

Cartel Parties and the Crisis: Political Change and Ideological Stasis in Advanced Democracies

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Abstract

This paper assesses the response of political parties in advanced democracies to the post-2007 financial and economic crisis. It suggests that the mainstream parties in western countries have yet to update their economic policy paradigms, remaining within the narrow range of policy positions considered appropriate through the 1990s and early 2000s. It then develops a theory of party politics to explain this lack of change, drawing on Katz and Mair's concept of the cartel party. It is argued that parties form a cartel around market liberal policies as a response to their own organizational weakness, and make institutional changes to entrench this cartel. Faced with a changing political and economic environment, parties remain locked into a set of ideas, policies and discourses which responded as much to party leaders' organizational needs as to the validity of the ideas themselves.

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## **Cartel Parties and the Crisis: Political Change and Ideological Stasis in Advanced Democracies**

### **Introduction**

It is widely held that the financial crisis that began in 2007 and caused the Great Recession (or Lesser Depression) that continues today is a transformative moment in world politics. The near-collapse of the world financial system, the prolonged resort to unorthodox monetary policy, and the threat of widespread sovereign debt crises have fundamentally undermined a dominant policy paradigm which claimed to have brought unprecedented economic stability. Yet almost half a decade into this crisis, there are few signs that mainstream politicians in advanced democracies feel the need to adapt the terms of the economic policy debate. Economic ideas that appear entirely discredited by events still seem to underpin the programmatic proposals and discourse of most political parties, including those on the mainstream left (Quiggin 2010, Crouch 2011). This is doubly puzzling, given that this failure to move on has clear electoral costs: incumbent parties, especially on the left, have tended to be defeated in this period (Chwieroth and Walter 2011, Lindvall 2012), whilst opposition parties are frequently outflanked by new populist rivals.

This paper looks at possible explanations for this lack of response. It presents an alternative to some of the available explanations, which draw mostly from a broader literature on institutional change, and proposes an account centred on the evolution and interaction of political parties themselves. It argues that, as well as the natural inertia of political institutions and the power asymmetries, a convincing explanation must consider why elected politicians find it convenient to hang on to outdated ideas. This involves analyzing the ways in which political parties organize, compete and interact with their electorates. By focusing on this oft-neglected partisan dimension of political action, we gain a fuller understanding of the paradoxical behaviour of professional politicians and the remarkable resilience of bankrupt political and economic ideas.

### **The Puzzle: Market Liberalism's Elixir of Immortality**

The electoral history of western democracies has revolved around battles of economic ideas. Disputes about the roles and limits of government and markets have shaped political competition and generated institutions which themselves in turn reshape and condition patterns of party politics and state action. In particular, much of the politics of the last century and a half can be seen as a struggle between the very powerful idea that markets, left alone, can self-regulate and generate efficient allocations of resources, and the variety of responses to this market liberal idealism, from fascism and Nazism, through Christian democracy to socialism and communism (Polanyi 1949, Esping-Andersen 1990, Blyth 2002, Berman 2006). Although a variety of other economic and non-economic divisions also contribute to structuring political life, the basic left-right divide – between state intervention in markets in favour of the lower

and middle income groups, and a more pro-business position often evoking 'free markets' - underpins party systems throughout the advanced democracies (Lipset and Rokkan 1967, Butler and Stokes 1974, Bartolini and Mair 1990, Budge et al 2001, 2006).

Yet over the last 20 years or so this left-right divide appeared to have been airbrushed away; mainstream politicians on the left and right were eager to reduce politics to a competition between aspiring managers of a barely contested set of economic institutions that we can summarize in the term 'market liberalism' (Quiggin 2010). Of course, not all democracies adopted these institutions to the same degree, and the legacies of different process of welfare state expansion survive. But institutions such as independent central banks, fiscal rules, free capital movements and openness to trade were universal across the advanced industrial nations. At the same time, political parties across the spectrum accepted these basic arrangements, moving closer together on the big questions of the political economy that had traditionally driven party competition.

A curious feature of this convergence is that it has coincided with the growth of income inequality across western democracies (OECD 2008, 2011). A classic model in political economy is Meltzer and Richard's theory of party competition in which the median voter's objective interest in redistribution drives the expansion of the public sector and welfare state (1981). One implication (unsupported by 30 years of empirical data) is that higher inequality would create political pressure for more redistribution and further public sector growth. Yet an increase in income inequality of the period since the 1970s has had the opposite effect. Other work examining the relationship between income distribution and political competition in the US has argued that inequality has driven party system polarization (McCarty, Poole and Rosenthal 2006), but the evidence from party manifestos suggests that this polarization masks a very strong convergence around market liberal solutions in the US. In short, it is hard to see a plausible social structural cause for the consensus around market liberalism, and even harder to interpret the current failure to respond to the crisis in this manner.

A second theory that needs to be considered is that market liberalism was successful because, in crude terms, it was the 'right' set of policies. In face of a (exogenously determined) process of globalization, market liberalism provided the most appropriate policy response to the increasingly competitive financial, product and labour markets into which western democracies were becoming integrated. Before the financial collapse of 2007-8, this thesis had some plausibility. A substantial political economy literature outlined the new constraints on the policies characteristic of the post-war Keynesian welfare state (Boix 1998, Notermans 1999, Iversen 1999, Kitschelt et al 1999) which implied that, at least in the macroeconomy, market liberal arrangements had become the only game in town. This interpretation was bolstered by the period of unprecedented, if illusory, economic stability which became known shortly before its sudden end as the 'Great Moderation' (Bernanke 2004, Krugman 2009, Quiggin 2010).

Although the era of dominance of market liberalism never delivered the spectacular gains in output and productivity that were once promised, the relatively stronger growth and employment performance before 2007 of the more free market nations bolstered the case for freer markets and less state intervention. The cases of the US, the UK and Ireland, set against the apparent relative stagnation of countries such as France and Germany, offered some tentative evidence that pro-market reforms could bring growth and high levels of employment. The growth of inequality and poverty in the US and the UK showed that these benefits came at some social cost, but that was seen as inevitable in view of the well-known 'trade-off' between economic efficiency and equality (Okun 1975, Hopkin and Blyth 2012). However, the period since 2007 has left the claims of market liberalism in tatters, particularly since some of countries that have emerged least damaged by the crisis had retained not only large public sectors (eg Sweden) but had also resisted the pressure to dismantle their corporatist labour market institutions (Germany).

