

Liberalization and Cartel Politics in Europe: Why Do Centre-Left Parties Adopt Market Liberal Reforms?

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Introduction

The 2000s have seen many examples of centre-left parties adopting reforms to liberalize markets and restrict governments' ability to intervene in the economy to protect vulnerable social groups, and indeed the European Union's 'Lisbon agenda' of structural reform was in part promoted by centre-left governments. These policies seem ill-equipped to serve the interests of the traditional constituencies of the centre-left, and have not brought obvious electoral successes. So why have social democratic parties embraced a range of liberalizing reforms in advanced democracies in the past two decades? This paper explains the responses of different social democratic parties to the tensions between economic change and traditional left policies as a process of cartelization. Drawing on Katz and Mair's 'cartel party' thesis, we argue that centre-left parties have become increasingly absorbed by the state in organizational terms, and have taken part, with the centre-right, in a process of ideological homogenization which we conceptualize as a form of oligopoly. The logic behind this process is that organizationally weak parties have incentives to truncate the supply of public goods to their electorates in much the same way that companies can generate rents by signaling the intention to restrict supply of their products. We use this theory of party cartelization to develop a historical account of party politics in a sample of West European democracies using both quantitative (using data from the Comparative Manifestos Project) and qualitative methods (case studies of party change). By bringing the study of party politics more fully into the study of comparative political economy, this paper offers new insights into processes of institutional change in contemporary capitalism.

Economic Change and the Decline of Social Democracy: The Limits of the Conventional View

There is by now a substantial literature on the changes to the political economy of welfare capitalism in advanced democracies over the past quarter century, which does not need to be rehearsed here¹. Much contemporary analysis of the limits of social democracy in Europe focuses upon the role of external factors (Cerny 2001, Moses 1997). In particular, the idea that globalization has 'changed everything' has gained a great deal of currency.

The shift undertaken by developed economies to open capital accounts and floating exchange rates in the 1970s and 1980s combined with the independent growth of capital mobility to produce a world where foreign direct investment is an increasingly important source of growth (Helleiner 1994). Such capital is mobile however, and international investors will exit economies with higher than the equilibrium rate of inflation (Przeworski and Wallerstein 1992). In order to avoid such dis-investment and the attendant problems of devaluation and unemployment that it brings, states must eschew fiscal and monetary policies that are either inflationary or redistributive (Cerny 1995). In such a 'globalized' world traditional social democratic policy tools such as deficit

¹ An excellent starting point is Glyn 2006.

financing become redundant, and states must deregulate their product, labor, and financial markets to capture globally mobile capital. Taxing locally, it is argued, no longer produces growth, just capital flight

These dynamics, it is argued, have narrowed policy options for social democratic governments to such an extent that left parties are no longer able to govern as left parties (Scharpf 1991, Blair and Schroeder 1998). Instead, a new supply-side social democracy based around skill formation is seen as the only way forward for progressive politics (Giddens 1997, Boix 1998). Other versions of the same story emphasize the increasing constraints imposed on European nations by the process of European integration, such as market deregulation, monetary union and fiscal rules. All of these explanations have in common that they explain changing policy changes in terms of variables exogenous to the party system. But how valid are these explanations?

In fact, many of the counterfactuals implicit in these claims do not stand up to scrutiny. For example, if capital is now so globally mobile that deficits are out of the question, why is it that in the pre-globalization period (1950-1970) deficit financing was not actually practiced very much at all? Indeed, far from the popular picture of social democratic governments in the post-war period constantly running deficits to promote an inflationary and unsustainable employment level, that fact is that most OECD countries in this period did not run deficits. Why should contemporary social democracy be constrained by the lack of a policy option that it did not exercise in the first place? Second, arguments about trade competitiveness and its effects on both growth and employment in Europe are overblown. Competitiveness is often seen as an issue of cost reduction to remain in business (Prestovitz 1994). Yet this is a shallow way of looking at the issue since many industries trade on quality, not quantity. Moreover, trade between rich countries has increased rapidly, whilst trade between the European Union and the rest of the world has actually decreased (Hay 2002). A further critique is that capital flight, the great constraint to be avoided, rarely occurs as the globalization theory outlined above would dictate. Cross national examination of financial market behavior suggests that that partisan composition of a government matters little to market actors, and overall, the response of financial markets to partisan policy shifts in advanced economies is quite mild most of the time (Mosely 2000).

One could continue and discuss how other global factors often identified as the limits to social democracy are either similarly undermined by the evidence - for example, how tax rates have *not* 'raced to the bottom' (Hobson 2005). The scholarly consensus is that welfare states have remained pretty much intact despite a range of pressures (Pierson 2001, Swank 2002, 2005, Hay 2006), leaving social democracy as a policy template looking relatively healthy, especially in view of recent events (Pontusson 2009). Instead, let us now consider an alternative explanation where party politics drives policy imperatives, and not the other way about.

Where Does Neoliberalism Come From? Endogenizing the Decline of Left Politics

Much of the literature on political parties tends to see them as passive creatures who respond to external changes but seldom initiate them (Blyth 2003). For

example, the classic Lipset and Rokkan model of European political alignments saw parties as functional responses to the demands of industrialism and nation building (Lipset and Rokkan 1967). In such a world parties responded to external stimuli by occupying the specific class locales opened up by external environmental changes. Parties react, they do not act to change the world around them. The limitations of this approach were recognized by the authors in their classic book: 'we know much less about the internal management and the organisational functioning of political parties than we do about their sociocultural base' (p.51). Subsequent literature made attempts to fill this gap, but the connection between social forces and party organizations remains, to a degree, inside a 'black box'.

