview with Neil Kinnock, Brussels, 24/07/2000)

[156] Koelble, Thomas A. - 'Challenges to the Trade Unions: The British and West German Cases', West European Politics, July 1988, Vol 11, No 3, p 93

Conference and National Executive, which reflect the views of the large trades unions and party activists, many of whom are left wing."[157]

In fact, after Labour had lost the 1992 election, the party leadership, first under John Smith and even more fiercely under Tony Blair, moved the party's economic policies further towards the adoption of neo-liberal ideas – a move that had been made easier by the organisational evolution the party had undergone. Here, Labour was able to move away from the traditionally strong trade union influence on its policy making machinery, while at the same time changing officially the party's constitutional aims - as in the amendment of the Clause IV - and abandoning its fundamental commitment to public ownership.

Overall, it is clear that the development of Germany's and Britain's social democratic policy agendas during the period of investigation were significantly dissimilar due to differing political systems, policy traditions and actions of political opponents. The different conditions under which the SPD and the Labour Party had to take up their role and develop policies in opposition therefore contrasted substantially and hence affected both parties institutional and policy responses.

In fact, even though both parties were affected in a similar way by the same socio-economic constraints when formulating their policies, New Labour eventually took the neo-liberal cause far further than the SPD.

Hence, the legacy and impact of the Conservative Party's policies (1979-1997) with its public utility sell offs and extensive labour market deregulations had pushed the domestic policy agenda far further towards neo-liberalism than had been the case in any other European country. That is why the political context in which the Labour Party had to win elections and formulate policies had been much further to the right of the political spectrum.

Secondly, there had been no electoral competitor to the left of the Labour Party (even, if only due to the electoral system) that could have threatened the Labour Party in terms of losing votes to the left when the party moved its policy approaches further to the

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[157] Butler, David and Dennis Kavanagh - The British General Election of 1983, MacMillan, London, 1984, p 47

centre of the political spectrum in order to attract and win over the median voter and 'middle England.'

Thirdly, the centralised nature of the Labour Party's structure (and moves to strengthen it) made it easier for the party to centrally enforce its policy agenda on the entire party organisation.

Finally, the public sector trade unions had remained far stronger in most other European countries than in the UK. Here, the emasculation of the public sector trade unions had meant that the Labour Party had not had to face the same pressures as other centre/left social democratic parties in opposition or government when deciding upon labour market policies. Clearly, the differing conditions and differences in opponents affected the Labour Party and the SPD when acting and developing policies in opposition. We can now proceed and look at the general conditions that constrained and conditioned the ability of both parties to develop policies and act in opposition.

### 3.3.2. National roles of opposition (Britain and Germany)

The institutional roles and duties of opposition parties differ historically and substantially between the British and German political systems with their different electoral systems and the resulting parliamentary majorities setting very different conditions for the operational scope of opposition parties.

The traditional view of the nature of opposition in Britain is based on the existence of a competitive two-party system. This has meant historically, that the opposition has held the role of being a standing alternative government, which institutionally has been most clearly displayed by the 'Her Majesty's Loyal' opposition party's appointment of 'shadow ministers' acting within a 'shadow cabinet'. However, particularly since the 1980s, this perception has been threatened and questioned by the fact that both major parties lost a substantial share of their vote to third parties, reflecting an overall trend that clear cut class and party identification seemed to be on the decline.[158] However, with the British first past the post electoral system remaining in tact, the system continued to

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[158] Nevil Johnson has argued that the overall institutionalisation of the opposition party as being a standing alternative to the government of the day broke down during the 1980s, as the Labour Party was not perceived by the overwhelming majority of the electorate as a viable alternative government. (Johnson, Nevil – 'Opposition in the British Political system', Government and Opposition, Vol 32, No 4, 1997, p 487

deliver clear parliamentary majorities. This resulted in the continuation of the electorally winning party 'takes all' situation, which meant that the ability of opposition parties to influence governmental policy decisions has been kept to a minimum. Traditionally, once an election had taken place, parliament was seen primarily as a forum of open debate and consensual bargaining among government and opposition MPs, but instead has been treated by opposition parties more as a forum to influence their party's public perception and to improve future electoral potential.[159]

In contrast to the British political system, general elections in Germany are not as decisive in respect to cutting a clear line between the 'in' and 'out' parties, although elections are usually decisive in respect of deciding who forms the next executive. The use of proportional representation in the German electoral system encourages clearly the access of multiple parties to parliamentary seats, hence encouraging and necessitating the formation of party coalitions to gain a majority of seats to form a government. This circumstance influences the entire electoral outlook of parties in opposition, as a general election does not decide over the 'in' or 'out' status of a party, but instead decides over a party's ability to enter a coalition.[160] However, a party's success of attracting more votes may not enable it necessarily to become part of a majority coalition. Overall, opposition parties fundamental aim is to gain public support as well as to win votes in elections and although both aims are important, they are neither always necessary nor always sufficient, since any one of a great variety of factors may prove decisive in one specific case but not in another.[161]

After having established the domestic institutional and political system differences that may substantially alter the SPD's and Labour's Policy choices, we can now move on to look in some more debt at the specific conditions under which parties have to develop policies when in opposition.

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[159] Dahl, Robert A. (ed) – Political Oppositions in Western Democracies, New Haven and London, Yale University Press, 1966, p 339

[160] There are exceptions to the rule, in fact, the German system has produced the phenomenon of a party trying to maximise her vote while not aiming at coalition building or a role in government as happened in the case of the Green Party in the early eighties.

[161] Dahl, Robert A. (ed) – Political Oppositions in Western Democracies, Yale University Press, New Haven and London, 1966, p 345

## 3.4. The Labour Party and the SPD: Parties acting within the constraints of being in opposition

Parties' choices of electoral strategy and on what policies to adopt are not only determined by ideology and the political system they operate within, but also by a party's electoral situation. Hence, a party in opposition is faced with a different set of challenges, aims and possibly preference shaping strategies.

In fact, it is interesting to look at the behaviour of opposition parties (in particular those with the potential of winning government office) under the consideration of the constraints they are facing as opposition parties and their possibly reduced ability to shape and adopt preference shaping party strategies for the electorate. By these strategies, we mean, for instance, the ability of parties to attempt to redirect public attention to issues they feel strongly about or their ability to polarise social tensions between groups of the electorate in order to encourage voters to reconsider formerly held beliefs and switch party allegiances.

### 3.4.1. Opposition parties preference shaping strategies

It seems conceivable, that major parties in opposition may attempt to reshape voters' preferences as they attempt to influence the political agenda. There are two major ways for opposition parties to engage in this process. When opposition party actors adopt party policy positions, they may not necessarily advocate certain policies because they are deemed popular with the electorate and are expected to maximise a party's vote. Instead, opposition parties may have chosen to adopt a specific policy in order to damage the preference-shaping strategies of parties in government. For example, an opposition party may decide to vigorously oppose and contest government legislation through all of the state's decision-making bodies and institutions in order to encourage protests among the public or lobby groups to engage the government in time consuming discussions and protests in order to frustrate the implementation of government legislation. With this strategy, opposition parties can change voters' perceptions of the competence of government policies. Furthermore, opposition parties can attempt to outbid government policies by demanding and promising policies that boost the expectations of the electorate as voters may be tempted to vote for the party that seems to offer the best deal. Under this category would fall, for example, party programme pledges on great state investment

schemes to boost employment which are promised once a party is in government. However, as we will see later with regards to labour market policies proposed by the SPD and Labour Party, it is important to propose policies that do not only promise more than political opponents, but they must be credible and realistic. In fact, if the electorate begins to question the credibility and implementability of parties' policy pledges (e.g. if a realistic framework for funding is missing), than a party can be expected to damage its electoral chances and reduce its share of the vote rather than improve it.

Similarly, the attempt of the Labour Party to push the issue of unemployment to the top of the national agenda throughout the 1980s by declaring it one of Labour's main policy priorities did not necessarily improve Labour's electoral performances. At best, it may have helped the party to score some sympathy points with the electorate and improved the competency rating on welfare policies with the electorate acknowledging the importance of the unemployment issue, but its actual voting preferences were determined instead by other issues such as low inflation and tax rates (Butler and Kavanagh 1992). Therefore, the Labour Party did not succeed electorally with its strategy to shape voters preferences as other policy issues seemingly determined to a far greater extent the country's electoral campaigns and outcomes.

However, the use of party preference shaping strategies are a common means out of the toolbox of party strategists, party leaderships and elite's as well as election campaign managers and spin doctors. The attempt to set the domestic agenda and take over the policy initiative certainly influences programmatic policy choices to better ones party's electoral performance and to enable more 'professionalised' electoral campaigning.

### 3.4.2. Social democratic parties in 'opposition'

Following from this is the question, can we assume that the behaviour of parties' in opposition differs from that of parties in government office, because opposition party actors may differ in the way they rank policy objectives and chose their political strategies? In fact, the political constellation of opposition versus government parties maybe a crucial factor and provides leads to the programmatic positioning of the parties. This means, on the one hand, that during the course of this study, the fact that we are dealing with two social democratic parties in opposition may give possible leads to their

specific behaviour patterns and policy responses. However, on the other hand, although the 'opposition' factor must be accounted for, we have to remind ourselves that we are first and foremost investigating the question, why both social democratic parties remained in opposition for exceptionally long periods of time. And to answer this, we intent to focus predominantly on the impact of the decline the Keynesian paradigm has had on social democratic party's policy positioning rather than investigating and drawing conclusions for the general behaviour patterns of parties in opposition. Nevertheless, the fact that during the period under investigation both parties were conditioned by their status as opposition parties has certainly influenced their behaviour and strategic planning, thus making the 'opposition' factor an important secondary component that has to be recognised for the analysis of the Labour Party's and SPD's policy development processes.

Eva Kolinsky, editor of one of the most important 1980s studies on opposition in Western Europe's political systems detected an overall neglect of political analysts dealing with opposition parties, which she compared to as being treated like "a loser in a cup final: Media attention turns to the victorious team."[162] In fact, the majority of literature on political parties focuses predominantly on the policy-making process of parties in government or the translation of policy proposals into government policy. However, as this thesis deals exclusively with parties in opposition, we are for obvious reasons not in a position to view parties intended policy actions or inaction in light of later governmental implementation, which forces us to try to understand and evaluate parties' intentions and pledges as well as their likely determination and ability to transform them into government policy.

Maurice Duverger (1951), in his 'classic' account of the organisation and activity of political parties in modern society, was one of the early writers who assessed opposition party activity. In a special chapter at the end of his book, he concentrated on emphasising the differing formative influences (two or multiple) party systems held over opposition

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[162] Kolinsky, Eva (ed) – Opposition in Western Europe, Croon Helm, London, 1987, p 1

parties.[163] Duverger acknowledged that factors such as the role of alliances, party strength and internal organisation are crucial in determining the nature of the political activity of parties in opposition.

In the first major comprehensive study solely focusing on political opposition in Western Democracies published in 1966, Robert A. Dahl gave special attention to the various national constitutional arrangements that conditioned and defined the precise role of opposition parties within the functioning of political systems. However, Dahl neglected to account sufficiently for the role and implications of institutions on opposition party activity and focused predominantly on establishing that there were a variety of differing opposition party activities in different political systems. This ultimately forced him to conclude that the establishment of comparative behaviour patterns among opposition parties was an impossible task.[164] However, in order to overcome the problems encountered by Dahl, we attempt during this study to emphasise on institutional implications and the role they play in the policy development processes of the parties under investigation, in particular when dealing with the theoretical aspects of party behaviour.

Furthermore, it must be recognised that the institutionalised competition of government versus opposition plays a crucial role in the parties' policy development processes as it provides legitimacy to the democratic decision-making process. In principle, a democratic governing system should be open to opposition inputs - critical or co-operative - in order to produce decision-making outcomes that are acceptable to all actors involved. In other words, parliamentary democracy is usually built on a consensus among actors within the political system that accommodates competition among various

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[163] According to Duverger, in a two party system the parliamentary opposition parties were most likely to be moderate in character. He argued, that parties would remain distinct in spite of this moderate character and because of their great potential to eventually take over government responsibility. In this case, he felt that the opposition was protected "from any exaggerated demagogy, which might react to its disadvantage." In contrast, in multi-party systems Duvenger foresaw opposition parties to tend to be naturally demagogic as a result of different circumstances. He believed that the electoral conflict in multi-party systems would lead to opposition parties fighting their nearest rival, and encourage opponents to outbid each other on electoral pledges. Furthermore, in multi-party systems, parties likelihood to gain sole government power would be quite limited, a factor that he envisaged would tempt opposition parties to "indulge in unlimited criticisms and promises."
Duverger, Maurice - Political Parties, Methuen & Co., London, 3rd ed. 1964, p 415
[164] Dahl, Robert A. (ed) – Political Oppositions in Western Democracies, Yale University Press, New Haven and London, 1966, pp 345-47

ideas and interests as well as government and opposition actors in a manner, that the different party actors perceive as more or less fair. From this follows, that a pre-condition for the functioning and legitimisation of the political system is the active involvement of opposition as well as government parties in both the policy and opinion formation processes within a democratic society.

In fact, two major factors can be identified in 'western' democratic political systems that ultimately condition activities of opposition parties and provide them with a defined role.

a.  The political system and culture in which opposition parties are based and operate is significant for refining an opposition party's role and tasks.

b.  Institutional factors, such as the overall system of government, the structure of parties and the electoral system significantly pre-determine the playing field of opposition parties and condition their overall strategic behaviour.

In order to apply the two major factors identified above to our analysis of both parties' LMP formation activities, we must look in greater detail at the factors, motivations and reasons that lie behind opposition party activity and distinguish them from those of governmental parties. Here, we have to take account of motivational factors, the structural disadvantage of opposition parties as well as the differing national political systems influence on the behaviour of opposition parties.

### 3.4.3. Comparing parties in differing electoral systems

As already identified, electoral systems play a crucial role in the functioning and structure of party systems and influence therefore strongly the conditions under which parties in opposition have to operate. Electoral systems are decisive in determining the concentration of parties represented in parliament; the relative strength of parties in relation to the amount of votes received and also influences the cohesion of parties. In fact, a change of electoral system in any country could certainly be expected to fundamentally alter a country's political profile.

As most Western European countries have adopted various electoral models containing elements of proportionality, the British system is truly unique by any European standard. This has been pointed out in a study by Bernard Crick, which argued convincingly that the British system is often unsuitable as a basis for generalisations about political behaviour patterns in other European countries.[165] This raises the problem that comparative cross-national studies, such as on party behaviour, between Britain and systems of continental Europe and the eventual ability to develop generalising theoretical models from this may be strongly impaired.

We deal with this problem by focusing on the role that increasingly similar 'external' socio-economic factors hold on social democratic parties operating in the British and German political system as well as looking at different 'internal' policy making processes and strategic party choices that can be strongly related to the party actors operations within the differing institutional frameworks and political systems. In fact, the chosen hypotheses and research path are an attempt, if anything, to show that it is possible to overcome the above described obstacles when engaging in the cross-national study of parties operating in differing political systems and to draw overall theoretical conclusions from the parties policy choices.

However, the above-described problems sharpen the awareness of substantial differences in party systems. The overall cross-national differences that occur due to differing political cultures; the long-term historical developments of political systems as well as specific national political and parliamentary constellations found during the time frame of investigation inevitably lead to very individual cross-national party profiles, as identified by R. A. Dahl in 1966, but do not necessarily eclipse by themselves party decision-making patterns and actors' considerations as they remain ultimately comparable and cross-nationally identifiable.

### 3.4.4. Developing and pledging policies in opposition: A 'structural disadvantage'

Different motivating factors for opposition and government parties can be identified when they engage in policy reviews and organisational learning processes.

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[165] Crick, Bernard, 'On Conflict and Opposition', in Barker, Rodney S. (ed) – Studies in Opposition, MacMillan, London, 1971

Instead of having to be concerned with the implementation of proposed policies, opposition parties in liberal democracies play constitutionally the role of controlling the actions of the government party/parties by scrutinising government actions, voicing criticisms and suggesting alternative policies. However, opposition parties by nature can only draw upon policy initiatives of intent and proclaim courses of action. In contrast, government parties possess the ability not only to state their policy preferences in programmes, but also to have the capacity to enact them into actual legislation. In addition, government parties can even engage in courses of state action, which have not been part of their programme.

Overall, empirical research on party programmes faces generally the problem that policy pledges given by government parties and probably to an even greater extent by opposition parties may be unrealistic, possibly unworkable or programmes may include pledges that were made to the electorate partly with the knowledge that they would be impossible to keep.[166] Although parties in opposition may be tempted to an even greater extent than government parties to propose unrealistic policy pledges, it must be pointed out in their defence that this may not be necessarily based on bad intent. While opposition parties in particular may be tempted to put forward unrealistic pledges to attract extra votes, actors face a disadvantage in resources available (compared to parties in office) for policy development.

Here, the SPD's former party general secretary (1981-87) Peter Glotz emphasised that there is not only a large temptation for policy makers in opposition to develop and propose 'catalogues' of policies that lack political and financial realism due to a lack of available up-to-date data and (outside) expertise, but that politicians in opposition are also in a situation in which their aim to win the next election and to criticise the government increases substantially the temptation of policy-makers to advocate policies that lack realism.[167] Similarly, in the case of Labour and its policy making errors during the party's early years in opposition, party 'moderniser' and MP Tony Wright has argued that the party "promised all kinds of conflicting things and just took on board any interest group

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[166] Budge, Ian et al (ed) - Ideology, Strategy, and Party Change, Cambridge University Press, Cambridge, 1987

[167] Interview with Peter Glotz, Erfurt, 14/06/1999

demand that was around, believing that when you put one demand on top of another that you would somehow find your way, something that was catastrophic."[168]

Clearly, opposition parties often lack the kind of resources in terms of information, up-to-date data and personnel - usually available to government parties - to develop detailed policy initiatives, a factor that clearly must effect policy making competencies and tempts parties to adopt possibly unrealistic pledges that may undermine the credibility and electoral performance of an opposition party as a trustworthy alternative to a party in government. Alan Ware (1996) expanded on this claim by arguing that opposition parties are generally in a disadvantageous position when attempting to develop policies. He has attempted to show this by using the historical record of Labour Party policy developments. Here, he has argued that the Labour having been out of power for most of the 20th century must be accredited to the 'dismal record' the party has held when it came to its policy development. In fact, Ware argued that Labour's most successful period of policy implementation was between 1945-51 where the party benefited from having previously been a member of the wartime coalition government, something that enabled Labour to make use of government resources in form of reports and research studies. According to Ware, this circumstance eventually provided the basis for Labour's most successful policy initiatives.[169] Ware thus concluded, "even the best-resourced parties cannot replicate in opposition the kind of policy development that governments can".[170] In other words, opposition parties face a "structural disadvantage" when attempting to develop and formulate workable policy proposals.

Various policy actors during the interviews for this study have further backed up this argument. For example, John Braggins pointed out that on complicated policy issues such as health, finance and transport, vast amounts of information are required to develop realistic policy programmes. Here, the lack of availability of information tempts opposition policy makers "to make recommendation based upon your feeling of what is fair, right, proper, and just, but none of that is going to be able to be tested until you know

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[168] Interview with Tony Wright, London, 01/02/2000
[169] Ware, Alan - Political Parties and Party Systems, Oxford University Press, Oxford, 1996, p 118
[170] Ware, Alan - Political Parties and Party Systems, Oxford University Press, Oxford, 1996, p 357

what the economics of it and the implications that they will have on other aspects of government" are, concluding that "any opposition party, no matter how many think tanks it has, is going to be inferior in its policy making than a party in government."[171] The former SPD Minister for Employment, Helmut Rohde, described - similar to Ware's argument - this development when he began working (as a parliamentary state secretary) at the Ministry for Employment after the SPD had won the 1969 general election. The SPD which had already been in government office for the previous three years as part of a great coalition with the CDU/CSU had used the time, according to Rhode, to prepare - with the resources of a government party - detailed policy proposals that were drawn up before the election and implemented at once when the SPD-led government of 1969 assumed office.[172]

Hence, since the early 1980s and until 1997/98, the Labour Party and the SPD as opposition parties clearly operated under two severe constraints when developing LMPs. Firstly, they had to develop and propose policies on increasingly more complex issues (with a growing cross-national dimension) in which policies could often only attempt to deal with the impact of problems rather than with tackling causes which lay increasingly outside the domestic domain. Secondly, both parties had to cope with the 'structural disadvantage' of being in opposition and hence lacking government information, resources and personnel to develop and provide precise policy alternatives.

This meant, that opposition parties had to balance, to a greater extent than government parties on the one hand, the temptation to outbid their political rivals with (over) generous/ambitious political pledges within their programme, while on the other, having to maintain an image of competence and trustworthiness with proposed policies and pledges being delivered to the electorate as credible, costed, workable policies based on the latest available information and data.

Here, the Conservative Party and the CDU-led governments were far better able to use the entire governmental and ministerial machinery to develop credible and detailed governmental and party policies. In fact, the German system of state party funding explicitly recognises the structural disadvantage of opposition parties by offering extra

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[171] Interview with John Braggins, London, 08/02/2000
[172] Interview with Helmut Rohde, Bonn, 24/06/1999

resources to parliamentary party organisations and MPs in the Bundestag that are not part of the current government.[173]

## 3.5. Differing experiences of the Labour Party and SPD in early opposition

It has to be pointed out, that in particular at the beginning of both parties' periods in opposition during the early 1980s conditions were strongly influenced by national factors arising from the differing national political systems; a greater variety of 'acceptable' policy choices available to the parties; and in particular in Britain the polarisation of political party conflict and the changing role i.e. crack down on the trade union movement. In 1979 and 1982 respectively, both parties experienced similar pressures from the grass-roots as well as party activists to move to the left as the loss of government power was partly blamed within both parties on the leadership of the Labour / SPD-led governments, which were perceived as having 'failed' to implement their parties reformist 'left' ideals in government. However, when confronted with this pull factor, party institutions as well as the national political systems clearly contributed to different outcomes in the parties' policy and strategy developments.

<u>Labour Party</u>

David Denver (1987) argued that the move of the Labour Party to the left after entering opposition in 1979 must be accredited to various factors that were rather unique in the case of the party.[174]

Firstly, after 1979, Labour began to move its policies towards the left as the traditionally more 'moderate' parliamentary party leadership was not able to retain control over party organisation and policy making processes as 'moderates' were not (as previously) backed by the majority of trade unions at the annual party conferences. In fact, Denver argued furthermore that some trade unions had already started to move to

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[173] As a rule, all parliamentary party groupings represented within the German Bundestag receive - according to the 'Abgeordnetengesetz' - monthly payments of more than £180000 in addition to the £6800 received by each MP (£1=DM3=€1.50). In addition, each parliamentary party organisation (Fraktion) and its MPs - when not playing part in the current government - receive a further 10% (PLPs) and 15% (MPs) of bonus funds of their opposition 'status', something that is certainly intended to offset and compensate for the structural disadvantage experienced by parties in opposition (It must, however be pointed out that the German party laws distinguish clearly between financial support for PLPs and the actual party organisations). (Lölhöffel, Helmut - 'Das Geld der Fraktionen', <u>Frankfurter Rundschau</u>, 06/01/2000, p 4)

the left by the end of the 1960s, which had meant that the left gained slowly but increasingly more and more control over Labour's NEC, while the 'hard' left was institutionally increasingly unchecked and therefore able to increase its influence within the party organisation to a considerable extent. Hence, when the Labour Party lost the 1979 general election, the severe increases in the rate of unemployment under a Labour government and the overall disappointment of many party members with a lack of achievement by Labour governments in 1964-1970 and 1974-79 meant, that the inner-party left was able to re-adjust the party's political outlook and balance.[175]

Secondly, for the Labour Party constitutional questions became a major source of intra-party conflict throughout the 1980s, with the mandatory re-selection of incumbent MPs, the election of party leaders and the control over the development of the party policies and election manifestos representing a constant source for divisions within the party that led to consistent bitter and highly publicised battles between the left and right. From this it followed that the party appeared totally disunited and even extremist for long periods in opposition[176], a situation that ensured an extremely poor party image in the public eye.[177]

Overall, the Labour Party - in particular in the early years of opposition - was for intra-party institutional reasons far too divided to play any effective role as an opposition party; to regain lost policy credibility and present itself in the eyes of the electorate as a government in waiting. When this weak party appearance was added to the general 'external' challenge and social democratic agenda setting problems faced by Labour, it becomes clear why the Labour Party was not able to be an effective electoral opponent for the Conservative Party or successful player in channelling domestic opposition against the Conservatives and challenge successfully the government in office.

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[174] Denver, David - 'Great Britain: from 'Opposition with a Capital "O"' to Fragmented Opposition', in Kolinsky, Eva – Opposition in Western Europe, Croom Helm, London, 1987, p 75-107

[175] For a more detailed account, see: Williams, Philip - 'The Labour Party: The rise of the left', in Berrington, H. (ed) - Change in British Politics, Frank Cass, London, 1984, p 26-55

[176] Neil Kinnock offered an additional reason for the polarised policy choices of the Labour Party during its early years in opposition. He argued that "Thatcherism produced polar responses" and as a consequence "there was little patience for people that said, don't let us just look for a way of opposing this, let's look for a way of showing it to be destructive and then finding some way's that are practical and have more popular appeal." (Interview with Neil Kinnock, Brussels, 24/07/2000)

[177] In October 1983, 71% of the electorate agreed in a opinion poll compiled by the Gallup Institute, that the Labour Party was too extreme. (Gallup Polls Ltd, Political Index (GPI), p 276 + 278)

<u>SPD</u>

In contrast to the development of the Labour Party, Paterson and Webber (1987) identified at least five major institutional and constitutional factors that were crucial for the SPD's avoidance of having to face similar pressures than the Labour Party and of moving substantially to 'left' when entering opposition.[178]

First of all - in contrast to the Labour Party - the SPD faced a strong continuity in the party's federal leadership personnel. In addition, the voluntary withdrawal of Helmut Schmidt and Herbert Wehner from the inner-circles of the party leadership led only to a modest shift in the intra-party balance of power that strengthened predominantly the moderate centre around the party leader Willy Brandt.

Secondly, the Social Democratic controlled Länder and local governments constituted a natural constituency and force for 'realism' when the party took up its opposition role. In fact, the weight of the leadership of the SPD-led Länder governments within the party increased as the Bundespartei went into opposition on the federal level. The fact that the SPD Länder governments controlled large administrations meant that the SPD Länder-Ministerpräsidenten were provided with the expertise and resources to have an influential impact on the party's policy formulation process. Hence, the Social Democratic Länder-premiers were not only able to strengthen their position and play a central role in the formulation of the SPD policy programmes, they were in addition also naturally pushing for moderate party policies as they were actively holding down government office in their Bundesländer.

Thirdly, the constitutionally determined federal level parliamentary work that takes place in form of work committees meant, that the system acted against the radicalisation of the SPD in opposition. In fact, the system generated pressure on individual MPs to develop 'pragmatic' expertise in specific policy fields and to take up a problem-solving approach to politics and political issues. The hierarchy of the SPD's parliamentary party (with the right wing traditionally in a strong domineering position) meant, that MPs had to display their moderate credentials before they would be chosen by the parliamentary party for policy determining committee work.

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[178] Paterson, William E. and Douglas Webber - 'The Federal Republic: The Re-emergent Opposition', in Kolinsky, Eva - <u>Opposition in Western Europe</u>, Croom Helm, London, 1987, pp 127-52

In addition, as described earlier, parliamentary opposition in Germany has a predominantly co-operative role, which means that constitutional factors also guided the moderate development of the SPD's policy agenda. Furthermore, the absence since 1982 of any major class or ideological polarisation issue facing the German political system meant that the SPD party leadership did not experience any significant pressure from its rank-and-file membership or core electoral clientele to adopt more polarised policy positions or engaged in a radical opposition strategy (except for anti-nuclear power and peace movement issues).

Finally, the close alignment of the SPD with the traditionally rather moderate German trade union movement and the discipline of the majority of the unions to follow arbitration strategies meant that pressures for programmatic radicalisation would not come from this part of the German labour movement. German trade unions - in order not to avoid alienating their mass membership - brought forward predominantly moderate political demands and acted rather as a conservative force whenever the SPD proposed more radical left policies (such as policies against the further use of nuclear power stations).[179]

Overall, in this chapter we have looked at the 'internal microfoundations' of the parties' policy making as well as the specific conditions faced by parties' in opposition. 'Internal' as well as 'external' influence components depend on a variety of different factors and indeed do not allow the use of precise all-country set check lists. Instead, conditions are fluid and change according to a constant evolution is taking place over time within the domestic policy systems and party organisations. Nevertheless, parties' in opposition are a distinctive species whose specific features are too often not recognised or ignored even though they are a crucial component for the understanding of party policy choices and strategic actor behaviour.

After having identified the relevant differences in the national party political systems, we can now proceed to test them within the context of the historical period and the parties' actual policy changes, using the example of their labour market policies. This assessment can now link 'external' to 'internal' contextual factors before looking at the

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[179] Paterson, William E. and Douglas Webber - 'The Federal Republic: The Re-emergent Opposition', in Kolinsky, Eva - Opposition in Western Europe, Croom Helm, London, 1987, pp 127-52

specifics of party institutional reforms; the occurrence of "junctures" and changes in "ideational" components; as well as the development of policy ideas and consider how 'rational' actors have engaged in the process of policy change. Let us, however, firstly move to the theoretical aspects of party actors' policy choices before engaging in the quantitative and qualitative methods to analyse the formulation of LMPs by the Labour Party and the SPD between 1979/97 and 1997/98.

# Chapter 4: Institutional constraints on rational party actors: The role of the Keynesian and Neo-liberal paradigms for the policy development of the Labour Party and the SPD

This study links institutional factors to the role of policy paradigms within political parties, which are shown to have played an instrumental role in the Labour Party's and the SPD's institutional development, strategic choices and labour market policy formation processes. In fact, they explain the initial long-term electoral failure of Labour and the SPD and the requirement for an overall paradigm shift, which led eventually to a substantial degree of policy convergence in the LMPs advocated by both parties.

Institutional factors such as path dependence, the adoption of paradigms by both parties and their inability to modernise Keynesian-led policy approaches as they had been a fundamental part of social democratic ideology led to both parties experiencing severe problems when following the general trend of a paradigmatic shift from Keynesian to neo-liberal policy subscriptions. In fact, responsible for this was the fact that actors operated 'embedded' within 'their' parties and in this case Keynesian paradigm that must be understood as a set of templates, which pre-determined their choices as they developed, incrementally and rationally, their policies.

It is argued in this chapter that paradigms as well as specific sets of party institutional rules and procedures have played an important role in pre-determining the policy choices and outcomes of actors operating within both parties.

## 4.1. A theory of party paradigm shifts and policy processes

In contemporary political science, the focus has been laid on statistical aggregation models of choice and exchange. The two dominant explanations applied to political events are based on either 'rational' choice or 'institutional' approaches. The 'rational' exchange approach is based on actors behaving rationally by choosing among 'ranked' choices. In contrast, the institutional approach incorporates aspects of organisational theory as well as sociology to emphasise how institutions structure political life and how institutional choices are shaping actors ideas, attitudes, and even their preferences.[180]

It will be argued that in order to analyse and explain the development of LMP-making by social democratic parties in long-term opposition, a sole theoretical rational choice approach is insufficient. Although recognising the predominant rational behaviour of actors to increase utility, a new institutionalist approach must be added to the analysis. Institutional constraints to the rational actor include institutional formal rules, compliance procedures, and standard operating practices that structure relationships between individuals in various units of the polity and economy. (March and Simon 1958, Heclo 1974, March and Olsen 1979, Panebianco 1988, Hall 1989, 1993, Steinmo 1992, Scharpf 1998) For instance, historical institutionalists define institutions as formal or informal procedures, routines, norms and conventions embedded in the organisational structure of the polity or political economy. Institutional activities- in our case of party organisations - range from setting standard operating procedures of a bureaucracy to conventions and paradigms regulating the behaviour of individual actors. In this thesis, institutional factors are linked to the ranking of policy choices by actors and are believed to have had a great impact on the parties' development of labour market policies.

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[180] Steinmo, S., K. Thelen and F. Longstreth - Structuring Politics, Cambridge University Press, Cambridge, 1992, p 27

## 4.1.1. Neo-Institutionalist approaches and the decline of the Keynesian paradigm

Social Democratic party behaviour must be understood in the context of social democratic 'ideas' entering a major historical "branching point" (the changing of socio-economic conditions, the decline of the Keynesian- and rise of neo-liberal policy paradigm throughout the 1970s and 1980s) that questioned and affected core institutional arrangements and beliefs in those parties.

Paradigms can be understood as frameworks of ideas and standards that specify not only the goals and kinds of instruments that can be used to attain them, but they also specify the very nature of the problems they are meant to be addressing. Paradigms - in contrast to single policy ideas - are guiding frameworks that 'embed' policy positions as well as the understanding of problems and solutions within an overall picture of reference.

Thomas Kuhn described paradigms - in his influential book on the structure of scientific revolutions (1962) - as an accumulation of achieved knowledge, an established point of reference, which - for a time - supplies actors with the foundation for further initiatives.[181] The notion of paradigms applied to the world of policy-making means that a paradigm guides the policy-makers selection of problems, his/her evaluation of data, and advocacy of theory. A paradigm may set the limits of action, the boundaries of acceptable inquiry and maintain criteria for the finding of problem solutions. Inevitably, this means that policy-makers may be restricted and unable to perceive and consider possible problems or their solutions that lie beyond their own paradigm defined horizon.[182]

Once paradigms have asserted themselves within an organisation, they often tend to reach as far as influencing and defining institutional formal rules, compliance procedures and standard operating practices.[183] Once adopted, paradigms can supply sets of behavioural templates and ideological guiding principles to actors as they offer a framework for collective as well as individual actions, beliefs and decision-making orientation within institutions.

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[181] Kuhn, Thomas S. - The structure of scientific revolutions, (2nd ed.), University of Chicago Press, 1962, p 10

[182] Chilcote, Ronald H. - Theories of Comparative Politics Westview Press, (2nd ed.), Oxford, 1994, p 58

[183] Hall, Peter A. - Governing the Economy: The Politics of State Intervention in Britain and France, Oxford University Press, 1986, p 19

Hence, paradigms may entail a multitude of commitments to preferred types of instrumentation and to the ways in which accepted instruments may legitimately be employed. Often, institutional rules are derived from paradigms, but paradigms can guide research even in the absence of rules.[184] This means, that paradigms guide, for instance, the policy-maker's selection of problems, his or her evaluation of data, and often the advocacy of an attached theory. A paradigm may set the limits of action, the boundaries of acceptable inquiry and maintain criteria for the finding of problem solutions. Inevitably, policy-makers may face the problem of being unable to perceive and consider possible problems or solutions, which lie beyond their own paradigm defined horizon.[185]

This perception has been supported by Scharpf who has been observing that actors within political parties, unions etc "are operating within institutional settings in which they are much less free in their actions than autonomous individuals might be. They are themselves likely to be constituted by institutional norms that not only define their competencies and other action resources but that also specify particular purposes and shape the associated cognitive orientations."[186]

In fact, it can be argued that paradigms which have asserted themselves on the political and economic system of the state tend to gain an institutionalised status. Hence, an applied paradigm influences the development and adoption of formal rules, compliance procedures as well as standard operating practices.[187] The same is true about the institutionalised paradigms of political parties. While political parties may be transmission belts for the interests of the electorate, policy-makers engineer distinctive policies to respond to different redistributive concerns and distributional coalitions, politicians actively structure interests and shape preferences around broad ideological principles and specific economic strategies to shape the political and policy preferences of voters and to expand their initial electoral coalitions.[188] As emphasised by Prezworski and Sprague in their analysis of social democratic electoral politics, political parties "forge

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[184] Kuhn, Thomas S. – The structure of Scientific Revolutions, The University of Chicago Press, London 1962 (1968), p 40
[185] Chilcote, Ronald H. - Theories of Comparative Politics, Westview Press, (2nd ed.), Oxford, 1994, p 58
[186] Scharpf, Fritz - Games actors play -Actor Centred Institutionalism, Westview Press, Oxford, 1998, p 12
[187] Hall, Peter A. - Governing the Economy: The Politics of State Intervention in Britain and France, Oxford University Press, 1986, p 19
[188] Boix, Carles - Political Parties, Growth and Equality - Conservative and Social Democratic Economic Strategies in the World Economy, Cambridge University Press, Cambridge, 1998, p 218

collective identities, instil commitments, define the interest on behalf of which collective actions become possible, offer choices to individuals and deny them."[189]

Overall, firstly policy actors are 'embedded' in a relatively stable 'actor' constellation' that can even be analysed with the help of game-theoretical concepts. Secondly, institutional settings define the modes of interaction (negotiations, party hierarchy, negotiation procedures) with which actors are able to influence one another, a process which ultimately shapes the resulting policy choices of political parties.[190]

Now, if a party's economic paradigm, such as the Keynesian, has grown to become a substantial part of a party's ideological foundation, party policy makers as well as rank and file members are heavily discouraged from re-shaping their preferences and allowing a shift in the party's paradigm to take place. In fact, the degree to which actors' preferences reflect institutional goals depends on the extent to which institutions structure the behaviour of individual actors, on how positively or negatively the institution is viewed as well as on the strength of contending institutional and ideological loyalties.[191]

In fact, during this study it will be argued that only the continuous change of the political economic environment; the increasing desperation of party actors as well as rank and file about the persistent electoral failure and opposition role; and finally the unequivocal will to re-gain political power and forge new electoral coalitions led both parties actors to shift towards the neo-liberal paradigm, which had increasingly appeared to be a precondition for both parties ability to re-gain government office.


During the 1960s the study of institutions in the social sciences had been increasingly abandoned in favour of two theoretical approaches that were based more on individualistic assumptions. The 'rational' exchange approach to politics can be understood as an aggregation of individual preferences into collective actions by some procedures of negotiation and coalition formation of exchange (Downs 1957, Coleman 1966).

[189] Prezworski, Adam and John Sprague – Paper Stones: A History of Electoral Socialism, University of Chicago Press, Chicago, 1986, p 9
[190] Scharpf, Fritz – Games actors play -Actor Centred Institutionalism, 1998, p 12
[191] Marks, Gary et al - 'European Integration from the 1980s: State-Centric vs. multi-level governance', Journal of Common Market Studies, Vol 34, No 3, September 1996, p 348

Overall, behaviouralism and rational choice are approaches that contain as a main assumption that individuals act autonomously as individuals, based on either socio-psychological characteristics or on rational calculation of their personal utility. In either theory, individuals are not constrained by either formal or informal institutions, but would make their own choices.

By the early 1980s, scholars such as Johan P. Olsen and James G. March, began to call for a return to thinking seriously about institutions and their roles in explaining behaviour in the area of social sciences. They coined the term 'new institutionalist' in 1984 and witnessed the emergence of a counter revolution in which political scientists rediscovered the role of institutions.

The study of politics with an institutional approach incorporates aspects of organisational theory as well as sociology. It emphasises questions of how institutions structure political life, shape actors ideas, attitudes, preferences and 'embed' them within the rules and procedures of the institution. In fact, actors are assumed to organise their beliefs and choices in accordance with (socially constructed) rules and practices that guide their actions and occur within the context of institutionalised shared meanings and practices. (March and Olsen; 1984; 1989; North, 1990)

The way parties deal with political and economic problems and their choice of policy tool-kit to approach them is by no means static and changes over time according to policy challenges and requirements. However, all parties carry institutionalised policy principles which provide an 'instructing' framework to all layers of party members, activists and leadership. These principles often guide individual as well as collective party actors' beliefs on how to rank and approach political problems. A change to these principles – or as we refer to them in this study 'paradigms' - can be expected to be generally of a slow incremental and piecemeal nature as a great variety of inner-party interests and factions have to permit – if not agree - on their amendment.

From this it follows, that even though individual actors may be acting in a rational manner, this rationality has been formed and developed within an institutional setting that defines the modes of interaction among various actors within an organisation, for

instance, by the way it conditions - through party hierarchy, negotiation procedures and available resources – policy choices.

Here, March and Olsen (1996) have pointed at the sociological aspects of the institution-actor relationship, arguing that institutions have considerable influence over actors by organising their "hopes, dreams, and fears as well as purposeful actions" which are then followed up by actors on the basis of "a logic of appropriateness"[192] which guides actors when considering and identifying their individual "goals" and "interests".[193] Similarly, James Tully, writing about the context of actors' decision-making argued, that "rational assessment takes place within convention-governed context, which are themselves always contested and modified in the course of rational assessment...in the piecemeal way...of ideological innovation."[194]

Furthermore, although it remains the overall intention of this study to ultimately retain a coherent model of party policy formation behaviour across multiple cases, this should not be done at the expense of ignoring political, economic and historical circumstances that have initiated party policy change and may continue to do so. Therefore, new institutionalism will be used as the theoretical foundation of this thesis, without, however, claiming to be of explanatory exclusiveness when following the policy processes of party institutions.

Finally, the chosen institutionally-based theoretical approach to the analysis of policy processes links with a further line of argument pursued in this study, namely the ability to observe a 'shift' in Labour's and the SPD's choice of guiding policy principles (paradigms), which we argue has played a significant role in both parties failure to respond effectively to changing political challenges and economic conditions. The argument continues, that this (delayed) 'shift' in paradigm explains the restrained and cautious embrace of new economic policy approaches by party policy makers (even when

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[192] March, J. G. and J. P. Olsen - 'Institutional Perspectives on Political Institutions', Governance: An Institutional Journal of Policy and Administration, Vol. 9, July 1996, p 249
[193] March, J. G. and J. P. Olsen - Rediscovering Institutions, Free Press/MacMillan, 1989, p 147
[194] Skinner, Quentin and James Tully (ed) - Meaning and Context: Quentin Skinner and his Critics, Policy Press, Cambridge, 1988, p 21

faced with long-term electoral failure) and confirms - as will be argued later - the substantial 'path dependence' of actors' policy choices.[195]

## 4.1.2. Rational actors and party policy development

Early rational choice theory as put forward by Anthony Downs (1957) focused on the rational behaviour of the electorate and political parties. His major assumptions and arguments can be summarised as follows: Political parties behave like rational actors which attempt to cater for the policy requests of the electorate as they are driven by the goal to maximise their share of the popular vote in order to gain control of the governing apparatus.[196] In its purest form, this theory assumes that parties are unable to develop their own party agenda and sets of policy ideas. In fact, here, rational choice condemns parties to be solely responsive to the wishes and the demands of the electorate, which leaves parties with a neglible ability to set their own policy agenda and gives them only a minor capability for decision-making.

Not surprisingly, Downs' views have been disputed by various scholars such as Chappell and Keech (1986) who have argued for the existence of a dynamic spatial model of party competition and believe that Downs' fundamental hypothesis that 'parties formulate policies in order to win elections' is flawed,[197] and - that instead - 'parties win elections in order to formulate policies'. Their model of party competition, in contrast to Downs, insists that parties have policy preferences of their own, which lead to persistent differences between parties positions and platforms, that would not exist if parties were simply attempting to maximise votes.[198]

It is, however, fair to say that it is widely accepted that parties are "office seeking teams" whose overwhelming aim it is to win elections in order to increase their influence and / or gain government office.[199] Nevertheless, this study shows that parties – although not entirely free to develop and pursue their own policy agendas – are indeed in a

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[195] In fact, policy-makers acting under solely rational considerations should have been expected to adopt with much greater pace – in parallel with their electoral more successful national party political competitors – neo-liberal policy approaches which were seemingly more 'popular' with the electorate.

[196] Downs, Anthony - An Economic Theory of Democracy, Harper & Brothers, New York, 1957, p 25

[197] Downs, Anthony - An Economic Theory of Democracy, Harper & Brothers, New York, 1957, p 28

[198] Chappell, H. W. and Keech, W. R. - 'Policy motivation and party differences in a dynamic spatial model of party competition', American Political Science Review, Vol 80, No 3, September 1986, p 881

[199] Schlesinger, Joseph A. - 'On the theory of party organisation', Journal of Politics, Vol 46, No 2, May 1984, p 369-400

position of being able to determine to a considerable degree their own policy agendas and choices, which are not necessarily rationally considered in the sense of vote maximisation and gaining the greatest possible utility from policy choices.

## 4.2. Party Identities and Policy Space

We can clearly detect a softening of the boundaries separating contending theoretical approaches to policy processes, pointing the way towards the application of a variety of approaches as complementary rather than competitive explanations for political phenomena, as none of the common theoretical approaches can fully explain the political actions and processes that take place in parties within the real world.

In a study on the programmatic developments of 21 parties, Ian Budge (1987) (while not rejecting - as he called it - Downs "speculations" on party competition), has shown that assumptions on the rationality of actors within parties have to be modified in order to come "closer to every day reality."[200] Contrary to common rational choice wisdom, Budge et al argued that parties were under considerable 'policy expectancy pressure', with 'certain' policy areas 'belonging' to specific parties.[201] In fact, his study showed that the electorate expected and pressurised parties to deal with issues in a 'traditional' tried and tested manner, with parties interpreting problems and formulating policy solutions predominantly in accordance to past procedures and demands. In turn, parties risk losing their credibility, if they advocate significantly different sets of policies and beliefs from those previously advocated. Similarly, parties cannot claim easily to do better than their party opponents in policy areas in which the electorate 'expects' another specific party to be traditionally ascribing significant importance to and be more competent in.

In spatial terms this means that some policy areas (or segments, in the case of a single line) are often ('historically') more open to one party than to another. Specific policy

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[200] Budge, Ian - 'The internal analysis of election programmes', in Budge, Robinson and Hearl - Ideology, Strategy and Party change, Cambridge University Press, Cambridge, 1987, p 27

[201] For example, the electorate tends to accredit more competence to Conservative or Christian Democratic parties when dealing with law and order issues, while expecting Social Democratic parties to be more capable when dealing with welfare issues.

themes often 'belong' rather to one party than to another and are defined by a certain degree of 'party-reserved' space.

Similarly, Robertson (1976) developed the 'saliency theory' as a modification to Downs' traditional theory of party competition in which he argued in a similar way that parties compete less by taking opposite sides on the same issues, but rather attempt to select their own favourite issues.[202] Thus parties can be expected to be substantially bound to the policy positions they have advocated in the past as they have to make sure that they maintain their 'identity' and satisfy loyal traditional voters.

In fact, the use of notions such as 'identity' - when dealing with political parties - is a clear recognition, that parties' choices (in addition to market exchange) are based on additional 'ideational' properties. As Klingemann explained, "parties sustain an identity anchored in...cleavages and issues...packaged by ideology, yielding a history of particular actions in government and enduring association with certain groups of supporters....even if parties wanted to repudiate their past for short-term advantage, they could not easily do so, and they might not be believed if they tried. Each party is expected to stand for something that separates it from the competition."[203]

Overall, parties compete among each other by emphasising and manipulating the salience of different issues rather than competing for votes on same set of issues, with different policy positions.[204] For example, it has been difficult in the past for the Labour Party in Britain and the SPD in Germany to convince the electorate that they will do better at keeping personal taxation levels low than for their Conservative Party or CDU party rivals, as their opponents have been traditionally perceived by the electorate as embodying 'low' taxation and to a 'lesser' degree redistributive policies. Hence, party actors have a natural interest in focusing emphasis on their 'own' and 'strong' party issues, as one party's point of strength is likely to be another opponents party's point of weakness, with an emphasis on specific programmatic policy areas likely to form a unique party profile and parties 'competing for electoral victory by virtue of slight adjustments' to their own most preferred position.[205]

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[202] Robertson, David - A Theory of Party Competition, Wiley, London, 1976
[203] Klingemann, H.-D. et al - Parties, Policies, and Democracy, Westview Press, Oxford, 1994, p 24
[204] Sabatier, Paul A. - 'Introduction', in Klingemann, H.-D. et. al. - Parties, Policies, and Democracy, Westview Press, Oxford 1994
[205] Chappell, Henry W. and William R. Keech - 'Policy motivation and party difference in a dynamic spatial model of party competition', American Political Science Review, Vol 80, No 3, September 1986, pp 881

The positions described above underline the view that parties' policy choices are strongly influenced by 'historical identities' and serve their core clienteles. At the same time, however, to be electorally successful, they have to aim to attract new voters to their established policy portfolio. Clearly, different identities encourage parties to achieve different policy goals as well as to win office or maximise their share of the vote.[206]

### 4.2.1. The temporal dimension of party politics

There is a far greater 'temporal dimension' within party politics in contrast to economics. In the economic sphere, lines of authority are clear and relevant decision makers are likely to share the same broad goal of profit maximisation. In addition, principle policy aims such as the objective of improving efficiency and promoting innovations make in turn institutional change of organisations easier to achieve. In politics, however, the temporal dimension raises specific problems as political decision makers are aware of the fact that long-term institutional control is uncertain. This lack of continuous control carries implications for the way political institutions have been designed, and as a consequence, for their procedures of institutional change. This means, that political institutions often contain structures set up by decision-makers over time that make it difficult to adopt new rules and procedures, but once adopted they remain in place for a long period. In other words, political institutions are often specifically designed to hinder the process of (short-term) institutional and policy reform.

In his study of the political institutions of the EU, Paul Pierson supports the above view by arguing that the "same requirements that make initial decision-making difficult, also make previously enacted reforms hard to undo, even if those reforms turn out to be unexpectedly costly", or in the case of parties impose a high electoral price.[207] Hence, even if policy decisions seem irrational, they clearly carry their own internal 'logic'.

Furthermore, institutions are not necessarily the products of conscious design according to a masterplan. In fact, the Labour Party and the SPD are more than one

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[206] H. W. Chappell and W. R. Keech use a dynamic spatial model to prove - in a pluralist tradition - that politicians can vary in their balance of concern for implementing policies and winning office as much as voters can vary in their sensitivity to party differences.

[207] Pierson, Paul - 'The path to European integration', Comparative Political Studies, Vol 29, No 2, April 1996, p 143

hundred years old and their organisations have developed slowly over the decades. Hence, institutional rules have been evolving and developed by actors and former actors overtime (historical heritage) in an evolutionary manner in order to guide and safeguard institutional decision-making outcomes in accordance with specific institutional aims and goals. This way of predetermining or at least influencing the future ranking of policy choices and options, and to establish procedures which take account of contextual factors (such as technological change) that lie beyond the control of parties but must be recognised in order to safeguard, if not the effective functioning of the institution, at least its responsiveness and ultimately survival.

Finally, a further purpose served by operational procedures and the definition of principle institutional purposes is the task to empower an organisation's members. In fact, only reliable and publicly known procedures provide a check against arbitrary and capricious behaviour of institutional leaders. Thus, the institutionalist approach reflects a common commitment to the significance of institutional arrangements and a common criticism of atomised accounts of social processes. It seeks to explain the relationship between structure and democracy and the ways in which rules and procedures influence political behaviour. Their significance lies in their ability to influence the perceptions and construction of the reality within which actions take place, as they affect the flow of information and kinds of searches for choices undertaken; shape the definition of alternatives and finally influence the interpretations made of the results.[208]

However, institutions are never static, they change in response to their external environment and challenges to their standing rules, procedures and paradigms – so that they are rarely born whole in the first instance and rarely stay undisturbed over long stretches of time.

## 4.3. A 'new Institutionalist' approach

What is commonly referred to as the 'new institutionalist' approach does not constitute a single and coherent body of theory, but represents many streams of arguments and debates whose core assumptions have been developed into different

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[208] March, J.G. and J. P. Olsen - 'Institutional Perspectives on Political Institutions', Governance: An Institutional Journal of Policy and Administration, Vol 9, July 1996, p 251

directions. However, two major aspects of this approach can be identified. Firstly, the 'new' institutionalist approach recognises and links the relationship between institutions and the individual/collective behaviour patterns of actors, and secondly, it focuses on the understanding of processes of institutional origin and change. There is a current debate about the distinctive categories within 'new' institutionalism, namely between rational choice institutionalism (Cook and Levi 1990, Coleman 1990); historical institutionalism (Steinmo, Thelen and Longstreth 1992); and sociological/political science institutionalism (Powell and DiMaggio 1991, Granovetter and Swedberg 1992, March and Olsen 1989) however scholars have identified as many as six different types of this approach.[209] These 'new' approaches to the study of institutions represent an attempt to move beyond the descriptive traditions of 'old' institutionalism, by adding to it research tools and an explicit concern for theory that had previously been refined both by behaviouralism and rational choice analysis.[210] Furthermore, attention was drawn to the question of how differences in behaviour and power among individuals and groups can be explained if their characteristics and preferences could be expected to be quite similar.[211] In fact, scholars have increasingly recognised the importance of 'intermediate-level institutional factors' when analysing the behaviour of actors. These factors include corporatist arrangements, policy networks and party structures which play – according to Steinmo et al - a crucial role when trying to understand the "incentives and constraints faced by political actors" which explain "systematic differences across countries".[212]

### 4.3.1. Rules, routines and standard operating procedures

Routines are a means through which individual members during their participation in an institution can minimise their transaction and decision-making costs, while they can at the same time enhance an institutions own efficiency and ability to cope with complex tasks.[213]

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[209] Normative- ; rational choice- ; empirical- ; international- ; societal- ; and historical institutionalism as identified in Guy B. Peters detailed survey of 'new institutionalism', Peters, B. Guy - Institutional theory in political science, Pinter, London, 1999, pp 16-20

[210] Peters, B. Guy - Institutional theory in political science, Pinter, London, 1999, p 1

[211] Rhodes, R.A.W. - 'The institutional approach', in Marsh, David and Gerry Stoker (ed) - Theory and methods in political science, MacMillan, Basingstoke, 1995, p 43

[212] Steinmo, S., K. Thelen and F. Longstreth - Structuring Politics, Cambridge University Press, Cambridge, 1992, p 6

[213] Peters, Guy Peter - Institutional theory in political science, Pinter, London, 1999, p 32

In order to understand the possible long-term change of organisational operational routines and procedures, J. Knight emphasised the importance of informal institutions in providing the groundwork for the development of formal institutions. Alternatively, informal institutions are able to contradict or undermine formal rules, hence leading - over time - to the change of operational procedures.[214]

New political challenges and out-moded, for instance, formal (class-based) operating procedures for policy-making and decisions on party strategy and presentation have already been amended by the Labour Party and SPD leadership to correspond with perceived political, economic and electoral requirements.[215]

Even the temporary severe backlash experienced in the Labour Party against the adoption of 'informal' Labour policy procedures chosen in government - followed by the short-term domination of its NEC by the left in the early 1980s - did not halt the slow and eventual adoption of new formal procedures in the form of a shift of policy making power towards the party leadership and a change in the party's institutionalised economic paradigm. In turn, the particularly slow change in the old 'formal' procedures of economic policy making expressed in the party's policy programmes (Chapters 5 and 8) contributed to the slow policy responsiveness to new conditions and challenges and therefore to an electoral crisis, which included four consecutive general electoral defeats.[216] In fact, as parties are based on a set of standard operating procedures and programmes, their organisational behaviour - in any particular policy issue - is "determined primarily by routines established in these organisations prior to that instance" rather than as the result of deliberate rational choices.[217]

Hence, to account for the variety of organisational responses possible, standard operational procedures provide parties with a response continuum that has been "developed and learned at some previous time". The "routinised" end of the continuum -

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[214] Knight, J. - Institutions and Social Conflict, Cambridge University Press, Cambridge, 1992, p 172

[215] Formal (class-based) operating procedures had already been undermined by previous policy makers/leaders through informal operating procedures throughout the 70s. The Labour leadership had already successfully put forward far more moderate policy positions than had been favoured by party activists and adopted at party conferences. (See Chapter 2)

[216] According to Allison, "dramatic organisational change occurs in response to major disasters." (Essence of Decision, 1971, p 68)

[217] Allison, Graham T. - Essence of Decision - Explaining the Cuban Missile Crisis, Little, Brown and Co., Boston, 1971, p 68

depending on the stimulus - sets off parties "performance programmes almost instantaneously".[218]

Although political party leaders are able to influence their organisations, they are not able to control the behaviour and inevitably policy positions of their organisations as standard operation procedures apply. Organisational learning takes place gradually and substantial changes occur only in the medium-term, because as Allison described this, "both learning and change are influenced by existing organisational capabilities and procedures".[219]

Although organisational responses depend on actions chosen by unitary, rational decision-makers, party organisations consist of a conglomeration of sub-groups and actors each with a life of their own. Parties develop policies and estimate consequences as their sub-groups and actors process information, which is then dealt with within organisational routines.

As a consequence, party policy processes must be understood as a reflection of the sum of independent output of several groups and individuals which gets partially co-ordinated and institutionalised within standard operating procedures,[220] such as, (party) rules and policy principles (paradigms) which determine programmatic responses.

## 4.3.2. Actors, rules and procedures

Having identified the constraints and impacts of institutional standard operating procedures on individual decision-makers, we must now attempt to link them to the actions of individual actors. Here, a helpful conception is the principle of actors' "bounded rationality" developed by Herbert Simon, which lies at the core of organisational theory.[221] Patrick Dunleavy and Brendan O'Leary have supported this notion by arguing that the human limits on actors, or constraints, "lead decision-makers to deviate considerably from the comprehensive rationality model."[222] There are at least

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[218] March, James and Herbert Simon - Organisations (2$^{nd}$ ed), Blackwell, Oxford, 1958, p 160

[219] Allison, Graham T. - Essence of Decision - Explaining the Cuban Missile Crisis, Little, Brown and Co., Boston, 1971, p 68

[220] Allison, Graham T. - Essence of Decision - Explaining the Cuban Missile Crisis, Little, Brown and Co., Boston, 1971, p 68

[221] Simon, Herbert A. - Models Of Man, Wiley, New York, 1957, p 200

[222] Dunleavy, Patrick and Brendan O'Leary - Theories of the state, MacMillan Press, London, 1987, p 172

six major factors that can be identified and applied to parties that undermine and deviate the orthodox rationality of actors' decision-making.

I.    Decision-makers respond to policy challenges with "performance programmes"[223] and "*standing operating procedures*" in order to allow organisations to use their past experiences when dealing with problems and enable organisational learning to take place. "Problems are categorised in elaborate ways and rules devised to determine how the organisation should respond to the arrival of any new problem falling into one or another of the existing categories."[224]

II.    Decision-makers face problems, which are normally *factored* i.e. split into separate problems (rationale for organisations) carrying the potential to be tackled by sub-organisations (each carrying responsibility for different parts of the problem) as individual decision makers are in no position to reach any decision with any high degree of rationality. In fact, rationality becomes essentially procedural as an organisation's values, prejudices, history and experiences prescribes outcomes that, at best, set out to actors the pursuit of choices which are susceptible of a broad measure of attainment.[225]

III.    Organisations are more likely to hold amounts of information necessary for a rational decision, which leads them to *satisfice* [226] rather than maximise *rules*. In other words, policy-makers do not search for the best solution to a problem, but instead choose the first (policy) solution that *satisfices* their requirements.

IV.    Following on from III., decision-makers do not consider all possible alternatives but instead engage in a *limited search* as they examine - first - the most familiar solutions in order to minimise information and transition costs associated with the search for solutions. This behaviour also makes incremental changes of policies by actors much more likely.[227]

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[223] March, James and Herbert Simon - <u>Organisations</u> (2<sup>nd</sup> ed.), Blackwell, Oxford, 1958, p 162

[224] Dunleavy, P. and B. O'Leary - <u>Theories of the state</u>, MacMillan Press, London, 1987, p 173

[225] Herbert Simon has laid out a clear formulation of belief in 'bounded rationality' when he wrote "it is impossible for the behaviour of a single, isolated individual to reach any high degree of rationality. The number of alternatives he must explore is so great, the information he would need to evaluate them so vast that even an approximation to objective rationality is hard to conceive. Individual choice takes place in an environment of 'givens' - premises that are accepted by the subject as a bases for his choice; and behaviour is adaptive only within the limits set by these 'givens' ". (Simon, Herbert A. - <u>Models of Man</u>, Free Press, New York, (2nd), 1957, p 79, 241, 253)

[226] March, J. and H. Simon - <u>Organisations</u>, Wiley, New York, 1958

[227] Lindblom, Charles E. - 'Still muddling, not yet through', <u>Public Administration Review</u>, Vol. 39, Dec. 79, 1979, pp 517-26

V.     Decisions are taken by (party) organisations *in sequences* i.e. policy orientation changes take place *over time* as single policy areas will be dealt with via single decisions and not according to an overall plan. In other words, policy decisions can be expected to be *'path dependent'* as they follow set sequences. This slows down a party actor's capacity to adopt substantial policy changes in the short term.

VI.     In order to avoid and *absorb* the *uncertainty* of the (policy) environment, decision-makers attempt to negotiate with other actors *'routine'* approaches for operations that may carry substantial ideational values.

The above named factors all point towards the same direction. Party actors are not only influenced by institutions, but parties cannot function without the provision of processes which enable the prior co-ordination, negotiation and agreement of often long-term ideational approaches as well as rules and procedures, assisting actors to interact and take decisions.

Rules and procedures adopted by parties are of vital importance as, shown in Graham Allison's bureaucratic policy process model, many actors within institutions are players who do not focus on single strategic issues or on a consistent set of strategic objectives, but instead act upon "various conceptions of national, organisational, and personal goals."[228] Hence, individual actors engage in various 'messy' multi-faceted negotiation and discussion processes guided by their institutions, before deciding upon their individual actions.

Allison describes this (political) process as "...sometimes one group committed to a course of action triumphs over other groups fighting for other alternatives...(while)...equally often, however, different groups pulling in different directions produce a result, or better a resultant - a mixture of conflicting preferences and unequal power of various individuals - distinct from what any person or groups intended."[229]

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[228] Allison, Graham T. - <u>Essence of Decision - Explaining the Cuban Missile Crisis</u>, Little, Brown and Co., Boston, 1971, p 144

[229] Allison, Graham T. - <u>Essence of Decision - Explaining the Cuban Missile Crisis</u>, Little, Brown and Co., Boston, 1971, p 145

### 4.3.3. Inefficiencies of rules and procedures

However, what Allison's model fails to reveal are the possible inefficiencies that may appear once rules and procedures have been adopted and become a substantial part of an institution's policy development process. In fact, parties' ability to change ideational as well as procedural routines may be severely inhibited by the fact that previously established procedures set up under different conditions may become benchmarks and potentially self-fulfilling gate-keepers, hindering actors in their search for 'new' more appropriate policy procedures. Hence, rules or procedures, which have been originally developed to guide the 'perceived' interests of the organisation, may in fact inhibit actors' future responsiveness to newly arising policy challenges.

Finally, to draw conclusions from empirical (informal and formal) documentation's and to explain the precise impact of *procedures* on parties policy games is a rather problematic task and would force the researcher to engage in a normative information validation exercise of multi-level negotiation processes, as there are hundreds of issues and numerous games taking place at one time, forcing actors (in un-identical positions and roles) to draw attention to their 'pet' issues and interests.

One way of dealing with this problem - used in this study - is to identify factors of policy principle, which provide overall policy guidance and set templates to actors' decision making. For this, policy paradigms can be identified whose general policy principle base offers far more conclusive evidence to understand actors behaviour and the integral part of their ranking process of policy choices than engaging in the analysis of an unchartable, multi-level negotiation process.

### 4.4. The role of ideas in the policy process

One of the best-known contributions in defence of 'ideas' has come from Charles Lindblom, who in various contributions to the study of policy-making, for instance in defending incrementalism and interactive problem solving, has been placing substantial emphasis on the role of 'people' - with all their shortcomings - as being influenced by ideas rather than - as he called it - the "clumsy realism" of their actions being scientifically guided.[230] However, even the 'clumsy realists' who are more sanguine about the power of ideas as a 'reflection of interests to legitimise power' would agree, that ideas play an

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[230] Lindblom, Charles E. - The Intelligence of Democracy, The Free Press, New York, 1965, p 16

important role as, for example, demonstrated in the revolutions of Eastern Europe not so long ago, which brought about dramatic changes in policies and institutions.

It is however conceptually difficult for the historical institutionalist approach to draw a distinct line between policy choices being influenced by 'incremental patterns' of policy-making common in industrialised democracies, and the specific policies which are at any one time influenced and 'path dependent' in respect to institutional policy choices made earlier. In the real world it must be assumed that both factors play a role, and that incremental patterns of policy making may reinforce path dependency and vice versa.

The interaction between ideas, interest and policy change is certainly complex, but their interplay provides us with a fuller picture of party policy change. In fact, ideas and interests are to a large extent interrelated as they are normally produced with some purpose in mind. This is particularly true in the case of public policies proposed by political parties whose goals and means have to be justified by policy-makers inside their parties as well as to experts, analysts, media experts, and the wider public.

A number of recent studies have been dealing with policy change in important policy areas such as the economy. Here investigations on the monetarist and supply-side counter revolutions of the 1980s as well as the increasing widespread adoption of deregulative policy measures and the drive towards the privatisation of public sector activities have highlighted that adequate models of policy making must include the notion of 'ideas' in addition to interests and other 'causal' factors.[231] In fact, it can be claimed that the real difficulty in explaining policy change lies precisely in the relationship between the often-ambiguous roles of 'ideas' and 'interests'.

For ideas to progress and gain entrance into parties' collective policy identity and be eventually adopted by policy-makers, they have to be 'viable' and 'fit' existing 'economic' circumstances, while in addition, they must satisfy dominant 'political'

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[231] Derthick, Martha and Paul J. Quirk - The Politics of Deregulation, Brookings Institution, Washington DC, 1985, Termin, Peter - The Fall of the Bell System, Cambridge University Press, Cambridge, 1987; Helm, Dieter (ed.) - The Economic Border of the State, Oxford University Press, Oxford, 1989; Hall, Peter (ed.) - The Political Power of Economic Ideas, Princeton University Press, Princeton, New Jersey, 1989

interests, as well as be judged feasible in 'administrative terms'.[232] When these conditions are met, ideas can 'catch on' and become influential. The spread and actual adoption of an idea can then be - furthermore - substantially advanced, if certain key-personnel within the party leadership is in addition strongly committed to the implementation of a new 'idea based' approach.[233]

As such, Keynesian ideas became an institutional part of what developed to be Western Europe's post-WW2 'social democratic' state. In particular for many of Western Europe's social democratic parties, these ideas became an inseparable point of reference which - more than in any other party tradition - became an intra-party ideological schism that had a widespread effect on their policy choices, ideology and aims of actors.[234]

In turn, the decline of the Keynesian paradigm that began in the mid-1970s had a far greater 'negative' impact on the confidence and agenda setting capacities of Europe's social democratic parties than on their Christian Democratic and Conservative rivals. While Conservative and Christian Democratic parties displayed eventually far greater flexibility and ability to abandon former-'consensually' held Keynesian-led policy ideas and replace them with neo-liberal policy ideas of monetarism and deregulation, most Social Democratic parties encountered enormous programmatic problems when conditions forced them to repeal their former 'institutionalised' (Keynesian) belief patterns and fill a growing policy gap with meaningful and distinctive alternatives.

These problems became particularly apparent in their attempt to formulate labour market policies in response to the increasing problem of growing unemployment and increasing economic internationalisation.

This means, that party political actors face different circumstances which may enhance i.e. accelerate or alternatively discourage i.e. slow down their ability to accept, that new approaches to public policy should be considered and possibly adopted as party

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[232] Model: Factors affecting the reception of Keynesian ideas, Hall, Peter A. - 'The Politics of Keynesian ideas' in Hall, P - The Political Power of Economic Ideas, Princeton Uni Press, 1989, p 371
[233] Here, for instance, Thomas A. Koelble has been able show - in his study of British and Germany trade unions under Conservative government in the 1980s - that the comparatively 'union-bashing' policies adopted by the British Conservatives - in comparison to the CDU - depended also strongly on the beliefs and ideology held by Margaret Thatcher (as leader of the party and government) as the risking of high unemployment levels and the restrictive policies towards unions were partly "a matter of political choice and not economic necessity." Koelble, Thomas A. - 'Challenges to the Trade Unions: The British and West German Cases', West European Politics, July 1988, Vol. 11, No. 3, p 93
[234] Braunthal, Gerard - The West German Social Democrats, 1969 – 1982: Profile of a Party in Power, Westview Press / Boulder, Colorado, 1983, p 219

policy responses to changing circumstances. Here, the idea that parties' carry within themselves deeply rooted policy paradigms is a conceptually useful tool, as it broadens our understanding of crude party policy formation factors.

## 4.5. The Keynesian and Neo-Liberal paradigms, institutions and impacts

Paradigms can become an integral part of state institutions and political parties as well as companies, clubs and families. They can embody such things as defining and prescribing a specific state or party approach to economic policy making or committing an organisation to prioritise, for example, issues of environmental sustainability in investment and product development decisions, or define hierarchical, moral or behavioural principles and rules within communities.

The impact and the role of paradigms within institutions varies according to their scope, degree of prescriptiveness, costs of application, as well as the degree to which they are perceived as important by the actors/members of an institution. For example, a political party may have chosen to adopt a policy paradigm containing notions for the need of policies to contain aspects of environmental sustainability. The adoption of these principles could result in new or extra party operational policy development procedures, which will have to be applied by party actors in the future. As a consequence, a change of actors ranking of policy options and their perception of choices – according to the new paradigm - takes place and could carry a lasting effect on future party policy positions as a consequence of the 'new' prioritisation of environmental concerns set out by the paradigm. Finally, the changes described above may make it sometimes necessary for a party to revise substantially - over time - previous policy positions in order to up-date its overall programme according to the 'reformed' policy prioritisation set out by the newly adopted paradigm.