The discrediting of market liberalism in the light of the crisis should, one would expect, have provided an opportunity for strategically alert politicians to propose some kind of policy response. Yet the fundamental institutions of the market liberal era remain intact, barely contested by any mainstream political movement in advanced democracies. The paradoxical survival of these institutions is puzzling on at least two levels. First, the electoral coalitions that appeared to underpin market liberalism are ripe for realignment, given that the middle income groups purported to have benefited from it have been among the first to suffer the consequences of the crisis (the term 'squeezed middle' acquiring instant popularity). Second, the ideas on which market liberal institutions rest are – or perhaps it is better to say should be – in deep crisis. Claims that were the conventional wisdom only a few short years ago – such as the notion that the increased income of the super-rich 'trickle down' to the rest, or that deregulated financial markets allocate capital efficiently – now provoke derision. Yet these ideas have become 'zombie' ideas, impossible to kill (Krugman 2010, Quiggin 2010). So why do bankrupt and unpopular ideas survive?

Two perspectives seem particularly useful here. One is to look at processes of ideational and intellectual continuity and change themselves, and focus on the role of ideas in validating particular political groups and social forces and in providing a way for political actors to navigate their way through confusing and uncertain situations (Blyth 2002, Chwieroth 2009, Farrell and Quiggin 2012). By looking at political parties' own processes of ideological change, this paper will draw on this approach. Another perspective involves examining the organizational capacity and resources of different political actors and their interaction with formal and informal institutions in complex processes of political change. Here for instance the work of Hacker and Pierson 2010 and Crouch 2011 are valuable. The former argue that the spectacular increase in income inequality in the United States, and its ramifications for the organizational and financial resources enjoyed by different groups, has made the political system a captive of monied interests, unresponsive to the demands of ordinary citizens. The latter argues that the defining institutional feature of the

current period in advanced democracies is the political, financial and even intellectual domination of the large corporation.

These perspectives are crucial for the understanding of the survival of discredited market liberal ideas and institutions. This paper draws on both the ideational and the 'power resources' types of explanations to explain the initial embrace and then costly maintenance of market liberal ideas by mainstream political parties in western democracies (and particularly, the paradoxical liberal turn of left parties). The paper develops an organizational analysis of party politics which explains why party leaders have sought to establish a policy cartel around market liberal ideas that ultimately frees them of onerous governing responsibilities whilst entrenching them in public office. This analysis generates the thesis that market liberalism has become locked in precisely because of the weakness of parties, whose organizational decline provides party leaders with an incentive to delegate political power to technocratic institutions and to market actors. This thesis also provides an explanation for the failure to respond to the crisis with new policies and arguments, since parties lack the organizational capacity to build cohesive electoral coalitions and exercise democratic political authority in favour of these coalitions. By extension, unless something changes to make parties more capable of generating collective action, market liberalism's obvious failure will yield no political response.

### **Party Organizational Change, Free-Riding and the Rise and Fall of Mass Parties**

Claus Offe (1980) argued that there was a fundamental asymmetry in the ability of different social groups to defend their interests in democratic political systems, an asymmetry stemming from their different logics of collective action. The economically weaker social groups in the population face difficulties in organizing to articulate and prosecute their interests because of the pervasive free-rider problem such large groups encounter (Olson 1965, Hardin 1982). The poor majority, in short, has to persuade its components to contribute to the production of collective goods that they would enjoy whether or not they contributed. Wealthy elites, on the other hand, face no such difficulties - as a much smaller group, the free-rider temptation is less severe and more easily patrolled, whilst the abundant resources they enjoy mean that even extensive free-riding will not necessarily impede collective action, because a small number of contributions can be sufficient to generate the collective benefits, and the payoffs to those who contribute can still be positive even if most beneficiaries free ride.

These two logics of collective action are well known and have appeared in various guises in the political science literature (eg Lindblom 1982, Lohmann 1998, Hacker and Pierson 2010). Surprisingly though they have had lesser impact on the study of electoral politics (for exceptions, Schlesinger 1984, Aldrich 1995, Hopkin 1997, 2004). A possible explanation for this lack of attention to the 'microfoundations' of political parties is that parties are such a fundamental and apparently permanent feature of democratic life that their existence is taken for granted. Parties are omnipresent in democratic systems,

and despite some concern for their continued good health, are expected to remain so (Dalton et al 2011). But an understanding of the logic of collective action underpinning parties is of more than historical interest, because it can reveal important insights into the ways in which social interests get represented and translated into policy through the electoral process.

One can get a sense of these distinct logics by examining the stylized account of party development presented by Katz and Mair in their classic article on the emergence of the 'cartel party' (1995, also 2009). In the early stage of democratic development, parties were loosely organized 'cadre parties', composed of small numbers of elite politicians and their supporters who generally organized their own election campaigns but cooperated in parliament to pass legislation (Aldrich 1995, Cox 1987). Politics in this phase was relatively unresponsive to non-elite concerns, because of limitations to voting rights, and the cadre parties' lack of structure was not a serious hindrance to their activities. But with the extension of the franchise the 'mass party' emerged as the most successful organizational form, developing a territorially rooted grassroots base of activists to mobilize the mass electorate. The mass party initially emerged from the labour movement, but was swiftly copied by centre and right parties as the only way to compete under the conditions of mass electoral politics.