This 'structural bias' is present in much of the parties literature. For example, Duverger's classic interpretation of how elite based cadre parties give way to mass parties of integration was undone by the fact that mass parties stopped behaving as mass parties (Duverger 1954). As Kirchheimer noted, in the changed context of the post-war welfare state, the integration of party members gave way to the provision of public goods for constituents. Elite parties adopted mass party forms and began to act as 'catch-all' coalitions that sought to supply ever-wider electorates with alternative baskets of public goods (Kirchheimer 1966). While this is certainly a fair interpretation of the politics of this period, note once again how in this treatment parties appear as passive creatures. The external environment changes, and parties respond to those changes. Elites give way to classes because of industrialism and demands for suffrage, while classes in turn give way to masses as industrialism turns into the equalitarian post-war welfare states. Parties accommodate to the environment, they do not shape it. In the classic rational choice theory of party politics, parties act as vote-maximizers seeking to capture the median voter by offering different baskets of policies (Downs 1957). The competition around the median voter determines how governments intervene in distributive politics (Meltzer and Richard 1981, Iversen and Soskice 2006). Parties compete in a policy space pre-determined by voters' exogenous preferences. Yet is this a satisfactory view of parties and what they do?

Parties are unique creatures in that they are simultaneously agents and structures. They are institutions of democratic representation at the same time as they are agents who seek to manipulate their environment in order to win elections. This side of the story – of parties as creative agents – has been relatively neglected in the literature on parties.² However, there is a research tradition which focuses on how parties intervene to shape their environment. The classic work of Schattschneider (1960) showed how parties can engage in the 'mobilization of bias', while more recently Dunleavy (1991) developed a theory of party 'preference shaping', which was developed further by Hay, who discussed how parties choose between preference accommodation and preference shaping (Hay 1999, also Esping Andersen 1985, Blyth 1997). For Hay, voter choices are mediated by the narratives politicians use to justify different policy options, a position resting less on exogenous preferences and more on parties' abilities to mobilize support using political discourse. Other work challenges the 'median voter' models of party behaviour from a different angle;

² Except of course for the literature on political business cycles.

the core interests parties represent – especially those able to finance party activity – constrain the range of policies that parties can offer to voters (Ferguson 1995).

If we assume that parties shape their environment, then it makes sense to look for reasons internal to the logic of party politics to explain policy changes, rather than simply accept the predominant role for external constraints. One promising avenue of research in this regard has been the notion of the cartel party (Katz and Mair 1995, Blyth and Katz 2005, Katz and Mair 2009). Building upon Panebianco's notion of the 'electoral professional party' where changes in the technology of elections and the life-cycles of politicians have combined to create a new party form, Katz and Mair argue that political choices have effectively become 'cartelized'. With the rise of electoral-professionalism, parties have less need for members at the same time as the costs of being a party increase. As such, parties increasingly rely upon state subventions to survive (Detterbeck 2005). These established parties also raise barriers to entry for smaller parties thus creating an insulated policy environment among established elites. By cartelizing the political market in this way parties are insulated against catastrophic failures at the polls through increased public funding and restricted choices. Such an approach offers a promising angle on thinking about how parties may themselves create their own constraints. However, in order to better specify a model of cartel politics, it is necessary to lay out what a cartel is in economic terms. By extending the logic of cartelization beyond barriers to entry and state subventions, it is possible to construct a more detailed, and accurate, theory of post catch-all party behavior at both the level of the party and at the level of the party system.

The New Political Economy of Party Politics: Firms, Parties and Policy Choices

At its most simple, a cartel is a joint sales agency (Stigler 1964). The purpose of a cartel is to maximize joint profits of oligopolistic firms through the restriction of competition. Firms are able to collude by varying either prices, quantities, or both. The rationale for joint sales maximization rather than competition is that the long-run average cost curve for an oligopolistic firm reaches its minimum point at a relatively large fraction of the size of the total market. Consequently, price competition between firms will not necessarily drive any individual firm out of business. Being large enough that market price is not simply a structural fact presented to firms that they have to accept, firms' price decisions are 'strategically interdependent' - they depend upon other firms' choices. Market prices *can* be set by the firms themselves rather than being dictated by competition, so long as they cooperate, which is precisely the problem with cartels.

While joint maximization would be profitable, the individual first-best choice in such a situation is to defect and go for market share at the other firms' expense.³ However, realizing this, all firms should then defect at the first possible opportunity. As a consequence, cartels should be very difficult to get started and very costly to maintain, and indeed, experience shows that stable cartels, in the

³ Periodic airline fare wars are a good example of this type of behavior.

economy at least, are somewhat rare. There is however a possible solution to such stability problems. Firms can learn from past defections how costly price wars can become, and in order to avoid such costs in future, firms may be willing to 'follow the leader' to stabilize their market share. That is, one firm may act as the leader and others will follow. Stability can thereby occur without overt conspiracy. By announcing a price rise (or a quantity cut) this leading firm 'tacitly signals' to the others their own revised outputs. In such circumstances other firms follow the leader, thus limiting their own outputs and achieving higher long-run profits rather than what would be achieved by competition.

In order to understand why contemporary politics mimics cartel dynamics we need to find political analogs for firms and for quantities. First of all, given that contemporary Western European party systems are oligopolistic in terms of numbers and market share, it is hardly a stretch to see such a system as oligopolistic and major parties as the equivalent of major firms (Taagapera and Shugart 1989, Gallagher, Laver, and Mair 2001).⁴ However, establishing this fact alone does not make it a cartel. To make this further claim we need to find analogs for quantities. If we assume that, economically speaking, quantities represent outputs, and that the output of parties in government are policies, then we can further assume that policies are the functional equivalent of quantities.

If this is the case then the key question is how parties set policy quantities, that is, tacitly collude and thus cartelize the market for votes? Indeed, why would parties do this rather than compete? Contra the above claims about the pressing necessity of global constraints, we argue that two key changes have occurred that have effectively turned parties from vote maximizing competitors into risk averse colluders: the limits of catch-all politics, and the rhetoric of globalization. In turn, these changes have themselves encouraged new adaptive strategies that have together cartelized the party system, created cartel parties, and prompted the rise of right wing neo-populism.