Just to demonstrate the versatility of measuring the actual consequences arising from the application of a paradigm by an institution, its is important to realise that its impact may depend on numerous factors. The effects of a paradigm on a party's policy programme depend on conditions such as whether its adoption carries major consequences for many party policy areas or if it is only relevant with respect to minor

parts of a party's policy positions. A paradigm may also be expressed in rather rhetorical or symbolical terms by a party whose actors emphasise its importance, but in reality are making every effort to surpass the prescriptions that would be appropriate in accordance with the paradigm template.[235] Paradigms can also be a vital defining part of a party's traditions, membership ideology, or even define a priority purpose of party existence, while alternatively the inner-party pressures for the adoption of a new or abandonment of an old paradigm may be leadership driven and based on pragmatic considerations (such as measures to reduce state expenditure and as a consequence to cut provisions of the welfare state) and hence be initially unpopular or even widely rejected by a party's rank and file.

Overall, the strength and implementational effects of paradigms on individual and collective actors may vary substantially, and it is difficult to distinguish precisely between guiding policy principles which would be better described as (minor) single issue procedures without major consequence, and those paradigms which grow into major institutionally defining and refined policy guidance frameworks which carry a large overall impact on a party's strategy and its actors behaviour patterns. In the case of this study, we concentrate on major paradigms that once adopted by political parties have clearly been of major institutional importance to the organisations polity set up and played a major part in the self-perception, ideological base and economic policy outlook of individual and collective actors.

The Keynesian and Neo-Liberal paradigms have been referred to in this study as conceptual descriptions of two fundamentally different overall guiding principles for economic policy development. They were abandoned i.e. adopted and institutionalised within the Labour Party and SPD alike. They are purposely stripped-down versions of more complex and varied Keynesian / neo-liberal policy style 'bundles' that the parties have been using to define their economic policy approaches. Individuals acting within an

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[235] This process happened for example during the late-1980s and early 1990s in the Labour Party, with most members of the leadership around Neil Kinnock using publicly – to appease the party's activists and rank and file – pro-Keynesian, state interventionist and 'socialist' rhetoric, while making every effort to moderate the party's programme and displace those kind of policies. Not surprisingly, this process took place at a time in which the party's programmes began to reflected doubts about the future viability of Keynesian policy prescription and increasinly adopted more mainstream pro-free market policy positions.

institutional framework reflect commitments to values other than personal ones and carry a pronounced normative element.[236]

This then brings us back to the earlier mentioned wisdom of Herbert A. Simon (1957) who argued that the rationality of actors within organisations is significantly inhibited by various institutional factors such as their behavioural repertoire or portfolio available to them in form of institutional operational procedures, routines - and we may add - paradigms. Thus, actors within organisations behave 'intently' rational rather than carrying the ability to behave rationally in any orthodox sense.[237] Hence, institutionally set party belief systems in form of paradigms reflect directly upon the actions and ranking of choices of individual decision-makers. Consequently, this investigation is in particular far more concerned with the overall study of actors' terms of preference rather than with the decision-makers 'intentionally' rational ranking process of the choices available to them.

### 4.5.1. Party policy and the Keynesian paradigm

When the Keynesian paradigm was adopted and institutionalised by many parties innorthern Europe during the late 1940-50 it resulted most commonly in the adoption of distinctive economic policies that held – as a priority policy concern - the promotion and maintenance of full employment which was approached with tools of demand management. The inclusion of the paradigm into a party's policy development processes affected party actor's perceptions of how the economy worked and how to deal with problems. In fact, a majority of parties in Europe's political systems adopted the Keynesian paradigm and with it its economy policy goal-posts.

The Keynesian paradigm contains the main aspects of Keynes 'General Theory'[238] and at its heart lies the idea of the balancing of aggregate demand and supply as a concept of macroeconomic analysis. The Keynesian contribution to the analysis of unemployment is the emphasis on inadequate effective demand for goods and services as a major cause of unemployment. The essence of Keynesian government policy is the use of co-ordinated fiscal and monetary policy to stabilise employment rates at a high level.

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[236] Peter, B. Guy - Institutional theory in political science, Pinter, London, 1999, p 16
[237] Simon, Herbert A. - Models of Man - Social and Rational, John Wiley and Sons, New York, 1957, p 196
[238] Keynes, John Maynard - The general theory of employment, interest and money, MacMillan, London, 1946

The Keynesian paradigm includes a particular set of policy prescription often referred to as 'countercyclical demand management'. This means, for example, that Keynesian policies advocate active fiscal state policies during times of recession such as the increase in public spending, tax reductions and public works financed by budgetary deficits in order to revive the economy with extra investment and demand.

Under the wider conception of Keynesian paradigm-led party policies, we can expect to find party measures to include the adoption of positive statements on the role of the public sector; public borrowing and spending; emphasis on the pro-social market economy (renewal of model); economic expansion; and tax increases to fund public investment or general tax decreases to encourage spending. Furthermore, party employment policies contain the substantial spending on infrastructure projects and public demand policies (e.g. spending on construction).

Other types of policy to expand the economy usually include additional public spending, lower overall taxation levels to stimulate the economy; reflationary programmes, and increased public purchasing. Finally, policy statements may be highly critical on monetarist measures and reject policies that prioritise the fight against inflation and accept in turn the idea of a natural rate of unemployment.

In addition to the economic measures, other consequences from a party's adoption of a policy approach under the Keynesian policy paradigm can also be expected to strongly affect parties public policy choices in regards to the expansion or at least maintenance of the general levels of state welfare provisions, the advocacy of a substantial role for state planning; policies in favour of comprehensive labour market regulation as well as a strong emphasis on the need to maintain high levels of public sector employment.[239]

Overall, the Keynesian paradigm contains the provision of an alternative rationale for active government management of the economy to the 'classical' neo-liberal view that the market economy functions best when free from state intervention.

When the monetarist 'counter-revolution' began to emerge in many northern European countries by the late-70s and to increasingly replace Keynesianism as the

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[239] See the labour market coding frame developed for this study and applied in Chapter 7 and 8 (see Appendix I).

template guiding policy, there was not only a radical shift in the public conception of how the economy worked but also an eventual shift in the hierarchy of guiding policy goals of party actors.

### 4.5.2. Party policy and the Neo-Liberal paradigm

What followed was the spread, increasing acceptance and adoption of neo-liberal ideas and eventually their adoption as a prescriptive paradigm by most Western European parties, first on the right of the political spectrum (embodied most dramatically in Europe by the British government under Margaret Thatcher) but measures were eventually also embraced by centre and social democratic parties.

The Neo-Liberal Paradigm – as used in this study and in regards to employment – contains the assertion that unemployment is either structural or frictional, and caused by the wage demands of powerful unions; due to government regulation; or else should not exist. In other words, here the view dominates that what may be perceived as high unemployment is really rather the voluntary withdrawal from the labour force.

As defined in the labour market coding frame developed for this study, neo-liberal economic policies to influence the labour market can be expected to entail policy measures in favour of a more traditional orthodox economic policy approach containing the aim to achieve a balanced state budget; low taxation levels; pro-state expenditure savings; support for traditional economic institutions such as the stock market and banking system; support for a strong national currency; pro-monetarist; and pro-free market competition.

For this, a stable macro-economic framework is usually proposed in order to safeguard sustained economic growth, which is expected to bring further investment in capacity and skills. This paradigm prioritises the use of stringent monetary based inflation targets; the aim to curb inflation and to guarantee price stability.

Government attempts to control aggregate expenditure by using monetary and fiscal instruments are as much part of the neo-liberal economic policy tool kit as placing emphasis on the need to improve the efficiency levels of public services and administration; to encourage the privatisation of state industries, while aiming at the same time to curb public spending. In turn, the general reduction in tax levels is a major priority

envisaged to free up private resources and increase overall spending levels in the economy.

In addition to these economic measures, other consequences can often be derived from a parties' adoption of this policy approach. Here, parties principle concern involves the aim to keep state interventionism in the economy to a minimum and to prioritise the achievement of low inflation levels and price stability. This is often proposed to be financed by cost saving in state expenditure, which in turn may lead to proposed cuts in welfare state provisions and public sector activities as well as public employment levels. Less state activity often also entails the reduction of state interventionist measures in the economy and the creation of conditions, which allow greater levels of labour flexibility for business, sometimes assisted by measures to 'cut red tape' as well as the reduction in labour market regulation and standards.

### 4.5.3. The parties' shift from a Keynesian to the acceptance of a neo-liberal policy approach

As mentioned earlier, the Keynesian paradigm and with it the aim to maintain full employment became a priority policy concern with demand management chosen as the institutional policy prescription to achieve this, and with a majority of institutions in the political system having adopted Keynesian interpretations, goals and solutions i.e. shifting the goal-posts according to Keynesian requirements.

1.	Keynesian 'counter-cyclical demand management' meant that during recession Keynesian policies prescribed to active fiscal state policies such as increasing public spending, tax reductions or public works were financed by budgetary deficits in order to revive the economy with extra investment and demand.

2.	Paradigms (such as the Keynesian) once adopted by state institutions become formalised in the minds of policy makers, get institutionalised and serve as a "template guiding policy" defining the hierarchy of goals, which then guides policy choices.[240]

Paradigms work on two levels. (a) On an individual level, decision-makers are often guided by a blanket "set of specific ideas that specify how the problems facing them (policy makers) are to be perceived, what the policy goals are and

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[240] Hall, Peter - 'Policy Paradigms, Social Learning and the State', Comparative Politics, Vol. 25, No. 3, April 1993, p 279

what techniques can be used to attain those goals."[241] (b) In the case of the Keynesian paradigm, 'full employment' became the overriding major policy goal, which is perceived to be most effectively met with the help of demand management techniques.

3.      Once a policy paradigm has been adopted and accepted as a frame of reference by political parties, state institutions and the civil service, it becomes institutionalised and thus reinforces the (established) perception of possible policy solutions as well as formatting the development and implementation of policies.

For example, once Keynesian ideas had taken root in the policy-making process by the British Treasury, its hierarchical administrative structure rendered them an entrenched component of the policy making process (for over thirty years) with policies being developed as closely and guided by Keynesian analysis and pre-perceived interpretations of the situation.[242]

When neo-liberal/monetarist ideas began to take hold in many European countries by the late-70s and challenged Keynesianism as the dominating template guiding policy, there was not only a radical shift in the conception of how the economy worked, but also a shift in the hierarchy of goals guiding policy. Although, economic experts were not necessarily in favour of monetarist solutions to economic problems (at the time),[243] the state bureaucracy was quick in learning, adapting and supporting the implementation of monetarist policy ideas, hence starting the (rare) process of wholesale changes in policy institutionalising neo-liberalism and abandoning the Keynesian paradigm.[244]

The question is how did the crisis of the above describe Keynesian paradigm affected social democratic parties in Western Europe. The fact is, that Keynesian policy prescriptions were closely associated with social democracy and that social democratic

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[241] Hall, Peter - 'The movement from Keynesianism to Monetarism: Institutional analysis and British economic policy in the 1970s', in Steinmo, Sven et al - Structuring Politics, Cambridge University Press, Cambridge, 1992, p 91

[242] Peter Hall - The Political Power of Economic Ideas: Keynesianism across Nations, Princeton University, New Jersey, 1989, p 379

[243] For example, in Britain, the influential Cambridge Economic Policy Group rejected throughout the 1970s calls for monetarist solutions to economic problems.

[244] Hall, Peter - 'Policy Paradigms, Social Learning and the State', Comparative Politics, Vol 25, No 3, April 1993, p 279

parties all over Western Europe had incorporated this policy approach into their ideology throughout the 1950s and 1960s. This circumstance created enormous problems for those parties at the end of the post-WW2 boom period. As significant changes in the socio-economic environment began to undermine 'traditional' social democratic policy prescriptions, and while parties of different ideology moved away from formerly consensually held state interventionist policy prescriptions, most social democratic party organisations faced enormous problems in adjusting and modifying their policy approach in response to the new circumstances. This can be explained with the fact, that the Keynesian paradigm had - in addition - become a fundamental part of social democratic ideology whose continued adoption was sheltered and reproduced by the institutional rules and procedures of the parties in question.

In general, the alteration of the political and or economic situation (a slow, ongoing process) inevitably carries the necessity for agents in society to constantly act and react. This means, for example, that the factor of changing circumstances creates the need for political parties (in our case in opposition) to act/react, either by abandoning old policies, adjusting existing policies or developing new policies. Here, institutionalised party procedures hindered actors from choosing and adopting new policy approaches in response to the socio-economic environmental changes. Therefore, eventually both social democratic parties failed in their ability to set the political agenda in their countries and their electoral performances suffered as a result.

### 4.5.4. Consequences of the change in paradigm for the Labour Party and the SPD

The dilemma of the Labour Party and the SPD throughout the 1970s, 1980s and early 1990s has been the emerging crises of Keynesian-led policy prescriptions in a fast changing political and economic environment (Chapters 2 and 5). Both parties' failure to combine, at the same time, the reform of their Keynesian paradigmatic policy prescriptions and to embrace certain neo-liberal aspects and then to develop out of this 'new' distinctive policy alternatives to challenge the growing wisdom of neo-liberalism led to a programmatic crises within the Labour Party and SPD as both parties were unable to bridge the above mentioned requirements. This explains also to some extent, why both, the Labour Party and the SPD failed to agree and develop clear coherent economic policies. Furthermore, it explains why both parties failed for a long time to set their

domestic political agendas and appeared to patch up their weakness of economic policy paradigm by either adopting temporarily orthodox radical socialist economic state planning policies (as in the case of Labour) or to cover coherently the need to decide upon a stronger economic policy approach by diverting attention to the development of policies on issues raised by the new social movements such as nuclear power, post-materialism and peace (as in the case of the SPD). The resulting electoral failure in the case of both parties is documented in this study, which additionally reveals that the institutional failure of parties to hold strong paradigms to guide their policy development processes may in fact increase the degree of inner-party conflict and create problems for parties to develop coherent convincing policies, as strong guiding procedures and principles are missing. As a consequence, this indicates a lack in policy vision and cohesion. Hence, failure or uncertainty over (party) paradigms may weaken a party's electoral and ideological strength as well as obstruct a party's agenda setting ability until it is able to agree upon and re-develop a strong enough policy alternative to that of its party political rivals and engage in the process of policy modernisation and paradigm shifting.

### 4.5.5. Path dependence and 'picking the right horse'

Studies on the change of technology have revealed the conditions and circumstances that surround path dependence.[245] Here, the main idea is that a technology has been developed with large fixed costs which are perceived by developers, investors etc as likely to create increasing returns to further investment in that technology. This in turn provides individuals and decision makers with a strong incentive to continue to move down a 'chosen path' of development while identifying and sticking with a single option once an initial move into a specific technology direction has been taken.

These expectations and the focusing on one specific technological option by individuals can be expected to be even further enhanced, if individuals feel the need to 'pick the right horse', because they fear that alternative options may in the end fail to win broad acceptance and could carry drawbacks for their position later on. Hence, individuals acting under these constraints may engage in decisions and technology usage patterns that may become self-fulfilling.

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Douglas North has argued that the above arguments developed for the explanation of technological change can be extended and applied to other social processes, with the concept of path dependence being a useful tool to characterise institutional evolution in general.[246] Similarly, Gøsta Esping-Andersen has been recently arguing that 'postindustrial' transformation processes in welfare states must also be viewed under the notion of 'path dependence' as he found that existing institutional welfare arrangements "heavily determine, maybe overdetermine national trajectories."[247]

Consequently, path dependence can also be observed in respect to the development of policies by political parties, as traditional policy approaches can constitute systems of rules, incentives, and constraints that predetermine the choices of individual and collective decision-makers in favour of already established policy paths over possible alternatives. The degree of path dependence that inhibits actors ability to choose alternative policy approaches varies, and depends on the importance of the policy approach as well as the institutional sunk costs (e.g. in form of skills and policy credibility) of an adopted policy, however, established commitments can predetermine individual and collective actions onto a path that may be hard to reverse.

Once institutions have decided upon a specific path - such as the adoption of Keynesian principles - the 'ideas' ingrained in the path become a major part of an institutions policy make up and an essential conception of an institutions 'own' long-term value and perception system. In fact, variables present at the time of analysis of party policy may make no rational sense without a broader historical policy perspective, which places actors' choices and decisions within a historical context. It is in this way, that social democratic parties commitment to active Keynesian-style state interventionist policy solutions must be understood, as their continuous choice played a key-role in the parties' failure to speedily develop alternatives and adapt to the emerging neo-liberal paradigm.

Consequently, party actors policy behaviour cannot be sufficiently understood or predicted when long-term institutional pathways are overlooked. In other words,

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[245] Arthur, Brain - 'Competing technologies, increasing returns, and lock-in by historical events', Economic Journal, No. 99, March 1989, pp 116-131; Anderson, P. W., K. J. Arrow and D. Pines (ed) - The economy as an evolving complex system, Addison Wesley, Reading, MA, 1988

[246] North, Douglas C. - Institutions, institutional change and economic performance, Cambridge University Press, Cambridge, 1990, p 93-5

[247] Gøsta Esping-Andersen - Social Foundations of Postindustrial Economies, Oxford University Press, Oxford and New York, 1999, p 4

empirical snapshot observations of party policy processes must be avoided as they may lead to wrong conclusions. Instead, factors of institutional continuity must be accounted for when analysing institutional developments and policy choices. Therefore, periods of institutional crises and change can be identified and better understood with the help of the concept of 'critical junctures', an approach to the analysis of policy processes that may be lacking in elegance, but that adds an important historical perspective to the institutional development and programmatic change of the SPD and the Labour Party throughout the 1980s and 1990s.

Here, historical institutionalist analysis offers a coherent explanation of why learning processes and electoral crises may not be sufficient to prompt a party's policy reform or abandonment of an increasingly unsuccessful policy approach over a substantial amount of time. The underlying argument is, that once initial policies and institutional choices in one policy area have become established patterns, they can be expected to be stable and persistent. However, institutional (evolutionary) change does occur once sufficient force has developed within a party to question current paradigmatic prescriptions, which eventually propels the development of a new (replacement) paradigm to re-establish a new programmatic equilibrium.

Inevitably, "evolutionary" changes to institutionally prescribed policy paths takes place, but the ability for such development to take shape are constrained within the institutional experience of the (original) policy formative period. As described and applied in this context by Stephen Krasner, institutional 'evolutionary' developments consist of "short bursts of rapid institutional change followed by long periods of stasis" until the next "punctuated equilibrium" within an institution occurs.[248] The institutional realisation and eventual response to a 'punctuated equilibrium' can be expected to take time - depending on the importance of the policy area and the degree of institutionalisation of a parties prescriptive paradigmatic response pattern. However, substantial disjunctures between existing institutional constructions and exogenous change can be expected to lead to a 'real' crisis and eventual change of institutional pathways.[249]

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[248] Krasner, Stephen D. – 'Approaches to the State', Comparative Politics, Vol. 16, No. 2, January 1984, p 242

[249] As convincingly argued in the case of welfare regimes by Gøsta Esping-Andersen - Social Foundations of Postindustrial Economies, Oxford University Press, Oxford, 1999, p 5

As we have been able to observe this shift in the case of the SPD and the Labour Party, we can conclude that there must have been sufficient pressures to generate the observed shift in paradigm. Inevitably, failure of a party's economic policy paradigm can be expected to carry substantial consequences for a party's success and popularity of its policies approaches.

However, there remain some substantial problems with the application of sole path dependency theories, which must be mentioned. Path dependency theories fail to take account of mixed institutional legacies, and this is where the analogy of scientific paradigms carries the risk of becoming quite misleading in the study of complex social institutions. Often what happens during periods of crisis and change is that social actors (in particular social or political entrepreneurs) review their mixed institutional inheritance, and select policy 'possibilities' that are available to them somewhere in their general repertoire. In fact, these possibilities may have been well established, for instance, within the heritage and former policy beliefs of the parties, but had been neglected over time due to changing socio-economic circumstances and conditions.

One example for this is Thatcherism with the Conservative Party breaking off its previously held post-war adopted and institutionalised Keynesian inner-party policy consensus during the early 1980s as the party reached back - for policy guidance - to its pre-Keynesian and pre-1945 institutional repertoire of ideas that contained a lessening of the overall role of the state in society and offered a decisively reduced regulatory framework and hence more freedom to economic actors[250] as well as offering certain possibilities already embedded in the role of the City of London.[251]

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[250] In the words of Andrew Gamble, a 'New Right had developed within the Conservative Party during the second half of the 1960 that was distinct from the traditional right in so far as it drew its strength from a 'new' "rejection of the consensus around social democratic values and objectives that had been established ever since the war-time coalition." In fact, Thatcherism was based on these ideas of the 'New Right' which advocated "the revival of liberal political economy, which seeks the abandonment of Keynesianism and any kinds of government intervention" together with new economic liberalism and the concept of market order becoming the central doctrine of the social market economy, i.e. "notions [that] can be traced back a long way in liberal thought." (Gamble, Andrew - 'Thatcherism and Conservative Politics', in Hall, S. and M. Jacques (ed) - The Politics of Thatcherism, Lawrence and Wishart, London, 1983, p 113) The Conservative Party chancellor Nigel Lawson confirmed this during a summary of his monetarist propositions given in his 1984 Mais Lecture in which he expressed his belief that "the conventional post-war wisdom was that unemployment was a consequence of inadequate economic growth" to be secured by macro-economic policy as well as fiscal stimulus with the help of enlarged budged deficit and passive monetary policy, while "inflation was increasingly seen as a matter to be dealt with by micro-economic policy - the panoply of controls and subsidies associated with the era of incomes policy." Here, Lawson stated his and the conviction of many others in his party which was based on the idea that the "conventional post-war wisdom" had been

Here, we do not only expect - within the wisdom of path dependency theories - institutions to move 'incrementally' on and eventually change their overall policy paradigm, but parties may indeed even be drawn strongly back to their heritage and former historically held and institutionalised policy approaches.

Hence, one way of looking at the problems of social democratic parties at the present time is to ask, what policy approaches they might have had in their institutional repertoires which would have enabled them to find alternatives to Keynesianism, that would not have meant such a strong surrender to the ideas of neo-liberalism. It is clear from the evidence presented in this study that both parties certainly tried to search for alternatives in their repertoires - as in the case of the 1979 electorally defeated Labour Party - by adopting a strongly socialist influenced economic policy approach, or - as in the case of the opposition SPD - by searching for its 'reformist' party roots by attempting to open the party towards the political concerns of the new social movements and later by searching - under Oskar Lafontaine and his party allies - for the revival of an increased state interventionist role. In fact, the Labour Party and the SPD attempted throughout their period in opposition to find alternatives to Keynesianism that would not surrender too much of their parties former economic policy approaches to neo-liberalism.

This is certainly one way of looking at the Labour Party's policy developments during the 1980s, or to a briefer extent, the later but equally significant search by the SPD and Oskar Lafontaine, in particular, for a different, and as far as possible, non neo-liberal revived role for the state.

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fundamentally flawed. Cited in (Willetts, David - Modern Conservatism, Penguin Books, London, 1992, p 128)

[251] For a discussion of theories on the rise of Thatcherism, monetarism and the role of the City see: Jessop, B. et al - 'Theories of Thatcherism', in Jessop et al - Thatcherism - A Tale of Two Nations, Polity Press, Cambridge 1988, pp 22-56. Jessop et al described in their assessment of theories on Thatcherism how its restrictive monetary and fiscal policies had been supported by banks and financiers (e.g. the City) as policies of monetarism served as an antidote to the previous Keynesian policy approach that assigned to banks the role of instruments of government policies. There is, furthermore, widespread belief in the idea that Conservative governments adoption of monetarist policies was preceded by a shift in power from industry to banks that occurred though the rise of the Euromarkets and other forms of banking business. Here the Conservatives re-asserted with their monetarist policies the hegemony of financial capital with an overseas orientation in the British system. Hence, Thatcherism can be seen as reorganising and re-orientating the country's social and political order as well as economy by representing a strategy for capital accumulation that prioritised the interest of financial and international capital over that of the domestic industrial sectors.

Following from this, we have to admit that we are left with a question that remains largely unanswered by path dependency theories. Did a left 'social democratic' alternative to the tendencies of neo-liberalism exist and failed, because it was incoherent and inadequate to the task, or because changing domestic as well as international power relations made its application impossible?

### 4.5.6. Path dependence and political parties

Nevertheless, for two significant reasons, the path dependence of political parties should not be viewed within over-rigid terms. Firstly, the notion clearly allows tangible flexibility in regards to the application and further development of paths, as eventual incremental changes to traditional institutionalised policy paths  must and should be expected – over time – to develop.

In the case used for this study, overall path dependence was maintained, even when it seemed that both the SPD and Labour Party leaderships – notably against the substantial protest of non-cabinet MPs, their parliamentary parties, party activists, rank and file, as well as trade unions – were forced by circumstances to leave their parties' traditional policy path, such as  during mid-70s  when the Labour and SPD governments adopted increasingly monetarist government policies.

Furthermore, the policy backlash experienced by both parties leaderships immediately after the loss of government office (in 1979/82) which in the case of Labour even enabled the left for a short-term to shift the inner-party balance in its favour and push though temporarily the adoption of 'radical' orthodox left wing economic policies (even though the overall path dependent paradigm proved to be more resilient then the left expected).[252] However, short-term policy exceptions – in or out of government - do not necessarily contradict parties' path dependence or demonstrate substantial change. In fact, the change of institutionalised paradigms is a slow process. Therefore, it was predictable

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[252] For instance, proponents of Labour's new 'left' non-Keynesian 'Alternative Economic Strategy' policy approach, such as Tony Benn, wrongly expected - at the time of its adoption in the early 1980s - that a change in Labour's policies towards a more socialist economic policy outlook would be irreversible. He was quickly proven wrong, as the party's moderate institutionalised Keynesian paradigm continued to predetermine policy choices, as shortly after the lost election of 1983 Labour moved inevitably - as could be expected - path dependently back to its former traditional party institutionalised Keynesian-led policy choices. If at all, one could consider the party's greater movement around its traditional economic path as an indicator that the party was facing increasing problems with its path dependent approach. (Benn, Tony - The Benn Diaries, [ed. by Ruth Winstone], Arrow Books, London, 1995, p 550)

and understandable, that both parties' policy choices returned (during the year of 1983) to be dominated by their previously institutionalised long-term 'path dependent' Keynesian-led economic policy approaches, as they had remained to represent the institutionalised medium and majority spectrum of the parties. In fact, the parties only began to disengage from this path, once electoral as well as changing economic and social circumstances led to a clear long-term ideological and electoral crises, with the eventual parties response containing the overall amendment of their economic policy paradigm.

Secondly, path dependency allows for various streams of opinions, interests and beliefs to be present within pluralist parties. The difference and sometimes even conflicting policy beliefs of party members and decision-makers are not only natural and common within organisations, they are an essential part of the interactions, inner-party debates as well as part of the overall balance of interests under which a specific 'path direction' has been established and institutionalised within the sum of a party's institutional influence components. This means that path dependence should be understood as a 'path compromise' between the various policy actors' convictions represented within an institution.

## 4.6. Labour's and the SPD's 'delayed' shift towards more neo-liberal labour market policy approaches

When faced with the problem of how to understand Labour's and the SPD's 'delayed' shift in prescribing to a more popular and (seemingly) 'current wisdom' neo-liberal inspired policy approach when choosing their LMPs, three different explanations can be identified.

Namely, both parties (leaderships) may have encountered similar strategic problems when trying to shift their parties' policy approach, such as risking subsequent intra-party conflict or a substantial loss of electorate. Alternatively, Labour and the SPD may have been faced with a 'learning' problem as both parties did not contain sufficient policy development mechanisms to allow or encourage 'policy learning' being followed up by the adoption of new policy approaches. Finally, institutional factors may have been responsible for not allowing the rapid adoption of new policy approaches by the parties, as policy identities and path dependency inhibited actors from promptly changing their parties' policy approach.

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## 4.6.1. Problems of party strategy

The first explanation for both parties' rejection of adopting - from an early stage onwards - more neo-liberal based policy approaches is emphasised by the fact, that both parties in general, and the policy makers within them faced substantial strategic problems when attempting to abandon one set of policy ideas and replace it with another. In fact, trying to shift party policies substantially - to win new voters or react to conditional changes - could have been feared in case it deepened intra-party conflict and was envisaged to carry the substantial risk of alienating the traditional electorate in substantial numbers. Similarly, a change of policy approach could have been feared to provoke intensive intra-party conflict which could have endangered not only the unity but even - as in the case of Labour during the 1980s - the existence of the party as a single entity. Consequently, policy makers were prohibited from engaging in a radical push for a substantial reform of policy approach as they could not be certain that they would have been able to take along their own rank and file as well as traditional electorate.[253]

An interesting additional angle to this explanation is offered by John D. May's (1973) idea of parties acting within a common 'law of curvilinear disparity', by which party leaders are driven by tangible (salaries, expense accounts) and intangible rewards (prestige, power, interesting work) as well as vote-maximising imperatives, while activists are motivated by purposive incentives such as the desire to influence party policy and ideological purity rather than capacity to enlarge the party's electoral base.[254] In fact, May argued that leaders can be expected to desire party policy positions that aim at attracting median voters, while party members are rather concerned with maintaining ideologically 'pure' policy positions. Applied to the case of the Labour Party and the SPD, this offers one explanation, why both parties leaderships - although realising already during the

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[253] This problem was confirmed by David Hill who was right at the centre of the party's policy-making processes - first as a personal assistant to the party's deputy leader Roy Hattersley and later as director of party campaigns and spin doctor - who clearly described the slowness and carefulness with which the leadership pushed for policy change. He alleged furthermore that "the Labour Party had been so introspective during those 10 years [1976-86] and had spend so much time arguing with itself, it had lost track of the fact that out in the wide world things had changed dramatically. It was during the post-87 period when Kinnock and Hattersley started gradually hammering home the message that we had spend years not relating to the general public at all. It was an immense battle for the party [activists as well as rank and file] starting to come around accepting that we had to change those policies. It was a real knock down, drag out fight, month in - month out, but it was about the leadership actually saying, we can't win unless we change and seem changed." (Interview with David Hill, London, 26/08/99)

early 1980s the need for a substantial reform of their parties LMP positions - had to comprehend their inability to do so against the majority of their parties rank and file (and in the case of Labour Party influential trade unionists as well).

Sten Berglund (1980) underlines this, by pointing towards a paradox of interests between party leaderships and their rank and file. In fact, he claims that party leaderships can be expected to behave more rationally than their rank and file when making decisions. In fact, even though they ought to carry the obligation of representing the wishes of party members - leaders who are too strongly committed to please their rank and file run risk of failing to attract marginal voters and hence at achieving their ultimate goal of gaining electoral success.[255] Consequently, policy-makers have to move policy changes in tune with their party's rank and file and as Webb and Farell have shown in the case of the Labour Party during the 1980s, the leadership consciously engaged ('pedagogically') in a long-term strategy of shifting the beliefs of the party's rank and file towards the acceptance of the need to reform party policies and institutions in order to win the ability to push through substantial policy changes.[256]

Furthermore, a second strategic problem encountered by both parties explaining the reasons behind their hesitancy to move towards more neo-liberal policy approaches may have been the fact that even though 'neo-liberal' policies throughout the 1980s were increasingly deemed necessary as a response to the changing environmental circumstances or even 'en vogue' with business and to an increasing extent with the electorate, social democratic party policy makers may have been held back from considering them as a real option, as they remained highly unconvinced about their economic wisdom or political desirability. Consequently, party actors decided to maintain their individual and/or collective 'identity goals' (such as the maintenance of full employment with Keynesian inspired policy means) as this was judged more important than compromising these aims to enhance electoral performance.

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[254] May, John D. - 'Opinion structure of political parties: The special law of curvilinear disparity', Political Studies, Vol. 21, No. 2, 1973, pp 148

[255] Berglund, Sten - Paradoxes of Political Parties: Rational Choice and beyond, CWK Gleerup, Umeå, 1990, p 59

[256] Webb, P. and D. M. Farrell – 'Party Members and Ideological Change', in Evans, G. and P. Norris (ed) – Critical Elections, SAGE, London, 1999, p 50. David Hill also confirmed this view in an interview with the author. (London, 26/08/1999)

In fact, identity goals' may have even been perceived as electorally unpopular by politicians, but they represented deep rooted party policy preferences which could not be discounted and suddenly overwritten by an 'apparently' more popular or increasingly common policy approach. In fact, if one believes that parties are formed in order to promote specific policy ideas, interpretations and solutions, it must indeed be expected that they stick to those 'basic' principles for as long as they possibly can, as they are the base of the party's reason for existence and an integral part of membership for of the party 'community'. In fact, party organisations have been frequently described by scholars as 'epistemic communities' that are composed of members sharing one or more specific commitments (or even habits) to support a common set of political values. Therefore they share a common interpretation of problems, how to approach them and hence translate these beliefs into 'sets' of public policy ideas which they are convinced, if implemented, will be for the common good.[257] This interpretation would help to explain, why party actors continued to advocate specific sets of policies, even if it seemed unlikely to find an electoral majority in support of them at a certain moment in time.

The above described ideas may hold some truth had both social democratic parties not faced substantial demographic changes, which led to strategic problems throughout the 1980s and 1990s when having to decide on how to appeal to the electorate. However, this line of argument does not explain why both parties struggled to reform - in particular - their policy approaches in the LMP policy area.

Furthermore, party 'identity' may have played a crucial role in predetermining party members attempts to avoid for as long as possible to consider neo-liberal policy ideas as a policy option. However, the notion of 'identity' and its precise impact are extremely difficult to conceptualise. Therefore, when attempting to understand individual and collective behaviour of actors and their preference formation, the analysis of identity and policy principles should be viewed with the sharper lens of an institutional framework of reference, as the conception of party paradigms and their prescriptive policy templates recognise notions of 'identity' and 'policy principles' as well as the role of institutional influence components when party policy choices were taken.

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[257] Haas, Ernst - When knowledge is power: Three Models of Change in International Organisations, University of California Press, Berkley and Los Angeles, Cal. and Oxford, 1990, p 41-6

## 4.6.2. Policy learning

Alternatively, could the SPD's and Labour Party's inability to consider more quickly neo-liberal LMP approaches have been caused by problems of individual or collective learning? In other words, can an explanation for the 'delayed' application lie in the fact that both parties faced problems when engaging in learning processes, as the parties did not contain sufficient mechanisms to encourage policy learning and/or implement new policy approaches?

Various frameworks have been developed by scholars to enhance the understanding of processes that enable institutions to learn about - and their motivations behind - the application of new policies. For example, Paul Sabatier (1987, 1988) argued that 'policy-orientated learning' is a major factor contributing to policy innovation and change, stressing that "relatively enduring alterations of thought or behavioural intentions...result from experience and...are concerned with the attainment or revision of the precepts of one's belief system".[258] According to this idea, (policy-orientated) learning must be understood as a mechanism in which policy makers (within advocacy coalitions) are engaged in an ongoing process of alliterating thought and intentions based on past experiences, motivated by the desire to accomplish policy outputs which respond to core policy beliefs. Here, group dynamics and turnover as well as communication among members can transform the overall interests and beliefs of advocacy coalitions. In other words, the individual learning experience can lead to changes in the belief systems of individuals which in turn can lead over time to amendments of 'advocacy coalitions' strategic policy aims and may therefore alter their perception of interests and policy beliefs which are then taken up by policy-makers exposed to their influence. If we recognise such a process, than we must also acknowledge that this process differs between organisations and that it may well be 'dysfunctional' in some of them? Consequently, this raises the question if Labour's and the SPD's hesitancy to quickly consider more neo-liberal policy approaches could be the result of a certain 'dysfunctionality' encountered by both parties in their ability to learn and adopt new policy approaches?

The conception of institutional policy processes developed by Chris Argyris and Donald Schön deals with the question, if institutional 'learning' may be inhibited by

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[258] Sabatier, Paul. A - 'An advocacy coalition framework of policy change and the role of policy-orientated learning therein', in Policy Sciences, 21, Kluwer Academic Publishers, Dordrecht, 1988, p 151

'dysfunctional' organisations. Both argue that institutions - and individuals working within them - are faced with a paradox.[259] On the one side, they encounter the need to maintain stability, on the other side they face the necessity for change. Hence, institutions have to perform - as they call it - a 'double loop' (Model 2) of cultivating decision-making based upon openness towards information and taking action, while at the same having to nurture an atmosphere of joint inquiry and openness towards the reform of institutional norms, strategies and assumptions in order to safeguard a sufficient degree of organisational responsiveness. They argue furthermore, that institutions, which contain 'a double loop', do not suffer under an incapacity to learn. However, there is the possibility that institutions are caught in a 'single loop' (Model 1) in which single actors are driven by the desire to act independently and keep their ideas and beliefs to themselves in order to protect themselves from change. In this case, learning would be self-contained and self-orientated, producing in turn conformity, mistrust and inflexibility among actors rather than facilitating organisational responsiveness and change. Hence Chris Argyris has argued that the defensive 'single loop' approach 'pollutes' institutions decision-making systems and makes them hostile and inflexible to change.[260] Here again, we may ask if the Labour Party and the SPD were possibly caught in a 'single loop' situation?

Overall, Sabatier's framework as well as Argyris and Schön's models represent two examples of a broad range of attempts to conceptualise the notion of learning, applying it to institutions in an attempt to accredit it as a major determinant for institutions ability to successfully innovate and change their policies.

What is missing in Sabatier's model is the attempt to answer the question, why some institutions learn faster or more effectively than others. Without wanting to develop a detailed critique of his model, it is clear that at this point institutional procedures and policy templates offer a much more convincing account of what happened within the Labour Party and the SPD, than ascribing both parties 'delayed' shift in LMP approaches to structural insufficiencies in their learning processes. In particular, as both parties displayed in other policy areas - not connected to the Keynesian paradigm - full well their

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[259] Argyris, Chris and Donald A. Schön - Organisational Learning II - Theory, Method, and Practice, Addison-Westley, Reading, Mass., 1996, p 244-50; Argyris, Chris and Donald A. Schön - Organisational learning: A theory of Action Perspective, Addison Westley, Reading, Mass., 1978
[260] Argyris, Chris - Strategy, Change and Defensive Routines, Pitman, London, 1985

ability to learn and change policy approaches in response to changing overall conditions. Similarly, Chris Argyris and Donald Schön's explanation - which applied to the SPD and Labour Party LMP formation would have to point at both as 'one loop' (Model 1) organisations which shied away from learning as actors preferred to protect themselves from new ideas, change and creating inflexibility seems unconvincing as, for example, both parties changed substantially their policy approaches in various areas during the 1980s while however initially avoiding to move - in particular - towards more neo-liberal inspired economic and LMPs.

### 4.6.3. The role of institutionalised paradigms

Finally, the idea that institutionalised paradigms have been slowing down both parties ability to rapidly adopt new policy approaches as policy identities and path dependency prohibited change and bound actors to institutionally pre-defined policy paths seems to be the framework which offers the best explanation of what happened within the policy processes of the Labour Party and the SPD.

Over time, both parties overall concern with the question of how to deal with the problem of unemployment and what LMPs would be best to further this aim, can be measured in a consistent way that enables the analyst to link comparatively the parties measures to their policy priorities. In this case, the studied policies proposed by the two social democratic parties across time and a wide range of LMPs has provided us with an investigative tool that has enabled us to identify surprisingly similar patterns of policy and strategy development.

The party programme coding analysis developed for this study has identified consistent year by year shifts in party policy choices of Labour and the SPD between 1979/80 and 1997/98 from Keynesian-style to increasingly neo-liberal-led economic policy approaches. Most significantly has been the discovery that both parties have engaged much later than their Christian Democratic and Conservative counterparts in the abandonment of Keynesian-led policy approaches and the adoption of increasingly neo-liberal tinged policy solutions.

As already discussed earlier, the identities of individuals as well as institutions are defined by their rules and procedures, which are in turn responsive to external forces. In fact, political identities such as those of individuals or party officials also evolve

indigenously within a political process that includes conflict, public discourse, civic education, and socialisation.[261] In other words, politics develops, changes, and shifts values and identities - predominantly in an incremental fashion, while external forces influence different individuals and institutions with different intensity depending on the degree with which they are affected by changes to the external party environment and the institutions ability to envisage and allow appropriate responses.

This explains why the Labour Party and the SPD have shifted policy approaches with a delay of more than a decade - compared to most of their party rivals on the right - from a Keynesian inspired economic policy firstly into various policy directions (orthodox left and new social movements), before finally arriving (with a 'delay') at the point at which they began increasingly to embrace (the by then conventional wisdom of) neo-liberal policy approaches in the mid-90s.

Institutional change is often the story of failing policy approaches, a failure which forces institutions in their (constant) struggle to survive to transform themselves. The degree of change required - and the 'deep' shift from classic social democratic Keynesian led to neo-liberal policy principles - took place in a period in which the SPD and Labour Party institutions experienced increasing ideological and electoral vulnerability as they had not been able to re-establish the procedural balance they had lost during the late 1970s.

The more an organisation is led by political ideology, traditions, loyalty and long-term aims, the less can institutional rules be expected to allow actors' to change policies and institutional responses quickly.[262] In fact, only in the world of free markets and business may we be able to witness fast moving innovative environments that allow or even expect from actors to change institutional procedures and missions according to market requirements. However, the conditions of fast institutional change and flexibility are a far cry from the decision- and policy making realities of political parties whose actors are instead faced with a high degree of prescriptive paradigms which inhibit - for better or worse - the engagement in rapid policy change. This may also explain why

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[261] March, J. G. and J. P. Olsen - 'Institutional Perspectives on Political Institutions', Governance: An Institutional Journal of Policy and Administration, Vol. 9, July 1996, p 257
[262] Neil Kinnock added for the Labour Party, that after losing office in 1979, the party developed policy "stances that in many cases were well intended, but they were more to impress the already converted Labour supporter than to extent Labour's appeal." (Interview with Neil Kinnock, Brussels, 24/07/2000)

leading party modernisers often appear to battle with their reform ideas 'against' rather than within their parties. For instance, with regard to the Blair / Schröder paper, Thomas Meyer observed that 'people such as [the SPD's influential spin doctor Bodo] Hombach believe, that the SPD's modernisation can only be attempted versus the party [organisation], as the party's own mechanisms contribute to the stabilisation of traditional positions'.[263]

Finally, in the case of both parties, this lack of unity and policy vision affected substantially their public appearance and ability to set their domestic policy agendas and impaired decisively their electoral attractiveness and hence electoral performance. Here, the fact that the Labour Party and the SPD spend an extensive period (in parallel) of 16 i.e. 18 years in opposition - during which the parties attempted to re-balance their economic policy principles (paradigm) - clearly shows the high degree of vulnerability and damage that the eventual abandonment of the Keynesian led policy principles brought to both social democratic parties.

Policy processes tend to contain significant lags and delays of time before institutional perceptions change and actors realise the need to adjust procedures and policies in accordance to the requirements of the newly experienced conditions. In fact, March and Olsen have warned that these "lags... make institutional history somewhat jerky and sensitive to major shocks that lead not only to occasional periods of rapid change, but also to considerable indeterminacy in the direction of change."[264] To take account of this problem is important, as it enables us to understand more fully the relationship between 'slow moving' institutions, 'ideational' factors and their often 'delayed' impact on institutional change.

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[263] This observation can easily be extended to the impression Tony Blair and Gerhard Schröder gave about their relationship with their parties' during the early days of their leadership. (Interview with Thomas Meyer, Bonn, 24/06/1999)

[264] March, J. G. and J. P. Olsen - Rediscovering Institutions, Free Press/MacMillan, Basingstoke, 1989, p 171

The strength of the ideas and policy challenge determines the strength with which those forces press for a shift. However, the strength of (party) rules, procedures and ideology often presses against paradigmatic change and their strength depends in turn on the traditions (strong) and quality (weak) of institutionalised procedures to deal (quickly) with policy challenges and eventual necessary consequences. (This includes various factors such as the structure of the party organisations, inner-party decision-making procedures, role and power of leadership, current state of party, and electoral performance.

Table 4.1.

### 4.6.4. Why Conservatives and Christian Democrats did not face the same problem?

Finally, a question that has so far remained unanswered is, if there has been a 'delayed' shift in the SPD's and Labour's adoption of neo-liberal policy approaches in comparison with other major liberal and Conservative/Christian Democratic parties, why was it easier for those other parties to abandon previously consensually held Keynesian influenced policy principles?

The answer is, as already identified in Chapter 2, that for social democratic parties the question of unemployment and the Keynesian approach played a vital role in their ideological development which accommodated for the eventual acceptance of the post-war economic system being based on capitalist principles - as Keynesian principles secured the development of 'social markets' and 'wealth redistribution'. This idea of rectifying capitalism with the help of Keynesian style policies became therefore an

essential ingredient of Western European social democracy and major pillar of post-war social democracy.

Here, the case has been different for non-social democratic parties that consensually adopted the (Keynesian) paradigm in the post-war years, but did not (ideologically) internalise it to the same extent as their social democratic counterparts. Therefore, these parties were able to abandon this specific paradigm much faster and replace it with the 'newly' evolving 'wisdom' of neo-liberalism, once conditions changed.[265] In fact, one can expect, that in (other) policy areas nearer to the ideological heart of Conservatism or Christian Democracy, paradigms could be found for which attempts to change them - in response to changing circumstances - would cause conservative parties similar substantial problems, which could cause similar delays in policy shifts.[266]

## 4.6.5. The role of demographic change

The diversified character of the electorate has been a further factor that made it easier for Conservative and Christian Democratic parties to replace Keynesian-style policies with a neo-liberally inspired policy approach. In fact, the numerical decline of the social democratic parties traditional electoral constituencies of workers and public service employees began already in the 1960s (see Chapter 2). For them, neo-liberal policy approaches continued to remain an unattractive choice, because they meant an increase in work and income related risks, while at the same time reducing the re-distributional capacity of the state. During the 1980s, Social Democratic parties remained partisan about the interests of this part of the electorate as they perceived their ability to win an electoral majority dependent on the support of this group. However, as different interests (of the electorate) were represented and served by Keynesian-style rather than neo-liberal inspired economic policy approaches, the continuous demographic restructuring of the

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[265] Cerny, Karl H. (ed) - Germany at the polls – The Bundestag elections of the 1980s, Duke University Press, Durham, North Carolina, 1990, p 191-94; Norris, Pippa - Electoral Change, Blackwell Publishers, Cambridge, Mass., 1997, p 154-55

[266] We can expect Conservative, Christian Democratic or Liberal parties to encounter similar problems caused by path dependency, when faced with the need to shift paradigms in policy areas in which they hold strong (historically) institutionalised paradigms, which are of significant importance to their specific ideological make-up. One can, for example, expect that those parties would face problems with changes to their paradigmatic positions in the area of family policy, multi-culturalism, the role of the church, (in the case of the British Conservative Party the role of Europe), or environmental issues in which similar 'shift delays' could occur when the parties' would have to consider policy change in response to changing socio-economic or electoral conditions.

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electorate (a process which happened during the 1980s and 1990s) meant, that the Labour Party and the SPD finally had to change their policy approach as a declining share (and therefore decreasing influence) of the parties traditional core-electorate was increasingly insufficient to produce electoral majorities. Therefore, the partisan interests of this part of the electorate were overtaken by the need of Labour and the SPD to appeal to 'new' parts of the electorate – with different interests - without both parties would not have been able to gain future electoral majorities. Hence, an opening up towards a more neo-liberal economic policy approach became a vital ingredient of both parties electoral strategy, as their ability to extent their electoral appeal and unite a 'new' type of overall electoral majority depended on a change in economic policies.

This consideration of demographic factors and their influence on party policy choices should and has not been ignored in this study, however, the rational ability of party actors to consider demographic change and its impact on policy choices should not be overestimated, as parties are not able to be as short-term flexible and responsive to consumer i.e. electorate demands. In any case, the development of the electorates' demographic situation and the interpretation of its consequences for voting behaviour was less clear during the 1980s than it may seem today. In fact, to conclude that the evolving demographic trends produced a clear policy wish-list of the electorate (in favour of less state interventionist measures) which social democratic parties could and should have adopted in order to gain an electoral majority of votes seems unrealistically far fetched.

Finally, demographic change may have, in fact, rather amplified the social democratic parties path dependence during the 1980s as the wishes of the traditional electorate remained an important factor for party policy choices. Influenced, however, by various other factors described in this thesis, policy makers increasingly came to the conclusion that a shift in their parties' economic policy paradigm was an inevitable precondition for regaining an overall electoral appeal that could provide 'new' electoral majorities.

## 4.7. The notion of institutional history

Seymour M. Lipset and Stein Rokkan pointed out that the analysis of parties and their policy choices contains a 'historical dimension' that inhibits 'rash' party policy

changes.[267] Similarly, Peter Hall argued that state institutions policy choices must be viewed over long-periods of time as they reflect long-term patterns of institutionalised commitments, which subsequently predetermine choices.[268]

Thus, a long term view must be taken when attempting to understand the logic behind how and why social democratic party institutions have developed their LMPs the way they have. By adopting Sidney Verba's branching tree model for the policy development of political parties, we can express the sequential developments of the various forces, developments and historical events that have shaped the values, interests and strategies of given actors within their institutional context over time.[269] Picturing the inconsistent and varying growth of the branches of a tree (towards a specific direction) and applying it to the policy development of social democratic parties in Europe, Verba's model represents differences among those parties (due to specific national factors), but also reflects the substantial historical contextual similarities in direction they encountered (over time) when reaching common 'branching points' and 'critical junctures' during the growth of their policy paths.

### 4.7.1. The application of Historical Institutionalism

Four main features of historical institutionalism – as pointed out by Peter Hall[270] – contrast with the more common view in the social sciences which assumes, in the words of March and Olsen, often quite specifically that "institutions and behaviour...evolve through some form of efficient historical process...that moves rapidly to a unique solution, conditional on current environmental conditions, and is independent of the historical path".[271] In addition, however, to the synchronic determinants of policies such as current economic conditions and existing political alliances, policy patterns must be understood as unfolding over time.

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[267] Lipset, Symore M. and Stein Rokkan - Party Systems and Voter Alignments, The Free Press, New York, 1967, p 2

[268] Hall, Peter A.- Governing the Economy: The Politics of State Intervention in Britain and France, Oxford University Press, Oxford, 1986

[269] Verba, Sidney - 'Sequences and Development', in Binder, Leonard et. al. - Crises and Consequences in Political Development, Princeton University Press, Princeton, 1971, pp 283-316

[270] Hall, Peter A. and R. C. R. Taylor - 'Political Science and the three New Institutionalisms', Political Studies, XLIV, 1996, pp 936-57

Historical institutionalists have, firstly, developed a distinctive view of historical development. They perceive 'social causation' as 'path dependence' in a way that they reject the idea that the same pressures and forces will generate and lead to the same outcomes everywhere. Instead, historical institutionalists argue that similar inputs (conditions and forces) can lead to differing results as outcomes depend predominantly on the contextual features of a given situation. Although institutions are still seen as a major factor premeditating the 'path' of historical development, policy and party institutional change must be understood as 'embedded' in contextual features and behavioural outcomes.

Secondly, historical institutionalists stress the unintended consequences and inefficiencies that can be generated by existing institutions. This means, for example, that the lack of ability by social democratic parties to develop distinctive 'new' or 'reformed' economic policy principles throughout the late 1970s, 1980s and 1990s in response to the growing neo-liberal policy paradigm can be partly explained by unintended inefficiencies (institutional refusal to consider neo-liberal policy approaches and change of paradigm) generated by the party institutions themselves.

Thirdly, historical institutionalists distinguish between 'historical events of continuity' and 'critical junctures' which arise when historical developments move onto a new path (e.g. due to economic crises, fundamental economic and political change) and parties are either capable of change though learning and move among equilibria by responding to new information and challenges by themselves, or face crises and be forced to move policies in response. If parties engage in learning, or face crises or both, 'branching points' are reached at which institutions engage in substantial procedural changes. These changes are expressed by substantial organisational and policy changes, which often occur in parallel to a party's shift, or change of policy guiding paradigms in policy areas that have been specifically affected by the policy or system crises that has caused the historically motivated 'critical juncture'.

Finally, historical institutionalists tend to locate institutions in a causal chain of factors that recognises, in addition to the role of factors such as socio-economic

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271 March, J. and Olson, J. - Rediscovering institutions: The organisational basis of politics, Free Press, New York, 1989, p 5-6

developments, the diffusion of ideas and the behaviour of rational actors. This explains, why historical institutionalism is a highly inclusive theoretical approach that explains most realistically the interaction among a variety of influence components that have been responsible for the behaviour of social democratic party actors analysed in this study.

### 4.7.2. Comparative findings: Historical Institutionalism and the decline of the Keynesian paradigm - The case of the Labour Party and the SPD

As this thesis focuses on social democratic party behaviour under changing socio-economic conditions combined with the decline of Keynesian- and rise of the neo-liberal policy paradigm throughout the 1970s and 1980s, social democratic party behaviour must be understood in the context of social democratic policy principles and 'ideas' entering a major historical branching point. In fact, the causal arguments which were appropriate for the period when a policy approach was first institutionalised by an organisation may not be appropriate any more at a later stage as a policy response for developing policies under changed conditions.[272]

As will be shown in Chapter 5 and 6, in the case of the Labour Party this period of change prompted significant institutional change between 1979 and 1997. In the case of the SPD, institutional and programmatic changes took also place, but were less drastic (because of the party's more moderate policy programme and federal structure that contained various Länder-SPD party power bases).[273]

Summing up the argument, socio-economic changes and the increasingly global and neo-liberal environmental conditions as well as the continuous electoral failures were experienced by both parties and exposed them to problems in policy development and a considerable indeterminacy in the direction of change.

The inability of both Social Democratic parties throughout the 1980s and early-1990s to respond successfully to the growing influence of the neo-liberal paradigm cannot be solely understood by analysing environmental variables and forces that may have driven the momentum of change. The hesitancy of both social democratic parties to adapt or abandon their Keynesian/Neo-liberal based policies can be explained by the role of

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[272] Krasner, S. D. - 'Approaches to the state', Comparative Politics, Vol. 16, No. 2, Jan. 1984, p 225
[273] The federalist system in Germany, combined with the more fragmented structure of federal as well as Länder party layers make it more difficult to assemble sufficient political authority to redirect existing party institutional arrangements.

historical institutional and ideational forces which shaped actors preferences and strategies. In fact, as Guy Peters vividly described, historical institutionalism explains that policy decisions taken at one time within a party organisation often "appear to endure on auto-pilot, with individual behaviour being shaped by the decision made by members of an institutions some years earlier."[274]

The 'auto-pilot' affects general long-term party policy principles expressed in various policy paradigms. Furthermore, we are able to show that the Keynesian paradigm remained in place as a strongly influential and institutionalised prescriptive force that directed party actors policy choices into a certain direction. However, looking at the precise programmatic policy developments of the Labour Party and the SPD, we were able to witness that both parties engaged in a very slow process of policy change partly 'against' the wisdom of their own long-term policy paradigm. As the quantitative analysis of major-mid term and electoral manifestos clearly shows, both parties engaged from the late 1980s onwards in a slow process of moving policies away from Keynesian-led to increasingly neo-liberal policy prescriptions. Here, leadership and conditional pressures were certainly a pre-condition for the eventual overall shift in the parties policy paradigm that took place in the early 1990s and meant as a consequence, that actors choices were from then on institutionally 'bend' towards a substantially different (neo-liberal) policy direction. (See Chapter 8)

Therefore, a crucial factor explaining the failure of both social democratic parties to develop substantially innovative policies and to modernise their institutions can be found in the parties structural incapacity - in the words of Margaret Weir - "to extend the institutionally rooted boundaries of existing policies."[275]

When viewing institutional developments, we have to stress 'path dependence' and 'unintended consequences' as factors within a historical institutionalist approach by attempting to "integrate institutional analysis" with the contribution of other kinds of factors, such as ideas, which also influences overall political outcomes.[276] From this follows, that historical institutionalism perceives party organisations not as an actor

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[274] Peters, B. Guy - Institutional theory in political science, Pinter, London, 1999, p 71

[275] Weir, Margaret - 'Ideas and the politics of bounded innovation', in Steinmo, S., K. Thelen and F. Longstreth - Structuring Politics, Cambridge University Press, Cambridge, 1992, p 212

[276] Hall, Peter A. and R. C. R. Taylor - 'Political Science and the Three New Institutionalisms', Political Studies, XLIV, 1996, p 938

regulating competing interests, but instead as a complex organisation that can structure the character and outcomes of group conflict.

Although 'historical institutionalism' does not necessarily offer new insights into the functioning of party institutions, it provides a useful conceptual angle when investigating the policy processes of the parties. Although authors such as R. A. W. Rhodes criticise the institutional approach for having a slightly apologetic air because it is "a subject in search of a rationale",[277] this rationale can be found in the multi-theoretic approach employing a plurality of research methods.

Overall, historical institutionalism is potentially a fruitful approach, however, its application to party behaviour will inevitably raise questions that would be served well, if not better, by behavioural or rational approach models. However, as Steinmo, Thelen and Longstreth et al have demonstrated in their highly influential book on historical institutionalism, "while many theories achieve elegance by pointing to particular variables that are alleged to be decisive", new historical "institutionalist analysis...focuses (on) how different variables are linked."[278]

Throughout the 1980s and 1990s, the remaining substantial traditional differences between party institutions and policy making processes, which could have been expected to have led to a consistently larger range of varying party policy approaches, were significantly overwritten by the greater picture of social democratic parties having to re-orientate their common policy approaches (and paradigms) according to the requirements of the substantial changes experienced in political and economic circumstances.

Policy paradigms can become a crucial part of a party's ideological base as they carry the ability to become a significant institutionalised policy definition for long periods of time. Changes to major policy paradigms within parties can be a very slow processes that leads to great difficulties for a party to maintain a clear and coherent policy profile in the 'specific' paradigm area requiring change. This development can also be expected to weaken party unity, policy coherence and often electoral performance. In case of the

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[277] Rhodes, R.A.W. - Understanding Governance, Open University Press, Buckingham, 1997, p 79
[278] Steinmo, S., K. Thelen and F. Longstreth - Structuring Politics, Cambridge University Press, Cambridge, 1992, p 64

Labour Party and SPD, both were faced with immense problems when modernising and reforming their labour market policy approach.

The institutionalised Keynesian paradigm clearly showed a substantial degree of path dependence that can appear when political party actors and party institutions are bound to use historical long-term policy visions, prescriptions and approaches. Once a path is chosen, it "canalises future developments"[279] with the continuous application of institutional rules and procedures that are generated by functional demands of the past and that perpetuated themselves into the future, even if functional imperatives have substantially changed.

**Party Policy Processes – the paradigmatic 'bending' of rational actors' ranking choices**

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[279] Krasner, Stephen D. – 'Approaches to the State', <u>Comparative Politics</u>, Vol 16, No 2, January 1984, p 240

**Rules, procedures and ideology**
Define a common institutional purpose; allowing only incremental changes, 'socialising' and 'embedding' actors into institutions via beliefs, policy templates and rankings.

**Ideas and Interests**
Ideas allow the consideration of new policy approaches; new (scientific) understanding or a changing way interpreting problems and solutions.

**Paradigms**
Once adopted and applied by party institutions, they are highly influential slow moving, path dependent policy templates that are highly prescriptive to party actors. As a consequence, they 'bend' and diverge the ranking of actors' policy choices and thus parties' decision-making outcomes towards historical policy paths.

**Policy Challenge**
Domestic and international challenges, policy problems or new interests arising from changing circumstances such as changes in socio-economic environment (demands, crises and branching points) encourage party political responses and policy changes.

**Individual / Collective party actors'**
Party leadership and activists – acting with reason, 'intently' rational, and being 'embedded' within their institutional routines.

**Choices C1, C2, C3, C4, C5, C6...**
Various policy options available to party policy makers, with the choices considered and chosen by the parties' being strongly influenced by the above mentioned factors.

Table 4.2.

Hence, significant change in the economic political environment and thus conditions experienced by both social democratic parties under investigation led eventually to a critical juncture and forced the replacement of the Keynesian with the neo-liberal policy paradigm and the abandonment of previously held and institutionalised economic policy approach patterns in order to re-establish a new functional equilibrium

between the parties operational conditions, requirements and their chosen policy approaches.

Here, in fact historical institutionalism clearly helps us to understand why party actors were initially inhibited from making 'rational' policy choices i.e. moving policies towards the medium voter and adopting different economic policy approaches and instead accepted a path dependent 'paradigmatic bending' of choices.

This study, however, also shows that historical institutionalist forces only succeeded temporarily to postpone policy shifts as actors knowledge explaining the electorates behaviour and economic environmental conditions inevitably led them to act increasingly 'rational', in the Downsian sense, by eventually adopting neo-liberal influenced policy approaches and changing their parties economic policy paradigm.

## 4.8. Conclusion

For those wishing to advance a historical institutionalist account of explaining or predicting party policy outcomes, the task remains daunting and requires further study. The temporal processes outlined in this study would have to be further specified to generate a clear hypothesis concerning, for instance, answers to the question of when we should expect policy makers to employ short-term policy horizons, when to expect that unintended consequences will spread from long-term institutionalised paradigms, or how particular institutional rules influence the prospect of closing the gaps between long-term policy paradigms and party policies responsiveness to fit contemporary needs?

The problem in this study - when attempting to develop a historical line of argument with the help of interviewing policy actors - has been to trace the 'true' motivations of political actors and to separate their perceptions over the intended and unintended outcomes of policy choices as well as differentiating between 'after-rationalised' or idealised descriptions of motivations behind events.

The collection of evidence for this study has been a strenuous exercise of studying policy developments in detail over a long period. The historical institutionalist line of argument encourages studies to focus on detailed analysis of particular cases, rendering any investigation vulnerable to being criticised as having chosen cases, which are unrepresentative. Hence, this study is only an attempt among many others in this area to analyse actor behaviour within a historical framework of path dependence that offers an

enhanced theoretical explanation to the individual and collective behaviour of party actors.

The refinement of 'new' Institutionalist approaches[280] - since Allison wrote his book on the 'essence of decision' in 1971 - enables us to analyse institutions less on purely 'hyperfactual' grounds, as Rhodes calls it.[281] Of crucial help for the evaluation of the rational and institutional components in party policy-making have been the developments in institutional literature that enable us to recognise 'intermediate-level institutional factors' such as party structures and paradigms.[282] Emphasis on these factors allows a more holistic picture of the incentives and constraints faced by individual political actors when acting within party institutions. Furthermore, the 'new' institutional approach enables analysts to be comparative by identifying and explaining systematic differences across countries.

Overall, 'new' institutionalists in political science make the strongest claims for the power of institutions as independent variables 'binding the rationality' of political actors and groups.[283] Institutionalised policy paradigms also influence an actor's definition of his own interests, by establishing his institutional responsibilities and relationships to other actors. Therefore, institutionalised factors affect both, the degree of policy prescriptive pressure encountered by policy makers and the likely direction of this pressure.[284]

Furthermore, the establishment of institutional constraints is helpful when applying rational choice theory to explain the behaviour of political parties, as parties - as shown - carry the 'baggage' of long-established interests, positions or even morals and principles which are deeply rooted within their institution and that cannot be changed indefinitely and speedily in order to increase utilities.[285]

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[280] 'Old' institutionalism neglected the use of modern and political theory leading to analysis often being solely based on detailed institutional configurations.

[281] Rhodes, R. A. W. - Understanding Governance, Open University Press, Buckingham, 1997, p 65

[282] Steinmo, S., K. Thelen and F. Longstreth - Structuring Politics, Cambridge University Press, Cambridge, 1992, p 6

[283] Koelble, Thomas A. - 'The New Institutionalism in Political Science and Sociology', Comparative Politics, Vol. 27, No. 2, Jan. 1995, pp 231-44

[284] Hall, Peter - Governing the economy: The Politics of state Intervention in Britain and France, Oxford University Press, 1986, p 19

[285] In contrast to 'bounded' political parties, company organisations operate, for example, ultimately for the sole purpose of increasing utility in a market exchange system with a company's past not necessarily having to pre-determine rational future decisions.

Lipset and Rokkan described them as "historical packages of programmes, commitments, outlooks, and, sometimes, *Weltanschauungen*"[286] that are carried by every political party and that hold substantial influence over individuals as well as collective actors policy formation processes and party policy choices. Part of these historical policy sequences - which define long term leverage over specific issues and approaches within parties - are 'policy paradigms', whose shift, as is shown in the following chapters, unveil fundamental changes within the economic or political policy making process of parties.

Finally, political parties, and as shown in this case, social democratic parties are slow moving organisations. The former SPD party manager Peter Glotz described the SPD as a tanker, which engages in policy and programme changes at exceptionally slow pace.[287] Instead of purely heading for greatest utility, programme based political parties have to go in circles when amending policy positions, paradigms and outlooks and face often extensive prior debate and negotiations inside the parties before policies can be amended.[288] Similarly, Neil Kinnock pointed out that when proposing to the Labour Party policy change from 1983 onwards, he had to "turn the ship round at a speed that prevented it from breaking up, but enabled it to go in a more appealing direction", something "that took longer than it should have".[289] Hence, once new 'ideas' and 'agendas' take root among party leaders and members, the actual process of adopting changed polices remains as slow as 'turning the wheel of an oil-tanker to change direction'.

Both, the Labour Party and the SPD failed to abandon key Keynesian policy principles at an early stage. Their slow reaction to the neo-liberal hegemony as well as the hesitancy of their party institution to react to changes demanded by the party elite's can be attributed to the importance of historical institutional factors. These included 'ideational' factors, historical events of continuity and critical junctures as well as the fact

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[286] Lipset, S. M. and S. Rokkan have argued that voters do not express their wishes according to single issues, but that "they are typically faced with choices among historically given 'packages' of programs, commitments, outlooks, and, sometimes, *Weltanschauungen*, and their current behaviour cannot be understood without some knowledge of the sequences of events and combinations of forces that produced these 'packages'. (Lipset S. M. and Stein Rokkan (ed)- Party systems and voter alignments: Cross national perspectives, The Free Press, New York, 1967, p 2)

[287] See: Glotz, Peter - Die Beweglichkeit des Tankers: die Sozialdemokratie zwischen Staat und neuen sozialen Bewegungen, Bertelsmann, München, 1982

[288] Budge et al - Ideology, Strategy and Party Change, Cambridge University Press, Cambridge, 1987, p 18

[289] Interview with Neil Kinnock, Brussels, 24/07/2000

that inefficiencies can be generated by existing institutions, rules and procedures that constrain policy development and innovation.

Overall, this study helps to understand the party problems, which surround policy processes in a policy area at the heart of Social Democratic identity in order to draw wider conclusions on social democratic policy-making in long-term opposition. The historical institutionalist approach is not the sole, but the most 'inclusive' theoretical approach, which adds an important layer of analysis to the common rational choice attempts to explain party policy, processes though exchange models and utility maximisation. There is currently a rigorous debate going on in the field of institutional theory, and this thesis contributes to that debate and adds a further relevant application that shows that analysing and understanding present party policies which are linked to long-term values and ideology is only possible, if we look beyond the language of the present.

# Chapter 5: Labour Market Policies: Comparative elements of the Labour Party's and SPD's party policy making and actor's choices

## 5.1. The development of Labour Market Policies during the 1970s, 80s and 90s in Germany and the UK

The variety of policy approaches available to political actors to enhance the performance of labour markets and to tackle unemployment reflect different degrees of state interventionism, de-/regulation and levels of commitment to spend state resources on programmes. This corresponds to the wide scale of political and economic interests and convictions held by different political actors. In order to account for this, this chapter deals with the development of domestic Labour Market Policy (LMP) strategies and how they conditioned the development of Labour's and the SPD's LMPs during the 1980s and 90s. For this, we investigate - furthermore - in the second part of this chapter - how both parties engaged during the second half of the 1980s in major policy review exercises that were aimed to alter and modernise the parties overall policy outlook.

### 5.1.1. Introductory remarks on the politics of labour market policies

Before we look at the development of LMPs in Britain and Germany, historically and in particular during the 1980s and 1990, let us briefly define the most common factors on which LMP change can be expected to be based. Firstly, as set out in Chapter 4, party actors are influenced by changes in institutionalised policy templates which have been defined by their party's policy paradigms. With an overall change in economic and political circumstances, policies may lose their appeal, functionality or they may even be

perceived as counter-productive to meet intended goals. This can be expected to be reflected - at least in the medium term - by shifts in parties policy paradigms.

In fact, paradigm shifts can be expected to reflect also changing attitudes and perceptions of the wider society and hence electorate. This means, that certain policy approaches may lose their electoral appeal over time - encouraging government as well as opposition parties to abandon policy positions - while 'new' public beliefs and ideas are expressed by the adoption of 'new' policy approaches to deal with certain problems.

Here, previously advocated policies may have lost their functionality as circumstances have changed and with them the nature and cause of specific labour market inefficiencies. In other words, specific problems may have been solved or lost their significance while changing developments or conditions may have caused new problems in the labour market that require new or different policy approaches to tackle them. In addition, relative net costs of programmes may be judged - at some stage - as too high and their continuation may be halted. Furthermore, presentational problems (e.g. 'public job creation schemes' may frighten financial markets etc. or be perceived by the electorate as 'high tax and spend' policies); questions over the selection of beneficiaries; or the long-term sustainability of programmes - to name just a few of concerns - may be raised by actors and the wider public, when policy choices to influence the functioning of the labour market are determined.

Finally, certain policy approaches may have to be ruled out as they have lost - over time - their moral acceptability (such as the discouragement of women to seek employment; or high levels of taxation to fund state spending on public programmes or extensive welfare provisions).

Furthermore, labour market policies can be aimed at improving the employment situation as a whole or to help particular groups of the unemployed (for instance, with the help of 'selective job creation' schemes.) Clearly, many measures intended to positively influence the labour market are 'second-best' approaches as they are only able to improve the situation rather than tackle the underlying causes of unemployment. In fact, many forms of state labour market intervention introduce inevitably new distortions to the functioning of the labour market and the economy. Hence, while LMPs may have a positive impact on many peoples lives - as the stimulation of the functioning of the labour

market substantially improves their situation - there are no cures or final solutions for the apparent inability of capitalist economies to create sustainable conditions for 'full employment'.

