

COMPARING POLITICAL PARTIES THROUGH CAPITALISMS:  
ALTERATIONS IN POLICY PREFERENCES OF LEFT-WING  
PARTIES IN DIFFERENT VERSIONS OF CAPITALISM –CASES OF  
BRITISH LABOUR PARTY AND GERMAN SOCIAL-  
DEMOCRATIC PARTY

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## Abstract

This thesis studies the alterations of left-wing political parties' policy preferences in different institutional settings – liberal market economy and coordinated market economy – in the context of the rightist, neoliberal political and economic agenda that has become dominant in the beginning of the 1980s. In particular, the research focuses on the British Labour Party which operates in a liberal market economy and the German Social Democratic Party that operates in a coordinated market economy. The main argument is that left-wing political parties which operate in liberal economies (the British Labour Party) have altered their policy preferences closer to neoliberal agenda to a greater extent than the parties in coordinated economies (the German Social Democratic Party), especially in the period after 1980 – when neoliberal agenda became dominant. Policy preferences alterations are studied through quantitative analysis of frequency occurrences of political parties' references to particular policies (anti-neoliberal or neoliberal) in their election manifestos prior and after 1980. The main findings of the analysis are compatible with the main argument – in the period after 1980, the British Labour Party altered its policy preferences towards the neoliberal agenda to a larger extent than its German counterpart. The institutional setting, constitutional structure of the state, and the nature of party competition on the national political arena are factors that I consider as explanatory variables for these developments.

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# INTRODUCTION

Comparative political economy is perceived as comparative study of capitalism. The main objective of this scientific field is to distinguish differences within capitalism itself (Grdešić 2007). I define democratic capitalism as “a system where markets allocate income according to efficiency while governments redistribute income according to political demand” (Iversen 2008:17 in Weingast, Wittman, and Goodin 2008). In this particular research, I employ neoliberal version of capitalism as a contextual and comparative starting point. According to Flew (2014:56), neoliberalism represents “the ideological project of a resurgent political right”, which reached its dominance in the US under Ronald Reagan and in the UK under Margaret Thatcher in the 1980s, after the crises of late-Keynesian era in the 1970s.

The supremacy and power of this politically right-wing project, which scholars (e.g. Harvey (2011), Lazzarato (2015), Spence (2012), and Scholte (2005)) perceive as the “neoliberal turn” can also be seen in accepting it as the main agenda also by the political left<sup>1</sup>, even though as Lavelle (2015:1) argues, “political parties in the social democratic tradition have historically stood in opposition to neoliberalism”. Therefore, this thesis aims to answer the key research question: *What policy preference alterations have left-wing parties made in the period after 1980 in order to accustom themselves to the dominant rightist agenda on the political market?* I choose left-wing parties because they tend to operate within the dominant paradigm, which is, as stated above, rightist. It, therefore, remains puzzling to study how and to what extent have left parties moved to the center-right regarding their policy preferences in order to stay competitive in domestic political arenas. I select the year of 1980 as a starting point of alterations because, as mentioned above,

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<sup>1</sup> That can be seen in former Labour Prime Minister Jim Callaghan's public declaration of the end of Keynesianism in Great Britain and in Tony Blair's (another former Labour Prime Minister) autobiography in which he endorses neoliberal agenda (Flew, 2014).

neoliberal agenda became dominant at that time, although left-leaning parties accepted neoliberalism in different degrees and forms (Lavelle 2015).

Kitschelt (1996) argues that social democratic (left-wing) parties have changed in a great extent since the late 1970s. "...the old categories and theorems that have accounted for social democratic party dynamics no longer apply at the end of the twentieth century" (Kitschelt 1996:1). The alterations left-wing parties experienced started to acquire a significant effect during the 1980s because during that period left-wing parties across Europe faced a wide-range of electoral failures. For example, the German Social Democratic Party lost the office in 1982, while Labor Party in Great Britain experienced the biggest electoral decline since the end of the World War II (Kitschelt 1996).

The logical step for the left-wing parties in decline was thus to modify and adjust their policy preferences in order to broaden their electorate, and thus to stay competitive *vis-à-vis* their right-wing rivals. New issues thus emerged including matters of technological advancement, concerns with the environment, urban planning, but also healthcare and women's part in the society. Also, in the first half of the 1980s, the macro-economic and policy-making paradigm transformed from Keynesian to neoliberal.

In addition, as Kitschelt (1996) reasons, a political party's competitiveness in an electoral arena can be boosted by various strategies of intra-party structure modifications. However, other factors with a substantial effect on competitiveness ought not to be neglected. One such a key factor is the institutional settings structure. This research, therefore, takes the structural focus. In order to assess the influence of the institutional setting on party strategies and trajectories, I employ an established comparative approach known as *varieties of capitalism* developed by Hall and Soskice (2003).

*Varieties of capitalism* represents institutional frameworks within which the state operates. The approach distinguishes two varieties of capitalist market economies: liberal market economies (LMEs) and coordinated market economies (CMEs) (Grdešić 2007, Hall and Soskice 2003, Hall and Gingerich 2004). LMEs function through hierarchical and competitive market arrangements. On the other hand, CMEs rely heavily on non-market relationships with important role of the state, to coordinate their activities with other actors and to construct their competencies (P. A. Hall and Soskice 2003). The USA, the UK, Ireland, Canada, Australia and New Zealand are examples of LMEs while Germany, Austria, Japan or South Korea represent the prototypes of CMEs (P. A. Hall and Gingerich 2004). Apart from *varieties of capitalism* comparative framework, this thesis uses neoliberal context as the main juxtaposition of policy preferences. Therefore, studied policies are observed either as neoliberal or anti-neoliberal.

The present research incorporates the activity of political parties. Such focus on political parties is largely neglected in the mainstream political economy literature when comparing varieties of capitalisms (Grdešić, 2007) within both kinds of institutional settings. I, therefore, assume that political parties are direct representatives of individuals' preferences. The main claim of this thesis is that the left-wing parties that operate in LME institutional setting altered to a greater extent regarding their policy preferences than their counterparts which operate in CME institutional setting, because LME setting is more compatible and correspondent to neoliberal political and economic agenda.

The fundamental theoretical model engaged in this thesis is Kitschelt's (1996) macro-logic of political preference formation. The macro-logic incorporates individuals' market experiences and transactions. It is dependent on political preference formation on micro-logic which encompasses economic class position, social transactions, collective actions, and everyday experiences of

individuals. Preference formation “is a multi-layered process in which a variety of experiences shape individuals’ orientations and beliefs” (Kitschelt 1996:12). Micro and macro logic factors create individual (or class) preferences which are being transmitted into preferences of political parties (if the logic which states that political parties directly represent individual preferences is followed).

For the analysis of left-wing parties’ policy preferences alterations in different institutional frameworks (LMEs and CMEs) and in neoliberal context, I choose two of them: the British Labour Party (*in further text: BLP*) from the LMEs camp and the German Social Democratic Party (*in further text: SPD*) from CMEs camp. Both of them were originally left-wing parties, which have experienced external and internal changes that resulted in policy preference alterations, especially in the period after 1980. I, therefore, attempt to answer my main research question from a perspective of changes in policy preferences of these two parties. I employ quantitative analysis (descriptive statistics – frequency occurrences) of these parties’ election manifestos throughout the twentieth century election cycles as the main source channel in order to answer the research question and to demonstrate empirical evidence. Policy preferences are analysed through three policy domains – economic, welfare state and quality of life, and social groups policy. The unit of analysis is thus percentage shares of references to particular policies in election manifesto content, which were extracted from the original dataset from *Manifesto Project’s* website<sup>2</sup>.

Findings of this thesis empirically demonstrate that in the period prior 1980 both of the cases – BLP and SPD – had larger number of references to anti-neoliberal policies. On the other hand, the analysis results indicate that in the period after 1980, BLP pursued and included more references

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<sup>2</sup>The dataset and the codebook are available at <https://manifestoproject.wzb.eu/datasets> (accessed on April 4th 2016)

to neoliberal policies in its election manifestos than SPD did. In other words, BLP embraced neoliberal agenda regarding policy preferences in their manifestos to a greater extent than SPD. I argue that three factors can contribute to explain these developments – institutional setting (LME or CME), constitutional structure of the state (unitary or federal), and national party system (party competition and the profile(s) of the main political rivals).

Studying left-wing parties within the dominant right-wing economic and political agenda remains significant. Adjustments and turns they were “pressured” to make in order to stay competitive have been affecting the entire national party systems, composition and stability of the government, volatility of the electorates, an opportunity to third-way parties and, finally, the flexibility of the whole political system. Exploring the amount of policy preferences alterations by putting the emphasis on neoliberal preferences with which the political left has been trying to remain competitive in the rightist agenda is the intended contribution of this research to party politics studies within the field of comparative politics.

This thesis is divided into four chapters. The first chapter outlines the contextual background and theory with the emphasis on discussing process of policy convergences in the neoliberal context as well as illustrating the core theoretical model of policy preferences formation. The second chapter engages with comparative framework of the thesis by depicting *varieties of capitalism* approach. In addition, the two study cases and their political environments are discussed. The third chapter displays the methodology and three hypotheses with the justification of policy selection for the analysis. Limitations of this research are also elaborated in the methodology chapter. The third chapter demonstrates the main findings of this research on the basis of frequency occurrences analysis. Finally, in the conclusion, I recapitulate the thesis through summarizing the main argument, findings and the theoretical logic behind them.

# CHAPTER 1: CONTEXTUAL BACKGROUND AND THEORY –POLICY CONVERGENCE AND NEOLIBERALISM

This chapter outlines main contextual background and theory to this thesis. The first part acknowledges the existing literature on the post-World War II economy and what is understood as state interdependence. The second part of the chapter then elaborates in more detail on the role of institutions and their subsequent convergence following greater global interdependence among states in the context of the neoliberal turn in politics. Third part depicts the process how political and policy preferences are created on an individual and national/institutional level is described. Herbert Kitschelt's micro and macro logic of policy preference formation function as a foundation for the depiction. In addition, neoliberal politics and policy is examined. Finally, the causal model of the principal claim of this thesis is demonstrated.

## 1.1 State interdependence

Post-war period is characterised by increase in economic and political integration processes. Aggarwal and Dupont (2011) claim that the starting period of the post-war economy (the 1950s) goes hand in hand with the process of increasing interdependence among the states. State interdependence means that a move or a decision made by one state has an impact on a potential move and overall consequences for the other(s) states and vice versa.

State interdependence raises the question of collaboration and co-ordination among states that are mutually dependent. Beyond this premise, there is an assumption that a state is not capable of dealing with the global economic environment on its own. In other words, instead of pursuing independent policies, the states are required to cooperate (Aggarwal and Dupont 2011). Processes

of interdependence, cooperation, coordination and, international institutionalization become the driving forces of so called phenomenon of globalization. Globalization ultimately implies a “dynamic and multidimensional process in integrating trade, production, and finance as well as strengthening global norms and global social forces... leading to a “world as a single place”, where changes in distant lands affect people around the globe more quickly, and with greater frequency and intensity” (Scholte 1997:14 in Dauvergne 2011:44). In this thesis, the focus is on institutional and political aspects of the driving forces of globalization rather than the economic ones.

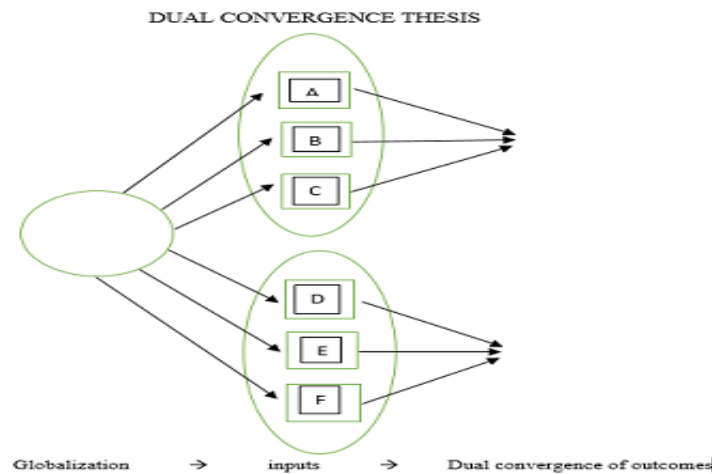
### 1.1.1 Institutions and convergence

Aggarwal and Dupont (2011) argue that institutions represent a way through which individuals’ choices and objectives can be co-ordinated. According to the authors, the definition of an institution consists of two elements. The first one is so-called “meta-regime” which refers to the distinctive character of principals and norms. The second element is the regime itself which embodies rules and procedures through which one can distinguish between different institutional designs. Institutions and institutional actors are inextricably linked with politics and actors in a political arena.

Globalization is a process which has not been going on without a direct involvement of political actors (Hay 2011). Processes and concepts mentioned above (state interdependence, the need for cooperation, and institutional development) all insinuate that in the post-war period the global and national political and economic arenas have been producing convergent tendencies regarding actors’ actions.

Hay (2011) demonstrates so-called *dual convergence thesis*. Here, institutional factors play the crucial role in each state’s response to globalization. On the basis of this, two models of capitalism

can, therefore, be differentiated. Hall and Soskice (2001) classify these models in *varieties of capitalism* scheme within which liberal market economies (the UK, the USA) and coordinated market economies (Germany, Sweden, the Netherlands) are contrasted. “The competitive pressures unleashed by globalization may make similar demands of these institutions (such as balanced budgets, flexible labour markets, and the control of inflation) but these can be delivered in different ways in different institutional domains” (Hay 2011:322). In chapter 2, in which the institutional setting in the UK and Germany are depicted, I also discuss the theory behind *varieties of capitalism* approach as well as both of its forms. Figure 1 displays the dual convergence thesis.