The mass party had a number of desirable features, at least from the point of view of a populist conception of democracy (Katz 1997, Shapiro 1997, Hopkin 2004). Its social presence went beyond simply providing a set of candidates for voters to choose, seeking instead to mould, articulate and maintain a cohesive electoral constituency, defining its shared interests and using its control over political institutions to prosecute and defend those interests (Katz and Mair 1995). Rather than an individual appeal to a fragmented electorate, the mass parties presented a collective appeal to a whole sector of the electorate, the so-called *classe gardée*. As Blyth and Katz put it, 'in contrast to the elite party's claim to be a group that intends to promote the public interest "upon some principle on which they are all agreed", the mass party represents only one segment of society, its *classe gardée*, in competition with other segments of society' (2005: 36). Underpinning this collective appeal was a clear ideological identity which set out a worldview, an analysis of social problems, and a set of normative principles to guide political action. The classic mass party was a socialist or labour party, with its grassroots presence centred on the industrial working class (or in some case the landless peasantry) and the trade union movement, and committed to reforms which to varying degrees aspired to overturn the unequal distribution of economic resources and political power characteristic of capitalism. However, Christian Democrat parties, which grew particularly strongly immediately after the Second World War, also displayed features of the mass party model.

The mass party's organizational logic and design, and its political identity, addressed directly the problems of collective action for large, diffuse interests. Against the elite cadre parties' power based on wealth and privileged social influence, the mass party was forced to deploy the power of large numbers. In order to sustain mass action, it needed a capillary organization reaching down to

the grassroots level, articulated into a quite centralized structure which would allow leadership to coordinate party action, whilst providing 'avenues for mass input into the party's policy-making process' (Katz and Mair 1995: 7). In order to sustain mass collective action, a bureaucracy of paid party organizers, backed up by a network of voluntary activists, was required to ensure the party did more than simply mobilize votes at election time. The logic of the mass party was one of 'encapsulation' of its core electorate, through a variety of collective incentives - ideological and sub-cultural identification, opportunities for social and leisure activities - and selective incentives - access to welfare services and support, particularly in the workplace through affiliated trade unions. The mass party sought to create a cohesive electoral constituency through its own means of communication, formally, through party newspapers, and informally, through the channel of activist propaganda and persuasion. Maintaining a mass membership was crucial to sustaining this infrastructure, which required funding from membership dues and unpaid labour from an army of voluntary activists.

A major consequence of the development of mass parties was that it provided a vehicle for collective action in pursuit of redistributive policy. The role of political parties in the emergence of the contemporary welfare state has received a great deal of attention, particularly through the development of the resource mobilization theory associated with scholars such as Korpi (1978), Esping-Andersen (1985, 1990) and Huber and Stephens (2001). The RMT emphasizes the presence of left parties in government, and their overall numerical weight in the representative institutions, as a key correlate of the expansion of the welfare state. Other work associated left party power with macroeconomic policies favouring full employment (Hibbs 1977).

But RMT paid scant attention to the nature of left parties and their organizational dynamics, with the result that measures of left power focusing on ministerial portfolios or parliamentary representation (for example Cusack, Iversen and Soskice 2007) do not fully capture the evolution of the political clout of lower income groups. The ability of these groups to achieve favourable political change depends not only on the formal political power enjoyed by left parties, but also on the real collective action potential of these parties, which requires close attention to their organizational capacity. In the era of the mass party, this ability to mobilize wide support for redistributive measures was reflected in larger memberships, affiliations with powerful trade unions, a privileged channel of communication with the core electorate, and the intellectual self-confidence of a consistent set of ideas which resonated with this electorate. As Katz and Mair put it, the party programme 'is not just a bundle of policies, however, but a coherent and logically connected whole. Hence, party unity and discipline are not only practically advantageous, but are also normatively legitimate' (1995: 7).

This unity and discipline provided left parties in particular with a capacity for collective action which underwrote its commitment to the welfare state and the broad post-war settlement of 'embedded liberalism' (Ruggie 1982). Party cohesion facilitated coordination across the broad mass of lower income voters behind redistributive policies, providing an effective guarantee that all these

voters would unite behind these policies and reducing the threat of the 'sucker's payoff'. The institutionalization of the mass party organization provided an analogous temporal guarantee of the maintenance of the welfare institutions over time, particularly crucial to the viability of contributory welfare programmes. The mass membership and 'pyramidal' structure of the party offered guarantees against leadership defection from ideological and programmatic commitments (the risk of the Michelsian 'iron law of oligarchy'). In sum, the mass party was an effective vehicle for collective action and coordination behind the building of a redistributive form of welfare capitalism. In the following section I argue that the decline of this organizational capacity explains the willingness of left parties to sign up to much of the main agenda of market liberalism, and their inability to respond to the stark failure of the resulting institutional arrangements.

### **From the Catch-All Party to the Cartel Party**

The mass party model was ultimately copied in its more formal structures by most if not all mainstream political parties in the western democracies, and its basic structure can still be identified in these parties today. But the mass party as a pattern of collective action focused on mobilizing and representing class interests began to decline a couple of decades into the post-war period. Kirchheimer (1966) argued that parties were becoming 'catch-all' parties, no longer focused on mobilizing a core electorate, but instead diluting their ideological identities to attract voters from outside their traditional hunting grounds. In order to do this, parties became more centralized around their leaderships, whilst the membership – which constrained the leaders' strategic room for manoeuvre – were neglected. Increasingly parties become professionalized, with the role of grassroots activists replaced by paid experts in media and communications (Panebianco 1988). This change had its counterpart in a shift in electoral behaviour: voters became less likely to identify with any particular party and more likely to change their votes in response to different party appeals and leadership qualities (McAllister 1986, Franklin et al 1992, Evans 1999). Subsequently, scholarship on political parties identified the decline of the catch-all party and its replacement with a new organizational type: the 'cartel party' (Katz and Mair 1992, 1994, 1995, Mair 1998).

The decline of the mass party, and of its electoral analogue class voting, has been at the centre of scholarship on political parties and elections since the 1970s. The long period of the post-war boom was characterized by very stable electoral politics, in which the majority of voters identified with and consistently supported the political party representing their social or religious grouping, and political parties had relatively stable levels of support (Lipset and Rokkan 1967). The emergence of much greater electoral volatility (voters shifting between political parties from one election to another) and the emergence of new political parties in a number of countries shook this arrangement, leading to an extensive literature on electoral change (Pedersen 1978, Dalton et al 1984, Bartolini and Mair 1990, Franklin et al 1992).



