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Chapter 1

Introduction and Research Question

Political parties are “the most important organizations in modern politics” (Müller/Strøm 1999: 1), establishing them as the “critical link” in a democracy (Katz/Crotty 2006: 1). They are essential for a working democracy, as they structure the vote and offer policies, providing guidance to voters through these ideological positions (King 1969; Sartori 2005: 36-37, 69). According to Anthony Downs, this ideology should be “relatively coherent and immobile” (Downs 1957: 109) in order for a party to remain reliable. Parties are, therefore, conservative organizations that generally resist change (Harmel/Janda 1994: 278). A party will not “radically shift its policies and doctrines overnight” (Downs 1957: 109), as this might mean losing a party’s core electorate. Changing positions gradually could be necessary when the general opinion and therefore, the median voter position on various topics has changed, while changing positions too frequently is certain to confuse voters. The most obvious reason for staying put in terms of policy positions is that voters associate a party with certain positions. Suddenly propagating different solutions to similar problems might lead to voters ascribing this policy reorientation to political opportunism, withdrawing their support altogether (Adams 2012: 403-404). Parties are also heavily reliant on the support of certain groups in society, which should not be disappointed by a radical change in policy. Different groups, or factions, with varying interests also exist within a party, further limiting party change (Janda et al 1995: 174).

However, parties are constantly faced with circumstances they have to adapt to, as the environment in which they exist is always changing (Mair 1997: 16). Societal change can take place, thereby changing the electorate’s position on various topics. Party systems may transform, with new parties emerging and others perhaps undergoing organizational adaptations, leading to new policy positions. This in turn can lead to rival parties being forced to follow suit, in order to remain competitive. Global changes can also impact parties of one system, with economic transformations forcing the implementation of new policies, ones that a party may have been opposed to in the past. An election is the most common way for parties to find out whether their policies are well received among the electorate and an unsatisfactory performance at the polls may be a reason to adapt certain policy positions. To a certain degree, change is quite common and necessary, as Russell J. Dalton and Ian McAllister note: “If parties and voters did not change their positions between elections in reaction to events and government performance, there would be little reason for more than one election” (2015:

760).

Reasons for change impacting a group of parties from different countries, taking their root outside the respective parties, its elites or activists, are what is at the centre of this thesis. An election loss, while presenting an impetus not coming from within the organization, only affects one party. Other external causes could take the form of strikes or wars (Harmel/Janda 1994: 276), perhaps affecting all parties of one party system. Carter et al (2007) have defined European integration as an external cause for party policy change, as the EU impacts all three goals defined by Strøm (1990) as being vital to parties (Carter et al 2007: 8). Therefore, external effects that can affect a large number of parties do in fact exist (see also Ladrech 1993). But have European parties been faced with an external shock in recent years, causing them to adapt their policy positions? The following research question takes up these considerations and guides this thesis: *"Have the economic crises in Europe acted as an external effect that made European parties change their economic left-right positions?"*

While a number of studies have examined factors that cause parties to change their policy positions, very little research has been devoted to the possibility of cross-border external factors being the cause of positional change. The main goal of this thesis is to gain insight into one specific external factor and how it impacted parties' positions on economic issues in Europe. The research question will be evaluated by focusing on one party family in Europe. Social democratic parties, due to their history and ideology, are believed to have various qualities which make them predestined for policy change. These analyses of one party family will also allow reasoned considerations into how other parties may have reacted to this external effect. Two aspects are of interest: parties' policy positions as they are judged by experts and the parties' proposed policies, derived from party manifestos. By employing two different data sources, recognized and regularly used in scholarly research, the goal of achieving a thorough picture of parties' movements and positions should be reached. It is argued that parties shift their policy positions in response to a country's economic situation. More specifically, it is expected that social democratic parties shift to the left when tough economic times set in, while also increasing their emphasis on economic and especially economic left issues in their manifestos.

This thesis begins with a literature review on party change. Following selected theoretical considerations for party change, possible causes for change are further examined. Next, the "Theory of Party Goals and Party Change" by Robert Harmel and Kenneth Janda is presented. This theory is the theoretical foundation and its assumptions guide this thesis. The final section of the chapter is devoted to outlining possible external shocks as well as events and occurrences that have been defined as such by scholars.

The European Economic Crises are the focus of the third chapter. It begins by offering a prologue of how countries of the European Union came to be united by a common currency, before presenting a timeline of the crises in Europe. An explanation is also provided as to why the plural of crisis is used. Three crises have been identified in the EU: a banking crisis, a sovereign debt crisis and a growth crisis and combined, these constitute the external shock of this thesis. The chapter closes by tying together the above stated considerations and presenting the four sets of hypotheses.

The preceding chapter lays out the research framework and begins with a presentation of the case selection. What ensues is a characterization of social democratic parties: their history, their organization and their most common positions. The historical summary of the social democratic party family makes clear that social democracy has undergone vast changes, some imposed from outside, others from within. These adaptations have been so wide-ranging that some scholars have described the social democratic party family as having undergone an utter transformation, others speak of a decline and there are also those who have definitively diagnosed its death. The chapter includes a summary of why social democratic parties were chosen to make up the sample, reiterating aspects important for party change and the external effect, before detailing the data sources used to test the hypotheses. Data derived from expert judgements and party manifestos will be employed. The two data sources are subsequently described and the data generating process is outlined and the independent variables of this thesis are also specified.