For clarity of exposition, assume a party system that is dominated by two parties that produce the catch-all policies typical of the post war era; full employment, public housing programs, and redistributive taxation. Further assume that each catch-all party has attempted to maximize support through its expansion of such public and private goods provisions. Logically, if both parties pursue the same strategy, then voters will become increasingly indifferent to party choice. If we further assume that voters would prefer more public goods to less, but also assume that there is a defined fiscal limit beyond which such provisions cannot be made without creating a fiscal crisis, then the catch-all strategy runs into a structural limit that may be both welfare decreasing and election losing.⁵

Two consequences follow from this. First, the space for policy competition is effectively reduced. States cannot squeeze any more resources out of their societies for the production of public goods without harming growth itself. Consequently, policy competition, in terms of providing more and more public goods in order to win elections becomes less feasible. Second, at the same time as reaching such fiscal limits, as many states arguably did in the late 1970s

⁴ The effective number of parties in democratic parliaments rarely exceeds five.

⁵ In that the cost of producing such provisions (lost growth, sluggish investment etc.) exceed the benefits they produce.

and early 1980s, two further problems arose that finished off catch-all politics: the technologies and costs of elections changed while party members actually became less relevant for the problem of winning elections.

First, the technology of elections moved away from mass participation to media marketing. Union blocs became less valuable than such things as newspaper endorsements, television time, and large private donations. Thus the costs of providing public goods began to exceed the capacity of states to provide them at the same time as the costs of running electoral campaigns increased beyond the capacity and willingness of the party members to pay the tab. Second, the risks to both individual politicians and parties increased *pari passu* with these costs. By the 1980s the days of politics as a gentlemanly vocation were over for major Western European political parties (Panebianco 1988). Parties were composed of permanent representatives whose livelihoods depended upon election and large bureaucracies that depended upon stable counter-cyclical funding. Thus, on a systemic level, catch-all politics reached its fiscal limits as a strategy that would promote party success and stability. Meanwhile, on a more micro level, the catch-all party form, with its dependence upon mass memberships and steady voting blocs, became a less reliable organizational form in the face of rising costs, declining turnout, increasing volatility, and the declining utility of members.

This squeeze was particularly problematic for social democratic parties. While parties of the right had never been too comfortable with ever widening public goods provisions, using the public purse for the public purpose was what social democracy was all about. Driven by organizational survival more than by conviction, left parties began to *not compete* on the issue of unemployment. Inflation was similarly declared the number one enemy above unemployment after forty years of holding the opposite. Monetary policy was 'depoliticized' and handed to 'independent' experts, and those who would benefit least from such changes, social democratic voters, were neglected as left parties sought to target professionals and middle income groups. After all, if members were no longer financially useful, did not vote anyway, and if they pushed the party in 'extreme' directions, why appeal to them? However, abandoning policy in the face of electoral expedience is one thing, justifying it is another, and this is where the logic of global constraints becomes compelling; but not in the form commonly presented. Cartelization may make sense for the party in terms of a survival strategy, but to win elections by not competing over traditional areas needs a whole new rationale. Luckily, such a rationale was at hand.

Forming the Cartel: The Rhetoric of Globalization and the Logic of Delegation

The social democratic parties that produced social democratic outputs were creatures of the Keynesian era. Governing parties of the left and the right were assumed to have primary responsibility for ensuring jobs and growth, and were also assumed to be able to marshal fiscal instruments to those ends. Unfortunately for the practice of catch-all politics, but fortunate for a new generation of social democrats concerned with the very survival of their parties, a reformation in the way policymakers and their economic advisors *thought*

about the economy occurred over the same period. This was the new logic of global constraints.

In contrast to Keynesian era policy making, which assumed that “people had no knowledge of the economic system and did not perceive any interrelationships between the (hypothesized) variables,” economic policy-making in the 1980s became increasingly dominated by new theories such as rational expectations, which argued that people do indeed invest in being correct - to the point that “economic agents are assumed [to be] completely aware of the ‘true’ structure of the economy...and make full use of this in forming their expectations” (Bleaney 1985 p. 142, 143). The consequences of such an ideational shift are dramatic, for it argued that while we can expect *individual market participants* to make mistakes, systematic mistakes *by markets* are impossible; a difficult argument to make in 2010.

If one further assumes that “[deregulated] financial assets embody the true value of their real counterparts, creating an environment in which individuals trading in these assets can make Pareto efficient decisions” then it is hard to avoid the conclusion that free and integrated markets will yield superior economic performance to regulated markets with employment and output being produced up to the ‘natural rate’ possible. This ‘neo-liberal’ worldview “present[s] a picture of economic efficiency being dependent upon free markets for goods, labor, and finance, and a minimalist state. Market liberalization is accordingly beneficial because it involves the removal of market distortions, which are *by definition* inefficient” (Eatwell 1996 p. 10)

In such a world, social democratic catch-all parties and their attendant policies become counter-productive. For if they accept this logic, then any intervention into the market, whether done for the private interest of election or for the public interest of boosting the economy with the public good of growth, can only end in disaster. If the point of social democracy to correct for market failures, what was the point of social democracy in a world where markets did not fail? The attraction of such arguments as a way of eschewing policy commitments, arguments proffered with such gusto by contemporary social democratic leaders, is not difficult to see. These new ideas, so antithetical to traditional social democratic objectives, combined with the very pressing electoral and financial constraints social democratic parties faced during the 1980s to produce two new survival strategies: a downsizing of constituent expectations and an externalization of policy commitments. The end result of which was to ‘reform’ social democracy back into power; or more appropriately, to cartelize it.

The first survival strategy was to downsize voters’ expectations since social democratic parties had an interest in reducing the policy commitments that had overextended them in the first place. Once the limits of catch-all politics were reached, social democratic party elites quite instrumentally embraced the new ideas about the economy detailed above as a way of ratcheting down constituent expectations. In cartel terms, they were signaling other parties that they were limiting quantities (policies) and encouraging joint maximization (stability of tenure). Consequently, if other parties did the same, they could cartelize the market and get more profit (hold on office) and security (minimal cost of electoral defeat) for less (lower policy commitments.) How then does one ratchet down expectations?