These developments are familiar to parties and elections scholars, but less widely understood outside that sub-field. In the same period – since the early 1970s – comparative political economists have been concerned with making sense of their own epochal shift: the crisis of embedded liberalism and the Keynesian welfare state, and its evolution across western democracies into a much more liberal variant of capitalism, informed by the new classical turn in economics and the crisis of social democratic ideas in the political sphere (Streeck and Thelen 2005, Glyn 2006). Few attempts have been made to draw any connections between these two major transformations, but as well as their historical contemporaneity, there are theoretical grounds for looking at the possible causal relationships between them.

The cartel party as an organizational form differs in many ways from the classic mass party model, even though the formal organizational structures and rules of cartel parties still hark back to the mass party era. Katz and Mair describe the evolution of political parties towards the cartel model in terms of their relationships with civil society and the state. Where mass parties acted as links between civil society and the state, and catch-all parties acted as brokers between civil society and the state, cartel parties have been entirely absorbed by the state, and correspondingly detached from civil society (1995: 18). This has major ramifications for parties' role as vehicles for collective action, and this is particularly significant for the role of left parties and their traditional emphasis on the production of collective goods such as redistributive institutions.

A first cut on the implications of the party organizational change for economic and social policy is in the work of Mark Blyth and others (Blyth and Katz 2005, Blyth and Hopkin 2005). Blyth and Katz relate the different organizational forms parties adopt over time to the types of collective goods they aspire to produce when in public office: where the cadre party claimed to defend broad concepts of the 'public interest', mass parties represented only one segment of society in competition with others (p.36). This form of representation was ideally suited to redistributive policies, since the mass party's *classe gardée* was the main beneficiary of these policies and it could mobilize support for them without having to deal with the tensions between winners and losers. As democratic politics moved into the phase of catch-all politics, this pattern changed, with class boundaries weakening and competitive pressures pushing parties into out-bidding over the delivery of collective goods. Party leaders sought to win greater strategic freedom by limiting the role of the grassroots membership in decision-making and loosening parties' ideological moorings (Kirchheimer 1966) in order to appeal to voters outside the core electorate. This necessarily diluted parties' relationship with their *classes gardées* and created greater internal tensions over economic and social policy, as catch-all parties now had to simultaneously win the support of both winners and losers from redistribution.

By abandoning the mass party's focus on mobilization and collective action as a way of maximizing the political influence of lower income groups, the catch-all party became a less effective vehicle for pro-poor policies. One popular interpretation of this shift is the 'embourgeoisement' thesis, whereby the economic growth of the post-war era and the greater security delivered by the expansion of the welfare state undercut the popular appeal of redistributive

policies (Goldthorpe et al 1968). According to this account, the emergence of a growing middle class of property-owning voters hostile to further redistribution threatened the core constituency of the mass party, generating the resort to catch-all politics. Goldthorpe et al (1968) found little supporting evidence for the embourgeoisement thesis. Moreover, a growing body of evidence from income distribution studies questions the emergence of a strong middle class lacking an objective interest in redistributive politics. Here we leave aside such exogenous forces and focus instead on the endogenous dynamics pushing party leaderships away from the mass party model, which offer a compelling rival account of the emergence of a party cartel around market liberal policies.

The emergence of the cartel party can be seen as a response to the organizational dilemmas generated by the catch-all party (Blyth and Katz 2005: 38). By appealing to a more diverse electorate, the catch-all party destabilized its internal organization, built and institutionalized around the original goal of mobilizing a cohesive social base. The solidary identity of the mass party entered into decline as party leaderships neglected the grassroots organization and ceased appealing to the symbols and discourses of its ideological roots. This in turn increased party leaderships' need to appeal to a more heterogeneous pool of voters: 'each catch-all party sought to encompass an ever bigger coalition in the hope of stabilizing its vote share in the face of diminishing returns to policy distributions' (Blyth and Katz 2005: 38). To maintain a broad and diverse electorate through the production of public goods could only work over the short-term, since the trade-offs involved in redistributive policy would inevitably generate tensions within the catch-all party's social coalition.

These difficulties generated two challenges that the cartel party model could address. On the organizational side, catch-all parties would inevitably suffer a quantitative and qualitative decline in its activist base. The catch-all strategy impeded the distribution of the solidary and ideological incentives that maintained the mass party model, leading many of the most committed grassroots members to abandon their activism and perhaps leave the party altogether. This enhanced the strategic flexibility enjoyed by party leaderships, which felt less and less bound to party ideological traditions and were therefore freer to choose vote-maximizing policy proposals and campaign discourses. But it also reduced parties' capacity to mobilize support, necessitating a shift from labour-intensive campaigning based on voluntary activism to capital-intensive campaigning based on hiring professionalized services (Hopkin 2004). With the loss of membership income, the money to buy in these services had to come from somewhere, hence cartel parties' convergence on public funding to sustain their organizational activities (Katz and Mair 1995), and the growing importance of corporate funding, particularly but not exclusively in the liberal market economies (Ferguson 1995, Hopkin and Paolucci 1999).

The second major challenge arose from the decline of parties' traditional identifying core electorates. Denied the cohesive *classe gardée* which would reliably support redistributive policies, catch-all politics drove parties to adopt ever more ambitious and unsustainable commitments to maintain electoral support. To give an example, left parties promising to extend welfare provision and maintain full employment found they also had to seek support amongst

voters in higher tax brackets or with anti-inflationary preferences, making policy choices more costly (a dynamic emphasized by the 'government overload' literature of the 1970s and 1980s, eg Rose 1984). The decline of class voting and newfound heterogeneity of party electorates meant that governments were increasingly based on oversized social coalitions. Faced with fiscal and growth limits, parties had every incentive to find ways of reducing these commitments without giving up their electoral positions. The solution was to converge on an oligopolistic model of competition in which parties would signal to each other their intention to rein in their voters' expectations (Blyth and Katz 2005: 39-41). In short, this meant parties offering 'less politics', 'cartelizing' the party system around a more constrained set of policy choices.