Importantly, a common argument in support of the development of LMP programmes - as for instance used by Paul Ormerod (1996) in his study of the relationship between the distribution of income and unemployment - is based on the fact that unemployment creates costs. In fact, scholars such as Ormerod have pointed out that the costs of unemployment are firstly 'direct' in terms of the 'financial cost' to the taxpayer (i.e. the need of the state to offer welfare provisions as well as dealing with a shortfall of tax receipts that have to be covered by the taxpayer). Secondly, unemployment carries 'indirect social costs' to society in terms of decreasing levels of social cohesion, poorer overall health levels and increases in crime levels.[290]

As shown later with the labour market policy framework developed for this study, labour market policies are far more varied and extensive than just containing aspects of aggregate demand management techniques. Policies also entail job placement policies, education and training policies, aspects of the industrial relations system, and today increasingly certain aspects of welfare state and family policies. The recognition of this wider circle of policies (in the numerous coding categories) has been important in order to account for the generalisations on labour market policies that have been previously applied in the theoretical path dependency framework when attempting to analyse the theoretical aspects of the development of labour market policies by the Labour Party and the SPD.

In the 'real' world, however, we are not only faced with a choice between clear cut Keynesian-led or neo-liberal labour market policy approaches, but instead with various combinations of both together with a variety of other labour market policies as well.[291] Hence, the polarised generalisations used in Chapter 4 must be understood as a necessary

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[290] Ormerod, Paul - Unemployment: A Distributional Phenomenon, EU Working Papers, European University Institute, No 96/30, Florence, 1996, p 22

[291] For instance, the initial lack of Keynesianism-led policies implemented in post-war Germany was partly compensated by the character of the countries industrial (co-determination) relations system and the countries (high-skill apprentice based) training system.

simplification that has enabled the analyst to generalise and identify changes within parties' underlying bases for their policy actors' choices. Furthermore, they have assisted the development of a clearer comparative understanding of the more fundamental changes experienced by the Labour Party's and the SPD's re-development of economic policy design, strategies and approaches. It remains nevertheless an undisputed fact, that there are clearly multiple and often complex interactions that can be identified among various 'labour market policy approaches' and 'welfare state policies', with many policies - such as early retirement schemes - clearly belonging to both domains and hence reflecting the interactions of 'real world' policy choices.

## 5.1.2. Labour market policies in Britain and West Germany: The post-war boom years

During the post-war boom years, labour market policies in West Germany and the United Kingdom were - if at all - adopted to improve only temporarily occurring labour market insufficiencies and aimed at sustaining (exceptionally) low levels of unemployment.[292] Hence, public labour market policy schemes were - until the 1970s - predominantly aimed at re-integrating the unemployed back into work - a strategy that was only a viable option as long as the number of those out of work remained comparatively low.[293]

The central policy pillars of German (pre-SPD governmental) labour market policies had originally been built upon three main components. Firstly, an apprenticeship system that had been set-up after the war successfully and has been autonomously run by employers and their associations. This system has ensured - with the help of vocational training available to predominantly young employees - that a steady supply of skilled and highly productive labour has been available to satisfy the needs of industry to support an economy based on a high-value added manufacturing sector.[294]

Furthermore, a collective bargaining system functioning independently of state control (Tarifautonomie) had been developed between employers and trade unions. The autonomy of a collective bargaining structure on sectoral and firm levels as well as the use

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[292] Lutz, Burkart and Werner Sengenberger - Arbeitsmarktstrukturen und öffentliche Arbeitsmarktpolitik, Verlag Otto Schwarz, Göttingen, 1974, p 95; Lindley, Robert M. – 'Employment in transition', in Lindley, R. M. (ed) – Economic Change and Employment Policy, MacMillan, Basingstoke, 1980, pp 330-79

[293] Gourevitch, Peter et al - Unions and economic crises, Allen and Unwin, 1984, London, p 129-30

[294] Streeck, Wolfgang - Industrial Relations in West Germany, 1974 - 85: An overview, Wissenschafts-zentrum Berlin, Berlin, December 1985, IIM/LMP 85-19, p 2

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- for this purpose - of 'works councils' has led to the development of a highly stable and co-operative industrial relations system that has been able to accommodate high but stable wages, and regularly long-term arrangements between employers, their associations and trade unions.[295]

Finally, Germany adopted an unemployment insurance system that enabled workers to search for jobs that matched their qualifications and maintained high replacement rates while offering substantial contribution based (later means tested) financial assistance to those out of work. Although, most of the above mentioned policies were meant to improve conditions on the labour market, they were not explicitly labelled as labour market policies by the government and parties.[296]

In contrast to Germany, British employers and trade unions had not been able to agree on co-ordinated governance structures that would have allowed the creation of a similar system. In fact, the British system was not able to safeguard the universal training of the labour force with transferable skills. As a result, youth unemployment in Britain remained at a constantly higher level than in Germany (see table 5.1.), while the general lack of training provision has inhibited productivity levels.

| Male youth unemployment (15-24 years) (in thousands / April each year) | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
| Germany | 108 | 95 | 68 | 89 | 271 | 280 | 304 | 280 | 262 | 232 | 230 | 216 | 160 | 145 |
| UK | 370 | 365 | 329 | 400 | 630 | 746 | 753 | 753 | 765 | 728 | 627 | 471 | 365 | 355 |
| Source: Yearbooks of Labour statistics, International Labour Office Geneva | | | | | | | | | | | | | | |

Table 5.1.

Similar to Germany, Britain did not witnessed the conscious application of a state labour market policy strategy before the arrival of mass unemployment during the 1970s. However, Sectoral Training Boards had been established on a tripartite basis in 1964 together with a levying system to improve - rather unsuccessfully - the skills base of the country's labour force.[297] This attempt was followed by the establishment of the Manpower Services Commission that introduced a number of public training programmes

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[295] DGB Bundesvorstand (ed) - 'Konzeption zur Mitbestimmung am Arbeitsplatz', DGB Schriftenreihe Nr 7, Mitbestimmung, Deutscher Gerwerkschaftsbund, Düsseldorf, 1985

[296] Streeck, Wolfgang - Industrial Relations in West Germany, 1974 - 85: An overview, Wissenschafts-zentrum Berlin, Berlin, IIM/LMP 85-19, December 1985, p 10-4

aimed at the young unemployed. However, this body also failed to have a strong impact on the development of the UK labour market.

Here, a strong, but decentralised and divided trade union movement in addition to an indifferent employers association must be blamed for the subsequent failure of the establishment of a national incomes policy or minimum wage legislation as part of a more co-operative and consensual industrial relations system in the UK.[298]

### 5.1.3. Labour market policies under 'conservative' governments: The 1980s and 90s

In Britain and Germany, labour market policies eventually gained in importance during the 1970s as the level of unemployment began to rise and created a new set of policy challenges to policy makers. During the 1980s and 1990s, both countries began to experience not only a further dramatic increase in unemployment rates, but unemployment remained at persistently high levels as both economies experienced sluggish demand with persistent high levels of unemployment increasingly being the result of long-term structural and exogenous developments.

Furthermore, both economies witnessed a decrease in the level of demand for low-skilled employees due to the introduction of new production technologies as well as the growing competition from low cost manufacturing of Newly Industrialised Countries (NICs). In Germany, unemployment rates during much of the 1980s remained at levels of between 8-9%, while the UK witnessed an average of well over 11%. Only from the mid-1990s onwards did Britain experience a gradual decline in its rate of unemployment, while Germany's remained at an exceptionally high level inspite of the extensive use of early retirement schemes and active labour market policies since unification. (See: Table 5.2)

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[297] Lindley, Robert M. – 'Employment in transition', in Lindley, R. M. (ed) – Economic Change and Employment Policy, MacMillan, Basingstoke, 1980, pp 359-66

[298] Jacobs, E., S. Orwell, P. Paterson and F. Welts - The approach to industrial change in Britain and Germany, Anglo-German Foundation for the Study of Industrial Society, London, 1978

## General level of registert unemployment in the UK and Germany
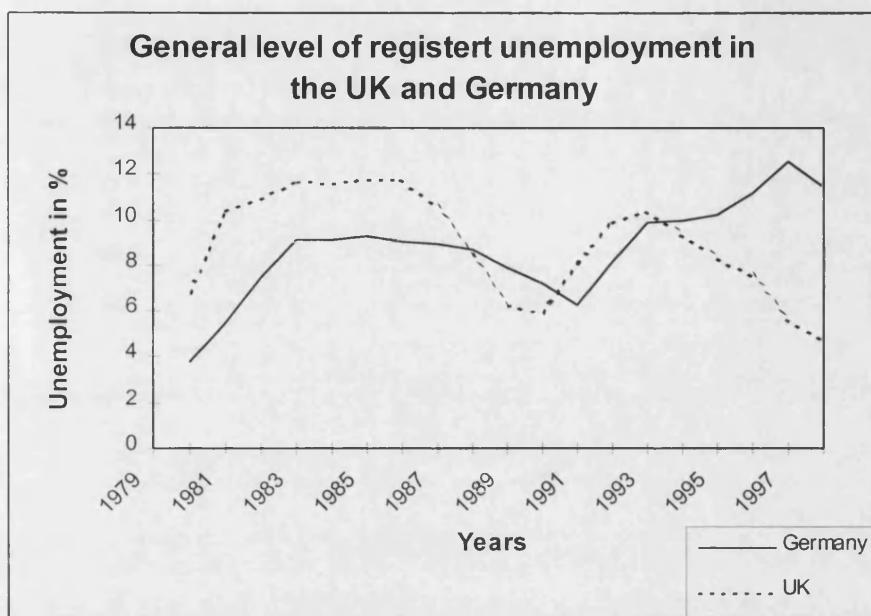


Table 5.2.     (Source: Yearbooks of Labour statistics, International Labour Office Geneva)

In response, pressures on state budgets and changes in labour market policies increased throughout the 1980s and 1990s and led to attempts by both countries 'conservative' governments to subsequently change their countries labour market policy approaches.[299] Here, an ideological shift could be observed among US American and various European centre-right governments as well as influential 'think tanks' - such as the OECD - which began to advocate increasingly measures of labour market deregulation and flexibilisation in order to counteract high unemployment levels.[300]

The additional 'voluntary' adoption of highly prescriptive convergence criteria for Economic and Monetary Union set out in the 1992 Maastricht Treaty by the EU member states in preparation for a single currency placed further pressures on the countries' budget discipline, that prohibited further (at least in the case of Germany) the use of domestic reflationary measures. In fact, it helped to publicly justify the reduction in expenditure on labour market programmes.[301]

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[299] Adnett, Nick - European Labour Markets, Longman, London, 1996, p 250
[300] OECD - Economic Outlook, Paris, 1994
[301] Dohse, Dirk and Christiane Krieger-Boden - Währungsunion und Arbeitsmarkt - Auftakt zu unabdingbaren Reformen, Institut für Weltwirtschaft an der Universität Kiel, Kiel, 1998, p 123

Finally, continuous high levels of unemployment and a substantial decline in membership had a negative effect on the strength of trade unions.[302] Their waning influence on governments to maintain highly protective labour markets made it also easier for government actors to engage in the reform of traditional labour market policy approaches.

The two conservative governments that had won government office in Britain and Germany (by the late 1970s and early 80s) clearly conditioned and amended the direction of future domestic LMPs in their countries, and with it the eventual choices taken by their political 'social democratic' opponents.

In fact, both 'conservative' governments promised the renewal of their countries economic vitality. Although the degree differed, the Conservatives and CDU/CSU's economic programmes were increasingly based on assumptions of neo-classical economists who blamed welfare state excesses during the 1970s for the economic crises, and here in particular the imposition of 'excessive' taxation regimes, 'extravagant' social security provisions, as well as state 'restrictions' on working conditions and employers investment decisions.[303] Hence, to re-gain economic growth, both 'conservative' governments envisaged that the factor of labour had to be made more flexible in order to allow the quicker adaptability of new technologies and production methods; to reduce trade union power; and curb the overall level of state interventionism in the economy.

At no time, however, did the German Christian Democratic/Liberal coalition government - in contrast to the British Conservatives - choose the trade union movement as a 'whipping boy' by declaring and punishing the unions as the main factor responsible for the economic crises that had beset the country during the 1980s.[304]

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[302] Brown, Alice and Desmond S. King - 'Economic change and labour market policy: Corporatist and dualist tendencies in Britain and Sweden', West European Politics, July 1988, Vol. 11, No. 3, p 84-5; Visser, Jelle - 'The strength of union movements in advanced capitalist democracies: Social and organisational variations'; in Regini, Mario (ed) - The future of Labour Movements, Sage Publications, London, 1992, pp 17-52

[303] Offe, Claus - 'Unregierbarkeit. Zur Renaissance konservativer Krisentheorien', in Habermas, Jürgen (ed) - Stichworte zu 'Geistigen Situation der Zeit', (1. Band: Nation und Republik), Suhrkamp Verlag, Frankfurt a. M., 1979, p 294-97

[304] Koelble, Thomas A. - 'Challenges to the Trade Unions: The British and West German Cases', West European Politics, July 1988, Vol. 11, No 3, p 97

<u>Germany</u>

After the SPD's loss of government office in 1982, the new CDU/FDP government coalition developed a labour market policy strategy that had at its heart the aim to reduce the degree of regulatory labour market hurdles faced by employers.[305]

The most significant part of this plan was the amendment of the Employment Promotion Act (Arbeitsförderungsgesetz-AFG) in 1985 which allowed fixed term work contracts for between 12 and 18 months to enable employers to test employees and terminate their employment more easily, while increased labour flexibility was to be achieved with the adoption of further regulation to promote part-time employment. Even though the effects of these measures were later judged negligible - their introduction was controversially discussed between the government, SPD and trade unions and their adoption carried significant symbolic importance.[306] In fact, in December 1988, the CDU-led government introduced further amendments to the AFG (9. Novelle) that included cuts in state expenditure (DM 1.8 billion) on employment creation schemes (Arbeitsbeschaffungsmaßnahmen-ABMs). Here, the SPD criticised the CDU-government for not prioritising to tackle unemployment and to adopt policies that paid for the high number of people out of work rather than using the same money to state create and expand employment opportunities.[307]

The CDU/FDP government also adopted legislation that was aimed at weakening the trade unions ability to engage in 'political strikes' by stopping the ability of 'indirectly affected workers' to claim unemployment benefits during temporary lay-off's caused by putative strike action. Here, the government aimed at undermining the DGB's ability to target strikes and protect its funds by having state benefits supporting those union members that were 'indirectly' not able to work due to the strike action.[308] This initiative, however, remained the only major blow against the German trade union movement.

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[305] Zohlnhöffer, Reimat - 'Institutions, the CDU and Policy Change: Explaining German Economic Policy in the 1980s', <u>German Politics</u>, Vol 8, No 3 (December 1999), p 145

[306] 'Zeitgespräch - Das Beschäftigungsförderungsgesetz 1985', <u>Wirtschaftsdienst</u>, 1984/IX; Michaels, Heinz - 'Brücke ins Ungewisse', <u>Die Zeit</u>, 23 January 1987

[307] Member of the SPD's-executive committee and vice-president of the Bundesanstalt für Arbeit. (Engelen-Kefer, Ursula - 'Mehr öffentliche Investitonen', <u>Sozialdemokratischer Pressedienst Wirtschaft</u>, 44. Jahrgang, 4, 12 January, 1989, p 1)

[308] Koelble, Thomas A. - 'Challenges to the Trade Unions: The British and West German Cases', <u>West European Politics</u>, July 1988, Vol. 11, No. 3, pp 99-101

In the end, it was the exceptional challenge caused by German unification that led the CDU-led government to substantially transform its labour market policy approach. The old German contribution based unemployment benefit system began increasingly to crack under the weight of the high employment rates experienced in Eastern Germany, which of course were a direct result of the industrial restructuring process that took place on the territory of the former GDR. In fact, previously applied labour market policies were fast proving to be financially unsustainable by the challenges of the new economic conditions, as the FRG had inherited a labour market that was structurally very different from the Western Länder.[309] The exceptional circumstances of unification did not only increase dramatically the costs of traditional labour market policies, but they also pushed up the tax burden for employees (in form of a 7.5% 'solidarity' income tax surcharge as well as through non-wage costs as contributions were raised) to cope with the extra demand on the public welfare and benefit systems.[310]

As the labour market policies developed for the West appeared inappropriate for the East, the new Länder were provided with extensive 'counter-cyclical programmes' in the form of employment subsidies, public infrastructure employment, public re-skilling and training programmes - to cope with the collapsing labour market. In fact, unification had forced the German state to play an interventionist role to a degree that had previously been unknown.

At the same time, early retirement schemes successfully applied throughout the 1980s in the pre-unification West were reduced and eventually turned around. Furthermore, employment protection legislation and the amount of employment benefits available were reduced in 1996, while conditions for claimants to receive state benefits were tightened by 1997.

However, much of the labour market reforms intended and passed by the CDU/FDP government during the 1990s to improve flexibility and to deregulate the

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[309] This included, for instance, policies that had been implemented successfully in the old FRG, such as early retirement schemes or short-time work benefits (Kurzarbeitergeld) - originally introduced to bridge temporarily companies short-term lack of employment (by paying part of short-term employees incomes) in order to sustain employment until the slack period had passed.

[310] In order to grasp the severity of the employment crises, let us remind ourselves that at by the end of 1989, the number of people engaged in full time work in the GDR economy consisted of 9.6 million people, while by the summer of 1992 this number had dramatically fallen to 6.3 million jobs (of whom many were even state funded job creation schemes). See: Grünert, Holle und Burkart Lutz - 'Quantitative und qualitative

German labour market failed to impact as most of the time employers and trade unions did not embrace the legislation as intended by the government.[311] Both sides often defused newly introduced legislative rules within their collective bargaining negotiations. For instance, when the government changed sickness payment levels and retirement arrangements, unions and employers re-established or confirmed the old levels as part of their general collective agreement. Similarly, many of the governments new labour market legislation initiatives, such as the 'partial retirement law' (Altersteilzeitgesetz) or the reduction of sickness payments (to 80% of the previous average income) - passed in 1996 - usually triggered sectoral, collective or company-level agreements between employers and employees that concluded arrangements which often re-confirmed the status quo of previous arrangements.[312]

Finally, even the widely hailed tripartite negotiations between employers confederations, trade unions and the state for a so-called 'Bündnis für Arbeit' (Alliance for Employment) failed miserably in 1996 and 1997 and clearly indicated the difficulties and substantial veto points the CDU-led government was faced with when attempting to reform the functioning of the German labour market.

## United Kingdom

There could not have been a bigger contrast between the ability and determination with which the Conservative Party government in the UK engaged in the deregulative reform of the labour market in comparison to the restrained initiatives of the German CDU/FDP government. In fact, one of the major ambitions of the Conservative's under Margaret Thatcher had been the reform of the labour market.[313] Here, the Conservative government had been particularly successful - due to the negative feedback and unpopularity of the unions as well as its absolute majority in the House of Commons - in

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Arbeitsmarktfolgen der deutschen Einheit', in Nickel et al - Erwerbsarbeit und Beschäftigung im Umbruch, Akademie Verlag, Berlin, 1994, p 3-5

[311] For example, one legislative initiative of the CDU/FDP coalition government aimed at greater labour market deregulation was the introduction of a new highly flexible working contract (Eingliederungsvertrag). The idea was to enable employers to make it easier to employ the long-term unemployed. However, employers have used this flexibility-creating contract only rarely, so far.

[312] Wood, Stewart - Labour Market Policy and Path-Dependency, "New Politics of the Welfare State" Conference, 30 Oct. - 1 Nov. 1998, Harvard University

[313] In other policy areas such as the NHS, the Conservatives faced more resistance from interests groups, the electorate, and within the NHS system when attempting to introduce market reforms. This partly explains, why the party was much more successful in its attempt to deregulate the labour market.

its conscious and popular effort to weaken the power and influence of the trade union movement.[314] In fact, three industrial acts were passed in rapid succession during the early 1980s that reduced trade union power by forcing liabilities upon them in the case of union initiated industrial action that was not authorised by newly prescribed procedures. In fact, the degree of liabilities was envisaged to be as high as possible, even able to threaten the financial survival of non-complying individual unions.

As intended, employers' power in the workplace was strengthened by this kind of legislation. In addition, the Conservatives engaged in further labour market deregulation exercises with initiatives that saw the abolition of 'Wage Councils'; the relaxation of regulation to protect employees from unfair dismissal; the weakening of public employees; and finally the determined privatisation of public utilities and state owned companies.[315]

The Conservative government also eroded progressively during the 1980s and 90s the levels of unemployment benefits while introducing increasingly 'means testing' for claimants benefit entitlements. Furthermore, the right to benefit payments began to depend on the ability of claimants to successfully prove that they had been 'available for work' – and from 1996 with the introduction of the 'Jobseekers Allowance' onwards - that they would and had been 'actively seeking employment'.[316] Here, 'job centres' had been made increasingly responsible for checking on claimants' entitlements for income support, while claimant advisers would re-assess the cases of claimants more often and offer more extensive advice on 'back to work' strategies.

Various 'youth training' schemes had been revised and adopted by the Conservatives throughout the 1980s and 90s. It is, however, fair to say that they succeeded rather in reducing youth unemployment statistically and providing companies with low-

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[314] Dingeldey, Irene - Britische Arbeitsbeziehungen: Gewerkschaften zwischen Konflikt, Kooperation und Marginalisierung, Deutscher Universitäts-Verlag DUV, Wiesbaden, 1997

[315] Caley, Mark and Oliver Sun - 'Atypische Beschäftigung in Großbritannien', WSI-Mitteilungen, 9/1993, p 609; Machin, Stephen and Alan Manning - 'The effects of minimum wages on wage dispersion and employment: Evidence from United Kingdom wage councils', Industrial and Labour Relations Review, No 47, 1994, pp 319-29

[316] Taylor, Robert – 'Official jobless figure create credibility gap', Financial Times, 17/04/1999

skill, low-cost employees rather than in offering genuine training places.[317] Here, Labour's 'new deal' must certainly be seen as a continuation - even if better in quality, resource provision and success rate - of the Conservatives' training and benefit conditioning policies as the direction of both parties approaches has been growing substantially similar. In fact, the Labour Party eventually accepted that the lack of quality and amounts of training and skill provided were inhibiting Britain's economic competitiveness and should be rectified by a more active labour market policy.[318]

With regard to the issues of skills training and labour market policies, the Conservative government decided in 1987 to abandon the 'tripartite' Manpower Services Commission and replaced it with exclusively employer-run Training and Enterprise Councils (TECs) - a change that was symbolic rather than effective in changing much of the training situation for youngsters on the labour market.[319]

Overall, the Conservatives clearly engaged in a labour market policy strategy that re-balanced the distribution of power in favour of employers and that was far more radical than what the CDU/FDP coalition government proposed during the same time in Germany. Here, not only constitutional arrangements and the more consensual and moderate German policy model, but also the more moderate, consensually accepted role of the trade union movement determined the substantial differences in labour market policy reform outcomes between both countries.

## 5.1.4. Some conclusions on the development of labour market policies under 'conservative' governments

The German CDU/FDP's government coalition substantially changed its labour market policy tools during its time in government. Policies contained rather moderate efforts to introduce greater labour market reform, which was partly due to the requirements of unification, but also due to the more co-operative, consensual and corporate character of German politics. However, the government increasingly applied

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[317] Finegold, David and David Soskice - 'The failure of training in Britain: Analysis and Perception', Oxford Review of Economic Policy, 4/1997, p 20; Bolger, A. - 'Still high on the national agenda', Financial Times, 20/11/1997
[318] Metclaf, Hilary - Future skill demand and supply, Policy Studies Institute, London, 1995, p 110
[319] Disney, Richard and Alan Carruth – Helping the unemployed – Active labour market policies in Britain and Germany, Anglo-German Foundation, London, 1992, p 7

public policies and direct job creation programmes, while reducing the use of early retirement schemes to improve the situation on the labour market.

In contrast, policies under the Conservatives took a very clear deregulatory direction. In fact, many of the policies - strongly resisted at the time - often enjoy by now the broad support of the Labour Party. As explained by Thomas Meyer, the radicalisation with which Tony Blair was later prepared to renew the traditional social democratic project was of course directly linked to the high level of deregulation in the economy and the labour market that had already become a reality under the Thatcher governments of the 1980s.[320]

Differences in the Labour Party's and the SPD's development of labour market policies and choices of programme reform must be understood within the context of the policy changes implemented by their political opponents in government; the political systems that conditioned the policy choices (i.e. the Conservatives were able due to the winner-takes-all political system to push through much more radical labour market reforms in the UK than could have ever been imagined in Germany); as well as the generally differing domestic labour market policy traditions, conditions and varying electoral incentives for policy change. In addition, however, it is fair to say that domestic conditions and the actions of their political opponents (in government) during the time under investigation have been highly influential on the outcomes of Labour's and the SPD's LMP choices, as both parties agendas were ultimately set by differing 'conservative' labour market policy approaches which they had to act and re-act to.


Finally, the paradigmatic ideas of flexibilisation and neo-liberal economic policies gained in popularity, not only among politicians, but also in the media, among economists, think-tanks and among the electorate. This has been an important component that eventually forced all major parties - Conservative, Christian Democrat as well as Social Democratic - to consider the reform of increasingly obsolete labour market policy approaches, even if the utility of the new policy approaches could not be necessarily empirically backed up. Here, Nick Adnett has been arguing in his study of European labour markets, that the philosophical shift away from interventionism and regulatory

[320] Meyer, Thomas - 'The Third Way - some crossroads', Working Papers I, Friedrich Ebert Stiftung, Forum Scholars for European Social Democracy, Bonn, May 1999, p 2-6

policies and the present "fashionable" popularity of flexible labour market policies lacks substantial empirical justification and often reflects rather the public's concerns over the state of public finances, rather than a common trust in neo-liberal policy prescription to cure labour market problems.[321]

### 5.1.5. The search for policy modernisation: Labour's 'Policy Review Process' and the SPD's new 'Basic Programme'

When Gerald Holtham - former director of the British Labour Party friendly think tank the Institute for Public Policy Research (IPPR) - posed the question of where policy ideas were developed and originated from, he rightly pointed at political parties; the civil service; universities and the input from interest or professional groups. Holtham also argued that politicians and political parties have encountered the biggest changes in this constellation as "the business of politics" has - in recent years - become increasingly professionalised. In fact, as - according to Holtham - the majority of the electorate is rather badly informed about politics, politicians who want to win elections would have to increasingly realise that the importance of their party's image should not be underestimated for the electoral success, as this is often of far greater importance than the development of improved party programmes. This is, why Holtham has been arguing that "no opposition party will spend much time in future developing policies as the route back to power. The haziest sketches will suffice; politicians will concentrate on finding a message, developing the slogans that fix a winning image in the public mind."[322]

Although these observations of a 'think-tanker' who has a legitimate interest in believing in the importance of his own profession may reflect the realities of party policy development in the second half of the 1990s, these beliefs were certainly not shared by the Labour Party and the SPD during the late 1980s and early 1990s. During this period, both parties felt the need to engage in extensive policy reform and development exercises as well as trying out new policy making procedures to deal with their problems of "intellectual incoherence",[323] continuous electoral failure and to re-establish what precisely a social democratic policy approach would mean under the fast changing overall environmental conditions.

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[321] Adnett, Nick - <u>European Labour Markets</u>, Longman, London, 1996, p 250
[322] Holtham, Gerald - 'Confessions of a clocking-off think-tanker', <u>in progress</u>, IPPR, Autumn 1998

In the case of the SPD, a policy review was approached by developing a new basic programme that was envisaged to integrate new policy concerns such as the environment and equal rights into the party's policy make up. Stephen Padgett noted rightly that "the [SPD's] lack of direction and purpose...characterised the 1980s programme review [and] underlined the absence of any sense of strategic orientation. Indeed the party's posture was one of profound disorientation."[324] This view could easily have been extended to the Labour Party as well as Swedish and Italian social democrats which all chose at a similar time to engage in attempts to substantially overhaul their parties' programmes as they increasingly failed to deliver publicly popular and credible policy solutions. Hence, the Labour Party's attempt to review policies was envisaged to lead the party to embrace more moderate policies that would be more in tune with public opinion as well as the wishes of the electorate and relief the party of some of its previous orthodox policy rhetoric and 'baggage'.

In order to understand the significance of the role of Labour's and the SPD's policy review processes, their outcomes, impacts and failures, we have to assess their most important LMP and party institutional features.

## 5.2. The Labour Party and the 'Policy Review Process'

The Labour Party leadership decided in 1985 to develop a new statement of the party's definition of contemporary aims and values of socialism. After various attempts by politicians and sympathetic academics, Labour's deputy leader Roy Hattersley wrote a statement on 'Aims and Values' in which he borrowed heavily from his book 'Choose Freedom' which had just been published.[325] The 'Aims and Value' statement was eventually adopted by the party, however not without being strongly criticised by the left for being too pro-market. The adoption of the statement clearly indicated that the party leadership was increasingly aiming at more moderate and pragmatic policy positions and that they saw the party's future in turning itself into a continental style social democratic party. In fact, Labour's policy review process was viewed by many observers as being equivalent to the policy moderating Bad Godesberg programme review of the German

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[323] Interview with Tony Wright, London, 01/02/2000

[324] Padgett, Stephen - 'The German Social Democrats: A re-definition of Social Democracy or Bad Godesberg Mark II', in Special Issue of West European Politics, No 16, 1993, p 34

[325] Hattersley, Roy - Choose Freedom - The future for democratic socialism, Joseph, London, 1987

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Social Democratic Party in 1959.[326] In fact, continental Social Democrats observing Labour's programme review process, such as Bodo Hombach (then Landesgeschäftsführer of the SPD Nordrhein-Westfahlen) described the review condescendingly as a sign that Labour's principle based but publicly widely unpopular rejection of capitalism was about to be overcome and that the party seemed to have finally chosen a programmatic development path that would transform it by the early 1990s into a mainstream continental style peoples' party.[327] If not quite aiming at a mainstream continental policy style, Gerald Taylor described the review process rightly as an exercise in populism as much as an attempt to create a lasting democratic socialist policy strategy for the Labour Party.[328] This view has been confirmed by Neil Kinnock, who described the review as "very leadership driven" and its aims at the time as "to re-attach the party to general popular sentiment, to demonstrate that we were normal, that we were not pre-occupied by small minority issues...".[329]

### 5.2.1. The 'Policy Review Process': Structure and policy making

The policy review took place between 1987 and 1991 and served clearly different purposes to different party members. Apart from becoming a way for the party to prepare a programme for the next general election and a possible future Labour government, it was also a means of clarifying and thus resolving many of the previous left/right disagreements by setting in concrete terms which policies would be advocated by the party in the future.

The review process required the setting up of a new policy-making system within the party as existing structures were not designed to cope with the sheer scale and pace the review process was envisaged to take.[330] Seven working groups were set up along the

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[326] Butler, David and Dennis Kavanagh - The British General Election of 1992, St. Martin's Press, Basingstoke, 1992, p 61

[327] Hombach, Bodo - 'Labour Party auf dem Weg nach Godesberg', Neue Gesellschaft / Frankfurter Hefte, Jg. 36, 08/89, p 699

[328] Taylor, Gerald. R. - Labour's Renewal? The Policy Review and Beyond, MacMillan, Basingstoke, 1997, p 46

[329] Interview with Neil Kinnock, Brussels, 24/07/2000

[330] The policy review consisted of three phases of policy development. (1) Phase one led to the writing and publication of two documents - 'Democratic Socialist Values and Aims' and 'Social Justice and Economic Efficiency' - that were primarily laying out the ideological groundwork as well as setting out the economic, social and political landscapes under which a future Labour government would be envisaged to operate in the early nineties. (2) The second phase consisted of most review groups submitting a preliminary report to the

thematic policy lines of 'People at Work'; 'a Productive and Competitive Economy'; 'Consumers and the Community'; 'Democracy and the Individual'; 'Physical and Social Environment'; 'Economic Equality'; and 'Britain in the World' for the process. Three of the seven review groups dealt to some extent with LMP issues, namely the 'Productive Economy' (chaired by Labour's shadow spokesman on Trade and Industry Bryan Gould); the 'Economic Equality' group (shadow chancellor John Smith); and 'People at Work' (conducted under the chairmanship of shadow employment secretary Michael Meacher).

The chair and most members of the review groups came either from the party's Shadow Cabinet or the National Executive Committee (NEC), hence a domination of the groups decision-making by Labour members of parliament (MPs) and therefore ultimately by the Parliamentary Labour Party (PLP) was virtually guaranteed. This meant, that the review groups policy recommendations and outcomes were bound to be moderate as MPs could be expected to be far more willing to accept the electoral aspirations of the review process than being prone to show particular concern for the ideological aspirations of rank and file party members.[331]

Apart from the MPs domination of the review groups, another interesting development in the party's decision-making process involved the role of the trade unions. A number of trade union general secretaries gained - for the first time - direct access to the party's policy-making structure as they gained seats in the review committees to make the unions voice heard.[332] This development carried significant repercussions, as the direct access of trade union general secretaries to the party's policy-making committees was a persuasive argument for the eventual reduction of the role of trade union delegations at

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1988 annual Labour Party conference, which contained policy recommendations for a new programme. This was followed by the publication of the 'Meet the Challenge, Make the Change' document in May 1989 that consisted of a collection of substantive policy output proposed by the seven review groups. In fact, 'Meet the Challenge' was already very close to the review's final outcome as it was a comprehensive policy statement by itself. While the document was approved by the annual party conference in October 1989, it was acknowledged that further changes in style and presentation were necessary as the document had become far too long for an electioneering instrument that could sell policy contents beyond the party's membership. (3) The final review phase took place in the early 1990s and consisted of deciding upon the details of particularly controversial policy issues, such as defence and economic policy. The final version of Labour's policy review exercise was published on the 24 May 1990 under the title 'Looking to the future' and followed by the publication of 'Opportunity Britain' in 1991. Both documents were based on 'Meet the Challenge', but far shorter, precise and accessible to the wider public. (Taylor, Gerald. R. - Labour's Renewal ?, MacMillan, Basingstoke, 1997, p 42+69)

[331] Taylor, Gerald. R. - Labour's Renewal?, MacMillan, Basingstoke, 1997, p 47-8

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the annual Labour Party conference. In fact, the idea of trading in one way of trade union access to Labour's policy making (the conference dominating block vote) with a 'new' more 'direct' ability to influence the party's policy choices ultimately encouraged the trade union leadership to consider giving up their block vote and accepting party institutional reforms along the line of the 'one member, one vote' (OMOV) system as favoured by the Labour Party leadership.

The role of the party leadership during the review process was quite ambiguous. In cases where review groups dealt with particularly difficult and controversial issues - such as defence, social ownership or the economy - Neil Kinnock made sure that he was not seen as being personally involved with the groups work on policy recommendations. However, the party leaders secretariat worked closely together with the secretariats of the NEC and shadow cabinet, and was therefore not only able to monitor policy developments in the various groups, but also to deliver the leaderships suggestions and requests on policy matters directly to the groups.[333]

Furthermore, during the review process, the individual groups were formally co-ordinated by the Campaign Management Team (CMT), which was chaired by Tom Sawyer and included senior figures from Labour's headquarters at Walworth Road and Neil Kinnock's office (such as Charles Clarke, Peter Mandelson and Patricia Hewitt) who had the administrative task of co-ordinating the work of the various policy groups and to deal with any disputes of overlapping responsibilities. In fact, the role of the CMT provided the leadership with a further path of access and influence over the groups work and inevitably the content of their policy recommendations.

Additionally, certain actors outside the party machinery were also given access to the review groups policy-making process, such as outside advisers as well as the general 'public' in the 'Labour Listens' exercise which was an attempt to give a voice to party members, supporters and the electorate by providing them with a forum for input. However, during the later stages of the review process the party preferred to turn to

[332] Taylor, Gerald. R. - <u>Labour's Renewal?</u>, MacMillan, Basingstoke, 1997, p 48-9
[333] Taylor, Gerald. R. - <u>Labour's Renewal?</u>, MacMillan, Basingstoke, 1997, p 49

private polling instead of consulting public opinion directly in order to gain the ability to test the popularity of the reviews policy outcomes on the general public.[334]

Most of the policies recommended by the review groups and later adopted by the Labour Party clearly reflected the party leadership's intention to aim for a change of policy approach towards more moderate policy aims. Here the groups clearly accepted the given conditions of the economic and political environment; recognised the need to work together with the market and to aim at a reduction of state interventionist policies within their policy proposals. Furthermore, it was felt by the party leadership that if a "critical mass could be reached...on particular policies" with changes on positions been agreed upon, then this "would be a general mandate" to push for further change.[335]

The report of the 'Productive and Competitive Economy' (PACE) review group underlined the need for the state to provide predominantly supply side policies. Hence, the review's outcome confirmed a change in Labour's policy emphasis as policies proposed did no longer include the avocation of nationalisation or even the re-nationalisation of recently privatised utilities. Instead, policies focused on the envisaged need for the state to play an active role in regulating those industries and promote competition.

The review group on 'Economic Equality' covered the policy area of distribution of income and wealth, taxation and social security. Its policy recommendations clearly reflected change as the party's previously common setting of targets for the reduction of unemployment (1983 and 1987 manifestos) had been abandoned. In addition, levels of envisaged state spending had been reduced and made way for a new emphasis on fiscal prudence. Furthermore, pro-market policies and the tackling of inflation had clearly been given priority status in this groups policy recommendations.

The 'People at Work' review group had been concerned with employment issues and in particular the collective role and rights of trade unions. The final report of this group under the title 'a talent based economy' dealt in great detail with the state provision

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[334] Taylor, Gerald. R. - Labour's Renewal?, MacMillan, Basingstoke, 1997, p 56
[335] Interview with Neil Kinnock, Brussels, 24/07/2000

of training. Interestingly, this group's report contained - in comparison to the other policy review groups - exceptionally strong references in favour of the extensive use of state labour market interventionism. In fact, this group had envisaged various institutional responses and schemes to improve training provisions; reform the present Youth Training Scheme (YTS); and extend provisions for employment training by setting up a new training agency called Skills UK (financed by a National Training Fund) that would administer a new 16-plus Traineeship Scheme and an Opportunity Training Programme aimed at adults.[336] Both trainee schemes envisaged a high degree of state set labour market legislation to safeguard an increase in the flexibility and productivity when allowing easier labour market entry and exit for employees. For this, the group proposed the implementation of legislation that would provide greater opportunity to employees to take 'career breaks'; an extension to employment rights for part-time workers as well as the improved provision of child-care facilities (to improve catering for the requirements of individual circumstances). Here, the report advocated furthermore legislation that would enable employees to retire earlier in order to "make the period from sixty to seventy a decade of flexibility."[337]

This groups report defined the notion of training as something that had to be led by the state rather than be driven by the individual, with the state as a responsible player providing training 'opportunities' with the government envisaged to decide which skills would be required in its nation-wide industrial policy strategy to "assist the smooth running of the economy" at any one time.

Furthermore, various traditional Labour Party LMP schemes included in the groups report included the pledge for the provision of more rights for the individual employee by proposing a 'Charter for Employees' that was envisaged to contain regulation on matters of health and safety; welfare; unfair dismissal; the right to trade union representation; discrimination; leave due to 'family responsibilities' as well as provision of a national minimum wage.[338]

Finally, in regards to employment legislation, the 'People at Work' group's report emphasised the need to create a 'partnership at work' between trade unions and

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[336] See: Labour Party -'Meet the Challenge' (1988); Looking to the Future (1991) and 'Opportunity Britain' (1991)

[337] Labour Party - Meet the Challenge, London, 1988, p 22

[338] Labour Party - Meet the Challenge, London, 1988, p 22

employers. This was the first step towards a general overhaul of the parties relationship to business, and from the review process onwards it has been possible to witness the increasing degree of attention being given to the needs of business and its interests.

### 5.2.2. The report of the 'Commission on Social Justice'

A continuation of the Labour Party's 'policy review process' and a further important attempt to reform the party's policy making procedures was the increasing use of semi-independent policy commissions. Here, the most important and influential became the Commission on Social Justice (CSJ), a committee that had been set up at the end of 1992 by party leader John Smith to develop new tax and benefits policies.[339] As the Labour leadership expected a substantial amount of publicity to surround the work of the CSJ with its consultation exercises and possible policy recommendations, it was decided to distance the party further from the commissions work by placing it under the independent auspices of the IPPR, an arrangement that was to grow into an important new strain of the party's future policy making machinery.[340]

The commission identified seven conditions in the CSJ's report to achieve "full employment" (defined as creating a "number of vacancies...at least equal to the number of unemployed") envisaged predominantly on labour supply-side policies which were envisaged to be supplemented by the provision of a stable macro-economic environment and rather orthodox market-led state policies.[341] Although the report was critical about "common" neo-liberal policy prescriptions that focused predominantly on increasing market efficiency, it concluded that for labour market inefficiencies, deregulation was "no magic cure" while one would also have to be aware of the "damaging over-regulation of labour markets."[342]

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[339] McSmith, Andy - John Smith - A Life, Verso, London, 1994, p 330-31
[340] The IPPR has remained an independent - although Labour friendly - think tank in its own right. The CSJ chairmanship was held by Sir Gordon Borrie and Neil Kinnock's former press and broadcasting secretary Particia Hewitt who had been appointed secretary and chief administrator. Including the chair, sixteen members were chosen for the CSJ which included six academics, four representatives from research institutes, two from charities, and one representative each from the business community, trade unions, church, and former government official. (Report of the CSJ – Social Justice – Strategies for National Renewal, Vintage, London, 1994, x-xi)
[341] Report of the CSJ – Social Justice, Vintage, London, 1994, p 155

The outcome and nature of the Commission's policy recommendations on labour market policies was more basic and less groundbreaking than Labour's earlier Policy Review Process. In contrast, the policy review process had contained proposals for the setting up of various new organisations (e.g. British Investment Bank, Skills UK, British Technology Enterprise etc....) to enable the functioning of 'newly' envisaged labour market policies. The CSJ's recommendations clearly displayed further policy moderation as the commission widely accepted the existing state frameworks for economic and political intervention, followed increasingly a liberal democratic policy approach and did not propose any major institutional changes.

Labour's increasing reliance on policy commissions could be criticised as an attempt to consciously deprive certain party actors and activists on the 'left' from the party's policy formation process. In fact, a commission based policy development approach inevitably favoured the contributions of various outside 'specialists' to formulate policies and strengthened the hand of the party leadership to make the final policy choices, even if 'new' Labour thinkers such as Peter Mandelson and Roger Liddle have rightfully claimed "that policies that emerge are better thought through and more relevant to the real needs of society and industry, as well as commanding substantial consensus in their support."[343]

Finally, while it is difficult to judge the overall impact of the CSJ on Labour's policy choices, it is clear that the party's new leadership under Tony Blair (from 1994 onwards) was far more interested in re-examining the party's overall basic ideological positioning than to give extensive public attention to the outcomes of the commissions recommendations.[344]

## 5.2.3. An evaluation of Labour's 'Policy Review Process'

The 'Policy Review Process' as well as work of the 'Commission for Social Justice' were successful in as far as they provided the party with a set of concrete policy proposals that could then be used by the leadership for the formulation and legitimisation of party programmatic ideas. The use of these new forms of policy development provided the

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[342] Report of the CSJ – Social Justice, Vintage, London, 1994, p 158
[343] Mandelson, Peter and Roger Liddle - The Blair Revolution - Can New Labour Deliver, Faber and Faber, London, 1996, p 221-22
[344] Taylor, Gerald. R. – Labour's Renewal?, MacMillan, Basingstoke, 1997, p 164

party with the chance to re-examine its policy principles in the least controversial way; to gain experience with other policy-making procedures; to develop new or refine policies; increase leadership control over policy choices; and to experiment with an approach to change party policy that was expected to be popular with the electorate.

Still, was it the overall aim of the review process and the CSJ to drag along the party's rank and file in a leadership instigated process of policy change? As Tony Wright has been pointing out, the 'majority' of the party's rank and file members did not take part in the review process and had probably no idea that the CSJ existed. Instead, Wright argued, "it was very much a high level leadership related activity and ...not designed to impact directly [on the party members]...unlike in Germany where there is a much more organic relationship between the thinking bits and the rest of the party."[345] In fact, this evaluation was confirmed by various Labour's policy actors during the interviews conducted for this study. Most agreed, however, that Labour's 'Policy Review Process' of the late 1980s was a tool of the leadership to shift party' policies.

Hence, the review and the increased use of commissions were tools to question Labour's old policy making structure such as the trade union's voting power (at annual party conferences) that had made previous attempts to change the party's policy direction very difficult. In fact, as argued by John Braggins, the review was the "way which we went around a very condescending and conservative structure to try to bring new ideas and modernisation into our policies" and "initially a tool to try to get rid of the more arcane and unpopular aspects of our policy" and "move away from the national and public control agenda into a more modern approach."[346]

Although the 'Policy Review Process' had been initiated by the party leadership, it is not clear how far the outcomes had already been precluded by it. Colin Hughes and Patrick Wintour have argued that Neil Kinnock had designed the review process in a way that gave "fair" access to all groups within the party, even those which held dissident political views from his own.[347] Gerald Taylor took the even more positive view that the

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[345] In fact, Tony Wright argued, that only in the case of Clause IV did the party engage as a whole in a process of "actually discussing some basic reformulation of purpose."(Interview with Tony Wright, London, 01/02/2000)

[346] Interview with John Braggins, London 08/02/2000

[347] Hughes, Colin and Patrick Wintour – Labour Rebuilt: The New Model Party, Fourth Estate, London, 1990, p 102

policy review process, rather than arriving at pre-imposed conclusions planted by the leadership, was an exercise in which the numerous individuals involved reached "the same conclusions and opinions about the direction which Labour should take" leading to a wider realignment within the party around the Kinnock leadership.[348] Gerald Taylor's conclusion, however, must be taken with a pinch of salt as the case of the party's shadow spokesman on employment and chair of the 'People at Work' working group - Michael Meacher - clearly shows. His 'group's' final report was condemned among the members of the CMT loyal to Kinnock, such as Peter Mandelson, Geoff Bish and Charles Clarke as being unacceptable. This dispute led to the group's chair Michael Meacher being bypassed when the review group's outcome was finalised, something that indeed points rather towards the enforcement of a distinctive degree of influence exercised by the leadership over policy outcomes.[349] Furthermore, by the end of the second phase of the policy review, Tony Blair replaced Michael Meacher as Labour's employment spokesman, a move that indicated that Michael Meacher's more traditional Keynesian-state interventionist policy beliefs were no longer tenable in a party that was planning to substantially shift its policy approach towards an increasingly neo-liberally influenced zeitgeist. In his defence, Neil Kinnock argued later that he had to replace Michael Meacher as he could not ask him anymore - after his groups initial 'final report' – to go back once more to the trade union leaderships and tell them "convincingly" of what the Labour Party leadership felt by now were no longer policy "options" as previously, but had become "requirements of policy" positions since.[350]

Overall, the Policy Review had sought to affect four elements of the party. Firstly, to help to advance and promote changes in the party's institutional policy making procedures and a useful tool to set into motion the party's reform of its policy making system.[351] Secondly, to tone down the party's ideology, re-define and moderately de-radicalise it. Here, the party policies adopted moved the party undeniably towards the

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[348] Taylor, Gerald. R. – Labour's Renewal?, MacMillan, Basingstoke, 1997, p 50+193
[349] Hughes, Colin and Patrick Wintour – Labour Rebuilt, Fourth Estate, London, 1990, p 147
[350] Interview with Neil Kinnock, Brussels, 24/07/2000
[351] The 'Policy Review' also succeeded in instigating the foundation of the Labour Party friendly centre-left think tank 'Institute for Public Policy Research' (IPPR) in 1989. Ever since, studies of the institute have explored a wide variety of policy issues such as market mechanisms and green taxes, constitutional issues, ERM, flexible working arrangements and social justice; and found their way not only into policy review documents, but also played an increasingly instrumental role in the party's policy development process.

centre of the political spectrum,[352] and the review process had been part of a strategy to improve the party's electoral appeal in time for the next general election.[353] Even though the 'review process' failed to develop a so-called big idea - something comparable to Thatcherism or neo-liberalism - it led to major policy amendments, with many of the policies developed and agreed upon by the review groups being later used as the basis for Labour's 1992 election manifesto.

Finally, the 'Policy Review' did not receive a particularly positive echo in the media and the policies developed did not receive the public exposure the party had hoped for. For this, part of the blame falls on Labour itself as many of the party's policy changes - to avoid controversy - had been buried in the small print of the party's manifesto.[354] However, Labour's ability to avoid any major publicised inner-party conflicts concerning the review process and the portrayal of a strengthened degree of party unity certainly improved the party's public's perception.[355] Even though the policy review process was only little noticed by the electorate, it improved and moderated Labour's party image, which although not winning Labour the next general election, certainly helped the party to regain policy credibility and extra votes in 1992.[356]

### 5.3. The SPD and the 'basic programme' review process

The SPD began to face calls for a programmatic renewal from the late 1970s onwards. In particular the belief in continuous economic growth; the uncritical treatment of science and technical development as an engine of progress as well as the lack of an

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[352] According to Tom Sawyer, the 'new' policy review approach had successfully avoided past fragmentation by having brought closer together the Shadow Cabinet and the NEC in their policy-making role. In his view, the policy review process had furthermore strengthened the role and authority of the leader; led to a process of careful (re)-consideration of the traditionally strong influence of the trade unions on Labour's policy-making processes; and had raised questions on institutional inner-party reform such as how the constituency party's and their members role in policy-making could be enhanced. (Sawyer, Tom – 'Dear Member', New Socialist, June/July 1989, p 11)

[353] Taylor, Gerald R. - Labour's renewal?, MacMillan, Basingstoke, 1997, p 192

[354] Heath, A. and R. Jowell – 'Labour's policy review', in Labour's Last Chance?, Darmouth, Aldershot, 1994, p 191

[355] Butler, David and Dennis Kavanagh - The British General Election of 1992, St. Martin's Press, Basingstoke, 1992, p 60

[356] A. Heath and R. Jowell discovered in a study investigating the electorates' perception of the three main parties undertaken between 1987 and 1992 that the electorate's perception of Labour had - by 1992 - changed substantially. In fact, both authors felt, that the more moderate image Labour had gained through the review process had led to a 'spill over' process into the electorates' perception of other Labour policies which were

ecological dimension within the party's programme had been increasingly criticised by members of the party's rank and file as well as influential party ideologists.[357] Furthermore, during the final years of the SPD/FDP government under Helmut Schmidt (1974-82), party activists had felt increasingly alienated from their party's leadership on issues such as the governments approval of NATO's plan to deploy middle-range nuclear missiles in Western Europe; issues of environmental protection as well as the question of the safety of nuclear power plants.

In fact, by the early-1980s the SPD was increasingly heading towards a serious split into two fractions that were divided about the future programmatic direction of the party.[358] Those factions consisted, on the one side, of members of the traditional trade union wing and moderates with an agenda for economic growth. On the other side were party activists and increasingly leaders on the left that pushed for a programmatic modernisation and the inclusion of 'post-materialist' policy issues.

Hence, after the loss of government office and twenty five years after the 1959 Godesberger Programme (that had sucessfully transformed the SPD into a 'peoples party' embracing the free market economic system), the party's leadership felt that circumstances had significantly changed to justify the development of a new 'up-dated' basic party programme. The party's veteran chairman Willy Brandt (who in 1979 had still rejected the need for renewing the basic programme) positioned himself at the forefront of the movement for programmatic renewal by calling for the setting up of a programme commission as he acknowledged that political and economic conditions had changed significantly since 1959 which had affected social democracy and 'our perceptions of the world.'[359] Hence, by the time of the SPD's 1984 Essen party conference, a general consensus had developed within the party that programmatic change was deemed necessary and it was agreed to design the development of a new basic programme in three stages.[360]

not necessarily dealt with by the review. (Heath, A. and R. Jowell – 'Labour's policy review', in Labour's Last Chance?, Darmouth, Aldershot, 1994, p 195)

[357] 'Schön geschafft' - Der Spiegel, No. 25, 12 June 1986

[358] Eppler, Erhard - 'Ende der siebziger Jahre spekulierten nicht wenige auf die Spaltung der SPD', Die Zeit, 17/05/1991

[359] Brandt, Willy - '25 Jahre nach Godesberg' - Rede im Erich-Ollenhauer-Haus am 12. November 1984, in SPD - Willy Brandt: Zwischen Essener Parteitag und Irseer Entwurf, Materialien, Bonn, June 1986, p 3-4

[360] Firstly, the 'Programmkommission' (programme commission) submitted a first 'Irsee' draft (Irsee Programm) for a new basic programme (June 1986) as the base for inner-party discussions. Secondly, a

At that stage, as identified by the party specialist and SPD sympathiser Peter Lösche, the SPD faced a programmatic, organisational and electoral strategy 'dilemma', that had to be addressed in response to ongoing social, economic and political changes.[361] Here, the SPD's situation showed certain parallels to the programmatic problems faced by the Labour Party, which also felt the need to search for a 'new' electoral and programmatic social democratic strategy to face ongoing changes in socio-economic conditions.

Similarly to Peter Lösche, Wolfgang Bok identified - in a detailed study on the motives, aims and outcomes of the SPD's basic programme review process - four main challenges that the party had to deal with.[362] Namely, the SPD had to re-gain its capacity to attract a majority of the electorate; increase the party's ability to form 'new' coalitions; strengthen and revive the party's programmatic base; and finally mend the various divisions that had appeared within the party. Furthermore, the continuous electoral rise of the Greens, if not programmatically answered, threatened the SPD's ability to re-gain an electoral majority at the federal level, while the party faced growing sympathies of many of its own members with Green policy issues, something that certainly influenced the outcome of the basic programme review.

### 5.3.1. A new basic 'Berlin' programme: Structure and policy making

By the time the programme committee submitted its first "Irsee" draft for a new basic programme (June 1986), a considerable degree of agreement had been reached. One of the main policy reform ideas expressed in the draft was the questioning of the SPD's traditional belief in the wisdom of unchecked economic growth. In fact, the draft expressed the belief that the future development of growth and consumption should be

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second draft that would reflect the wide-ranging inner-party discussions would be submitted (by the 'Programmkommission') to the party. This took place much delayed on the 09 March 1989 ('fourth version'), which meant, that there was no sufficient time left to further consider key aspects of the paper. Thirdly, the second draft was then considered by the party's 'Antragskommission' (commission for submissions) with a final version agreed upon by November 1989. During this process, the 'Antragskommission' had considered 2500 proposals for changes to the second draft that had been submitted by various party institutional layers. Finally, the basic programme was briefly discussed and finally adopted at the party's Berlin party conference in December 1989.

[361] Lösche, Peter - 'Ende der sozialdemokratischen Arbeiterbewegung?', Neue Gesellschaft, May 1988, p 12-8

[362] Bok, Wolfgang - Zeitgeist-Genossen - Das Berliner Programm der SPD von 1989 - Motive - Ziele - Folgen, Peter Lang, Europäischer Verlag der Wissenschaften, Frankfurt 1995

viewed under the condition of ecological sustainability. In addition, the draft contained demands for a more ethnically orientated state control of production and technological development.

However, as the first draft had been developed predominantly in isolation from the rest of the party, the outcome had neither sparked much enthusiasm among party members nor initiated a lively inner-party discussion process. Furthermore, the text of the draft was commonly perceived as a collection of programmatic compromises agreed upon in order to achieve a broad consensus. This led to a document that had been criticised for consisting of a rather streamlined text, with long boring passages, and those parts aimed at young voters being rather embarrassing.[363]

The Irsee Draft was already a good indicator of the policies that SPD policy makers were going to prioritise. Hence, the final version of the new 'Grundsatzprogramm' published in 1989 underlined further that this programmatic review had not so much been an attempt to 'exclude' policies that had been adopted previously and that were now judged too 'radical' from the party's programme (as in the case of the Labour Party), but instead, that the 'basic programme' development process was more an exercise of updating the SPD's general policy guidelines; an attempt to include 'newly' emerging policy issues in the party's agenda; as well as attempting to improve the party's overall policy appearance and coherence.

The final version of the programmes 'economic policy chapter' set out some strong, but rather nebulous guiding principles for the 'ecological and socially responsible running of the economy'. While the use of traditional socialist rhetoric aimed at reassuring the reader that the party intended to place 'democratic decision-making processes over the interests of profit maximisation and the power of business',[364] the programme also stated that 'economically powerful players or companies in dominant positions should not define the space for political action, but instead democratically legitimised decisions - in the interest of the common good - should lay down the framework and rules for

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[363] Lösche, Peter and Franz Walter - Die SPD, Wissenschaftliche Buchgesellschaft, Darmstadt, 1992, p 127
[364] "Ökologisch und sozial verantwortliches Wirtschaften läßt sich nur erreichen, wo der Vorrang der demokratischen Entscheidung vor Gewinninteressen und Wirschaftsmacht durchgesetzt wird." Vorstand der SPD - Grundsatzprogramm der Sozialdemokratischen Partei Deutschlands, Bonn, 1989)

economic activity.'[365] Reading between the lines, party modernisers felt obviously the need to re-emphasis the idea that the nation state should set out the framework in which economic activity should take place, even though the emerging trends of economic internationalisation had already begun to undermine the ability of nation states to act.

Furthermore, policy makers re-emphasised the idea that the state should remain a strong player to offer 'overall democratic economic guidance' in a 'mixed economy in which competition and the state act together' to guarantee the interaction of 'market and control'. However, policy makers failed to define clearly how they precisely intended to apply the above policy principles into a policy path that would secure the realisation of those stated principles. Finally, the SPD re-stated its commitment to the German model of 'co-determination of employees' at company level.

When the programme makers took account of the 'newly' emerging international dimension of the economy and recognised that a just and democratic economic system could not be safeguarded any longer within national boundaries, they emphasised extensively the growing importance of the European dimension in economic policy making as an answer. In fact, the 'Berlin Programme' clearly stated the belief that future macro-economic policy making would require greater co-ordination efforts on a transnational level for which the European Community was envisaged to be the major future player. Here, one member of the 'Berlin' programme commission - Thomas Meyer - explained later that the programmes extensive emphasis on EU level policy co-operation clearly showed that the programme makers used the EU as a stopgap ("Lückenbüßer") to cover the immense cleavage that had appeared between their desire to continue and advocate 'traditional' social democratic style state interventionist policies and the realities of an increasingly globalised economy.[366]

Not surprisingly, the development of the chapters on 'economic policy' and the 'future of work' of the new 'Grundsatzprogramm' were those most controversially

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[365] "Nicht wirtschaftliche Macht oder marktbeherrschende Unternehmen dürfen der Politik den Handlungsrahmen vorgeben, sondern demokratisch legitimierte Entscheidungen müssen im Interesse des Gemeinwohls Rahmen und Ziele für wirtschaftliches Handeln setzen." (Vorstand der SPD –Grundsatz-programm der SPD, Bonn, 1989)

[366] Interview with Thomas Meyer, Bonn, 24/06/99

discussed during the programmes development process.[367] The original draft for the 'future of work' had been developed by the commission members Thomas Meyer and Erhard Eppler. It was, however, replaced by an alternative draft that had been put forward by the 'left-leaning' party executive member Sigrid Skarpelis-Sperk. Her draft - in contrast to the Meyer/Eppler paper - defined 'work' in rather 'traditional' employment terms by emphasising the view that 'mass unemployment signifies political failure' which would have to be met by the 'duty of the democratic and social state to provide sufficient levels of employment for all.'[368] In fact, persistent disagreements among commission members on the issue of the future role of work led eventually to the setting up of two special policy working groups that operated outside the commission structure in order to negotiate more effectively a compromise text.[369]

The debate on the 'future role of work' was further fuelled (during the later stages of the negotiations) by the new programme commissions chair and party vice-chairman Oskar Lafontaine, who began to strongly question the party's as well as DGB's traditional 'economic growth' and 'demand management' strategy that had still been part of the earlier Irsee Draft.[370] Similar to Meyer and Eppler, Oskar Lafontaine believed that a strategy of aiming at economic growth rates in order to re-gain higher levels of full employment was unsustainable. In fact, Oskar Lafontaine's contribution to an increasingly wide ranging inner-party discussion on LMPs argued, that the battle against mass unemployment should include a re-definition of the notion of 'work' that would include not only income based employment (Erwerbsarbeit), but also non-income based activities (Nichterwerbsarbeit) which should be recognised and valued according to their usefulness to society.

Secondly, by Oskar Lafontaine calling for a reduction in working hours together with a parallel cut in wages, he strongly confronted the trade unions that had previously resolutly rejected such demands. In fact, Lafontaine called for a greater degree of

[367] Interview with Thomas Meyer, Bonn, 24/06/99
[368] Skarpelis-Sperk, Sigrid – 'Unsere Demokratie ist in Gefahr', Vorwärts, 10/12/88, p 13
[369] 'Zukunft der Arbeit' – Karl-Heinz Blessing and Elisabeth Vogelheim (IG Metall), Thomas Meyer, Johano Strasser, Inge Wettig-Danielmeier (ASF); 'Wirtschaftspolitik' - Ilse Brusis (federal DGB-Executive), Erhard Eppler, Wolfgang Roth, Krupp and Peter von Oertzen.
[370] A central point in the earlier Irsee Draft had been the idea of a reduction in working hours together with the provision of full wage remuneration. (SPD - Irsee Draft, Bonn, 1987, p 23-5)

solidarity of those in employment, as he demanded that job holders should not only share their work (by working less hours), but also part of their income (as he argued that a reduction in income would enable employers to create more employment opportunities).

Finally, Lafontaine recognised the overall demographic change that was taking place; the increasing degree of individualisation; the emergence of a post-industrial society and an inevitable decline in union membership. This he believed, would allow the SPD to draw a stronger dividing line between itself and the union's interests and would permit a weakening of the unions influence on the party's policy choices, thus enabling the SPD to widen its appeal to more service sector and non-unionised employees.[371]

In the end, the long-term vision agreed upon and set out in the Berlin Programme envisaged an overall reduction in working time as a contribution to create full employment. The programme stated that the party would eventually aim at the establishment of a six hour working day and a thirty hour working week. It was however also concluded that a shorter working week would not mean a shortening of overall machine running times as it would have to go together with the provision of a greater degree of labour market flexibility and deregulation as the competitiveness of German industry would have to be safeguarded.

The final outcome of the negotiations on the new basic programmes chapter's on 'economy policy' and the 'future of work' were vowed as a win for the SPD's free marketers as the party had followed predominantly the direction of the 'modernisers' and 'pragmatists' such as Thomas Meyer and Oskar Lafontaine.[372] However, when looking at 'the future of work and spare time' ("Zukunft der Arbeit und der freien Zeit") in retrospect, the overall character of this part of the programme seems rather ambiguous as many of the statements had been watered down and based on such general compromise formulas, that the programme did not succeed any longer in carrying a clear message, nor did it provide pre-scriptive orientation for future labour market policy choices.[373]

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[371] Lafontaine, Oskar - Die Gesellschaft der Zukunft - Reformpolitik in einer veränderten Welt, Hoffmann & Campe, Hamburg, 1988, p 206
[372] Bok, Wolfgang - Zeitgeist-Genossen, Frankfurt, Europäischer Verlag, 1995, p 132-43
[373] Vorstand der SPD - Grundsatzprogramm der SPD, 1989, Chapter IV. 2

Two factors were responsible for the acceptance of the programme by the party's 'left' in spite of its tame and unorthodox economic policy chapter in which state interventionist measures played only a very moderate role. Firstly, demands for structural state policies had been included in the final version of the programme, while secondly, the emerging collapse of the GDR had weakened the left of the party with representatives admitting that the 'questioning of the economic system could not take place any longer in 1989.'[374]

Furthermore, the programme appealed to the party's traditionalists, because it stated the party's commitment to policies in favour of the reduction of working time, and envisaged an extension of the German model of co-determination and works councils to the European Community level. Finally, the programme dealt with many concerns raised by the new social movements as it included pleads for a greater emphasis on equal rights; a new environmentally conditioned re-orientation of the party's economic policy outlook; and even an end to unchecked economic growth.

Overall, the 'Berlin Programme' had been a valuable attempt to redefine the term 'progress' in the party's economic policy approach by adding a strong 'ecological' component together with an overall more sceptical outlook on 'technological progress'. In the words of one of the programme commissions members, the programme had attempted - more or less successfully - 'to combine the issues raised by the new social movements and link them to the basic principles of traditional social democracy.'[375]

## 5.3.2. An evaluation of the SPD's basic 'Berlin Programme' development process

The chapter on the 'future of work' of the Irsee draft had already indicated that the issue of employment rights would remain at the centre of the SPD's policy priorities. Here, themes included the protection of humans from the uncontrolled needs of capital, and the necessity to make use of modern information and production technologies to further humanise employment. These ideas were linked to the issue of tackling unemployment by calling for a shorter working week (preferably without loss of income), the creation of an improved training infrastructure for employees and the claim that a

[374] Horst Peter, <u>Frankfurter Rundschau</u>, 19/12/1989 (Member of the 'Frankfurter Kreis')
[375] Interview with Thomas Meyer, Bonn, 24/06/1999

greater need for environmental protection could carry positive effects for the creation of new employment opportunities.

In fact, a theme of 'rebuilding industrial society on the basis of ecological requirements' was followed throughout the programme.[376] Here, the SPD emphasised a 'new understanding' of technological progress which was to be anchored between the positivism towards technological progress displayed by CDU and the post-materialistic technology pessimism of the new social movements. In fact, the SPD advocated to distinguish between 'good technology' - such as the use of alternative energy technology - and bad or unsafe technologies - such as nuclear power stations.[377]

A further significant change in the SPD's traditional outlook on society was the strong emphasis on the notion of 'self-fulfilment of the individual' that was placed even above the individual's duty for solidarity.[378] Overall, new Basic Programme documented a change in policy outlook in multiple areas aimed at programmatically widening the SPD's appeal. In fact, influential programme makers such as Erhard Eppler and Thomas Meyer had been able to create a platform from which the SPD could hope to appeal to a new majority (to the left of the CDU/FDP) by attempting to cater for the interests of the 'old as well as new social movements'.[379]

However, after its adoption in December 1989, the new basic programme was widely ignored by SPD policy actors as it failed to enhance the party's electoral performance.[380] Issues in which the SPD had expanded its programmatic competencies and developed new visions, concerning *inter alia* ecology, disarmament and equal opportunities did not widen the party's electoral appeal as expected, even though the loss of the following 1990 general election must be predominantly blamed on the dominance

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[376] Vorstand der SPD - Grundsatzprogramm der SPD, Bonn, 1989, p 39
[377] Vorstand der SPD - Grundsatzprogramm der SPD, Bonn, 1989, p 39
[378] Bok, Wolfgang - Zeitgeist-Genossen, Europäischer Verlag, Frankfurt, 1995, p 181
[379] Vorstand der SPD - Grundsatzprogramm der SPD, Bonn, 1989, p 51
[380] Quite revealingly, Germany's first SPD Chancellor after the adoption of the 'new' basic programme - Gerhard Schröder - did not even bother to mention its existence with one word in his book 'Reifeprüfung - Reformpolitik am Ende des Jahrhunderts' ('testing maturity - reform-policy at the end of the century') that he wrote not even four years after the Berlin Programme had been adopted. (Schröder, Gerhard - Reifeprüfung - Reformpolitik am Ende des Jahrhunderts, Kiepenheuer & Witsch, Köln, 1993)

of issues surrounding unification; the popularity of Helmut Kohl and the rather sober stances the SPD had taken on various unification issues.[381]

In fact, the 'newly' emphasised issues adopted with the new Berlin programme (and the party's 1990 election programme) seemed strangely overtaken by events, as the dramatic process of unification made the electorate feel increasingly vulnerable and look for 'reassuring' policy proposals in the more traditional policy areas of the economy, wealth and security. In addition, Helmut Kohl managed to portray himself successfully as the guardian of stability in times of dramatic change, by reassuring the Western electorate that their lives could continue as they had done in the old FRG, while appealing to the Eastern electorate by promising 'blühende Landschaften' and a rapid catching up process with living standards in the West. In contrast, the SPD's warnings about the spiralling costs of the unification process, the previous (Bundestags-) vote of Chancellor Candidate Lafontaine against the unification treaty and his rejection of a 'one to one' exchange rate with the East German Mark did not help to enhance the SPD's electoral popularity in the East.

The SPD sympathiser and academic Oskar Negt explained the minor impact of the new basic programme by blaming the party's programme makers for having been pre-occupied with integrating issues raised by the new social movements and trying to please everyone, something he felt had made the policy makers blind for considering conditional 'realities'; future programmatic challenges; and to make tough choices. Therefore, Negt critisised the writers of having succeeded in creating a toothless document that ended up 'containing nothing wrong, nor anything right'.[382] In fact, the gap between the issues raised in the programme and the issues that gained prominence throughout the 1990s - as convincingly argued by Wolfgang Bok - clearly showed that the SPD had fallen into a 'Zeitgeist-trap' when developing its new basic programme.[383] According to his view, the party's policy makers miss-read and ignored - at the time - the policy issues that the majority of the electorate would have judged relevant. In fact, while the SPD had offered the electorate a programme that was strong on the 'deeper' issues of a post-industrial

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[381] Kitschelt, Herbert - 'The 1990 German Federal Election and the National Unification', West European Politics, Vol 14, No 4, 1991, pp 121-48
[382] Negt, Oskar - 'Ein Programm des guten Willens, aber ohne Gesellschaftsanalyse', Neue Gesellschaft/Frankfurter Hefte, 8/89, Jg. 36, p 739
[383] Bok, Wolfgang - Zeitgeist-Genossen, Europäischer Verlag, Frankfurt, 1995, p 185

society, the party had not responded effectively to a new national mood that demanded increasingly political answers to 'bread and butter' issues.