The first way, particularly apparent in the UK, the US, Sweden, and increasingly Germany today, was discursive. Social democratic parties proclaimed their devotion to the free market and the global economy, despite all its draw-backs for their traditional constituencies. They did this because they had discovered a 'third way' or 'neue Mitte', which held that states should not produce the public goods they had in the past because the market could do it better. Whether the market could in fact do it better was a moot point. What was important was that the deployment of such a discursive strategy got parties 'off the hook' for the production of such goods in the first place. Thus, in order to survive in a post-catch-all environment the rhetoric of globalization and various 'third ways' were employed by social democrats throughout Europe (Hay and Rosamond 2001, Clift 2007, Clift and Tomlinson 2007).

Having achieved power by encroaching on traditionally right-wing policy areas, parties could signal their resolve to each other by creating institutional fixes to the problem of policy commitment. This would lock-in expectation reduction and thereby signal a credible commitment to the cartelization of the political market as a whole. The logic of central bank independence illustrates this nicely. According to the new ideas developed to justify state rollback, politicians – through their overproduction of public goods – tended to mesh the electoral cycle to the business cycle in order to get reelected (Nordhaus 1975, Hibbs 1976). In such theories, the equilibrium rate of inflation is always going to be higher than what it would be absent such political 'interference.' Since the electoral cycle was a recurrent fact, although politicians may proclaim that they will reduce inflation once they are in office, they cannot actually do so in practice because their inflation preferences are said to be 'time inconsistent.' Given this, politicians should not be given the instruments to reflate the economy in the first place. The best way of assuring this was then to devolve monetary policy to unelected central bankers with long time horizons. Only such a group would have preferences that would produce low inflation and thus safeguard growth (Kykland and Prescott 1977, Persson 1988).

Such policy externalizations and exercises in downsizing expectations have been embraced by social democratic parties across Europe as the optimal solution to the multiple dilemmas they face. By devolving policy to others who are not directly responsible to their electorate at the same time as discursively ratcheting down expectations, parties of all complexions are able to institutionally fix policy quantities and qualities regardless of who is in office. By doing so major parties can cartelize the market for votes by reducing the policy space over which parties can conceivably compete. Seen in this way, such institutional fixes are the equivalent of binding quotas on policy production.

Having an independent central bank means that politicians are no longer responsible for either creating or managing a plethora of traditional economic outcomes. Policy externalization to other 'independent' institutions, such as the EU and the WTO, further insulates politicians from voters' preferences and effectively truncates the possible supply curve of policy. Deploying such strategies in an uncertain electoral environment effectively insulates elites from claims by their constituents. Responsibility for monetary policy is given to central bankers, responsibility for employment is devolved to regional parliaments, welfare provision is given over to private institutions and non-governmental organizations, while public investment is awarded to 'public-

private initiatives.’ Rather than maximizing votes as competitors, social democratic politicians may have discovered that governing less may be less risky than promising more.

Where then do we see such dynamics? The preceding section suggests that we should see policy convergence among oligopolistic parties coming from two angles: from the deployment of policy rhetorics designed to downsize expectations and from the increasing institutional externalization of policy commitments. Examples would include the privatization of welfare services, the independence (from elected officials) of central banks, and the transfer of responsibilities; either upward to supra-national institutions or downward and outward to devolved assemblies and the private sector.

Looking for Evidence for the Cartelization Thesis: Party Positions and Voter Preferences

Intuitively, this story seems to fit the facts. We have all become used to examples of left parties adopting policies which only a few years ago would have been anathema to their constituencies. But how systematically have parties, particularly parties of the left, shifted their policy positions towards a safe, low-expectations orthodoxy? Evidence can be drawn from a number of sources.

First, there is substantial evidence that voters, at least, subjectively perceive the constraining of the policy space. Survey data shows that the perceived distance between the major parties in western democracies has become narrower over the last few elections. For example, election survey data shows that for the late 1990s (1997, 1998) 23.4 % of voters in the UK, 41,6% in Germany, and 54.1% in France, perceived ‘no difference between the political parties’, and in all these cases there was direct or indirect evidence of an increase in the numbers taking this view over time (Pelizzo 2003). This in itself could be interpreted as simply expressing a classically populist position common in European democracies over history. However, other evidence suggests voters in these countries are responding to a very real compression of the range of policy options represented by the main parties.

Capturing such a phenomenon quantitatively is not a straightforward exercise. Scholars have developed a variety of data and methodologies to estimate party positions. Party positions have been measured a priori (Taylor and Herman, 1971; Sartori, 1976) but also on the basis of mass survey data (Sani and Sartori, 1983), elite survey data (Katz and Wessels, 1999; Miller et al, 1999), expert judgments (Castles and Mair, 1984; Huber and Inglehart, 1995; Benoit and Laver; 2006), computerized word frequencies (Laver, Benoit and Garry, 2003), roll call voting (Poole and Rosenthal, 1997, Poole, 1998; Poole, 2000; Poole, 2006) and party manifestoes (Budge et al, 2001; Klingemann et alii, 2006).

The great advantage of the Party Manifestos Date (PMD) over competing methodologies is that they provide the scholar with readily available data that can be used to perform cross-national and diachronic analyses. In addition, PMD have provided, with few exceptions, fairly reliable estimates of party positions (Klingemann et al, 2006; Pelizzo, 2003). In fact, regardless of whether analyses have been performed within countries, or with large N datasets, the PMD-based Left-Right scores have always correlated very strongly with party positions estimated with alternative methodologies. The Left-Right scores estimated with

PMD correlate very highly with positions estimated on the basis of mass surveys (Ray, 2007), expert surveys (Benoit and Laver, 2006; Keman, 2007; McDonald et al., 2007), and roll calls analysis (Hix, Noury and Roland, 2006). This evidence has been interpreted as indicating that PMD-based estimates are cross-validated or corroborated. However, there are instances in which PMD estimates do not seem to work (Pelizzo, 2003), and point estimates can have very high levels of error (Benoit, Laver and Mikhaylov 2009). These limitations of the data do not therefore prevent us drawing at least tentative conclusions about the nature of party competition in individual political systems or indeed making assertions about the ways in which parties relate to each other over time.