### **Cartel Parties and the Triumph of Market Liberal Ideas**

So what has all this got to do with the failure of parties, particularly on the left, to respond to the crisis? The economic collapse of the late 2000s has spawned many interpretations (see for example Lo 2011), but it is difficult to avoid the conclusion that it is a crisis of a particular model that had become dominant over the 1980s and 1990s, and is commonly referred to as neoliberalism or market liberalism. The principal features of this model – free trade (at least in manufactured goods), free capital movements, an emphasis on inflation over employment, and the binding of governments to fiscal and monetary rules – are familiar enough and need not detain us here. Our focus is instead on the reasons why parties' organizational evolution made these ideas so attractive to political leaders that they have not been readily abandoned even in the face of dramatic evidence of their failure.

In the age of the cartel party, elected politicians have tended to distance themselves from their ideological traditions in favour of an appeal based on their claims to managerial competence. As Katz and Mair describe (1995: 22), 'democracy lies in the currying of public favour by elites, rather than public involvement in policy-making. Voters should be concerned with results rather than policy, which is the domain of the professional. Parties are partnerships of professionals, not associations of, or for, the citizens.' This is a fundamental departure from both the mass party model, in which parties offered competing worldviews and visions of society, and the catch-all party, in which parties competed to respond to voter demand. In the cartel model, parties seek ways to curb inter-party competition to reduce the pressure on governments to deliver collective goods to their supporting electorates. Helpfully, the decline of class voting has facilitated this task, by undermining the popularity of the kinds of class appeals which committed parties to costly wholesale social and economic interventions. Instead, cartel parties have signed up to market liberal policies which free them of responsibilities for securing full employment or redistribution, and therefore relieve them of the need to compete over these thorny issues for popular support.

A key feature of the market liberal arrangement which makes life easier for cartel parties is the delegation of important economic policy responsibilities to unelected technocrats in 'arms length' government agencies or supranational

institutions (Blyth and Katz 2005, Blyth and Hopkin 2005). The most obvious of these is the ubiquitous independent central bank (a supranational one in the case of Eurozone countries) which is given an inflation target and left to choose the appropriate monetary policy. This removes a key feature of interparty competition in the postwar years (Hibbs 1977) – macroeconomic policy and employment/inflation trade-off – entirely from the electoral arena (although parties still suffer the consequences for central bank mistakes; Chwieroth and Walter 2011). Similarly, free trade arrangements such as NAFTA and the various measures agreed through the WTO although remove policy choices crucial to economies' industrial structure from democratic political control. Globalization, construed as an entirely exogenous and uncontrollable force, is frequently invoked to justify governments' powerlessness to act in these areas (Blyth 2003).

A powerful intellectual consensus backing such policies has acted as a backstop to parties opting out of more interventionist policies (Notermans 2001). The high profile volte-face by the Socialist government in France in 1982 (dropping demand management in favour of *rigueur*) had a big impact on left party leaderships in other European countries (for instance Spain: Solchaga 1990, Iglesias 2004). Important research in political economy on the failings of Keynesianism in the 1970s and 1980s underpinned left parties' commitment to European monetary union and central bank independence (for instance Scharpf 1991), and further work on the limitations imposed by globalization implied left parties restrict their attention to 'supply-side' measures (Giddens 1994, Boix 1998, Garrett 1998, Iversen 1999). Party leaders may well have been convinced of the inherent validity of these ideas (although it is doubtful they always fully understood them), but our point here is that their strategic interests as leaders of party organizations gave them a strong incentive to buy into the market liberal doctrine.

For parties of the centre and right, the choice for cartelization is not difficult to explain. Their electorates were more likely to benefit from market liberal policies to the extent that they implied curbing redistributive spending and prioritizing price stability over full employment. These policies were also strongly supported by the business interests that tend to bankroll centre and right parties and have good working relationships with the party elites. It is more of a puzzle to explain why social democratic or labour parties should adopt these policies, but the organizational decline thesis presented earlier offers an explanation. Left parties faced a particular dilemma in the more fluid electoral environment of post-industrial society, having to reconcile the interests of economically vulnerable groups who benefit from redistribution, and economically more dynamic groups who largely pay for it. Developing a political discourse of 'diminished expectations' (Krugman 1998) and adopting institutional reforms which lock this discourse into policy gave left parties a way of reconciling these conflicting interests in order to keep an increasingly incoherent coalition together.

The changing nature of the centre-left coalition created organizational, as well as electoral stresses for party leaderships. The declining mass memberships undermined parties' financial help, and the decline of the trade union movement, particularly in English-speaking countries and in Southern Europe, also

contributing to left party fragility. Fewer trade union members meant fewer reliable left party supporters, and in some cases, fewer financial resources for campaigning and organizational maintenance. The cartel party's need for state funding is one response to this, whilst increasing dependence on private funding – usually from corporate sources – is another. Moreover, from the macroeconomic policy perspective, the decline of labour unions in many western countries deprived left parties of the main organizational resource which had allowed them to offer a distinctive response to the employment/inflation trade-off. Adopting policies which relieved them of the responsibility for managing labour market behaviour also resolved a key organizational dilemma.

In sum, cartel parties have found market liberal policies and institutions a helpful means of resolving organizational and electoral dilemmas. State funding and increasing closeness to business interests resolve the financial dilemmas of party decline, but compromise policy independence. Delegation of monetary (and increasingly also fiscal) policy resolves electoral dilemmas and offers some insurance against the political costs of policy failure. Seeking alternatives to the market liberal consensus would not only be intellectually taxing, but would require costly changes to organizational structures and routines. Hence, the difficulty in responding to the collapse of the market liberal model.

### **Tentative Evidence**

Subjecting this account to appropriate empirical scrutiny is beyond the scope of this paper, but this section presents some tentative empirical support and briefly discusses some of the methodological issues involved. One supportive but not conclusive piece of evidence for this account comes from the temporal coincidence of the trends towards market liberal institutions being adopted by political parties in western democracies at the same time as these parties were suffering serious organizational strain.