*Figure 1 - The dual convergence theses*

Source: Hay 2011:321

For the purpose of this research, I apply the convergence argument to the levels of political parties and their preferences. I use dual convergence thesis as the starting point for the institutional design within a single national political system. *Varieties of capitalism* is a sequential result of dual convergence thesis. I therefore employ it as the one of three explanatory factors (independent variables) for the analysis of the left-wing political parties’ policy preferences, which I have selected as the cases for this study - BLP and SPD. For the better understanding I name the first

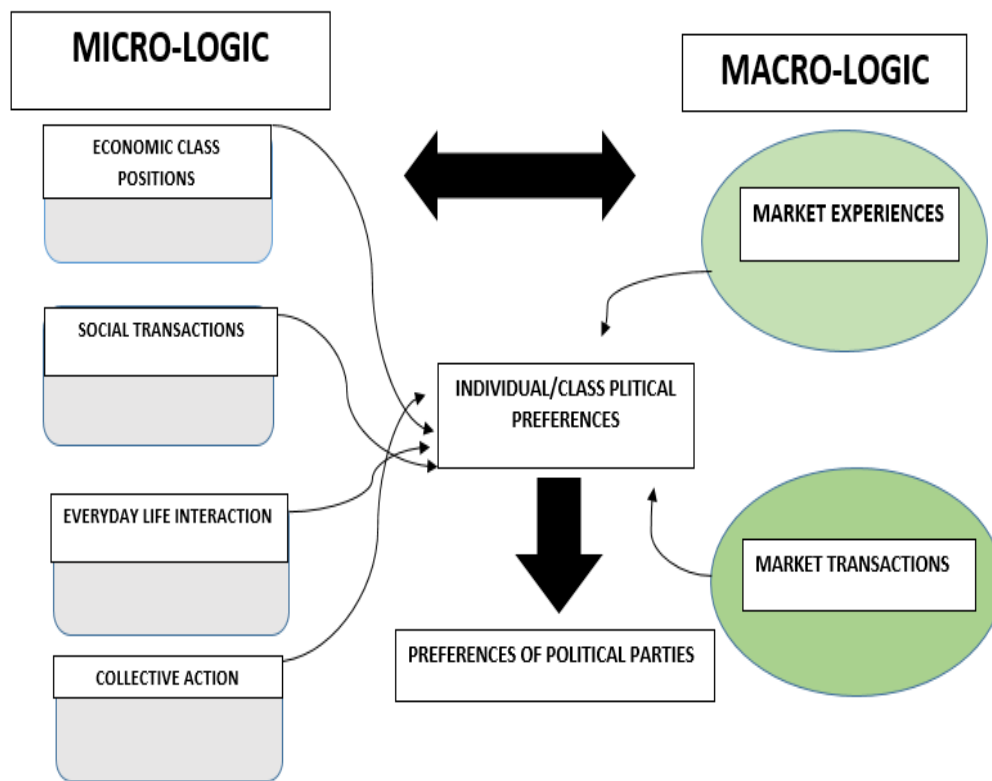
explanatory factor *institutional setting*. Constitutional structure of the state, and party rivalry within the party system signify other two explanatory factors I use. The effects and outcomes of all of the independent variables I study within modified version of John Stuart Mill's most similar cases design. I provide in-depth explanation of the two variables in the causal model section in this chapter. The next section elaborates on the process of formation of political parties' policy preferences which are the objects of analysis in this thesis.

## 1.2 Formation of political parties'/governments' policy preferences

Policy preference formation is a process based on life and occupational experiences of an (political) actor. Kitschelt (1996) claims that if an actor wants to frame a political preference, he has to establish himself as a political actor. The whole logic of political preference formation begins on a level of individuals who by their shared life experiences form a social class. Katznelson (1986: 14-21 in Kitschelt 1996) defines four types of these kinds of experiences. The first one refers to economic class positions (defined by property relations). Social transactions in the capitalist work environment (the relations between authorities and labour markets, plus experiences in the consumption sphere) represent the second type of experiences. The third one are "cultural configurations" which people occur in everyday life. The last, fourth type of experience which set a foundation for political preference development is collective action and politics itself. The social class is the result of the connection between all four types of experiences. That is what Kitschelt (1996) calls the micro-logic of political preferences creation.

Except on the micro-logic, political preferences are also being created on a higher, so-called macro-logic level. The foundation of this study in respect to political parties' preferences can be found in Kitschelt's (1996) macro-logic of political preference formation argument. The macro-logic is dependent on political preference formation on the micro-logic. The macro logic focuses on how

socioeconomic change and political institutions influence the salience of experiences for the population which is stratified in social classes. Figure 2 below shows the model of micro and macro logic of political preferences formation. Micro and macro logic factors create individual (or class) preferences which are being transmitted into preferences of political parties (if we follow the logic which is that political parties directly represent individual preferences).



*Figure 2 - Micro and macro-level of political preferences formation*

### 1.2.1 External influences on policy preference formation

Four types of individual experiences which transform into individuals' political preferences are core of the micro-logic of political preference formation. These preferences are being transmitted into social class preferences and then later into political parties' preferences. Macro-logic is bringing in the external factors which influence preference formation. Kitschelt (1996) claims that

markets are part of an external environment which affect this process. Markets are intertwined with all kind of transactions, medium of which is money. The author argues that in this respect, the market experiences are very likely to have an influence on shaping orientations of (rational) individuals. The reason for that is the attempt and desire of individuals desire to pursue maximization of money income. This is perceived as a general preference in a capitalist market society in which individuals are rational. Whether this general preference will be transmitted into individuals' preference for certain types of institutional settings, depends on individuals' expectations of what kind of institutions are the most likely to maximize their money income given their current position and experience in the market (Kitschelt 1996). Here it is obvious that institutional setting in a country has a great impact on (policy) preferences formation.

Orientations and experiences of individuals/social classes in the capitalist market environment can develop in different directions. Kitschelt (1996) names four of them – socialist, capitalist, libertarian, and authoritarian. This kind of preferences develop in accordance with economic and institutional changes that influence individual's/social class's everyday life routine. The author argues that libertarian views became the most pronounced in advanced capitalist societies. Libertarian views and favour the breakdown of national barriers (in economic and even political sense) and the acceleration the globalization processes. The dominance of libertarian produced some institutional changes.

As Kitschelt (1996) states, in the industry employers' and workers' new focus was to stay competitive internationally. The involvement of the state (regulation and potential tax increase that would bring out global market disadvantages) is unwanted and potentially dangerous. Four macro-developments steered individuals' preferences in the direction of libertarian orientation – “increasing affluence, greater educational accomplishments, changes in the sectoral composition

of labour markets, and the welfare state. The increasing demand for sophisticated education in advanced industrial economies, together with the shift from manufacturing to financial and personal services, has probably given the most powerful boost to libertarian political preferences” (Kitschelt 1996:21-22).

Moreover, Kitschelt (1996) argues that libertarian politics vision can be incorporated in autonomous institutions beyond state and market. These institutions’ role is to enhance individuals’ rights to participate in the governance of collective affairs. At the state (institutional) level, libertarian politics perceive Keynesianism<sup>3</sup> as the main opponent regarding how the national economy should function (Kitschelt 1996). It should be emphasised that the main factor which divides Keynesian and libertarian politics is the same one which divides LMEs and CMEs – the role and the degree of the state intervention and involvement in the economy. The next section discusses the libertarian politics and policy in more detail. From this point forward I equalize libertarian politics with the term neoliberal politics (or just neoliberalism) which also perceives Keynesian economy and the state as nemesis.

### 1.3 Neoliberalism

Neoliberal ideas has its roots on the right side of a political spectrum. For instance, ” Flew (2014:56) defines neoliberalism as “the ideological project of a resurgent political right, which gained ascendancy in the United States under Ronald Reagan and in Britain under Margaret Thatcher in the 1980s, after the crisis of the late-Keynesian era in the 1970s”. In addition,

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<sup>3</sup> Keynesianism is based on macroeconomic state intervention through fiscal and monetary policy (constant increasing in public spending) low unemployment, low inflation. Social policies are an important part of Keynesianism. They support bureaucratic governance, centralized interest groups, and state agencies at the expense of free reign of markets. Keynesianism's main goal is full employment. The national government is responsible for achieving that goal. The main instrument of continuing economic development is „official help“. International institutions such as the World Bank have the greatest responsibility for that. (Kitschelt 1996; Skidelsky 2001)

neoliberalism is perceived as a political and ideological project which is highly linked to the process of the economic globalization combined with the rise of financial capitalism. Its main premise is that individual well-being is the easiest to achieve by liberating entrepreneurial freedoms and skills within institutional framework which endorses strong property rights system and free-market economy (Flew 2014). This statement goes hand in hand with the convergence processes which globalization inputs have brought and which were discussed earlier.

According to Harvey (2011) the main premise of the initiators of neoliberalism (M. Thatcher and R. Reagan) was that the whole idea must be achieved strictly democratic means. In order that to happen, the consent to the project's main ideas had to be assured. The crucial type of consent that had to be accomplished was the political one. The main channel through which neoliberalism has been accepted was the influence of ideology. The main actors who have been transmitting this ideology are corporations, mass media and civil society and those who act in the form of some kind of movement. The first half of the 1980s was the crucial period for these movements when people all over the world (Paris, Mexico City, Berlin, Bangkok...) started to demand greater amount of personal freedoms. The state was perceived as the main enemy and it had to be reformed. "By capturing ideals of individual freedom and turning them against the interventionist and regulatory practices of the state, capitalist class interests could hope to protect and even restore their position. Neoliberalism was well suited to this ideological task" (Harvey 2011:42). Once more, the clear aversion towards the state's involvement and intervention is in focus here. Eventually, neoliberal agenda captured political parties and state power through this channel and intermediate actors.

### 1.3.1 Neoliberal turn and policy

Saad-Filho and Johnston (2005:1 in Thorsen and Lie 2006)) argue that "we live in the age of neoliberalism". Neoliberalism brings out the whole new idea regarding how should further

development of capitalist society move forward. Therefore, economic theory and policy-making process follow the new ideological track. As already mentioned, neoliberal turn took place after the crisis of Keynesian economy which was dominant from the end of WWII to the end of the 1970s. Thorsten and Lie (2006:8) claim that from that moment onward “neoliberalism has dominated macroeconomic policy-making, as indicated by the tendency towards less severe state regulations”. Similar to Harvey’s (2011) statement, the authors came up with the conclusion that neoliberal turn means turning to right-wing political agenda and economic policy.

What neoliberalism mean in the terms of policy? Thorsen and Lie (2006) state that neoliberalism is based on individual freedom and private property rights. In accordance to Milton Friedman’s doctrine, the authors argue that neoliberal in terms of economic policy favours commercial liberty, deregulation, privatisation, radical tax cuts, plus financialization and risks Lazzarato (2015). The main emphasis is on individual’s free choice. In that manner, neoliberal package of economic policies and institutional practices is the most suitable for them to secure and achieve free choice environment. (Friedman 1962; 1980 in Thorsen and Lie 2006). Moreover, as Scholte (2005) claims, neoliberalism is based on marketism in the context of globalization, as it was already stated. “Indeed, neoliberalism tends to treat economics in isolation from other dimensions of social relations. In particular, the doctrine supposes that economic policies toward globalization could be a culturally and politically neutral matter of technical expertise” (Scholte 2005:7). Free market is the ultimate and the most optimal mechanism to organize all trade of goods and services. Neoliberalism appreciates and consequently rewards individual competitors and their ability to access and act in the markets. They themselves are responsible for their right or wrong (market) choices. Furthermore, economic and social inequalities and social injustice are morally acceptable. To sum up, implementation of neoliberal economic policies will result in relocation of power to

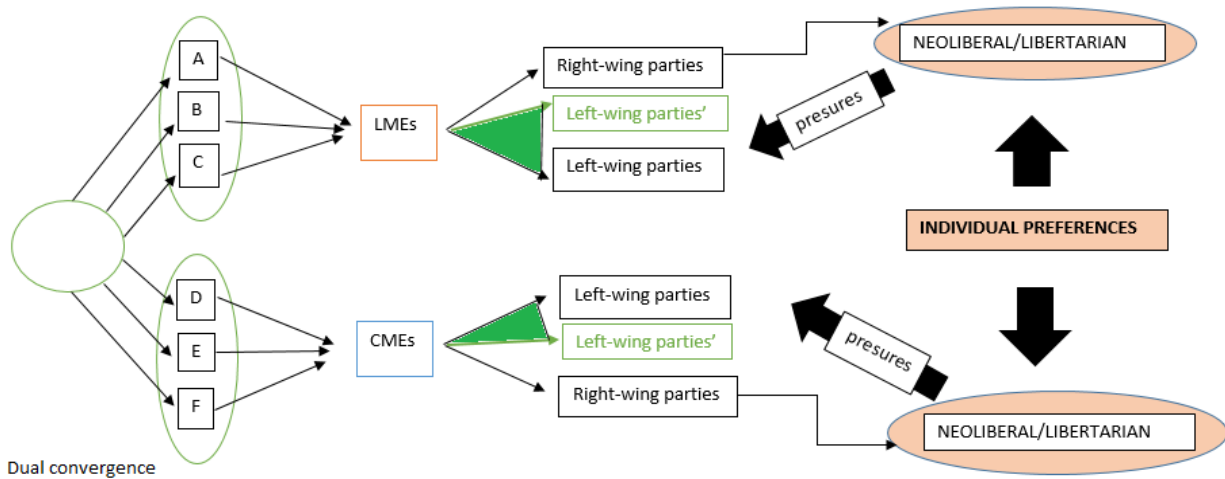
the economic process (from the politics), to the markets and individuals (from the state), and to the judicial branch of government (from the executive and legislature) (Thorsen and Lie 2006). Despite the dominance of the economic branch in the neoliberal context, the political aspect should not be neglected. This research focuses on the relationship between the economic and political dimension of neoliberalism through political parties, particularly left-wing political parties.

In other words, the neoliberal policy can be described with concepts such as deregulation, financialization, privatization, open (global) market, individuals, competitiveness, weak state, non-intervention, tax cuts. Consequently, other policies, mainly and primarily, welfare and social spending policy are in significant withdrawal (Venugopal 2015, CPPR 2008, Lazzarato 2009, and Scholte 2005).

In the next section, I describe the causal model which explains how and in what amount left-wing political parties in different institutional settings (LMEs and CMEs) embraced neoliberal preferences in order to stay competitive in the political and electoral arenas. In other words, it enlightens the alterations in policy preferences of left-wing parties which, according to this logic, are supposed to become more rightist (neoliberal), and therefore to cause some degree of dealignment from left-wing parties' original policy preference.

## 1.4 The causal model

First of all, I perceive neoliberal preferences as the direct product of globalization and convergence inputs. Figure 3 shows how neoliberal preferences affected political parties' position on the *left-right* political spectrum. As discussed above, globalization initiated inputs which produced convergence tendencies applicable on individual/social class preferences and then later on political parties (given that political parties directly aggregate and represent individual preferences).