Understandably, Hans-Jochen Vogel (head of the SPD during most of the programmes development phase) later expressed his deep frustration with the failed impact of the programme, which he believed 'gave concrete answers to the growing challenges of the future of work, the environment, the worlds 'North-South' divide and international policy co-operation.' In fact, Vogel blamed the neglect of the programme 'on a tendency of the SPD not to utilise detailed policy programmes, to tuck them away and forget about them rather than applying them to the party's advantage', something - he concluded - meant, that 'valuable programmatic resources were commonly wasted.'[384]

Overall, as shown later by the content analysis of the SPD's programmes, the party had been relatively open towards policy pledges dealing with issues raised by the new social movements. However, after this, the programmatic policy discourse became once more increasingly social democratic (emphasising, for instance, policies concerning unemployment and the inequality between the rich and poor) as severe economic problems in the unification aftermath shifted the political agenda away from many of the 'newly' adopted 1980's concerns.[385]

Hence, the increasing economic problems caused by unification and a growing neo-liberal policy agenda meant that the SPD began - in contrast to the policies emphasised in the Berlin Programme - to increasingly embrace neo-liberal policy solutions.[386] This re-direction in policy agenda became already identifiable in the party's run up to the 1994 election.[387] Here, the SPD had realised that the credibility of its 1994

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[384] Hans-Jochen Vogel had not only been the chair of the 'Basic Programme' commission for some time, but he had also been a member of another major SPD programme commission from 1973-75, that had been set up by the party to assess future party policy challenges and responses. The party had swiftly adopted the resulting document 'Orientierungsrahmen '85' in 1985, only to be - similarly to the Berlin Programme - quickly forgotten afterwards. (Vogel, H.-J. - Nachsichten, Piper, München, 1996, p 496)

[385] Jahn, Detlef and Matt Henn - 'The 'New' Rhetoric of New Labour in Comparative Perspective', Western European Politics, Vol 23, No 1 (January 2000), p 34

[386] Jahn, Detlef and Matt Henn - 'The 'New' Rhetoric of New Labour in Comparative Perspective', West European Politics, Vol 23, No 1 (January 2000), p 32

[387] Lafontaine, Oskar - 'Rezession und Massenarbeitslosigkeit bekämpfen', Sozialdemokratischer Pressedienst - Wirschaft, 48. Jahrg., 88, 11/11/93; Fuchs, Anke - 'Wir wollen die nächste Regierung führen', Sozialdemokratischer Pressedienst, 48 Jahrg., 218, 15/11/93; Lafontaine; Oskar - 'Rezession und Massenarbeitslosigkeit energisch bekämpfen (Teil II), Sozialdemokratischer Pressedienst Wirtschaft, 48. Jahrg., 89 , 16/11/93; 'Eine gesamtdeutsche Strategie für Modernisierung, Beschäftignung und

election programme depended on the party's ability to put forward a pragmatic programme with pledges that would shed the party's unpopular high spend and tax image, while adopting at the same time policies that embraced publicly the new market realities.[388]

## 5.4. The significance of 'Looking to the Future' and the 'Berlin' Grundsatzprogramm

Labour's 'Policy Review Process' should also be understood as a successful tool to rid the party of policies that were perceived electorally unpopular, even though the review itself had not been particularly successful in developing a new positive programmatic identity for the party.[389] However, by the end of the 'Review Process' - that had been widely perceived as successful in introducing a new policy making approach to the party - influential voices inside the Labour Party favoured as a consequence the further use of policy commissions as well as think tanks for future policy-making, and in response the party began to set up various commissions for policy development.[390]

Hence, from the review onwards, the Labour Party took increasingly advantage of the expertise, research results and reports that labour friendly think-tanks such as the Institute for Public Policy Research (IPPR), the Fabian Society, Demos and the Employment Policy Institute produced for the party. This meant, on the one hand, that extra expertise was available to overcome the party's structural disadvantage of being in opposition as it enabled Labour to adopt and advocate more detailed policy proposals. On the other hand, this process sidelined Labour's traditional policy-making forums and

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umweltverträgliches Wachstum - <u>Sozialdemokratische Pressedienst</u>, 92, (Teil I) 25/11/93; (Teil II), 30/11/93; Ostertag, Adi - 'Arbeit schaffen statt Arbeitslosigkeit verschärfen', <u>Sozialdemokratischer Pressedienst Wirtschaft</u>, 48. Jahrgang, 07/12/93

[388] 'Die SPD im Konflikt zwischen Finanzpolitik und politischen Mehrheiten', <u>Frankfurter Allgemeine Zeitung</u>, 04/03/1994

[389] Seyd, Partick – 'Labour: The Great Transformation', in Anthony King et al - <u>Britain at the Polls, 1992</u>, Chatham House Publishers, New Jersey, 1993, p 85

[390] For example, in 1989 the trade union leader John Edmonds called for the establishment of a new policy commission (consisting of 200 NEC and conference members) to develop detailed Labour Party policies for two-year rolling programmes. Independently of Labour's usual policy making procedures, a Commission was set up in 1991 to consider alternative systems of proportional representation. And from 1992 onwards, Labour's policy making contained the new Leadership Committee, an Economic Commission (under the chairmanship of Gordon Brown) and the Commission on Social Justice (under the chairmanship of Sir Gordon Borrie). See: Sawyer, Tom – 'Dear Member', <u>New Socialist</u>, June/July 1989, p 11; Seyd, Partick – 'Labour: The Great Transformation', in Anthony King et al - <u>Britain at the Polls, 1992</u>, Chatham House Publishers, New Jersey, 1993, p 90; Taylor, Gerald A. – <u>Labour's Renewal</u>, MacMillan, Basingstoke, 1997, p 137

increased the leaderships control over the party's policy making. However, the increasing role of think tanks and their role of turning around Labour's policy making processes should not be overestimated. In fact, consequences should not be confused with the cause, as it took the Labour Party - as argued by the influential MP Tony Wright - a long time to reach a position in which it felt confident "to use and set up organisations of that kind and then to be confident to deal with what they produce."[391] Hence, organisations such as the IPPR were not necessarily a source for Labour's basic political re-positioning, but instead they were "possibly more an indication of a party that was prepared to re-think things."[392]

SPD actors have also judged the use of commissions to develop party policies as something very positive, in particular as the SPD has been traditionally using these kind of forums - often including outside policy specialists - for a very long time and on a regular base.

The party's former general secretary Peter Glotz has emphasised the usefulness of party policy commissions as he believes that the composition of the SPD's membership has been growing increasingly unrepresentative of the wider German public. In addition, he has pointed out that with the help of commissions, parties' could thoroughly remain in control of the final policy choices they are going to make as commission proposals 'still have to pass party processes that continue to judge, if proposals developed by an expert commission are acceptable to the party' or not.[393] Similarly, Friedhelm Farthmann underlined that 'ideas may well be developed by elite thinkers - not necessarily the leadership - but they must then be allow to be tested, accepted or rejected at the party's rank and file level',[394] while Hans-Jochen Vogel emphasised that commission recommendations have to be ultimately designed and implemented at the political level.[395]

### 5.4.1. Conclusions drawn from Labour's and the SPD's policy reform processes

The Labour Party's 'Policy Review Process' and the SPD's 'Basic Programme' development processes clearly showed that both parties had recognised that they had to

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[391] Interview with Tony Wright, London, 01/02/2000
[392] Interview with Tony Wright, London, 01/02/2000
[393] Interview with Peter Glotz, Erfurt 14/06/1999
[394] Interview with Friedhelm Farthmann, Düsseldorf 24/06/1999
[395] Interview with Hans-Jochen Vogel, München 21/06/1999

deal programmatically with increasingly apparent shortcomings of their policy programmes as their electoral popularity remained weak after various electoral defeats. Hence, both parties engaged in a significant process of policy streamlining and change with the aim of re-establishing a coherent 'alternative' policy vision that could re-unite the parties, give them a new sense of purpose, tackle newly evolving policy challenges and lead them eventually back into government office. Furthermore, specific emphasis was placed on the fact that all levels of the parties should be involved and enabled to contribute to the formation of the parties' reformed policy outlooks.

A further factor behind both parties need to engage in programmatic reorientation played - no doubt - demographic developments. The parties membership structures as well as the composition of their voters had changed to their disadvantage. Both party's membership had steadily declined, while the majority of newly recruited members did not belong any longer to the traditional core membership groups previously represented by both parties. Hence, the re-composition of the electorate and party members called for strategic changes in the parties policy appeal, something that had to reflect the overall changes that were taking place in both countries development towards post-industrial societies and service sector economies with white collar employees increasingly outnumbering blue collar workers.[396]

Similarly, a polarisation of policy ideas among party members and decision-makers had taken place inside the Labour Party and the SPD that had to be dealt with (even though conflict lines in both parties were based on different issues). In the case of the Labour Party, conflicts had arisen between party's traditionalists on the right and the socialist left and later between 'new' and 'old' labour, while in the case of the SPD the ideas of the traditional right had clashed increasingly with those of the post-materialist and liberal left. Here, consistent intra-party arguments had made the SPD as well as the Labour Party appear divided, which had weakened their ability to present their policy agendas convincingly as an alternative to their conservative counter-parts ideas of neo-liberalism. In this case, policy makers accepted the need to engage in a process aimed at modernising and re-assessing traditional policy positions inside their parties as well as the attempt to demonstrate a 'new' degree of policy credibility to the electorate.

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[396] Ladrech, Robert and Philippe Marlière (ed) - Social Democratic Parties in the European Union, MacMillan, Basingstoke, 1999, p 86-7, 104

However, there were additional party specific factors that encouraged them to engage in the policy review processes. According to views expressed by most Labour Party policy makers during the interviews, the policy review was also motivated by the need to rid the party's programmes of its electoral legacies and negatives as much as possible, and to make the party's policy positions correspond more closely to "opinion polls and private qualitative research" with the party's Shadow Communications Agency providing "information on public attitude about policy for most groups and made suggestions" about appropriate policy choices and presentation.[397] Hence, the 'Policy Review Process' was clearly intended to provide a set of policies with which Labour could win the next election.

In contrast, the development of the Berlin Programme had rather been an attempt to synthesise the interests and values of the traditional employee wing with the new political demands of the post-materialist members of the younger generation and middle-classes, to interrelate the challenges of a changing industrial society with ecology, the welfare state and globalisation in order to attempt to set up a new alliance of increasingly more varied groups in society.[398]

Labour's 'Policy Review Process' and the SPD's development process of a 'new' basic programme are two very good examples of two simultaneous attempts to engage the parties in substantial policy reforms to rectify programmatic weaknesses, but without a newly developed sense of an alternative vision or the ability of major paradigmatic change.

In fact, both review attempts were - in spite of all the good intentions and the recognition that substantial policy change was necessary for all the previously described reasons - held back by strongly institutionalised policy beliefs and a still active Keynesian-led economic policy paradigm. In that sense, both reviews were major indicators of a forthcoming shift, but at the same time an example of how strongly path dependent policy making remains, even after both parties had realised that their consistent election losses had to be - at least - partly blamed on programmes that failed to appeal sufficiently to the

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[397] Butler, David and Dennis Kavanagh - The British General Election of 1992, St. Martin's Press, Basingstoke, 1992, p 53
[398] Meyer, Thomas - 'Der Blair Effekt', in Thierse, Wolfgang (ed) - Ist die Politik noch zu retten? Standpunkte am Ende des 20. Jahrhunderts, Aufbau Verlag, Berlin, 1996, p 228

electorate as it was deemed not to offer adequate responses to changing political and economic challenges.

However, there is also another useful role of long-winded party policy review processes that should be mentioned. In his autobiography, Hans-Jochen Vogel has pointed out his belief that the actual programme output is not necessarily the most important aspect of the work within policy commissions during party policy reviews processes. In fact, the work within commissions creates a useful inner-party process that encourages dialogue and consensus building among the various commission members and the conflicting interest groups they represent. In particular, as this co-operative process of policy-making is witnessed by all the other party actors and therefore often encourages party members to re-focus their energies and interests on common aims and ideas rather than to waste them on inner-party conflicts.[399] This then leads to an overall de-fusion of the sharpness of divisions among various party factions and leadership personnel within the party. Here, David Hill added his observation that the "review gave an opportunity to people to be taken along the process...they were part of it...[and] there was at least some form of consultation" which was necessary to "achieve change as a whole" party.[400]

Overall, although successful, both programmatic reviews failed to spark major policy innovations or an electoral revival (instead being only steps on the way towards an overall paradigm shift) as both parties policy makers avoided to consider and engage in more substantial reforms that would have questioned further the parties Keynesian paradigm and proposed alternative approaches. In fact, party policy makers were held back by their traditional paradigm and past institutional policy legacies,[401] with both parties unable and unwilling to open themselves towards considering substantial aspects of neo-liberal policy approaches. In fact, only when both parties reached the mountain top of paradigmatic change (during the mid- and late 1990s) did they regain electoral majorities as they were able to play a 'pro-active' role of acting as the more caring and socially aware executioner that could be trusted to implement necessary - let us say neo-liberally inclined - political and economic transformations.

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[399] Vogel, Hans-Jochen - <u>Nachsichten - Meine Bonner und Berliner Jahre</u>, Piper, München, 1996, p 59
[400] Interview with David Hill, London, 26/08/99
[401] The Labour Party tried to regain its political credibility after years of radicalism and the 'loony left' image of the early 1980s, while the SPD aimed at integrating issues of the new social movements into its programme that had already peaked in popularity during the late 1980s.

# Chapter 6: The Labour Party and SPD: Comparative elements of party reform and actors' evaluation of policy change

## 6.1. Organisational change and procedural reforms

During the Labour Party's and the SPD's long period in opposition, both parties engaged in considerable change and reform of institutional procedures as well as change in fundamental policy positions. This chapter looks at the most important institutional changes that took place within the parties' and then assesses party actors' interpretations and evaluations of policy processes in order to establish in a comparative way if common patterns, perceptions and actions can be identified.

### 6.1.1. The organisational reform and policy transformation of the Labour Party

The Labour Party's loss of government in 1979 was followed by a political backlash to the left, which called successfully for a variety of programmatic as well as party institutional changes aimed at undermining the power of the party's leadership, while strengthening at the same time the role of the annual party conference and the trade unions. Here, the left was able to introduce, for instance, the mandatory re-selection of constituency MPs and an electoral college for the election of the party leadership (see Chapter 2).

A combination of factors, such as Labour MPs leaving the party to found the rival SDP; Labour's disastrous 1983 general election defeat; and Neil Kinnock's election as party leader led to the establishment of a new leadership that was strongly committed to reforming the party. In fact, the reforms of the party's organisation envisaged by Kinnock became the base for a reform project that was to be continued and concluded years later under the leadership of John Smith and Tony Blair. Pippa Norris argued that the main motivation behind the reform of Labour's party organisations and its programme had

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been Neil Kinnock's overriding goal "...to purge Labour of its image as an extremist and divided party."[402] This was confirmed by Labour veteran David Hill who argued that the main activity within the party between 1983 and 1987 had been to purge the left, which was a precondition and followed up by the policy moderation and modernisation of the party.[403]

The reform efforts started under Neil Kinnock had been targeted at increasing the power of the party leadership in order to re-gain greater central control over the party's policy-making, electoral campaigning, policy presentation and the co-ordination of party activities, with policy decisions envisaged to be increasingly taken by the PLP (which was seen as supporting policies identical to the party leadership). In fact, most other party forums were eventually weakened and their influence over party policy-making and strategy were substantially reduced. Reforms included the reversal of the party reforms pushed through by the left during the early 1980s and hence the abolition of the 'new' electoral college as well as the ending of the trade union block vote and its replacement with a 'one member one vote' system; and a greater central control over the selection of constituency candidates for the House of Commons.

David Butler and Dennis Kavanagh argued that the leadership had succeeded in passing policy making increasingly from the conference and NEC to the joint NEC/Shadow Cabinet policy groups, in which the party's shadow spokesman usually held the initiative. According to one Blair adviser, the party leader believed that this shift in policy-making power was of great importance as it not only re-enforced central party control, but also made it easier to cater for the policy-making requirements of the mass media age in which - as Blair was convinced - "policies had to be primarily formulated to win elections."[404] If this was true, then a significant shift in the party's perception of policy-making had taken place. In fact, a shift had taken place away from Labour's previously ideology based policy choices towards a far more pragmatic approach towards policy making that strongly emphasised the presentational requirements of policies and will to gain office.

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[402] Norris, Pippa - 'Labour Party factionalism and extremism', in Heath et al (ed) - Labour's last chance? The 1992 election and beyond, Cambridge University Press, Cambridge, 1994, p 173
[403] Interview with David Hill, London, August 1999
[404] Butler, David and Dennis Kavanagh - The British General Election of 1997, MacMillan, Basingstoke, 1997, p 61

In order to reduce the influence of trade unions member votes in party decision making processes, a 'levy plus' model was introduced in the early 1990s that deprived members of unions associated with the Labour Party of their automatic vote in party decision making processes. Instead, special membership conditions were offered to those union members.[405] In addition, the Labour leadership felt the need to reduce the party's reliance on trade union funds by initiating successfully a major membership recruitment drive that led to the party depending by the late 1990s for less than half of its overall income on trade unions contributions.

A further highly symbolic step taken by the party leadership was the amendment of the party's constitutions Clause IV (defining the aim of the Labour Party to promote nationalisation and public ownership)[406] that was substituted in 1995 by a far more 'moderate' and redefined statement of party aims and values that rooted the party firmly among Europe's social democratic mainstream.[407] Even though Tony Blair encountered staunch opposition from the trade unions and the left of the party, he eventually succeeded in pushing through this notable change to the constitution. He was crucially helped in this attempt by influential and senior left-wingers such as Robin Cook who had previously strongly rejected demands for a change to Clause IV. In fact, this time Robin Cook went to great lengths to publicly reassure the left of the party that the rewriting of Clause IV served only "the objective...not to drop common ownership, but to focus it on the circumstances where it is appropriate."[408] In fact, the new version excluded any references to the party's aim of extending public ownership, and advocated instead "a

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[405] Union members were offered to pay a discount £3 Labour Party membership levy on top of their trade union membership fee, if they wanted to become party members with the right to take part in inner-party electoral contests.

[406] The most controversial part of the 'old' (1918) Clause (IV, 4) stated: "To secure for the workers by hand or by brain the full fruits of their industry and the most equitable distribution thereof that may be possible upon the basis of the common ownership of the means of production, distribution, and exchange, and the best obtainable system of popular administration and control of each industry or service." (Labour Party - Labour's Objects: Socialist Values in the Modern World, London, 1994, p 4)

In contrast, the rewritten Clause IV from 1995 (2a) emphasised the need for the party to work for a "dynamic economy...in which the enterprise of the market and the rigour of competition ...produce the wealth the nation needs." (Labour Party - The Labour Party Rule Book, London, p 4)

[407] Blair, Tony - 1994 Conference Speech in, Labour Party - Labour's Objects: Socialist Values in the Modern World, Labour Party, London, 1994

[408] The Times, 26 January 1995

dynamic economy...in which the enterprise of the market and the rigour of competition are joined with the forces of partnership and co-operation...(in) a just society."[409]

Furthermore, the new Clause IV addressed the party's policy making orientation by committing the party to "an open democracy" (['new'] Clause IV, 2c, 1995), hence demoting the traditional link with trade unions, which had been described in the old Clause IV as "the main grouping the party is linked with" (Clause IV, 2, 1918).

Gerald Taylor rightly concluded that the challenge to change Clause IV contained two major aspects: Firstly, it was the aim of the modernisers to amend the ideological commitments enshrined in Clause IV, which they perceived as outdated. Secondly, the actual process of abandoning the 'old' Clause IV carried a substantial degree of symbolism, as the party's ability to overcome 'old' Labour clearly demonstrated to the public the strong degree of control held by the 'reformer' Tony Blair over his party.[410] It also demonstrated Labour's continuous move towards the political mainstream similar to those continental parties, on the centre-left with Labour's former deputy leader Roy Hattersley, one of the traditional advocates of Croslandite revisionist social democracy, welcoming the reform of the Clause as proof that Labour had finally turned itself into a social democratic party.[411]

However, the party reform did not finish with the highly symbolic change of Clause IV. As Steven Fielding pointed out, while some inside the party had hoped that the new Clause IV had meant a climax and an end to the internal reform process of the party, for Tony Blair and his followers the need to change Clause IV only demonstrated the necessity for further modernisation.[412] In fact, as concluded by Tudor Jones, the modernisation of the party machinery and programme were intended by the leadership to bring about an ideological re-foundation of the party's values and ideas.[413]

Hence, immediately after taking up the party leadership, Blair engaged in a wide-ranging agenda of continuous modernisation, which entailed (a) the final abandonment of

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[409] Labour Party - New Labour, New Britain: The Guide, London, 1996, p 60, cited in Fielding, Steven - The Labour Party, Manchester University Press, 1997, p 148-9
[410] Taylor, Gerald R. - Labour's Renewal? MacMillan, Basingstoke, 1997, p 169
[411] 'Tone of the times', The Guardian, 27 April 1995
[412] Fielding, Steven - The Labour Party, Manchester University Press, 1997, p 149-50
[413] Jones, Tudor – Remaking the Labour Party, Routledge, London, 1996, p 147

the union block vote and a general decrease of union influence and party reliance on union funding; (b) a drive to increase mass membership of the party; and (c) a greater centralisation of the party's decision-making structure, while attempting to increase the party's responsiveness to party members. Strategically, Blair aimed to re-occupy the political centre ground and move beyond the traditional notions of left and right as well as the divisions of socialism versus capitalism.[414]

Finally, a continuous professionalisation of Labour's election campaign machinery began in 1987 that included by 1997 the development of a database to enable instant Labour PR rebuttals; the use of targeted telephone canvassing; a transparent and supportive campaign structure; flexible campaign planning; and the development of policy presentation built around a programme of themes which each contained a set of consistent messages (see Chapter 3).

Not surprisingly, the continuous policy changes under Tony Blair faced numerous inner-party critics. For instance, Bryan Gould (former shadow minister and party leadership contender in 1992) argued that the necessary modernisation of Labour had already occurred before the 'New' Labour modernisers around Blair ever took control of the party. In his words, "the reappraisal of Labour policy, the rethinking of the relevance of Labour principles to modern circumstances, the recognition of people's aspirations as well as their needs,...the reaching out to a new majority – all of this was already being undertaken by many Labour thinkers and activists who did not see the need for 'New' Labour."[415] In addition, Gould – who left British politics shortly after 'New Labour' had taken control - claimed that 'New' Labour, instead of meaning the updating or modernisation of the party stood for a complete break with its past as well as for a rejection and denouncement of Labour Party tradition, hence leading to a situation in which - as Gould bitterly called it - " 'New' Labour... is meant to be 'Not' Labour."[416]

### 6.1.2. The organisational and policy transformation of the SPD

The idea of reforming the SPD's party machinery had been raised under the party chairmanship of Björn Engholm. At the 1991 Bremen party conference, a 'commission for

[414] Butler, David and Dennis Kavanagh - The British General Election of 1997, MacMillan, Basingstoke, 1997, p 51
[415] Gould, Bryan – 'The long retreat from principle', New Statesman, 29 January 1999, p 45
[416] Gould, Bryan – 'The long retreat from principle', New Statesman, 29 January 1999, p 45

reform' was set up to recommend procedures that would help to extend inner-party democracy as well as increase the ability of the party's members to participate in the party's decision making processes. Most of the commissions recommendations were used in a new SPD 'Organisationsstatut' that was adopted at the party's 1993 conference. They contained an extension of direct involvement in party decision making to the party's rank and file by introducing the possibility of direct leadership elections, inner-party plebiscites and membership consultation exercises.

A major motivation behind the modernisation of the party structure was the fear that the SPD was loosing its innovative edge; that it was growing increasingly unattractive for potential new members, while it was growing increasingly unrepresentative for society.[417] Furthermore, as described by Herbert Kitschelt, the reform of the SPD inner-party organisation was an attempt by the leadership to "free itself from the powerful countervailing forces struggling inside the party and stake out a consistent strategy" that would help to overcome the "organisational and strategic paralysis and indecisiveness [encountered by the SPD] throughout the 1980s."[418]

In fact, many recommendations made by the commission were eventually adopted. Although the introduction of 'consultative membership inquiries' (konsultative Mitgliederbefragungen) were eventually rejected by the majority of the party's Antragskommission (conference composite/partition commission), the party executive gained nevertheless a powerful tool by winning the ability to initiate and call for decision-making votes among the party's membership.[419]

Evaluating the reform outcomes further, it must be said that doubts have remained over the question, if the new organisational tools embraced by the SPD have had any major positive impact. In fact, the first direct election of the party leader by members - won by Rudolf Scharping - ended in huge disappointment, when his performance in office was generally judged as 'weak', something that led to his replacement - by popular

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[417] For a detailed account of the problem see: Glotz, Peter - 'Die politische Krise als Kommunikations-Krise', Das Parlament, Aus Politik und Zeitgeschichte - Beilage zur Wochenzeitung, 27 August 1997, B36-37/97

[418] Kitschelt, Herbert - The Transformation of European Social Democracy, Cambridge University Press, Cambridge, 1994, p 247

[419] However, the SPD party leadership does not hold the same kind of power then Labour's leadership. In contrast to the Labour Party where the Parliamentary Labour Party (PLP) has (apart from the early 1980s) traditionally being placed right at the centre of the party's policy decision-making, the polarisation between the SPD's parliamentary party and the SPD party organisation (Fraktion und Partei) remained a strong feature of the SPD's policy making structure.

demand - (at the 1995 Mannheim party conference) by Oskar Lafontaine. Subsequently, the implementation of further inner-party reforms were put on hold or progressed very slowly as the party's leadership decided to prioritise the issue of policy change.

However, various examples exist where party rank and file members have voted successfully and directly on questions of Länder party candidates and strategy, for instance by choosing a candidate for the position of (Bremen) mayor; a preferred coalition partner on Länder level as well as the party's candidate for the Berlin senate elections.[420]

The SPD also advocated the idea of opening the party organisation further towards non-members in order to aim to become increasingly a forum for dialogue among citizens. Here, the adoption of new rules allowed non-party members to put forward petitions at local party level and to stand on local party lists. The underlying idea was to enable non-party members to contribute to the work of the party, work in policy forums and project groups, while the new rules were also envisaged to encourage and enable new party members to jump the party hierarchy and rise faster through the organisational ranks. Here, Peter Glotz argued that the party institutional changes signalled the SPD's abandonment of its traditionally 'stale' and increasingly unrepresentative party composition, as the party aimed to develop inner-party policy-making mechanisms that would recognise and appeal more successfully to the new groups in society that would not be prepared or able to join a traditional party organisation and succeed in its mechanisms for choosing candidates.[421]

Even though the general embrace of party members of the inner party reforms had been at times rather lukewarm, with direct inner-party local or Länder level votes still remaining the exception rather than the norm, the new procedures still offer real potential and could eventually be extended to include direct inner-party decision-making participation at the federal level. In fact, attempts for inner-party reform do not appear to have finished with the SPD's move into government office in 1998. For instance, at the forefront of the reform movement has been the party's general secretary Franz

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[420] Jun, Uwe - 'Innerparteiliche Reformen im Vergleich: Der Versuch einer Modernisierung von SPD und Labour Party', in Borchert (ed) et al - Das sozialdemokratische Modell - Organisationsstrukturen und Politikinhalte im Wandel, Leske und Budrich, Opladen, 1996, p 222-23

[421] Glotz, Peter - 'Die politische Krise als Kommunikations-Krise', Das Parlament, Aus Politik und Zeitgeschichte - Beilage zur Wochenzeitung, 27 August 1997, B36-37/97

Müntefering who proposed a ten point paper in early 2000 that advocated the introduction of US style pre-elections for party candidates (even open to non-members); national level plebiscites, as well as internet links for all 12500 local SPD party organisations in order to extent public participation in party policy presentation and decision making.[422]

Overall, the degree of institutional and programmatic change encountered by the SPD during the final years in opposition has been far less drastic than that of the Labour Party. However, policy and presentational professionalisation have also been of increasing importance to the SPD, in particular after the Labour Party's great electoral success of May 1997. Planning in great detail the SPD's electoral campaign, the party used the pragmatic Franz Müntefering and Bodo Hombach (frequently referred to as the German Peter Mandelson) as election campaign co-ordinators. In fact, Hombach confirmed the SPD's intention to run a highly personalised 1998 election campaign, and while recognising the importance of an election programme, he expressed his believe that the electorate was far more interested in the personal views and beliefs of the party's Kanzler-candidate.[423] Hence, the SPD's 1998 election campaign ended up focusing strongly on its candidate Gerhard Schröder.[424]

In fact, this approach was not only inspired by the election machine used by the Labour Party, but Labour's Peter Mandelson and Philip Gould as well as US president Bill Clinton's electoral campaign advisers Doug Schoen and Henry Steinkopf were directly involved in advising the SPD's campaign headquarters on how to 'standardise' and increase the 'effectiveness' of the party's 'communication' machinery.[425]

In contrast to the Labour Party and the cohesive policy ideas of its leadership, the SPD was faced with the problem of a difference in economic policy visions expressed by its Kanzler-candidate Gerhard Schröder and the party leader Oskar Lafontaine.

[422] Knaup, Horand - 'Zehn von außen', Der Spiegel, 10 April 2000

[423] 'Schröders Botschaft soll auf eine Scheckkarte passen' – Welt am Sonntag, 15/03/1998

[424] Franz Müntefering chaired the so-called 'Leitungskreis' comprised of Peter Struck, Pit Weber, Bärbel Diekmann, Christine Bergmann, Bodo Hombach und Carsten-Uwe Heye which was responsible for all election campaign strategy decisions. Spin-doctoring were Müntefering's former office manager Matthias Machnig (overall co-ordination), Michael Donnermeyer as well as Bernd Schoppe (head of the department for communication and elections). (W&V, 16/98, p 71)

While Gerhard Schröder favoured the predominant use of labour supply-side measures to improve the attractiveness of Germany as a 'Standort' (location) for capital investments (to improve the competitiveness of the country as a location for industry), Oskar Lafontaine advocated Keynesian style finance policies of tax reduction and/or increases in public spending in times of recession as well as tax increases and public spending reductions in times of boom.

In fact, Gerhard Schröder argued that "the protection of national markets with the help of national policies had become impossible. Even though international approaches were possibly of good intention, they were generally bound to fail due to different national self-interests - such as the use of comparative cost-advantages of reformed industrial competitive structures - which would make them ineffective."[426]

In contrast, Lafontaine called for a substantially greater co-operation between countries on an international level in order to improve macro-economic convergence and to develop common strategies to secure sustainable growth.[427] He warned, furthermore, of the risks of countries engaging in a 'downward' competition on social standards. Therefore, he envisaged that "the rich countries should hold on to their high standards of wealth and social security for the majority of its people with the help of fair competition policies to safeguard proper social and ecological standards, a stable international currency system, as well as a high degree of economic policy co-ordination between the larger industrial nations that should make it possible to develop a policy consensus between the countries of the north and the south.[428]

Lafontaine's resignation in March 1999 as Minister of Finance - after only five months in office - clearly showed which of the two approaches had succeeded or alternatively which approach had proven to be politically un-implementable. Here, it must be pointed out that the success of Schröder's approach had been predictable as it had been consistent with the party's programmatic developments throughout the 1990s.[429]

[425] Ruzas, Stefan - 'Marketingkommunikation – Im Wechselfieber', W&V, No 16, 17 April 1998, p 70-1
[426] Gerhard Schröder's speech at the congress 'Innovationen für Deutschland, Bonn, 21/05/1997, p 1, cited in Unger et al – New Democrats, Elefanten Press, Berlin, 1998, p 153
[427] Lafontaine, Oskar and Christa Müller - Keine Angst vor der Globalisierung - Wohlstand und Arbeit für alle, Verlag J. H. W. Dietz Nachfolger, Bonn, 1998, p 79-81
[428] Lafontaine, O. and C. Müller - Keine Angst vor der Globalisierung, Dietz, Bonn, 1998, p 81
[429] See quantitative and qualitative programme content analysis in Chapter 8

In fact, even though both positions were seemingly still presented and advocated on equal terms inside the party by Schröder and Lafontaine until well into the period of the SPD's win of government office in 1998, Schröder's position had long before gained programmatic dominance.

Finally, we should not forget to briefly mention that both, the SPD as well as the Labour Party, witnessed a significant change in the roles and fortunes of their countries trade union movements during the 1980s and 1990s. As a result, both parties saw substantial changes in their relationship with the unions and a weakening of the communality of interests. In particular the Labour Party substantially loosened its previously very close institutional as well as financial ties with the countries trade unions. Overall, both parties weakened their link with the unions in order to re-orientate their strategy and policy outlook as well as to attract new voters that were rather weary of the parties previously strong link with the unions (see also Chapter 2).

### 6.1.3. Inner-party change - differing and common features between Labour and the SPD

The Labour Party as well as the SPD witnessed substantial inner-party organisational reforms that led to an increase in influence and control over policy-decision making by the parties leaderships as well as an increase in the means for direct participation of the parties rank and file. The losers of these reforms were predominantly delegates and party activists as well as the leaderships of the trade union organisations affiliated to the parties. The introduction of direct membership plebiscites on party leadership personnel decisions and/or policy programmes can be interpreted as an increase inner party democracy that - in the words of Ian McCartney - "opened up the party in a way that no one has tried before, empowering members to participate in policy making. It has been a huge cultural change."[430]

However, in parallel an increased use of opinion polling and focus groups to decide upon policy contents took place that underlined at the same time the growing importance of the wider public opinion rather than a furtherance of party member involvement. Here, party leaderships gained further autonomy, as they were increasingly able to claim successfully that they were accountable and responsive to a greater variety of

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[430] Interview with Ian McCartney, New Statesman, 08 July 1999

interests than previously (such as the wider public and not just party members due to the use of public opinion surveys and focus groups; commissions; think tanks, academics, outside specialists and party members).

While consultation exercises with the above mentioned groups may help to make policy development more functional and reduce the ability of the leadership to be preoccupied with their own personal concerns, the vast number and often vague inputs of those policy influence components, however, ultimately enables leaderships to play off different interests against each other, and to pick and choose recommended policies felt appropriate, as control from party rank and file as well as party functionaries on policy decisions has been decreasing. Hence, the accountability of the parties leadership to various party institutions has decreased as a result of both parties organisational reforms during the 1980s and 90s.

The opening of both parties to non-members - directly or indirectly - by using increasingly 'specialists' and 'interested groups' as well as commissions or think-tanks has not only been a way to gain extra 'objective' outside expertise for party policy making, but also a way to increase the general level of party participation and to integrate more party sympathisers in party processes. After all, both parties were motivated to engage in an overall review process of their organisations in order to regain policy credibility and the ability to challenge more effectively political rivals.

After having briefly looked at the parties attempts to change their policy making structure and to open themselves up to the wider public, we can now move on to assess the perceptions and evaluations of Labour and SPD policy actors involved in the parties programmatic and institutional transformation processes during the 1980s and 1990s.

## 6.2. Actors' perceptions and evaluation of Labour's and the SPD's policy development

Before engaging in the content and statistical data analysis of the Labour Party's and the SPD's policy changes in the following chapters, we must firstly look at the evidence that can be drawn from the interviews conducted with Labour Party and SPD policy actors. Actors' perceptions of events; their individual explanation of policy change; and in particular the change to their own policy convictions and beliefs has been the focus of the conducted interviews. Even though the evidence from the interviews with policy

actors is not necessarily self-explanatory and at times rather sketchy - as actors explanations cannot offer an overall inside in the greater picture of policy formation - they do, however present a revealing snapshot observation of formation processes that can be used to assist in confirming and substantiating policy trends and underlying actor motivations identified in this study.

In fact, it is important to remind ourselves that party functionaries should not be expected of having solely evaluated possible choices within their party position, but also (and probably more importantly) as 'representatives' of their own perceptions and beliefs. In addition, interviews have been a useful source of information as - in the nature of parties - discussions among actors also take place informally or without any written trace to constitute evidence. This is despite the fact, as pointed out by Janet Buttolph Johnson and Richard Joslyn that interviewees may possibly behave unnaturally, or be reluctant to admit in an interview that their actions have been guided by a different paradigm or that they have even failed to understand the need or importance for a change in party policy.[431]

Finally, limitations within the official requirements of the size and structure of this thesis have meant that only excerpts from various interviews could be used mainly as evidence for, or to illustrate an argument. This way, however, we have been able to avoid excessive reliance on this kind of source for evidence, a circumstance that has helped us to avoid the pitfalls of actors sometimes distorting memories and motivations of past events, as the evidence drawn from interviews has been limited and can be looked at from some distance. Interviews have frequently been criticised for providing material that neglects the embeddedness of interviewees in social interactions, institutions or contextual conditions.[432] However, as this thesis uses data from interviews only to a limited degree and in order to gain some understanding of actors' motives and their evaluation of circumstances, risks of over reliance have been mostly averted.

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[431] Buttolph Johnson, Janet and Richard A. Joslyn - 'Making Empirical Observations: Survey Research and Elite Interviewing' (Chapter 8), in Buttholph Johnson, J. and R. A. Joslyn - Political Science Research Methods, CQ Press, Washington DC, 1991, p 158

[432] Kvale, Steinar - Interviews - An Introduction to Qualitative Research Interviewing, Sage Publications, 1996, London, p 292

A variety of Labour and SPD party actors were chosen for the interviews on the base that they had either been actively involved as key figures in their party's formation of policy paths and choices or that they have been able to witness thoroughly developments from within the parties that have enabled them to offer a competent evaluation of the processes that had been taking place.[433] Hence, the data derived from the verbal face-to-face questioning of Labour Party and SPD political actors or advisors can be expected to be able to give a more practical 'real world' account of the factors that had influenced their own or colleagues policy-making decisions. Politicians and party functionaries were chosen for this study on the base of representing the parties key 'policy elite's', 'insiders' or 'opinion-leaders' (Meinungsführer) in the policy area under investigation, with the data collected from interviews being intended to add further detail and provide an additional account of points made in a more scientific way in previous and following chapters.

In fact, interviewed key actors were identified according to their activities and/or responsibilities held within their parties during relevant and specific periods in time. They were identified during the research for this study as their roles were referred to in intra-party publications and/or the general literature on the parties as well as by recommendation from other interviewees.

Here, elite interviews - as described by George Moyser - provided additional information about actors motives, understandings and outlooks which help to explain actions and constraints in policy-making.[434] In fact, talking to those in leadership positions became an excellent way of checking theory against their actual behaviour and evaluation, with questions being focused on the changes of individual actors policy beliefs (over time) and the judgement of their party's labour market policy and paradigm changes.

Hence, in this study elite interviewing has been used to gain a greater understanding of the behaviour and thoughts of long-term party political professionals,

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[433] Interviewees: <u>Labour Party</u> - John Braggins; David Hill; Dr Tony Wright; Lord (David) Lipsey; and Neil Kinnock. <u>SPD</u> - Björn Engholm; Prof. Dr. Friedhelm Farthmann; Anke Fuchs; Prof. Dr. Peter Glotz; Dr. Thomas Meyer; Adi Ostertag; Helmut Rohde; Ottmar Schreiner; Dr. Sigrid Skarpelis-Sperk; and Dr. Hans-Jochen Vogel. See Appendix I for a more detailed description of the positions held by the interviewed policy actors', questions used and the key for analysis. Appendix II as a guide to the author's questions.
[434] Moyser, George - 'Non-standardized interviewing in elite research', in Burgess, Robert G. - <u>Studies in Qualitative Methodology, Vol 1</u>, JAI Press, Greenwich, 1988, p 114

with responses being utilised as additional qualitative empirical data to verify the accuracy as well as the findings and conclusions drawn from other sources.

Describing the initial problems the Labour Party faced when entering opposition in 1979, David Hill believed that "the great problem was that the Labour Party's attitude towards the labour market, towards business, towards the market was very similar to the attitudes it had in 1945." In fact, Hill expressed furthermore his believe that this problem was only rectified when Tony Blair succeeded in changing the highly symbolic Clause IV of the party's constitution as this was "essentially the big statement about the relationship between government and the market".[435] Similarly, Tony Wright argued that the Labour Party represented at that time "the state that was in retreat, the working class that was in retreat, the union movement", eventually ending up with "every idea that we had...[being] un-modern, anti-progressive in crucial ways, and deeply conservative..." as Labour "had become the party...instinctively against any change" which hence manoeuvred itself into "a debilitating position".[436] This explained, according to Wright, why Labour governments were - at that stage - associated by the public with economic crises, while markets lost all their confidence in the ability of a Labour government to be able to manage successfully the economy.[437]

David Hill expanded on this by describing the Labour Party of the period between 1976-1986 as holding on to the view "that people - by large - still had the same old values, still had the same old approach - essentially very high public spending, very high level of public ownership, because the Labour Party had been so introspective during those 10 years and had spent so much time arguing with itself, it had lost track of the fact that out in the wide world things had changed dramatically."[438] Hill concluded that "what was needed by the Labour Party was to be released from this stranglehold. And it required three election defeats before it really began to understand that it had to do something" and fundamentally change policies and structure.[439]

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[435] Interview with David Hill, London, 26/08/1999
[436] Interview with Tony Wright, London, 01/02/2000
[437] Interview with Tony Wright, London, 01/02/2000
[438] Interview with David Hill, London, 26/08/1999
[439] Interview with David Hill, London, 26/08/1999

Here, the SPD's former general secretary from 1981-87 Peter Glotz pointed out, that the most important motivation behind the party's policy change had been the recognition that conditions had changed and that old policy subscriptions could not be successfully applied any more. Here, he used the example of the French government under the leadership of François Mitterrand in the early 1980s which attempt to implement a Keynesian inspired policy approach and failed as the approach had seized to be functional.[440] Similarly, Anke Fuchs argued that 'after 16 years in opposition, we [the SPD] must face today's realities, and therefore old programmes may be of no use', concluding that 'reality is the true engine of policy change', although 'policy change does not take place without controversy and fractures which are often complicated developments.'[441]

Not surprisingly, most policy actors expressed during the interviews that the tension between changing conditions and traditional party approaches and beliefs together with electoral failure were the main factors for initiating shifts in personal as well as overall party policy approaches.

### 6.2.1. Actors evaluation of major influence components on party policy change

Actors were asked about the influence components they felt had been most influential in determining their parties programmatic reforms in LMP. Here, one of the most prominent responses found among the interviewees was that in addition to responding to the specifics of the domestic LMP situation as well as agenda's chosen by their national political opponents (in government), both the Labour Party as well as the SPD looked for new policy ideas and strategies intensively to their European social democratic sister parties that were 'electorally' successful.

Without wanting to engage in a discussion on the currently growing body of literature stressing the importance of 'policy transfer' processes in which knowledge of policies and strategies are used by one actor (government, country or party) and can become the foundation of policies and strategies developed by a different actor at a different time and/or place,[442] the interviews with party actors clearly indicated that

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[440] Interview with Peter Glotz, Erfurt, 14/06/1999
[441] Interview with Anke Fuchs, Bonn, 23/06/1999
[442] For a comprehensive survey of 'policy transfer' literature see: Dolowitz, David P. and D. Marsh - 'Who learns what from whom? A review of the policy transfer literature', Political Studies, No 44, 1996, pp 343-57

'policy ideas' successfully applied by one social democratic party or government could become of substantial influence to another sister party. In other words, Labour as well as SPD policy actors confirmed that they had not only been looking abroad at other parties for policy and strategic ideas, but that the performance of other party's had had a distinct influence on their own policy preferences and perception of choices.

For example, Peter Glotz argued that during inner-party discussion processes 'one looks at what social democrats are doing in other countries such as Holland or England'. With regard to the fact that Gerhard Schröder succeeded within the SPD with his policy ideas against those of Oskar Lafontaine, Glotz explained that 'if there would have been an example of a country in which a policy approach envisaged by Lafontaine would have been a great success, SPD policy making actors would have embraced this approach.'[443] However, as this was not the case, a different more neo-liberal influenced approach succeeded to set the SPD's economic policy agenda.

This view was strongly supported by the SPD's labour market policy specialist Adi Ostertag, who argued that 'in regards to European labour market policies, one country looks at what the others are doing, and everybody searches for the good bits of one another.' In fact, according to Ostertag, the SPD's policy actors engaged in detailed research exercises in order to gain a good impression of what the precise policies developed by policy makers abroad entailed and how, for instance, 'Holland reduced unemployment, how have they done it in Denmark, or how the youth employment programme developed by the Labour Party in England works'. The answer's to these questions, as Ostertag explained, provided an enormous push to the SPD's policy making with many of the policy measures eventually adopted into the SPD's programme not having even existed 10 or 15 years ago.[444]

In addition to the search by policy makers for successful examples of policy making abroad, politicians are reliant on outside expertise as much as on those actors in society that lead public opinion. From the position of a decision making actor, Björn Engholm argued that 'politicians talking to economists will find that 99% of those people would not share the visions Oskar Lafontaine have held. In fact, Engholm feared that the 'muliplicators' in today's national economy and macro-economy are only people that

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[443] Interview with Peter Glotz, Erfurt, 14/06/1999
[444] Interview with Adi Ostertag, Bonn, 25/06/1999

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think policy only in one direction. Hence, Engholm argued that with this mix of information, data and analysis available that clearly favours the current neo-liberal status quo, policy makers must be understood when increasingly favouring a neo-liberal policy direction.[445]

This view was confirmed by the member of the SPD executive Sigrid Skarpelis-Sperk who expressed her belief that 'a shift of paradigm took place within the heads of social democratic politicians which had something to do with the fact that people within the entire area of policy advice had turned' towards a new paradigm.[446]

### 6.2.2. Changes in personal actors beliefs and their explanations

Another set of questions dealt with the changes of individual policy beliefs experienced by actors during the 1980s and 1990s. Actors were asked to indicate to what extent they thought their own beliefs had been predetermined by their party. Here we found a clear division between politicians who emphasised that their policy convictions had not changed to a great extent during the previous two decades, and those who explained that they have had to substantially change previously held beliefs and convictions.

One the one side we found politicians such as Adi Ostertag who insisted that by the later 1990s he still shared most of the major beliefs he had held during the 1980s, such as 'the need for a reduction in weekly working hours as well as the fight in parliament for a formula that would distribute wealth in a more just manner.'[447] Similarly, Ottmar Schreiner insisted that his personal economic policy beliefs had 'not changed at all' with 'the demand management aspect always having been naturally important to social democrats...together with aspects of social justice'.[448]

Labour Lord David Lipsey emphasised that it had not so much been his beliefs that had changed over time, but instead those of his party. In fact, he believed that while having been located on the right of his party's political spectrum during the 1980s, since

[445] Interview with Björn Engholm, Lübeck, 15/06/1999
[446] Interview with Sigrid Skarpelis-Sperk, Bonn, 25/06/1999
[447] Interview with Adi Ostertag, Bonn, 25/06/1999
[448] Interview with Ottmar Schreiner, Bonn, 23/06/1999

the mid-1990s he had begun to find himself increasingly on the left of his party on various policy topics.[449]

The SPD's former party chairman (1987-93) and 1983 'Kanzler'-candidate Hans-Jochen Vogel - along with most of the other social democratic party actors interviewed - expressed - not too surprisingly - his belief that 'the reasons for a change in his personal opinions had mainly been based on the given framework of policy options that had changed substantially during the previous 20 years', and here 'in particular in regards to the process of economic globalisation'.[450] Therefore, Vogel argued that 'during the 1980s' he had been 'convinced that unemployment would not be such a difficult and long-term problem, while demand-management measures would be a more successful policy option to reduce unemployment.'[451] However, by the 1990s he had revised those previously held beliefs.

In contrast to the above, Friedhelm Farthmann underlined a substantial change in his personal policy beliefs, emphasising as one reason for this - as he called it - 'the shock of globalisation'. Here, Farthmann described, how he negotiated on 'social policies in the past... with all my heart and that was basically focused on the battle of the inner-German distribution of wealth,' thinking during the negotiations about 'how much we could squeeze out of the companies', while aspects of international competitiveness or if 'invested capital brought 1% or 5% or no profit at all' did not play part in those considerations.[452] Here, Friedhelm Farthmann stated that he had fundamentally changed his personal policy convictions since the mid-1980s. With regard to LMPs, he underlined this by pointing out that he had 'thought in the past that unemployment could be dealt with – or at least reduced – by distributing work differently,' an idea on which he had also changed his mind.[453]

Similarly, under the leadership of Björn Engholm in the early 1990s, the SPD had adopted the 'Arbeit statt Arbeitslosigkeit' employment programme that had envisaged the

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[449] Interview with Lord Lipsey, London, 08/02/2000
[450] Interview with Hans-Jochen Vogel, München, 21/06/1999
[451] Interview with Hans-Jochen Vogel, München, 21/06/1999
[452] Interview with Friedhelm Farthmann, Düsseldorf, 24/06/1999
[453] Interview with Friedhelm Farthmann, Düsseldorf, 24/06/1999

creation of 500000 new jobs within three years. This programme had contained 'deficit spending' and was modelled on the SPD's 1973 'Zukunfts Investitions-Programm' (ZIP). Talking about this programme in 1999, Björn Engholm expressed that he had previously held far 'more hope that the state would be able to reduce unemployment with the help of state spending programmes' even though he had 'never been a great fan of sole demand management programmes.'[454]

Labour Party veteran organiser John Braggins described how - in 1981 - he had been personally feeling rather "tribalist" and strongly "in favour of state ownership, nationalisation,...more powerful local authorities and public ventures... " while being at the same time "against private capital" and the state's "lack of control" over it.[455] However, explaining the process that initiated his personal move towards more moderate policy ideas, John Braggins described how under Neil Kinnock and Tony Blair he had become eventually "brave enough" to ask "why do you want to have state ownership" as "ownership in itself does not give you anything" only "a government trying to run industry, which it has no professional expertise in so doing."[456] Hence, Braggins emphasised the importance of policy learning and how he realised that "what would have been an acceptable policy solution 20 years ago is no longer an acceptable."[457] Neil Kinnock himself argued, that "the SPD and the Labour Party became [originally] the parties of public investment and public management...as a reaction against the huge deficiencies of profit-led capitalism." However, by the late 1970s "public ownership and control [had]...become an article of faith... [with] an element of conservative thinking [being] repelled, because it was ideological. When you got rid of the ideology of public bad - private good and viewed it pragmatically, you then had to ask yourself, yes, why is the state running this as a monopoly?"[458]

John Braggins used the example of how he realised by the mid-1990s that the party's "mission statement" in form of Clause IV - proposing common ownership - had been "great at the turn of the century, great in 1945" but meant nothing anymore in 1995. Hence,

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[454] Interview with Björn Engholm, Lübeck, 15/06/1999
[455] Interview with John Braggins, London, 08/02/2000
[456] Interview with John Braggins, London, 08/02/2000
[457] Interview with John Braggins, London, 08/02/2000
[458] Interview with Neil Kinnock, Brussels, 24/07/2000

he realised how the party was, firstly, failing to "speak to the voters whose votes we wanted and needed to put us into government", while secondly the party had learn to "focus on what was really important and how we can make life better for a vast majority of the population."[459]

Overall, Labour Party as well as SPD party actors indicated strongly that they had either been forced to substantially change their policy beliefs in response to emerging socio-economic conditions or that their beliefs had remained the same, although previously used policy approaches to meet their visions had been amended to accommodate for substantially changed conditions.

### 6.2.3. Labour and SPD in office: The Blair/Schröder 'Third Way/Neue Mitte' paper

In order to evaluate outcomes from Labour's and the SPD's new policy making processes as well as changed economic policy direction, it is revealing to sample some of the views, interpretations and opinions from recent and former party actors on the widely discussed 1999 Blair/Schröder paper. In fact, at the time most of the interviews for this study were conducted (in mid-1999), the Blair/Schröder paper had only recently been published and was still strongly on the minds of most (in particular SPD) interviewees as a possible indicator of the future policy direction envisaged by the parties' leaderships.

Peter Glotz, although in favour of the 'paper', clearly recognised that the leadership had engaged in a new exclusive way of developing and proposing policies that he perceived as "a massive change within the SPD." Hence, Glotz feared that the party would react in a very negative manner, if "Gerhard Schröder develops policy papers in London without bothering to consult the basic value or programme commissions" of his party.[460] In fact, this aspect of the papers development was also strongly criticised by the member of the SPD party executive - Ms Skarpelis-Sperk - who called the way it had been developed by the party leadership as a "coup'd'etat from the top."[461]

Thomas Meyer underlined furthermore that the paper's blunt message of demanding further 'liberal corrections' was generally not easily acceptable for continental social democrats. However, he also believed that the paper was predominantly intended to give an impulse, set a theme and symbolise the direction in which both parties' leaders

[459] Interview with John Braggins, London, 08/02/2000
[460] Interview with Peter Glotz, Erfurt, 14/06/1999

envisaged party policy reforms to go. Hence, according to Meyer, the Blair/Schröder Paper had predominantly been intended by the leaderships 'as a media-effective bang' rather than an attempt to set out future policy ideas in 'absolute terms.'[462]

The contents of the paper were criticised from various angles, with Hans-Jochen Vogel pointing out that it had failed to address 'essential questions' such as the fact that the market may be a very useful tool, but that 'for social and ecological considerations and outcomes, market decisions are of a rather blind nature'.[463] Friedhelm Farthmann expressed his belief that the paper - although aimed into the right direction - was not concrete enough as it had been written in the highly ambiguous "Hombach'sche Schönsprache" ('art' language of one of the authors of the paper - Schröder's adviser Bodo Hombach).[464] Similarly, the former party leader Björn Engholm criticised the paper for reminding him of "political lyricism" that confirmed the acceptance by social democracy of the total dominance of the market.[465]

In fact, the SPD's social policy veteran - Rudolf Dreßler - angrily accused the authors' of the paper of failing to point out any positive evaluation of the past achievements of the social democratic and trade union movements. He also criticised the paper for having being dominated by its emphasis on style, arguing bitterly that the Marxist notion of "Sein bestimmt das Bewußtsein" (being determines consciousness) had been changed to "Design bestimmt das Bewußtsein" (design determines consciousness).[466]

In fact, Dreßler disputed the fact that the implementation of Keynesian theory was wrong (including deficit spending), but argued instead that 'politicians had been too fearful to use the theory in its entirety, similarly to the way today's politicians held a one sided view of the macroeconomy while ignoring the fact that employers also have a duty

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[461] Interview with Sigrid Skarpelis-Sperk, Bonn, 25/06/1999
[462] "Ich verstehe das Blair / Schröder Papier als medialen Paukenschlag und nicht als ganz so pur zu verstehende Thesen." (Interview with Thomas Meyer, Bonn, 24/06/1999)
[463] Interview with Hans-Jochen Vogel, München, 21/06/1999
[464] Interview with Friedhelm Farthmann, Düsseldorf, 24/06/1999
[465] Interview with Björn Engholm, Lübeck, 15/06/1999
[466] Dreßler, Rudolf - 'Eine linke Rechtskurve, kann es die geben?', Frankfurter Rundschau, Dokumentation, 25/06/99, p 12

to sustain societal foundations and responsibilities that have nothing to do with the one-dimensional thinking of shareholder-value.'[467]

Overall, actors' evaluation of the reasons behind the development of such a document varied widely. Anke Fuchs felt that one of the prime reasons behind the Blair/Schröder paper had been the fact, that Gerhard Schröder wanted to use the 'Blair bonus' - as she called it - to help him move policies within his own party, however clearly underestimating the negative response he would encounter within the SPD to this kind of proposed policy changes.[468]

In contrast, Sigrid Skarpelis-Sperk remarked that she thought the paper had been designed for "British home consumption", as a large part of it had nothing to do with the actual economic and social situation of Germany.[469]

In contrast to the SPD's economic specialist Skarpelis-Sperk, Labour's former spin-doctor David Hill argued that the Blair/Schröder paper had been predominantly "written for German consumption" in the sense that by Tony Blair "doing a joint paper with Schröder gave a clear signal that there was a new type of social democratic partnership developing" with Tony Blair always "looking for ways to influence...[and] drive messages forward by whatever means he can".[470] This view was confirmed by party veteran worker John Braggins who pointed out that "in terms of the Labour Party's relationship with Europe, there is an inner drive to want to...lead the modernisation of the left of centre in Europe.[471]

Finally, in contrast to the lively reactions to the paper experienced within the SPD, Labour's Tony Wright expressed that "there was little political discussion here, except in some political circles which - I think - tended to see it [the Blair Schröder paper] as marking a right wing version of a third way position."[472] Hence, Tony Wright concluded

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[467] Dreßler, Rudolf - 'Eine linke Rechtskurve, kann es die geben?', Frankfurter Rundschau, Dokumentation, 25/06/99, p 12
[468] Interview with Anke Fuchs, Bonn, 23/06/1999
[469] Interview with Sigrid Skarpelis-Sperk, Bonn, 25/06/1999
[470] Interview with David Hill, London, 26/08/1999
[471] Interview with John Braggins, London, 08/02/2000
[472] Interview with Tony Wright, London, 01/02/2000

that the statement had been "a very neo-liberal paper" and was "probably the furthest point that social democracy has so far travelled in becoming at least in part neo-liberal, giving praise to the market...[as there]... was little suggestion that the market works against the public interest."[473]

## 6.3. Conclusions from actors beliefs, perceptions and observations

The 1980s and 1990s have witnessed the greatest transformation in socio-economic conditions for the policy-making of political parties since the end of the WW 2. The Labour Party and the SPD - in opposition for most of this period - have been eventually reacting to those challenges in different ways and with different - although increasingly more converging - policy approaches.

What has been the most surprising finding from the interviews conducted for this study with Labour Party and SPD policy actors is that motivations, thoughts and reflections on the transformation of conditions, party responses as well as the actors' hesitance to abandon traditionally held policy ideas as well as personal beliefs have been quite similar, even in spite of the fact that they have come from different parties as well as different wings within them. This kind of finding has been confirmed by D. Mach and W. Wesolowski, who have also been able to show in their study on politicians during times of transformation that a "fundamental similarity of direction in the perception of aims occurs among politicians in times in which they are confronted with systematic conditional transformation."[474]

What remains is the question, did politicians agree with the hypothesis of this study, did an institutionalised paradigm shift take place and was this something that had been recognised by the politicians at the time of change? Here, we can refer to Peter Glotz who described how he had already been urging in 1982 (together with many others) for necessary changes to the German welfare state system. These demands were, as he put it, "always pushed aside by the party [SPD] as it did not want change...[and instead]... wanted to stick to the classic ideas of wealth redistribution," an institutional behaviour

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[473] Interview with Tony Wright, London, 01/02/2000

[474] Mach, Dogan W. and Wlodzimierz Wesolowski - 'Politiker in Zeiten der Transformation: "Transformational correctness" oder divergierende Wahrnehmungen', Berliner Journal für Soziologie, Vol 9, No 3, 1999, p 395

pattern that must be interpreted as confirming the party's pre-scriptive institutionalised paradigm.[475]

Things have changed since, and according to Peter Glotz a shift had taken place in the SPD's economic paradigm. However, Glotz explained this as 'a political process is a process of opinion formation' from Keynes to monetarism that has naturally been reflected within the SPD.[476] In fact, even though the SPD had not formulated a substantially new monetarist position, the party's aim to adopt - as Bodo Hombach called it - 'supply side policy from the left' marked a significant difference to the party's classic 'deficit spending' policies of Keynesianism.[477]

Here, Peter Glotz used the example of Oskar Lafontaine and his insistence - until his resignation as finance minister - of favouring traditional Keynesian policy positions as prove, how difficult it is for party actors to undergo a transition of paradigm as 'many want to hold on to old positions'.[478]

Here, Glotz was also talking about his party colleague and current vice-president of the Bundestag Anke Fuchs, who agreed that 'a shift in paradigm had been accepted' within her party during the 1990s. However she still expressed substantial doubt about those changes, as she admitted that the shift was "something I have not quite accepted yet even though one will have to", in particular considering that the newly adopted economic policies mean for instance 'that business has been' - as Fuchs described - 'mostly freed from carrying out common duties' such as 'to offer training' as part of this shift.[479]

Opinions from both parties' policy actors on the policy direction in which Labour and the SPD were expected to move have been surprisingly similar. SPD policy maker and academic Thomas Meyer appealed for the need of consistency as he argued that "the comprehensive message of classical social democracy has always been that there is and must be a guarantee to a decent living for each individual, irrespective of his economic

[475] Interview with Peter Glotz, Erfurt, 14/06/1999
[476] Also see: Dornbusch, Rudi - 'Eine einzigartige Prosperität', Der Spiegel, No 24, June 1999, pp 132-47
[477] Interview with Peter Glotz, Erfurt, 14/06/1999
[478] Interview with Peter Glotz, Erfurt, 14/06/1999
[479] Interview with Anke Fuchs, Bonn, 23/06/1999

fortunes, because the risks of the labour market are predominantly created by its way of functioning and individual failure."[480]

Similarly, Labour Party veteran and former spin-doctor David Hill concluded that the most important aspect of Labour's changes in the late-80s and early 90s had been "not to lose track of its values" as the party's success would rely on its ability to keep "traditional values in a modern setting."[481] Likewise, Tony Wright expected that the new make or break issue for the success of social democratic parties in general would be their ability not to be associated with economic crises, but instead to successfully manage "a capitalist economy."[482]

Overall, the above collected views of events and interpretations from relevant policy actors and party insiders about the significance of factors that have determined their parties policy making choices offer some interesting additional detail from an "inside party perspective" to this study. Here, the aim has been to enrich and validate the points and arguments made in the previous chapters and to add a "practitioner's dimension" to the likely variety of policy actors' opinions and their behaviour. At the same time, however, this has been an attempt to clarify common themes and experiences that are i.e. have been shared among them. Only after having looked in greater detail at actors - that are after all a vital component in this study - can we now move on to look at the quantitative content analysis of party documents before being able to draw safely conclusions from the analysis of the various theoretical and empirical findings in this thesis, as the above "party inside view" does not contradict, but instead strengthens the arguments made in the previous and following chapters.

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[480] Meyer, Thomas - The Third Way - some cross-roads, Working Papers I, Forum Scholars for European Social Democracy, Friedrich Ebert Stiftung, Bonn, May 1999, p 12
[481] Interview with David Hill, London, 26/08/1999
[482] Interview with Tony Wright, London, 01/02/2000

# Chapter 7: The quantitative content analysis of party programmes and 'major' mid-term policy statements

The aim of this chapter is to explain the methods chosen and developed for the comparative analysis of the parallel developments and changes of Labour Market Policies (LMPs) advocated by the Labour Party and the SPD during the period between 1979/80 and 1997/98.[483]

As a basic research design, a coding frame for the quantitative analysis of party election programmes, manifestos and party platforms as well as 'major' mid-term statements on LMPs has been developed. This chapter will cover the methods for data collection, coding and content analysis in order to account for and justify the decisions taken on the quantification and classification of party policy statements. In addition, a short account of the operational procedures involved will be given.

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[483] The time period chosen for this study and hence the analysis of the party programmes policy documents contains the years the Labour Party and the SPD spent in opposition, starting with their final election manifestos in office which also marked the beginning of their periods in opposition while finishing with the election manifestos which marked the return to government office. In the case of the Labour Party this means, we are investigating the period from 1979 to 1997 and in the case of the SPD the period between 1980 and 1998. As the SPD was forced into opposition during mid-term in 1982 and therefore had spend already one year in opposition before the general election of 1983, we have included the SPD's 1980s manifesto in the analysis even though the party remained in government office after the election. As the Labour Party's 1979

However, before looking in detail at the approach used for the analysis of party policy developments, we have to clarify first of all the role and impact of party statements/manifestos and assess the various forms of policy programmes that have been used by the two parties in question.

## 7.1. Party programmes and statements - aims and meaning

Wolfgang Luthardt has described party policy programmes as documents in which parties normatively define the pillars of their understanding of politics and society and in which they set out their medium- and long-term policy perspectives and perceived own role and aims within it.[484] We can add to this view the more pragmatic description of the role of programmes by Richard Rose, who sees election manifestos as "pieces of political journalism" with the purpose to persuade the electorate to vote for them by "evoking partisan slogans and symbols" and denouncing political opponents.[485] Programmes express parties political preferences and sustain the central mechanism of ensuring meaningful choices for the electors as political parties' programmes differ in content. Here, Lipset and Rokkan have rightly argued, as mentioned earlier, that in western democracies "voters are typically faced with choices among historically given 'packages' of programmes, commitments, outlooks, and, sometimes, *Weltanschauungen*" expressed with the help of programmes and pledges by parties and presented to voters with the task of offering the most appealing bundle of issues and policies to the electorate.[486] In fact, "the willingness and ability of parties to carry out campaign pledges is a central concern for democratic theory".[487] Here, pledges in party documents "generally present the party's views of the history of a certain problem's development and characteristics, while also emphasising its importance and priority... [and] what specifically is to be done about the problem is implied or minimised" by parties offering

and the SPD's 1980s programmes were both written and developed before the parties lost government power, they mark the best starting point for this comparative analysis.

[484] Luthardt, Wolfgang - 'Überlegungen zur Programmaktivität und -innovation der SPD', in Schmid, Joseph und Heinrich Tiemann (ed) - Ausbrüche: die Zukunftsdiskussion in Parteien, Verbänden und Kirchen, SP-Verlag, Marburg 1990, p 153-54

[485] Rose, Richard – Do parties make a difference?, MacMillan Press, London, 1984, p 61

[486] Lipset, S. M. and S. Rokkan (ed) - Party Systems and Voter Alignments, Free Press, New York, 1967, p 2

[487] Royed, Terry J. and Stephen A. Borrelli - 'Parties and economic policy in the USA', Party Politics, No 1, 1999, p 115

information on what future action can be expected by them when holding office.[488] In fact - as rightly described by Richard Rose - "party manifestos are not so much in conflict about how to resolve commonly perceived problems, as they are statements of differing priorities for government action"[489] that allow the measurement of party policy positions emphasised in their programmes documenting "parties desired portrait of image".[490]

## 7.1.1. The role of election manifestos / programmes

Laver and Hunt have discussed three possible methods for determining issue positions of political parties, namely the analysis of party documents, the use of mass public opinion surveys and the use of expert judgements.[491] For this study, we have chosen the analysis of party documents as it holds the significant advantage for the analyst to rely on information and data directly provided by the parties themselves, while data from mass public opinion surveys as well as expert judgements often suffers from the problem of relying on public perceptions and perceived party images rather than on concrete factual evidence (not to mention the severe difficulties faced when collecting and analysing data from mass opinion surveys or expert judgements).

While dealing with the development and adjustments of Labour market policies by the Labour Party and SPD, we assume that political parties - in general - take manifestos and policy statements very seriously and regard them as manifestations of intended government policies.

The writing of a party manifesto consists of two exercises. A party must be able to develop and agree upon policies proposed in the manifesto, while having to predict at the same time which policies may be able to gain the support of the electorate. Hence, the programme drafting process can sometimes become a somewhat painful exercise with the content of manifestos sometimes clearly reflecting the state of inner-party conditions. Party actors who are responsible for the drafting of the documents that set out policy guidelines for the future are prone to disagree on issues such as the strategy necessary to

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[488] Klingemann et al - Parties, Policies, and Democracy, Westview Press, Oxford, 1994, p 25

[489] Rose, Richard - Do parties make a difference?, MacMillan Press, London, 1984, p 68

[490] Jahn, Detlef and Matt Henn - ' The 'New' Rhetoric of New Labour in Comparative Perspective: A Three Country Discourse Analysis', West European Politics, Vol 23, No 1 (January 2000), p 37

[491] Laver, M . and B. Hunt - Party Policy Competition, Routledge, New York, 1992

win an election, the prioritisation of pressing issues, how they should be tackled and how they should be translated into the programme, often reflecting different inner party factions and tensions.

Furthermore, high ranking party politicians usually have an interest in formulating policies in vague or cautious terms in order to minimise inner party disunity on policy issues while wanting to keep many options open for possible negotiations over their implementation.[492] In contrast, party activists tend to demand more explicit wordings and precise commitments from party policy statements. Finally, election manifestos - until recently - have often been drafted, agreed upon and published against tight deadlines with little time for negotiating policy compromises.[493] Even thought there has been a recent significant change in this area with the development of roll-over or permanent election programmes (as taken up by Blair and Schröder), the often rushed development in the past provides some explanation why election manifestos make hardly an exciting read.

It is conceivable that only a small amount of the electorate attempts to read entire manifestos never mind reading the manifestos of numerous parties and comparing them to make an informed electoral choice. Peoples choices of voting for a specific party rely often on numerous factors such as their ability to identify with one of the parties; the degree of emotional and traditional attachment to a party; support for a party's broad policy direction and image; its ideology; merit of past record and 'policy baggage'; a party's positions on certain single issues; and finally voters support for a range of party policy positions expressed in a party's manifesto.

Hence, apart from the precise changes in policy contents, the above mentioned factors must also be taken into account by party actors who influence and decide upon policy choices and priorities.

The precise role of party (electoral) programmes, the motivations behind their development and their effect on the electorate are open to controversy. While the analysis

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[492] Luebbert, Gregory - Comparative Democracy: Policy-making and government coalitions in Europe and Israel, Columbia University Press, New York, 1986, p 46

[493] This has been a particular problem within the UK, where the government (party) is able to call a general election date within four weeks. However, with the recent introduction of rolling party manifestos and long-term manifesto development and pledge planning, the time factor has lost its significance.

of programmes and their development can be expected to offer an insight into the importance and function of programmes and manifestos, political scientist have not given this too much attention. This may be due to the fact that the precise impact and the 'value' of party programmes on electoral outcomes cannot be empirically measured. Therefore, academic research has dealt predominantly with theoretical questions surrounding the aims and motivations that can be linked to party programmes and their formulation processes (e.g. Downs 1957, Kitschelt 1994).