The analyses of the independent variables open the penultimate chapter. After providing insight into the economic situation in the countries of the sample, the hypotheses are tested, implementing correlation coefficients, scatter plots and OLS as well as linear regressions. The results show that the economic situation in the various countries did not systematically impact party positions and emphasis in party manifestos. The thesis ends with the discussion of the empirical findings, linking the results to the literature and offering interpretations.

Chapter 2

Explaining Party Policy Change

Parties change and often, they may not even have a choice. Peter Mair illustrates this by quoting the Red Queen of Lewis Carroll's "Through the Looking-Glass" who tells Alice: "It takes all the running *you* can do, to keep in the same place" (Carroll 1982: 152 in: Mair 1997: 16, emphasis in original). In order to stay competitive actors in changing environments and circumstances, parties have to adapt their positions to the realities they encounter. Not all parties will react to changes in the same way, after all, they are organizations following diverse goals and ideologies (Strøm 1990; Müller/Strøm 1999). While there are internal reasons that drive change, such as new leadership, a number of factors are outside the parties' control. The following pages will provide an overview of the literature on changing party positions, presenting insights into the various reasons for change and different parties' reactions. The chapter concludes with Robert Harmel and Kenneth Janda's "Theory of Party Goals and Party Change" (1994). They hypothesize that four possible main goals exist and a party's goal varies by party type. Consequentially, different reasons lead to the inability to reach one's goal. The most severe consequences occur after a party is faced with an external shock.

2.1 Shifting Positions

Parties follow ideology, "a body of normative and factual assumptions about the world" (Budge 1994: 445). This provides parties with distinct identities, allows voters to form expectations concerning the parties' policies and positions, and places parties on a map, signifying their position in the political space (Budge 1994: 446). "In a world beclouded by uncertainty", parties follow consistent ideologies, as this gives guidance to voters (Downs 1957: 100). They are bound by these and parties cannot "choose optimal party platforms but (...) (they) are constrained by their past" (Meyer 2013: 215). Parties formulate issue positions by applying their ideology to current problems and linking voters' preferences to these policies (Walgrave/Nuytemans 2009: 191). These positions are summed up in party manifestos at election time, giving insight not only in the parties' different stances, but also making clear which issues a party deems important and which it chooses to ignore (Budge 2006: 422). An inconsistent or incoherent ideology will lead to voters evaluating the party to be less responsible and reliable, hence, a party will not radically change its policies (Downs 1957: 109). Besides acting as a guide to voters, ideology and policy proposals set a party apart from its rivals in a party system: "each must differentiate its product from all near substitutes, yet it must also prove this product has every virtue that any of the substitutes possesses" (Downs 1957: 97).

Parties lay emphasis on issues considered to be ideologically important to them and rival parties take up opposing positions, allowing the creation of "a simple one-dimensional spatial 'map' of politics" (Budge 2006: 422-23). This left-right dimension can be used to evaluate changes a party undergoes from one election to the next (Budge 2006: 423). This classification of left and right dates back to the French Revolution, after which the members of the Assembly were seated on the right or left side of the President, signifying conservatism on the right and the "destructive" left side (Carlyle 1871: 192 in Benoit/Laver 2006: 12). This single dimension of electoral preferences was popularized by Downs (1957) and applies to two-party systems, as the one-dimensional model guarantees stable majorities. Two-dimensional policy spaces were later developed and a religious-moral dimension was added to the left-right dimension (Budge 2006: 425). However, Ian Budge stresses that the general left-right dimension remains "the best representation of party-electoral space" (2006: 427).

As soon as parties are placed on an ideological map, their distance to one another and their position become a distinguishing feature. This distance always implies movement and direction (Benoit/Laver 2006: 11). Downs (1957) sees parties as rational actors wishing to hold government office. According to his "Economic Theory", parties in two-party systems move along a one-dimensional map when they are in danger of losing the median vote to their rival. However, studies have shown that parties do not converge, but rather follow other patterns (Budge 1994; Grofman 2004; Macdonald/Rabinowitz 1998).

According to Ian Budge (1994), parties do not have access to information pertaining to voters' preferences, with polls only providing incomplete guidance. Ideology becomes important when information is absent, giving cues as to when to move, but also restricting movement (Budge 1994: 445). Budge, following the assumption that every party has a preferred outcome across all policy fields based on its ideology, identifies five models for party policy making. Parties are faced with uncertainty when formulating preferred policies, as they do not know how the voters will react. In addition, they are restricted in their political space and - according to spatial theory - will not venture out of this defined field. From one election to the next parties can: remain at the policy position they took up in the previous election ("stay put model"); alternate their position in the case that earlier shifts were not well received at the polls ("alternation model"); consider previous election results and either continue the movement in one direction or change the direction if it cost votes ("past results model"); act according to expectations of the upcoming elections ("Robertson's rational expectation model"); or they can move in order to not be confused with a rival party, thus setting themselves apart ("marker party model") (Budge 1994: 451-454).