*Figure 3 - Influence of neoliberal preferences on left-wing parties*

### 1.4.1 Explanatory factors

Dual convergence approach employs different institutional settings – Liberal Market Economies (LMEs) and Coordinated Market Economies (CMEs) which can be perceived as a different functioning of a nation-state. As stated above, I use these two institutional settings as an independent variable/explanatory factor to explain the alterations in left-wing parties' policy preferences. It should be noted that I perceive LME institutional setting as complementary to neoliberalism in much greater amount than CME. I elaborate on that in chapter 2 in more detail.

The second and third independent variable/explanatory factors belong into the domain of national political systems – constitutional structure of the state and national party system (party competition). Table 1 on the following page illustrates the four independent variables/explanatory factors and their denotations. I employ all of the explanatory factors in the modified and extended version of John Stuart Mill's most similar cases design. This indicates comparative framework for this thesis.

*Table 1 - Denotations of independent variables/explanatory factors*

<b>VARIABLE/FACTOR</b>	<b>DENOTATION</b>
INSTITUTIONAL SETTING	Liberal Market Economy (LME) or Coordinated Market Economy (CME)
CONSTITUTIONAL STRUCTURE OF THE STATE	Unitary state/federalism
NATIONAL PARTY SYSTEM (PARTY RIVARLY)	Two party system/two and a half party system

#### 1.4.2 Most similar cases design – the difference method

The method of difference refers to the research design based on a comparison of most similar cases. This design consists of three elements: common characteristics of the cases, explanatory factors of an outcome (they do not have to be the same for both cases included in the research), and outcomes which are to be explained (which need to differ among the included cases) (Landman 2008).

I place the two political parties that are being studied in this thesis into, as noted above, modified and extended version of Mill's most similar cases design. Table 2 on the following page outlines this framework for the two selected cases - BLP and SPD. Regarding similar characteristics of the two parties, I focus on their origins. According to Fielding (2003), Thorpe (2008), Braunthal (1993), and Levelle (2015) both of the parties originate from the trade union organizations. I elaborate on parties' origins and explanatory factors in British and German contexts in the chapter 2 that illustrates country and party profiles for the cases studied in this thesis.

Table 2 - Comparison of the British Labor Party and the German Social Democratic Party according to the most similar cases design

	DIFFERENCE DESIGN OF MOST SIMILAR CASES	
	CASE 1: BRITISH LABOUR PARTY (country: Great Britain)	CASE 2: SOCIAL DEMOCRATIC PARTY (country: Germany)
SIMILAR CHARACTERISTICS	Large advanced capitalist economy <sup>4</sup> (IMF classification) <sup>5</sup>	Large advanced capitalist economy (IMF classification)
	Origins of the party (trade unions)	Origins of the party (trade unions)
	Traditional left-wing party	Traditional left-wing party
EXPLANATORY FACTORS	Liberal market economy	Coordinated market economy
	Constitutional structure of the state – unitary state	Constitutional structure of the state – federal state
	National party system (party rivalry) – two party system with the Conservative Party as the main rival	National party system (party rivalry) – two and a half party system with the Christian Democratic Party as the main rival
OUTCOME TO BE EXPLAINED	<i>HIGHER DEGREE</i> of alterations in policy preferences (to the right-centre political direction)	<i>LOWER DEGREE</i> of alterations in policy preferences (to the right-centre political direction)

This research is primarily focused on political parties' activity and operations in national political arena, especially during elections. Therefore, the main data I use to support my main argument and expectations is the data extracted from election manifestos' content. Political arenas of both

<sup>4</sup> Advanced economies have high level of gross domestic product per capita and high degree of industrialization (Investopedia, <http://www.investopedia.com/terms/a/advanced-economies.asp>. Accessed: 5 June 2016)

<sup>5</sup> International Monetary Fund (2016), see more at <http://www.imo-imf.org/ieo/files/completedevaluations/L.%20Annex%201.%20Country%20Group%20Profiles.pdf>. Accessed: 5 June 2016.

institutional settings consists of both right-wing and left-wing parties organised in party systems. As stated above, individual preferences became predominantly libertarian/neoliberal. As literature suggests, reasons for that could be found in demand for a higher degree of individual freedom, perceiving the state as the nemesis, better educational skills etc. Again, if the main assumption is followed here – that political parties directly represent individual preferences- the parties had to adjust themselves to the dominance of libertarian/neoliberal preferences in order to stay competitive in the terms of gaining votes. Neoliberal preferences have roots on the political right, so the right-wing parties' preferences position either stayed on a current track or became even more rightist to entangle with neoliberal pressure. The left-wing parties had to make significant modifications and adjustments in their policy preferences and electoral strategies in order to embrace the dominance of neoliberal agenda.

Figure 3 on the following page shows two green triangles which represent the (approximate) amount in which left-wing parties in two different institutional settings moved (or adjusted) to the centre-right on the political spectrum. This research is specifically focused on the parties' movement regarding their policy preferences in their election manifestos. It is visible that the triangles are significantly different in the terms of size. The triangle in LMEs institutional setting is significantly larger than the one in CMEs institutional setting, meaning that left-wing parties in LMEs countries were pressured more and altered their policy preferences in the direction of the rightist ones. The explanation for this can be found in correspondence between LME institutional setting and neoliberal politics and policy. This is the principal claim of this thesis and the foundation for the answer to the research question. I attempt to employ the argument that left-wing political parties in LMEs countries had to make more significant adjustments and alterations than those in CMEs through comparative case study of two left-wing parties – BLP and SPD. Both of

these parties are most powerful leftist parties in their national political arenas. There is a fundamental difference between British and German national arenas that is institutional setting in which the whole political system operates. Great Britain is an ideal type of LME institutional setting while Germany perfectly fits into profile of CME institutional setting.

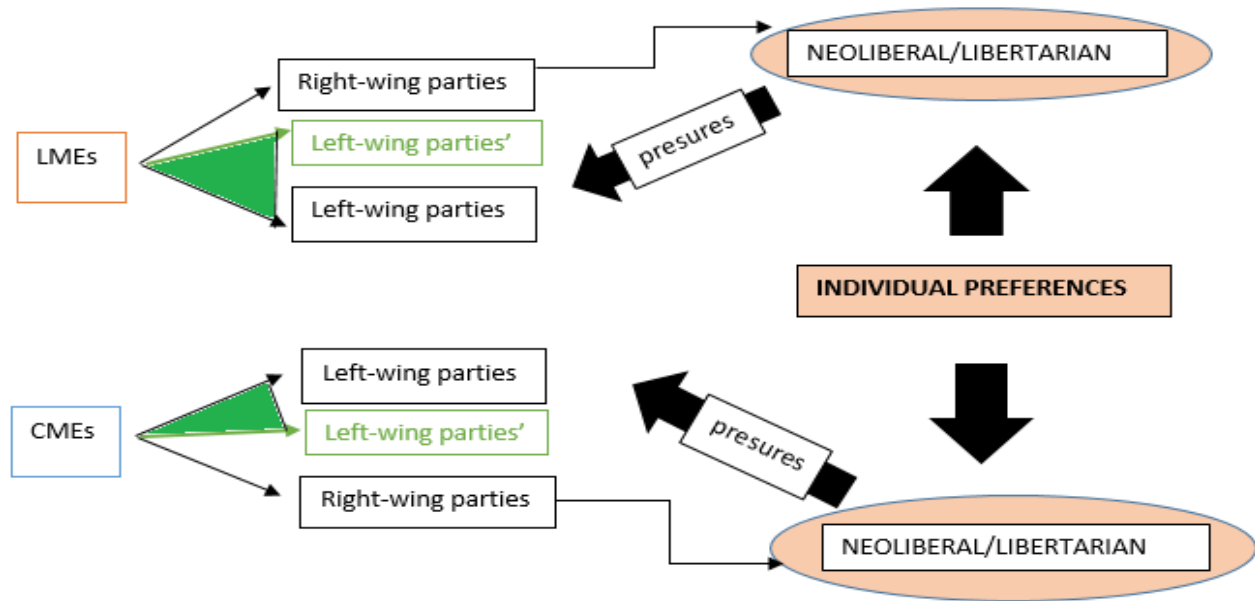


Figure 3 - Changes in left-wing parties in different institutional settings

This research studies how this “split” between left-wing parties in different institutional settings has occurred in the respects of policy preferences in parties’ election manifestos throughout twentieth century. I argue that the combination of all three independent variables/explanatory factors is crucial for explaining the policy preferences alterations.

Policy preferences as themselves or in the context of electoral competition, represent what a party has to offer to citizens in accordance to their origins and ideology. In other words, policy preferences incorporated in elections manifestos and overall parties’ election strategy attract votes

in order to achieve every party's main goal that is to be in power and to have an opportunity to actually implement policies created in the electoral strategy.

National political systems are interdependent with political parties themselves. They project the effects of a party system according to activities of political parties. Moreover, they serve as a “controlling” and unavoidable factor in organizing party's operations because they regulate competitiveness through adopting new parties in the system, and through adjusting to the national and international political, economic, and social situation. Therefore, national political systems determine the degree of rivalry and diversity among the political actors – party competition. Finally, they also embody how institutions are organized and on what principles they function. Therefore, they are inextricably linked to the national institutional setting.

In the first chapter, the main contextual and theoretical concepts were defined. Impact of globalization process have produced convergence in individuals' orientations and priorities, which have altered their political and policy preferences which consequently have shaped convergent policies among different political parties in the context of dominant political agenda – neoliberalism which “kicked in” in the beginning of the 1980s. Parties' policy preferences formation was depicted through Herbert Kitschelt's micro and macro logic of preferences creation under the assumption that political parties directly represent preferences of individuals or and social classes. Finally, the causal model for this research was demonstrated. The main claim is that institutional settings and developments in national political arenas caused policy preferences alterations of left-wing parties. The change is more significant in LME setting because of its correspondence with neoliberal politics and policy. Therefore, among two cases studied in this thesis, BLP which operates in LME setting experienced higher degree of change regarding policy preferences than SPD which operates in CME setting. In the next chapter, I discuss political party

preference formation in neoliberal context in both LMEs and CMEs in comparative perspective through demonstrating country profiles for both Great Britain and Germany.

## CHAPTER 2: GREAT BRITAIN AND GERMANY – COUNTRY AND PARTY PROFILES

In this chapter, the theory of *varieties of capitalism* approach and its two versions of capitalism (liberal market economy and coordinated market economy) is elaborated in more depth. In addition, formation of political parties' policy preferences is illustrated. Moreover, British and German country profiles are exemplified according to their national political arenas.

### 2.1 Varieties of capitalism approach

*Varieties of capitalism* presents institutional frameworks within which the state operates. It is an actor-centred approach, where relevant actors include individuals, companies, producer groups or governments. Moreover, its purpose is to engage with the challenge of confronting issues advanced economies are dealing with (P. A. Hall and Soskice 2003). Another focus of the approach is also the persistence within the structure of national economies (Wood 2001). As mentioned above, the approach distinguishes two varieties of capitalist market economies: liberal market economies (LMEs) and coordinated market economies (CMEs) (Grdešić 2007, Hall and Soskice 2003, Hall and Gingerich 2004). In addition, Fioretos (2001) argues the types of institutions present within the domestic context can be determinative for the policy and general institutional tendencies of economic actors. Fioretos (2001), furthermore, emphasizes the assumption of a dynamic rather than a static character of the actors' preferences, as the key advantage of this approach.

In varieties of capitalism, the assumption is that the actors act rationally. The approach seeks to recognize and define the quality of the relationships the firms are establishing, both internally and externally. Internal relationships refer to the employer/owner – employee relationship, while external relationships refer to relations with other actors (such as trade unions, stakeholders, business associations, and political parties). As Hall and Soskice (2003) assume that firms will

unavoidably be confronted with a wide range of coordination and cooperation problems. The success of a firm, thus, largely depends on its skill to coordinate effectively with a variety of different actors.

To sum up, although the *varieties of capitalism* is ultimately a firm-focused approach, the firms' activities and efficiency are inextricably linked to other actors' activity. The attention of the present research is thus not on firms alone, but rather the focus is on the state actors, specifically political parties. Therefore, except the pure economical theoretical explanations, the approach also has its political dimension. In the following section, the two models of *varieties of capitalism* are distinguished. I then focus on the political dimension of each of them, which holds a crucial importance for this research. Such focus on political parties is largely neglected in the mainstream political economy literature when comparing versions of capitalism (Grdešić, 2007) within both of the institutional settings.

### 2.1.1 Liberal and coordinated market economies in political dimension of *varieties of capitalism*

Hall and Soskice (2003) claim that the main distinguishing factor between liberal market economies (LMEs) and coordinated market economies (CMEs) is the way in which firms deal with coordination problems when they occur. On the one hand, in LMEs firms function through hierarchical and competitive market arrangements which highly corresponds with the neoliberal idea because of the emphasis on unwanted activity of the state in the economy. On the other hand, in CMEs, companies rely heavily on non-market relationships to coordinate their activities with other actors and to construct their competencies. In this setting, the intervention of the state is acceptable. Table 3 outlines the main differences between LMEs and CMEs.

Table 3- Differences between LMEs and CMEs

DIMENSION	CMEs	LMEs
<b>Financial system</b>	Loans from bank, close relationship finance production, short-term profitability not important	Stock market, investing, short- term profitability important
<b>Industrial relations</b>	Consensus decision making, employer-employee cooperation	Competitive labor markets, flexible labor contracts
<b>Inter-firm relations</b>	Joint projects, formal and informal cooperation	Market relationships, formal contracts
<b>Ideal types</b>	Germany	The USA, the UK

Source: Hall and Soskice 2003, Grdešić 2007

Furthermore, Wood (2001) suggests that even though the firms represent the main determinants for this approach, the government is the actor that determines the public policy. The government may experience the pressure of ideological, political, or electoral factors in the process of public policy delivery. That could result in an unexpected policy direction change. In addition, the author raises a question how presented differences between CMEs and LMEs influence employers policy preferences. According to Wood (2001), the connection between the form of capitalism and policy preferences is very clear. Employers, who are highly dependent on their institutional competitive advantage, will look out for the public policy in order to sustain and strengthen their relationship with the institutions. Ultimately consequently, public policy represents a crucial support channel for the governance arrangements of both CMEs and LMEs.