However, during the next chapters this study attempts to answer, if the formulation of policies has been influenced by the decline of the Keynesian paradigm and if eventual policy path changes by political parties indicate inevitability an overall change of a party's economic paradigm. In addition, we attempt to answer the question, if the low expectations and opinion often ascribed to party programmes by political science research are justified or not, or if their analysis reveals firm policy trends and detail of parties policy developments?

An ambivalent view of the role of party programmes can be identified. On the one hand, parties spend a great deal of time and resources on the development of programmes and the formulation of the policy contents. In fact, in Germany parties are even constitutionally obliged to play 'a role in the formation of the public political will' and to express their 'aims in written political programmes'.[494] No doubt, election manifestos are viewed by the public as important documents which help to evaluate parties policy positions and assist the electorates decision for party preferences. However, it is not only the public that takes interest in programmes. Civil servants are also certain to study election manifestos and use them - in case of opposition party manifestos - as a guide to policies that they might need to prepare if there is a change of government, while they must regard policies advocated in the manifesto of the party in power of particular importance as the party's government in office is legitimised and electorally bound to act upon programme pledges and with it, its civil servants.[495]

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[494] Grundgesetz, Artikel 21, Abs.1; Parteiengesetz, Paragraph 1 and 6 (1) (BGBl.I), also see Parteiendemokratie, Bundesministerium für politische Bildung, Bonn, 1997
[495] Here, Joel Aberbach et al have been pointing at civil servants having to regularly persuade politicians to confront "vague" political programmatic "goals with intractable facts" and practicable ways to implement

In fact, programmes and statements exhibit political intentions, ideas and goals of parties, and are often used as a point of reference by politicians and voters as well as the media while it is a certain fact that the political opponent will study programmes intensively. Even if they are not read by many voters, Hans-Jochen Vogel pointed out that parties will still have to develop programmes and find a policy consensus during that process that may have to last for many years.[496] Furthermore, even if many party managers increasingly belief that election manifestos play a minor role compared to advertised political communication and that possibly two thirds of the electorate may be reachable with staged TV campaigns, 'there is still that one third of the electorate that wants ideas, arguments and visions and staged electoral communication.'[497]

On the other hand, political scientists as well as the public seem to perceive party election manifestos as documents which must be read with great care as they contain rather opinionated statements and hold the intent to advertise a party rather than intending to reflect a true assessment of current economic or political circumstances. From this follows, that programmes are not necessarily taken at face value with readers searching for any clues between the lines. However, the ambivalent image and role accredited to programmes emphasises the important need to clarify their significance and the implications and information they hold in respect to the overall development of parties self-description and hence their own relevance in an ever changing political environment. The questions that can be addressed with the help of the analysis of party programmatic developments include:

1. Does the process of party programme formulation and development enables the analyst to link the state of parties to the actual content of their policy documents?

them. (Aberbach, J. D. et al - Bureaucrats and politicians in Western Democracies, Harvard University Press, Cambridge, Mass., 1981, p 93); while Robert Pyper has been stressing that " ministers are expected to give reasonable consideration to the policy advice given by civil servants" even though "they are not obliged to accept this advice." (Pyper, R. - The British Civil Service, Prentice Hall, Hemel Hempstead, 1995, p 81). In fact, Klaus von Beyme observed that a change in government may entail consequences of personnel 'rotation' affecting the higher levels of the German civil services - even though civil servants perceive themselves en grow as politically neutral. These conditions certainly contribute to the interest of civil servants in governmental change and hence the policy programmes and proposals pledged by 'major' parties. (Beyme, Klaus von - Das politische System der Bundesrepublik Deutschland, Piper, überarbeitete 8. Auflage, 1996, p 294-99)

[496] Interview with Hans-Jochen Vogel, München, 21/06/99
[497] Interview with Thomas Meyer, Bonn, 24/06/99

2. What is the role of environmental factors such as the changes in the economic and political system as well as the continuous loss of elections on party policy formation processes. Furthermore, how are new challenges integrated in party policy agendas?

3. Finally, how do party policy makers assess the success or failure of their programmatic strategy? Is the time, energy and money spend on programme development and modernisation compensated by the expected gains? Are they able to perceive and learn from their mistakes?

In order to answer those questions, we have to differentiate between three different types of party policy statements, which are available for the analysis of party policy change. First of all there are the 'long-term' policy statements such as basic party programme or party constitutions, which are developed or changed very infrequently. They define the party profile and legitimacy, long-term policy goals, aims, values and ideological principles. Long-term statements are meant to lay down general guiding principles and belief patterns to determine the direction of more pragmatic 'medium-' and 'short term' policy-making, and their development usually includes various years of preparation and inner-party discussion exercises - such as witnessed in the case of the Labour Party's Policy Review Process and the SPD's preparations for its Berlin Programme - before a 'long-term' programme is agreed upon and adopted. However, party policy aims and solutions advocated in these long-term statements often lack preciseness and leave plenty of room for interpretation in order to offer party policy makers of the day a high degree of flexibility when having to react fast and develop more precise medium or short term policies in response to policy challenges.

However, as a basis for the quantitative analysis of programmes, 'medium' term electoral programmes and 'major' party statements are of greater use in particular if one is investigating the changes in a specific policy area such as Labour Market Policy over a time-span of twenty years, as this requires the analysis of more frequent and detailed as well as responsive and therefore more transient party statements of policies advocated and proposed by the parties. In other words, policy statements given by parties at medium-term intervals (every two to four years) reflect in greater detail programmatic changes and reveal parties medium-term strategic considerations as well as the overall

political and economic circumstances which were present at the time of policy formation. Both kinds of programmatic statements contain pledges for medium-term action, something which is often referred to in the German literature as 'Aktionsprogramme', i.e. programmes of action (in contrast to statements dealing with long term aims, vision or ideology) as well as general election programmes.[498]

The properties of those 'medium' statements can be described as:

1. Programmes and statements are often developed for a precise purposes, such as elections or to offer and pledge in depth policy approaches and solutions for topical problems.

2. From this follows, that medium term statements often offer precise policy approaches, time-frames and even detailed allocation of pledged resources to address policy concerns.

3. Medium statements attempt to appeal to the reader as informative, realistic and pragmatic in order to gain a necessary degree of credibility to meet the statements intended purpose.

4. Statements should contain a list of carefully co-ordinated, interacting policy pledges which work as a whole instead of a list of random pledges. Only this way will it be possible to assess, if single aims and pledges; their ranking order; and function can be combined to form an overall policy approach.[499]

Finally, a third category of party statements contains the expression of policy aims, responses and opinions that are part of the parties running of day to day politics. These kind of often semi-official party statements on policies include press releases; statements by various party bodies and from rebuttal units; leading politicians etc. responding to current and topical needs where fast; and precise or explanatory (mainly short in length) communications to the public and press are required Although these statements have been looked at and will be added to the assessment and analysis of the changes of medium term 'action' election manifestos and policy statements to offer a more comprehensive overall picture, they solely by themselves fail to provide sufficient ground, depth and consistency for the analysis of party policy change.

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[498] Flohr, Heiner - Parteiprogramme in der Demokratie, Schwartz, Göttingen, 1968, p 70
[499] Flohr, Heiner - Parteiprogramme in der Demokratie, Schwartz, Göttingen, 1968, p 90

## 7.1.2. 'Inside' and 'outside' use of party programmes

When looking at the role of programmes, we can furthermore differentiate between the impact they have on the 'internal' live of parties and the use of programmes as a tool to present parties' ideas and aims to the 'outside' i.e. wider public. This differentiation between 'inside' and 'outside' use of party programmes has been borrowed from Heino Kaack's study of the history and structure of the German party system, but can be easily applied within a wider cross-national context.

Functions of party programmes aimed at the 'inside' of parties include their general usefulness in setting out binding party policy guidelines and principles, which party members are obliged to adhere and also use as a basis for their political activities and judgements. This role has been numerously confirmed in discussions with party actors such as Anke Fuchs who argued, for instance, that 'election programmes reflect the current state of inner-party discussions and are for everybody which engages in election campaigning a minimum of recourse of binding values as they are a summary of the up to date state of the party's specific messages.'[500] This is also true if party policy makers have tried to avoid to address certain contentious policy issues in their party programmes. In fact, Leonard Ray has been pointing towards reasons such as the low salience of an issue for a party, the absence of a clear party position on a specific issue as well as internal divisions or inner party dissent over a policy area that may lead to the avoidance of a party addressing a specific policy or policy area within their programme.[501] Here, manifestos themselves do not permit a determination of which, if any, of these interpretations applies. Hence, in order to explain and interpret the reasons behind changes in parties programme policy emphasis, we have used additional qualitative and contextual information in order to explain why issues may have been mentioned or were avoided in the programmes under investigation.

Consistent with this, Friedhelm Farthmann has been pointing out that in his experience a successful election campaign must be based on a party appearing united, something for which a widely agreed 'programme and programmatic commitments offer an indispensable framework'.[502] Hence, ideally programmes guide the identification of

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[500] Interview with Anke Fuchs, Bonn, 23/06/99

[501] Ray, Leonard - 'Measuring party orientation towards European integration: Results from an expert survey', European Journal of Political Research, Vol 36, No 2 (October 1999), p 285

[502] Farthmann, Friedhelm – Blick voraus im Zorn, ECON Taschenbuch Verlag, Düsseldorf, 1997, p 15

members with their party as they refine and emphasise political beliefs that are consensually held within the party.

However, programmes can be used (and abused) by the party leadership attempting to control the party organisation and its members as programmes serve as the common denominator. However, the final interpretation of its precise meaning falls usually to the party leadership, which gains a decisive advantage in determining what policies should be advocated. Here, Richard Topf - also a keen advocate of the 'inside' and 'outside' functions of programmes - has been arguing that manifestos provide a leadership elected into power "with a mandate to carry out the policies set in the manifesto" enabling them to claim legitimacy for the policies they pledged to implement.[503] In fact, party leaders gain the ability to claim legitimacy for their policy ideas even against the wishes of fractions within their own party as they have been elected by a majority of voters to implement the policies advocated in the party's manifesto.

Finally, Kaack has argued that programmes offer party leadership and members the ability to legitimise their political actions as they are able to point out the fact, that they acted according to policies set out in a party programme that were agreed by important party decision making bodies.[504] However, Kaack's generalisations on the 'inside' role of programmes are not as clear cut as he makes them out to be. For instance, examples such as the formation of the Labour Party's general election manifesto of 1983 - whose contents were clearly driven by a minority of party activists than by the majority of the party leadership - indicates, that generalisations on various 'inner' party roles of programmes are not necessarily appropriate and that exceptions are part of the rule.

As described earlier in greater debts, the 'outside' functions played by party programmes are far more straight forward. Party programmes have the purpose to advertise party policies, enhance a party's public perception as well as help to appeal to

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[503] Topf, Richard - ' Party Manifestos', in Heath, A. et al - <u>Labour's Last Chance?</u>, Dartmouth, Aldershot, 1994, p 150

[504] Kaack, Heino - <u>Geschichte und Struktur des Deutschen Parteiensystems</u>, Westdeutscher Verlag, Opladen, 1971, p 403

the electorate and increase a parties share of votes at elections (to gain a majority). Programmes also have the role of helping the electorate to identify specific party profiles in order to enable the voter to distinguish among various party policies. From this follows, that programmes do not only emphasise the will of parties to compete with one another, but programmes often set out the political battle ground and express political demands on which conflict-lines with other parties can be based.[505]

## 7.1.3. The role of language in party programmes

Party programmes reflect (possibly increasingly) the role language plays in the playing field of party competition. Although the assumption of the sociologist Helmut Schelsky (1974) that 'the struggle for power is a struggle for the dominance of language, with those who can decide upon the words used in the daily political conflict emerging as the winners' appears to be slightly exaggerated, there is a certain degree of truth in his observation that the control over language plays a crucial factor in today's processes of party competition, and hence in the use of language in party programmes and therefore the communication of policy contents.[506]

The ability of a party to dominate and 'occupy' key policy areas and use key words and phrases can be decisive in the electoral contest. Here, programmes are of vital importance, as the "provide the territory for political argument".[507] The increasing occurrence of so-called 'sound bites' in politics or the linking of party profiles with a range of 'positive' sounding words and phrases, such as the Labour Party's excessive use of the words 'modernisation' and 'new' during the British 1997 general election campaign show the power words hold over party imaging.[508] Other examples include the SPD's attempt to claim to be the 'Neue Mitte' i.e. the 'new' middle ground of the German political spectrum which aims to leave the electorate with connotations about the SPD such as 'balanced',

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[505] Kaack, Heino - Geschichte und Struktur des Deutschen Parteiensystems, Westdeutscher Verlag, Opladen, 1971, p 402

[506] Schelsky, Helmut - Deutsche Zeitung, 12/04/1974 ("Wer die Sprachherrschaft in der unmittelbaren aktuellen Politik erwirbt, wer die Wortfelder besetzen kann in denen die tagesfälligen Konflikte ausgetragen werden. Wer hier dem anderen die Worte vorschreiben kann oder vorreden kann, hat schon gesiegt.") cited in, Fletcher, I. and H. E. Richter (ed) - Wörter machen keine Politik, Rowolt Taschenbuch Verlag, Reinbek, 1976, p 39

[507] Interview with Tony Wright, London, 01/02/00

[508] Fairclough, Norman - New Labour, new language?, Routledge, London, 2000

'changed/moved' and 'non-extremist' while the political opponents are 'unbalanced' and 'immoderate' in comparison.

These few examples clearly indicate that language plays a greater role in politics than just being a tool to transmit messages of content. The ability of parties to adopt sound bites and occupy issues which stick to the conscience of the electorate can be of decisive importance. This has, for instance been clearly shown by the Labour Party's and SPD's successful adoption of five simple and short pledges (published on credit card sized pledge cards during their 1997/98 campaign), which occupied these chosen policy areas with clear policy commitments and suggested in addition a greater degree of party accountability towards those pledges. Furthermore, the fact that parties have recognised the important role of language in advertising themselves and transmitting their image and message to the electorate is clearly underlined by parties inclination to commit increasing amounts of resources to the marketing efforts of 'sound-bite' messages.

In addition, the Labour Party and SPD - in line with other parties - have substantially increased their effectiveness (throughout the 1990s) in dealing with the media - as the media has been identified by party strategists as being of prior importance when it comes to the transmission of messages to the electorate. Overall, the use of words and language by parties in their programmes and for the transmission of image to the electorate must not be underestimated and plays a decisive factor in parties ability to sell policy contents to the voters.

### 7.1.4. The rationality of party politics and programmes

The degree to which the programmatic policy choices of parties as well as the electoral choices of voters are primarily led by economically rational considerations remains a contentious issue.

Anthony Downs economic theory of democracy is a prime example for academic research into the role and meaning of party programmes using party manifestos to prove theoretical assumptions on party behaviour without attempting to analyse actual programme contents, their development processes or policy changes that have taken place over time. Downs hypotheses on the behaviour of parties are based on the rational behaviour of party actors as well as the electorate and have had an immense impact on the world of academia.

Downs' argued that voters' preferences are formed independently of parties' interests and beliefs. According to this view, political parties use policy programmes only as a means of gaining power, but do not aim to win government office in order to implement previously designed policy programmes or to serve specific interest groups. In the rather controversial words of Downs, "...politicians...never seek office as a means of carrying out particular policies; their only goal is to reap the rewards of holding office per se. They treat policies purely as a means...to attain the income, prestige, and power which comes from being in office."[509] According to this view, programmes must be discounted as a catalogue of pledges that have been presumed by politicians to find the favour of the majority of the electorate as most voters perceive to be better off under one set of proposed policies than under those proposed by other parties.

The attempt to assess party politics with the help of an economic theory has gained further credibility by the fact that parties are increasingly using market research techniques and marketing strategies to enhance their image and electoral performance.[510] Even the publication of party manifestos and major-mid-term statements has evolved nowadays "into occasions carefully planned to exploit the resource of the mass media to best effect" with marketing professionals having been recruited by the parties to improve programmes that can be increasingly read "both as a series of highlighted headlines" or "as lengthy, business-like reports".[511] Here, parties focus more and more on the "style of manifestos" when developing programmes with the "heavy involvement in the final drafting processes of policy advisers and ex-political journalists, often working directly with the party leader" becoming increasingly the rule.[512]

Hence, parties' attempt to present and popularise themselves in their programmes (sometimes independent of the actual programme contents). Therefore, the role of programmes can be compared to the way in which marketing influences consumer preferences by attempting to encourage consumers to purchase products that they would

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[509] Downs, Anthony - An Economic Theory of Democracy, Harper & Brothers, New York, 1957, p 28
[510] In the case of the SPD, one of the first major attempts to use modern techniques to enhance the SPD's electoral performance was a study by the Forschungsprojekt des Vorstandes der SPD called Planungsdaten für die Mehrheitsfähigkeit der SPD - zusammenfassender Bericht, (unpublished internal paper), Bonn, 1984
[511] Topf, Richard – ' Party Manifestos', in Heath, A. et al – Labour's Last Chance?, Dartmouth, Aldershot, 1994, p 52+149

otherwise not have been inclined to buy, while reassuring at the same time those customers that have already been voting for the product. As Albrecht Müller has argued, the role programmes play in the image building and marketing efforts of parties should not be underestimated, in particular as the interest of the majority of the electorate in politics - in general - as well as their degree of knowledge about single political issues is often overestimated by politicians and those interested in politics.[513] This is why policy pledges are an appealing and important part of party programmes.

However, parties are well advised to consider carefully what type and degree of pledges to include in their programmes. Differences in policy proposals vary from very clearly defined minor and costed policy schemes to rather general promises whose scope of parties to successfully act upon them depends on factors that may not be entirely in the hands of government. This would include, for instance, the promise to aim at dramatically reducing unemployment – something that depends on many factors of whom some are certainly beyond the control and influence of single national governments. However, parties are aware that pledges must be perceived as realistic and pragmatic in order to gain a status of credibility in the eyes of the electorate that they actually intend to meet their stated intentions. David Hill has been pointing out that this is one of the areas where Tony Blair and his allies have been learning from Labour's past record and that his strategy has been to emphasise "hard economic policies which show competence" to make people "belief that you can put things into practice. It is all about people trusting you with the basic economics of everyday life."[514]

Here, parties are heavily constrained by their own history, intra-party relations and the long-term expectations of their electorate, party members and activists. Hans-Dieter Klingemann is certainly right by emphasising that "even if parties wanted to repudiate their past for short-term advantage...they might not be believed if they tried. Previous action casts doubt on present promises when the two are not consistent...Parties are historical beings...expected to stand for something that separates it from

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[512] Topf, Richard – ' Party Manifestos', in Heath, A. et al – Labour's Last Chance? Dartmouth, Aldershot, 1994, p 151-2
[513] Müller, Albrecht - 'Demokratische Willensbildung und veröffentlichte Meinung' (Chapter 4), in Fletcher, I and H. E. Richter (ed) - Wörter machen keine Politik, Rowolt Taschenbuch Verlag, Reinbek, 1976, p 140
[514] Interview with David Hill, London, 26/08/99

competition."[515] This point is furthermore underlined by the fact that parties consist only to a minor extent of full-time politicians which earn a living with their job. For the majority of active and passive party members, moral considerations and party values are their dominant reasons for playing an active role within a party. This means that ideology is not only a means to tie the uninformed electorate to the party, but in contrast it is often the vital base for a parties actual existence. Inevitably, active party members will oppose party policy changes that abandon their ideological or moral convictions, while passive members could be expected to leave the party.

Examples backing this behaviour include the period at the end of the SPD/FDP coalition (1980-82) when many SPD party members began to openly criticise the move to the right of the SPD-led government, a development that was also experienced by the Labour Party towards the end of its term in office in 1979. Clearly, parties are highly restricted and slow in changing their choices of policies as they are not able to pick and chose policies that are perceived as momentarily electorally popular. In fact, past and present party promises and behaviour can be expected to be largely consistent to be believed.

Overall, the role of party programmes and in particular election manifestos in convincing the electorate to cast their vote in favour of a specific party has to be placed into perspective. A recognisable party statement of policy, which is backed by the leadership as the authoritative definition of party policy constitutes what parties are seen to be standing for. In fact, manifestos "form the basis for comment in the mass media and provide cues for...party candidates... Not only does the manifesto-equivalent determines the main campaign themes and lines of discussion, it has usually been the subject of extensive prior debate and negotiation inside the party."[516] Additionally, statements made during election campaigns are not entirely independent of the general party ideology. Thus election campaign programmes mediate between the party ideology, political trends, situations and the voters.[517] Furthermore, party leaders feel bound to make policy pronouncements throughout electoral campaigns as they presume that they will influence

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[515] Klingemann, Hans-Dieter, Richard I. Hofferbert and Ian Budge - Parties, Policies, and Democracy, Westview Press, Oxford, 1994, p 24

[516] Budge, et al - Ideology, Strategy, and Party Change, Cambridge University Press, Cambridge, 1987, p 17

[517] Jahn, Detlef and Matt Henn - ' The 'New' Rhetoric of New Labour in Comparative Perspective: A Three Country Discourse Analysis', West European Politics, Vol 23, No 1 (January 2000), p 37

the outcome to their advantage. If issues prove prominent and popular with the electorate, it is hoped that as a result, an influx of votes will enhance and strengthen the party's position.

Finally, the degree of rationality found within the actions of individual party actors and party institutions when dealing and developing party programmes will be further discussed during the following chapters, when we assess policy changes over time, analyse the role of Keynesian and Neo-Liberal paradigms and look at the institutional constraints rational party actors are faced with when changing strongly institutionalised party policy positions.

## 7.2. The SPD's and Labour Party's programme development structure

The SPD traditionally issues a variety of policy programmes of differing importance and detail. 'Programme' and 'Manifeste' pass between the party chairman, the executive committee, the small party congress, the main committee, basic value and programme commissions, and sometimes exceptional congresses. A substantial problem when analysing policy and programme-making in the SPD is posed by its federal structure which accommodates for various federal power brokers and influential Länder leaders and party organisations (in particular those who hold Länder-government office).

This means, that the content of national SPD programmes is often composed of policy ideas, which have been originally developed and popularised by SPD Länder-level policy-makers. Hence, the federal party system deprives the national level SPD organisation and parliamentary party (especially when in opposition federally) over central control of policy development. Instead of ultimately deciding upon programme content, the central party organisation is strongly occupied with the role of policy co-ordination, searching for compromises and agreement among the federal party organisations' policy interests and ideas. Only after serving this function is it possible for the national party officials to compose national party programmes.[518]

In addition to general electoral programmes and the more specific and detailed policy statements (published during the mid-term of parliament), the SPD adopts infrequently major long-term all encompassing Basic Programmes (as described earlier).

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[518] Interview with Gisela Nauk, foreign policy adviser to the SPD Executive, 07/12/1997

These programmes are adopted by the Party Congress after long preparatory periods and widespread party participation and are envisaged to give the party a long-term orientation and philosophy for periods in excess of decades. They can sometimes be of fundamental importance and reshape the party's overall policy outlook and image ('Bad Godesberger Programme' 1959), although by the same token, the follow up 1989 Basic 'Berlin Programme'[519] was already outdated when accepted by a special congress. In this case, the end of the East/West divide and German unification had overtaken the SPD's policy outlook and hence the 1989 programmes strong bearings on 1980s German 'post-materialistic' *Zeitgeist* meant that it failed substantially to provide a clear future policy vision in many areas.[520] However central, such documents (often of substantial size) appear only very infrequently and are not primarily intended to respond to shorter-term electoral considerations.

Fritz Scharpf, who played an advisory role in the development of the economic part of the SPD's 1989 Basic 'Berlin Programme' identified two major advantages in parties developing a basic programme in order to define long-term aims. First of all, basic programmes enable parties to identify and formulate innovative long-term aims and visions, which can be identified and formulated without having to cater for short-term electoral considerations and strategy. Secondly, the choice of a long-term perspective to party policy aims increases the variety of political responses which can be advocated by the parties, as short-term pragmatic policy answers can be replaced with more desirable long-term policy solutions.[521]

Not only the SPD, but also the Labour Party engaged during the late 1980s in a comprehensive process of re-drafting their basic policy outlook. The significance and timing of these exercises and the reasons behind them will be discussed later. While the SPD developed a new Basic Programme (Berlin Programme), the Labour Party engaged in a substantial 'policy review' throughout the late 1980s. Both drafting processes of the programmatic documents were rather extensive and took a considerable period of time. Both attempts to redefine the parties' policy outlooks produced similar fundamental

[519] Grundsatzprogramm der Sozialdemokratischen Partei, Programme Parteitag, 20 December 1989 (5/93) commonly referred to as the 'Berlin Programme'

[520] Bok, Wolfgang - Zeitgeist-Genossen - Das Berliner Programm der SPD, Europäischer Verlag der Wissenschaften, Frankfurt a. M., 1995, p 15

[521] Mayntz, R. - Planungsorganisation, Piper, München, 1973, p 108-14

conflicts among traditional social democratic ideas and values and their functionality in a fast changing political and economic environment.

In contrast to the operations of the SPD in Germany, the Labour Party's National Party Executive (NEC) and Parliamentary Labour Party (PLP) carry much greater leverage and influence over deciding party policy initiatives and in controlling the programme making process than the SPD. The centralised character of the British political system also means that the local constituency Labour Party organisations have far less resources at their disposal and carry much less importance than those of their German sister party.

Theoretically the Labour Party election manifesto is supposed to be prepared by the NEC in conjunction with the leaders of the PLP with the annual party conference clearly defining policy guidelines. From this follows the setting up of a joint drafting committee that then develops and negotiates the party's election manifesto. However, in practice this procedure has not been functioning particularly well in the past as the party leadership has often been able to impose their policy and programme ideas on the drafting committee, which in the month prior to an election had been under extreme pressure to accept the leaders draft and display party unity.[522] This procedure, however, has undergone substantial re-organisation by the Labour Party throughout the 1990s, with the establishment of a 'new' medium-term manifesto development strategy.

This is partly due to the fact that in the British political system, the exact election date often remains uncertain which means that only a very limited amount of time is available for parties to develop precise election programmes or hold special pre-election conferences. This often led in the past to election programmes being developed by leadership associates which were able to substantially water down proposed policies according to the wishes of the party leadership, even if they had been previously adopted by the party's National Executive Committee.[523] However, since the late 1980s, the Labour

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[522] An exception took place when the Labour Party's general election manifesto of 1983 was written. An inner Labour Party move to the left had meant, that at that time the left dominated NEC temporarily gained a stronger position and was able to determine the programme content.

[523] James Callaghan was able to veto the 1979 programme (Butler and Kavanagh, 1979) while Neil Kinnock was, in particular after 1985, able to instruct (with the help of his office) loyal members on the NEC and the Shadow Cabinet on how to vote on crucial policy decisions. (Butler and Kavanagh, MacMillan, Basingstoke, 1988, 1992)

Party has been progressively adopting new procedures to develop her election programmes well in advance.

Overall, we assume that in Britain and Germany, election manifestos as well as mid-term statements have been written to both maintain and attract electoral support, i.e. to inform and reassure traditional supporters about the policies advocated by the parties, but also to appeal to floating voters and gloss over possible internal party disputes on policy. Furthermore, manifestos as well as policy statements have also been intended to not only express party consensus on advocated policies, but also to provide a broad framework in which party actors as well as members are supposed to define and perceive the political situation and the policy options available to the parties.

## 7.3. The development of an analytical framework for a cross-national study

The approach chosen for the comparative study of the development of policies by Labour and the SPD has been the development of an analytical framework, which will be applied to the different methods used for the party's policy analysis in order to provide an overall structure to the study of policy development. As this study concentrates on the policy area of Labour Market Policies (LMPs), a LMP coding framework has been developed to aid the collection of quantitative data from programmes and statements. However, this frame has also been used to structure the qualitative investigation into party policy changes to aid the analysis of policy-making behaviour. From this follows, that the findings of the quantitative data collection and analysis undertaken in this study will be used to provide cues for the qualitative research into the parties' policy development. Hence, this chapter aims to account for the methodological requirements and approaches chosen for the comparative content analysis of LMP development by the SPD and Labour Party.

### 7.3.1. The comparative approach

Parties and their changing political appeals are best studied on a comparative cross-national scale, as the basis for judgement must be relative rather than absolute. For example, when investigating the programmatic developments of only one social democratic party in isolation, the analyst would not be able to assess properly whether a party has exploited the full range of policies and appeals available to her. In fact, even

when comparing two parties based in one country, the analyst might miss out on policy choices available to the parties, as different party strategies, ideologies and voter clientele reduce the insight into the variety of appeals and policies available to any party. Hence, the comparative analysis of parties of the same ideological orientation based in different countries enables the researcher to gain a more revealing insight into the behaviour of the parties under investigation. Only a cross-national approach is able to shed light on questions such as - have parties made use of the entire range of strategies and appeals utilised by their (social democratic) sister parties? In which areas and to what degree are there cross-national congruities? What are the national factors influencing parties' choices?

These questions can be best addressed within a comparative research path of two or more similarly sized parties with a common Socialist/Social Democratic ideological tradition, operating within comparably large western European countries.

## 7.4. The development of a Coding Frame

The coding frame has been designed to cover, although not exclusively, the most common micro-economic LMP initiatives and measures (in the UK and FRG) intended - directly or indirectly - to improve the functioning of the labour market and reduce or stabilise employment levels. However, the coding scheme includes additional policy categories such as 'external relations' and 'ideology and institutions' to recognise overall policy shifts in other key areas which carry direct relevance to party policy attempts to improve the employment situation and possible paradigm shifts.

The coding frame has been developed to divide, standardise and refine the various LMPs advocated by the SPD and Labour Party since 1979/1980 and has been derived from ideas and instruments developed by the European Party Manifesto Group (MRG).[524] However, the almost all inclusive nature of the MRG coding frame and its rather general policy focus required the development of an entirely new coding scheme which focused exclusively on party policies to improve the functioning of the labour market. Hence, the

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[524] Budge et al's research had the aim to design instruments to facilitate comparisons and support generalisations about the way parties shaped their appeals. Their objective was the investigation of the ideology and strategy of post-war parties across countries with the help of a common framework covering all policy areas (developed by the MRG). See: Budge et al - Ideology, Strategy, and Party Change, Cambridge University Press, Cambridge, 1987, Appendix B, pp 456-67

coding frame developed for this study focuses and identifies solely the various policies developed to deal with labour market inefficiencies. Therefore, an economic perspective for the development of coding frame categories was chosen, which relies heavily on the analytical and sectoral breakdown of LMPs devised in various economic studies on the subject (OECD 1990, Calmfors 1994, EPI 1994, Robinson 1996).

### 7.4.1. The use of Content Analysis

Content analysis as an investigative tool emphasises the importance of language used in communications. In the rather elevated words of Harold Lasswell, one of the founding fathers of modern political content analysis: "The language of politics is the language of power. It is the language of decision. It registers and modifies decisions. It is battle cry, verdict and sentence, statute, ordinance and rule, oath of office, controversial news, comment and debate."[525]

Lasswells' description emphasises the significance of the language used in the political discourse i.e. the importance of the precise wording of political expressions, statements and messages. Consequently, content analysis is predominantly a qualitative research technique, which analyses the qualitative description of the contents of communication. However, by using quantitative methods of secondary analysis, it can be applied quantitatively. It then becomes a useful approach for information-processing in which communication content is transformed with the help of objective and systematic applications of categorisation rules into data that can be summarised, compared and analysed. Hence, it is a technique, which describes various facets of communication content in a summary fashion.

Content analysis can be used to look at texts by assuming that content in itself is an important factor in the communication process. Inferences can then be made by systematically and objectively identifying specified characteristics within texts. In fact, by looking at texts by inference implies that words do not only reflect the signification of what the reader imagines their nature appears to be. In addition, texts also reflect the disposition and interests of the writer, i.e. the pressures of the situation and environment

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[525] Lasswell, Harold D. et al - Language of Politics - Studies in quantitative semantics, The Massachusetts Institute of Technology Press, Cambridge, Massachusetts, (1949), 1968, p 8

writer(s) find themselves in. Furthermore, factors which determine the writers choice of topic or policy for his/her text can be considered as well as the particular effects or impacts on the reader that were envisaged by the author. Textual content analysis can furthermore provide leads to the nature of the author such as individual characteristics, while styles of expression may give clues to the possible influence of the authors/organisations past experiences or traditions. Overall, the approach chosen for this study should be understood as a bridge between qualitative and quantitative methods.

In the case of party manifestos and statements, we assume that these documents reflect the implicit and explicit views of the party leadership, if not of the party as a notional collective whole.[526] This assumption is backed up by the fact that party leaders have not only put their signature to the document (often in an introductory note), but their involvement in the final stages of the drafting process has been confirmed and described by a variety of publications on election campaigns.[527] Furthermore, manifestos provide an official record of party intentions and an authoritative guide to party members, supporters, campaigners and later – in case of a majority party - elected members in parliament and government.

This raises inevitably the question, if content analysis is primarily a means to investigate manifest content (the surface meaning of the text) or can it also be used to analyse the deeper layers of meaning embedded in a text document?

The answer to the first question is yes, while to the second the scope of content analysis is limited as additional contextual sources and information are required to back up initial findings. According to R. P. Weber, content analysis cannot just rely on interpretation, but "must be related either to the context that produced them or to some consequent state of affairs."[528] Hence, in addition to the quantitative methods applied during this study, we look at the qualitative domestic and international party political context when analysing the party's policy contents. As we are not particularly interested in the readers and writers perception of the policy documents, we are able to neglect the ambiguous, but nevertheless interesting attempts of 'discourse analysis' (J. L. Austin

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[526] Topf, Richard - 'Party Manifestos', in Heath et al (ed) - <u>Labour's Last Chance?</u>, (Chapter 9), Darmouth, Aldershot, 1994, p 155

[527] See: Butler, David and Dennis Kavanagh - The British General Election of 1979 (79), 1983 (84) 1987 (88), 1992 (92), 1997 (97), MacMillan, Basingstoke

[528] Weber, Robert Philip - <u>Basic Content Analysis</u>, Sage, London, 1985, p 63

1961; F. Burton 1979; M. Stubbs 1983) of attempting to understand and investigate the deeper socio-linguistic dimensions of the textual content. Even though the writers (party actors) intentions and transmission of the communications as well as the readers (voters) expectations and understanding of texts rely on a pre-defined context of shared knowledge and assumptions, the scope of discourse analysis for a comparative study compiled in two different languages is rather limited.[529]

Upon the selection of texts and the specification of procedures, the content analysis process enables the observer to engage in systematic measurements of texts by identifying occurrences of specified characteristics. These measurements can then be used to serve as a reference for drawing inferences, i.e. interpretations drawn from the initial results of the content analysis. While the content analysis process is objective and direct (quantitative), the inferences drawn from the results may be quite subtle and indirect. Often, an important part of the inferences process consists of the recognition and collection of external information aiding the interpretation of the content analysis of the text (qualitative). In other words, external sources should be used to support inferences made from the quantitative and qualitative content analysis of the text as quantitative content analysis solely undertaken by itself does not necessarily lead to reliable research results. Therefore, it is desirable when possible, to add qualitative data to the analysis based on quantitative findings.

## 7.4.2. Units of Content Analysis

Scholars of content analysis have continuously emphasised that the procedure requires the interaction of two processes:[530] Firstly, the specification of content characteristics to be measured and secondly, the application of rules for identifying and recording the characteristics when they occur in the data. Hence, a precondition for any content analysis is the quantification of content elements. For example, relevant aspects of the content - in the case of this thesis different LMPs proposed in party programmes - can be identified by introducing a set of standard subdivisions in categories, which may then

[529] Stubbs, Michael – <u>Discourse analysis: the sociolinguistic analysis of natural language</u>, Basil Blackwell, Oxford, 1983, p 4
[530] Stone, Philip J., Dexter C. Dunphy et al - <u>The General Inquirer: A Computer Approach to Content Analysis</u>, The Massachusetts Institute of Technology Press, Cambridge, Massachusetts, 1966, p 7

be applied to the programme text. The choice of recording units varies according to the specific goals set out in the study. Depending on the requirements and goals of the research, a single word or term may be as well applied as a 'theme' (a sentence or sentence-compound under which a range of specific formulations can be subsumed) for the purpose of identifying whether a particular word, term, 'theme' or policy appears with regular frequency or not.

For this study the 'theme' as unit of analysis has been chosen, because it is the most accurate unit when analysing ideas, policies, issues and concerns with respect to a specific policy area which can be worded in various ways. The 'theme' is particularly useful for the study of the effect of communications (such as party programmes) upon public opinion as it "focuses on the form in which issues and attitudes are usually discussed".[531]

Of great importance for the functionality of content analysis of texts is the precise definition of the counting units. The attempt to count predetermined phrases or single words as quantitative expressions and indicators for policies in the documents under investigation was ruled impractical, as these extremely small units of content vary intensely in meaning and connotation not only between English and German, but often even in the same language as words depend strongly on the context provided by sentences to reveal their true meaning. Furthermore, similar ideas can be expressed in different words and terms, which again would distort the outcomes of any text analysis based on single words. For example, Gerald R. Taylor described how the same policies expressed in Labour's 1987 programme as "socially just" were transformed into "social justice" during the 'Policy Review Process'.[532] Therefore, it was decided that the counting and coding of terms or words would be impracticable for the purposes of this research. Following from this, comparability was instead ensured by only counting and comparing pledges and pledge counts which although expressed in a great variety of ways, would still be identifiable according to the specific content characteristics of the policy advocated. Hence, 'socially just policies' were counted under the same coding category

[531] Berelson, Bernard – Content Analysis in Communication Research, Hafner Publishing Company, New York, (1952), 1971, p 139
[532] Taylor, Gerald R. - Labour's Renewal?, MacMillan Press, Basingstoke, 1996, p 70-1

than 'policies for social justice'. (See full LMP coding frame - Category: 4010 Social Justice / Social Stability).

Of course, it has been a subjective process to identify and count policy pledges, with the fact that all parties make statements of intent which range from broad commitments to very specific promises not helping either. In addition, it is important to be alert to the fact that there is a possibility that not only words, but also political terms undergo redefinition and may change their meaning.[533] From this follows a tendency away from clearly stated policy content (e.g. tax policy 1992) by parties towards an ever increasing emphasis of policy presentation and image, which - although being a revealing detail and an interesting process in the policy formation of parties itself - certainly hinders the meaningful comparison of programme and manifesto texts over time. However, as the period of investigation chosen for this study comprises less than twenty years, the cases in which redefinition of political terms has occurred were few and will be specifically pointed out and accounted for during the course of the analysis.

Furthermore, the choice of categories and content units similarly enhances or diminishes the likelihood of valid inferences. Unless they are appropriate indices of the events, attitudes or behaviours the analyst wants to measure, inferences drawn from the categorised findings will not be valid. Therefore, the validity of any study is inextricably interrelated with its sampling design and reliability.

## 7.5. Requirements for Content Analysis

The analysis of content requires "objectivity, system, and generality" as a precondition for the application of scientific methods to documentary evidence.[534] By attempting objectivity is meant that a clear, well-defined explicit set of rules is applied as

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[533] An increasing redefinition of political terms could be detected throughout the 1990s, a development, which has been motivated by the attempt of political parties to improve 'policy presentation'. At the forefront in Europe has been the 'new' rhetoric developed by 'New Labour'. Hence, the electoral success of the Labour Party has certainly encouraged other parties to follow their example.
One such example for the re-definition of a policy term has been the Labour Party's use of the notion of 'social justice' in respect to employment, which in their 1997 election manifesto stressed the party's aim to improve the citizens 'ability to work'. This definition must be seen in stark contrast to the traditional meaning of the term, which previously was used to emphasise equality and the state role of re-distributing resources towards the more disadvantaged in society. Hence, the analyst must be aware that a tendency towards the redefinition or even re-branding of parties' policy contents and pledges exists that must be taken into consideration when using qualitative research tools.

criteria to decide on content units (e.g. themes) placed in one category in order to minimise the impact of the analyst's subjective prepositions.

'Systematic' application of content analysis thus means, that the inclusion and exclusion of content categories is dealt with according to consistently applied rules, for example, no sentence of a text can be categorised more than once.

Finally, 'generality' of content analysis requires that findings have theoretical relevance i.e. that the data gained must be related at least to one other document to give meaning to its findings. Preferably – as in this study - programme texts are analysed with the help of the same categories at different points in time and comparatively for two parties

However, one thing seems clear when dealing with the various types of content analysis. Whatever the precise content analysis technique used, the overriding aim of content analysis remains the same. As Stone points out, "...content analysis does not study behaviour itself, rather it focuses on artefacts produced by behaviour...[while] content analysis infers the orientation and concerns of a speaker [or writer]...from the record of what is said."[535] In other words, the data collected is not self-explanatory, and thus at the heart of this approach still lies the analyst's interpretation of the collected data.

From this it also follows, that the outcome of content analysis cannot be better than the developed system of categories, since they contain the substance of the investigation. Furthermore, when coding content data, the decision on the boundaries of units of the coding scheme must be clearly and objectively defined (unitising) in order to ensure that each sentence is only ascribed once, and appropriately to one of the available coding categories.

For various reasons, there is a general absence of prescription regarding a universally applicable system of standard coding categories in content analysis literature. This is due, firstly to the fact that there seems to be an overall reluctance of analysts to adopt the categories of others, while secondly there are few areas of social inquiry in which there is a sufficient consensus on theory that would allow the formation of a set or selection of generally applicable coding categories. One exception to this rule is the work

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[534] Holsti, Ole R. - Content Analysis for the Social Sciences and Humanities, Addison-Westley Publishing Company, London. 1969, p 3-5

of the MRG, which developed 'project specific' categories used by all the groups members while attempts were made to 'marry' other sets of data with their categories to aid analysis.[536] However, so far, researchers have developed predominantly more or less unique (project specific) coding frames that have specifically addressed their research aims. Thus the scope of coding schemes is usually limited by the number of different substantive questions which one seeks to answer with the help of the content data. Nevertheless, it is intended that the LMP framework developed for this study provides practitioners of content analysis which attempt to develop policy specific frames of analysis with an instructive example.

### 7.5.1. 'Labour Market Policies' in party programmes / statements

The object of analysing party programmes and 'major' statements on LMPs in a comparative perspective is to assess the development and changes over time within a common framework. In fact, the programmes and statements on LMPs are taken as an indicator of the overall development of the policy emphasis and paradigm applied by the Labour Party and SPD during their long-term period in opposition (1979/82 to 1997/98).

The term 'policy' itself has been used in a variety of ways by different scholars, and in different contexts. In his comparative policy analysis of programmes, Rose (1988) identified four distinctly different ways in which the term 'policy' is commonly used. They include the use of the term as a synonym for a problem or issue area; 'policy' as a statement of intention about what politicians and/or parties intend to promote when (re)elected; the term 'policy' may refer to a programme of public services delivering particular services; and finally 'policy' refers to the impact of a government programme.[537] Here, during the course of this study, the term 'Labour Market Policy' (LMP) refers to consciously advocated policies to improve the functioning of the labour market and reduce unemployment. From this follows, that LMPs are predominantly aimed at responding to the problems of structural change, encouraging the search for jobs and

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[535] Stone, P. J.,  D. C. Dunphy et al - The General Inquirer, Cambridge, Massachusetts, 1966, p 19
[536] Evans, Geoffrey and Pippa Norris (eds) – Critical elections, Sage, London, 1999; Norris, Pippa, John Curtice, David Sanders, Margaret Scammell, Holli A. Semetko – On message – Communicating the campaign, Sage, London, 1999
[537] Rose, Richard -'Comparative Policy Analysis: the Program Approach', in Dogan, Mattei (ed) - Comparing Pluralist Democracies, Westview Press, 1988, p 220

assisting labour mobility counter to the reliance on 'passive' policies such as payment of unemployment benefit.

The policy area of LMPs has been chosen and is justified as an example of policy-making by social democratic parties (in opposition), as the fight against unemployment has been an integral and defining aspect of social democracy since its foundation.[538] In fact, Keynesian state interventionist policies to check unemployment have been a vital component for the success of social democratic parties throughout Western Europe since the end of World War 2. The pressures, which developed throughout the 1970s and 1980s for policy change in the face of the gradual replacement of Keynesianism with a neo-liberal policy paradigm, were particularly impacting on the area of Labour Market Policy making and particularly instructive for analysing policy change.

Therefore, this study deals with the development and nature of LMPs as reflected in the electoral programmes and mid-term statements of the SPD and Labour Party. Questions to be addressed include, what are the basic LMP issue-dimensions? What are the changes within the parties LMPs since 1979? Did both parties use LMPs to directly confront or challenge the policies of their government (party) competitors? Can the changes in LMPs advocated by both parties be ascribed to the gradual shift from Keynesian to a neo-liberal paradigm? Did the change in policy take place because or in spite of an all encompassing shift in the policy paradigm?

## 7.6. A coding frame for Labour Market Policies

The coding scheme for the analysis of LMPs developed for this thesis evolved as already mentioned from the MRG scheme used by Ian Budge et al.[539] The groups original research objective was based on a general attempt to investigate the ideology and strategy of post-war parties across countries within a common framework (covering all the policy areas covered by the programmes), so as to facilitate comparisons and ultimately to support generalisations about the way parties shape their appeals over time. Findings

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[538] See Chapter 2.
[539] See: Budge, Robertson and Hearl (eds) - Ideology, Strategy and Party Movement, Cambridge University Press, Cambridge, 1987

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were first published in 1987[540] and the specific approach to manifesto coding and analysis was further developed and refined in the following years as documented in a 1994 publication[541] which added to the analysis of election programmes the calculated variable of 'expenditure priority factor scores'.[542] Finally one major great advantage of this comparative research method is the ability to compare party policy content in a quantitative way, over time and space published in different languages.

Three major changes to the general coding approach of Budge et al (1987) have been made in order to recognise the specific requirements and needs of a coding frame which deals with the study of LMPs in party programmes.

Firstly, instead of counting sentences, we have decided to count policy pledges - or in the words of Rose "policy intentions"[543] - in party manifestos. Pledges reveal more about party intentions as they consist often - although not exclusively - of a "'commitment' phrase ('we will', 'we support', 'we oppose' etc.) and a phrase indicating the actions for which commitment is indicated", and that often on a concrete level.[544] Rather than focusing on sentences, we recognise that often numerous pledges can be found in one sentence. (For example, 'we will expand apprenticeship type youth training schemes and subsidise newly created jobs for long-term unemployed persons over fifty by offering employers and companies a new range of tax brakes.') In fact, its was Rallings who defined a pledge as a specific commitment on behalf of the party to act in a certain area, following an identified and specific policy strategy.[545] Hence, a specific manifesto pledge - rather than text solely dealing with a policy area - expresses a party's commitment to engage in a specific approach or action to deal with an issue according to a set out policy strategy.

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[540] Budge, Ian, David Robinson and Derek Hearl (ed) - Ideology, Strategy, and Party Change: Spatial analysis of Post-war election programmes in 19 democracies, Cambridge University Press, Cambridge, 1987
[541] Klingemann, Hans-Dieter, Richard I. Hofferbert and Ian Budge - Parties, Policies, and Democracy, Westview Press, Oxford, 1994
[542] In their study, policy priorities were measured as percentages of total central governmental annual outlays devoted to particular functions. Spending indicators were then calculated with the help of published public records (providing the raw data.) However, the use of 'party programmes' and 'spending priorities' in the context of LMPs seems ill suited for this study, as we are solely dealing with parties in opposition, which are usually not only trying to avoiding to commit themselves to precise spending pledges, but which (due to their 'structural disadvantage in opposition') are often ill prepared to undertake such an exercise in a credible way.
[543] Rose, Richard - Do parties make a difference, MacMillan Press, London, 1984, p 9
[544] Royed, T. J. and S. A. Borrelli - 'Parties and economic policy in the USA', Party Politics, Vol. 5, No. 1, 1999, p 125

However, at the same time, one cannot count as a pledge those instances where a party manifesto is criticising specific policy mistakes of political opponents - as this does not constitute any commitment to a particular alternative policy approach - while the expression of a general desire to 'try' to do 'x' or to achieve 'y' as soon as practicable can also not be counted as a pledge, as in neither case, failure to deliver would break a firm commitment.

Secondly, while Budge et al used an 'all inclusive' coding frame for their analysis of programmes, a coding frame has been developed to focus 'exclusively' on the Labour Market policy content of the party documents under analysis.

Finally, we have added additional texts to the analysis of electoral party programmes and platforms, especially 'major' mid-term party statements on LMPs.

## 7.6.1. Extensions and specifications of the coding frame

The coding approach chosen by Budge et al was to design a coding frame that was all-inclusive. This meant they developed very general coding categories, which would cover most policy areas encountered in the policy statements under analysis. In contrast, in this study we have aimed to distinguish between pledges and policy contents being related and 'relevant' to LMPs or 'irrelevant' and unrelated to the aims of this analysis, hence analysing a more specifically defined and narrower range of manifesto/statement pledges.

Even though during the coding process all the pledges featured in the party statements under investigation were assessed and looked at, a pre-selection process took place in which only those pledges were coded and counted, which could be clearly related in a broad sense to purposely, directly and/or actively influence the situation on the labour market. It was felt, the process of pre-selection of pledges into labour market policy related policies as well as codable and non-labour market related policies (which were not coded) led to a useful reduction in data and meant 'policy coding bins' within the LMP framework could be avoided. By 'coding bins' we mean the existence of policy coding categories, which would have been unrelated to the LMP area and are a collection of data of neglectable use. In fact, the inclusions of those 'bins' in our coding frame would have

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[545] Rallings, Colin - 'The influence of election programmes', in Budge et al - Ideology, strategy and Party Change, Cambridge University Press, Cambridge, 1987, p 2

meant a considerable expansion in the number of coding categories which would have had to be defined in extremely general terms (such as 'Law and Order' or 'Freedom and Democracy') containing pledges which would have been clearly unrelated and of no interest to the intended content analysis of LMPs. Therefore, the developed LMP frame contains solely categories that broadly represent party policy statements, which can be clearly related to LMP initiatives.

Furthermore, while the MRG aimed at comparatively studying a great variety of parties in a large number of countries with the help of rather general policy coding categories, we focus instead only on two parties based in different countries. Furthermore, we do not only investigate the more specific aspects of the party documents, but also include more specific and detailed party mid-term policy statements in the analysis that enable us to comparatively study the changes of the parties' policies within a greater body of documents.

### 7.6.2. The Basic Research Design

During the testing and development stage of the LMP framework it became clear that party documents often consisted of rather ambiguous policy statements, sole comments on the mistakes of other parties/governments or general lengthy descriptions of the overall political situation without revealing policy positions or advocated alternatives. In order to exclude these parts of the policy documents from the coding and counting process as they would have distorted the quantitative content analysis and led to the misrepresentation of the actual policies emphasised and advocated by the parties, only clear pledges i.e. descriptions of (intended) policies have been chosen as units to be expressed in the coding categories.

Each policy pledge devoted to a LMP has been coded and allocated to one of the categories or sub-categories. Next, the pledges were counted and re-calculated in percentage terms in order to gain quantitative data of pledge count values, which could then be assessed comparatively and independently of the actual size of the document. This approach has also helped to document the substance and actual shifts in policy ideas/pledges in LMPs covered by the various programmes. The analysis of the texts,

expressing changes in percentage points of counted LMP pledges also enabled us to cut through the size differences of programmes (for instance a programme could be long and contain surprisingly few pledge counts), hence distinguishing between (sometimes long winded or ambiguous) programme rhetoric and actual (pledged) policy plans.

In addition, policy pledges were only counted if the pledges were perceived to be aimed or intentionally affecting the situation on the labour market. In other words, if for instance a pledge to improve the provision or expansion of education for young people (14+) has direct preparatory relevance to labour market entrance, then it would have been coded and counted. Hence, on the one hand the coding of the programmes contained a certain normative aspect on behalf of the researcher as the attempt has been made to take coding decisions for the various documents with the greatest possible consistency. On the other hand we have attempted to avoid coding extremely ambiguous or unclassifiable general statements or intentions such as "we believe in our scientists ability to achieve...economic growth" expressing beliefs rather than a party's commitment to undertake any kind of action.

### 7.6.3. Classifying Labour Market policies

The LMP coding frame has been based on previous studies of labour market policies that are briefly described below. The OECD[546] as well as Lars Calmfors[547] developed two basic classification frameworks for Active Labour Market Policies. Both frameworks included supply and demand side measures such as:

- job brokering to make the matching process between vacancies and job seekers more efficient;
- the promotion of a spirit of active search - this includes the involvement of employment services to get claimants back to work with schemes such as work trials as well as the threat of removal of benefit, if claimants are not prepared to accept the employment offered to them;

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[546] OECD - Labour Market Policies for the 1990s, Paris, 1990
[547] Calmfors, Lars – Active Labour Market Polices and unemployment - A framework for the analysis of crucial design features, Seminar Paper No. 563, Institute for International Economic Studies, Stockholm, 1994

- labour market training to improve and upgrade the skills of job applicants; by developing employment-related skills' - this category includes measures to provide/improve education, on-the-job training schemes, apprenticeships etc.; and

- direct job creation including public sector employment or the subsidisation of private-sector work.

In contrast, William McCarthy developed a more inclusive system by identifying four types of - what he called - "Active Labour Job Market Creation Schemes" which proved to be a more useful classification scheme for distinguishing LMPs.[548]

- Public Investment Schemes - using public funding to create additional jobs (predominantly in the public sector);

- Recruitment Subsidies - consisting of per capita payments to employers willing to take on additional employees, with subsidies being intended to lower the marginal cost of additional labour and thus increase labour demand;

- Work-sharing - attempting to create additional jobs by reducing the working hours of the existing labour force; and

- Quality Training - the provision of quality training to the unemployed is based on the belief that many more jobs would become available for the unemployed, if only they were better qualified.

In addition, McCarthy argued that there was a need for special measures to force down high levels of unemployment for particular groups such as the long-term or young unemployed (with the help of 'strategic job creation' schemes) as an economic strategy generally aimed at higher growth rates may be helpful, but would currently not be able to produce levels of 'full employment'.[549]

McCarthy's division of LMPs was more relevant to our research than those categories used by the OECD and Calmfors as they were particularly specific when distinguishing the more supply side and less macro-economic measures used to reduce the number of people unemployed, precisely the kind of labour market policies we intent to focus upon assessing the policy and programme making processes of Social Democratic parties. However, William McCarthy's LMP division has left out the use of negative sanctions to encourage job search - such as benefit withdrawal or its reduction in case of

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[548] McCarthy, William - New Labour at Work - Reforming the labour market, IPPR, London, May 1997, p 10
[549] McCarthy, William - New Labour at Work - Reforming the labour market, IPPR, London, May 1997, p 8

claimants rejection of job offers - something that has figured strongly in the neo-liberal political rhetoric of the 1990s and that has therefore been included in the coding frame developed for this study.

Overall, Robinson's study on the role and limits of LMP, similar to that of McCarthy, emphasised the role of Employment Services when implementing LMPs. His framework distinguished between measures to reduce the mismatch of job-seekers to notified jobs, measures to raise the stock of skills, measures to directly increase the demand for labour, and measures to promote equality of opportunity in employment.[550] Overall, the above mentioned studies have been a strong point of reference for the LMP framework developed for this study.

However, for the purpose of the quantitative and qualitative analysis of party policy documents and the aim to prove a change in the parties applied policy paradigm, we have developed and applied a more inclusive and heuristic 'Labour Market Policy-framework' which aims at identifying all of the parties policy initiatives directly intended to reduce unemployment and improve the overall labour market and employment situation.

## 7.6.4. The Labour Market Policy frame design

Each Labour Market policy pledge (as defined by the framework) was classified into one of 32 distinctive categories with an additional 39 sub-categories of LMP themes to reflect many shades of policies.[551] This technique of coding and the standardisation of the programme text led to a reduction in content details and increased the focus of analysis. Policy details were unified in a framework, which left the analyst with a comprehensible and much reduced amount of data. In other words, the frame consists of various coding- and sub-categories, which had been developed to filter LMP pleads out of the programme text and group them into policy categories. The varying numbers of primary and sub-categories does not reflect a measure of their relative importance, but rather of the complexity of the area of policy issues and advocated solutions.[552]

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[550] Robinson, Peter - The Role and limits of Active Labour Market policy, EU Working Papers, EUI, No. 96/27

[551] See: Appendix III, Full LMP Coding Frame

[552] See Annex B in Budge, Ian, David Robinson and Derek Hearl (ed) - Ideology, Strategy, and Party Change: Spatial analysis of Post-war election programmes in 19 democracies, Cambridge University Press, Cambridge, 1987, p 459

The categories have been grouped into seven 'domains' each covering broad areas of LMPs. Considerable attention has been given to the analysis of each 'domain', with sub-categories sometimes being later collapsed to express developments within a whole domain. The domains have been deliberately chosen as *priori* theoretical groupings representing specific types of common labour market policy approaches.

The coding categories of the LMP frame have been developed specifically, on the one hand, to reflect as closely as possible the most important and contentious LMP issues as well as pledges which would have had a significant impact on the economy or on the labour market, such as EEC/EU level policy activity, state planning, full employment etc., while on the other hand an attempt has been made to emphasise and differentiate with the help of the coding categories in a comparative way the various obvious types of LMPs used by the parties. Furthermore, it should be noted that the specifications of the coding categories were intended to be descriptive and illustrative of the types of policies and pledges rather than being exhaustive definitions.

## 7.6.5. Collapsing the LMP coding frame

As mentioned earlier, the LMP coding frame contains 32 categories and 39 sub-categories. However, when felt appropriate in order to enhance the analysis and expressiveness of the data, we have - in addition to the original LMP frame - collapsed certain similar LMP categories and sub-categories into 23 more general and larger data categories for a second 'collapsed LMP-frame'. In other words, to assist the data analysis and to enable us to express the findings more graphically and effectively, in cases were the sub-categories were too detailed for arguing more general points, we have used - apart from the full LMP coding frame - a collapsed version of the frame during the analysis.[553] For this second frame, coding categories (predominantly sub-categories) have been collapsed and combined under more general headings to strengthen further their analytical expressiveness.[554] Overall, coding sections have sometimes been combined

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[553] See: Appendix IV, Collapsed LMP Coding Frame

[554] For example, in case of the Keynesian Demand Management, the various categories and sub-categories of the full LMP coding frame were collapsed in to one category expressing the combined pledge count of all the coded Keynesian Demand Management policy pledges. (Coding categories 6020 / 6021 / 6022 / 6023 / 6024 were collapsed into one category).

under more general section headings to represent more basic differentiation's in the coded LMP areas to improve the overall comparability of policy domains.

## 7.7. The recognition and use of 'major' mid-term statements

In addition to the widely tried and tested assessment and coding of party election manifestos, we have added to the content analysis 'major' mid-term party statements/policy documents on Labour Market policies which often deal in greater detail with the policies involved.[555]

Although mid-term statements often contained a higher degree of specification of advocated policies than election manifestos, they displayed - as shown during the analysis of the data – substantially similar tendencies in the parties' development of advocated policy preferences.

A precondition for the choice of mid-term statements was the timing of the publication, which had to fall within the required time frame (preferably published between two election manifestos). The statements also had to clearly deal with LMP concerns, something, which was tested by insuring that the mid-term statements LMP counts were in a comparable range with those of election manifestos.

Furthermore, the mid-term statements chosen for this study were all passed and agreed upon by the SPD's and Labour Party's Parteivorstand i.e. National Executive Committee which made them documents that represented the official party policy line.

## 7.7.1. The specific features of mid-term party statements

In general, we have aimed to combine as much as possible the data gained from the party manifestos with that of mid-term statements. The result has been encouraging, with data collected being surprisingly corresponding - often supplementing each other and providing a common ground for the conclusions which could be drawn from the data findings. Hence, whenever possible, we have combined the data from election manifestos with that of mid-term party statements which in most cases displayed highly congruent patterns. However, mid-term statements have to be analysed with extra care as they sometimes contain novel and even contradicting patterns.

Firstly, mid-term statements can often be more specific and less heuristic than election manifestos. In fact, mid-term statements dealing with LMPs can reveal a far greater amount of policy detail than election manifestos.

Secondly, while election manifestos place policies more into an international economic context, hence placing greater emphasis - for example - on 'international co-operative' policies envisaged within the 'European Union', mid-term statements on LMPs often tend to focus more on the specifics of the 'domestic' environment and on how to put policies into practice by defining details of their envisaged implementation.[556]

Thirdly, another difference between mid-term and electoral statements lies often in the fact that election programmes contain – for the benefit of the electorate - clearer and often more straightforwardly worded policy pledges, while mid-term statements can be often less precise and more ambiguous in their wording of policy prescriptions.

From this it follows that during the coding process of the mid-term statements a greater degree of flexibility and interpretation of expressed policies was required. Seemingly vague statements of 'intent' were included in the coding process as long as their context was able to sufficiently determine their coding category. This means, that pledges were counted when it was possible to interpret them according to their content and context within the texts.[557] For example, a sentence such as "a central condition will be the raising of the educational standards and improving of skills of the British people" was still coded – in this case under 3010. (Labour - *Meet the Challenge*, 1989, p 6) However, the re-interpretation/construction of programmatic mid-term statements and their meaning for the purpose of deciding how to code them was statement specific and only rarely necessary. Consistent with the coding of manifestos, when statements were on topics irrelevant to the general running of the economy or to LMPs in particular, they were not included in the coding process.[558] As the above-described rules were continuously

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[555] To determine the Labour Party's and SPD's 'most important' mid-term policy manifestos/ publications containing LMPs, we have used as a criteria their detail and length dedicated to LMPs, the timing of their announcement and significance in changing, refining or confirming party policies.

[556] In response, when analysing and interpreting the SPD's and Labour Parties LMPs dealing with the specific area of EU (1010/1020/1030), we have excluded the data gained from mid-term statements as - for the described specific reasons - the inclusion of mid-term statements would have distorted the gained data.

[557] Prime example for a problematic mid-term statement that required a strong need for the re-interpretation of vague pledges was the Labour Party/TUC 1985 document 'A New Partnership - A New Britain'.

[558] For example, pledges such as "..more efficient use of resources, reduction of bureaucracy in area of policing or NHS..."etc. would have been clearly left uncoded and uncounted

applied, the greatest possible standardisation, accuracy and consistency of the coding of the party documents has been achieved.

### 7.7.2. 'Major' mid-term statements as policy templates

Overall, the inclusion in the analysis of a great variety of policy documents roughly at the rate of a two year frequency for each party means that more attention could be given to the policy changes over a relatively short period of time. We found that certain mid-term statements contained (a) specified policy pledges often in greater detail than election programmes, and (b) that they were often aimed at 'domestic' party consumption by setting out new policy guidelines, documenting the state of the latest inner party positions, informing and instructing party actors and members rather than advertising policy positions to the wider public.

In fact, consistent with the theoretical considerations expressed in chapter four and the arguments of Fritz Scharpf (1997), there is a major significance in policy contents expressed through official institutional (party) publications (such as 'major' mid-term statements) as they intent to provide guidance as well as policy orientation to party members and activists and by setting out at least partly the templates for the party's future policy decision-making, policy options, directions and even the parties overall policy paradigm. In other words, actors within party institutions use publications, such as policy specific mid-term statements, as frames of reference and templates for future 'incremental' policy decisions and developments. Therefore, to include the 'major' statements concerned with LMP in the study of policy development of parties recognises their importance and increases the overall understanding of the parties' policy direction, which influences after all the actions of individual and composite actors within the parties.[559]

### 7.7.3. Further operational procedures

It is important to point out that the percentage figures and the changes in the pledge counts (which sometimes appear to be shifting excessively) are expressed only for a specific area of programme pledges (often between 5% and 15% of the pledge total),

hence changes only relate to the specified and limited policy area covered by the LMP-coding frame.[560]

Finally, one technicality concerning the presentation of the quantitative research results in the form of graphs must be mentioned. The graphs used during this study have been interpolated in order to display the change of pledge counts over time from one programme/statement to the next without gaps.

## 7.8. Adding qualitative components to the quantitative approach of programme analysis

The quantitative approach chosen for this study has been extremely useful when the aim is - as in this study - to gain research data on policy processes that have taken place in the recent past. Although requested several times, both the Labour Party as well as the SPD denied as a rule access to internal party papers that could have given a further inside view to the workings of the parties decision-making processes and to the actual role of individual actors involved. In fact, both parties justified their decision to withhold inner-party documents by referring to the common policy of refraining from giving researchers access to 'sensitive' qualitative records and memos of national executive and working group meetings for a period of twenty years.

In response to this lack of inner party sources, the quantitative approach was chosen as the adopted time-frame would not have allowed the use of any 'unofficial' inner-party protocols, reports, statements or transcripts of meetings. In fact, in order to avoid having to wait for twenty years before these documents can be assessed, other sources of data must be used to analyse parties more recent policy making processes. As the aim of this study was to look back at the fairly recent development of policies by the Labour Party and SPD (during their time in opposition) and the parties handling of the overall change of the policy paradigm in Western Europe's political systems, the

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[559] See: Scharpf, Fritz - Games real actors play - Actor-Centred Institutionalism in Policy Research, Westview Press, Oxford, 1997, p 40; Lindblom, Charles E. - 'The Science of 'muddling through', Public Administration Review, Vol. 2, Spring 1959, pp 82-144

[560] For example, the dramatic change in the in SPD's 1990's (collapsed) LMP pledge count concerning Keynesian Demand Management. The change appears very dramatic, precisely due to the fact that we are investigating and documenting variations in the percentage of pledges concerned with a very specific area of the programmes analysed.

quantitative approach was extremely useful in supplementing the qualitative data available on the policy development processes of both parties.

In fact, the reliability of an approach exclusively based on the use of quantitative data analysis of party documents would be highly questionable for the aims of this study, as the frequency of an assertion may not necessarily reveal its importance. It is, for example, possible that a single appearance - or omission - of an attribute in a document may be of more significance than the relative frequency of other characteristics. Therefore, after the coding and data analysis, re-assessing the parts of the documents under analysis by comparing the quantitative findings with qualitative content analysis checks the quantitative results. In turn, quantitative results may highlight qualitative aspects of the text, which otherwise could have been missed by the analyst. Thus the 'ideal' content analysis, in the words of Ole R. Holsti, "should use qualitative and quantitative methods to supplement each other. It is by moving back and forth between these approaches that the investigator is most likely to gain insight into the meaning of his data."[561] Therefore, in addition to the quantitative section of programme analysis, qualitative sources have been used to back up quantitative findings and as a point of cross-reference to determine and test results based on the analysis of quantitative data. Hence, the use of additional qualitative sources and their analysis are intended to add a further dimension to the results of the quantitative data collection and analysis. Linking quantitative with qualitative research is a natural choice, as both do clearly interrelate, prove or disprove findings gained from the analysis of one of those components, and as they provide leads for cross-investigation and increase the credibility of research findings and analytical explanations. Furthermore, it has been widely accepted that the quantitative analysis of manifesto texts assumes that the message is "what you read is what you get", i.e. the meaning of the test is its surface meaning.[562] However, in order to draw wider conclusions, the additional analysis of quantitative information about the parties' (actors) ideological and historical context is useful as it enables the analyst to "read between the lines."

While the precise changes in officially advocated LMPs by parties can be best assessed and studied by analysing programme content, the reasons and circumstances

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[561] Holsti, Ole R. - Content Analysis, Addison-Westley, London, 1969, p 11

behind the changes can only be fully understood with the help of qualitative and contextual data. Furthermore, qualitative research can cover some of the shortcomings of quantitative research findings. For example, a problem of quantitative programme analysis lies in the fact that pledges valid and revealing in one country, may be insignificant in another, hence making statements incomparable. For example, the pledge for the introduction of a minimum wage is not mentioned in any of the SPD programmes, as the minimum wage is an established widely accepted part of the German political environment (accepted by all parties). However, in the case of the Labour Party, the pledge for minimum wage legislation has been highly contentious and appears with great frequency in programmes of the party. Here, we are faced with the problem that the coding and counting of specific policy pledges may have substantially inflated Labour's 'pro-labour market regulation' figures in the quantitative programme analysis. (2040) As a result, the SPD could, for instance, appear to have been overall less concerned with labour market regulation. However, we have found very few cases like this, and they are pointed out during the analysis. In fact, even where coding categories attract zero scores such as in the SPDs count on 'pro-minimum wage legislation', this result clearly documents and reveals an interesting point such as the one described above.

### 7.8.1. Other data chosen for cross-referencing the collected quantitative data

In this study the qualitative component of party policy analysis is not predominantly based on programme/statements content analysis, but consists of the analysis and evaluation of secondary literature, 'accessible' internal party documents and interviews with policy makers and party insiders that were directly or indirectly decisively involved in the LMP-making formation process of the Labour Party and the SPD. This approach will enable the observer to draw together conclusions from the LMP-making processes and place findings in a more holistic frame of reference, hence increasing the overall understanding of social democratic party policy development behaviour during the 1980s and 1990s.

In other words, the collection of quantitative data with the tool of a LMP framework provides researchers with further leads for the collection of qualitative

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[562] Riffe, D. et al – Analysing media messages – Using quantitative content analysis in research, Lawrence Erlbaum Associates, Publishers, Mahwah, New Jersey, 1998, p 29

evidence on individual or composite decision-making actors.[563] The analysis of qualitative components - clearly defined by the quantitative research results - adds not only the context of the political system or developments in the political and economic environment to the analysis, but qualitative research may also provide vital information about the state of the party itself, its self-perception, state of cohesion or division, basic beliefs, priorities and aims (ideology), adopted paradigms, as well as the capabilities, strategy and strength of decision-makers and the leadership, which may have been instrumental for the policy-making process and parties amendments of policies previously advocated.