How Parties Closed the Political Space: Evidence from the Manifestos Data

Content analysis of party manifestos provides evidence of a narrowing gap between the mainstream political parties on economic issues, and a general shift to the right in party positions. The concept of cartelization can accommodate a variety of party movements and party system changes, but the way in which we have presented the concept in the previous chapter implies a rather more precise prediction. Since the mechanisms through which party cartelization has developed tend to constrain a particular kind of politics – intervention and redistributive politics of the kind traditionally associated with parties of the left – we would expect left-wing parties to be the most affected by this process. In contrast, conservative political forces have historically adopted less interventionist policy positions, preferring instead the existing distribution of income and wealth. This implies an expectation that conservative parties will face weaker pressures to change positions in order to adapt to the party system cartel. We test the empirical validity of these expectations by calculating the average left-right positions of parties belonging to each party family over time, using the PMD.

Figure One reveals that, regardless of whether PMD are interpreted positionally or directionally, the parties of Socialist tradition have dramatically altered their stances, their programmatic statements and their strategy. In fact, if we understand PMD to indicate party positions, as it has generally been assumed, the data reveal that the party of the Left from 1970s onward have abandoned their positions in the political/policy space to take much more moderate, sometimes centrist positions. If, instead, we interpret PMD to indicate how parties want to modify their positions, signal to be committed to a new set of policies and principles, and to alter voter perceptions, the analysis of PMD reveals that from the 1970s onward the parties of what once the Left have displayed a clear preference to remake their ideological/programmatic outlook by moving centripetally if not rightward. In other words, the process of cartelization can be observed most strongly precisely where it would be expected to be most visible: the parties of the left, which historically aspired to use the institutions of the state to intervene in the economy for the purpose of achieving social change and the redistribution of income and wealth, have placed less and less emphasis on such interventions in their formal programmes since the 1970s.

Data for conservative parties grouped as a party family also tell a consistent picture – parties on the right whose policies largely aimed at

maintaining the status quo, and which therefore eschewed social and economic interventionism, remained in a broadly similar programmatic position throughout this same period. Figure One shows that conservative parties remained in broadly the same rightist position throughout the post-war years. However, the other major centre-right grouping, Christian Democrats, offers a different and distinctive picture, tracking leftwards during this period up to the 1970s, and then rightwards since, converging on a centre-right position. This movement which requires some interpretation. Christian Democrats, unlike conservatives, have been associated with welfare state expansion and have often acquiesced, or promoted, interventionist policies. As the welfare state grew, Christian Democrats adopted more left-wing positions, and as the mood changed in the 1980s and 1990s, they tracked back towards the right. Interestingly, Figure One shows that Liberal parties also present a similar trajectory, tracking the Christian Democrats very closely.

So, the broad picture, averaging out the positions of parties in the different mainstream party families, shows that socialist, Christian Democrat and liberal parties moved broadly to the left until the 1970s, and then to the right until the 2000s. The upshot of these developments is that the main governing parties in western democracies had converged upon more conservative positions by the year 2000, with the socialist parties adopting less and less distinctive left-wing positions. Of course, the left-right scale as measured by the PMD includes a range of policy issues, some of which have little relevance for the theoretical enquiry of interest here. Although the classic socio-economic cleavage between the wealthier and poorer social groups is at the heart of the left-right divide, some other issues potentially cut across this divide. We therefore need to examine whether the changing left-right positions observed in the PMD reflect movements along the socio-economic dimension of political competition, or instead are the result of rightwards shifts on other dimensions.

The PMD data allows us to break down the left-right dimension into its component parts, although with greater error as one disaggregates. We therefore use the aggregate scores provided by the PMD data set for economic and social policy dimensions to check whether party positions on these dimensions support our interpretation of party ideological change. Figure Two shows how party positions, for each of the three mainstream groups, change over time on the dimension 'economic intervention': the value of the y axis indicates positive mentions of interventionist policies. In the immediate post-war period, on average socialist parties emphasized economic interventionism a good deal, and clearly far more than the other mainstream parties, who occupied a similar position. Over the subsequent decades, socialist parties emphasized economic interventionism less and less, to the point where by the early 1990s they converged with the other parties on basically anti-interventionist position.

These data do not tell us much about individual cases, and the aggregates could hide important variations between cases. The difficulty in analyzing individual countries is that the error in the point estimates can start to make the picture presented by the data quite unreliable. However, it is worth looking at the country-level data anyway, bearing this cautionary point in mind, because we can start to get a picture of how these cartels develop.

Party Cartels and Voter Preferences

One obvious objection to our interpretation is that these party movements could be a response to voter preferences, as a more prosperous, educated and independent-minded discerning electorate rewards moderate positions and pragmatic political leaders. Our theory, instead, suggests that the cartel is shaped independently of any shift in voter preferences; indeed, parties are increasingly unresponsive to voters. There is little in the way of systematic cross-national survey data to help us here; however, we can look at national election studies to get a picture of what has happened to voter preferences over time. Since we are interested in how party systems change over time in individual countries, rather than in how parties are located in a common cross-national ideological space, this is a defensible way of proceeding.