The employers therefore wish to intervene in the government policy in order to perform two related functions, as suggested by Wood (2001) – the *framework legislation* and *market preservation*. The

two versions of capitalism sharply differ in both regards. For CMEs, *framework legislation* is a channel through which the state ensures and protects rich networks of business coordination. LMEs lack that kind of activity. Regarding *market preservation*, businesses in LMEs perceive the state as an agent of market preservation while businesses in CMEs see the state as the protector of institutions of coordination (Wood 2001). Here the political dimension of *varieties of capitalism* approach is already perceptible for the two reasons. The two institutional designs differ from each other in the respect of the role of the state.

## 2.2 Political parties' preference formation in Great Britain and Germany

As discussed in Chapter 1, institutional design influences employers' policy preferences through *framework legislation* and *market preservation* (Wood 2001), both of which are in the domain of political parties' activities, meaning that the political party in power is the main actor in policy formation. In addition, Wood (2001) demonstrates two factors that determine the policy-making power of a national government – *constitutional contexts* and *political constraints*. These I perceive as fundamental elements to describe national political arena. The former one refers to concentration/dispersion of power in the political system while the latter one concerns the government's ability to implement policy agendas. For example, if a government has to be in a form of a coalition (due to the electoral system rules), that is serious political constraint on the single (the largest) party in a coalition to pursue its policy agenda (Wood 2001). The two factors differ in Great Britain (LME) and Germany (CME). Instead being focused just on the party in power (government), for the purpose of this research, I extend and implement Wood's claim on political parties in general. The logic behind the extension is that all parties in national political arena centre their activities and operations towards the main goal – to be in power. Therefore, their

election strategies are valid answer to question what policies would they produce if they were given an opportunity to govern. In the next sections, I depict British and German national political arena.

### 2.2.1 Great Britain: national political arena

Even though Britain has no written constitution, constitutionally speaking its government is exceptionally powerful. Wood (2001) demonstrates the explanations for that - the doctrine of parliamentary sovereignty and majoritarian (first-past-the-post) electoral system which usually produces a single-party government. Majority in the lower chamber of the British parliament (House of Commons) has an open way to pursue its policy preferences - the upper chamber (House of Lords) was declined in (veto) power at the beginning of the twentieth century; the courts are limited when reviewing bills proposed by the Parliament; local government has no constitutional protection. Parties in the opposition have no significant power as long as majority's party discipline in the House of Commons is consistent. "The implications of these constitutional features is that, once elected, Westminster governments can do almost anything they want. It is a degree of formal power unmatched anywhere in advanced industrial democracies" (Hennessy 1994 in Wood 2001:255).

Evolution of constitutional context and political constraints in the British political system has produced two party system with two main actors – the Conservative and the Labour Party. Placing the competition between the two parties through "first-past-the-post" majoritarian electoral system, in the neoliberal context, and the character of the political rivalry in Great Britain makes the principal claim of this thesis - left-wing party in the United Kingdom (LME country) were pressured more to make a more significant move to the centre-right/right of the policy preference spectrum – easier to understand. Moreover, potential significant move to the right in policy preference respect can also be explained by Tsebelis's (1995) veto player theory. The theory states

that political stability- absence of potential for a policy change – increases when the number of veto players as well as their congruence and internal cohesion increases. British political system does not have many veto players. Therefore, it is easier to make a significant change. However, that is not the case in Germany.

As noted above, one of the pioneers of implementing neoliberal agenda was Margaret Thatcher, the leader of the Conservative Party and British Prime Minister from 1979 to 1990. In that period, as Kitschelt (1996) argues the libertarian values and preferences have become dominant among individual voters (see section *External influences on policy preference formation*) This triggered changes in Labour parties in the respect of adjusting policy preferences as well as inner party structure. Explanation for that can be elaborated in two aspects: on the one hand, voters did not perceive leftist policies as efficient as rightist (which can be seen in demands for more individual freedom and perceiving the state as the enemy number one), and on the other hand, the main political rival of the Labour Party, the Conservatives, were initiators of the neoliberal turn. The decrease in voters' support of Labour party (Thorpe 2008, Wolinetz 1988, and Fielding 2003) and the change in their individual preferences opened the space for conservative neoliberals to establish themselves as the party in power which demanded significant adjustments in policy preferences. This research is an attempt to discuss and empirically support these explanations for the case of the British Labour Party and in the comparison with the German Social Democrat Party. Table 4 on the following page, demonstrates the elements of British national political arena relevant for this research.

In sum, this thesis studies policy preferences alterations (of the two parties mentioned above) as a part of their electoral strategies. Therefore, the main analysis for this research is based on parties' election manifestos' content. Kasapovic (2003) defines an election manifesto (or an election

program) as a formal document through which a political party is communicating with the voters. It consists of election objectives which would be achieved if the party wins the elections and comes into power. In general, election manifestos' content aims to maximize the party's chances to win an election. As mentioned above, election manifestos are incorporated into a so-called electoral strategy which stands for a plan of action through which a party (or a candidate) endeavour to accomplish their fundamental political goals and interests. In addition, Bakker and Hobolt (2013) claim that party manifesto data (plus expert surveys and voter surveys) is representative party position measure. The authors argue that manifesto data has its advantages in objectivity, validity, and separation of preferences and behaviour.

*Table 4 - Denotations of British national political arena*

<b>BRITISH NATIONAL POLITICAL ARENA</b>	
<b>CONSTITUTIONAL STRUCTURE</b>	<i>Centralized, unitary state</i>
<b>PARTY SYSTEM</b>	<i>Two-party system; Conservative Party as the main political rival</i>

However, in Germany, the situation is different and the focus is on both political constraints and constitutional contexts not just on the latter like in the British case. The nature of national political arena also differ in a significant amount than in the British case.

#### *2.2.1.1 British Labour Party: origins*

The British Labour Party has a foundation in Trades Union Congress (1899). The purpose of the party was to represent unions in the parliament and promote legislation in the direct interest of workers. (Fielding 2003). In addition, Labour Representation Committee (LRC) was the secretary of the new organization, which was renamed into Labour Party after the 1906 parliamentary elections. The creation of the LRC and the Labour Party signified the way in which trade unions

tried to deal with negotiations with employers, and to try to gain the leverage through strikes, and other trade union actions. Thorpe (2008). The founding constitution was ratified in 1918. “This constitution marked Labour’s transformation into a national organization with branches across the country. By the end of the 1920s, however, it had established a secure niche in the industrial working class and proved it could sometimes appeal to certain middle-class voters” (Fielding 2003:18-19). In addition Fielding (2003) claims that in the period from the 1940s to the 1970s, the Labour Party policies were traditional leftist policies: nationalization of the economy, creation of welfare state, increasing economic efficiency and decreasing inequality in society through state intervention, tendencies toward a type of progressive taxation. The leftist agenda culminated in 1973 election programme in which Labour Party committed to “fundamental and irreversible shift of wealth and power in favour of working people and the nationalization of the country’s top two companies” (Fielding 2003:24). This programme was never implemented.

#### *2.2.1.2 Inner party changes*

Inner party changes in leadership and organization of the party can also influence alterations in party’s trajectory. Gamble (2010) claims that the Labour Party is no longer social-democratic, but a neo-liberal centrist party. Thorpe (2008) and Wolinetz (1988) claim that serious changes within the party started to happen in the aftermath of losing 1983 parliamentary elections in which the Labour party won the lowest share of votes since 1918. After this fiasco, Neil Kinnock took over the party leadership whose strategy was to isolate the “hard left” from having an influence in decision-making process (Wolinetz 1988). The “logical” corollary was that Labour should move further towards the “centre ground” of politics” (Thorpe, 2008:229). In addition, besides the nature of British national political arena, overall attenuation of the working class in combination with class dealignment catalysed this process. However, the biggest change occurred under Tony Blair

who was determined to occupy the centrist voters to stay in competition line with the Conservatives. Tony Blair's era is often called the New Labour era and started in 1997. The era is often called the Third Way. Crouch (2001:93) argues that "analysing the idea of a third way between social democracy and neoliberalism is difficult since social democracy itself has been a third way between socialism (seen as the removal of productive resources from private ownership to some form of collective control), and *laissez-faire* capitalism". Therefore, the idea and the concept of the New Labour is not so straight-forward.

The New Labour era had different understandings. As Gamble (2010) argues, there are three interpretations of this era. The first one emphasises that the Labour policy stayed consistent within the paradigm created by the Conservative governments during the 1970s and the 1980s. The second interpretation states that the New Labour signifies radical changes in terms of party ideology and policy with the aim to combine social justice and economic efficiency. The third approach advocates that the New Labour is the continuation of the old Labour. No matter what interpretation was accepted, it was common to argue, especially among leftists, that the Labour Party became a centrist neoliberal party or even the second Conservative Party. Followers of the New Labour idea claimed that the party had been reborn. Therefore, among most of the leftists, the Labour party (under Blair) was no longer considered as a traditional, leftist, and social-democratic party (Gamble 2010). Crouch (2001) argues that defining this reborn Labour Party as a neo-liberal party which is obligated to make a certain degree of concessions to its social-democratic legacy is the most precise description of it.

Thorpe (2008) demonstrates three reasons why Tony Blair succeeded pursuing the right-wing (neo-liberal) strategy. First, Blair was the new leader and was elected by the awe-inspiring majority that created circumstances within the party in which it was inefficient to go against Blair's leadership

and the new ideas for the party election strategies. Second, Blair had a strong backing of the rest of the party headship.

In addition, Hopkin (2007) argues that Blair's first move was to fundamentally change party's hitherto ideology which was based on a traditional socialist idea where the distribution of power and wealth are in the hands majority of the population, not just a few. Fielding (2003) and Thorpe (2008) claim that key policy areas have also been transformed in, as Hopkin (2007) states, in the direction of pro-market doctrines of the new right (the legacy of Margaret Thatcher). Labour's election manifesto for the 1997 election was clear evidence of that. It was based on fiscal responsibility (keeping government borrowing low plus freezing public spending except in health and education system). Fiscal responsibility was incorporated in so-called "Golden Rule"- a commitment that government would not go into debt to fund current business cycle and to keep government debt below 40% of GDP. On the other hand, Labour government released itself the commitment to set interest rates which have become the responsibility of the UK's central bank, the Bank of England. Not increasing income tax rates was also one of the Labour government strategies which were a part of a new (neo-liberal) approach to economic policy (Hopkin, 2007).

### 2.2.2 Germany: national political arena

There are four constitutional contexts that Wood (2001) elaborates on in the case of German national political arena. The first one is federalism as a constitutionally protected organization of the German nation-state. Federalism limits the national government to intervene in specific policy areas which are in federal units' domain. The second one is the symmetric bicameralism of the German parliament, meaning that the upper chamber (the Bundesrat) has the same amount of power as the lower chamber (the Bundestag) regarding most important policy issues. In addition, some policy areas are the responsibility of "para-public institutions" (Wood 2001:254) such as

Bundesbank, German central bank. These institutions are protected against the intervention of national government. Lastly, the powerful German Constitutional Court has the significant review authority. If the British government is completely sovereign in the respect of *constitutional context*, the German one, as Katzenstein (1987) in Wood (2001) names it, is “semi-sovereign”.

Governmental power in Germany (regarding the pursuit of policy preference) also has *political constraints*. The most relevant one is the mixed/combined electoral system which tends to produce coalition rather than single-party governments. Since the 1960s when the Grand Coalitions was formed inner coalition disputes have been aggravating policy pursues of German governments. Moreover, the organization of German political parties represents another *political constraint*. They consist of broad coalition groups whose interests and preferences are “catch all” character, meaning that they could be found on both sides – left and right - of the policy preferences spectrum.

Due to the explained constitutional and political constrains, party competition in Germany differs from the one in Great Britain. Scholars usually define German party system as two and a half party system (Siaroff 2003) within which parties do not diverge in the respect to ideology and policy preferences as they do in Great Britain. The main “rival” of the German Social Democratic Party is Christian Democratic Party family CDU (Christian Democratic Union) which constitutes itself as a centre-right political party due to its catch-all party<sup>6</sup> operations. Because of different nature of party competition and the national political arena itself, German parties are pursuing divergent electoral strategies and inner structures in the relation to their British counterparts. The characteristics of German political system encourage veto player number to increase and to have influence in the decision-making process. Therefore, as Tsebelis (1995) argues, in this kind of

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<sup>6</sup> The form of the political part which is characterized by focusing on attracting voters from various social classes and groups and by that neglecting classical cleavages in society and ideology as such (Caramani 2013).

setting it is more difficult to make a policy change. To sum up, the nature and effects of independent variables between the Labour Party and Social Democratic Party are distinctive. Table 5 sums up the independent variables in the case of Social Democratic Party in German political system.

*Table 5 - Denotations of German national political arena*

<b>GERMAN NATIONAL POLITICAL ARENA</b>	
<b>CONSTITUTIONAL STRUCTURE</b>	<i>Federal state</i>
<b>PARTY SYSTEM/PARTY COMPETITION</b>	<i>Two-party system; Christian Democratic Party as the main political rival</i>

The process of policy preferences formation and implementation is more straight –forward in Great Britain due to the exceptional power of (in most scenarios single-party) national government. Unitary organization of the state, power concentration, weak veto players, majoritarian first-past-the-post system, and hierarchal structure of political parties combined with party discipline in the parliament are the main factors which contribute to that. In contrast, the power of national government in Germany “suffers” from a high degree of both constitutional and political constraints. Political power is dispersed due to the federal structure of the state and symmetric bicameral parliament while the mixed/combined electoral system encourages the formation of coalitional instead of single-party governments.

#### **2.2.2.1 German Social Democratic Party: origins**

German Social Democratic Party (SPD) was founded by two associations: the General German Workers’ Association and Social Democratic Worker Party. The former had three main goals on the agenda: expanding suffrage, founding an independent workers organization and establishing producers’ cooperatives; while the latter pursued a programme aimed at uniting workers against capitalism (Braunthal 1993). According to Lavelle (2015), neoliberal change regarding policy

preferences started in the 1970s and the 1980s with liberalizing economic policies. The most visible turn to the right occurred after SPD won the election in 1998: welfare spending was cut, corporate taxes were reduced, capital gains and wealth taxes were abolished.