The additional qualitative data collected for cross-referencing parties policy choices consists of extensive research of primary sources, such as interviews with politicians and decision-makers from the Labour Party and SPD, policy advisers and observers, their memoirs, diaries, speeches and statements, as well as of newspaper sources, books and articles on the subject. Furthermore, party publications, policy documents, reports and pamphlets from leading think tanks as well as contributions from academics on the parties' thinking or that of policy-makers have been used in the analysis. The qualitative research includes furthermore the analysis of election results in the UK and FRG between 1979 and 1998, and figures on the unemployment rates and economic growth rates in the UK and FRG (OECD – Historical Statistics).

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[563] The notion of 'composite actors' implies for international action at a level above that of individuals involved In other words, we use 'composite actors' as aggregates of individuals when explaining policy outcomes in terms of their preferences and strategy choices. (See also: Scharpf, Fritz - Games real actors play - Actor-Centred Institutionalism in Policy Research, Westview Press, Oxford, 1997, p 52)

# Chapter 8: The quantitative/qualitative analysis of the Labour Party's and the SPD's party programmes and 'major' mid-term policy statements

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|---|---|
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## 8.1. The quantitative analysis of party manifestos and statements

During the following analysis and interpretation of the collected quantitative data of the content analysis of the Labour Party's and the SPD's policy documents, we intend to establish common patterns and explain LMP policy choices. The graphs used in the following content analysis have been compiled from the quantitative data collected from the parties policy documents and are intended to demonstrate in a comparative way the overall tendency and trends of the parties policy development and treatment of specific LMP pledges.[564]

While policy trends can be clearly identified, the graphs can not be expected to be clinically consistent as the pledge counts have to be expected to contain a certain error margin due to differences in the parties document forms, length and variations in the expression of the pledges. However, these variations - expressed in the graphs - are surprisingly insignificant and have shown to be the exception to the rule during the course of the analysis. Furthermore, in order to enhance the visualisation of data trends, a variety of types of graphs have been used (see key to figures).

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[564] For a list of the Labour Party and SPD general election programmes and 'major' mid-term statements used in the quantitative content analysis see Appendix V. For the counting of the parties manifestos / documents see data sheets in Appendix VI.

**KEY TO FIGURES:**

**Full Standard Coding Frame (FCF)** representing single categories used during coding process.
**Collapsed Coding Frame (CCF)** containing collapsed categories for a more general picture.
**Election programmes and mid-term statements (PMS)**
**Election programmes only (EPO)**

Finally, the following analysis deals predominantly with LMP-frame categories, which were found to express most clearly the policy shifts attributable to the changing policy paradigms applied by the parties policy makers.



**1020 Pro EC / EU - LMP initiatives** (FCF/EPO)
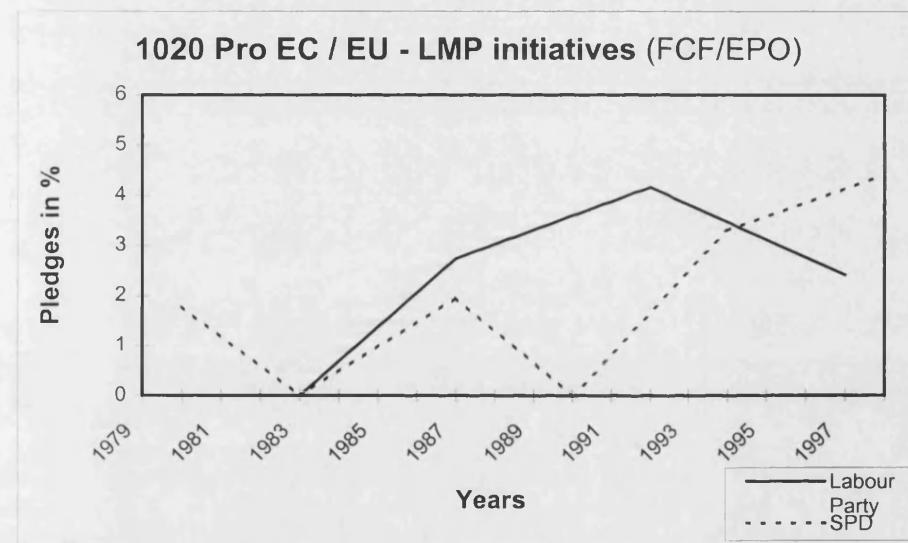
Figure 8.1.

### 8.1.1. European Community / Union LMP initiatives: Positive

The data clearly displays a rising interest and advocacy of both parties to advocate EC/EU level LMP activity and integration (1010). By the mid-80 the parties began to increasingly adopt policies, which favoured European level initiatives to improve the condition of the labour market (1020) by advocating, for instance, the European level co-ordination of infrastructure projects etc.

The SPD's attitude towards these policies remained consistently positive. Already in 1986, the party called for European Community wide policy co-ordination to tackle unemployment as the decreasing scope of national initiatives was recognised.[565] A notable

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[565] SPD - Nürnberger Aktionsprogramm: Massenarbeitslosigkeit überwinden - die Wirtschaft ökologisch und sozial Erneuern, Politik, No. 9, Sept. 1989, Informationsdienst der SPD, Bonn, p 13

exception was the SPD's failure to pledge policies in favour of European level LMPs in its programmes between 1990 and 1992. This circumstance must be understood in the light of Germany's domestic policy agenda, which was temporarily dominated by concerns of German unification. With the SPD's programmes been dominated by policies to deal with the challenges of unification, questions of security, the new world order and support for Eastern Europe, these were concerns of significant political relevance during the immediate period following German unification.[566] However, once the political situation normalised and unemployment - in particular in the new Länder grew dramatically - the SPD re-affirmed its commitment to encourage and foster European Union/EC wide LMP initiatives. By the time of the 1998 election manifesto, the party clearly stated its intention to work for a European employment pact, greater European level co-ordination of economic and fiscal policies, common and binding rules against tax- and social dumping as well as the strengthening and 'bundling up' of European level infrastructure and R&D investments.[567]

This intention was confirmed - once in office - by the SPD's finance minister Oskar Lafontaine who expressed his belief that apart from the introduction of the 'Euro', there should be a determined push for the thorough implementation of Article 103 of the Maastricht Treaty, which committed 'Euro'-member states to increase the co-ordination of economic and financial policies across the EU. Lafontaine felt that this also had to include the (greater) harmonisation of tax levels within the EU.[568] However, he resigned after not even six months in office and many of his ideas became party history.

On a similar note, Germany's new SPD Bundeskanzler Schröder used Germany's EU presidency in the first half of 1999 to promote European wide action on employment to the top of the EU's policy agenda. However, Lafontaine and Schröder clearly represented two different approaches to European level wide action. While Lafontaine perceived European level co-operation, re-regulation and harmonisation of legislation as the necessary response to the threat of social dumping and endless competition among national economies, Schröder was far more cautious about European level initiatives and

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[566] see: SPD – Der Neue Weg, Bonn, 1990; SPD - Parteivorstand - SPD Sofortprogramm, Protokoll vom Außerordentlichen Parteitag, 16-17 Nov. 1992, Bonn, 1992, p 392-416
[567] SPD - Arbeit, Innovation und Gerechtigkeit - SPD-Programm für die Bundestagswahl 1998, Bonn, 1998, p 73
[568] Lafontaine, Oskar - 'The Future of German Social Democracy', New Left Review, Number 227, January/February 1998, p 75

interventionism. In fact, Schröder doubted that nation states would be able to overcome their national policy interests and be effective as combined players, hence drawing the conclusion that the initial starting point for any state would be to use and enhance their national economic competitive advantages. In particular after Lafontaine's sudden departure from government in March 1999, the SPD's European level labour market policies were focused increasingly – similar to those already advocated by New Labour – on the aim to improve 'employability'. This was in contrast to demands for a European level re-setting or re-regulation effort of welfare provisions or standards on which competition among the member states (for instance via a harmonised tax-regime as demanded previously by Lafontaine) would take place. The fact that the SPD immediately after taking office confirmed the parties growing commitment towards European-level LMP's was not surprising after the previous development of pledge counts. However, the actual impact of this development can only be properly understood if one looks in greater detail at the development and changes of the labour market policies advocated by the party over time.

The Labour Party's programmes also expressed a steady increase in interest in European level policy initiatives from 1987 onwards that represented a substantial break with the party's recent past, which had witnessed the advocation of clearly anti-EC policies (even pledging to leave the EC altogether in 1983) and the ruling out EU wide policy initiatives altogether. Labour's European policy increasingly developed towards a pro-European direction under the leadership of Neil Kinnock and John Smith that was prompted in part by the greater emphasis on an EC social agenda put forward by Jacques Delors' (president of the European Commission from 1985-95) and by the increasing prominence and impact of EC level co-ordinated policies for industry, economic growth, regional development, industrial restructuring and the proposed social dimension of Europe.[569]

By the 1990s, Labour's programmes advocated the completion of the single market and the party's intention to sign up to the EC's Social Charter. At the height of Labour's

endorsement of EU-level policy co-ordination and interventionism, the party proposed in 1995, "the creation of a European recovery fund that is unashamedly contra-cyclical, permanent and ...able to invest not only in infrastructure but in employment projects" as well as "greater co-ordination of public investment, including a timetabled approach to new infrastructural developments."[570]

Under Tony Blair's leadership, Labour's general enthusiasm for European level initiatives continued only for a limited amount of time with the party's chosen approach to macro-economic policies and the party's rhetoric aiming at playing a leading role at the heart of the European integration process. The party also warmed to the idea of membership of EMU based on 'real' convergence of growth and employment performance, not just on monetary targets, arguing for British participation at the right time dependent on a 'yes' vote in a national referendum.

In fact, 'New Labour's' enthusiasm for policy positions towards EU level actions eventually hardened under Blair, in particular with regards to EU-level legislation, which could interfere with nationally set labour market conditions. From 1995 onwards, 'New Labour' increasingly adopted a rhetoric which favoured a less interventionist free market approach towards economic policy, urging the avoidance of state intervention on the grounds of rising high social costs, while advocating policies for a more minimalistic and effective Anglo-Saxon state economic approach in contrast to what was perceived as the continental 'over-interventionist' model.

By 1997, Blair and Brown were stressing the need for the EU to encourage greater labour market flexibility in order to tackle structural unemployment and to embrace substantial welfare reform. Labour was arguing for toughness when enforcing single market competition regulation while any common EU level labour market initiatives, including the social chapter, would - according to Gordon Brown - have to show that they increased productivity, employment opportunities as well as labour market flexibility before being considered suitable.[571] In fact, in Labour's 1997 election manifesto the party renewed, but also defended its intention to sign up to the 'Social Chapter' by stressing that

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[569] The party's increasingly positive attitude was clearly expressed in Labour's 1994 document 'Economic renewal in the European Union: The UK Labour Party and the Delors' White Paper on growth, competitiveness and employment', 1994.

[570] Labour Party - <u>A new economic future for Britain - Economic and employment opportunities for all</u>, Labour Party, London, 1995, p 17

[571] 'Chancellor goes to Europe with plan to create more jobs' - <u>The Times</u>, 05/06/1997

it "cannot be used to force the harmonisation of social security or tax legislation", but instead will "promote employability and flexibility, not high social costs" rather than focusing on the co-ordination of common European wide action to tackle unemployment.[572]

Overall, the data shows that both parties increasingly envisaged a greater role for European level activity to tackle unemployment, although the Labour Party eventually retracted some of its enthusiasm for European level legislation and interventionism, while the SPD continued to perceive EU activities as a major building block for a more effective LMP approach. Eventual differences in approach between the two social democratic parties grew increasingly along the conflict lines between the Anglo-Saxon and the (continental) Rhein economic philosophies. However, even though we can still detect significant differences between the parties policy approaches in this area, overall the parties policies have grown substantially more similar since the mid-1980s. Furthermore, the resignation of Oskar Lafontaine as Germany's finance minister in early March 1999 must be understood as a clear indication that Gerhard Schröder and his political allies inside the SPD have been able to push through their ideas of promoting a more limited role of European level policy interventionism in favour of more nationally based economic policy approaches. Hence, to some degree the SPD's previous enthusiasm for EU level initiatives can be expected to be replaced during the next years by a more cautious approach towards European level policy initiatives following 'New' Labour's lead on viewing European Union initiatives increasingly critically.

In fact, the European dimension on policy making played a substantial role in the parties policy choices as the acceptance and support for the Maastricht Treaty in 1992 led to a barrage of policy consequences and provided a further policy prescriptive framework to the parties wider economic policy choices - something which certainly contributed to Labour's and the SPD's coming into line with many of the policy approaches that had already been embraced by their national political opponents during the 1980s. In fact, the adoption of an increasingly neo-liberal policy approach was cemented by both parties support for the Maastricht Treaty, as this meant that the neo-liberally orientated process of European integration was accepted as a policy path. As pointed out by Unger et al, the

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[572] Labour Party - New Labour - because Britain deserves better, London, 1997, p 37

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Maastricht Treaty did not only specifically avoid a commitment to any measures for a European level labour market policy approach, but it furthermore merely ruled out the adoption and implementation of national labour market policy initiatives that would require substantial levels of state spending as ultimately necessary in the case of demand management policies.[573] In fact, the neo-liberal orientation of the Maastricht Treaty (and the convergence criteria for EMU) calling for further deregulation, privatisation, and the reduction in national public spending and tax levels was accepted by Labour and the SPD and constituted - once adopted - the new economic realities in which both parties had to embed their future policy approaches. This carried substantial consequences for many of the parties economic policy options, underlining the overall importance tied to both parties policy approaches towards European integration. This 'acceptance' took place in spite of the fact, that both parties – at the time - had clearly increased their programme pledges in favour of EU level LMP initiatives.
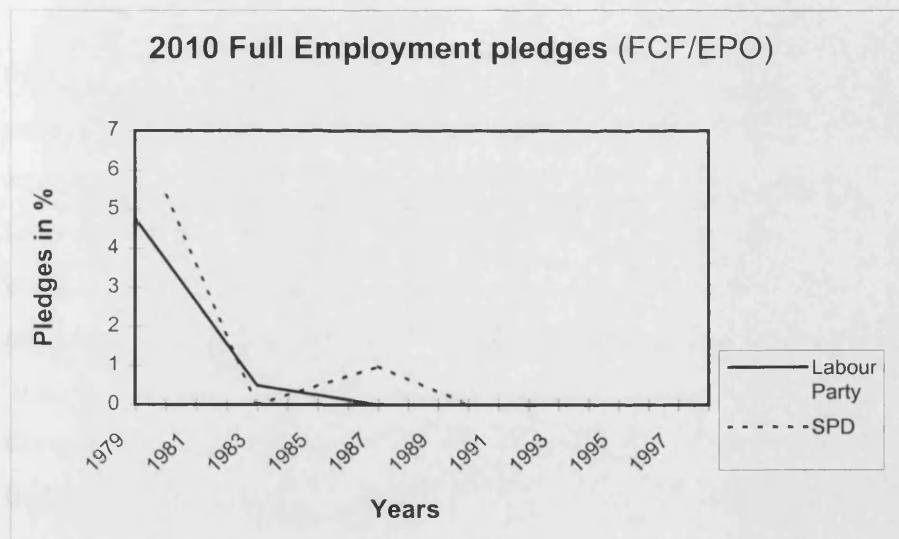


Figure 8.2.

## 8.2.1. Full Employment and intention to tackle unemployment / high employment

The overall concern to deal with the unemployment problem (2010/20/21) remained at a high level throughout the period under investigation, however the data shows that both parties convictions on what policies could and should be adopted to solve

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[573] Unger, Frank, Andreas Wehr and Karen Schönwälder - New Democrats, New Labour, Neue Sozialdemokraten, Elefanten Press, Berlin, 1998, p 155

the problem changed considerably between 1979/80 and 1997/98, from the initial emphasis on direct state interventionist stimulation of the economy to measures which dealt predominantly with the supply side of the labour market. This change in approach has also been revealed in the parties declining emphasis on pledges aimed at establishing conditions of full employment towards various more moderate pledges stating the parties intent to 'reduce' unemployment.

Here, Rolf Heinze et al have argued convincingly that the notion of 'full employment' had become a concept that no longer reflected the labour market realities of the 1990s as it was developed at a time - during the 1960s - when a demographically far smaller group of people (certainly consisting of far less women) were seeking full time participation in the labour market. It is interesting to remind ourselves, that if the percentage of people attempting to enter successfully or being part of the labour market at the late 1990s would have been as low as it was during the 1960s and 1970s, unemployed figures in Germany would be halved immediately.[574]

Furthermore, Gøsta Esping-Andersen has been expanding on this idea by arguing that apart from 'macroscopic global' driving forces responsible for socio-economic change, potent 'microscopic forces' (such as family structures and women's decisions) have been equally important for accelerating the change in European welfare systems and LMPs. In fact, Esping Andersen has been pointing out that "the new political economy presents trade-offs that make it exceedingly difficult to harmonise some egalitarian goals with a return to full employment."[575] Here, social democratic parties abandonment of the 'traditional' full employment promise must be seen as part of this realisation process that things had changed and that full employment had to be re-defined with the consequence that a 1960 term (and certainly its definition) had to be dropped for a notion that responded more clearly to the new emerging realities of the labour market.

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[574] Heinze, R. G., J. Schmid and C. Strünck - Vom Wohlfahrtsstaat zum Wettberwerbsstaat, Leske und Budrich, Opladen, 1999, p 29
[575] Esping-Andersen, Gøsta - Social Foundations of Postindustrial Economies, Oxford University Press, Oxford, 1999, p 5

**2020 General intent to reduce unemployment (FCF/EPO)**
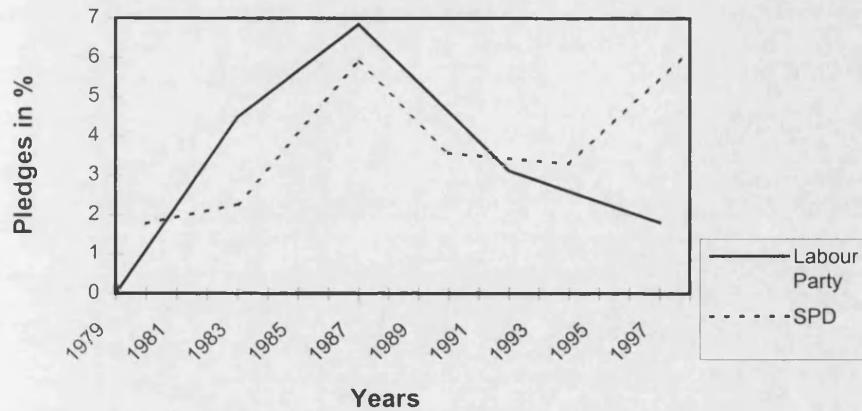
Figure 8.3.

A comparison of the data collected in the categories of pledges aimed at re-establishing conditions of full employment (2010) and the toned down commitment of tackling unemployment (2020/21) demonstrates, that both parties from the early 1980s onwards substituted their pledges of full employment with the more moderate and less ambitious pledges to attempt to tackle unemployment. The change in emphasis and the moderation of aims was predominantly based on the realisation of the parties that the much higher numbers of people out of work and/or the increasing importance of external economic factors reduced the credibility of the full employment pledge. This trend even included Labour's 'radical' 1983 election programme which witnessed already a steep decline of full employment pledges in favour of the more modest commitment to reduce unemployment. Furthermore, the substantial abandonment of 'full employment' pledges throughout the parties programmes infers that an overall change in the political paradigm applied by the parties took place, when they were choosing their policies.

The data collected confirms that both parties engaged in parallel in a highly similar change of policy patterns. The decline in full employment pledges (2010) was counter-balanced by an increase in the more moderate pledges to tackle unemployment (2020/21) which kept the overall count of policy pledges committing the parties to reduce unemployment (2010/20/21) at a continuously high and stable level.

Both parties had been very pragmatic in their policy choices during their previous terms in government office (Labour Party 1974-1979 / SPD 1976-1980) during which they had witnessed the increasing failure of Keynesian demand management techniques, even though they continued to state full employment as a policy priority. In 1979, Labour promised to provide during the life-time of the following parliamentary term every person which had been unemployed for more than 12 months with a job offer or place to re-train.[576] At the same time the SPD re-stated in its 1980 manifesto the responsibility of the state to aim for full employment as well as its conviction that policies to create employment would remain an essential part of the parties economic policies.[577]

However, as both parties had already encountered substantial problems fulfilling those policy pledges when they had previously held government office as well as the apparent lack of policy detail given in both programmes on how they intended to fulfil their pledge (in particular in regards to funding), it is fair to say - all good intentions aside - that this pledge was added to the manifesto for good measure rather than as a serious proposal for future policy initiatives.

The failure of both parties to respond with new policy ideas to the increasing level of unemployment in Britain and Germany and to formulate alternative policies which could replace their increasingly unworkable Keynesian inspired demand management approach remained a clearly visible problem throughout the 1980s. This problem was only successfully tackled when both parties began to increasingly accept that changing external political and economic constrains had to be considered to a greater extent when making policy choices. As the following data shows - by slowly substituting state interventionist and demand side policies with those based on free market principles, the parties labour market supply side policies gained significantly in importance.

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[576] Labour Party - The Labour way is the better way, London, 1979
[577] "Die SPD setzt sich mit aller Kraft für die Vollbeschäftigung ein.... Beschäftigungspolitik ist ein wesentlicher Teil unserer Wirschaftspolitik." - SPD - Sicherheit für Deutschland - Wahlprogramm 1980, Bonn, 1980, p 18

**2030 Pro-economic state planning and nationalisation** (FCF/PMS)
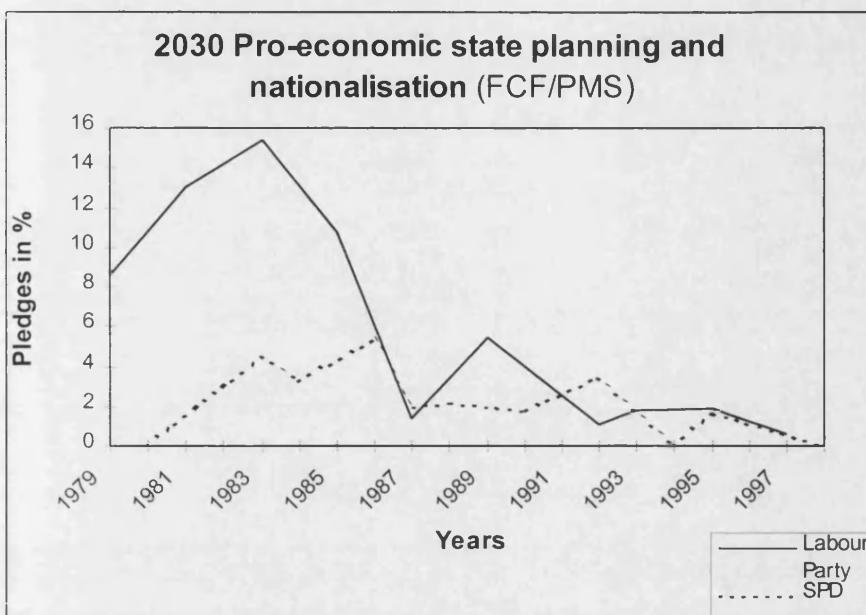
Figure 8.4.

## 8.2.2. Pro-economic state planning and nationalisation

The data derived from Labour's and the SPD's election manifestos and major mid-term statements on pledges in favour of economic state planning (2030) shows a clear decline in the degree to which both parties advocated these measures as realistic or helpful in improving economic performance and tackling unemployment.

Only from 1987 onwards did the Labour Party begin to move away from its substantial interventionist commitments and alliances with the public sector, and began to scrap its pledges on nationalisation.[578] During Labour's 'Policy Review Process' in 1989 the party decided to practically rule out even the (re-)nationalisation of industries which had been privatised under the Conservative government.[579]

The SPD was much less prone to engage in dramatic policy changes in the area of state planning and nationalisation compared to Labour. In fact, policies advocating the nationalisation of businesses had already been abandoned during the 1950s and replaced by the social-market model adopted by the party in the 1959 basic Bad Godesberg programme.

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[578] Labour Party - <u>Britain will win</u>, London, 1987
[579] Labour Party - <u>Meet the challenge - Make the change</u>, London, 1989, p 15

**2050/51/52/53/54/55 Pro-labour market regulation* (CCF/PMS)**
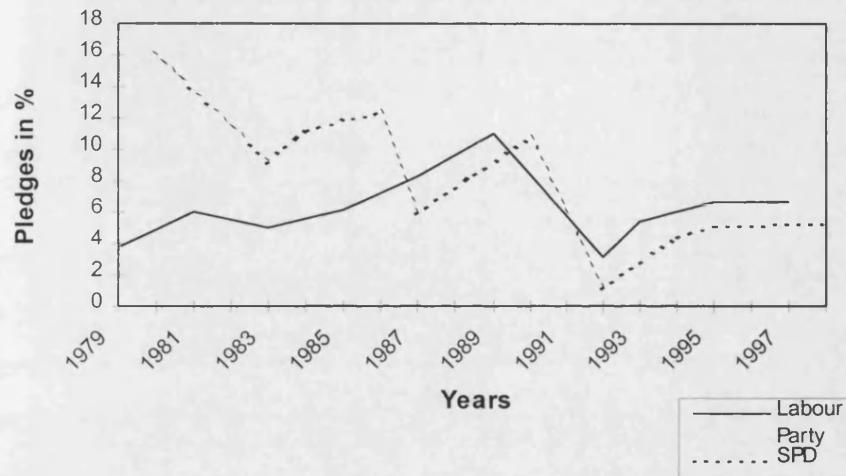
Figure 8.5.* excludes the SPD's 1988 mid-term statement 'Unser Konzept: Humaner Fortschritt, ökologische Erneuerung und Vollbeschäftigung' as it proposes exeptionally high levels of state interventionism and regulation of the labour market due to the specific emphasis of the programme.

## 8.2.3. Pro-labour market regulation

In regards to state regulatory measures affecting the labour market (2050/51/52/53/54/55) an overall decline in this type of policy pledges throughout the period under investigation could be detected. The Labour Party initially expanded state interventionist policies after the 1979 general election loss as the party adopted its new 'Alternative Economic Strategy' (AES) which carried at its heart the idea that direct state and union involvement at the company decision-making level would increase economic efficiency, accountability and equality. The AES was developed predominantly in response to the failure and abandonment of the Keynesian policies by the 1974-79 Labour government as this approach rejected the traditional 'revisionist' approach of the Labour Party to indirectly state intervene in the economy by managing levels of demand as insufficient. Instead, the AES contained at its centre direct measures such as planning agreements, nationalisation, price controls and import ceilings in order to reform the corporate and manufacturing sector of the economy.[580] The data collected in the labour market regulation categories clearly supports this and indicates that Labour's intention to

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[580] Wickham-Jones, Mark - Economic Strategy and the Labour Party, MacMillan, Basingstoke, 1996, p 193

intervene in the economy remained strong (even after the abandonment of the AES in 1983) until 1992.

In fact, Labour's abandonment of pledging state interventionist measures continued and declined to 4% of LMP pledges by 1992 in comparison to a level of well over 10% in the party's 1987 election manifesto, a trend that continued under the leadership of Tony Blair.

Furthermore, more stringent policies that had been envisaged until the late 1980s - setting out conditions of employment - were toned down and replaced by more moderate policy pledges such as initiatives to encourage work sharing, working time reductions, the encouragement of early retirement, measures for vocational rehabilitation and minimum wage legislation (2051/52/53/54/55). This meant that the amount of pledges in this policy area remained stable over time, while the actual pledge contents underwent substantial change. This change was vividly expressed in 1997, when - far from the days the party had been pledging rigorous labour market legislation - the manifesto placed great emphasis on encouraging a more or less voluntary "partnership at work" between employers and employees based on the idea that "employees whose conditions are good are more committed to their companies and are more productive."[581] With the same intention, Labour pledged the signing of the EU's Social Chapter stressing, however, at the same time that this would have to be linked to insuring that any future initiatives would have to "promote employability and competitiveness, not inflexibility".[582] In other words, Labour's policies on labour market regulation had changed fundamentally when the party advocated in 1997 the avoidance of state interference and legislation that could restrict labour market flexibility and incur extra costs on employers.

The SPD was much less prone to engage in dramatic policy changes in the area of state interventionism and labour market regulation during the 1980-98 period. In fact, one of the major economic policy principles adopted by the party in its 1959 basic Bad Godesberg programme was the 'subsidiarian' notion of "as much competition as possible - and as much planning as necessary", which meant that the party had - for a long time - been traditionally committed to keep state planning to a minimum.[583]

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[581] Labour Party - New Labour - because Britain deserves better, London, 1997, p 16
[582] Labour Party - New Labour - because Britain deserves better, London, 1997, p 17
[583] SPD - Basic Programme of the SPD, Bonn (1959), 1970, p 10

Furthermore, the SPD had not been faced with the 'socialist' policy backlash as encountered by the Labour Party after the loss of government office that led to the adoption of the AES even though many of the party's policy makers also distanced themselves rapidly from the policies of the last SPD government and its former Chancellor Helmut Schmidt once it had lost office. In contrast to the Labour Party, however, many on the left within the SPD did not perceive the party's programmatic future in a revival of socialist policy principles. Instead - conditioned by recent developments in Germany's political system - they advocated to place greater emphasis on post-materialistic issues that had increasingly been raised by the women's-, peace-, anti-nuclear power- and Green movements during the late 1970s and early 1980s.[584] This explains, why issues such as economic planning and state interventionism were of far less significance and created less inner-party controversy than experienced by Labour and why policy changes embraced by the SPD in this policy area were by far less substantial.

Nevertheless, by the early 1980s, the SPD's programmatic approach towards economic policy contained a similarly high amount of pledges of state interventionism and pro-labour market regulation than that of the Labour Party.

Similar to the findings derived from the Labour Party programme data, the SPD witnessed a consistent decline in pro-labour market regulation commitments and engaged in replacing the stringent and costly labour market regulation pledges with policies that would allow greater labour market flexibility, shorter working times, accommodate for new models of working patterns and allowed for more flexible transitional arrangements between work, education and retirement.[585]

Not surprisingly, the decrease in number and change in quality of policies in favour of state interventionism and pro-labour market regulation by both, Labour and the SPD, did not only express a fundamental change in the parties policy approach and the recognition of the changing nature of the economy, but both parties also underlined slowly, however, increasingly their newly developed acceptance of neo-liberal policy principles by actively pledging their rejection of state interventionism in the economy as well as labour market ('over-') regulation.

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[584] Lösche, Peter und Franz Walter - Die SPD, Wissenschaftliche Buchgesellschaft, Darmstadt, 1992, p 123

**2040/41/60/61/62/63/64 Anti-planning and nationalisation; pro-public private; pro-deregulative labour m. measures** (CCF/PMS)
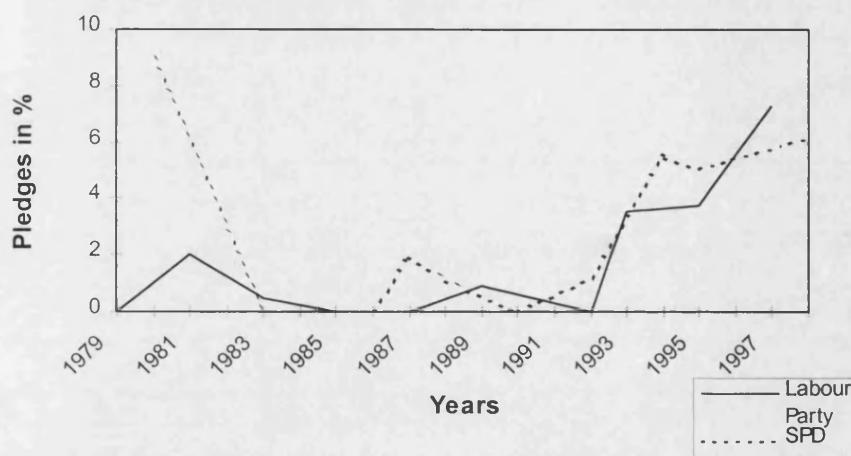
Figure 8.6.

## 8.2.4. Negative on economic state planning and nationalisation; pro-public private; pro-deregulative on labour market measures

Looking at this pledge area, it is clear that the SPD – after having programmatically as well as rhetorically abandoned demands for socialist state planning and nationalisation policies decades earlier - did not feel the need to include statements that specifically rejected the use of nationalisation and state planning within the party's programmatic statements.

In contrast, the Labour Party formally abandoned the old 'pro-nationalisation and public ownership' Clause IV only in 1995 even though this was only the formal recognition of a process of policy change that - although highly symbolic - had already taken place during previous years. Since the mid-1990s, Labour had transformed its attitude towards the traditional division of the public and private sphere with the consequence that exclusive state control of certain sectors in the economy was not envisaged any longer, with Labour increasingly accepting the usefulness and need of markets to promote efficiency, which led to the promotion of public-private partnerships.

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[585] SPD - Arbeit, Innovation und Gerechtigkeit - SPD-Programm für die Bundestagswahl 1998, Bonn, 1998, p 19

Furthermore, as shown by the graph - from 1992 onwards - Labour felt rather strongly the need to explicitly emphasise and re-assure the electorate that the party had changed and abandoned these - at least rhetorically held - previous policy beliefs.

In parallel to the decline of pro-state interventionist policies, the data shows that by 1993, both parties had begun to substantially increase policy pledges rejecting state 'over'-regulation and planning, while advocating instead greater deregulation and labour market flexibility (2060/61/62/63/64). Far from only reducing interventionist pledges (which had begun by the late 1980s), the parties change in policy paradigm was further compelled when they started (by the early 1990s) to stress specifically their newly found free market credentials and with it their intention to programmatically appeal to a wider electoral base. The increase in this category of pledges showed not only that the parties had finally accepted that the ability of the national state to intervene in the economy had been substantially limited, but both parties turned furthermore at the same time towards advocating policies that favoured explicitly the use of free markets and market mechanisms.

In case of the SPD, the party's 1980 programme contained an exceptionally high amount of pledges expressing reservations towards state interventionist policies. This must be understood within the context of the party's experiences of the previous years made by SPD's-led coalition government under Helmut Schmidt which had been forced to implement substantial state expenditure cutbacks in the face of economic crises and rising unemployment. Here, the party – which in government had been in coalition with the increasingly market liberal FDP – felt the need to justify previous policy choices and underline economic policy competency by emphasising pro-market measures within its 1980 programme.

In contrast to the SPD, the Labour Party avoided - with its government also having been forced to adopt measures to drastically cut state spending during its previous term in office – to advocate these type of policies altogether within its programme as it was felt that they were highly unpopular among the party's supporters, while deep divisions within the party on these policy measures added to the avoidance of programmatically addressing these issues.

These differences between both parties also explain why - although an overall substantial increase in both parties pledges against state economic planning and pro-public/private partnerships (2040/41) as well as in favour of deregulative market measures (2060/61/62/63/64) could be detected - the parties decided to express this differently. While the Labour Party felt the need to emphasise far more than the SPD it's negative attitude towards traditional planning and nationalisation policies, the SPD placed far greater emphasis than the Labour Party on pledges in favour of pro-deregulative labour market measures.
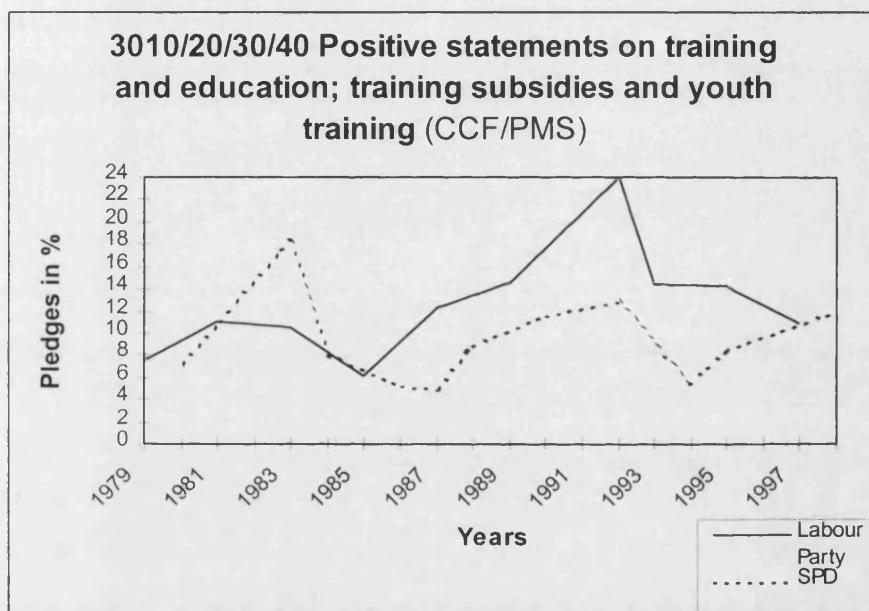
Figure 8.7.

## 8.3.1. Positive statements on (state initiatives for the provision of) training and education; training subsidies; and youth training

Data: CCF / PMS

The quantitative content analysis of this section of LMP pledges clearly displayed that the number of policies aimed at labour market supply-side measures, such as the spending of extra resources on the provision of training and education, training subsidies and training related measures for the youth (3010/20/30/40) did not only remain at a high level throughout the 1980s and 1990s, but increased in count as well as importance for both parties over time.

In the case of the Labour Party, interest in policies to support human capital formation increased substantially after the 1989 'Policy Review Process'. Nearly half of the report of the Policy Review Group - People at Work 'a talent-based economy' centred on policies to offer provisions for an increasingly "knowledge based economy" by improving facilities to enhance the training and skills development, with the report stating the party's commitment that "investing in people is the basis of Labour's economic policy."[586] The adoption of this approach - based on education and labour market supply side measures was further strengthened by the policy recommendations made by the CSJ in 1994. The report clearly confirmed that state demand management policies to improve employment levels had been replaced by a strategy of labour market supply side measures, which were heavily based on the idea that long-term economic growth, essential to create and sustain employment could only be achieved, if the state ensured that the countries workforce would be better educated and trained.[587] By 1997, Labour's election manifesto was dominated by supply-side measures to improve the labour market and emphasis was placed on the belief that education had become the "number one priority" of the party with the additional 'welfare-to-work' programme offering "opportunities for work, education and training" for all under-25s (out of work).[588] However, from the early 1990s onwards the Labour Party markedly levelled out its pledge count in this policy area as the party began to perceive increasingly neo-liberal policy measures as an additional way of reducing unemployment.

Nevertheless, 'New Labour's' emphasis on the so-called 'skills revolution' (which claimed that the knowledge of skills and hence the role of labour in the productive process was overtaking the importance of capital) clearly challenged the Conservatives notion of promoting Britain's economic competitiveness by cutting labour costs, and instead stressed the need to raise the skills of the labour force.[589]

The increase of labour market supply-side policies in the case of the SPD took place in a more subtle way. In fact, supply side measures featured strongly in the SPD's first election manifesto developed as a party in opposition (1983), however pledges on

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[586] Labour Party - Meet the challenge - Make the change, London, 1989, p 19
[587] IPPR/The Report of the Commission on Social Justice - Social Justice - Strategies for National Renewal, Vintage, London, 1994, pp 119
[588] Labour Party - New Labour because Britain deserves better, London, 1997, p 7 and 19
[589] Shaw, Eric - The Labour Party since 1945, Blackwell Publishers, Oxford, 1996, p 203

training and education initiatives were to be found among a great variety of other policy pledges advocated to tackle unemployment, such as initiatives to encourage economic expansion and growth, to encourage investment, corporatist attempts to create employment, the raising of new taxes to finance employment initiatives, state subsidies, R&D state spending and the reduction of working times, to name just a view.[590] In fact, at that time the SPD still advocated the idea that the right traditional mix of demand and certain supply-side policies would lead to the desired and pledged reduction in unemployment. By the time German unification had occurred, the SPD had began to switch its policies to tackle unemployment in favour of supply side initiatives, most of all, to deal with the growing unemployment in the newly integrated Eastern Länder and to deal with the fact that many of the skills held by those in the East had become obsolete or were insufficient for the 'westernised' labour market, hence policies to re-train, re-educate and re-skill the workforce became the preferred policy option of the SPD's labour market policy approach.[591] This overall trend could be detected throughout the 1990s, in particular as more state interventionist and demand orientated labour market policy options (in particular in West Germany) had to be ruled out on the grounds of workability and financability.

In fact, one of the reasons for this was the unique historical as well as political challenge of German unification, which induced a major state interventionist programme in the new eastern federal Länder containing unseen levels of financial transfers of resources to the East in order to support extensive state demand supply side policies in the new Länder. However, we have attempted to treat these policy initiatives - as far as possible - as exceptional and hence separate from the general development of the SPD's LMP trends detected. The very special circumstances and challenges of unification resulted in the adoption of policies which distract from the overall aim of this study which is to investigate if common patterns of the changing nature of the SPD's and Labour's labour market policy development can be established.

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[590] see: Part II. 'Arbeit erhalten und neu schaffen', in SPD - Regierungsprogramm der SPD - 1983-1987, Jahrbuch der SPD 1982-83, Bonn, 1983, p 167-74
[591] SPD - Der Neue Weg - ökologisch, sozial, wirtschaftlich stark - Regierungsprogramm 1990-1994, Bonn, 1990, p 13, 19-20

This ('exceptional') approach is justified and was helped by the fact that the SPD as well as other major German parties (CDU/CSU, FDP) also chose to treat the issue of Eastern integration and economic support for those regions distinctively different from their general LMP pledges in their policy documents, in fact referring to those initiatives related to the challenges of unification commonly as "Aufbau Ost" ('[re-]construction East').

By 1998, the SPD's chairman Oskar Lafontaine described clearly the caution with which the SPD should treat labour market supply side policies, as he felt those policies should not be predominantly used to increase competition for the most effective labour cost-cutting, but instead enable a well equipped state - for the greater benefit of the economy and long term growth - to fund schools, universities, R&D, and training. In fact, Lafontaine even emphasised the educational aim of supply side measures by expressing his belief that "it is important [for the state] to transmit not just economic values, but the values, which establish the cohesion of society via a modern education system."[592]

The need for greater labour market flexibility and the commitment to improve human capital formation by spending extra resources on education and training were pledged by the SPD in its 1998 general election manifesto as strongly as the Labour Party had previously done in its 1997 election manifesto. In fact, the common move of social democratic parties towards supply-side policies shown by the quantitative and qualitative content analysis of the programmes has been confirmed by various academic publications, such as the interesting book by Carles Boix (1998) on parties economic strategies in the world economy. He confirmed the findings of this analysis when he argued, that at a time in which the conventional wisdom of most political economists converges on the belief that electoral politics and political parties have lost much of their ability to shape public policies as they have been considerably constrained by the need to adopt macroeconomic discipline and price stability, governments have continued to adopt widely divergent economic strategies proving that the role and ability of political parties to significantly influence economic performance has not necessarily been diminished. In his view, the convergence of parties' macroeconomic policies (due to the increasing globalisation) has

[592] Lafontaine, Oskar - 'The Future of German Social Democracy', New Left Review, Number 227, January/February 1998, p 79

instead increased the significance of supply-side economic strategies which "remain the object of intense, even growing, ideological conflict and party competition."[593] Boix argued furthermore, that social democratic politicians, once they had realised that expansionary policies were no longer the best means to achieve growth and equality, were bound to choose an approach to tackle unemployment and inequality that would reject deep cuts in social state spending, but even more importantly would embrace increases in public spending on human (and fixed) capital to raise its rate of productivity. In other words, Boix explained, why social democratic parties - after the abandonment of Keynesian inspired strategies and the substantial increase of unemployment in particular among the group of the unskilled - were inevitably drawn towards the adoption of policies that would focus on human capital formation and the improvement of long-term education and training facilities. In fact, the more cautious ideologically-anchored belief of social democratic parties in the sole ability of market forces to overcome the considerable barriers facing companies and workers considering investment in skills - ranging from the capital-market constraints facing individuals to the problem of companies free-riding on the training undertaken by other companies by poaching trained workers - made the adoption of policy initiatives on how to overcome those problems and to set up a system which envisages considerable state activity to deal with these market failures such an appealing policy choice for both parties.

Overall, Labour's and the SPD's changing programmatic emphasis from pledging state expansion of demand to the improvement of the quality of labour with the help of education and training by the mid-1990s indicated that social democratic policy makers saw this increasingly as the best way to tackle unemployment.

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[593] Boix, Carles - Political Parties, Growth and Equality - Conservative and Social Democratic Economic Strategies in the World Economy, Cambridge, Cambridge University Press, Cambridge, 1998, p 3

**3060/61/62 Technology, industrial policy and competitiveness** (CCF/PMS)
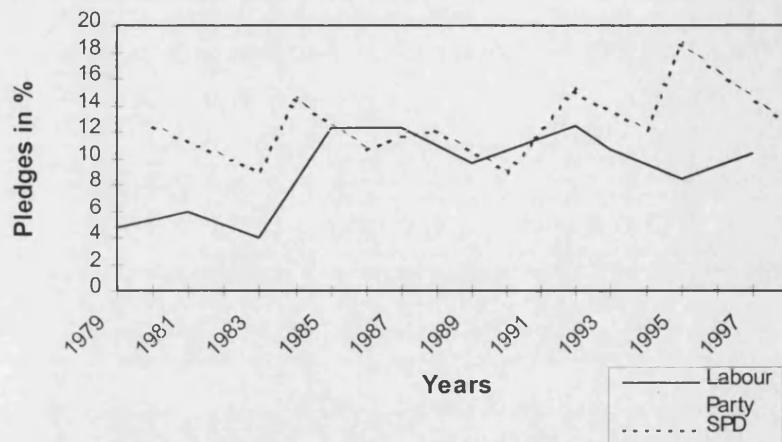
Figure 8.8.

## 8.3.2. Technology, industrial policy and competitiveness

The data collected from the parties policy documents indicated clearly that consistently great importance has been given to policies on technology, industrial policy and competitiveness (3060/61/62). While the SPD maintained a high level of pledge counts in this area, throughout the period under investigation, the Labour Party began increasingly to adopt these policies from a low level and reached similar pledge counts to those of the SPD by the 1990s, displaying the tendency towards substantial programmatic cohesion between the two parties by commonly prioritising policies in this area.

With the development of new international trade patterns and the increasing interdependence of national economies, the parties increasingly realised that the future success of their national economies performance would rely substantially on the competitiveness of their domestic industries as well as the ability to be on top of the cutting edge of product and production innovation. Therefore, the adoption of policies to increase state support for R&D into new technologies and production techniques as well as industrial policy initiatives to enhance overall economic performance were increasingly perceived as necessary and desirable to enable the domestic economies compete successfully in the race of international competitiveness. Furthermore, the recognition by Labour and the SPD - throughout the 1980s and 1990s - of the declining ability of the state

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to enhance competitiveness and economic performance with the help of fiscal policies (e.g. competitive devaluation's) or (Keynesian) demand management measures inevitably led to the increasing importance of policies that were perceived to safeguard long-term economic growth by enhancing national competitiveness through innovation. As a result, issues such as international competitiveness, business location factors, R&D and the enhancement of new technologies, support for the environmental and energy producing sectors, and the resulting positive impact on economic growth and hence the creation of employment gained in significance with policy pledge numbers, in the case of both parties, increasing substantially.

However, before convergence, policies advocated by the parties had come a long way. In the case of the Labour Party, its early 1980s AES based programme attempted to strongly link policies of financial state support for the development of new technologies to greater state control of the industry. It was envisaged that direct government support for industry in the form of 'taxpayers money' spend on state subsidies and direct aid to encourage investment should in turn lead to a greater degree of direct state control over the companies decision making process.[594]

In contrast, at the same time the SPD could be found to link state investment policies to the achievement of 'post-materialist' aims by pledging the parties intention to encourage environmentally innovative products as well as to support the development of new technologies to "humanise work."[595] Labour's and the SPD's distinctively different approaches in this area do not only display the great degree of national policy variations still possible during the 1980s (at a time when both parties were searching for new policy approaches and alternatives under increasingly difficult conditions and socio-political pressure), but it also showed how far and quickly the parties policy choices eventually converged during the 1990s.

In the case of the SPD, the party substantially backtracked on the previous prioritisation of ecological issues with Gerhard Schröder going as far as even stating in 1998 that 'today hardly anyone understands any longer the conflicts which shook us

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[594] see: Labour Party - The Labour way is the better way, London, 1979

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during the early 1980s. Today, we even have to be careful, that (restrictive) bureaucrats abuse ecological aims, for instance, by replacing (economic) dynamism with a mentality of blockading and slowing down (development).'[596] In fact, Schröder and Lafontaine clearly indicated by the end of the 90s that the reduction of car production was no longer the aim of a 'modern ecological and industrial policy', but emphasis should be given to the development and production of cars that are more energy efficient and have reduced pollution levels. This 'new' policy approach was certainly more pragmatic, but a far cry from the SPD's former 1980s commitment for the 'ecological- and social reconstruction' of industrial society that had been previously programmatically advocated by the party.[597]

Finally, by the mid-1990s, both parties' programmes contained extensive references encouraging partnerships between the state and business to raise investment levels in science and research,[598] and support the development of new green technologies.[599] In this policy area and at this stage, the parties' pledges appeared *en mass* similar. While the Labour Party pledged the former in 1997, the following pledges were taken from the SPD's 1998 programme. The SPD called for an 'innovation offensive' in the areas of bio- and gene technology, energy saving and microprocessors etc. to ensure the nations future competitiveness in a world economy, which was seen as been increasingly dependent on the industries ability to be sufficiently innovative in production technologies and knowledge accumulation.[600]

Overall, the revolution in information technology and the knowledge based economy ensured that both parties had to recognise and account for the growing importance of this type of policies and the importance of the state in enhancing national economic competitiveness, with the SPD abandoning much of its 1980s anti-economic growth and future ecological and social reconstruction of society rhetoric.

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[595] SPD - Sozialdemokratische Perspektiven zur Wiedergewinnung der Vollbeschäftigung - Arbeit für alle, Vorstand der SPD, Parteitag der SPD, Band II, 1982, Bonn, p 939-40
[596] Gerhard Schröder in Lafontaine, O. and G. Schröder (ed) - Innovationen für Deutschland, Steidl Verlag, Göttingen, 1998, p 80
[597] Lafontaine, Oskar and Gerhard Schröder (ed) - Innovationen für Deutschland, Steidl Verlag, Göttingen, 1998, p 11
[598] Labour Party - New Labour because Britain deserves better, London, 1997, p 15-17
[599] The SPD's proposed adoption of some kind of ecology-taxation could be seen as the only exception.
[600] SPD - Arbeit, Innovation und Gerechtigkeit, Bonn, 1998, p 16-7

### 8.4.1. Social Justice / Social Stability

The data on the parties pledges to promote policies aimed at social justice and social stability (4010) remained stable throughout the period of investigation, which must be attributed to the fact that despite all the changes in policies detected between the 1980s and 1990s, social justice remained a key pillar of social democratic ideology. Interestingly, pledges in this more general policy area generally increased in programmes in which the parties attempted to avoid - for various reasons – commitments to more specific policies enhancing social stability and justice.

### 8.4.2. Benefit conditioning

In this category we tried to identify policies aimed at the increasing conditioning of the allocation of unemployment benefits (4040), i.e. the removal of benefit payments, if claimants are not prepared to accept the employment offered by state labour market agencies. Although politicians often try to treat benefit conditioning together with general labour market agency initiatives (Arbeitsamt, Jobcentre) (4050/51/52/53/54/55)[601] and state initiatives for provision of training and education, training subsidies, and youth training (3010/20/30/40), politically they are very different indeed and provide the main means for determining whether a policy is social democratic or neo-liberal, and it is therefore important to separate them. In fact, in this specific policy area a long-term policy pattern could not be established so far, as both, the Labour Party and the SPD only began to introduce this type of pledge in their 1997/1998 election manifestos.

The support for policies that threaten sanctions to benefit claimants can be linked to the increasing popularity of (communitarian) ideas that state provisions of welfare and the responsibilities of individuals to better themselves must be linked more strongly, and must be understood as part of the parties search for new ideological pathways. Ultimately, the new 'carrot and stick' approach adopted by the parties hints potentially that policies based on the re-distribution of resources to improve equality may be - in principle - replaced by policies that focus on the improvement of access to the individual to means that enable him/her to help themselves, but rejects the previous 'something' (state provisions) for 'nothing' (no activity of claimants or state resource receivers in

return) culture. However, it would be too early to draw any conclusions from the parties recent subscription to this new type of policy principle and the increased attention given to communitarian ideas.



**4050/51/52/53/54/55 Role of Labour Market Agencies (Arbeitsamt, Jobcentre) (CCF/EPO)**
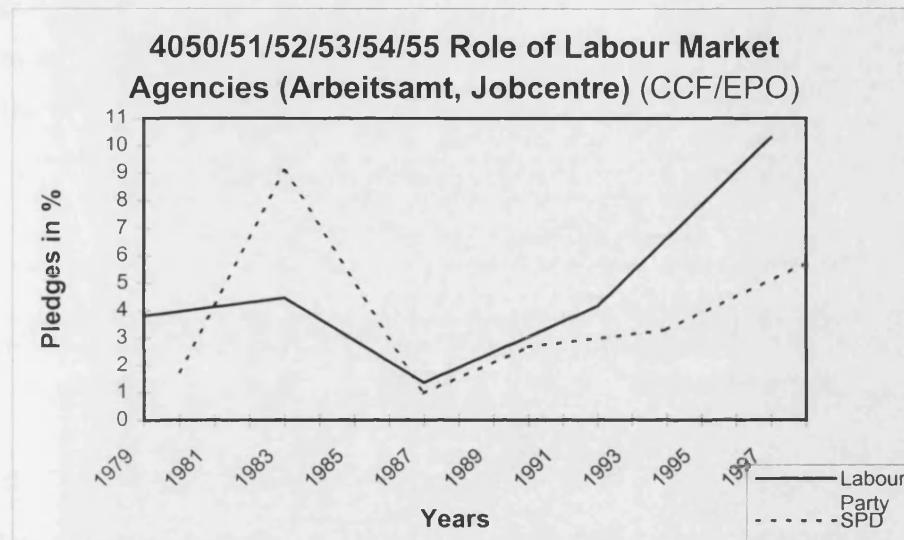
Figure 8.9.

### 8.4.3. Role of Labour Market Agencies (Arbeitsamt, Jobcentre)
Data: CCF/EPO

After an apparent lapse of interest by both parties in the use and role of labour market agencies (4050/51/52/53/54/55) expressed in their manifestos during the late 1980s, pledges advocating policies in this area regained their programmatic significance and have risen throughout the 1990s in importance. Interestingly, pledge counts of both parties in this policy area were at their lowest in 1987 at the height of the revival of neo-liberal beliefs aswell as a time of economic recovery that was also a period in which social democratic parties were deeply engrossed by an ideological crises and lack of pragmatic vision on what policy solutions to adopt in order to respond to the new economic and political challenges.[602] However, the eventual adoption, by both parties, of policies focused on the supply side of the labour market and the decision to increasingly advocate

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[601] Here we must take note that Labour's 1998 youth focused "welfare to work" programme – coded under coding frame section - 4052 also featured sanctions of benefit withdrawal, if claimants would refused to take part in those programmes.

[602] Lösche, Peter and Franz Walter - Die SPD, Wissenschaftliche Buchgesellschaft, Darmstadt, 1992, p 120-21; Sassoon, Donald – One hundred years of socialism, I.B. Tauris Publishers, London, 1996, p 699-703

pragmatic policies to tackle unemployment as well as the acceptance for the need to adopt piecemeal initiatives for this made it necessary for the parties to programmatically revive the role of labour market agencies (to provide the state with an institution which could effectively deal and implement the various state policies envisaged). The revival of these policies took place at the same time as the appeal of pledges in favour of state interventionism in the economy on a macro level steadily disappeared from Labour's and the SPD's policy documents.
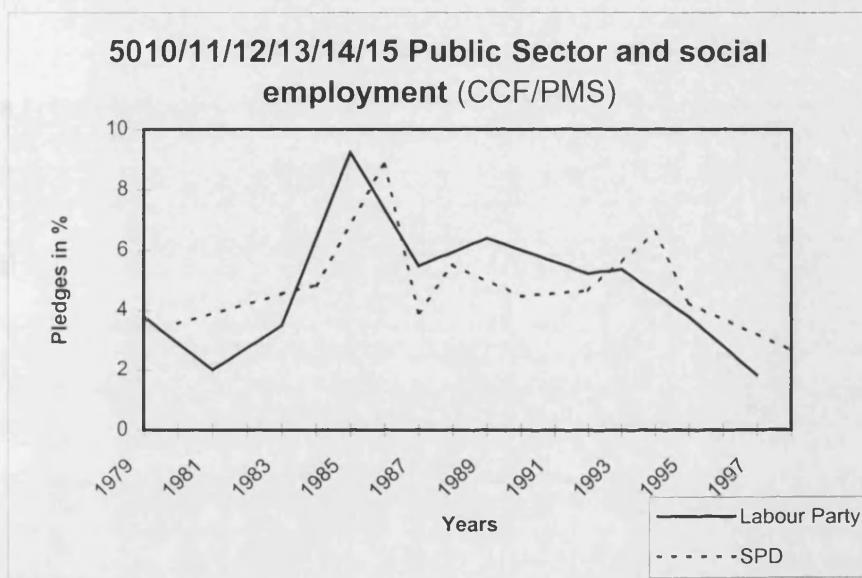


Figure 8.10.

## 8.5.1. Public Sector and social employment

Data: CCF/PMS

The role of the public sector and social employment policy initiatives (5010/11/12/13/14/15) had played traditionally an important role in Labour's and the SPD's ideological and political past. However, Labour's abandonment of Clause IV in 1995 as well as the SPD's hesitant but eventual support for the privatisation of public sector companies symbolised the parties break with the formerly held advocacy of the distinct importance of marking out a clearly separate public sector. In fact, over time both parties began to replace their formerly held distinct belief in the importance of the division of the public and private sector by adopting policies in favour of creating more public and private partnerships. This development was in line with the abandonment of

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public demand management, the significant public budgetary constraints as well as the increasing realisation that the public sector had to increase its efficiency and would benefit from the introduction of market mechanisms. This in turn naturally decreased both parties' ability to pledge the use of the public sector as a tool for the creation of employment leading to a substantial decrease in the pledge count of expanding the public sector to create employment. In fact, while this type of pledge had still featured prominently in both parties programmes between 1979 and the early 1990s (peaking in the mid-80s), policy pledges in favour of public sector employment initiatives had declined by two-thirds at the time of the 1997/98 general elections.

### 8.5.2. Employment Taxes
Data: CCF/EPO

Pledges in favour of policies to decrease taxes on employment (5020/21) such as the reduction of income tax (on low incomes), employers/employees National Insurance contributions or expenditure on 'Lohnnebenkosten' (health insurance and pension contributions) to reduce the price of labour and encourage higher levels of employment gained increasing party attention during the 1980s and 1990s. Policies to reduce employment taxes were adopted by the SPD in 1990, and the Labour Party in 1997. Interesting is the fact, that both parties similarly placed the greatest emphasis on this type of policies during their final election manifesto in opposition. The policy choice to reduce 'taxes on labour' in order to be able to encourage higher employment levels clearly expressed the change in the parties policy paradigm applied in policy-making by the mid-1990s. The formerly strongly held belief in state bureaucracies imposing high levels of taxes in order to redistribute resources and provide revenues for state interventionist measures (for example to tackle unemployment via demand side management initiatives) had been ultimately replaced by the mid-1990 by a strategy that instead advocated cost cutting on the 'factor labour' to price employees back into the labour market. Once again, the parallel adoption by both parties of these type of policies shows the substantial degree of convergence of policy choices among Labour and the SPD.

The data derived from the content analysis of the Labour Party's and the SPD's election manifestos and major mid-term statements clearly indicates, that - although the domestic situation of the parties as well as the political systems in Germany and Britain

they acted within differed substantially - the overall policy choices of the parties developed to a significant degree along similar lines. This indicates, that the fact that both parties contained a similar ideological core influenced substantially the outcome of their policy choices and resulted in the adoption of increasingly similar policies. In fact, the adoption and abandonment of similar policies, often in parallel with each other, throughout the 1980s and 1990s, shows that the influences of the substantial differences among the parties' institutions and policy making processes were partly mitigated by the greater picture of social democratic ideas and principles. Furthermore, the search for a new credible and positive policy approach and the need to replace the parties traditional Keynesian paradigm - institutionally conditioning actors policy choice - led ultimately to the parallel acceptance of substantial neo-liberal policy principles and the eventual convergence - to a varying degree - of both parties policies along similar lines of social democratic modernisation.
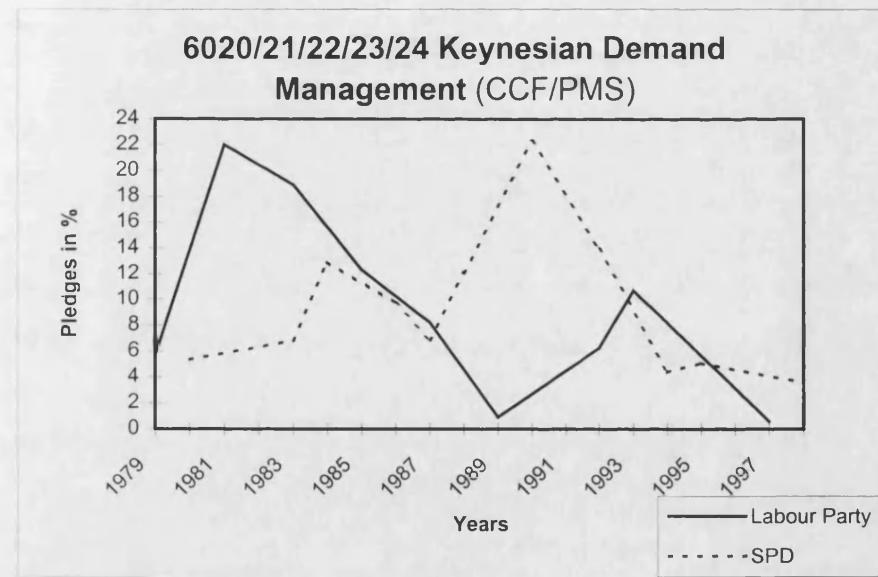


Figure 8.11.

## 8.6.1. Keynesian Demand Management

Data: CCF/PMS

The content data on these programme pledges revealed that the parties choice of Keynesian demand management policies (6020/21/22/23/24) declined significantly since the mid-1980s. This pattern had only been disrupted by the temporary elevation of these

type of policies by the SPD (as well as CDU/CSU) during the period immediately following German unification.[603] Hence, in 1990 and 1992, the SPD called for extensive public interventionism and policies to expand the economy in the territory of former German Democratic Republic. However, by 1994 the SPD was re-joining Labour by re-engaging in the SPD's previously established policy trend of steadily omitting this type of policies from its manifestos and mid-term statements.

The parties pledge count of Keynesian demand management policies started off from an exceptionally low point during the beginning of the period under analysis (Labour's 1979 and the SPD's 1980 manifesto). This circumstance can be explained by the fact that both parties' programmes had been drawn up at a time when they still held government office. Policy-makers were still strongly influenced by the need to put forward pragmatic pledges which reflected both governments budgetary constraints experienced during their previous parliamentary term in office as well as the inability to successfully implement policies of state demand management.

The macro-economic policies pledged in the programmes are of particular interest, as they revealed a rising problem experienced by Labour as well as the SPD when attempting to reconcile traditional Keynesian policies with those of monetarism (which were increasingly demanded by the markets). The policy contradictions arising from those two fundamentally different policy approaches (Keynesianism and Neo-Liberalism) led to an overall lack of the parties policy coherency, vision and credibility not only during the midst of this period, but also explain both parties long-term spells in opposition.

The problem discussed above emerged already during the 1970s and was clearly expressed by both parties during their final years in government and following from that

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[603] The temporary jump in the application of pro-Keynesian policies in Germany has been well explained by Josef Schmidt and Susanne Blancke as being due to the fact that established structures and institutions appeared inadequate for the economic and political pressures unleashed by 'unification'. Hence, for a short period 'active labour market policies' were chosen that often failed to feature a specific coherent paradigm of a planned and centrally co-ordinated policy pattern. However, with the 'normalisation' of the situation in Eastern Germany, these labour market policies lost this active momentum and parties re-engaged in their previous LMP development paths.' See: Schmidt, J. and S. Blancke - 'Arbeitsmarktpolitik in Ostdeutschland: Aufstieg und Niedergang einer Policy?', Deutschland Archiv, No 6 (Nov./Dez.), 31 Jg., 1998, pp 944-45

their last election programmes when still in office (1979; 1980).[604] In Labour's 1979 programme we find already substantial programmatic recognition of the perceived need for monetarist stability and tight budget conditions, even though traditional policy pledges of state interventionism and demand management were still pre-dominant. Hence, in response Labour's promise in 1979 - to boost employment with the help of a largely unspecified industrial and investment strategy delivering "a 3% annual rate of growth" lacked sufficient policy detail to give the pledge any credibility, in particular as the need for a tight budget had certainly been recognised.[605] Similarly, the SPD emphasised in its 1980 election manifesto the role of state aids to create employment opportunities, but nevertheless felt the need to pledge on the opposite page of the same document its intention to stick to a tight state budget.[606]

It must be pointed out, that the credibility and coherence of policy pledges is an important part of party political programmes. In fact, most certainly any political party would easily agree that unemployment is a terrible thing, which needs to be tackled with great determination. However, as discussed earlier, the actual prioritisation and practical approach towards tackling the problem makes 'a pledge' a pledge on which parties can be measured. Good intentions (such as wanting to cut unemployment) pledged in manifestos that are not backed by any concrete plan or vision of implementation, lack credibility and degenerate pledges into pure rhetoric.

Overall, the data in this category shows that both parties engaged in a clear break from pledging Keynesian-style demand management and high levels of state interventionism in their policy approach during the period under investigation. In fact, by the time both parties regained government office in 1997/98, policies had switched and converged to an extent which made it difficult not only to find substantial major differences between Labour's and the SPD's macro-economic approach but also theirs and that of the previous CDU/CSU and Conservative administrations. Even though some of the SPD's and Labour politics would have been too dirigiste for the CDU or Conservatives

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[604] Here, we are referring to James Callaghan's (Labour Prime Minister) 1976 IMF loan and Kanzler Helmut Schmidt's change in conviction (according to Dr. Herbert Ehrenberg by the winter break of 1979/80) not to advocate any longer programmes that were based on state demand management. (Discussion with Dr Herbert Ehrenberg – [1977-80] Minister for employment [Minister für Arbeit und Sozialordnung]; member of SPD party executive; [1981] chair of party commission for social policy – Lübeck, 15 June 1999)

[605] Labour Party - The Labour way is the better way, London, 1979

[606] SPD - Sicherheit für Deutschland, Bonn, 1980, p 20-1

– (for instance, Labour's pledged interference with the rights of business to make profits and use them as they wished in the case of the windfall tax and abolition of tax credit on pension fund dividends) - key differences were detectable only in detail, tone and competence rather than principle.[607] In fact, what Driver and Martell have been arguing in the case of the Labour Party's policy choices has also been true to a substantial extent in the case of the SPD. Tough policies on inflation as well as prudent fiscal and monetary policies, low taxes and low public spending commitments were all established policy approaches of the outgoing Conservative and Christian Democratic administrations as well as the incoming SPD and Labour administrations under Schröder and Blair, hence proving a substantial consensus on economic policies among the major parties in both countries.
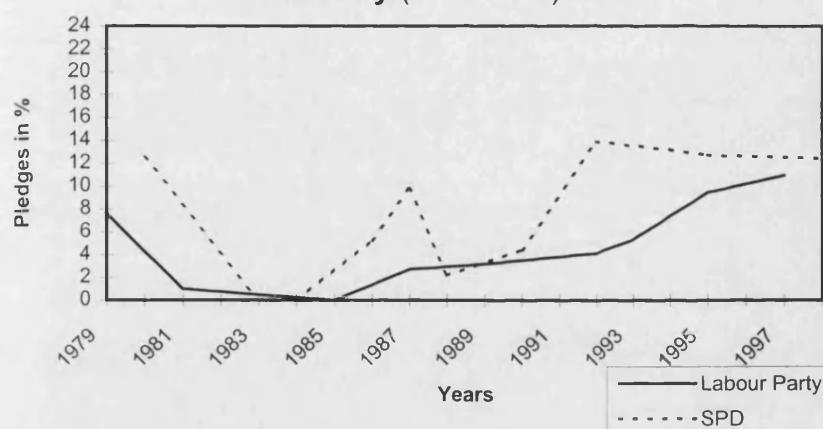


Figure 8.12.

## 8.6.2. Economic Orthodoxy, Government Efficiency, pro-free market economy
Data: CCF/PMS

The previous findings are confirmed by the analysis of the development of the category of policy pledges in the area of economic orthodoxy, government efficiency and a pro-free market policy orientation (6010/11/12/13/14).

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[607] Driver, Stephen and Luke Martell – New Labour – Politics after Thatcherism, Polity Press, Cambridge, 1998, p 65

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After experiencing an initial decline of pledges in this policy area when entering opposition, this type of policies experienced a clear increase in avocation by the Labour Party and the SPD from the late 1980s onwards. By the time the pledge counts of economic orthodoxy had reached very high levels, both parties were winning their respective general elections and taking government office (1997/1998). The delayed adoption of these type of policies by both parties (in comparison to other German and British centre-right mainstream parties) clearly indicated the delayed shift of Labour and the SPD away from the Keynesian paradigm towards the acceptance of substantial more neo-liberal policy principles. In fact, the increasingly consensual application of a Neo-Liberal paradigm confined the Labour Party and SPD to aim policies predominantly at providing stable monetary and fiscal conditions required by the markets to enable the maximisation of investment, output and employment.[608]

When comparing the parties choice of economic orthodoxy, government efficiency and pro-free market policies (6010/11/12/13/14) with those of Keynesian demand management (6020/21/22/23/24), the data indicates not only clearly a decline in the latter and increase in the former, but also policy development patterns between both parties which prove to be surprisingly similar. In fact, both parties began at roughly the same time to replace Keynesian inspired policies with those of economic orthodoxy. The overall policy shift and change of paradigms applied by the parties policy makers are in no other category more clearly expressed and shown than in those of demand management and economic orthodoxy.