Pelizzo (2004) presents evidence of voter preferences over time for five western democracies whose election studies provide comparable data: Britain, France, Germany, Italy, the Netherlands and United Kingdom (Figure Three). Although there is no way of knowing how representative these countries are of the larger sample, Figure Three shows that in the period 1973-2000, median voter positions shifted to the left at least to some extent in four cases out of five, particularly clearly in the case of the UK and Germany. Italy was the only case where a shift to the right could be perceived. However, Figure Four, which presents the manifesto positions of the main parties over the same period, tells a quite different story, consistent with the cartelization theory. In all cases, a general drift to the right amongst the mainstream parties (usually conservatives, Christian democrats and socialists) can be detected, a movement quite inconsistent with the electoral incentives suggested by the survey data. But even more interestingly, there is evidence of a narrowing of the ideological gap between the mainstream parties in at least three cases: Netherlands, Italy and the United Kingdom, where these parties converge visibly over time.

This analysis is a little crude at this stage and more precise and robust measures will have to be developed to capture ideological movements more reliably. Even so, given the degree of noise in the manifesto data, it is remarkable to find such strong trends, which of course are backed up by qualitative observation of the political strategies of mainstream parties, which we have discussed elsewhere (Blyth and Hopkin 2004, Blyth and Katz 2005). The sharp turn to the right in the British Labour party and German Social Democratic Party – the so-called ‘third way’ movement in the mid to late 1990s – is well documented (Blyth 2005), and the dismantling of the Italian Communist Party and its transformation into a mainstream governing force is also well understood (Hopkin and Ignazi 2007). Perhaps less widely accepted is the similar shift in the French Socialist Party indicated by the data. The empirical support for the cartelization thesis presented here suggests a rich seam of research into one of the ‘big questions’ in contemporary comparative politics.

Conclusion

So there is both subjective and objective evidence that parties have tended to converge, and that they have converged around more conservative positions. In other words, there has been a general shift towards an economic orthodoxy in which governments intervene as little as possible in the operation of the market

economy, and this orthodoxy is shared, to a greater or lesser extent, by all the mainstream parties. Of course, such a movement on the part of conservative parties is easily explained. But why should socialist and social democratic parties adopt such positions?

This paper has argued the following. The logic of global constraints often invoked to explain the anemic nature of contemporary social democracy may be less constraining than is often claimed. However, what is important is that social democrats either do believe that these constraints are real, or as suggested above, have embraced such ideas as a way of downsizing expectations, externalizing policy commitments, and freeing policy-makers from the constituents' demands as a survival strategy. The embrace of a rhetoric of globalization by social democrats enabled them to survive the 1980's by cartelizing the policy space available to them. Such strategies of discursive construction, institutional binding, and policy externalization may make the cartel of parties who do not really compete more secure, since they effectively compete over less, but such a strategy is immensely costly in the longer term.

Cartels face two threats. One is defection by members seeking short-run advantage at the expense of their colleagues. This paper has argued why such defections are unlikely. The other threat to a cartel comes from the availability of substitutes; that is, outsiders (Pelizzo 2007). By narrowing the choices available to the electorate, party cartels lower turnout and turn away from their core constituents. Populist parties can ignore what the cartel parties take to be reality and raise issues that the cartel parties have attempted to bury in their efforts to truncate the policy space. They may, for example, promise to deliver levels of public service that are deemed impossible by the cartel parties, secure in the knowledge that they will not be called upon to deliver on those promises. Or they may attack the cartel itself as a conspiracy against the public on the part of self-serving political parties. Indeed, such appeals are increasingly common features of European politics. Regardless of the strategy employed, cartels invite challengers. And if the cartel parties in their efforts to secure themselves from failure tell their traditional constituents that there really is no alternative, then those constituents may well turn to those who do offer alternatives.

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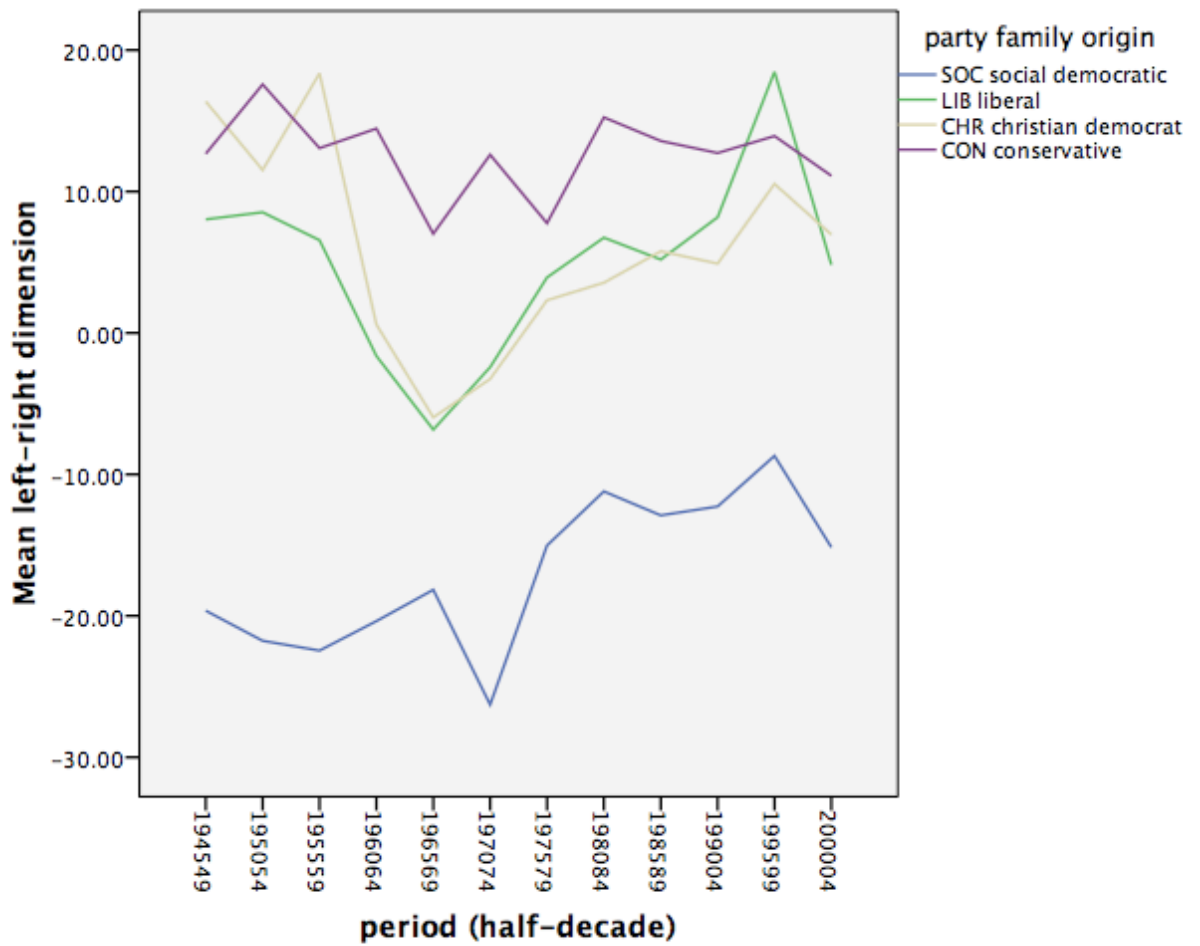
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Figure One