#### 2.2.2.2 *Inner party changes*

Referring to the inner changes in the SPD, the first big change occurred in 1958 when the “inner cabinet” was created. In addition, in the end of the 1950s, precisely in 1959 introduced so called *Godesberg* program which signified the party’s movement from utopian and revolutionary Marxist slogans. The *Godesberg* program initiated SPD’s movement to the right in order to become a catch-all party by putting effort to attract not only blue-collar workers, but middle class and professionals. Braunthal (1993). Wolinetz (1998) claims that in the 1960s all relevant parties in German party system were converging, and, therefore, started a trend of catch-all parties. For the German Social Democratic party that meant moving away from its “red” core. Instead of crafting election strategies just as a party of a working class, Social Democrats have made the gradual movement of strategy focus to a new-formed middle class including women, white-collar workers, young voters, and even Catholic working class in German society. In addition, Wolinetz (1998) claims that due to the socio-economic developments, erosion of traditional class cleavages was unavoidable. In the 1970s, there were attempts to move the decision-making process from the executive to the cabinet (Braunthal 1993). These changes represent an evident shift away from the traditional leftist to a more right-wing and market-oriented politics and policy preference. Similar to the case of the Labour Party, the 1980s also signified tough time for the German Social Democrats because in 1983, when Christian Democrats came into power, they were demoted into the opposition. However, because of the nature of German national political arena, this did not automatically mean radical turns and changes in Social Democrats’ political trajectory.

In the 1980s newness in the form of the Green Party appeared in German party system. Due to the character and ambitions of the Green Party, traditional cleavages have been replaced with the post-materialistic one Busch and Manow (2001). Moreover, the authors argue that Social Democrats' leadership had three response to this and similar developments in the national political arena. First, it could incorporate itself with the New Left (the Green Party) which was focused on post-materialistic issues such as ecology and peace. Second, it could broaden its plea within old materialistic issues such as employment, social spending etc. Finally, it could seek a coalition with a party like the Green Party. Busch and Manow (2001) conclude that during the opposition years, Social Democrats tried all three mentioned tactics and were switching indecisively between them.

After the fiasco at 1990 elections, leadership of the party was pressured to implement a dose of change in party's election and policy strategy. In the economic policy, the lower taxation and fiscal probity were highlighted as novelties. The new leadership under Lafontaine kept these policies in the economic sphere, but at the same time included traditional social democratic welfare policy and pursuing the social justice as the main goal. In 1998 federal elections, the party had "twin" leadership – Lafontaine as the party chairman and Schroeder as a candidate for Chancellor (Busch and Manow 2001). Similar to the British Labour Party with Tony Blair, Schroeder as the Chancellor in power also took so-called the third way – Neue Mitte. Busch and Manow cite the definition of Neue Mitte slogan in Social Democrats' 1997 election campaign from the Social Democrats' election program. In short, the slogan's objective is to mobilize as many and as diverse (highly educated) social groups as possible to vote for them, and incorporate them the New Centre policy. Busch and Manow (2001) conclude that in the case of the German Social Democratic Party, consequences of leadership and policy preferences changes did not bring as homogenous election programmes and the party itself like they brought in the case of the British Labour Party.

This chapter illustrated the comparative framework for this thesis. I put the two cases – the British Labour Party and the German Social Democratic Party into comparative perspective. The comparison is elaborated on the basis of the four explanatory factors which are also the core parts of the causal model of this thesis. According to them, country profiles of Great Britain and Germany are demonstrated. Finally, profiles of the two studied parties are illustrated according to two features – party's origins and inner party changes. It could be concluded that both of the parties have tightly linked origins given that both of them emerged from the trade union organizations. Regarding inner-changes, German Social Democrats made a movement to the right in 1959 with the *Geddesberg* program, which is earlier than the Labour Party which experienced serious reconstruction and change of trajectory in the first in 1983 with Neil Kinnock and later, in 1997 under Tony Blair's leadership.

## CHAPTER 3: METHODOLOGY – QUANTITATIVE ELECTION MANIFESTO ANALYSIS

This chapter outlines the methodology used in the research of the alternations of the policy preferences of the two selected cases: BLP and SPD. Statistical analysis within the quantitative part of the research is based on comparing frequency occurrences of different policies in the two selected cases' election manifestos throughout the second part of the twentieth century where the year of 1980, as noted in introduction and theory chapter, signifies turning point in alternations of policy preferences as well as division of research period into two parts – prior and after 1980.

### 3.1 Quantitative research – frequency occurrences analysis

For the quantitative part of this thesis research, I assess descriptive statistics – frequency occurrences of particular policy preferences throughout the period from 1945 to 2001 for British Labour Party and from 1949 to 2002 for German Social Democratic Party. The data I am using is a dataset for statistical analysis called *Mapping Policy Preferences I and II*. The dataset is the accumulation of the research conducted on the quantitative and content analysis of European political parties' election manifestos. The dataset and the correspondent codebook can be publicly accessed on the *Manifesto Project's* official website.

I conduct the quantitative analysis in three parts. First, I compare the frequency occurrences of selected policy preferences<sup>7</sup> in BLP's and SPD's election manifestos throughout the whole (data covered) periods. For BLP that is the period from 1945-2001 and for SPD that is the period from 1949 to 2002.

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<sup>7</sup> Policy preferences are derived from parties' elections manifestos and their general political strategies

Secondly, I compare the frequency occurrences of selected policy preferences of the two parties in the period prior to the year of 1980. For BLP, that means the period from 1945 to 1979 while for SPD that is the period from 1949 to 1976.

Finally, I compare the frequency occurrences of selected policy preferences of the two parties in the period after the year of 1980. For BLP, that means the period from 1983 to 2001 while for SPD that is the period from 1980 to 2002. The periods prior and after 1980 are slightly different between the two cases. The reason for that is diverse starting point of election cycles in Great Britain and Germany.

It should be noted that frequency occurrences represent the occurrence (percentage share) of mentioning each policy in a direct or indirect way in each of the coded election manifestos. For the purpose of the analysis occurrences for each policy in every single election manifesto are summed up within each of the policy domains (elaborated in the next section). This is being done when in the part of the analysis which focuses on *which* policy preferences have changed. However, when the analysis focuses on *when* policy preferences have changed, the occurrences are used as individual amounts, instead of being used as a sum.

The total amount of elections manifestos I use for the analysis is 28 from which 13 manifestos belonged to BLP while 15 of them were a part of SPD's strategy. It is important to emphasise the number of analysed manifestos prior and after 1980 which is the turning point year. For BLP, there are 8 manifestos analysed prior, and 5 of them analysed after 1980. In the case of SPD, there are 9 manifestos analysed prior 1980 while 6 of them belong to the period after 1980. I present the policy selection and justification in the following section.

### 3.1.1 Policy selection

In this section, I describe and justify the policy selection from the dataset. I choose 3 general policy domains from the dataset. Each of the domain consists of a number of particular correspondent policies. Table 2 on the following page outlines the chosen policy domains, particular policies within them and the description of their meaning.

Table 6- Outline of selected policies from Mapping Policy Preferences I dataset

POLICY DOMAIN	POLICY	POLICY DESCRIPTION <sup>8</sup>
ECONOMY	FREE MARKET	Laissez-faire economy, individual enterprise domination over state control, private property rights, personal initiative
	INCENTIVES+ (positive) <sup>9</sup>	Subsidies, tax break, encouragement to start enterprises
	MARKET REGULATION	Increased consumer protection, preventing monopolies, defence of small businesses against power of big business, social market economy
	ECONOMING PLANNING	Policy plans, strategies
	CORPORATISM/MIXED ECONOMY	Cooperation of government, employers, and trade unions, collaboration of employers and employee organization in economic planning supervised by the state
	PROTECTIONISM+ (positive)	Tariffs, quota restrictions, export subsidies
	PROTECTIONISM- (negative) <sup>10</sup>	Free trade and open markets
	KEYNESIANISM	Increasing public demand and social expenditures, stabilization in the face of depression, government stimulus plans in economic crisis
	CONTROLLED ECONOMY	Control over prices, minimum wage policy
	NATIONALISATION	Government ownership of industries (partial or complete)
	ECONOMIC ORTHODOXY	Reduction of budget deficit, retrenchment in crisis, savings, support for strong currency and traditional economic institutions (banks, stock markets)
WELFARE AND QUALITY OF LIFE	ENVIRONMENTAL PROTECTION	Preservation of natural resources, countryside, forests, animal rights
	EQUALITY+ (positive)	Protection for unprivileged social groups, removal of class barriers
	WELFARE STATE EXPANSION	Government funding of health care, child care, elder care and pensions, social housing
	WELFARE STATE LIMITATION	Limiting the spending on social services or social security (private care before state care)
SOCIAL GROUPS	LABOUR GROUPS+ (positive)	More jobs, good working conditions, fair wages, pension provisions
	LABOUR GROUPS- (negative)	Danger of trade unions abusing power
	AGRICULTURE AND FARMERS+ (positive)	Policies that favor agriculture and farmers
	MIDDLE CLASS AND PROFESSIONAL GROUPS	Professional groups (doctors, lawyers), white collar groups (bankers), service sector groups (IT industry)
	UNPRIVILEGED MINORITY GROUPS	References to handicapped, homosexuals, immigrants, indigenous

Source: (Volkens et al. 2015)

<sup>8</sup> Policy description refers to favoured or unflavoured references on each policy in the election manifestos

<sup>9</sup> Positive reference in the election manifesto

<sup>10</sup> Negative reference in the election manifesto

All three domains were chosen on the basis of neoliberal/anti-neoliberal policy preference. Selected policies within each of the domain represent a clear distinction between the rightist (neoliberal) and leftist (anti-neoliberal) policy preference. In addition, they are core and most representative policies in any national economy. Most of the selected policies are leftist by default, but that I do not perceive as a limitation in research because I study how often the themes of each policy are mentioned in election manifestos' content and not how many of leftist or rightist policy are there. The logic of the frequency occurrences states that if a reference to a leftist policy is not frequent, there is a large possibility that its rightist counterpart is frequent.

For example, in the *economy* domain policies like market regulation, Keynesianism, a positive or negative reference to protectionism, corporatism, or nationalisation directly refer to the juxtaposition of neoliberal and anti-neoliberal (Keynesian) economy which was elaborated in the theory chapter. In the *welfare state* domain (the policy section which was, as noted in the theory chapter, heavily withdrawn from the agenda) welfare state spending expansion on the one hand, and spending limitation on the other represent the neoliberal and anti-neoliberal policies. Positive references to social equality policies and environmental protection were selected because they represent the outcomes of "core" economic and welfare policies. The neoliberal outcome would encompass a higher level of social inequality and lower level of environmental protection care. Presence, references and actual implementation of selected policies within *social groups* policy domain are also direct consequence of neoliberal policy given that social groups such as labour and marginalized groups often depend on social spending and benefits provided by the state. Selected policies also make a clear left-right distinction This could be seen in positive or negative references to labour groups which are leftist (anti-neoliberal) by default while references to the agricultural and farmer groups as well as to the middle class and professional groups belong to the right

(neoliberal) policy spectrum. In the next section, I articulate hypotheses for the quantitative part of the research. I elaborate on that in the results and findings chapter in detail.

### 3.1.2 Hypotheses

I articulate three hypotheses based on the literature review about evolution of both of the cases throughout the twentieth century:

**HYPOTHESIS 1:** *the frequency occurrences of the left-wing (anti-neoliberal) policy preferences is higher in the period prior to 1980 and lower after 1980 for both cases*

**HYPOTHESIS 2:** *the frequency occurrence of the left-wing (anti-neoliberal) policy preferences of the British Labour Party is lower than the frequency occurrence of the left-wing policy preferences of the German Social Democratic Party after 1980*

**HYPOTHESIS 3:** *both British Labour Party and German Social Democratic Party made a movement to the right on the left-right (party positioning) spectrum throughout the second half of the twentieth century*

### 3.1.3 Limitations of research

The most significant limitation is the questionable reliability of election manifestos as the real and objective policy preferences source. The reason for that is the potential discrepancy between what a political party does in election strategy and when it comes into power. Therefore, election manifesto content is not the most suitable for direct comparison of political parties. However, this thesis is more attentive to studying and analysing the two cases individually. As Dolezal et al. (2012) claim, election manifesto data has difficulties to meet criteria of validity and reliability. Therefore, it is challenging to generalise the results out of the field of election strategy because every party has the right to develop its own pattern and content on the election manifesto.

Comparisons of the cases that I make are only valid in the relation of one case to another and *vice versa* based on their individual development and changes pattern through the election manifestos.

In chapter 3 research method for the thesis has been elaborated. The aim of quantitative research – frequency occurrences analysis - is to discover changes in frequency occurrences (references) of particular policies in the content of parties' election manifestos. Selection of particular policies within policy domains is based on neoliberal and anti-neoliberal policy juxtaposition. Occurrences are compared regarding the two political parties which are being studied and in time periods – prior and after 1980. The dataset from which frequency occurrences data for each particular policy was extracted was accessed on the official *Manifesto Project* website.

## CHAPTER 4: FINDINGS AND DISCUSSION – FREQUENCY OCCURRENCES OF POLICY PREFERENCES

This chapter presents the results and discussion on both quantitative and qualitative analysis. Regarding the quantitative section, results of frequency occurrences – percentage share of mentioning particular policies within three broader policy domains in the parties' election manifestos' coded content - are being explained and elaborated.

### 4.1 Results of the election manifestos' frequency occurrences analysis

I divide this section into three parts – economic policy, the welfare state and quality of life policy, and policies towards different social groups - accordingly to the three policy domains which are being analysed. Each part consists of the results for both of the cases – BLP and SPD. The analysis for both of the cases was done with making the year of 1980 as a separation point meaning the primary aim of the analysis was to show and compare the frequency occurrences prior and after 1980, so the time of alterations in policy preferences could be observed and explained. At the end of this section, I position the two cases into a comparative perspective.

#### 4.1.1 Economic policy

Frequency occurrences of eleven particular policies were analysed in the economic policy domain, six of which were occurring significantly. These are - free market economy, economic planning, corporatism/mixed economy, nationalization, economic orthodoxy, and market regulation.

In the domain of economic policy, in the case of BLP, in the period prior to 1980, there is an obvious and clear dominance of references to left-wing (anti-neoliberal or Keynesian) policies – nationalization, market regulation, and economic planning with a very trivial amount of references to corporatism. 1974 signifies the peak year of references to these policies. After 1980 references

to the mentioned leftist economic policies are significantly in decreasing trajectory. Also, the important observation here is that there are no references to nationalization, market regulation, and economic planning policies from 1997 onwards. Instead, there is a significant rise of references to the economic orthodoxy policy which is a distinctive rightist (juxtaposed to Keynesianism) economic policy and which also fits into neoliberal context especially in the respect of the amount of government spending and supporting traditional economic institutions such as banks and stock markets. As the rest of the quantitative analysis as well as qualitative part of the analysis will confirm, 1997 can be perceived as the year when the highest degree of inner-party changes and policy preferences alterations occurred. Tony Blair's new leadership and government are the main reasons for these developments. This finding is also an evidence that BLP under Tony Blair took over and continued neoliberal agenda after previous Conservative government. Figure 4 shows the described frequency occurrences within the economic policy domain.