The transformation in the political economy of western democracies since the end of the Bretton Woods system in the early 1970s is well documented. Similarly well documented, by a largely separate literature, is the decline of the post-war party system across the western democracies during the same period. Although these literatures occasionally reference each other, there has been no systematic attempt to relate them. But the crisis of the mass party organizational form and the pattern of voter behaviour underpinning can be traced back to the same period – the early 1970s - when the first signs of this crisis appeared.

Figure One provides some basic indicators of the changing nature of party politics between 1975 and 2005 (data for Europe only). It can be seen that party organizations have on average lost members over this period, consistent with our preceding account of parties becoming weaker and less rooted in civil society. More detailed analysis of this trend by authors such as Mair and van Biezen (2001), Mair, Poguntke and Van Biezen (2011), Van Haute (2011) and Whitely (2011) confirm that membership has declined in nearly all the European democracies, and that in the majority of cases this decline has been consistent and substantial whether measured in absolute terms or in terms of the share of

the electorate. At the same time parties have become increasingly dependent on state funding to maintain their organizations (Detterbeck 2005, Nassmacher 2009).

(Figure One About Here)

Voter behaviour has also changed in a fairly consistent pattern across western democracies. A shift away from cleavage-based, and particularly class-based, voting is visible, particularly in Europe, over the period since the 1970s (Evans 1999, Thomassen et al 2005, Knutsen 2007). This is manifested in three indicators in Figure One: the decline in party identification, the growth in voter volatility, and the rise of abstention, which all suggest increasing detachment of voters from politics generally. All this is indicative of the decline of the mass party model, and parties' increasing difficulties in generating stable support in favour of the provision of collective goods of benefit to cohesive electoral constituencies.

In the same period, mainstream parties in western democracies have steadily converged around a non-interventionist stance on economic policy (Figure Two). The parties that have moved the most in this respect, naturally enough, are the socialist and social democratic family of parties, who have abandoned their distinctively interventionist discourse and converged around the market liberal discourse traditionally more characteristic of their rivals on the centre and right. To a lesser extent, there is evidence of a broad convergence across over policy dimensions too: Figure Three shows that mainstream parties were most distant from each other in the immediate post-war period, and have more recently moved closer together in terms of the broad left-right dimension. What is perhaps more striking in terms of the policy cartel thesis is not the narrowing of ideological distance as much as the rightward movement of both social democratic and Christian democratic parties, whilst conservative parties have remain in a fairly consistent rightwing position throughout the postwar period.

(Figures Two and Three About Here)

So we can observe a pattern over time where parties in general have become organizationally weaker in terms of their rooting in civil society, their core electorates have become smaller and/or less reliable in their support, and at the same time the parties of the centre and left have moved, since the 1970s, into more conservative positions. The changes in policy-making observed across all western democracies, albeit to varying extents and with some differences in timing, reflect these ideological changes, as government have rushed to embrace market liberal institutions whilst seeking to contain public spending growth. Of course this is a long way from constituting firm empirical support for the party-focused account of institutional change developed here. But one suggestive piece of evidence is presented in Figure Four: there is a correlation between the organizational decline of the party system (measured as the change in the size of party membership relative to the size of the electorate) and the degree to which income inequality has increased in European countries (we lack comparative membership data to extent this analysis to a bigger sample). In countries where parties have suffered more limited losses in organizational capacity, policy

change has not produced the results generally associated with market liberal policies.

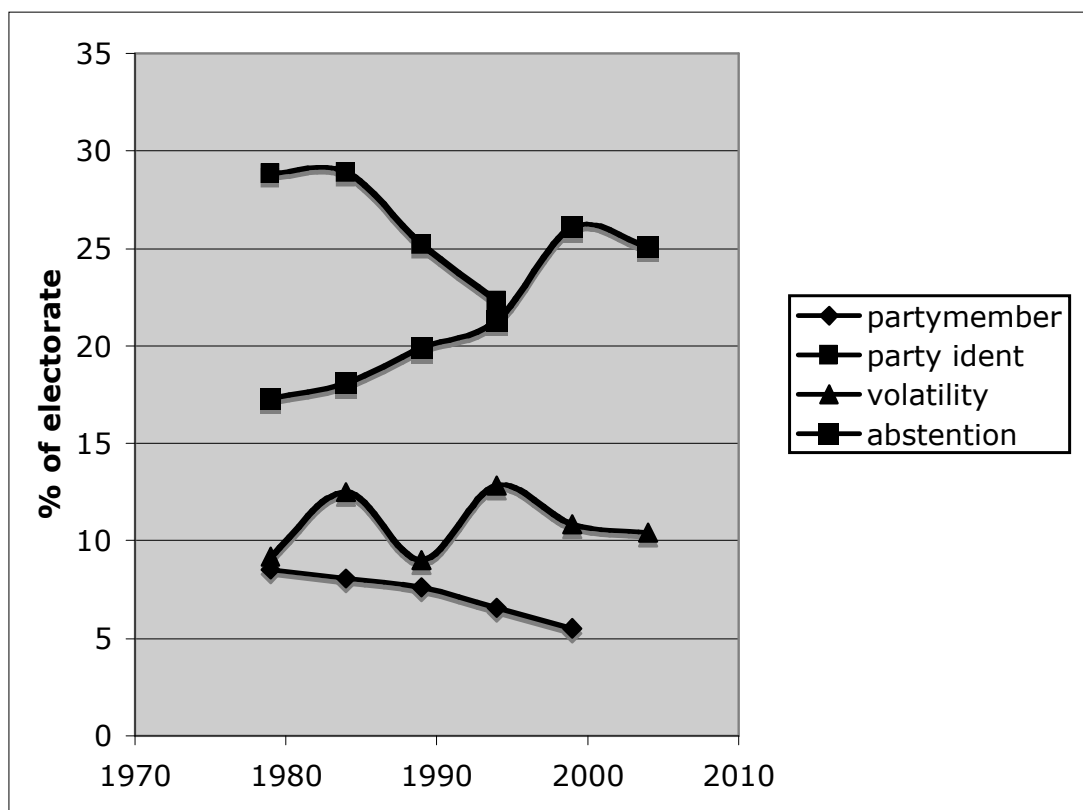
(Figure Four About Here)

## **Conclusions**

This paper has tried to move beyond the conventional accounts of institutional change in the post-Bretton Woods era by focusing on an aspect of democratic politics that political economists tend to neglect: the organization of political parties and their relationship with voters. It presents an alternative account which links policy and ideological change in western democracies with the decline of the mass party organizational model which underpinned the protagonism of left parties in the postwar era of welfare state expansion. The paper shows that the embrace of market liberal policies, particularly paradoxical in the case of left parties, can be understood in terms of the organizational and strategic dilemmas of party leaderships in a period of party membership decline and changes in electoral coalitions. It has presented some preliminary quantitative data to back this account; next steps will involve developing a more sophisticated quantitative analysis alongside a set of case studies of political parties to show the connections between the emergence of new party organizational forms and ideological and policy change.