Average left-right position, mainstream parties 1945-2003



Mainstream parties are defined as those belonging to the socialist, liberal, Christian democratic and conservative party families (coded 30, 40, 50, 60 in the PMD)

Figure Two

Mean salience of economic intervention, mainstream parties 1945-2003

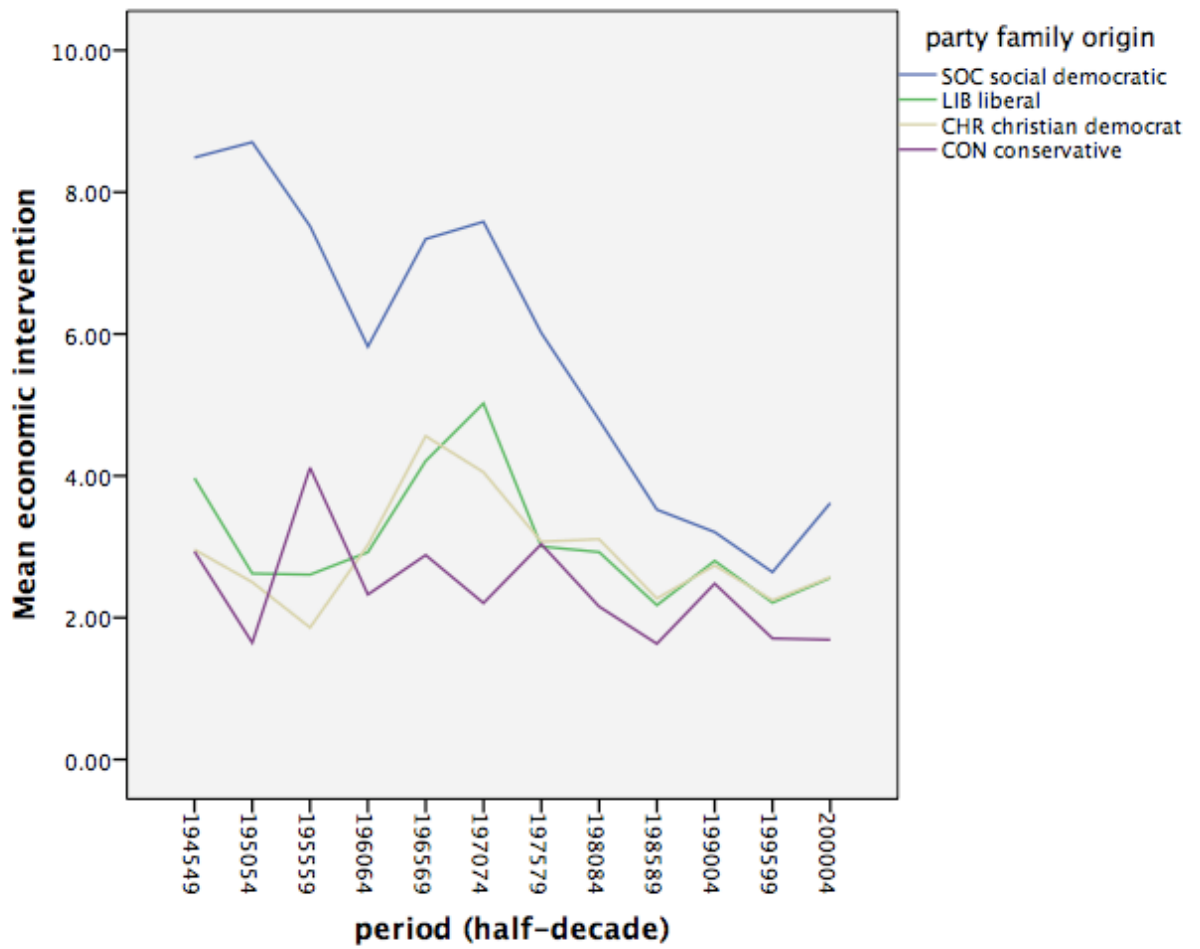
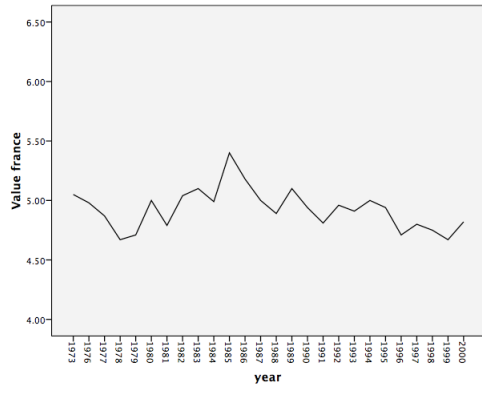
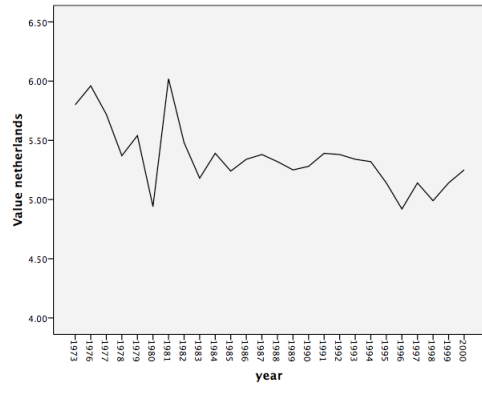


Figure Three
Voters Self-Placement in Selected Western European countries, 1973-2000.