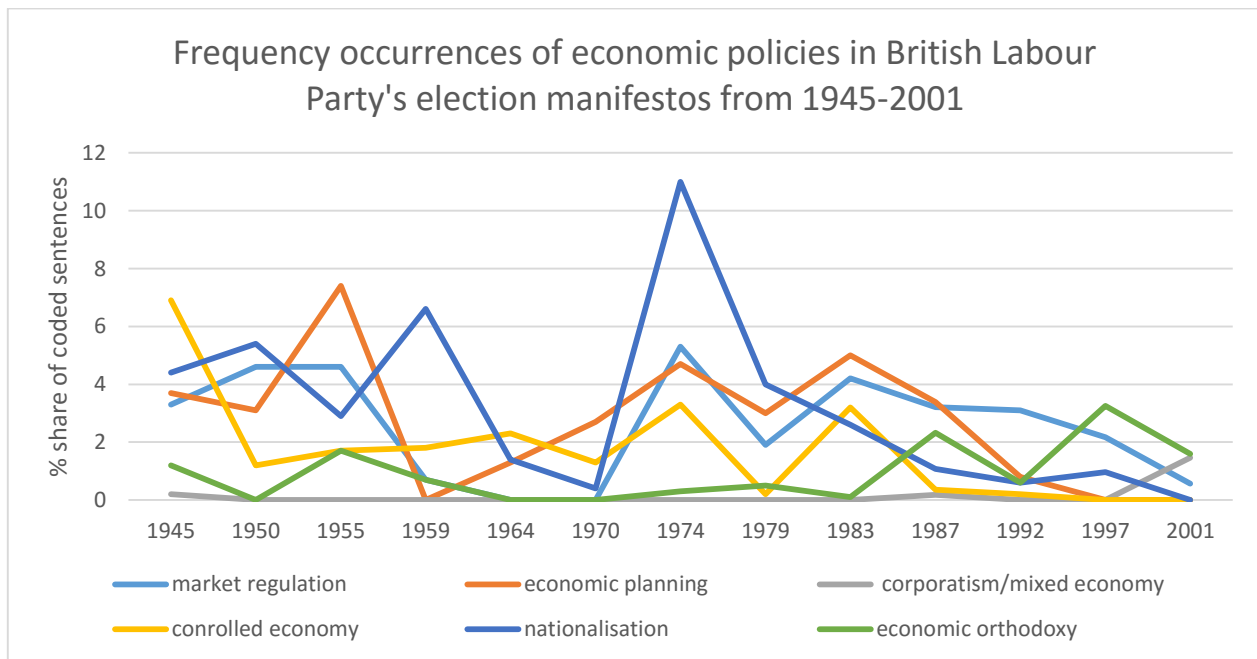


Figure 4 - Frequency occurrences of economic policies in British Labour Party's election manifestos from 1945-2001

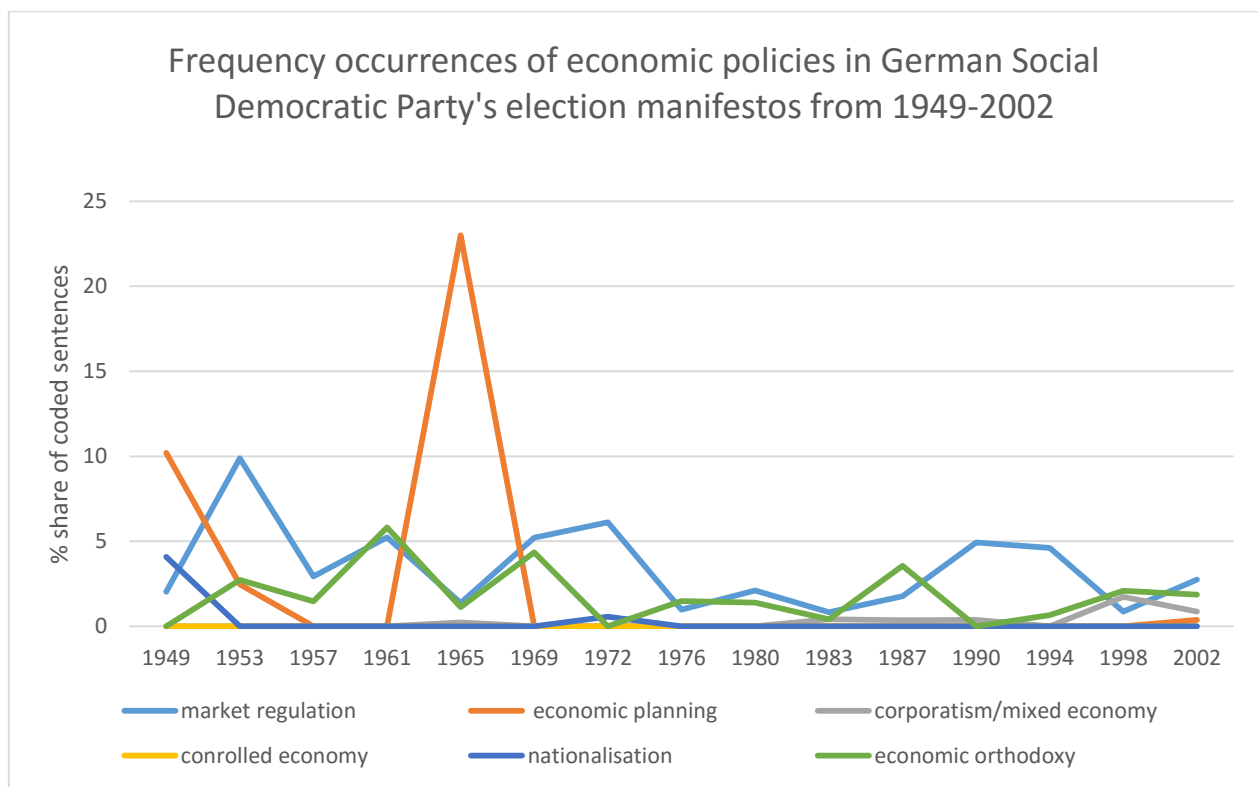
The analysis of election manifestos of SPD prior 1980 demonstrated similar share of frequency occurrences of leftist/Keynesian economic policies (market regulation, economic planning with a fair amount of references to corporatism) as the analysis of BLP. However, the two parties diverge regarding references to these particular economic policies in the period after 1980. The results showed that SPD kept references to market regulation policies, which is one of the most anti-neoliberal, in a significant amount also after 1980.

This finding supports the main argument of this thesis – the party that operate within LME institutional design have changed in more significant amount than those that operate in CME. As discussed in the theory chapter, institutional design in CMEs does not entirely exclude the state from any relevant economic process which goes hand in hand with Keynesian policy which was globally present and implemented from the end of the Second World War till 1970s/1980s when neoliberal agenda “kicked in”. On the other hand, institutional design in LMEs favours market forces which are independent from the state, to regulate the market and to establish foundations for the economic policy themselves (compatible with neoliberal policy).

Moreover, discrepancy- in the context of the institutional design- in the findings between the two cases could also be observed in references to corporatism/mixed economy policies. The results show that, in the period after 1980, SPD kept references to corporatism as a very significant part of election strategies, which was not the case with BLP. The nature of CME and LME institutional design goes hand in hand with this finding and could provide a valid explanation for it. As elaborated in the theory chapter, industrial and inter-firm relations in CMEs are based on consensus decision-making and joint projects in which the state is one of the main actors. However, in LMEs these relations are regulated by competitive labour markets isolated from the state’s influence. Again juxtaposition between neoliberal stimulus which perceives the state as the nemesis and fits

into LME institutional design, and anti-neoliberal stimulus where the state has the relevant role and influence in the economy can be clearly observed.

The interesting finding within the economic policy domain is that even though in both prior and period after 1980 references to Keynesian policies were dominant, there is insignificant mentioning of Keynesianism itself. Figure 5 demonstrates references to particular policies in economic policy domain for SPD's election manifestos.



*Figure 5 - Frequency occurrences of economic policies in German Social Democratic Party's election manifestos from 1949-2002*

References to the rest of the particular policies were insignificant for both of the cases, therefore, they are not elaborated and discussed in the analysis. Further and in-depth discussion of repercussions of the results from the economic policy domain takes place in the section in which I compare the two parties.

#### 4.1.2 Welfare state and quality of life policies

Results of the analysis and observations of alterations in policy preferences regarding support to neoliberal and anti-neoliberal policies prior and after 1980 in the welfare state and quality of life policy domain correspond to those in the economic policy domain. Welfare state expansion, welfare state limitation, positive references to equality, and environmental protection are specific policies which were analysed.

In the case of BLP, there are constant and abundant references to welfare expansion till 1997, when (and onwards) there is a very insignificant mentioning of this policy in the election manifestos. Like in the economic policy domain, the year of 1997 when Tony Blair came into power indicates the point of ample change in the party's trajectory. Having in mind that welfare expansion belongs to anti-neoliberal policy, here again it is obvious that the Labour Party started to embrace neoliberal agenda from 1997 thanks to the new leadership. The explanation for this development can be extended to inner-party changes and national political environment, not just the LME institutional design.

However, welfare state expansion policy appeared to be exposed in election manifestos again in 2001. In addition, references to the welfare state limitation were only mentioned in 1970 election manifesto. Positive references to social and economic equality policies were represented less and less after 1980 while environmental protection policies started to appear in election manifestos during the 1970s, but the peak year was 1992. Again, from 1997 onwards references to environmental protection policies were in a downfall. As in the domain of economic policy, traditional leftist and anti-neoliberal policies (welfare state expansion, equality, and environmental protection) were much more relevant and frequent in the period prior to 1980 which again supports the main argument of this thesis. As discussed in the theory chapter, it could be concluded that

neoliberal economic policy is not sensitive to social and economic equality and the environmental protection. To sum up, noteworthy alterations in this policy domain happened in the period after 1980. Figure 6 illustrates frequencies occurrences to the welfare state and quality of life policies in the Labour Party election manifestos.

The analysis of SPD's election manifestos showed a little bit different pattern of policy preferences alterations. Election manifestos were abundant with the references to welfare state expansion policy till 1976. In the same year and in 1980 welfare state limitation policy was mentioned. Like in the case of BLP, from 1980 onwards environmental protection policy was referred to in significant amount while during the first half of the 1990s while the year of 2002 represents the lowest frequency occurrence of this particular policy.

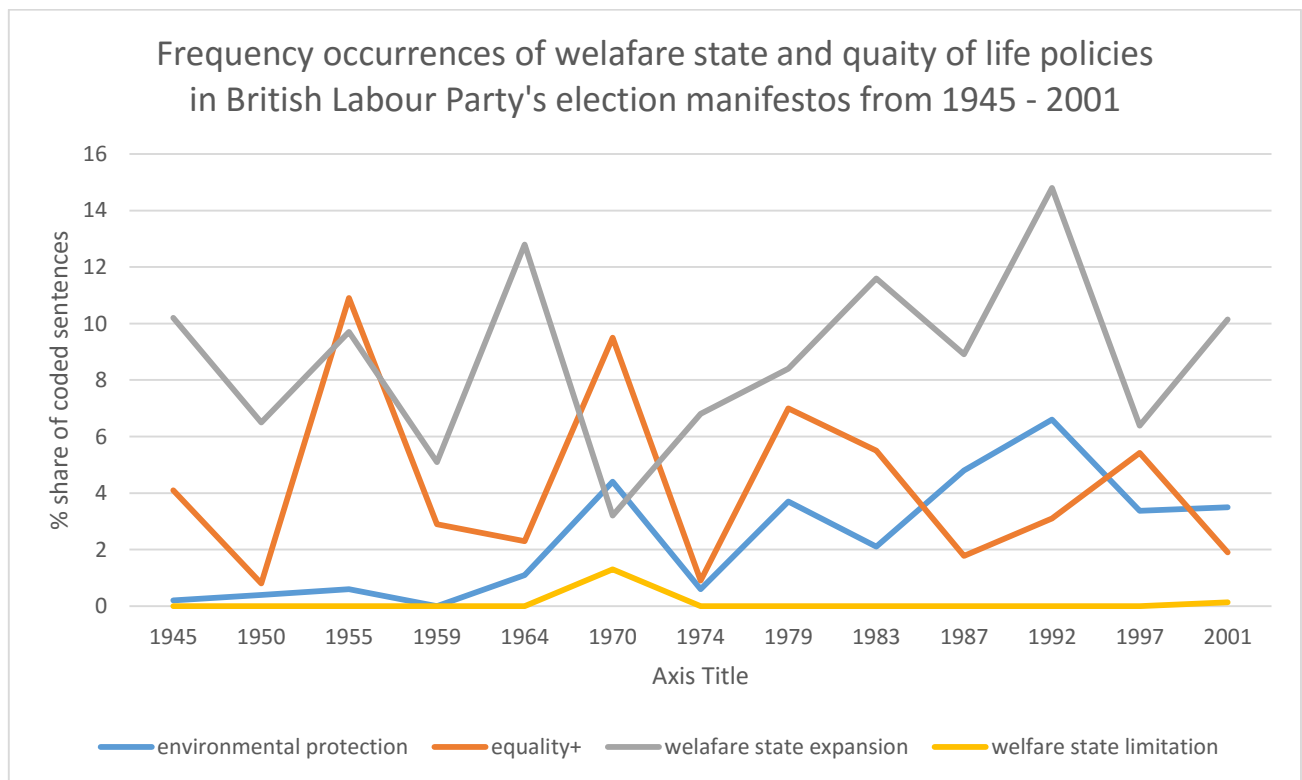


Figure 6 - Frequency occurrences of welfare state and quality of life policies in British Labour Party's election manifestos from 1945 - 2001

Very similar pattern regarding environmental policy can be observed. In addition, appearance of the Green Party in German party system in the 1980s. Positive references to social and economic equality policies were constant and significant with the highest percentage share in 1987. Economic and social equality is traditionally left-wing parties' objective. National political arena and actors in Germany were not "pressuring" Social Democrats to give up on equality issues because their main political rivals, the Christian democrats are also sensitive to the equality issues in a fair amount if their official manifestos are taken into account<sup>11</sup>. On the other hand, British Conservatives, according to their manifesto<sup>12</sup> do not appear to give so much attention to this. Consequently, BLP had to make more significant adjustments and alterations in election strategies (regarding policy preferences) in order to stay competitive in the two-party system. To sum up, in the case of SPD, alterations after 1980 were milder than in the case of the Labour Party which would say that the party resisted a fair amount of neoliberal pressure. Figure 7 demonstrates representation of welfare state and quality of life policies in SPD's election manifestos.