**Figure One**

**Indicators of Weakening Party-Voter Relationship, Western Europe 1975-2005**

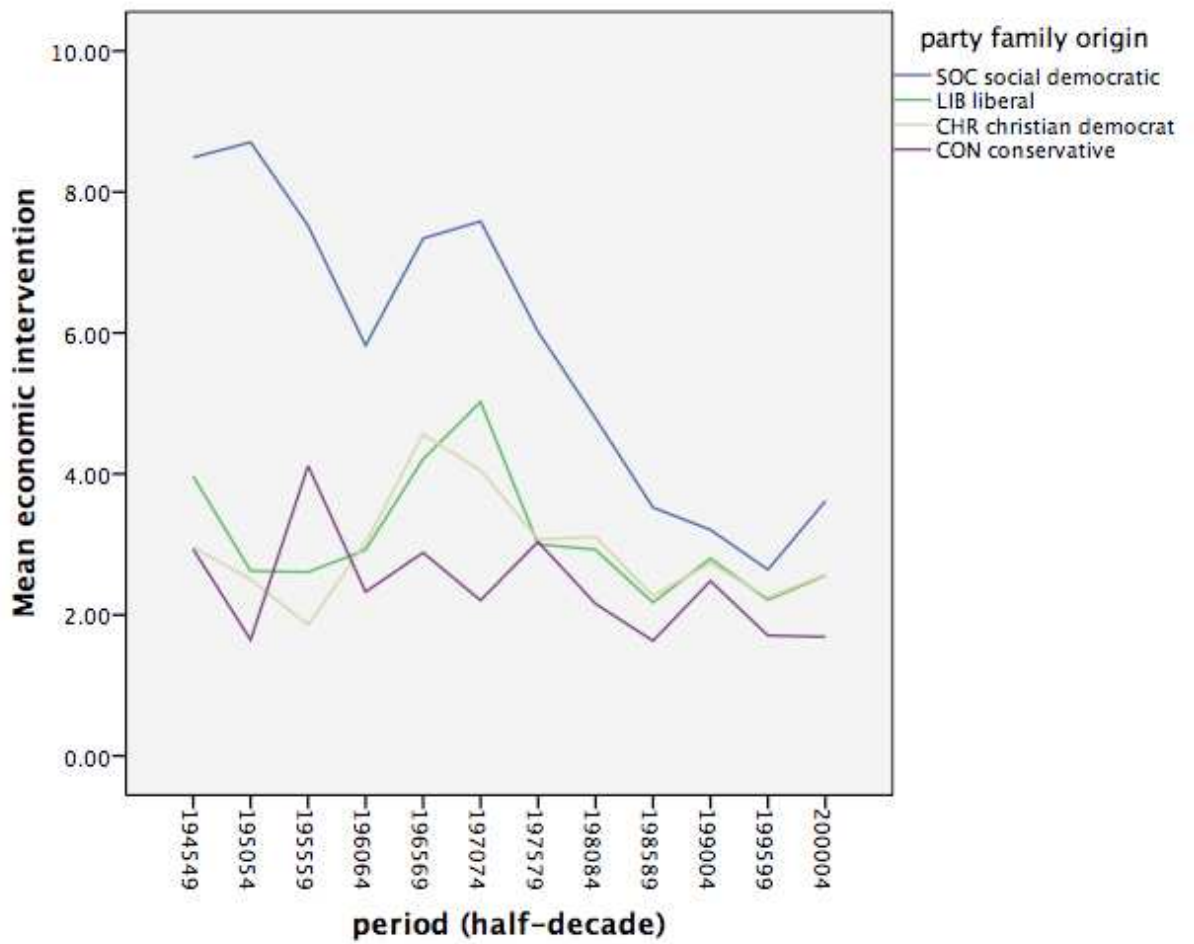


Sources: Party membership Mair and van Biezen 2001; party identification Eurobarometer; volatility Lane and Ersson 1999, *European Journal of Political Research* Political Data Yearbooks 2000-2005; turnout International IDEA Voter Turnout Database 2009.