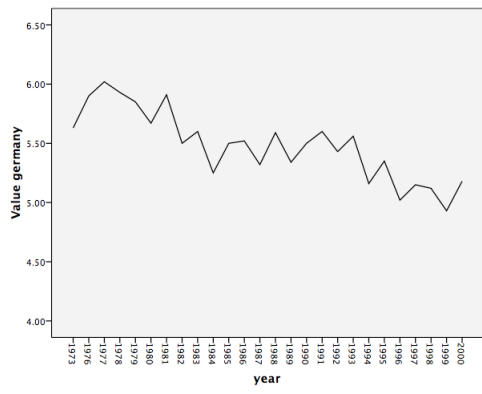
France



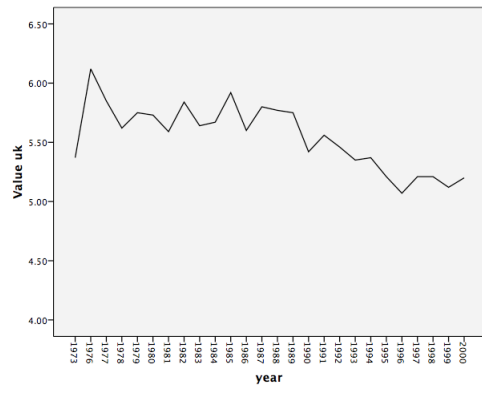
Netherlands



Germany



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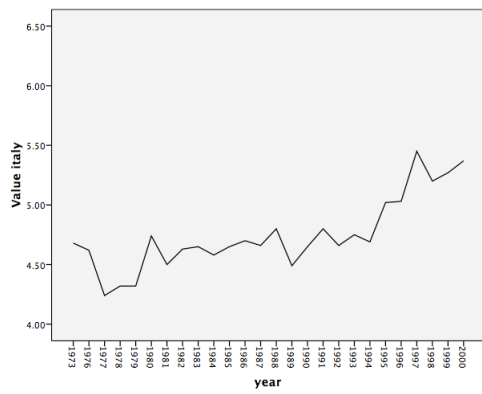
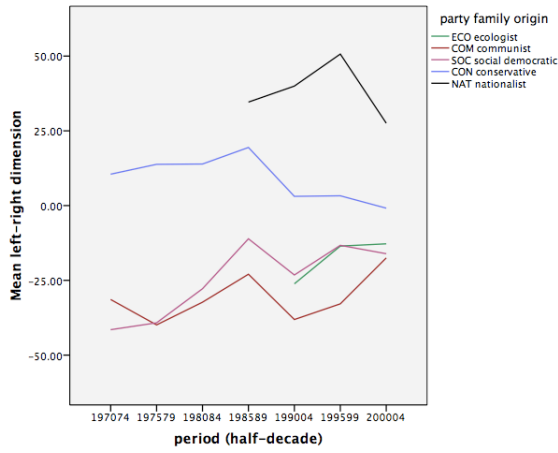
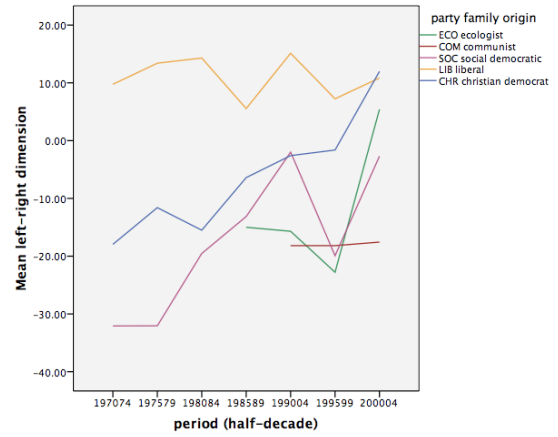


Figure Four
Party Positions in Selected Western European countries, 1973-2000.

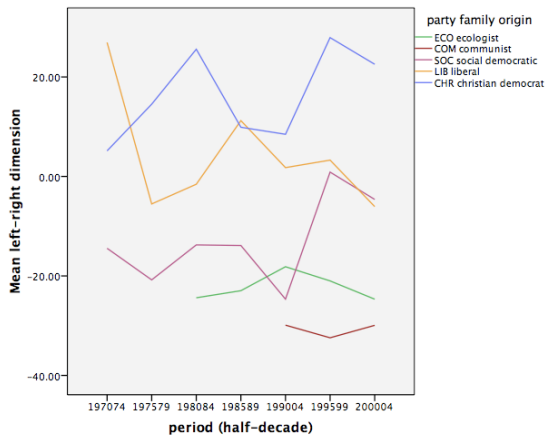
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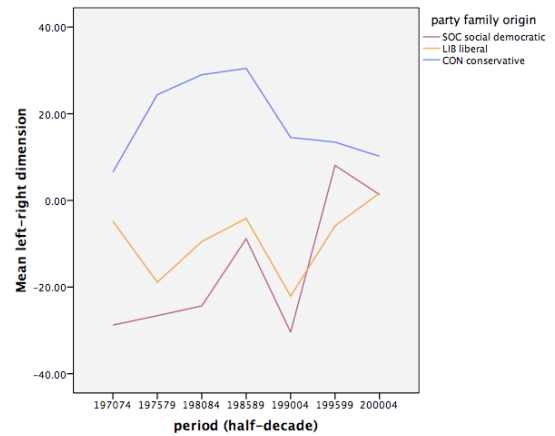
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