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<sup>11</sup> More details about CDU profile and agenda see at:

<http://www.cceidentity.eu/database/manifestoescon/christian>;  
[https://www.dbresearch.com/servlet/reweb2.ReWEB?rwsite=DBR\\_INTERNET\\_EN-PROD&rwobj=ReDisplay.Start.class&document=PROD000000000315771](https://www.dbresearch.com/servlet/reweb2.ReWEB?rwsite=DBR_INTERNET_EN-PROD&rwobj=ReDisplay.Start.class&document=PROD000000000315771) (accessed on May 15th 2016)

<sup>12</sup> See more at: <https://www.conservatives.com/manifesto> (accessed on May 27th, 2016)

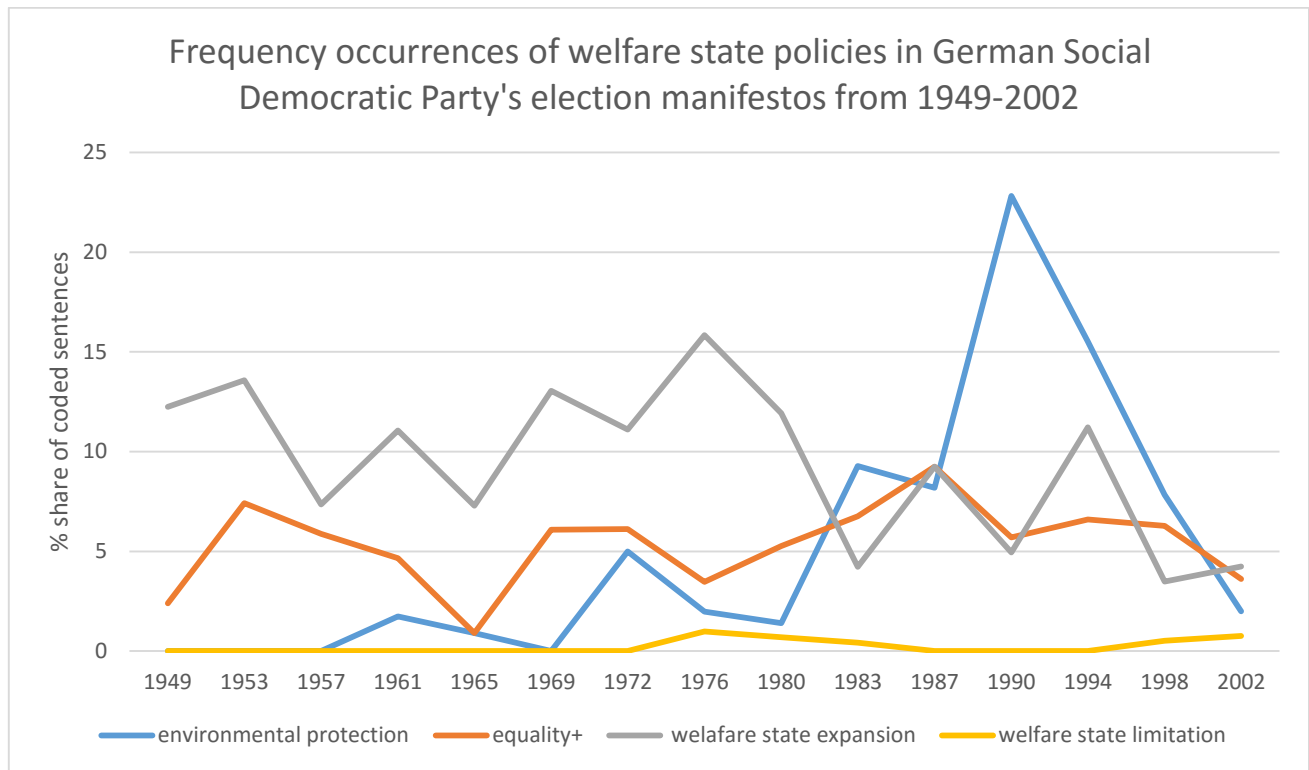


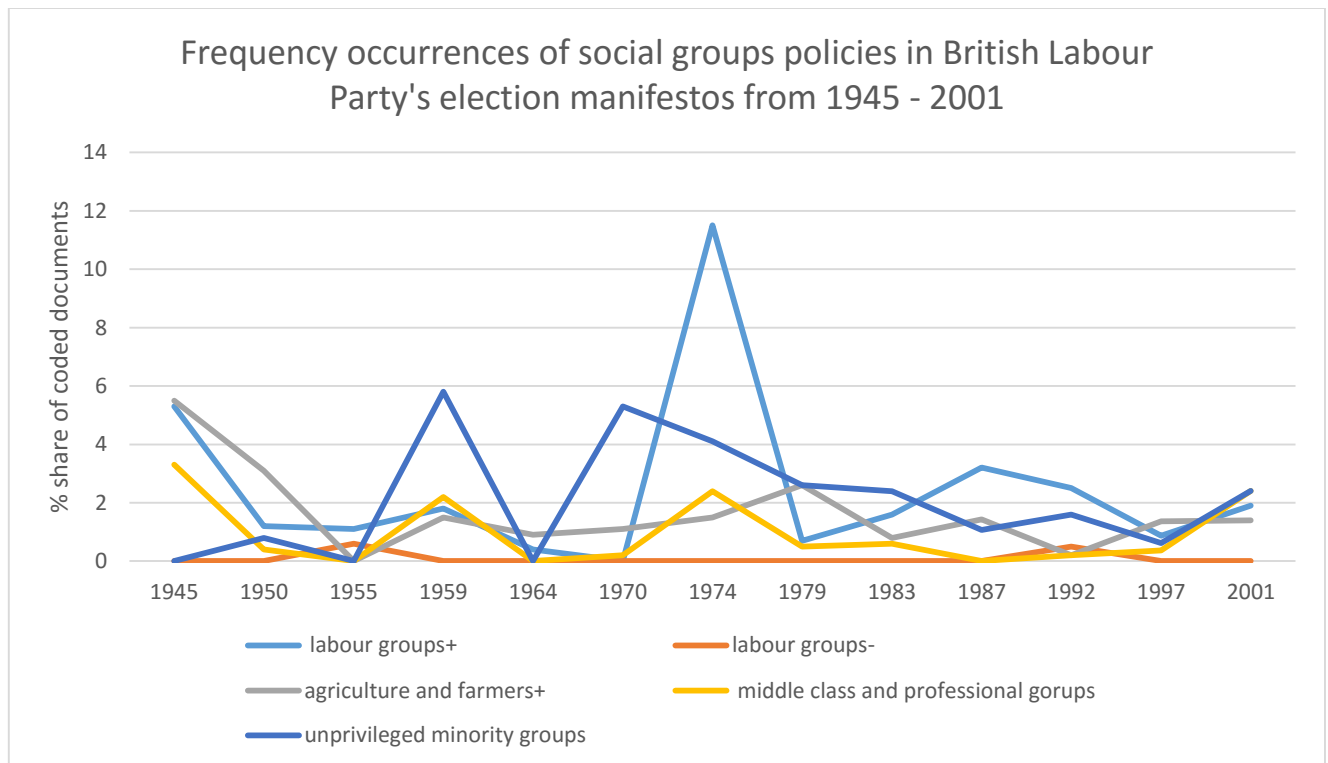
Figure 7 - Frequency occurrences of welfare state policies in German Social Democratic Party's election manifestos from 1949-2002

#### 4.1.3 Policies and attitudes towards social groups

Within the social groups policy domain references concerning five specific policies were included in frequency occurrences analysis – labour groups (positive), labour groups (negative), agriculture and farmers (positive), and middle class and professional groups.

BLP's election manifestos contain ample, constant and dominant references to labour groups in positive connotation especially until 1979. From that year onwards positive references about labour groups are still significant, but in a lesser amount than prior 1979 (1980). The lowest percentage share of this reference occurred in 1997 election manifesto. References to labour groups in a negative connotation only appeared in 1955 manifesto. In the period prior 1980, agricultural and farmer groups were significantly represented in election manifestos' content, while in the period after 1980 became less important and exposed in the relation to the labour groups. Moreover,

middle class and professional groups started to be mentioned in the period after 1980. The 2001 election manifesto contain a significant amount of middle class and professional groups' references which were practically neglected from 1980 to 1997. In addition, the same manifesto contained a significant amount of references to unprivileged groups. However in 1997, there was miniature mentioning of this group in the relation to references from the beginning of the period after 1980. In the period prior to 1980 unprivileged groups' references were significant and constant. Figure 8 shows the illustration of references to policies and attitudes towards social groups for BLP's election manifestos.



*Figure 8 - Frequency occurrences of social groups policies in British Labour Party's election manifestos from 1945 - 2001*

In addition, the results demonstrated that SPD had similar pattern in the respect of positive references towards labour groups – they were even higher if one looks relative percentage share of the references than in the case of BLP- which was constant and dominant content of election

manifestos in both periods – prior and after 1980 with the highest percentage share in 1990. References to labour groups in a negative connotation only appeared in 1972 election manifesto. Agricultural and farmer groups were occupied significant percentage share of manifestos' content in the period prior 198, but in the period after 1980 references to these groups were no longer represented in significant amount in the relation to positive connotations to labour groups. The same goes for the middle class and professional groups. In addition, mentioning unprivileged groups started from 1980 and had its peak in 1983. Figure 9 shows results for social groups' policy domain for the case of SPD. In the next section, I put both of the cases in a comparative perspective according to all three policy domains.

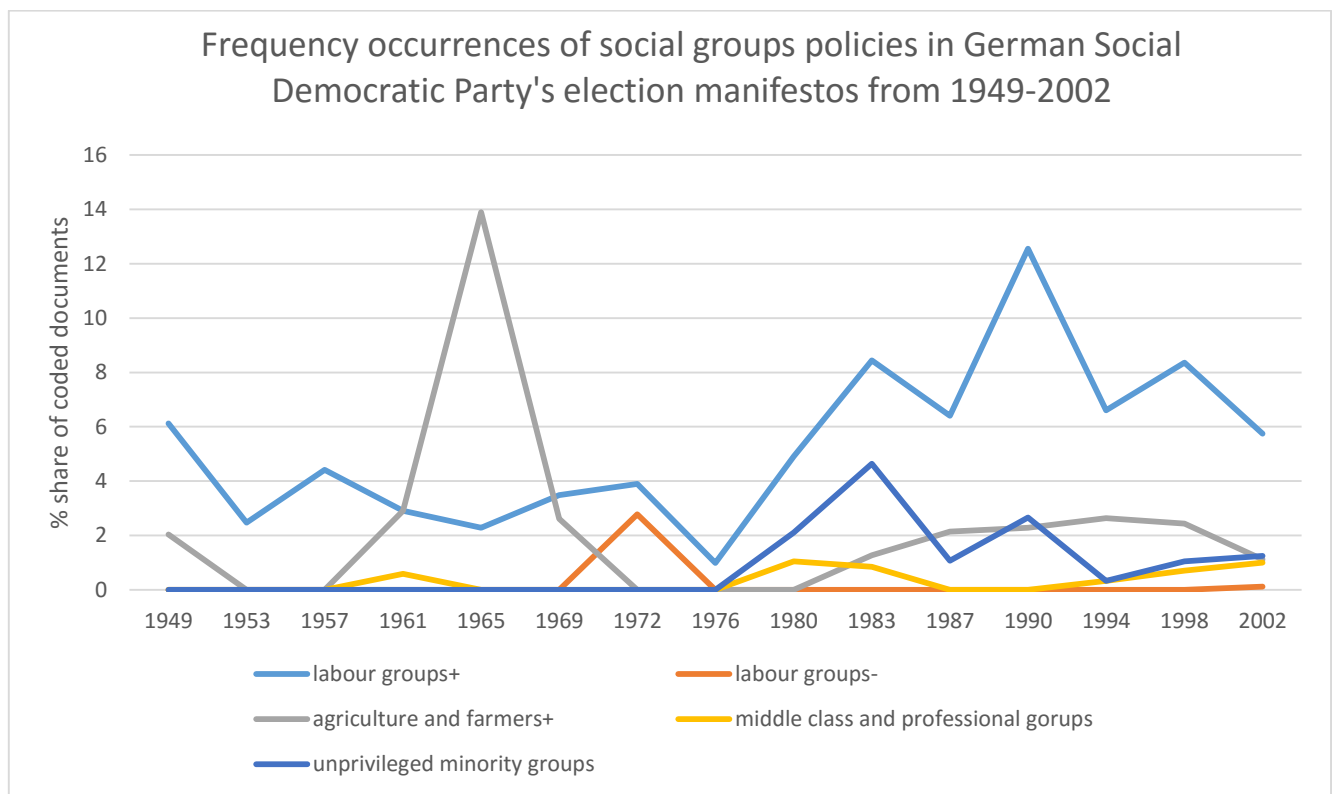


Figure 9 - Frequency occurrences of social groups policies in German Social Democratic Party's election manifestos from 1949-2002

## 4.2 British Labour Party and German Social Democratic Party compared

This section places the two parties into comparative perspective according to sums of frequency occurrences in both period prior 1980 and after 1980. Therefore, election manifestos were divided on those implemented for the elections prior 1980 and those implemented for the elections after 1980. The percentage share of each particular policy in every election manifesto included in the analysis was summed up. Tables 7 and 8 demonstrate the results<sup>13</sup>.