However, it is important to emphasise that at no time did the parties ever question the active role of the state, which was seen as justified by the greater public interest. In fact, corrective action by the state to stabilised the business cycle as well as to ensure that supply-side tasks (markets tend to neglect) remained a vital programmatic part of the social democratic policy approach throughout the 1980s and 1990s.[609]

The period under analysis must be seen – as shown by the data - as a phase of transition by both parties in which their policy principles changed and Keynesian inspired policies were slowly substituted by free market principles. Both parties' programmes were

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[608] Shaw, Eric - The Labour Party since 1945, Blackwell Publishers, Oxford, 1996, p 202
[609] Shaw, Eric – The Labour Party since 1945, Blackwell, Oxford, 1996, p 202

far from pledging solely stringent neo-liberal spirited government initiatives to reduce budget deficits, the programmes still contained a substantial amount of pledges in favour of state interventionism in the economy. However, after the parties had encountered consistent electoral failure throughout the 1980s, policy makers realised that they had to open the parties towards a greater degree of free-market policy attitude, as it also seemed more popular with the electorate. At the time, parties were caught in a strategic situation of uncertainty in which they had to increasingly attempt to bridge – rather dubiously - the growing programmatic gap between their traditional interventionist policy pledges and the newly adopted ones of tight budgets and monetarism.

The SPD as well as the Labour Party lost their respective elections in 1992 and 1994 due to the fact that voters - at best - did not trust or - worse - feared the parties tax policies. In the case of the Labour Party, it had already been constrained during the 'Policy Review Process' to introduce a more cautious policy approach towards public spending, a circumstance which clearly indicated a shift in attitude. From this it followed, that by the 1992 election campaign, Neil Kinnock as well as his Shadow Chancellor (and future party leader John Smith) stressed that a Labour government would only spend the money it earned – in turn ruling out any major borrowing by the state.[610] This shift was then re-enforced more adamantly by 'New Labour' under the leadership of Tony Blair and Gordon Brown, who pledged by the time of the 1997 general election that a Labour government would go as far as adopting the spending limits previously announced by the Conservative Chancellor Kenneth Clarke. The fact that Labour had also ruled out any increases in income tax during its first term in office showed, that a fundamental policy shift had been completed with little room left for any tax increases or measures to expand state spending (outflanking in its economic orthodoxy even the cautious tax and spending increases on education proposed by the Liberal Democrats). With the exception of the 'windfall tax' on the privatised utilities to fund the 'welfare to work' programme, any other extra resources pledged by Labour in 1997 were envisaged to come solely from 'efficiency savings', the 'de-freezing' of local authority council housing receipts, resources becoming available through a reduction in unemployment and the improvement of the

[610] Driver, Stephen and Luke Martell – New Labour – Politics after Thatcherism, Polity Press, Cambridge, 1998, p 66

overall economic situation.[611] In the case of the SPD, its 1998 election manifesto also placed extensive emphasis on the point that the party did not intend to increase taxes, but instead envisaged raising extra resources by cracking down on tax evasion and by using existing resources more efficiently.[612] In fact, the trend to stick to the strict budget of previous conservative administration constraints is not limited to the SPD and Labour. Even the French Socialist Party under Lionel Jospin, which had won the 1997 election by promising a substantial return to Keynesian-style levels of public spending to stimulate the economy, admitted by early 1999 that the membership of the single European currency had not only severely restricted the party's economic choices, but that the Jospin government would have to re-impose the strict budget constraints introduced by the previous conservative government.[613]

Overall, consistent with the policy development patterns established in many of the previously analysed LMP categories, both parties applied (often in parallel) increasingly neo-liberal policy principles to their policy choices, reaching the highest levels at the time they were able to successfully challenge their opponents and win government office. Furthermore, the increased emphasis on the adoption of neo-liberal economic policies similar to those already favoured by the political opponents in government office meant, that Labour and the SPD were increasingly able to seriously challenge and increasingly question the economic politics of their Conservative and Christian Democratic opponents on the grounds of competence rather than on ideological grounds.

[611] Labour Party - New Labour because Britain deserves better, London, 1997, p 12-13
[612] SPD - Arbeit, Innovation und Gerechtigkeit, Bonn, 1998, p 29
[613] Webster, Paul – 'Upbeat Jospin curbs spending', The Guardian, 22/04/1999, p 16

**7040/41/42/43/44 Corporatism (Positive) (CCF/PMS)**
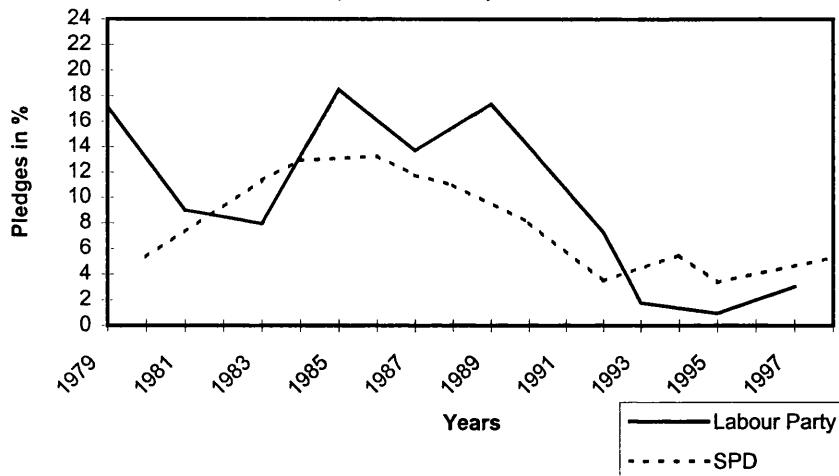
Figure 8.13.

## 8.7.1. Corporatism

Data: CCF/PMS

The number of positive pledges by Labour and the SPD in favour of the adoption of corporatist policies (7040/41/42/43/44) – defined as in the state co-operating and/or co-ordinating the active participation of social partners (trade unions and employers federations) in policy-making - declined substantially during the period under investigation. In this category, figures expressed in the above figure (8.13.) may be slightly misleading as corporatist policies have meant very different things to both parties, while the precise meaning of these policies has - in addition - changed substantially during the period under investigation. For example, the Labour Party's high pledge count of policies in favour of giving trade unions a substantial policy role – for instance - in company decision-making throughout the 1980s has increased Labour's pledge count which then appears to express a consistently higher commitment to corporatist policies than the SPD. However, the SPD's programmatic use of corporatism reflected Germany's more consensual system of industrial relations which had traditionally been based on considerable co-operation between the state, trade unions and employers confederations. Due to this fact, the SPD has been able to take the co-operation between the social partners to a greater extent for granted, a circumstance which has for obvious reasons not been expressed in the SPD's lower pledge count in this policy category. Nevertheless, while the

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SPD has been traditionally close to the German trade union movement, the emphasis on corporatism within the SPD's programmes also expressed explicitly the positive role envisaged for employers.

The degree of pledges in support of corporatism found within the Labour Party's programmes remained consistently high throughout the 1980s. However, it must be pointed out that the meaning of the term changed significantly after 1979, as corporatism stood at the time predominantly for government co-operation with trade unions. This understanding of corporatism remained prominent and at a high level in Labour's manifestos throughout much of 1980s and began to decline by the 1990s parallel to inner-party reforms which led to the reduction of trade union influence over the party's policy making processes.

Significantly, even though in Labour's 1979 programme the desire to improve the co-operation between employees and employers was expressed, in the case of the state's treatment of business and industry, the party envisaged a rather strong handed dirigiste state role by pledging that the National Enterprise Board should gain extra statutory powers to conclude "planning agreements with major industrial companies...to ensure that private industry plays its full part in the drive for prosperity and full employment...".[614]

However, from the moment the Labour Party reformed its relationship with the trade union movement, the corporate role pledged by Labour for the unions decreased dramatically. Furthermore, since Blair became leader, the corporate role formerly envisaged by the party as predominantly involving trade unions, was substituted by a growing presence of Labour policies envisaging a vital role for business and employers interest groups. Driver and Martell went as far as describing this development as "partnership now means not corporatist links with trade unions but co-operation with business", with a special relationship developing to sections of the business community seemingly at least as strong as the party's link with the traditionally allied trade union

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[614] Labour Party – The Labour way is the better way, London, 1979

movement.[615] In fact, while the Labour Party was - by the early 1980s - strongly allied and influenced by trade unions and in turn committed to extent the influence of the union movement on economic decision making (e.g. AES's planning agreements), by mid-1995 the trade union influence had not only been checked within the Labour Party, but had also lost much of its vital role in Britain's economy as a whole. 'New Labour's' positive attitude towards co-operation with business and the increasing marginalisation of the trade union movement meant, that in terms of traditional corporatism, Labour had been overtaken by the SPD (in terms of the significance given to trade unions in its programmes) due to the Labour Party's significant reduction in policies envisaging a primary role for trade unions in the economy.

Although the SPD's pledge count on corporatism envisaging it as a tool of approaching employment problems decreased in a similar manner to that of the pledge count of the Labour Party, the SPD continued to emphasise the vital role of the unions in its policy approach to the labour market. In fact, one of the priority pledges of the SPD's 1998 election campaign was the setting up of a corporate "Bündnis für Arbeit" (alliance for work) between representatives of the government, trade unions, employers federations and churches to find solutions and agreement on measures to reduce the level of unemployment.[616]

Interestingly, while Labour's 1979 election programme - written under the impression of the then recently experienced disastrous 'winter of discontent' - included a positive reference to the traditionally more restrained 'continental model' relationship between the German SPD led government and the German trade union movement, a distinctly Anglo-Saxon policy approach was chosen by 1997. In fact, in 1979 the German relationship was perceived by Labour as a model for Britain, which had proven that talks between the social partners and the government were a "good way to reach agreement on how to expand output, incomes and living standards."[617] In contrast, by 1997 - clearly displaying how far the Labour Party had moved - the party (at least partly inspired by Bill

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[615] Driver, Stephen and Luke Martell – New Labour – Politics after Thatcherism, Polity Press, Cambridge, 1998, p 69
[616] SPD - Arbeit, Innovation und Gerechtigkeit, Bonn, 1998, p 11
[617] Labour Party - The Labour way is the better way, London, 1979

Clinton's New Democrats) openly embraced the idea that the Anglo-Saxon model was superior to the 'over-regulated' and 'inflexible' corporatist structures of continental Europe, which were thought of as preventing rather than encouraging greater labour market flexibility and employability envisaged necessary to tackle unemployment.[618]

## 8.8. Conclusion

In comparison to the British Conservative Party, the German Christian Democrats and Liberals (FDP), the delayed shift in Labour's as well as the SPD's party policy paradigm can be clearly shown with the help of the analysis of the changing content of the parties policy statements. Furthermore, the policy choices identified during the qualitative analysis of the programmes clearly enforces the pattern established by the quantitative assessment of the parties policy choices. Overall, the content analysis of the party programmes and major mid-term statements of the Labour Party and the SPD supported the qualitative findings of the parties programmatic trends - and vice versa. These findings have been confirmed by other studies - such as that of Ian Budge - who has been able to show in the case of the Labour Party - on a left-right policy scale - that Labour's policies outlook moved sharply towards the right after 1992.[619] In fact, he discovered that for the first time in the party's post-war history a preponderance of right-wing positions over left-wing positions (+8) had taken place, confirming not only the perception that Labour had finally moderated dramatically its traditional policies with the party even 'leapfrogging' the Liberal Democrats to the right during that process. In case of the SPD, Budge was also able to show that the party' programmes moved first to the left - peaking in 1983 - before policy positions began to move consistently towards the right of the policy spectrum since.[620] Similarly, Richard Topf concluded in his content analysis of party manifestos in Britain, that during "the last 15 years [1979-94] the ideological language of British politics as a whole has tipped very sharply to the right."[621]

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[618] Wintour, Partick and Will Hutton – ' How Brown borrowed to give Britain a New Deal', The Observer, 06/07/1997, p 22; Rustin, Michael – 'The Clintonising of New Labour', The Guardian, 18/11/1996, p 16
[619] See: Laver, Michael J. and Ian Budge – Party Policy and Government Coalitions, St. Martin's Press, London, 1992, p 25-7; Klingemann et al - Parties, Policies, and Democracy, Westview Press, Oxford,1994, p 38-42
[620] Budge, Ian – 'Party policy and ideology: Reversing the 1950s', in Evans, G. and P Norris (ed) -Critical Elections, London, Sage, 1999, p 6-8
[621] Topf, Richard – 'Party Manifestos', in Heath, A. et al – Labour's Last Chance?, Dartmouth, Aldershot, 1994, p 165

The data derived from the content analysis of the Labour Party's and the SPD's election manifestos and major mid-term statements clearly indicates, that - although the domestic situation of the parties as well as the political systems in Germany and Britain differed substantially - the overall development of policy choices over time went - to a significant degree - along similar pathways. This proves, that both parties operated around a similar ideological core, a factor which affected considerably their choice of policies and resulted in the adoption of increasingly similar pledges. In fact, the parties' adoption and/or abandonment of similar policies took often place at the same time. Throughout the 1980s and 1990s the substantial differences between the parties institutions and policy making processes, which could have been expected to have led to a consistently large range of varying parties policy choices were partly overwritten by the greater picture of social democratic parties having to re-orientate their common policy approach according to the requirements of changing political and economic circumstances. In fact, the search for a new credible and positive policy approach and the need to replace the parties' traditional Keynesian paradigm - institutionally conditioning actors policy choices - led ultimately to the parallel acceptance of substantial neo-liberal policy principles and the eventual move towards partial policy convergence - (to varying degrees depending on the precise policy area) - with both parties ending up in an attempt to modernise social democracy along similar lines.

In comparison to the British Conservative Party and the German Christian Democrats as well as Liberals (FDP), a delayed shift in Labour's and the SPD's policy paradigm (consciously or unconsciously applied by policy making actors) can be clearly shown with the help of the content analysis of the parties' policy statements. This can certainly be partly credited to the fact that traditional battle-lines between domestic parties had been drawn until the early 1980s on direct forms of government intervention such as nationalisation and planning as opposed to incentives, free enterprise and economic orthodoxy.[622] From the mid-80s onwards, an increasing policy convergence took place among most parties to the right of the Labour Party and SPD that was based on the general acceptance of the superiority of free markets, the need for the reduction in state

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[622] Budge, Ian – 'Party policy and ideology: Reversing the 1950s', in Evans, G. and P Norris (ed) -Critical Elections, London, Sage, 1999, p 13

interventionism and goals of social conservatism, a convergence that was initially joined by both social democratic parties.

# Chapter 9: Conclusion

## 9.1. Factors predetermining party policy approaches

Building on social psychology, cultural sociology and historical institutionalism, it is possible to develop fairly specific expectations on how identities shape parties policy-making. These experiences can be formulated as empirical questions which can be put together with our quantitative and qualitative data on the political parties' in question.

Which ideas of the role and capacity of the state and the functioning of the labour market dominate a party's discourse? Who or what constitutes 'the alternative' to a given policy and ideational identity?

Comparing the answers to the above questions, it is possible to draw conclusions from the similarities and parallels that can be discovered between Labour's and the SPD' party political characteristics. Both parties encountered disorientation and ideological crises after the increasingly experienced failure of Keynesian policy prescriptions (due to changing circumstances). They eventually moved and embraced neo-liberal LMP approaches - although at different speed and intensity - nevertheless eventually into a rather similar direction. Here, the different approaches of the Labour Party and the SPD growing from the increasing failure of their national blends of Keynesian-led policy approaches can be explained by the historical differences in both institutions (federalism, Clause 4 etc.) as well as the differences found in the domestic context of both countries political systems (Thatcherism, electoral systems, and party competition).

Furthermore, after the collapse of the political systems in Eastern Europe's, the increasing level of Western European economic integration, and the emergence of an increasingly internationalised economy, both parties moved along a similar policy direction and embraced a delayed shift (compared to most of their party political competitors) in their institutionalised economic policy paradigm from Keynesian to neo-liberal economic policy approaches.

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This is not to say that the parties signed up wholeheartedly to the economic and social policies of their conservative pre-political rivals. Instead, a rhetoric of social justice under new economic conditions was developed that meant that both parties combined - in their 1997/98 general election programmes that brought them back into office - distinctive aspects of traditional social democratic policy values and rhetoric, and twinned them with a new highly pragmatic neo-liberal approach towards economic policy.

### 9.1.1. Party policy making and the paradigmatic component

As shown by the evidence collected for this thesis, the fundamental economic policy changes of parties cannot be understood in rational exchange terms alone as support within parties for a specific policy approach does not develop necessarily on the basis of actors materially defined interests or simply in electoral terms.

Instead, the factors predetermining a party's policy approach form part and parcel of long term party institutionalised policy paradigms that have often also acquired symbolic meaning by marking cornerstones of parties policy principles that impact strongly on the actions and decisions taken by actors within them. Hence, the exceptionally slow decline in Keynesian-led policy prescriptions by the SPD and Labour Party can only be understood against the context of institutionalised identity politics, while an interest-based account by itself - although not entirely dismissed - may substantially miss the mark.

This also explains why Labour and the SPD experienced remarkable little intra-party challenges towards the revival of state interventionist policy approaches - traditionally linked to the parties - once they had been voted out of government office in 1979 and 1982 respectively.[623]

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[623] Labour's inner-party splits and the departure of MP's on the right to found the SDP were based predominantly on Labour's inner party procedural and policy selection reforms (principle of mandatory re-selection, introduction of electoral college to elect party leader) as well as anti-EEC and pro-unilateral stances, however, not on the rejection by those Labour 'dissidents' of a certain revival of more Keynesian led state interventionist economic policy positions (even if many of them may have disagreed with the brunt of Labour's newly adopted and far more reaching 'Alternative Economic Strategy'. See: Williams, Geoffrey L. and Alan L. Williams - 'The Birth of the SDP' (Chapter 8), in Williams, G. L. and A. L. Williams - Labour's Decline and the Social Democrats' Fall, St. Martin's Press, New York, 1989, p 107-11. In the case of the SPD's economic policy (as already mentioned earlier), the party adopted immediately - when entering opposition - policies for a Keynesian style public investment programme of 10 billion Deutsch Marks, financed by a supplementary tax of 5% on incomes over 50000 DM. (Braunthal, Gerard - 'The Social

The collected comparative evidence of both parties policy making behaviour processes underlines the fact that conclusions can be drawn from the similarities and differences among Labour's and the SPD's LMP making patterns.

1. Anti-Keynesian-led economic policy approaches adopted by the Labour and SPD leaderships - when in office (Labour Party 1974-79/ SPD 1966-82) - were abandoned and reversed as soon as both parties lost government office and went into opposition. The Labour Party decided upon this officially at its Annual Labour Party conference September 1979. In the case of the SPD, the party's executive began already to re-shape labour market policies by quickly devising a 'declaration on Economic and Labour Market Policy' (13/09/1982) that strongly criticised the FDP for its neo-liberal economic deflationary and tax policies four days before the opposition bound party - the FDP had already left the common coalition - actually lost government office.[624] Here, the SPD executive expressed a renewed interest in Keynesian-inspired public investment programmes that were to be financed primarily by supplementary taxes (Ergänzungsabgabe) on high wage earners as well as extra state borrowing, something, which had been categorically ruled out by the Helmut Schmidt led coalition government during the previous years.

2. The end of both parties terms in government did not only mark the beginning of continuous electoral failure and a 16 i.e. 18 year long spell in opposition, but it marked first and foremost the beginning of programmatic crises and uncertainty about the parties future economic policy approaches and visions. Here, the initial differences in party policy decisions and outlook between the SPD and the Labour Party can be explained by differing domestic considerations and political challenges. While the Labour Party moved its economic policies to the far left in the early 1980s,[625] the

Democratic Party', in, Wallbach, H. G. P. and G. K. Romoser (ed) - West German Politics in the mid-eighties, Praeger Publications, New York, 1985, p 100-01).

[624] Vorstand der SPD - Erklärung zur Wirtschafts- und Arbeitsmarktpolitik, Nr 407/82, Bonn, 13/09/1982

[625] The realisation that old traditional moderate Keynesian led policy approaches were increasingly questionable meant - soon after the parties went into opposition - that Labour began to adopted an increasingly orthodox socialist 'Alternative Economic Strategy' (AES) that contained pledges such as the withdrawal from the EEC, extend public ownership and massive increases in public expenditure. This development was only the beginning of an economic policy radicalisation process that peaked with the party's general election manifesto of 1983. (Jones, Tudor - Remaking of the Labour Party, Routledge, London, 1996, p 89)

German SPD - in addition to a moderate revival of Keynesian-led policy approaches - began to open the party towards policy issues raised by the new social movements and in response to the increasing electoral threat from the Greens.[626] However, after both parties' painful search for new policy approaches and priorities, they eventually ended up moving in parallel and over a substantial amount of time towards more neo-liberal policy applications. This move eventually enabled both parties to establish a new sense of purpose and set off of a policy review processes that finally led to 'New' Labour's and the SPD's 'Neue Mitte' policy approach which marked the final abandonment of the Keynesian-led party paradigm in favour of increasingly neo-liberal economic policy visions. This move paid off in electoral terms as the parties appeal was widened to include the centrist vote.

3. The Labour Party and the SPD's 1987 policy programmes - although containing an increasingly more moderate economic policy outlook - still contained immense programmatic contradictions between Keynesian- and Neo-Liberal inspired policy approaches.[627] These damaged both parties policy credibility, undermined their electoral capacity and marked the continuation of their search for a credible non neo-liberal policy alternative to challenge successfully the neo-liberal policy ideas advocated by their political opponents.

4. Attempts to seriously amend the paradigmatic predetermination of the parties economic policy choices began in earnest only after both parties had lost their respective 1987 general elections. It was then that both parties' leaderships decided to engage in serious policy review processes in order to respond more effectively to the

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[626] The SPD - when entering opposition - was originally divided over the question, if the party should engage in a 'strategy of integration' by adopting policies that would appeal to the post-materialist generation and make concessions to their interests. (Padgett, S. and T. Burkett - Political Parties and elections in West Germany, C. Hurst, London, 1986, p 75) In the end, the party tried to increasingly compete for votes from the new social movements as the party "greened" its programme. (Braunthal, Gerard - 'Opposition in the Kohl Era: The SPD and the Left', German Politics, Vol 7, No 1, (April 1998), p 148-51). In addition, as Diane L. Parness concluded in her study of the 1980s SPD, the party appeared increasingly "capable of drafting the brand of comprehensive environmentalist programme that can convince the sceptics among the German centre-left that the SPD is the party that best represents the moderate approach to the postmaterialist agenda." (Parness, Diane L. - The SPD and the Challenge of Mass Politics, Westview Press, Oxford, 1991, p 182)
[627] Labour Party - Britain will win with Labour, General Election Manifesto, London, 1987; SPD - Regierungsprogramm der SPD 1987-1990, Bonn, 1987

new realities posed by the changing political and economic conditions; public opinion; and to re-organise and modernise their policy approaches. [628]

In the case of the Labour Party this was also a conscious attempt to shift the party's visible policy agenda towards the centre of the political spectrum where the majority of the electorate had been identified.[629] However, the final outcome still hinted at problems to decide between socialist rhetoric and neo-liberal policy ideas and realities. Similarly, the SPD had begun to revise its basic policies for a new Basic Programme (as a follow up to the highly successful 1959 Godesberger Programme) and finalised a new draft in 1989. The party's timing, however, of the completion of the new 'Basic Programme' - at the eve of German unification - in late December 1989 was highly unfortunate as it accelerated the programme's failure to provide major policy guidance towards the unfolding but unexpected policy challenges posed by the end of the cold war, issues of European integration and security, German unification, and last but not least the fast changing condition for LMPs. The Labour Party's and the SPD's policy review documents developed during the end of the 1980s clearly expressed both parties continuous problem of coming to terms with the end of their previous paradigm-led policy approaches, whilst not being yet able to sketch out a precise and credible programmatic policy alternative.

5. The Labour Party's 1992 and the SPD's 1994 electoral performance became another gross disappointment. Even though their political opponents had encountered considerable economic problems during their previous term in government, and both social democratic parties had continued to abandon long held policy approaches in favour of more neo-liberal economic policy solutions - in particular in regards to the issue of taxes and state budget discipline - both parties' encountered severe difficulties in reassuring a critical public over the credibility of their economic policy programmes. Hence, both parties had failed again to sketch out and deliver electoral

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[628] When considering public opinion and electoral requirements, we clearly recognise the contradictions that can often be identified in public attitudes. For instance, on issues such as pensions, taxation and consumer freedom the public often prefers neo-liberal rhetoric, while at the same time not accepting that this in turn must carry a loss of generous pensions and welfare state provisions. In fact, this contradiction provides a difficult policy-making context for all parties - left and right. It is, however, fair to say that during this period 'electoral' public opinion was moving in favour of neo-liberal rhetoric.

programmes that would catch the imagination of the majority of voters, even though further major efforts had been made to shift economic and LMPs nearer towards the policy positions of their Conservative/Christian Democratic competitors.[630]

6. Finally, after party actors had engaged in a trial and error search for a new party policy approach (as an integral component of party policy 'learning' and evaluation), policies that had been adopted during the early period in opposition periods and were perceived deficient in implementability indeed offered new impulses for further reforms. This policy reform, however, led to a change of overall paradigm before the parties were able to engage in a 'convincing' and substantial overhaul and review of their policy positions. In other words, a shift in the parties overall economic policy paradigm seems to have been a vital precondition for successful policy change.[631]

7. As clearly shown by the content analysis of party policy programmes, both Labour's and the SPD's economic policy-shift did not take place as rapidly as one may have imagined. In fact, the Labour Party and the SPD developed their LMPs in an incremental manner, which means that after the initial adoption of more state interventionism/anti-economic growth policies during the early 1980s, both parties engaged in a slow but continuous move of abandoning their Keynesian inspired economic policies and increasingly replaced them with neo-liberal policy proposals that clearly culminated in both parties' 'market orthodoxy' by 1997/98. Comparing them with the policies implemented by the 'neo-liberal' influenced CDU and Conservatives parties in government, we are able to conclude that Labour as well as the SPD shifted their policies towards a neo-liberal position, although up to 10 years later.

[629] Seyd, Patrick – 'Labour: the great transformation, in King, Anthony – Britain at the polls, 1992, Chatham House, Chatham, 1993
[630] See chapter 7.
[631] Bulmer, Simon J. - 'The governance of the European Union: A New Institutionalist Approach', Journal of Public Policy, 13: 4, 1994, p 373

## 9.2. Historical Institutionalism applied

Guiding principles, such as Keynesian inspired economic policy approaches can play an important role in shaping patterns of party policy making, even though they may be difficult to quantify and thus represent a challenge to those whose theory-building tends towards the algebraic. However, polity structures as well as the inputs of social, economic and political forces often have a consequential impact on policy outcomes.[632] In such an approach, institutions play a key-mediating and directing role, however, as pointed out by Simon Bulmer, institutions certainly do not provide the fundamental dynamics of politics, but instead structure access of political forces as they form actors' behaviour, a process that is of vital importance for policy process outcomes.[633]

Historical institutionalism does not concentrate on whether party actors are winners or losers of decision-making processes, but focuses more neutrally on the way in which outcomes of negotiations are shaped in a process of policy reconstruction. Furthermore, parties and actors within them can be viewed as products of their specific 'logic' which prescribes searches for solutions, and prioritises approaches to solve policy problems. In the case of social democratic parties, this has traditionally meant the prioritisation of a re-distributive orientated management of welfare states and the battle against unemployment.

Clearly, historical institutionalism is no grand theory. However, it offers a valuable method for deriving analytical insights to policy processes and hence allows us to focus on different inter-linking aspects that offer - in this study - insights into determents of parties labour market policy formation. Research questions have been approached under three different considerations, namely by looking at systemic changes, institutional structures and normative dimensions.

How were labour market policy options shaped by changes in national and international political and socio-economic conditions? (The increasingly reduced ability of policy makers to subscribe to policies that intervene extensively in the economy). (Systemic Changes)

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[632] Bulmer, Simon J. - 'New institutionalism and the governance of the Single European Market', Journal of European Public Policy, 5:3, September 1998, p 369

[633] Bulmer, Simon J. - 'The governance of the European Union: A New Institutionalist Approach', Journal of Public Policy, 13: 4, 1994, p 370

How were changes and amendments in labour market policies adopted and expressed? (Policy Evolution).

How did changes to the parties' institutional structures contribute to the amendment of labour market policy choices? (Institutional Structures).

How did institutional structures shape actors' choices in the labour market policy area and their party policy making regimes? (Institutional Structures)

Why did both party institutions not act simply as neutral arenas, but instead structured the parties' policy processes? (Institutional Structures)

How did the parties' organisational disposition, intra-party conflict as well as institutional norms, values and ideas shape policy outcomes? (Normative Dimensions)

In this thesis, we have aimed to advance historical institutionalism as a method of analysing the multifaceted nature of party policy processes. The analytical focus has been placed upon the institutional aspects of actors policy making choices, although without neglecting the wider national and international factors that condition and predetermine public policy choices. Hence, "historical institutionalism offers an explanation based on intermediating factors rather than going to the underlying sources of macro-social change."[634]

Regarding the question of whether the historical institutional approach offers any predictive qualities, it must be stated that while this approach may not be able to make precise predictions of parties' future policy developments, it certainly enables us to make more localised predictions such as that institutions which have previously adopted and enacted policies develop their own dynamics, norms and values which remain in place long after their original adoption. Hence, this approach predicts the importance of previously adopted policy paths (and depending on their degree of institutionalisation) how far they can be expected to carry potential for policy continuation and incremental change over medium-periods of time. Hence, it is fair to say that historical institutionalism offers a research methodology with a medium-range validity that links key institutional factors together to make overall sense of party policy processes.

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[634] Bulmer, Simon J. - 'New institutionalism and the governance of the Single European Market', Journal of European Public Policy, 5:3 September, 1998, p 382

Regarding the methodology applied during this study to assess party programmatic change, we can assume that the technique of content analysis can be further developed and applied to deal, for instance, with greater party/programme samples and to analyse parties in government. The question, if this approach has been able to advance social science research and how this study may help and offer other investigators a tool to assess certain developments of party policies, can be answered positively. In fact, this research has shown that it make sense to look first at the general policy making paradigms of the organisations under investigation (in addition to the overall national and international political and economic context) before investigating or trying to understand institutional developments and actor behaviour. Here, institutional and individual actor behaviour as well as problems with a pre-dominant paradigm may pre-determine to a far greater extent policy processes, actors decision-making and ranking of alternatives as well as final outcomes than many analyst would expect. Hence, the tools for investigation developed further in this thesis offer analysts another useful path with which the institutional as well as individual actions of actors can be better understood and explained.

## 9.3. The Labour Party and SPD: Comparing programmatic shifts and organisational change

We have been able to establish that the Labour Party and the SPD encountered a substantial organisational as well as programmatic shift during the period under investigation. In fact, a move towards similar, sometimes converging policies and strategies could be clearly identified in the economic policy area.[635]

### 9.3.1. The development of party change, economic policies, and party values

The change in domestic and international socio-economic conditions and the policy environment encouraged the parties to re-think and up-date their traditional LMP positions according to contemporary requirements and challenges. Path dependency,

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[635] We are aware, that by drawing some more general conclusions about the parties, we must be careful not to move too far away from the specific example of labour market policy and its subtleties, paradoxes, contradictions and even innovations that the discussion of this specific policy area have revealed. Hence, it is important to point out that we would expect a study of another specific policy area to reveal interesting complexities of this type as well.

established policy processes and procedures led to a paradigmatic pre-disposition of party actors policy choices.

Both parties' increasing emphasis on policy presentation, an increase in party discipline, and a moderation in policy aims led to a much improved party appearance, while at the same time an increased role of the media, the loss of power by medium-level party functionaries (enabling the party leadership to appeal directly to its members and the electorate), and substantial changes in party policy making procedures and roles enhanced the parties' leaderships ability to reverse an increasing degree of their parties traditional paradigmatic LMP prescriptions and advocate electorally (seemingly) more popular policy options.

A substantial degree of convergence in the development and adoption of 'new' social democratic values / policies took place. There was also an increasing degree of emphasis on the notion of reform that can be referred to as the 'euphemism of modernisation' of organisation and policy outlook. These included an unashamed adoption of severe policy 'pragmatism' with both parties having begun to draw intensely from a greater variety of policy ideas (communitarianism; liberalism etc.) and policy formation sources (political opponents; think tanks; outside expertise; industry etc.) than previously. Furthermore, the 'modernisation' process witnessed substantial attempts to engage in self-conscious image building exercises, the professionalisation of policy communication and election campaigning, a greater use of the media, and finally the use of market research, public opinion polling and focus groups to test policy appearance and the popularity of policies with the electorate.

Policy-making processes and positions within the parties were changed substantially (Chapter 5 and 6) as the Labour Party developed and used the Policy Review Process and commissions to amend party policies, while the SPD developed a 'new basic programme' to clarify and up-date its policy positions. An increased use of policy specialists to develop detailed party policy positions in form of commissions, think tanks as well as public relations advisors could also be witnessed.

Major areas in which trends of convergence between the parties could be identified by the time they regained government office in 1997 and 1998 include the following aspects.

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A. Today, the Labour Party as well as the SPD are recognising the impact of economic globalisation. This acceptance of cuts in policy choices includes the realisation that the scope of the state to intervene and control in economies has been reduced. Current policy approaches have increasingly taken account of the global environment with its requirements and operating conditions for economic policies among different countries becoming more similar - a circumstance that inevitably effects the number of policy choices available. The Labour Party - followed by the SPD - increasingly focused programmatically on the need to facilitate the supply side revolution on manpower skills and educational reform. This includes the acceptance of the need for economic modernisation and greater flexibility to safeguard international competitiveness. Furthermore, there seems to have been an apparent supplanting of trade unions with business representatives as increasingly favourite partners for parties' leaderships when planning economic policies.

B. Labour as well as the SPD have chosen to pursue economic integration as a response to globalisation. Therefore, it must be argued that both social democratic parties have engaged in a 'if you can't beat them, join them' approach. Growing support for European integration developed together with an increase in belief and emphasis on pro-growth benefits and the aim to get actively involved in the agenda setting of the integration process, thus being able to press more effectively for the social dimension of European integration.[636]

C. The centralisation and concentration of power in the hands of viewer party leaders has led to changes in party operations. As described by Peter Hennessey in the case of the Labour Party, a declining role of the party's middle level functionaries can be detected due to an increasing ability of party leaders to appeal directly for support to party members.[637] Both social democratic parties also witnessed a "modernisation" of their

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[636] Here, the French socialist and former president of the European Commission Jacques Delors' (1985-1995) played an instrumental role in persuading many of Western Europe's social democratic parties to engage in a strategic shift towards a more positive centre-left attitude towards European integration by emphasising the 'social dimension' of the process, something that has left virtually all of Europe's social democratic parties united in a far more pro-European policy stance than had been previously held by many on this issue.
[637] Hennessy, Peter – 'The Blair Style of Government: An Historical Perspective and Interim Audit', Government and Opposition, Vol. 33, No. 1, 1998, pp 3-20

ideology that was linked to the attempt to redefine the sense of purpose and shift the parties' value systems towards stressing traditional values but also the need to apply them differently under changing and evolving overall conditions.

D. There has been increasing emphasis on the notion of libertarian individualism as a recent shift of agenda within both parties from 'equality' to 'individual liberty' clearly shows. Labour's *'Meet the challenge'* (1990) document 'newly' stressed the notion of equality as an enhancement for individual self-fulfilment. Furthermore, ever since becoming prime minister, Tony Blair has clearly stressed his belief that the Labour Party should move further away from a redistributive agenda towards a more broadly-based progressive libertarian coalition. In fact, Blair went as far as describing "my vision for New Labour is to become, as the Liberal Party was in the 19th century, a broad coalition of those who believe in progress and justice, not a narrow class-based politics, but a party founded on clear values, whose means of implementation changes with the generations."[638]

Hence, ideas of communitarianism and social responsibility emphasising that individuals act via community structures have gained in importance. Furthermore, new emphasis has been placed on social authoritarianism (stressed, for instance, by extra policy initiatives on crime, emphasis on family, law's against aggressive begging, night curfews etc). Not too surprisingly, as this was presumed to work electorally for Labour, the SPD was quick to adopt this new emphasis, even directly copying Labour's 1997 electoral campaign slogan of pledging to be 'tough on crime (and the causes of crime)' for the SPD's 1998 general election campaign.

Here, academics such as Herbert Kitschelt predicted already in 1994 that 'toughness' and 'law and order' issues would play an increasingly more important role for social democratic parties which want to attract an electoral majority. In fact, Kitschelt devised a two-dimensional model of party competition in which Social Democrats have not only to chase voters increasingly more to the right, but also attract more authoritarian minded voters in a libertarian-authoritarian field of issue space.

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[638] 'Blair's praise for the Victorian way', The Guardian, 16 December 1998

Both parties clearly displayed their increasing interest in communitarian values and the stressing of the responsibility of the individual in 'non-socialist rhetorical' terms in various programmatic publications. In Labour's 1997 election manifesto it was clearly stated that "New Labour believes in a society where we do not simply pursue our own individual aims, but where we hold many aims in common and work together to achieve them."[639] Similarly, in 1997 the SPD emphasised 'the need to re-address the balance between communal- and self-responsibility as solidarity, self-help and a communal sense must be able to develop within families, neighbourhoods and communities as citizens must be enabled and encouraged to take responsibility for the common good and to accept social duties on a voluntary basis'.[640]

However, as must be expected when comparing two parties that operate within different political systems, a substantial degree of divergence remains among the policies advocated by domestically based social democratic party organisations. In fact, while constraints on economic and employment policies have been growing increasingly similar in most countries, the Labour government has taken the neo-liberal cause - for the time being - far further than her German sister party.

In the case of the Labour Party, at least four factors can be identified that explain why the process of policy convergence among social democratic parties still depends strongly on domestic considerations and factors. In Britain, a variety of domestic reasons can be identified that provide the unique context to the Labour Party's policy positioning.

A. It is important to recognise the legacy and impact the Conservative Party agenda (1979-1997) has had on the political system of the UK. This agenda has pushed the state much further towards economic deregulation and privatisation than has happened anywhere else in continental Europe. This is also why the political context in the UK in which the Labour Party had to win elections was much more favourable

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[639] Labour Party - New Labour - because Britain deserves better (Manifesto 1997), London, April 1997, p 3
[640] "Wir brauchen...ein neues Verhältnis von Eigenverantwortung und Solidarität... . Solidarität, Selbsthilfe und Gemeinsinn müssen sich in der Familie, in der Nachtbarschaft, in der Gemeinde entfalten können. Die Bürger und Bürgerinnen müssen befähigt und motiviert werden, Verantwortung für sich und das Gemeinwohl zu übernehmen und soziale Aufgaben auf freiwilliger Basis zu erfüllen." (SPD - Manifest - Innovationen für Deutschland, Düsseldorf, 20/21 May 1997, para 3.8)

towards issues on the right – something that was inevitably reflected by the party's choice of policies.

B. The missing threat of an electoral competitor to the left of the Labour Party has meant, that it has been much easier for the party - once the inner-party conflicts had been overcome - to aim its appeal at the political centre without risking an alienation of traditional voters on the left of the party, as there was a clear lack of credible electoral alternatives to the left.

C. Public sector trade unions have remained more powerful in continental Europe than in the UK. The emasculation of trade unions in general, and in particular of public sector trade unions has meant that the Labour Party did not have to make allowances for trade union pressures to the same degree than other European centre/left parties when making policy choices.

D. Although similarities among social democratic parties can be established when it comes to their advocation of a supply side reform path (centred on initiatives to improve skills and education levels), the Labour Party has gone significantly further with its policy initiatives in this area, even if this may partly be due to a greater perception of skill shortages and problems within the UK's education system.

In the case of the SPD, we find - apart from similar international economic and environmental factors influencing the party's policy choices - that once again unique domestic factors have led to the SPD's far more cautious approach towards shifting and amending her main policy beliefs and values. Hence, the following factors can be identified as having been influential for the party's specific policy choices.

A. The federal party structure of the SPD has enabled a greater variety of party leaders to gain influence in the party's policy making process, hence resulting in a greater variety of policy ideas being brought forward as well as posing a greater number of potential inner-party veto points to the change of policy positions. Hence, inner-party

negotiations on the adoption of policies required more time and often led to compromises that resulted in watered down and hence less radical policy outcomes.

B. The SPD having to compete electorally with two parties on the left (Die Grünen and PDS) made the strategic and electoral situation for the party quite difficult, as the SPD was required to put forward policies that would have to appeal to the centre as strongly as to the left of the electoral spectrum.

C. The SPD has been faced with strong, but traditionally disciplined and moderate public sector trade unions as the party continued to hold strong links with the German trade union movement.

D. It is fair to say that the political and economic impact of German unification had a negative effect on the SPD's electoral strategy and policy positioning. Certainly during the 1990 and 1994 general election, unification and the popularity of Chancellor Kohl strengthened the CDU's overall electoral position, while the SPD's previously rather cautious attitude towards unification as well as its 'red' perception did not aid its electoral appeal in the new Eastern Länder.

Even though the above sets of national factors that have influenced Labour's and the SPD's policy choices and electoral performances could be easily extended, we still end up concluding that parties' programmatic choices and policies adapted point towards a process of slow but continuous economic policy convergence among both parties. This process must be expected to continue - in particular in the area of economic policy co-operation - in order to find answers to the challenges ahead, such as the further integration in the economic and monetary field inside the European Union. In fact, the pressures of the political environment point towards further cohesion, a process that can be expected not only to take place among social democratic parties, but also among many of the other European party families.

## 9.3.2. The parties shift from a Keynesian to the acceptance of a neo-liberal policy approach

As discussed previously, paradigms can be understood as frameworks of ideas and standards that specify not only the goals and the kind of instruments that can be used to attain them, but they also specify the very nature of the problems they are meant to be addressing. Paradigms - in contrast to single policy ideas - are guiding frameworks which 'embed' policy positions, the understanding of problems and solutions into a greater overall picture of reference. Transposing the notions on paradigms developed by Ronald Chilcote to the world of policy-making, a paradigm guides, for instance, the policy-makers selection of problems, his/her evaluation of data, and the advocacy of theory. A paradigm may set the limits of action, the boundaries of acceptable inquiry and maintain criteria for the finding of problem solutions. Inevitably, policy-makers may face the problem of being unable to perceive and consider possible problems of solutions, which lie beyond their own paradigm-defined horizon.[641]

Clearly, a link between the notion of paradigms and institutionalism can be made. In fact, it can be argued that paradigms that have asserted themselves on the political and economic system of the state tend to gain an institutionalised status. Consequently, paradigms can influence the development and adoption of formal rules and compliance procedures as well as standard operating practices, for instance within a political party.[642]

Hence, the shift identified in Labour's and the SPD's economic paradigm that was expressed by substantial changes in the parties' approaches towards labour market policies enabled both parties - over time - to re-define their underlying ideology, to re-state a new sense of purpose, and most importantly to close some of the policy gaps which had been appearing in response to the declining implementablity of previous Keynesian labour market policy options (as advocated during the early stages of their period in opposition).[643]

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[641] Chilcote, Ronald H. - Theories of Comparative Politics, Westview Press (2nd ed), Oxford, 1994, p 58

[642] Hall, Peter A. - Governing the Economy: The Politics of State Intervention in Britain and France, Oxford University Press, Oxford, 1986, p 19

[643] Here, parties have not only experienced the convergence of their policies, but also a convergence of 'social democratic' values, including a new emphasis on 'pragmatism', the notion of 'modernisation' (expressed in form of the substantial reform of policies and institutional structures), and a conscious attempt to engage in self-conscious image building exercises.

However, the shift experienced in the economic paradigm was not only confined to the Labour Party and the SPD. The Conservative Party and (to a lesser extent) the CDU also embraced in such a shift and consequently changed their policy approach, albeit significantly earlier.[644] Hence, the paradigm shift of both social democratic parties as expressed by the changes in policies advocated during the period under investigation did not take place until the early 1990s.

This phenomenon can be explained by the fact that the Keynesian policy paradigm had become an ingrained part of post-war social democratic ideology. In other words, Keynesian type policies had been strongly institutionalised within the Labour Party and the SPD which slowed the scope and pace of social democratic policy-making actors to re-orientate their parties' policy outlook according to the needs and requirements of an increasingly international 'capital' and neo-liberal policy orientated economy.

Interestingly, 'conflicts of change' could also be observed among the Conservatives and the CDU with respect to their adoption of neo-liberal paradigm led rhetoric and policy programmes. In fact, even though the Conservative and Christian Democratic parties increasingly advocated neo-liberal policy approaches within their policy programmes in response to a change in paradigm, they were not necessarily able to fully act upon their own programmatic rhetoric without encountering substantial constraints. In retrospect, neither Margaret Thatcher's nor - to a lesser extent - Helmut Kohl's governments' were able 'to roll back the state' or 'reduce the state to the core of its tasks' as both parties had repeatedly pledged.[645]

In fact, in the case of the German Christian Democrats whose substantial shift of policies towards a neo-liberal policy rhetoric during the 1980s had been clearly detectable was forced by the 'special historic circumstance' of German unification - as Klaus von

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[644] In this case, the claim of an earlier adoption of the neo-liberal paradigm or rather the implementation of increasingly neo-liberal policies by the CDU and Conservative Party led governments does not require any backing up with quantitative content analysis as the qualitative assessment of their policies directly adopted and implemented as government parties shows most clearly their shift towards a neo-liberal paradigm, which preceded those shifts observed at a later stage in the case of the Labour Party and the SPD.

[645] Zohlenhöfer, Reimut - 'Institutions, the CDU and policy change: Explaining German Economic Policy in the 1980s', German Politics, Vol 8, No 3, December 1999, p 141-42; Hood, C. with Dunsire, A. and Thompson, L. - 'Rolling back the state: Thatcherism, Fraserism and bureaucracy', Governance, Vol 1, No 3,

Beyme rightly described it - to adopt a "Vereinigungskeynesianismus wider Willen" i.e. to engage 'reluctantly in a unification-Keynesian' economic policy approach that relied on stimulus based fiscal policies to generate economic recovery in the East.[646] In fact, throughout the 1990s the Kohl government transferred between DM 142 billion and DM 195 billion annually to the new Länder in an attempt to finance among other things unemployment benefits and pensions; employment and retraining companies; new investments in eastern businesses; and the rebuilding of the eastern infrastructure.[647] Even though the CDU as well as the FDP government coalition parties expressed an increasing overall programmatic belief in neo-liberal policy solutions, circumstances forced the government to act pragmatically and adopt Keynesian inspired policy approaches when in office, which may however be abandoned, once the problems caused by unification decrease.

Hence, the difference that may occur between party policy programmes and actual policy choices when in government office justifies the assumption, that in the case of the Labour Party and the SPD, programmatic, rhetorical and ideological shifts experienced by both parties from a Keynesian to the acceptance of a neo-liberal policy approach may not have necessarily translated into the same practical policy outcomes, if both parties would have been holding government office, as pragmatic requirements could have changed actors policy positions.

## 9.3.3. The emergence of a European level party strategies

Linking the observed convergence of two national parties' policy programmes and their common shift towards the neo-liberal paradigm to the assessment of possible responses, the increasing development of a more European level economic policy strategy can be expected. The fact, that national political actors increasingly feel that they are exposed to an international economy 'beyond their control'[648] has already fostered the belief - among members of the socialist group in the European Parliament (EP) - that an

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1988, pp 243-70; 'Shrinking the welfare state - The new government and public spending', The Economist, 02 May 1992

[646] Beyme, Klaus von - 'Verfehlte Vereinigung - verpaßte Reformen?', Journal für Sozialforschung, Jahrgang 34, Heft 3, p 265

[647] Dininio, Phyllis - 'Germany's Economic Policy after the 1994 elections', German Politics and Society, Vol 13, No 1, Spring 1995, p 127

[648] Gray, John - After Social Democracy, Demos, London 1996, p 28

exclusive national Social Democratic policy agenda is no longer a feasible option. Therefore, in can be expected that attempts to construct an appropriate European Social Democratic strategy are likely to be of growing importance.[649] In fact, Europe's Social Democratic parties have already increased the degree of policy co-ordination within the Socialist Group of the European Parliament.[650]

Even though, the process of convergence is still at an early stage and programmatic differences will remain due to differing national political interests, traditions, histories and cultures, the case of the SPD's and Labour Party's LMP development still shows, that the scope of parties to develop nationally differing or even fundamentally contrasting policy programmes (in policy areas that have been substantially affected by economic 'internationalisation') has been significantly diminished.

### 9.3.4. The slow process of policy convergence and the future outlook

The analysis of the development of labour market policies by two substantially differing European political parties (in approach and tradition) clearly shows that economic policy choices have converged along similar pathways. In fact, since the late 1980s and 1990s, the remaining substantial traditional differences between party institutions and policy making processes, which could have been expected to have led to a consistently larger range of varying LMP approaches, were significantly overwritten by the greater picture of social democratic parties having to re-orientate their common policy

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[649] It is clear that the democratic parliamentary control function of the European Parliament in the European Union has been consistently extended by the Single European Act, the Maastricht and Amsterdam Treaties and that the EP carries the potential for the further extension of its current powers and role. Furthermore, the Maastricht Treaty emphasised the important role of European level political parties: "Political parties at a European level are an important factor for integration within the Union. They contribute to forming a European awareness and to expressing the political will of the citizens of the Union." (Article 138a, Treaty on European Union, Maastricht 1991)

[650] The June 1999 EP election manifesto of the PES stated among its substantial policy pledges dealing with LMPs - the need for greater involvement of Social Partners in EU policy making by 'reinforcing the distinctive social models of the countries of Europe' and the development of 'a more effective global governance...and a better regulated international financial system.' Furthermore, the Manifesto called for a sustainable European economic growth strategy in both demand and investment (Trans-European Networks) making job creation within a 'pact for employment' a priority of the EU. The PES insisted, that the ECB 'must work in close dialogue with the democratic institutions and economic policy making bodies of the Union', while labour market supply side policies in form of 'investing in education, modern skills and technology....promoting a Europe of knowledge' were advocated as well as an increase in the EU budget

approaches (and paradigms) according to the requirements of the substantial changes experienced by political and economic circumstances.

This process carries a - so far - unrecognised significance, which offers the potential for much greater European level interaction of party's policy formation strategies in addition to the currently already experienced substantial degree of policy convergence in areas such as labour market policies.

In fact, patterns of policy convergence are emerging as the growing dominance of the external environment takes place at the expense of historical institutional 'centrifugal' tendencies. In response, it can be predicted that this development will eventually strengthen the ability of national parties to engage more effectively in European level policy co-operation - inevitably strengthening the so-called 'Euro-parties' and eventually replacing the current system of searching for the smallest common programmatic denominator - by increasing their capability to decide policies and political strategies increasingly top-down.

Furthermore, if national policies to regulate or even tame the market economy lose their capacity to be effective, then the parties will eventually converge on the idea that everything is counterproductive, which reinforces the illusion that national state activities remain at their centre of economic policy-making attention. Hence the social democratic parties of the future can be expected to be strongly 'European' in orientation.

## 9.4. The future of Social Democracy

Predictions made during the 1980s by scholars such as Adam Przeworski and John Sprague (1986) that Social Democratic parties would decline irreversibly, as their political projects would turn inwards to their working class base, inevitably bearing disastrous electoral consequences have been greatly exaggerated.[651] Instead, the 1990s have witnessed a degree of social democratic strategic and electoral revival (e.g. in Britain, France and Germany) that must be at least partly accredited to the capacity of social democratic parties to rewrite their party programmes and aim at attracting the widest possible groups of the electorate.

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allocation spend on structural funds helping the regions and 'targeted towards job creation, promoting solidarity and improving social and economic cohesion'. (PES, 1-2 March 1999)

[651] Przeworski, Adam and John Sprague - Paper Stones. A History of Electoral Socialism, University of Chicago Press, Chicago, 1986, p 183

In contrast to Przeworski and Sprague, Gøsta Esping-Andersen already anticipated in 1985 that social democratic parties electoral fortunes would not necessarily depend upon structural variables such as 'class' (as argued by Przeworski). Instead, Esping-Andersen envisaged that - in order to compete successfully in elections - social democratic parties would have to offer an attractive electoral policy package that would appeal to blue as well as white collar employees in order to win back the policy initiative from parties on the right.[652] This, it seems, social democratic parties have been doing increasingly successful during the latter half of the 1990s.

Furthermore, it seems clear, that the social democratic movement of the late 20th century could no longer rely on theoretical instruments such as Marxism or Keynesianism as guiding policy principles which predetermined its policy strategy, decision making and policy choices. In fact, deprived of a clear pathway to achieve the 'traditional' goals of social democracy, the parties seem to have adopted throughout the 1980s a predominantly defensive strategy, replacing clear political visions with a strategy to defend as much of the previous social democratic policy consensus as possible from the challenges of neo-liberalism. However, to campaign as a party for the former policy status quo in an ever-changing political and economic environment often gave the parties an appearance of stagnancy on ideas.

The overriding questions which Europe's Social Democratic parties will have to continue to answer are, can social democracy be a distinctive 'centre-left' approach to policy making that attempts to manage social and economic change in the global economy? Or is it inevitable that social democratic parties have to adapt to the changing economic and political conditions by adopting the neo-liberal policy agenda that has been enforced upon policy makers by the internationalised market conditions and deregulative regimes?

Here, the collapse of the 'real-existing' communist regimes in Eastern Europe in 1989/1990 may have weakened and influenced the overall perception of notions of social democracy and socialism. In fact, various authors - with Francis Fukuyama possibly being

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[652] Esping-Andersen, Gøsta - Politics against Markets: The Social Democratic Road to Power, Princeton University Press, Princeton, 1985

the best known - have concluded that the collapse of communism has proved and reinforced the traditional beliefs in 'liberalism' and in turn disproved the qualities and claims of 'socialism'.[653] In fact, Fukuyama's 'end of history' rhetoric claims that through the collapse of communism, history has taught us, that no progression to the liberal state and liberal market-economy - as we know it - will emerge again. Hence, Fukuyama has predicted - as a consequence - the inevitable failure of any party ideology that dares to challenge liberalism or contains fundamental 'alternatives' to the political status quo that has emerged in the early 1990s.

Here, the ongoing search of social democratic parties to find a 'third way' between traditional social democracy and neo-liberalism, to re-establish an identity built on the parties traditional values, to accept most neo-liberal ideas about economic processes and the adoption of some new notions possibly borrowed from communitarianism seems to currently lead the way and be the most likely scenario for the path of future social democracy.

One thing, however, is for certain. The revival of 'classic' post-WW 2 social democracy can be ruled out. Hence, a new kind of pragmatism that has accepted the superiority of free markets and included the adoption of tight fiscal policies and the substantial shedding of traditional socialist symbolism and rhetoric has undoubtedly emerged among Europe's 'social democratic' and 'democratic socialist' left. This - as Donald Sassoon called it - third wave of ideological 'modernisation' of social democratic thinking - after earlier revisionist attempts at the turn of the century and the impact of Crosland and Bad Godesberg revisionism - consisted of a fundamental critique of socialism and the acceptance of the superiority of capitalism.

Donald Sassoon argued that 'neo-revisionism' predominantly accepts the doctrine that "markets should be regulated by legislation and not through state ownership".[654] This recognition of changing economic circumstances pays tribute to the general acceptance of Europe's social democratic parties throughout the 1980s that economic planning on a national scale had become unworkable in the new climate of globalisation and deregulation. With the quasi abundance of advocating alternative economic systems to capitalism, social democratic policy options have been irrevocably cut, with "Keynesian

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[653] Fukuyama, Francis - The end of history and the last man, Penguin Books, London, 1992
[654] Sassoon, Donald - One Hundred Years of Socialism, I.B. Tauris Publishers, London 1996, p 734

macroeconomic policies" being rightly described by John Gray as "a pillar of a *status quo ante* which has been destroyed" and cannot be revived.[655] Here, Donald Sassoon has identified "the establishment of the new ideological consensus of European Social Democracy; the neo-revisionism of the later 1980s...marks the second historical reconciliation between socialism and capitalism...(after 1945) ...[with] the second representing a compromise on the terms set by neo-liberalism."[656]

Hence, not surprisingly, observers such as Herbert Kitschelt see the future of social democracy in rather sober terms by describing social democratic parties as "what still distinguishes them from conservative parties is the search for policy formulas that make economic liberalisation less painful for the most vulnerable constituencies in society than the policies their competitors are likely to choose. Social democrats search for a different balance between equity and efficiency and present themselves as better political managers of capitalism, because their commitment to comprehensive social policies, job retraining and education, advanced infrastructure, and industrial modernisation builds on the insight that sometimes a judicious use of non-market arrangements assists a productive economy more than an ideological zeal to assert the rules of the marketplace in all matters of economic governance." [657]

Let us, however, also not forget that social democratic parties in Britain, France and Germany have been elected on policy platforms that also promoted certain 'traditional' social democratic policy concerns by proposing, for instance, an expansion to employment creation schemes as well as stressing the need for a more 'humane capitalism'.[658] In fact, the electoral success of Social Democratic parties could even indicate that the electorate places greater trust in the ability of social democratic parties to make the - perceived as 'necessary' - adjustments to state welfare provisions less painful and socially just than could be expected from Christian Democratic or Conservative parties.

However, it is clear that once the painful 'delayed' switch of paradigm - from Keynesian to neo-liberal - among the Labour Party and the SPD had taken place and been institutionalised; and with the absence of a major change in 'external' socio-economic

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[655] Gray, John - After Social Democracy, Demos, London 1996, p 28

[656] Sassoon, Donald - One hundred years of socialism, I. B. Tauris, London, 1996, p 692

[657] Kitschelt, Herbert - 'European Social Democracy between political economy and electoral competition'; in Kitschelt, Herbert et al - Continuity and Change in Contemporary Capitalism, Cambridge University Press, Cambridge, 1999, p 323

[658] Financial Times - 'Jospin exploits a wave of national disenchantment', 2 June 1997, p 3

conditions and 'internal' changes to policy making; the new 'path' adopted by the parties during the 1990s can certainly be assumed to be continued in the foreseeable future.

Hence, is it possible to identify the beginning of a new 'historic' compromise between a reformed social democracy and capitalism as the question which faces the movement at the beginning of the 21st century? After the end of 'traditional' Keynesian social democracy the test will be, if social democratic parties are able to generate a new model of managed capitalism that accepts the efficiencies of markets, takes account of the new economic realities, but at the same time provides individuals with a sufficient degree of security, welfare, equality and community. The ability to find a reform path which remains in the social democratic tradition of adopting "Halbwegpositionen" (half-way-house positions) between two poles - such as the currently attempted between neo-liberalism and Keynesianism - has often been at the heart of the development of social democracy.[659]

Overall, when reflecting on the recent writings on social democracy, the future of social democracy depends on its ability to transform its political message and to construct new electoral coalitions. This research has underlined what Herbert Kitschelt rightly stated as "no social democratic party can ignore the challenge of market efficiency...and continue...with conventional Keynesian welfare state policies. Everywhere the transformation of social democracy involves substantial changes in the parties' programmatic appeals, organisational structures, and electoral support coalitions."[660] However, this change and the abandunce of traditional policy positions carries the substantial risk, as described by the German party specialist Franz Walter for the case of the SPD after two years in government, that many members up and down the country 'do

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[659] Peter Glotz, at the time SPD Party-Manager (Geschäftsführer) and member of the SPD's executive committee since 1983 argued in his book 'Die Beweglichkeit des Tankers: Die Sozialdemokratie zwischen Staat und neuen sozialen Bewegungen', (Bertelsmann, München, 1982), that social democratic parties traditionally adopt 'halbweg' (half-way) positions, which are never clearly true to doctrines, but instead attempts to bridge a position which lies between the poles, such as capitalism and socialism or strongly advocating Green principles as well as party inactivity on the issue.

[660] Kitschelt, Herbert - The Transformation of European Social Democracy, Cambridge University Press, Cambridge, 1994, p 301

not quite know anymore, if the policies adopted are actually good, and what is supposed to be social democratic about them.'[661]

Clearly, Social Democratic parties - after a long ideological crisis that began with the questioning and eventual replacement of the Keynesian paradigm during the second half of the 1970s - are still an essential part of Western Europe's party political systems. Furthermore, their transitional processes and search for realigning its positions on the political scale is far from decided, in fact it is still emerging. Herbert Morrison's[662] insistence - dating back to the 1950s - that 'socialism is whatever the Labour Party happens to be doing at the time'[663] may still carry some truth as parties' programmatic appeals, organisational structure and electoral support coalitions change inevitably over time. However, while the previous (consensual) dominance of social democratic ideology exerted on Western Europe's political and economic system during the post Second World War boom is unrepeatable, the future can be expected to lie in a version of social democracy that accounts for the insecurities and risks posed to the individual in a modern post-industrial societies with an emphasis on the 'traditional' values of equality and justice that recognise individualism as well as communal responsibilities.

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[661] Deupmann, Ulrich and Horand Knaup - 'SPD – Gefahr aus der Fläche', Der Spiegel, No 37, 11/09/2000, p 23

[662] Former Labour minister and influential character in the Labour Party during the 1940s and 1950s, also Peter Mandelson's grandfather.

[663] Cited in: Roy Hattersley - 'The Mandelson Problem'; Evening Standard, 30/09/1997, p 8

# Appendix I

<u>Interviewed policy actors from the Labour Party and the Sozialdemokratische Partei Deutschlands.</u>

(The changing of individual policy belief patterns over time and the actors evaluation of their party's labour market policy and paradigm changes.)

**<u>Labour Party</u>**

**Braggins, John**                **London, 08 February 2000**

Head of Message Delivery at Millbank (has worked for the Labour Party since 1965). Also taskforce leader in the 1997 General Election for regional operations and joint taskforce leader for key campaigners and member of key seats taskforce; co-author of 'USA Presidential Election 1992 - What lessons can Labour learn?'[664] and made numerous presentations on 'How Labour won the 1997 General Election' to sister parties. Positions previously held in the Labour Party also include regional liaison officer; senior organisation officer, deputy general secretary (London Labour Party); assistant regional organiser and organiser for the Labour Party in Hackney, Islington and Camden.

**Hill, David**                   **London, 26 July 1999**

Labour Party Director of Campaigns and Elections (1994-98); Director of Campaigns and Communications (1992-94). Member of Campaign Advisory Team in 1992. (1977-92) Personal assistant to Roy Hattersley's (deputy leader from 1983-92).

**Wright, Dr. Tony**              **London, 01 February 2000**

Member of Parliament for Cannock Chase

Called by Roy Hattersley "a super-moderniser" (Guardian, 26/11/96), Tony Wright has been a lecturer and reader in politics at the University of Birmingham before becoming an influential member of parliament in 1992. He has widely published on the modernisation of the Labour Party and its ideology, and his books include 'The New Social Democracy' (1999 - together with Andrew Gamble); 'Socialisms' (1996); 'Values, Visions and Voices' (1995), 'British Socialism' (1983); and 'Why vote Labour' (1997). Tony Wright has also been a parliamentary aide to the Lord Chancellor (1998) and is chairman of the Commons public administration select committee.

**Lipsey, Lord Dr. (David)**          **London, 08 February 2000**

Labour 'Working Peer' in House of Lords since 1999.

(1984-86) Member of executive committee 'Charter for Jobs'; (1981-82) chairman of the Fabian Society; (1972-77) member of the Fabian Society executive committee and a former (special) adviser to the late Mr Tony Crosland; (1977-79) Prime Minister's Staff (under James Callaghan); co-writer of Labour Party's 1979 draft manifesto. David Lipsey proposed in June 1992 in a Fabian Pamphlet ('The name of the Rose') that the Labour Party should change its name to 'New Democrats'. He is furthermore a visiting Professor

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[664] Braggins, J., McDonagh, M. and A. Barnard - <u>The American Presidential Election 1992 - What Can Labour Learn,</u>, Labour Party, 1992

in Public Policy at the University of Ulster and has been a member of the recent Jenkins commission on electoral reform.

Lord Lipsey is also a distinguished journalist who has been the political editor of the Economist (since 1992); an anonymous columnist for Economist/Guardian (author of weekly Bagehot column); associate editor of the Times (1990-92); Co-founder and Dep. Editor of Sunday Correspondent (1988-90); and editor of New Society (1986-88).

**Kinnock, Neil**                                   **Brussels, 24 July 2000**

Since 1999 vice-president of the European Commission (administrative reform, personnel and administration, Inspectorate-General)

(1995-99) European Commissioner for transport; (1983-92) leader of the Labour Party and opposition; former vice-president of the Socialist International; (1978-94) Member of the Labour Party's National Executive Committee; (1974-75) Parliamentary Private Secretary to the Secretary of State for Employment.


## SPD


**Engholm, Björn**                                 **Lübeck, 15 June 1999**

(1991-93) SPD party chairman (Parteivorsitzender); (1988-93) Ministerpräsident of Schleswig-Holstein.

**Farthmann, Professor Dr. Friedhelm**             **Düsseldorf, 24 June 1999**

Until 1996, influential long-term chairman of the SPD's parliamentary party organisation in the Landtag of Nordrhein-Westphalia.

**Fuchs, Anke**                                    **Bonn, 23 June 1999**

(1998- ) Vice-president of the German Bundestag.

(1993-98) Vice-chair of the federal SPD-parliamentary party organisation (Stellvert. Vorsitzende der SPD-Bundestagsfraktion); (1987-91) SPD party manager (Bundesgeschäftsführer der SPD); (1982-85) Chair of party commission for social policy; member of the SPD party executive since 1979.

**Glotz, Professor Dr. Peter**                      **Erfurt, 14 June 1999**

(1981-87) SPD party secretary (Bundesgeschäftsführer der SPD); member of the party executive (Mitglied im Vorstand der SPD), Vorsitzender - Kommission Grundwerte 1983. Professor Glotz has published widely on the SPD with books including 'Die Linke nach dem Sieg des Westens' (1992); 'Manifest für eine Neue Europäische Linke' (1985); 'Die Beweglichkeit des Tankers: Die Sozialdemokratie zwischen Staat und neuen sozialen Beziehungen' (1982); and 'Der Weg der Sozialdemokratie' (1975).

**Meyer, Professor Dr. Thomas**                     **Bonn, 24 June 1999**

Frequently described as 'chief ideologist of the SPD', Prof. Meyer is an academic that works for the 'SPD think-tank' Friedrich-Ebert Stiftung and as a Professor in Politics at the University Dortmund. He has been an active member in various SPD programme development commissions since the early 1980s; and has taken substantial part in the development of the 'Berlin Programm' as a leading member of programme commission. He has published widely, most recently 'Die Transformation der Sozialdemokratie - Eine

Partei auf dem Weg ins 21. Jahrhundert (1998)'; 'Politik als Theater' (1998); 'Parteien in der Defensive' (1994); 'Was bleibt vom Sozialismus' (1991); 'Demokratischer Sozialismus' (1982) and is a member of the 'Forum Scholars for European Social Democracy'.

**Ostertag, Adi**                                    **Bonn, 25 June 1999**
Member of the Bundestag (MdB).
Chairman of the 'sub-working group labour market' of the SPD-parliamentary party (Bundestagsfraktion) since 1990; member of the federal commission for employment- and social order (Mitglied im Bundesausschuß für Arbeits und Sozialordnung) since 1990.

**Rohde, Helmut**                                    **Bonn, 24 June 1999**
Former minister for employment (Minister für Arbeit und Sozialordnung); (1973-84) (First) Chairman of the Arbeitsgemeinschaft für Arbeitnehmerfragen (AFA); (1983) Chairman of the SPD's social policy commission.

**Schreiner, Ottmar**                                **Bonn, 23 June 1999**
(1999- ) Chairman of Arbeitsgemeinschaft für Arbeitnehmerfragen (AFA); (1998-99) SPD party manager (Bundesgeschäftsführer der SPD); (1997-98) vice-chairman of the parliamentary party (stellv. Vors. der SPD-Fraktion) and spokesman on social policy; (1990-94) parliamentary party spokesman for the commission on employment and social order (Fraktionsprecher im Ausschuß für Arbeit und Sozialordnung).

**Skarpelis-Sperk, Dr. Sigrid**                      **Bonn, 25 June 1999**
Member of the Bundestag (MdB)
Member of the parliamentary committee on the economy; member of the SPD party executive; MdB since 1980; member of 'traditionssozialistischer Strömung' that argued for the inclusion of 'Investitionslenkung' in Berlin Programme to give state a greater stake in investment decisions.

**Vogel, Dr. Hans-Jochen**                           **München, 21 June 1999**
(1987-91) Party chairman (Parteivorsitzender); (1987-91) chairman of the SPD's parliamentary Bundestag party organisation; Chair of commission for the development of a new basic programme; 1983 SPD 'Kanzler'-candidate in general election.

# Appendix II

(The changing of actors' individual policy belief patterns over time and their evaluation of party's labour market policy and paradigm changes.)


**A. Questions to current/past party (policy-making) actors about current and past policy changes/programmatic differences and evaluation during their party's time of opposition.**


1. What do you think - as a former...(position)...about the Blair / Schröder Paper - 'Europe: The Third Way / Die Neue Mitte'?
(Future of Social Democracy - EU policy - no re-regulation or emphasis on supranational protection for social institutions or refraining to use the economic policy tool-kit on the EU level? Instead - affirm globalisation and free play of internationalised market forces?!)
Is there currently a wide ranging inner-party debate taking place about the meaning of the 'Third Way'?