**Figure Two**

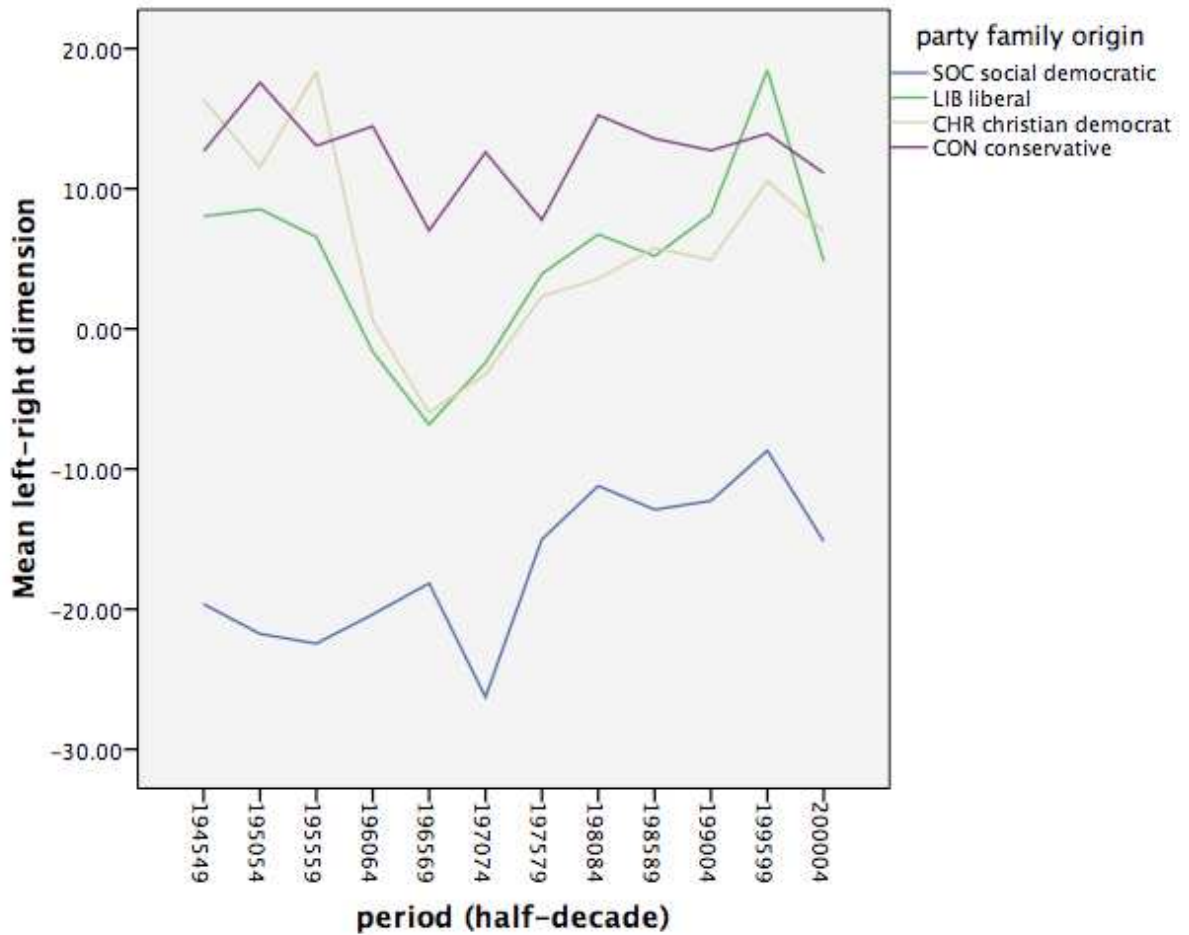
**Mean salience of economic intervention, mainstream parties 1945-2003**



Source: Party Manifestos Data (Budge et al 2006).

**Figure Three**

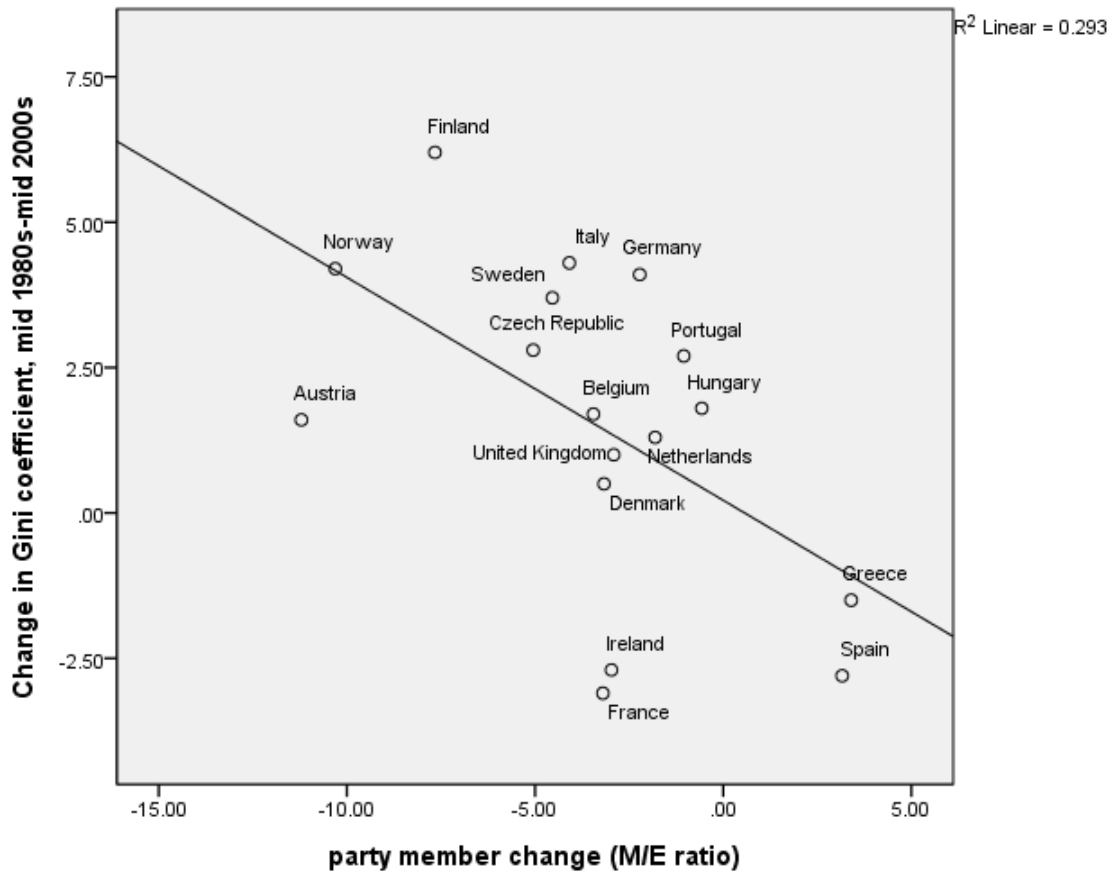
**Average left-right position, mainstream parties 1945-2003**



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 Four**

**Party Membership Decline and Change in Income Inequality, mid-1980s to mid-2000s**



Data: Gini coefficients OECD 2011; party membership Mair, Poguntke and van Biezen 2011.