*Table 7- Frequency occurrences results for British Labour Party and German Social Democratic Party for period prior 1980*

Period prior 1980	ECONOMIC POLICY DOMAIN												WELFERA STATE AND QUALITY OF LIFE POLICY DOMAIN				SOCIAL GROUP POLICY DOMAIN				
policy	FME	I+	MR	EP	C/ME	P+	P-	KEY	CE	NAT	EO	EP*	E+	WSE	WSL	L+	L-	AGR	MIDD	UMG	
BRITISH LABOUR PARTY	2,9	10,8	20,4	30,9	0,2	2,2	0	6,3	18,7	36,1	4,4	11	38,4	62,7	1,43	22	0,6	16,2	9	18,6	
GERMAN SOCIAL DEMOCRATIC PARTY	6,66	11,35	33,78	35,67	0,23	1,11	0,68	0	0	4,64	17	9,63	36,92	91,5	3,38	26,55	2,78	21,46	0,58	0	













*Table 8 - Frequency occurrences results for British Labour Party and German Social Democratic Party for period after 1980*

Period after 1980	ECONOMIC POLICY DOMAIN												WELFERA STATE AND QUALITY OF LIFE POLICY DOMAIN				SOCIAL GROUP POLICY DOMAIN				
policy	FME	I+	MR	EP	C/ME	P+	P-	KEY	CE	NAT	EO	EP *	E+	WSE	WSL	L+	L-	AGR	MIDD	UMG	
BRITISH LABOUR PARTY	1,26	7,95	13,25	9,19	1,64	1,78	0	5,4	3,76	5,23	7,86	20,37	17,7	51,8	0,13	10	0,5	5,2	3,58	8,1	
GERMAN SOCIAL DEMOCRATIC PARTY	4,15	20,96	17,91	0,37	3,77	0,67	1,62	1,48	0	0	10	67,03	43,45	49,28	2,39	53	0,12	11,89	3,92	13,11	

<sup>13</sup> The key for policy abbreviations in table 7 and table 8 : FME –free market economy; I+ -incentives (positive); MR-market regulation; EP –economic planning; C/ME –corporatism/mixed economy; P+ -protectionism (positive); P- -protectionism (negative); KEY –Keynesianism; CE –controlled economy; NAT –nationalization; EO –economic orthodoxy; EP\* –environment protection; E+ -equality (positive); WSE –welfare state expansion; WSL –welfare state limitation; L+ -labour (positive); L- -labour (negative); AGR –agriculture and farmers; MIDD –middle class and professional groups; UMP –unprivileged minority groups

From the table 7 and 8, both parties' policy preferences alterations can be witnessed. In order to get more precise results, I calculate the difference between percentage shares for the period prior to 1980 and the period after 1980, for both of the parties. The difference will show if the references (preference) to a particular policy in the period prior to 1980 were in an increase or in decline in the period after 1980. In the calculation, I include just those policies which I estimated as significant in prior analysis sections. That includes all policies from welfare state and quality of life and social groups policy domain, and six policies for economic policy domain (nationalization, market regulation, economic planning, corporatism/mixed economy, economic orthodoxy, and Keynesianism). In addition, as noted above, this sections places the two parties into comparative perspective. Therefore, the final results include just those references to policy preferences that in the case of one party were in decline in the period after 1980, and at the same time, they were in an increase in the case of the other party. The final results are demonstrated in Table 9. The green arrows signify the increase in frequency occurrences and references to a particular policy while the red ones signify a decline in references and frequency occurrences. It could be concluded that in the period after 1980 SPD started to increase the percentage share of references to anti-neoliberal policies what would say that it made a move to the left regarding policy preferences, but just in the relation to BLP. In other words, it did not alter its policy preferences into neoliberal direction as much as the British Labour Party did.

Table 9 - Differences in frequency occurrences for particular policies - British Labour Party and German Social Democratic Party compared

POLICY	DIFFERENCE BETWEEN FREQUENCY OCCURRENCES PERIODS PRIOR AND AFTER 1980	
	BRITISH LABOUR PARTY	GERMAN SOCIAL DEMOCRATIC PARTY
Economic orthodoxy	 3,46	 7
Keynesianism	 0,9	 1,48
Equality (positive)	 20,7	 6,53
Labour groups (positive)	 11,92	 26,46
Middle class and professional groups	 5,42	 3,34
Unprivileged minority groups	 10,5	 13,11

#### 4.2.1 Move to the right – the RILE scale measurement

In this section, I present the results of the party positioning on the left-right spectrum throughout the second half of the twentieth century according to their election manifestos' content. I employ frequency occurrences of particular policies to a modified version of the RILE scale. Budge (2013) claims that the RILE scale encompasses the holistic analysis of election manifesto data. Categorization of policies in the RILE's context (leftist or rightist policy) was determined by theoretical writings about them in the beginning of the nineteenth century. In addition, in the twentieth and the twenty-first century more exact measurements were used to define the categories of *left* and *right* policies. Table 10 illustrates the final categorization of the policies regarding of their *left* or *right* character. Left-right positioning of the parties is based on  $(R-L)/(R+L+O)$  formula where R stands for right policies, L for left policies, and O for other policies which are not

categorized as leftist or rightist. Number of references to particular policies signifies the summation and reduction unit in the calculation process (Budge 2013).

*Table 10 - Left-right categorization of policies according to original RILE scale*

<b>RIGHT POLICIES</b>	<b>LEFT POLICIES</b>
Military (positive)	Anti-imperialism
Freedom and human rights	Military (negative)
Constitutionalism (positive)	peace
Political authority	Internationalism: positive
Free market economy	democracy
Economic incentives	Market regulation
Protectionism (negative)	Economic planning
Economic orthodoxy	Protectionism: positive
Welfare state limitation	Controlled economy
National way of life (positive)	Nationalization
Traditional morality: positive	Welfare state expansion
Law and order	Education expansion
Civic mindedness (positive)	Labour groups (positive)

Source: Budge (2013)

However, for the quantitative election manifesto analysis I use modified version of the RILE scale. Modifications had to be made for two reasons: this thesis studies only three policy domains (economic, welfare state, and social groups) and frequency occurrences data was extracted from dataset in the shape of percentage share of references to particular policies in coded sentences, instead of number of the references themselves, like, according to Bugde (2013), the original model suggests. Therefore, minor modifications were made in two respects: categorization of policies - was reduced only on the domains which are being studied; unit of summation and reduction in the

calculation process - usage of percentage shares which were turned into scores (the percentage shares were rounded to a higher or a lower number<sup>14</sup>, then divided by number two). Table 11 demonstrates the left and right policies used in analysis.

*Table 11 - Categorization of policies - modified the RILE scale*

<b>Right</b>	<b>Left</b>	<b>Other</b>
Free market economy	Market regulation	Environmental protection
Incentives (positive)	Protectionism (positive)	Agriculture and farmer groups
Protectionism (negative)	Nationalization	Middle class and professional groups
Welfare state limitation	Welfare state expansion	Unprivileged minority groups
Labour groups (negative)	Economic planning	
	Labour groups (positive)	

Figures 10 and 11, in which number -1 (minus one) signifies the *left* end of the left-right political spectrum, number 0 (zero) signifies centre of the spectrum while number 1 (one) signifies the *right* end of the same spectrum demonstrate the results of the analysis. The assumption is that both of the parties were left (-1 on the RILE scale) in the beginning of the second half of the twentieth century because of both of them originated from trade union organizations. It is visible from both of the figures that throughout the second half of the twentieth century both parties made a move to the centre-right of the spectrum. This hypothesis serves a supplement and confirmation of the other

<sup>14</sup> The percentage share was rounded to a higher number (or higher by 0,5 – half of the number) if the digits after the decimal space were 5 to 9; when the digit after the decimal space was 1-5 the number was rounded on lower number (or lower by 0,5 – half of the number).

two hypotheses because the whole neoliberal context is based on the premise that political actors moved to the right.

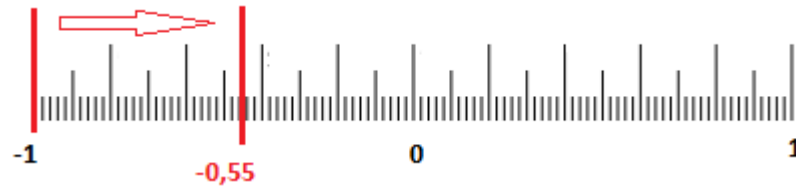


Figure 10 - Movement to the right of the British Labour Party throughout the twentieth century

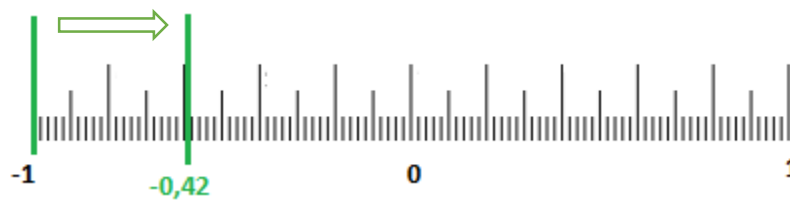


Figure 11 - Movement to the right of the German Social Democratic Party throughout the twentieth century

### 4.3 Results and hypotheses

**HYPOTHESIS 1:** *the frequency occurrences of the left-wing (anti-neoliberal) policy preferences is higher in the period prior to 1980 and lower after 1980 for both cases*

The results of the analysis showed that hypothesis 1 turned out to be correct for the both parties. After summing up percentage shares of left-wing (anti neoliberal) policy preferences that – market regulation, economic planning, corporatism/mixed economy, Keynesianism, controlled economy nationalization, welfare expansion, positive attitudes to labour groups, and unprivileged minority group policy - were chosen from all three analysed domains. Table 12 illustrates the final results for the hypothesis 1.

In the case of BLP the sum for the period prior 1980 is 215,9 while for the period after 1980 the sum is 108,5 which would signify a significant decline of references to anti-neoliberal policies in the election manifestos. References to anti-neoliberal policy preferences declined in the period after 1980 also in the case of SPD. In the period prior 1980 the sum is 192,37 while 138,93 is the sum for the period after 1980.

*Table 12 - Sums of frequency occurrences of left-wing (anti-neoliberal) policy preferences*

	BRITISH LABOUR PARTY	GERMAN SOCIAL DEMOCRATIC PARTY
Sum for the period prior 1980	215,9	192,37
Sum for the period after 1980	108,5	138,93

**HYPOTHESIS 2:** *the frequency occurrence of the left-wing (anti-neoliberal) policy preferences of the British Labour Party is lower than the frequency occurrence of the left-wing policy preferences of the German Social Democratic Party after 1980*

The demonstrated results in Table 12 confirm the hypothesis 2. In the case of BLP, the final sum of frequency occurrences in the period after 1980 is 108,5 which is lower than the sum for SPD that is 138,93. Moreover, the amount of the decline of anti-neoliberal policy references is bigger in the case of BLP ( $215,9 - 108,5 = 107,4$ ) while for SPD the difference is smaller ( $192,37 - 138,93 = 53,44$ ).

**HYPOTHESIS 3:** *both British Labour Party and German Social Democratic Party made a movement to the right on the left-right (party positioning) spectrum throughout the second half of the twentieth century*

Hypothesis 3 also turned out to be true. According to the measurements on the RILE scale (modified version) of party positioning, it turns out that both of the parties made a movement to the right (based on election manifesto content). The score for the BLP is -0,55 while the score for SPD is -0,42. As mentioned above, this hypothesis serves just as a confirmation of the first two because the focus of this research is not party positioning, but policy preferences alternations. However, if one looks the comparative perspective of demonstrated results, it is visible that BLP made a larger movement than SPD throughout the twentieth century.

In this chapter, I demonstrated the main findings of this thesis. For the quantitative part of the research, the findings are based on frequency occurrences of particular policies from three policy domains – economic, welfare state, and social groups – extracted from the election manifesto dataset. All three hypotheses for the quantitative research turned out to be true.

## Conclusion

This thesis studies in what amount two left-wing parties, the British Labour Party and the German Social Democratic Party which operate in different institutional designs, altered their policy preferences in the period after 1980 when the neoliberal political and economic agenda launched. The initial assumption was that globalization processes have produced convergence regarding policy and preferences of political actors, specifically political parties. Hay's (2011) so-called *dual convergence* thesis presents the consequence of the global convergence trend and its artefacts – two institutional settings – the liberal market economy (LME) and the coordinated market economy (CME). The two settings are contrasted within Hall and Soskice's (2003) *varieties of capitalism* approach. The two parties were studied through a comparative framework regarding the institutional setting within which they operate.

The fundamental theoretical background of this thesis is Herbert Kitschelt's (1996) the macro-logic of policy preferences formation, explaining how socio-economic change and political institutions influence individuals' experiences which shape their political preferences. The quantitative frequency occurrence analysis (through references to particular neoliberal and anti-neoliberal policies) of the election manifesto content of the selected cases demonstrates that the left-wing parties that operate in LME institutional setting altered to a greater extent regarding their policy preferences than their counterparts which operate in CME institutional setting. Three policy domains were analyzed – economic, welfare state and quality of life, and social groups. The results further point that the LME setting is more compatible with and correspondent to the neoliberal political and economic agenda.

The main findings confirmed the three initial hypotheses. Both of the parties had more references to anti-neoliberal policies in the period prior 1980. In addition, the Labour Party increased

references to neoliberal policies in the period after 1980 in a greater amount than the German Social Democratic Party. Finally, the results demonstrated that both of the parties made a movement to the center-right of the *left-right* political spectrum which serves as a supplement and further support to the other two main findings and the main claim in the broader context. The explanation for these developments this research finds in three factors – the institutional setting, the constitutional structure of the state (unitary/federal), and the national party competition (party rivalry).

On the one hand, the Labour Party which operates in the LME institutional setting made greater alterations regarding policy preferences towards neoliberal agenda. Compatibility of the LME with the neoliberal idea, the small number of veto players in the unitary British political system, and the pure rightist and conservative (neoliberal) nature of the Labour Party's main political opponent (the Conservative Party) are the explanations for this. On the other hand, federalism, which implies the higher amount of veto players in the system, and the center-right nature of the German Social Democrats' main political opponent (CDU) assist to explain lesser policy preference alterations towards the neoliberal idea in the German context.

This research thus incorporated the political economy concept of *varieties of capitalism* and its two institutional settings for the study and analysis of political parties. Empirically analysing the amount of policy preferences alterations which the political left has made in order to remain competitive in the rightist, neoliberal political and economic agenda is the intended contribution of this research within the field of comparative and party politics. As this thesis relied on election manifesto data, further research is required bringing new angles of analysis into the demonstrated relationship in order to provide more declaratory knowledge and clarifications. Studying the left-wing parties' policy preferences in the twenty-first century in a comparative perspective can add important empirically approached insights concerning actions and strategies of the political left in

the contemporary age of neoliberalism which undergoes a certain amount of competition and ideology crisis in the era of rising global challenges which reinforce the standing of more conservative or even extreme parties. This discussion, however, is beyond the scope of this research but one which indeed deserves further academic as well as professional attention.

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