2. After Labour's disappointing showing at the European Parliament election; the recent resignation and critique of defence secretary Peter Kilfoyle, do you think the Labour Party should concentrate more on attracting its traditional 'core' electorate (rather than middle England) and focus more on social justice and re-distributive issues?


3. Do you think the TUC was instrumental in changing the Labour Party's attitude towards Europe? How do you perceive the changing role of / and relationship with trade union movement during the 1980s and 90s?


4. How do you evaluate the role of party election manifesto's and action programmes in general. Do they represent sufficiently the actual policy intentions of parties?
Are parties in opposition faced with a structural disadvantage when having to develop 'realistic' policy proposals?


5. How do you feel about the increased use of out of party institutions for policy development processes/tools in form of commissions, think tanks etc.?

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**B. Questions about programmatic developments and processes of policy change.**


6. How important have been the following factors for initiating party reforms in labour market policies: The party leadership; electoral defeats; made necessary by the changing economic and political environment; recommendations of commissions, academic studies; and/or changes in party ideology (and paradigm)?


7. Did institutional changes / reforms inside the party significantly influence Labour's LMP approach?

(What about the increasing role of media; the need to proof economic competency and policy credibility; and to tackle the image of being a high tax and spend party).

8. What do you see as the Labour Party's most significant changes in today's economic policy approach, ideology and/or basic principles in comparison to the party's LMP choices taken in the early and late 1980s?

9. How strong is (or has been) the ability of the party leadership to influence / set out the programmatic policy direction of the party? (Does the party leader holds some kind of veto over major policies adopted?)

10. What were your personal policy beliefs (independent of 'official' party beliefs) during the 1980s (Keynesian demand management/supply side focus). How did you feel (in/during ....) about... . Did any of your own beliefs change over time? In what specific policy area? When and why?

11. How much do you belief were your own beliefs and perceptions depending (at the time) on (institutionalised paradigmatic sets of) basic party policy principles; beliefs; approaches; values; and ideology?

12. What position did you hold within the Labour Party that enabled you to influence the development, formulation and choices of party labour market policies?

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## C. Other comments / Suggestions

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**A. Fragen über die Einschätzung von Veränderungen der Parteiprogrammatik während der Oppositionsphase an Parteifunktionsträger mit Einfluß auf den Parteiprogrammatikbereich.**

1. Was denken Sie als ehemaliger...*(Position)*...der SPD über das Blair / Schröder Papier zur 'neuen Mitte' bzw. 'dritten Weg'?

2. Es gibt Widerstand zu 'angebotsorientierter' Politik z. B. vom Frankfurter Kreis und dem DGB. Könnte Schröders 'Modernisierungsoffensive' die Sozialdemokraten spalten? (Die Welt schreibt: "Schröders Abrechnung mit Lafontaine".)

3. Haben sich Veränderungen in den Beziehungen zwischen der SPD und dem DGB auf programmatische Strategien ausgewirkt?

4. Wie beurteilen sie die Rolle von Partei Wahlprogrammen und Sofortprogrammen? Sind sie generell ein guter Gradmesser für die Politikinhalte von Parteien?

(Gibt es einen strukturellen Nachteil für Oppositionsparteien wenn es darum geht, realistische politische alternative Politikideen zu entwickeln?)

5. Für wie wichtig bzw. erfolgreich halten Sie die parteiliche Auslagerung von Politikinhalts-entwicklung in Kommissionen, think tanks etc. die zum Teil außerhalb von Parteien parteiinitierte Politikansätze entwickeln?
(Wie wichtig/erfolgreich schätzen Sie im nachhinein die Arbeit der Programmkommission und des Berliner Programmes ein?)

## B. Fragen über die programmatische Entwicklung und Prozesse des Politikwechsels / Grundsätzliche Fragen zur Veränderung persönlicher Politiküberzeugungen (Denkmusterwechsel)

6. In wie weit wurden programmatische Reformen der Arbeitsmarktpolitik von der Parteiführung forciert; durch Wahlniederlagen motiviert, oder durch Veränderungen von wirtschaftlichen oder politischen Umständen ausgelöst, Empfehlungen von Kommissionen, akademische Studien und Forschungsresultate, Veränderungen in Partei-Ideologie und Paradigma?

7. Haben institutionelle Veränderungen/Reformen innerhalb der SPD die sich verändernden Arbeitsmarkt-Politikansätze entscheidend beeinflusst?
(Wiedervereinigung, verstärkte Medienrolle der Parteiführung...)

8. Wo sehen Sie heute die gravierendsten Veränderungen in der ideologischen Ausrichtung, im Politikverständnis, der Ideologie und bei den Grundwerten der SPD (im Vergleich zu den frühen/späten 80er Jahren), welche die (konkrete) Wahl der SPD von Arbeitsmarktpolitik beeinflusst hat?

9. Wie schätzen Sie die Rolle der Parteiführung und des Kanzlerkandidaten in der Beeinflussung von Bundestagswahlkampf – Programminhalten ein? Gibt es eine Art Veto? Gab es - Ihrer Meinung nach - spezielle Akteure / Entwicklungen, die einen besonderen Einfluß auf die Entwicklung der SPD Arbeitsmarktpolitik-Programmatik hatten?

10. Was waren Ihre persönliche Überzeugungen im Bereich Arbeitsmarktpolitik (unabhänigig von offizieller Parteipolitik) während der 80er Jahre? In welchem Politikbereich haben sich Ihre Überzeugungen verändert?
Worin sehen Sie die Beweggründe für Ihren persönlichen Meinungswechsel? Waren es Änderungen in Ihren Überzeugungen, Politikansätzen, die veränderte Gesamtsituation, persönliche Erfahrungen, (akademische) Studien, Kommissionsarbeit, und/oder Wahlniederlagen?

11. Wie weit werden eigene individuelle Politikvorstellungen gebunden durch einen von der Partei vorgegebenen ideologischen/institutionellen (paradigmatischen) Rahmen?

12. Welche Aufgabe / Position haben Sie in der SPD bekleidet, in welcher Sie Einfluß auf die Formulierung, Entwicklung und Festsetzung von arbeitsmarktpolitischen Grundsätzen und Politikansätzen hatten?

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## C. Literatur- und Interview-Vorschläge

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## Key for Interview-Analysis und Interview

1. New Policies / Policy change
2. Party institutions / specific
3. Personal
4. Party specific
5. Factors for policy change
6. Programmes
7. Future party- / labour market policy outlook / expectations

# Appendix III

Labour Market Policy Coding scheme for party political programmes/manifestos and 'major' (mid-term) statements
FULL STANDARD CODING FRAME (FCF)

## DOMAIN 1 External Relations
### 1010 European Community / Union: Positive
Favourable mention of European Union in general; desirability of relevant country joining (or remaining as member); desirability of expanding EU and/or of increasing competencies and favourable of EU intervention, pro-European Union in general.
Excluding EU level activity/planning of programmes to tackle unemployment (directly or as a co-ordinator; pro-Delors' White Paper on Competitiveness and Employment)

### 1020 European Community / Union LMP initiatives: Positive
Increasing competencies and favourable of EU intervention in areas regarding EU level activity/planning of programmes to tackle unemployment (directly or as a co-ordinator; pro-Social Chapter/Charter, Delors' White Paper on Competitiveness and Employment, Employment Chapter)

### 1030 European Community / Union and EU LMP initiatives: Negative
As 1030 and 1040, but negative.

### 1040 Protectionism (Positive)
Favourable mention of extension or maintenance of tariffs, to protect internal markets, or other domestic economic protectionism; pro-free trade.

### 1050 Protectionism (Negative)
As 1040, but negative.

## DOMAIN 2 – General Policy Outlook and Labour Market Regulation
General Economic Statements / Party Ideology
2010 Full Employment (except commitment to reduce unemployment)

### 2020 Intention to tackle unemployment / high employment (except commitment to full employment)
2021 Monitoring of employment levels / job creation targets

### 2030 Economic State Planning and Nationalisation: Positive
Advocating of nationalisation (government ownership and control, partial or complete, including government ownership of land), state planning of consultative or indicative nature, need for government to create national plan, need to plan imports and exports except labour markets (Domain 2), employment agreements, greater role for MSC, favouring statutory obligations (e.g. on training provision), planning agreement

### 2040 Economic State Planning: Negative
As 2030, but negative. Positive on privatisation and deregulation except labour markets, generally positive on voluntary / partnership arrangements with private sector.

2041 Support for public/private partnerships, positive mentioning of joint investment / co-operation among public and private sector

**2050 Pro-labour market regulation**
General need for direct control of economy and the setting of a state framework in which the economy has to operate (minimum standards). In other words, state interventionism to exercise control over prices, wages, rents, etc. to encourage/force the creation of employment. This covers neither nationalisation nor indicative planning. Tendency towards advocating anti-deregulation policies.
2051 Policies to encourage work sharing, extension of legal protection for part-timers, job rotation
2052 Working time / overtime reductions (e.g. introduction of 35 hour week)
2053 Reducing retirement age, encouragement of early retirement
2054 Measures for the disabled and vocational rehabilitation
2055 Pro-minimum wage

**2060 Anti-labour market regulation**
Arguing for a reduction/against state interventionism as it may distort market efficiency and performance. Interventionism can damage 'natural' market balance and leads to less efficient markets. The belief that markets and voluntary codes are most sufficient and that markets can predominantly regulate themselves best. Pro-partnership with private sector. Tendency to advocate pro-deregulation policies, (cutting red tape) and emphasis on greater overall labour market flexibility.
2061 Policies focusing on the reduction of labour turnover costs
2062 Policies to enable greater flexibility of working time
2063 New models of part-time employment
2064 Temporary working time reductions at a company level

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| **Supply Side Measures** |
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## DOMAIN 3 - Skills and Competitiveness
**3010 General statements of intent to improve provisions for training and education**
Policies centring on human capital formation as part of a full blown competitiveness package and industrial strategy), i.e. improve provisions of education and training facilities. Aim to tackle skills shortage with the help of training.

**3020 Training subsidies / skills development**
Labour promotion and training companies for unemployed, long-term unemployed, contract Labour (Start), government training programmes, (re-)training schemes for adults, continuing training at work

**3030 Youth: Support of apprenticeship and related forms of general youth training and education**
Including all training related measures specifically aimed at unemployed and disadvantaged youth.
(until 25).

**3040 Education Pro-Expansion**
The need to expand and/or improve education provision at all levels – education of youth and adults in schools and universities.

**3050 Education Anti-Expansion**
As 3040, but negative

**3060 Technology, industrial policy and competitiveness**
Importance of policies supporting the modernisation of industrial administration and industry to improve to enhance competitiveness and open new markets. Importance of science and technological developments in industry; need for government sponsored R&D, subsidies, need for overhaul of capital equipment, and methods of communications and transport; support for industrial restructuring, rebuilding industrial base, development of Nuclear Energy. Increase the attractiveness of location for business (domestic and foreign investments).
3061 Promoting green environmental sector innovations and businesses, stressing its future potential
3062 Help and support with technology/innovations specifically for Small and Medium Enterprises

**DOMAIN 4 – Benefit System and Labour Market Agencies**
Reforming the unemployment benefit system to make more job friendly / encourage job search.
**4010 Social Justice / Social Stability**
Need for fair treatment of all people; for special protection for exploited; fair treatment in a tax system; need for equality of opportunity; need for fair distribution of resources and removal of class barriers; end of discrimination

**4020 Social Services Expansion: Positive**
Favourable mention of need to maintain or expand any basic service or welfare scheme; support for free basic social services such as public health, or housing as well as in-work child/family benefit, improvement of child care facilities, help for lone parents.

**4030 Social Services Expansion: Negative**
As 4020, but negative. Overall (social) benefit system to provide a cheaper, more efficient service - financial support for the unemployment reduced due to greater limitations and pre-conditions; crack down on fraud.

**4040 Benefit conditioning**
Benefit (pressure) conditioning, withdrawal (Carrot and stick) e.g. JSA, changes in unemployment compensation, employment zones

**4050 Role of Labour Market Agencies** (e.g. Arbeitsamt, Jobcentre)
Statement of general intention to make agencies more effective and efficient. Reforming the unemployment benefit system to make it more job friendly - (This excludes education, but includes experience and on the job training)

4051 Information dissemination, counselling and assistance with setting out employment
    search strategy, employment advice, re-motivation and placement, matching
    provision of skills with capacity, job clubs etc.
4052 Public sector schemes, "welfare to work" programmes, work-start / new work
    schemes, environmental task force, temporary work for voluntary sector, initial
    training / job guarantee.
4053 Recruitment subsidies, labour cost and employment subsidies, job creation schemes,
    benefittransfers, job creation allowances, work-trials (to gain experience), part-time
    worker's assistant/ job finder grants / temporary support for short-time workers,
    support for unemployed to start enterprises.
4054 Policies to stimulate worker mobility
4055 Positive on private sector employment agencies
4056 Negative on private sector employment agencies, pro-job placement by public
    agencies

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**Demand Side Measures**

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## DOMAIN 5 – Public Sector activity, 'social employment' and employment taxes
**5010 Public Sector and social employment**
Overall statements on the need for public involvement and public expansion. Create jobs
via public investment schemes and public sector employment to meet pressing social
needs (long term benefits for society) e.g. to reconstruct inner cities, public services and
utilities. Public sectors as 'a social safety valve' – re-distributive function to create and
preserve jobs. Public sector acts as the employer of last resort.
5011 Job creation schemes (public employment)
5012 Labour cost subsidies for work in public interest e.g. social services, culture,
    environmental task force and other voluntary organisations
5013 Emphasis on helping regions, sectors and specific occupations; central/local
    regeneration partnerships, local development boards
5014 Work Experience Schemes
5015 Mentioning of public expenditure on military (instead of Public sector)

**5020 Employment Taxes**
Specific reforms of tax system to boost employment i.e. reduction of tax on labour e.g.
employers NI contribution 'holidays', tax incentives for employers to create jobs, low
wage subsidies and payroll tax reductions, benefit transfers. (except 6014)
5021 Ecological tax reform - reduction in labour cost/taxes

## DOMAIN 6 - Macro-economic policies for Economy / Labour Market
**6010 Economic Orthodoxy, Government Efficiency, pro-free market economy**
Need for traditional economic orthodoxy, e.g. aiming at balanced budget, retrenchment in
crisis, low taxation, thrift and savings; support for traditional economic institutions such
as the Stock Market and banking system, support for strong currency internationally, pro-
monetarism, pro-competition
6011 Stable macro-economic framework for sustained economic growth enabling
    investment in capacity and skills, only borrow to invest
6012 Use of stringent monetary based inflation targets; curb inflation; aiming at price
    stability

6013 Government attempt to control aggregate expenditure using monetary and fiscal instruments, emphasis on more efficiency - rather than more public spending (excl. 4030 social service)

6014 General reduction in taxes for employers and employees

**6020 Keynesian Demand Management** (counter cyclical policies), general statements on pro-public sector role, positive on public borrowing and spending, emphasis on pro-social market economy (renewal of model), economic expansion, tax increases to fund public investment / general tax decreases to encourage spending.

6021 Government employment policies (e.g. spending on infrastructure)

6022 Government product demand policies (e.g. spending on construction)

6023 Other types of expanding the economy, proposed additional public spending, lower overall taxation levels to stimulate economy, reflationary programmes, public purchasing.

6024 Anti-monetarism - Rejection of policies, which prioritise the fight against inflation and accept a natural rate of unemployment, pro-exchange controls

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| Ideology and Institutions |
|---|

## DOMAIN 7 - Ideology and Institutions of the Economy / Labour Market
Role of labour market institutions and state, use of their resources.

**7010 State provisions specifically for small businesses, self-employed, new businesses.** and other Economic Groups; favourable references to any economically - defined group not covered by 7040 or 7050, such as employers, middle-classes and professional groups in general.

**7020 Equal opportunities, concerns of equal pay/opportunities for women, the disabled and ethnic minorities.**

**7030 Long-term unemployed and the old**

**7040 Corporatism (Positive)**
Advocating the need to involve employers and trade union organisations in overall economic planning and direction through 'tri-partite' bodies. Positive on trade union role. Establishment (or strengthening) of corporatist frameworks, collective institutions and/or social partnerships; emphasis on important role of (free) collective bargaining, emphasis on employers and employees consulting each other and co-operating, 'Bündnis für Arbeit, Innovation & Gerechtigkeit'

7041 Policies to influence the balance of power between corporatist actors.

7042 Reforming of the wage bargaining system.

7043 Pro-stakeholding, employee share and fund holding.

7044 Emphasis on co-operating with industry, employers or business

**7050 Corporatism (Negative)**
As 7040, but negative

**7060 Other general intended measures of institutional change**

Suggested institutional changes to improve functioning of economy and labour market situation, calling for general increase in the funding of (state) institutions
7061 Promotion of better finance and banking arrangement (anti-short termism)
7062 Reform in financial arrangements

# Appendix IV

<u>Labour Market Policy Coding scheme for party political programmes/manifestos and 'major' (mid-term) statements</u>
COLLAPSED CODING FRAME (CCF)

## DOMAIN 1 External Relations
### 1010 European Community / Union: Positive
Favourable mentioning of EC/EU initiatives in general; desirability of relevant country joining (or remaining as member); desirability of expanding EU and/or of increasing competencies and favourable of EU intervention, pro-European Union in general. Excluding EU level activity/planning of programmes to tackle unemployment (directly or as a co-ordinator; pro-Delors' White Paper on Competitiveness and Employment)

### 1020 European Community / Union LMP initiatives: Positive
Increasing competencies and favourable of EU intervention in areas regarding EU level activity/planning of programmes to tackle unemployment (directly or as a co-ordinator; pro-Social Chapter/Charter, Delors' White Paper on Competitiveness and Employment, Employment Chapter)

### 1030 European Community / Union and EU LMP initiatives: Negative
As 1010 and 1020, but negative.

### 1040 Protectionism (Positive)
Favourable mention of extension or maintenance of tariffs, to protect internal markets, or other domestic economic protectionism; pro-free trade.

### 1050 Protectionism (Negative)
As 1040, but negative.

## DOMAIN 2 – Party Policy Outlook and Labour Market Regulation
General Economic Statements / Party Ideology
### 2010/2020/2021 Full Employment and commitment to reduce unemployment
Generally concerned with and making employment an issue, job creation targets

### 2030 Economic State Planning and Nationalisation: Positive
Advocating of nationalisation (government ownership and control, partial or complete, including government ownership of land), state planning of consultative or indicative nature, need for government to create national plan, need to plan imports and exports except labour markets (Domain 2), employment agreements, greater role for MSC, favouring statutory obligations (e.g. on training provision)

### 2050/2051/2052/2053/2054/2055 Pro-labour market regulation
General need for direct control of economy and the setting of a state framework in which the economy has to operate (minimum standards). In other words, state interventionism to exercise control over prices, wages, rents, etc. to encourage/force the creation of employment. This covers neither nationalisation nor indicative planning. Tendency towards advocating anti-deregulation policies. Policies to encourage work sharing,

extension of legal protection for part-timers, job rotation, working time / overtime reductions (e.g. introduction of 35 hour week), reducing retirement age, encouragement of early retirement; measures for the disabled and vocational rehabilitation; and pro-minimum wage

## 2040/2041/2060/2061/2062/2063/2064 Anti-economic State Planning and nationalisation; pro-public private partnerships; Pro-deregulative labour market measures.

As 2030, but negative. Positive on privatisation and deregulation except labour markets, generally positive on voluntary / partnership arrangements with private sector. Support for public/private partnerships, positive mentioning of joint investment / co-operation among public and private sector.

As 2050/2051/2052/2053/2054/2055, but pro-deregulation. Arguing for a reduction/against state interventionism as it may distort market efficiency and performance. Interventionism can damage 'natural' market balance and leads to less efficient markets. The belief that markets and voluntary codes are most sufficient and that markets can predominantly regulate themselves best. Pro-partnership with private sector. Tendency to advocate pro-deregulation policies (cutting red tape) and emphasis on greater overall labour market flexibility; policies focusing on the reduction of labour turnover costs; policies to enable greater flexibility of working time; new models of part-time employment, temporary working time reductions at a company level.

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| Supply Side Measures |
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## DOMAIN 3 - Skills and Competitiveness

**3010/3020/3030/3040 General statements of intent to improve provisions for training and education Training subsidies - skills development / Youth: Support of apprenticeship and related forms of general youth training and education / Education Pro-expansion**

Policies centring on human capital formation as part of a full blown competitiveness package and industrial strategy), i.e. improve provisions of education and training facilities. Aim to tackle skills shortage with the help of training.

Labour promotion and training companies for unemployed, long-term unemployed, contract Labour (Start), government training programmes, (re-)training schemes for adults, continuing training at work; including all training related measures specifically aimed at unemployed and disadvantaged youth (until 25).

## 3050 Education Anti-Expansion

As 3040, but negative

## 3060/3061/3062 Technology, industrial policy and competitiveness

Importance of policies supporting the modernisation of industrial administration and industry to improve to enhance competitiveness and open new markets. Importance of science and technological developments in industry; need for government sponsored R&D, need for overhaul of capital equipment, and methods of communications and transport; support for industrial restructuring, rebuilding industrial base, development of Nuclear Energy. Increase the attractiveness of location for business (domestic and foreign investments).

Promoting green environmental sector innovations and businesses, stressing its future potential
Help and support with technology/innovations specifically for Small and Medium Enterprises

## DOMAIN 4 - Benefit System and Labour Market Agencies
Reforming the unemployment benefit system to make more job friendly / encourage job search.

### 4010 Social Justice / Social Stability
Need for fair treatment of all people; for special protection for exploited; fair treatment in a tax system; need for equality of opportunity; need for fair distribution of resources and removal of class barriers; end of discrimination

### 4020 Social Services Expansion: Positive
Favourable mention of need to maintain or expand any basic service or welfare scheme; support for free basic social services such as public health, or housing as well as in-work child/family benefit, improvement of child care facilities, help for lone parents.

### 4030 Social Services Expansion: Negative
As 4020, but negative. Overall (social) benefit system to provide a cheaper, more efficient service - financial support for the unemployment reduced due to greater limitations and pre-conditions; crack down on fraud.

### 4040 Benefit conditioning
Benefit (pressure) conditioning, withdrawal (Carrot and stick) e.g. JSA, changes in unemployment compensation, employment zones.

### 4050/4051/4052/4053/4054/4056 Role of Labour Market Agencies (Arbeitsamt, Jobcentre)
Statement of general intention to make agencies more effective and efficient.
Reforming the unemployment benefit system to make it more job friendly - (This excludes education, but includes experience and on the job training).
Information dissemination, counselling and assistance with setting out employment search strategy, employment advice, re-motivation and placement, matching provision of skills with capacity, job clubs etc.; public sector schemes, "welfare to work" programmes, work-start / new work schemes, environmental task force, temporary work for voluntary sector, initial training / job guarantee.
Recruitment subsidies, labour cost and employment subsidies, job creation schemes, benefit transfers, job creation allowances, work-trials (to gain experience), part-time worker's assistant/job finder grants / temporary support for short-time workers, support for unemployed to start enterprises.
Policies to stimulate worker mobility; negative on private sector employment agencies, pro-job placement by public agencies.

### 4055 Positive on private sector employment agencies.

## DOMAIN 5 – Public Sector activity, 'social employment' and employment taxes
### 5010/5011/5012/5013/5014/5015 Public Sector and social employment
Overall statements on the need for public involvement and public expansion. Create jobs via public investment schemes and public sector employment to meet pressing social needs (long term benefits for society) e.g. to reconstruct inner cities, public services and utilities. Public sectors as 'a social safety valve' – re-distributive function to create and preserve jobs. Public sector acts as the employer of last resort. Job creation schemes (public employment); labour cost subsidies for work in public interest e.g. social services, culture, environmental task force and other voluntary organisations.
Emphasis on helping regions, sectors and specific occupations; central/local regeneration partnerships, local development boards; Work Experience Schemes; mentioning of public expenditure on military.

### 5020/5021 Employment Taxes
Specific reforms of tax system to boost employment i.e. reduction of tax on labour e.g. employers NI contribution 'holidays', tax incentives for employers to create jobs, low wage subsidies and payroll tax reductions, benefit transfers. (except 6014)

## DOMAIN 6 - Macro-economic policies for Economy / Labour Market
### 6020/6021/6022/6023/6024 Keynesian Demand Management
(Counter cyclical policies), general statements on pro-public sector role, positive on public borrowing and spending, emphasis on pro-social market economy (renewal of model), economic expansion, tax increases.
Pro-government employment policies (e.g. spending on infrastructure) and pro-public demand policies (e.g. spending on construction); Other types of expanding the economy, proposed additional public spending, lower overall taxation levels to stimulate economy, reflationary programmes, public purchasing. Anti-monetarism - Rejection of policies, which prioritise the fight against inflation and accept a natural rate of unemployment.

### 6010/6011/6012/6013/6014 Economic Orthodoxy, Government Efficiency, pro-free market economy
Need for traditional economic orthodoxy, e.g. aiming at balanced budget, retrenchment in crisis, low taxation, thrift and savings; support for traditional economic institutions such as the Stock Market and banking system, support for strong currency internationally, pro-monetarism, pro-competition.
Stable macro-economic framework for sustained economic growth enabling investment in capacity and skills, only borrow to invest. Use of stringent monetary based inflation targets; curb inflation; aiming at price stability. Government attempt to control aggregate expenditure using monetary and fiscal instruments, emphasis on more efficiency - rather than more public spending (except 4030 social service). General reduction in taxes for employers and employees.

## DOMAIN 7 – Institutions of the Economy / Labour Market

Role of labour market institutions and state, use of their resources.

### 7040/7041/7042/7043/7044 Corporatism (Positive)

Advocating the need to involve employers and trade union organisations in overall economic planning and direction through 'tri-partite' bodies. Positive on trade union role. Establishment (or strengthening) of corporatist frameworks, collective institutions and/or social partnerships; emphasis on important role of (free) collective bargaining, emphasis on employers and employees consulting each other and co-operating, 'Bündnis für Arbeit, Innovation & Gerechtigkeit' Policies to influence the balance of power between corporatist actors. Reforming of the wage bargaining system. Pro-stakeholding, employee share and fund holding.

### 7050 Corporatism (Negative)

As 7040, but negative

### 7010/7020/7030 Other Economic Groups

Favourable references to any economically - defined group not covered by 7040 or 7050 such as employers, middle-classes and professional groups in general.

State provisions specifically for small businesses, self-employed, new businesses. Concerns of equal pay/opportunities for women, the disabled and ethnic minorities. Long-term unemployed and the old.

### 7060/7061/7062 Other general intended measures of institutional change

Suggested institutional changes to improve functioning of economy and labour market situation, calling for general increase in the funding of (state) institutions. Promotion of better finance and banking arrangement (anti-short termism). Reform in financial arrangements

# Appendix V

Party Election Programmes / Manifestos and 'major' mid-term statements chosen for the analysis with Labour Market Policy Coding scheme

## LABOUR PARTY - Election programmes and manifestos

New Labour: Because Britain deserves better (1997)

It's time to get Britain working again (1992)

Britain will win (1987)

The New Hope for Britain - Think positive, think Labour (1983)

The Labour way is the better way (1979)

## 'Major' mid-term statements on LMPs and employment

A new economic future for Britain - Economic and employment opportunities for all (1995) (Conference 95, Labour Party - follow up to *Rebuilding the Economy 1993 interim document*)

Labour's economic approach (Statement 1993)

Looking to the future - A dynamic economy, a decent society, strong in Europe (1990) (Labour Party Policy Document)

'Meet the challenge - Make the change' - A new agenda for Britain (1989)
(Final report of Labour's Policy Review for the 1990s)

New Jobs for Britain - Programme for national renewal (1987)

A New Partnership, A New Britain (1985)
(TUC - Labour Party Liaison Committee - Part of *Labour's Jobs and Industry Campaign*)

The Socialist Alternative (1981)
(Statement by the National Executive Committee to the Conference)

## SOZIALDEMOKRATISCHE PARTEI DEUTSCHLANDS - General election programmes and manifestos

Arbeit, Innovation und Gerechtigkeit - SPD-Programm für die Bundestagswahl (1998)

Das Regierungsprogramm der SPD - Reformen für Deutschland (1994)

Das Regierungsprogramm der SPD 1990 - 1994 - Der Neue Weg - ökologisch, sozial, wirtschaftlich stark (1990)

Das Regierungsprogramm der SPD 1987-1990 (1987)

Das Regierungsprogramm der SPD 1983-1987 (1983)

Sicherheit für Deutschland - Wahlprogramm 1980 (1980)

**'Major' mid-term statements on ALMP and employment**

Arbeitsplätze für Deutschland - Den Aufbau in Ost-Deutschland fortsetzen, den deutschen Einigungsprozess weiter führen (1995)
(Vorstand der SPD, 14-17 November 1995, Parteitag)

Parteivorstand - SPD Sofortprogramm (1992)
(Protokoll vom Außerordentlichen Parteitag Bonn, 16-17 November 1992)

Unser Konzept: Humaner Fortschritt, ökologische Erneuerung und Vollbeschäftigung (1988)
(Wirtschafts- und Beschäftigungspolitik, Antrag W1 - Parteivorstand)

Nürnberger Aktionsprogramm: Massenarbeitslosigkeit überwinden - Die Wirtschaft ökologisch und sozial erneuern (1986)
(Protokoll vom Parteitag der SPD in Nürnberg 1986 / Politik, Informationsdienst der SPD, Sept. 1986)

Arbeit für alle - Gemeinsam die Zukunft gestalten (1984)
(Antrag 1 (Parteivorstand), Parteitag Essen, Protokoll, 17 Mai 1984)

# Appendix VI

## Labour Market policy frame count – data sheets

**Labour Market Policy Coding Frame - Party / code / (year) programme pledge count**

| | 1979 | 1980 | 1981 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1992 | 1993 | 1994 | 1995 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Labour-1010 | 3 | | | | | | | 1 | | 9 | | 4 | | | | 16 | |
| SPD-1010 | | | | 0 | 2 | | 4 | 7 | 2 | | 7 | 3 | | 8 | 7 | | 11 |
| Labour-1020 | 0 | | | | | 2 | | 2 | | 2 | | 4 | 5 | | 5 | 4 | |
| SPD-1020 | | 1 | | 0 | 1 | | 3 | 2 | 3 | | | | | 3 | 5 | | 10 |
| Labour-1030 | 11 | | 1 | 9 | | | | 1 | | 5 | | 1 | | | | 3 | |
| SPD-1030 | | | | 0 | | | | | 1 | | | | | | | | |
| Labour-1040 | 5 | | 2 | 4 | | 1 | | | | | | | | | | | |
| SPD-1040 | | | | 0 | | | | | | | | | | | | | |
| Labour-1050 | 0 | | | | | | | | | | | | | | | | |
| SPD-1050 | | | | 1 | 1 | | 1 | 1 | 1 | | | 1 | | | 1 | | 1 |
| Labour-2010 | 5 | | 3 | 1 | | | | | | 9 | | | | | 2 | | |
| SPD-2010 | | 3 | | 0 | | | 1 | 1 | 1 | | | 1 | | | | | |
| Labour-2020 | 0 | | 3 | 9 | | 2 | | 5 | | | | 3 | 3 | | 5 | 3 | |
| SPD-2020 | | 1 | | 1 | 2 | | 3 | 6 | 2 | | 4 | | | 3 | 3 | | 14 |
| Labour-2021 | 1 | | | | | | | | | | | | | | | | |
| SPD-2021 | | | | 0 | | | | | | | | | | | | | |
| Labour-2030 | 9 | | 13 | 31 | | 7 | | 1 | | 12 | | 1 | 1 | | 2 | 1 | |
| SPD-2030 | | | | 2 | 2 | | 6 | 2 | 2 | | 2 | 3 | | | 2 | | |
| Labour-2040 | 0 | | 2 | | | | | | | 2 | | | 1 | | 3 | 4 | |
| SPD-2040 | | | | 0 | | | | | | | | 1 | | 2 | 1 | | |
| Labour-2041 | 0 | | | | | | | | | | | | 1 | | 1 | 3 | |
| SPD-2041 | | | | 0 | | | | | | | | | | | | | |
| Labour-2050 | 1 | | 2 | 1 | | 4 | | 3 | | 10 | | | | | 4 | 4 | |
| SPD-2050 | | 5 | | 2 | 2 | | 6 | 3 | 6 | | 5 | 1 | | 2 | 1 | | 8 |
| Labour-2051 | 0 | | 1 | 3 | | | | 1 | | 8 | | 1 | 2 | | 1 | 1 | |
| SPD-2051 | | | | 0 | | | | | 3 | | 1 | | | 1 | 2 | | 2 |
| Labour-2052 | 2 | | 2 | 4 | | | | | | | | | | | | | |
| SPD-2052 | | 3 | | 0 | 4 | | 8 | 3 | 5 | | 5 | | | | 2 | | 1 |
| Labour-2053 | 1 | | 1 | 1 | | | | 1 | | 1 | | 1 | | | | | |
| SPD-2053 | | 1 | | 2 | 1 | | 2 | | 1 | | 1 | | | 1 | 1 | | 1 |
| Labour-2054 | 0 | | | | | | | | | | | | | | | | |
| SPD-2054 | | | | 0 | | | | | | | | | | | | | |
| Labour-2055 | 0 | | | 1 | | | | 1 | | 5 | | 1 | 1 | | 2 | 6 | |
| SPD-2055 | | | | 0 | | | | | | | | | | | | | |
| Labour-2060 | 0 | | | | | | | | | | | | | | | 5 | |
| SPD-2060 | | 3 | | 0 | | | | 1 | | | | | | 2 | 2 | | 5 |
| Labour-2061 | 0 | | | | | | | | | | | | | | | | |
| SPD-2061 | | | | 0 | | | | | | | | | | | | | 1 |
| Labour-2062 | 0 | | | 1 | | | | | | | | | | | | | |
| SPD-2062 | | 2 | | 0 | | | | 1 | 1 | | | | | 1 | 3 | | 6 |
| Labour-2063 | 0 | | | | | | | | | | | | | | | | |
| SPD-2063 | | | | 0 | | | | | | | | | | | | | 2 |
| Labour-2064 | 0 | | | | | | | | | | | | | | | | |
| SPD-2064 | | | | 0 | | | | | | | | | | | | | |
| Labour-3010 | 4 | | 5 | 6 | | 2 | | 6 | | 14 | | 12 | 2 | | 5 | 7 | |
| SPD-3010 | | | | 3 | 1 | | 2 | | 8 | | 8 | 5 | | | 4 | | 18 |
| Labour-3020 | 0 | | 6 | 1 | | 1 | | 2 | | 14 | | 5 | 5 | | 5 | 3 | |
| SPD-3020 | | 1 | | 1 | 2 | | 3 | 1 | | | 4 | | | 2 | | | 1 |
| Labour-3030 | 3 | | | 6 | | 1 | | 1 | | 3 | | 2 | 1 | | 5 | 8 | |
| SPD-3030 | | 2 | | 3 | 1 | | 1 | 2 | | | | 4 | | 2 | 4 | | 5 |
| Labour-3040 | 1 | | | 8 | | | | | | 1 | | 4 | | | 3 | 9 | |
| SPD-3040 | | 1 | | 1 | 1 | | | 2 | | | 1 | 2 | | 1 | 2 | | 3 |
| Labour-3050 | 0 | | | | | | | | | | | | | | | | |
| SPD-3050 | | | | 0 | | | | | | | | | | | | | |
| Labour-3060 | 5 | | 6 | 8 | | 8 | | 9 | | 21 | | 12 | 5 | | 7 | 12 | |
| SPD-3060 | | 4 | | 4 | 7 | | 4 | 6 | 9 | | 6 | 8 | | 9 | 14 | | 20 |
| Labour-3061 | 0 | | | | | | | | | | | | | | 1 | 5 | |
| SPD-3061 | | 2 | | 0 | 2 | | 7 | 5 | 2 | | 3 | 5 | | 1 | 6 | | 5 |
| Labour-3062 | 0 | | | | | | | | | | | | 1 | | 1 | | |
| SPD-3062 | | 1 | | 0 | | | 1 | 1 | | | 1 | | | 1 | 2 | | 3 |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Labour-4010 | 9 | | 4 | 2 | | 3 | | 1 | | 1 | | 2 | | 3 | 5 | |
| SPD-4010 | | 4 | | 3 | 4 | | 6 | 8 | 2 | | 5 | 5 | 5 | 3 | | 14 |
| Labour-4020 | 1 | | 5 | 8 | | 1 | | 5 | | 1 | | 3 | 1 | | 4 | |
| SPD-4020 | | 2 | | 1 | 1 | | 4 | 5 | 1 | | 5 | 5 | | 3 | | 3 |
| Labour-4030 | 0 | | | | | | | 1 | | | | | | | 5 | |
| SPD-4030 | | | | 0 | | | | | | | | | | | | |
| Labour-4040 | 0 | | | | | | | | | | | | | | 2 | |
| SPD-4040 | | | | 0 | | | | | | | | | | | | 3 |
| Labour-4050 | 0 | | 1 | | | 1 | | | 14 | | 1 | 2 | | 8 | 4 | |
| SPD-4050 | | 1 | | 2 | 4 | | 1 | 1 | 3 | | 2 | 3 | 2 | 3 | | 1 |
| Labour-4051 | 0 | | | | | | | 1 | | | | | | 2 | 1 | |
| SPD-4051 | | | | 0 | | | | | | | 1 | | | | | 2 |
| Labour-4052 | 1 | | 1 | 2 | | | | 1 | | 2 | | 3 | 1 | 4 | 10 | |
| SPD-4052 | | | | 1 | | | 3 | | 1 | | 1 | | | | | 5 |
| Labour-4053 | 3 | | 1 | 5 | | | | 1 | | | | | | 2 | 2 | |
| SPD-4053 | | | | 1 | 2 | | 2 | | 4 | | | | 1 | 2 | | 5 |
| Labour-4054 | 0 | | | | | | | | | | | | | | | |
| SPD-4054 | | | | 0 | | | | | | | | | | | | |
| Labour-4055 | 0 | | | | | | | | | | | | | | | |
| SPD-4055 | | | | 0 | | | | | | | | | | | | 2 |
| Labour-4056 | 0 | | | 2 | | | | | | | | | | | | |
| SPD-4056 | | | | 0 | | | | | | | | | | | | |
| Labour-5010 | 1 | | 1 | 1 | | 2 | | 4 | | 3 | | 3 | | 1 | 1 | |
| SPD-5010 | | 1 | | 1 | 1 | | 3 | 2 | 4 | | 4 | 2 | 4 | 1 | | 1 |
| Labour-5011 | 0 | | | | | | | | | | | | | | | |
| SPD-5011 | | | | 0 | 1 | | 1 | | | | 1 | | | 1 | | 1 |
| Labour-5012 | 0 | | | 1 | | | | | | | | | 1 | | | |
| SPD-5012 | | | | 0 | | | | | | | | | 1 | 2 | | 2 |
| Labour-5013 | 3 | | 1 | 5 | | 4 | | | 11 | | 2 | 3 | | 2 | 2 | |
| SPD-5013 | | 1 | | 1 | 1 | | 6 | 2 | 1 | | 1 | 1 | 1 | 1 | | 2 |
| Labour-5014 | 0 | | | | | | | | | | | | | | | |
| SPD-5014 | | | | 0 | | | | | | | | | | | | |
| Labour-5015 | 0 | | | | | | | | | | | | | | | |
| SPD-5015 | | | | 0 | | | | | | | | | | | | |
| Labour-5020 | 1 | | | 1 | | | | 1 | | | 1 | 1 | | 1 | 5 | |
| SPD-5020 | | | | 1 | | | | 1 | | | 1 | 1 | 2 | 4 | | 9 |
| Labour-5021 | 0 | | | | | | | | | | | | | | | |
| SPD-5021 | | | | 0 | | | | | 1 | | 1 | | 4 | 4 | | 1 |
| Labour-6010 | 2 | | | | | | | | 6 | | 1 | 2 | | 7 | 7 | |
| SPD-6010 | | 5 | | 0 | | | 4 | 10 | | | 5 | 10 | 11 | 14 | | 14 |
| Labour-6011 | 0 | | | | | | | 1 | | | 1 | | | 1 | 5 | |
| SPD-6011 | | | | 0 | | | | | | | | | | | | 1 |
| Labour-6012 | 6 | | 1 | 1 | | | | | 1 | | 1 | 1 | | 2 | 4 | |
| SPD-6012 | | 2 | | 0 | | | | | | | | | | | | |
| Labour-6013 | 0 | | | | | | | 1 | | | 1 | | | 2 | | |
| SPD-6013 | | | | 0 | | | 2 | | | | | | | | | |
| Labour-6014 | 0 | | | | | | | | | | | | | | | |
| SPD-6014 | | | | 0 | | | | | 2 | | 2 | | 1 | 1 | | 13 |
| Labour-6020 | 2 | | 12 | 22 | | 6 | | 1 | | 1 | | 3 | 2 | | 1 | |
| SPD-6020 | | 2 | | 3 | 6 | | 10 | 6 | 6 | | 6 | 4 | 1 | 4 | | 8 |
| Labour-6021 | 0 | | 1 | 5 | | | | 2 | | 1 | | 1 | 1 | 3 | | |
| SPD-6021 | | | | 0 | 2 | | 1 | | 3 | | 9 | 4 | | 1 | 1 | |
| Labour-6022 | 2 | | 4 | 8 | | 1 | | 3 | | | | 2 | 1 | 1 | 1 | |
| SPD-6022 | | 1 | | 0 | | | | | 2 | | 8 | 4 | | 2 | 1 | |
| Labour-6023 | 0 | | | 1 | | | | | | | | | | | | |
| SPD-6023 | | | | 0 | | | | | 1 | | 2 | | | | | |
| Labour-6024 | 2 | | 5 | 2 | | 1 | | | | | | 2 | | 1 | | |
| SPD-6024 | | | | 0 | | | | | | | | | | | | |
| Labour-7010 | 0 | | 1 | | | | | | 2 | | 3 | 2 | | 1 | 2 | |
| SPD-7010 | | | | 2 | | 3 | 2 | 2 | 1 | | 1 | 2 | | 1 | 2 | 4 |
| Labour-7020 | 0 | | 5 | 21 | | 2 | | 5 | 11 | | 7 | 3 | | 4 | | |
| SPD-7020 | | 4 | | 3 | | | 3 | 7 | 3 | | 4 | 4 | 8 | 4 | | 2 |
| Labour-7030 | 1 | | | 1 | | | | 1 | | | 1 | | | | 1 | |
| SPD-7030 | | | | 0 | | | | | | | | | | 1 | | 2 |
| Labour-7040 | 16 | | 7 | 14 | | 12 | | 5 | 31 | | 5 | 1 | | 1 | 3 | |
| SPD-7040 | | 2 | | 4 | 8 | | 12 | 8 | 7 | | 6 | 2 | | 4 | 3 | 5 |
| Labour-7041 | 1 | | 2 | 2 | | | | 5 | 1 | | | | | | | |
| SPD-7041 | | 1 | | 0 | | | 1 | 2 | 2 | | 2 | | | 1 | | 1 |

| | 1979 | 1980 | 1981 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1992 | 1993 | 1994 | 1995 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Labour-7042 | 1 | | | | | | | | | | | | | | | | |
| SPD-7042 | | | | 0 | | | | | | | | | | | 1 | | 1 |
| Labour-7043 | 0 | | | | | | | | | 2 | | 2 | | | | 2 | |
| SPD-7043 | | | | 1 | | | 2 | 2 | 1 | | 1 | 1 | | | | | 5 |
| Labour-7044 | 0 | | | | | | | | | 4 | | | | | | | |
| SPD-7044 | | | | 0 | | | | | | | | | | | | | |
| Labour- 7050 | 0 | | | | | | | | | | | | | | | 1 | |
| SPD-7050 | | | | 0 | | | | | | | | | | | | | 1 |
| Labour-7060 | 1 | | | 2 | | 1 | | | | 2 | | | 1 | | | | |
| SPD-7060 | | | | 0 | | | | 1 | | | | | | | | | 1 |
| Labour-7061 | 1 | | 1 | 1 | | | | 1 | | 5 | | 2 | 4 | | 6 | 2 | |
| SPD-7061 | | | | 0 | | | | | | | | | | | | | |
| Labour-7062 | 0 | | | | | 3 | | 1 | | 2 | | | | | 2 | | |
| SPD-7062 | | | | 0 | | | | | | | | | | 1 | 1 | | |

**Full labour market policy frame. Party manifesto pledge counts in percentage points.**

| | 1979 | 1980 | 1981 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1992 | 1993 | 1994 | 1995 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Labour-1010 | 2,86 | | 0,00 | 0,00 | | 0,00 | | 1,37 | | 4,11 | | 4,17 | 0,00 | | 0,00 | 9,70 | |
| SPD-1010 | | 0,00 | | 0,00 | 3,23 | | 3,54 | 6,86 | 2,20 | | 6,25 | 3,49 | | 8,79 | 5,93 | | 4,87 |
| Labour-1020 | 0,00 | | 0,00 | 0,00 | | 3,08 | | 2,74 | | 0,91 | | 4,17 | 8,93 | | 4,72 | 2,42 | |
| SPD-1020 | | 1,79 | | 0,00 | 1,61 | | 2,65 | 1,96 | 3,30 | | 0,00 | 0,00 | | 3,30 | 4,24 | | 4,42 |
| Labour-1030 | 10,48 | | 1,00 | 4,48 | | 0,00 | | 1,37 | | 2,28 | | 1,04 | 0,00 | | 0,00 | 1,82 | |
| SPD-1030 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 1,10 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-1040 | 4,76 | | 2,00 | 1,99 | | 1,54 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-1040 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-1050 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-1050 | | 0,00 | | 2,27 | 1,61 | | 0,88 | 0,98 | 1,10 | | 0,00 | 1,16 | | 1,10 | 0,00 | | 0,44 |
| Labour-2010 | 4,76 | | 3,00 | 0,50 | | 0,00 | | 0,00 | | 4,11 | | 0,00 | 0,00 | | 1,89 | 0,00 | |
| SPD-2010 | | 5,36 | | 0,00 | 0,00 | | 0,88 | 0,98 | 1,10 | | 0,00 | 1,16 | | 0,00 | 0,00 | | 0,00 |
| Labour-2020 | 0,00 | | 3,00 | 4,48 | | 3,08 | | 6,85 | | 0,00 | | 3,13 | 5,36 | | 4,72 | 1,82 | |
| SPD-2020 | | 1,79 | | 2,27 | 3,23 | | 2,65 | 5,88 | 2,20 | | 3,57 | 0,00 | | 3,30 | 2,54 | | 6,19 |
| Labour-2021 | 0,95 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-2021 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-2030 | 8,57 | | 13,00 | 15,42 | | 10,77 | | 1,37 | | 5,48 | | 1,04 | 1,79 | | 1,89 | 0,61 | |
| SPD-2030 | | 0,00 | | 4,55 | 3,23 | | 5,31 | 1,96 | 2,20 | | 1,79 | 3,49 | | 0,00 | 1,69 | | 0,00 |
| Labour-2040 | 0,00 | | 2,00 | 0,00 | | 0,00 | | 0,00 | | 0,91 | | 0,00 | 1,79 | | 2,83 | 2,42 | |
| SPD-2040 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 1,16 | | 2,20 | 0,85 | | 0,00 |
| Labour-2041 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 1,79 | | 0,94 | 1,82 | |
| SPD-2041 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-2050 | 0,95 | | 2,00 | 0,50 | | 6,15 | | 4,11 | | 4,57 | | 0,00 | 0,00 | | 3,77 | 2,42 | |
| SPD-2050 | | 8,93 | | 4,55 | 3,23 | | 5,31 | 2,94 | 6,59 | | 4,46 | 1,16 | | 2,20 | 0,85 | | 3,54 |
| Labour-2051 | 0,00 | | 1,00 | 1,49 | | 0,00 | | 1,37 | | 3,65 | | 1,04 | 3,57 | | 0,94 | 0,61 | |
| SPD-2051 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 3,30 | | 0,89 | 0,00 | | 1,10 | 1,69 | | 0,88 |
| Labour-2052 | 1,90 | | 2,00 | 1,99 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-2052 | | 5,36 | | 0,00 | 6,45 | | 5,31 | 2,94 | 5,49 | | 4,46 | 0,00 | | 0,00 | 1,69 | | 0,44 |
| Labour-2053 | 0,95 | | 1,00 | 0,50 | | 0,00 | | 1,37 | | 0,46 | | 1,04 | 0,00 | | 0,00 | 0,00 | |
| SPD-2053 | | 1,79 | | 4,55 | 1,61 | | 1,77 | 0,00 | 1,10 | | 0,89 | 0,00 | | 1,10 | 0,85 | | 0,44 |
| Labour-2054 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-2054 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-2055 | 0,00 | | 0,00 | 0,50 | | 0,00 | | 1,37 | | 2,28 | | 1,04 | 1,79 | | 1,89 | 3,64 | |
| SPD-2055 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-2060 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 3,03 | |
| SPD-2060 | | 5,36 | | 0,00 | 0,00 | | 0,00 | 0,98 | 0,00 | | 0,00 | 0,00 | | 2,20 | 1,69 | | 2,21 |
| Labour-2061 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-2061 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,44 |
| Labour-2062 | 0,00 | | 0,00 | 0,50 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-2062 | | 3,57 | | 0,00 | 0,00 | | 0,00 | 0,98 | 1,10 | | 0,00 | 0,00 | | 1,10 | 2,54 | | 2,65 |
| Labour-2063 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-2063 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,88 |
| Labour-2064 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-2064 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-3010 | 3,81 | | 5,00 | 2,99 | | 3,08 | | 8,22 | | 6,39 | | 12,50 | 3,57 | | 4,72 | 4,24 | |
| SPD-3010 | | 0,00 | | 6,82 | 1,61 | | 1,77 | 0,00 | 8,79 | | 7,14 | 5,81 | | 0,00 | 3,39 | | 7,96 |
| Labour-3020 | 0,00 | | 6,00 | 0,50 | | 1,54 | | 2,74 | | 6,39 | | 5,21 | 8,93 | | 4,72 | 1,82 | |
| SPD-3020 | | 1,79 | | 2,27 | 3,23 | | 2,65 | 0,98 | 0,00 | | 3,57 | 0,00 | | 2,20 | 0,00 | | 0,44 |
| Labour-3030 | 2,86 | | 0,00 | 2,99 | | 1,54 | | 1,37 | | 1,37 | | 2,08 | 1,79 | | 4,72 | 4,85 | |
| SPD-3030 | | 3,57 | | 6,82 | 1,61 | | 0,88 | 1,96 | 0,00 | | 0,00 | 4,65 | | 2,20 | 3,39 | | 2,21 |
| Labour-3040 | 0,95 | | 0,00 | 3,98 | | 0,00 | | 0,00 | | 0,46 | | 4,17 | 0,00 | | 2,83 | 5,45 | |
| SPD-3040 | | 1,79 | | 2,27 | 1,61 | | 0,00 | 1,96 | 0,00 | | 0,89 | 2,33 | | 1,10 | 1,69 | | 1,33 |

| Item | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Labour-3050 | 0,00 | | 0,00 | 0,00 | | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-3050 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-3060 | 4,76 | | 6,00 | 3,98 | 12,31 | | 12,33 | | 9,59 | | 12,50 | 8,93 | | 6,60 | 7,27 | |
| SPD-3060 | | 7,14 | | 9,09 | 11,29 | 3,54 | 5,88 | 9,89 | | 5,36 | 9,30 | | 9,89 | 11,86 | | 8,85 |
| Labour-3061 | 0,00 | | 0,00 | 0,00 | | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,94 | 3,03 | |
| SPD-3061 | | 3,57 | | 0,00 | 3,23 | 6,19 | 4,90 | 2,20 | | 2,68 | 5,81 | | 1,10 | 5,08 | | 2,21 |
| Labour-3062 | 0,00 | | 0,00 | 0,00 | | | 0,00 | | 0,00 | | 0,00 | 1,79 | | 0,94 | 0,00 | |
| SPD-3062 | | 1,79 | | 0,00 | 0,00 | 0,88 | 0,98 | 0,00 | | 0,89 | 0,00 | | 1,10 | 1,69 | | 1,33 |
| Labour-4010 | 8,57 | | 4,00 | 1,00 | 4,62 | | 1,37 | | 0,46 | | 2,08 | 0,00 | | 2,83 | 3,03 | |
| SPD-4010 | | 7,14 | | 6,82 | 6,45 | 5,31 | 7,84 | 2,20 | | 4,46 | 5,81 | | 5,49 | 2,54 | | 6,19 |
| Labour-4020 | 0,95 | | 5,00 | 3,98 | 1,54 | | 6,85 | | 0,46 | | 3,13 | 1,79 | | 0,00 | 2,42 | |
| SPD-4020 | | 3,57 | | 2,27 | 1,61 | 3,54 | 4,90 | 1,10 | | 4,46 | 5,81 | | 0,00 | 2,54 | | 1,33 |
| Labour-4030 | 0,00 | | 0,00 | 0,00 | 0,00 | | 1,37 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 3,03 | |
| SPD-4030 | | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-4040 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 1,21 | |
| SPD-4040 | | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 1,33 |
| Labour-4050 | 0,00 | | 1,00 | 0,00 | 1,54 | | 0,00 | | 6,39 | | 1,04 | 3,57 | | 7,55 | 2,42 | |
| SPD-4050 | | 1,79 | | 4,55 | 6,45 | 0,88 | 0,98 | 3,30 | | 1,79 | 3,49 | | 2,20 | 2,54 | | 0,44 |
| Labour-4051 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | | 0,46 | | 0,00 | 0,00 | | 1,89 | 0,61 | |
| SPD-4051 | | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 1,16 | | 0,00 | 0,00 | | 0,88 |
| Labour-4052 | 0,95 | | 1,00 | 1,00 | 0,00 | | 1,37 | | 0,91 | | 3,13 | 1,79 | | 3,77 | 6,06 | |
| SPD-4052 | | 0,00 | | 2,27 | 0,00 | 2,65 | 0,00 | 1,10 | | 0,89 | 0,00 | | 0,00 | 0,00 | | 2,21 |
| Labour-4053 | 2,86 | | 1,00 | 2,49 | 0,00 | | 0,00 | | 0,46 | | 0,00 | 0,00 | | 1,89 | 1,21 | |
| SPD-4053 | | 0,00 | | 2,27 | 3,23 | 1,77 | 0,00 | 4,40 | | 0,00 | 0,00 | | 1,10 | 1,69 | | 2,21 |
| Labour-4054 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-4054 | | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-4055 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-4055 | | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,88 |
| Labour-4056 | 0,00 | | 0,00 | 1,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-4056 | | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour- 5010 | 0,95 | | 1,00 | 0,50 | 3,08 | | 5,48 | | 1,37 | | 3,13 | 0,00 | | 0,94 | 0,61 | |
| SPD-5010 | | 1,79 | | 2,27 | 1,61 | 2,65 | 1,96 | 4,40 | | 3,57 | 2,33 | | 4,40 | 0,85 | | 0,44 |
| Labour-5011 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-5011 | | 0,00 | | 0,00 | 1,61 | 0,88 | 0,00 | 0,00 | | 0,00 | 1,16 | | 0,00 | 0,85 | | 0,44 |
| Labour-5012 | 0,00 | | 0,00 | 0,50 | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,94 | 0,00 | |
| SPD-5012 | | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 1,10 | 1,69 | | 0,88 |
| Labour-5013 | 2,86 | | 1,00 | 2,49 | 6,15 | | 0,00 | | 5,02 | | 2,08 | 5,36 | | 1,89 | 1,21 | |
| SPD-5013 | | 1,79 | | 2,27 | 1,61 | 5,31 | 1,96 | 1,10 | | 0,89 | 1,16 | | 1,10 | 0,85 | | 0,88 |
| Labour-5014 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-5014 | | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-5015 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-5015 | | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-5020 | 0,95 | | 0,00 | 0,50 | 0,00 | | 1,37 | | 0,00 | | 1,04 | 1,79 | | 0,94 | 3,03 | |
| SPD-5020 | | 0,00 | | 2,27 | 0,00 | 0,00 | 0,98 | 0,00 | | 0,89 | 1,16 | | 2,20 | 3,39 | | 3,98 |
| Labour-5021 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-5021 | | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 1,10 | | 0,89 | 0,00 | | 4,40 | 3,39 | | 0,44 |
| Labour-6010 | 1,90 | | 0,00 | 0,00 | 0,00 | | 0,00 | | 2,74 | | 1,04 | 3,57 | | 6,60 | 4,24 | |
| SPD-6010 | | 8,93 | | 0,00 | 0,00 | 3,54 | 9,80 | 0,00 | | 4,46 | 11,63 | | 12,09 | 11,86 | | 6,19 |
| Labour-6011 | 0,00 | | 0,00 | 0,00 | 0,00 | | 1,37 | | 0,00 | | 1,04 | 0,00 | | 0,94 | 3,03 | |
| SPD-6011 | | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,44 |
| Labour-6012 | 5,71 | | 1,00 | 0,50 | 0,00 | | 0,00 | | 0,46 | | 1,04 | 1,79 | | 1,89 | 2,42 | |
| SPD-6012 | | 3,57 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-6013 | 0,00 | | 0,00 | 0,00 | 0,00 | | 1,37 | | 0,00 | | 1,04 | 0,00 | | 0,00 | 1,21 | |
| SPD-6013 | | 0,00 | | 0,00 | 0,00 | 1,77 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-6014 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-6014 | | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 2,20 | | 0,00 | 2,33 | | 1,10 | 0,85 | | 5,75 |
| Labour-6020 | 1,90 | | 12,00 | 10,95 | 9,23 | | 1,37 | | 0,46 | | 3,13 | 3,57 | | 0,94 | 0,00 | |
| SPD-6020 | | 3,57 | | 6,82 | 9,68 | 8,85 | 5,88 | 6,59 | | 5,36 | 4,65 | | 1,10 | 3,39 | | 3,54 |
| Labour-6021 | 0,00 | | 1,00 | 2,49 | 0,00 | | 2,74 | | 0,46 | | 1,04 | 1,79 | | 2,83 | 0,00 | |
| SPD-6021 | | 0,00 | | 0,00 | 3,23 | 0,88 | 0,00 | 3,30 | | 8,04 | 4,65 | | 1,10 | 0,85 | | 0,00 |
| Labour-6022 | 1,90 | | 4,00 | 3,98 | 1,54 | | 4,11 | | 0,00 | | 2,08 | 1,79 | | 0,94 | 0,61 | |
| SPD-6022 | | 1,79 | | 0,00 | 0,00 | 0,00 | 0,00 | 2,20 | | 7,14 | 4,65 | | 2,20 | 0,85 | | 0,00 |
| Labour-6023 | 0,00 | | 0,00 | 0,50 | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-6023 | | 0,00 | | 0,00 | 0,00 | 0,00 | 0,98 | 0,00 | | 1,79 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-6024 | 1,90 | | 5,00 | 1,00 | 1,54 | | 0,00 | | 0,00 | | 0,00 | 3,57 | | 0,94 | 0,00 | |
| SPD-6024 | | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-7010 | 0,00 | | 1,00 | 0,00 | 0,00 | | 0,00 | | 0,91 | | 3,13 | 3,57 | | 0,94 | 1,21 | |
| SPD-7010 | | 0,00 | | 4,55 | 4,84 | 1,77 | 1,96 | 1,10 | | 0,89 | 2,33 | | 1,10 | 1,69 | | 1,77 |
| Labour-7020 | 0,00 | | 5,00 | 10,45 | 3,08 | | 6,85 | | 5,02 | | 7,29 | 5,36 | | 3,77 | 0,00 | |
| SPD-7020 | | 7,14 | | 6,82 | 0,00 | 2,65 | 6,86 | 3,30 | | 3,57 | 4,65 | | 8,79 | 3,39 | | 0,88 |

| | 1979 | 1980 | 1981 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1992 | 1993 | 1994 | 1995 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Labour-7030 | 0,95 | | 0,00 | 0,50 | | 0,00 | | 1,37 | | 0,00 | | 1,04 | 0,00 | | 0,00 | 0,61 | |
| SPD-7030 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,85 | | 0,88 |
| Labour-7040 | 15,24 | | 7,00 | 6,97 | | 18,46 | | 6,85 | | 14,16 | | 5,21 | 1,79 | | 0,94 | 1,82 | |
| SPD-7040 | | 3,57 | | 9,09 | 12,90 | | 10,62 | 7,84 | 7,69 | | 5,36 | 2,33 | | 4,40 | 2,54 | | 2,21 |
| Labour-7041 | 0,95 | | 2,00 | 1,00 | | 0,00 | | 6,85 | | 0,46 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-7041 | | 1,79 | | 0,00 | 0,00 | | 0,88 | 1,96 | 2,20 | | 1,79 | 0,00 | | 1,10 | 0,00 | | 0,44 |
| Labour-7042 | 0,95 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-7042 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,85 | | 0,44 |
| Labour-7043 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,91 | | 2,08 | 0,00 | | 0,00 | 1,21 | |
| SPD-7043 | | 0,00 | | 2,27 | 0,00 | | 1,77 | 1,96 | 1,10 | | 0,89 | 1,16 | | 0,00 | 0,00 | | 2,21 |
| Labour-7044 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 1,83 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-7044 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-7050 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,61 | |
| SPD-7050 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,44 |
| Labour-7060 | 0,95 | | 0,00 | 1,00 | | 1,54 | | 0,00 | | 0,91 | | 0,00 | 1,79 | | 0,00 | 0,00 | |
| SPD-7060 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,98 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,44 |
| Labour-7061 | 0,95 | | 1,00 | 0,50 | | 0,00 | | 1,37 | | 2,28 | | 2,08 | 7,14 | | 5,66 | 1,21 | |
| SPD-7061 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-7060 | 0,00 | | 0,00 | 0,00 | | 4,62 | | 1,37 | | 0,91 | | 0,00 | 0,00 | | 1,89 | 0,00 | |
| SPD-7060 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 1,10 | 0,85 | | 0,00 |

## Collapsed labour market policy coding frame. Pledge count in percentage terms.

| | 1979 | 1980 | 1981 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1992 | 1993 | 1994 | 1995 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Labour-1010 | 2,86 | | 0,00 | 0,00 | | 0,00 | | 1,37 | | 4,11 | | 4,17 | 0,00 | | 0,00 | 9,70 | |
| SPD-1010 | | 0,00 | | 0,00 | 3,23 | | 3,54 | 6,86 | 2,20 | | 6,25 | 3,49 | | 8,79 | 5,93 | | 4,87 |
| Labour-1020 | 0,00 | | 0,00 | 0,00 | | 3,08 | | 2,74 | | 0,91 | | 4,17 | 8,93 | | 4,72 | 2,42 | |
| SPD-1020 | | 1,79 | | 0,00 | 1,61 | | 2,65 | 1,96 | 3,30 | | 0,00 | 0,00 | | 3,30 | 4,24 | | 4,42 |
| Labour-1030 | 10,48 | | 1,00 | 4,48 | | 0,00 | | 1,37 | | 2,28 | | 1,04 | 0,00 | | 0,00 | 1,82 | |
| SPD-1030 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 1,10 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-1040 | 4,76 | | 2,00 | 1,99 | | 1,54 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-1040 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-1050 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-1050 | | 0,00 | | 2,27 | 1,61 | | 0,88 | 0,98 | 1,10 | | 0,00 | 1,16 | | 1,10 | 0,00 | | 0,44 |
| Labour-2010/ | 5,71 | | 6,00 | 4,98 | | 3,08 | | 6,85 | | 4,11 | | 3,13 | 5,36 | | 6,60 | 1,82 | |
| SPD-2010/20/21 | | 7,14 | | 2,27 | 3,23 | | 3,53 | 6,86 | 3,30 | | 3,57 | 1,16 | | 3,30 | 2,54 | | 6,19 |
| Labour-2050/ | 3,81 | | 6,00 | 4,98 | | 6,15 | | 8,22 | | 10,96 | | 3,13 | 5,36 | | 6,60 | 6,67 | |
| SPD-2050/51/52/53/5 | | 16,07 | | 9,09 | 11,29 | | 12,39 | 5,88 | 16,48 | | 10,71 | 1,16 | | 4,40 | 5,08 | | 5,31 |
| Labour-2040/ | 0,00 | | 2,00 | 0,50 | | 0,00 | | 0,00 | | 0,91 | | 0,00 | 3,57 | | 3,77 | 7,27 | |
| SPD-2040/41/60/61/6 | | 8,93 | | 0,00 | 0,00 | | 0,00 | 1,96 | 1,10 | | 0,00 | 1,16 | | 5,49 | 5,08 | | 6,19 |
| Labour-3010/ | 7,62 | | 11,00 | 10,45 | | 6,15 | | 12,33 | | 14,61 | | 23,96 | 14,29 | | 14,15 | 10,91 | |
| SPD-3010/20/30/40 | | 7,14 | | 18,18 | 8,06 | | 5,31 | 4,90 | 8,79 | | 11,61 | 12,79 | | 5,49 | 8,47 | | 11,95 |
| Labour-3050 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-3050 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-3060/ | 4,76 | | 6,00 | 3,98 | | 12,31 | | 12,33 | | 9,59 | | 12,50 | 10,71 | | 8,49 | 10,30 | |
| SPD-3060/61/62 | | 12,50 | | 9,09 | 14,52 | | 10,62 | 11,76 | 12,09 | | 8,93 | 15,12 | | 12,09 | 18,64 | | 12,39 |
| Labour-4010 | 8,57 | | 4,00 | 1,00 | | 4,62 | | 1,37 | | 0,46 | | 2,08 | 0,00 | | 2,83 | 3,03 | |
| SPD-4010 | | 7,14 | | 6,82 | 6,45 | | 5,31 | 7,84 | 2,20 | | 4,46 | 5,81 | | 5,49 | 2,54 | | 6,19 |
| Labour-4020 | 0,95 | | 5,00 | 3,98 | | 1,54 | | 6,85 | | 0,46 | | 3,13 | 1,79 | | 0,00 | 2,42 | |
| SPD-4020 | | 3,57 | | 2,27 | 1,61 | | 3,54 | 4,90 | 1,10 | | 4,46 | 5,81 | | 0,00 | 2,54 | | 1,33 |
| Labour-4030 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 1,37 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 3,03 | |
| SPD-4030 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 |
| Labour-4040 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 1,21 | |
| SPD-4040 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 1,33 |
| Labour-4050/ | 3,81 | | 3,00 | 4,48 | | 1,54 | | 1,37 | | 8,22 | | 4,17 | 5,36 | | 15,09 | 10,30 | |
| SPD-4050/51/52/53/5 | | 1,79 | | 9,09 | 9,68 | | 5,31 | 0,98 | 8,79 | | 2,68 | 4,65 | | 3,30 | 4,24 | | 5,75 |
| Labour-4055 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | |
| SPD-4055 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,88 |
| Labour-5010/ | 3,81 | | 2,00 | 3,48 | | 9,23 | | 5,48 | | 6,39 | | 5,21 | 5,36 | | 3,77 | 1,82 | |
| SPD-5010/11/12/13/1 | | 3,57 | | 4,55 | 4,84 | | 8,85 | 3,92 | 5,49 | | 4,46 | 4,65 | | 6,59 | 4,24 | | 2,65 |
| Labour-5020/ | 0,95 | | 0,00 | 0,50 | | 0,00 | | 1,37 | | 0,00 | | 1,04 | 1,79 | | 0,94 | 3,03 | |
| SPD-5020/21 | | 0,00 | | 2,27 | 0,00 | | 0,00 | 0,98 | 1,10 | | 1,79 | 1,16 | | 6,59 | 6,78 | | 4,42 |
| Labour-6020/ | 5,71 | | 22,00 | 18,91 | | 12,31 | | 8,22 | | 0,91 | | 6,25 | 10,71 | | 5,66 | 0,61 | |
| SPD-6020/21/22/23/2 | | 5,36 | | 6,82 | 12,90 | | 9,73 | 6,86 | 12,09 | | 22,32 | 13,95 | | 4,40 | 5,08 | | 3,54 |
| Labour-6010/ | 7,62 | | 1,00 | 0,50 | | 0,00 | | 2,74 | | 3,20 | | 4,17 | 5,36 | | 9,43 | 10,91 | |
| SPD-6010/11/12/13/1 | | 12,50 | | 0,00 | 0,00 | | 5,31 | 9,80 | 2,20 | | 4,46 | 13,95 | | 13,19 | 12,71 | | 12,39 |
| Labour-7040/ | 17,14 | | 9,00 | 7,96 | | 18,46 | | 13,70 | | 17,35 | | 7,29 | 1,79 | | 0,94 | 3,03 | |
| SPD-7040/41/42/43/4 | | 5,36 | | 11,36 | 12,90 | | 13,27 | 11,76 | 10,99 | | 8,04 | 3,49 | | 5,49 | 3,39 | | 5,31 |
| Labour-7050 | 0,00 | | 0,00 | 0,00 | | 0,00 | | 0,00 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,61 | |
| SPD-7050 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,00 | | 0,44 |
| Labour-7010/ | 0,95 | | 6,00 | 10,95 | | 3,08 | | 8,22 | | 5,94 | | 11,46 | 8,93 | | 4,72 | 1,82 | |
| SPD-7010/20/30 | | 7,14 | | 11,36 | 4,84 | | 4,42 | 8,82 | 4,40 | | 4,46 | 6,98 | | 9,89 | 5,93 | | 3,54 |
| Labour-7060/ | 1,90 | | 1,00 | 1,49 | | 6,15 | | 2,74 | | 4,11 | | 2,08 | 8,93 | | 7,55 | 1,21 | |
| SPD-7060/61/62 | | 0,00 | | 0,00 | 0,00 | | 0,00 | 0,98 | 0,00 | | 0,00 | 0,00 | | 1,10 | 0,85 | | 0,44 |

(24/04/2000)

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