Scholars of party policy change have analyzed various possible causes for change (see Fagerholm 2015 for an overview): public opinion and shifts in the position of the median voter (Adams et al 2004; Adams et al 2009; Ezrow/Hellwig 2014; Ezrow et al 2010; Schumacher et al 2013), past election results (Janda et al 1995; Adams et al 2004; Somer-Topcu 2009; Dalton/McAllister 2015), change in party organization, factional dominance or leadership (Adams et al 2006; Harmel et al 1995; Harmel/Tan 2003), changing positions of rival parties (Adams/Somer-Topcu 2009a), or a steady increase in vote share of an emerging party (Bale et al 2010; Norris 2005) and changing economic conditions (Adams et al 2009; Haupt 2010; Ward et al 2011).

2.1.1 Electoral Outcome

According to Budge's "past results model", elections provide parties with important information on how to proceed in terms of their positioning on various issues. Elections are, after all, essentially referendums on parties' positions and actions, prompting appropriate reactions. What is considered an appropriate reaction is determined by how parties evaluate the electoral outcome.

Janda et al (1995) analyze whether electoral losses lead to changes in party manifestos. To carry out this anaylsis, the authors correlate the percentages of sentences covering certain issues in the manifestos of consecutive elections for eight electorally motivated parties in the United Kingdom, Germany and the USA from the 1950s to the 1980s. In order to differentiate between the election results, each outcome is classified as either triumphal, gratifying, tolerable, disappointing or calamitous (Janda et al 1995: 182-185). The authors hypothesize that "defeat is the mother of party change" (Janda et al 1995: 173) and assume that a disappointing election result may cause a party to change its manifesto, while following a successful election a party will not change its manifesto. An election loss is therefore assumed to be necessary for changing a manifesto, but electoral defeat alone is not a sufficient reason (Janda et al 1995: 185). This is mirrored in their results, as "parties were far less likely to repeat their prior emphases on issues after experiencing disappointing and especially calamitous elections" and major changes in manifestos took place after such elections (Janda et al 1995: 189).

Analyzing shifts in left-right positions in party manifestos of eight European countries (France, the Netherlands, Italy, Luxembourg, Denmark, the United Kingdom, Greece, Spain) from 1976 to 1998, Adams et al "find no evidence that parties adjust their ideologies in response to past election results" (Adams et al 2004: 590). They also do not find evidence that parties, which shifted their position in one election and thereby lost votes reversed this shift in the following election, nor did parties maintain a position which resulted in more votes in the previous election (Adams et al 2004: 590). One main conclusion of their analysis is that "parties are reluctant to alter their ideologies" (Adams et al 2004: 590).

Schumacher et al (2013) seek to explain variation between parties in how they react to environmental incentives, such as mean voter shifts, mean party voter shifts, election results and office exclusion. The authors hypothesize that a party's reaction depends on party organization, specifically on whether a party is leadership- or activist-dominated, the latter constraining the party leadership, as decision-making is dispersed across various actors (Schumacher et al 2013: 465). The data used in this study is also party manifesto data, covering the left-right position change of 55 parties from ten European democracies from 1977 to 2003. Schumacher et al find that "electoral defeat has an effect on party position change" (Schumacher et al 2013: 473). When controlling for party organization, however, this effect disappears (Ibid.). The author also analyze the effect of office exclusion on position shifts and determine that for activist-dominated parties, exclusion from office has a negative effect on position change, while the opposite is true for leadership-dominated parties (Schumacher et al 2013: 474).

That election loss does not automatically lead to change in policy positions was proven by Zeynep Somer-Topcu (2009). She uses electoral results as a proxy for public opinion and analyzes party positions of 165 parties from 23 countries, covering the first post-war election until 1998, using manifesto data on parties' left-right positions. By comparing shifts of parties that gained votes at the previous election with parties that lost votes, she finds that the latter shifted their positions more at the following election, as long as it was held no more than two years after the previous one (Somer-Topcu 2009: 243). However, there is no "statistically significant relationship between vote change and party policy change after about 32 months" (Somer-Topcu 2009: 244). This means that as time since the last election increases, the fact that it was considered a loss becomes less important, as it becomes more difficult to deduce from it the public opinion.

Dalton and McAllister (2015), implementing expert judgement data and the data on voters' opinions, seek to find out to what degree parties change their left-right positions between elections. They find that these positions are "strikingly stable" (Dalton/McAllister 2015: 768). Nonetheless, they seek to uncover causes for changes in the left-right positions and focusing on electoral outcomes they find that "winners are about as likely to change their Left-Right position as losers" (Dalton/McAllister 2015: 773), while parties with similar vote shares from one election to the next appear to stay put. It would appear that not losing or winning in an election is important, but the absolute change in the vote share. The authors also note that this shift is reversed at the subsequent election (Dalton/McAllister 2015: 778).

Through an analysis of manifestos of parties from 25 countries in the years 1945 to 1998, Stefaan Walgrave and Michiel Nuytemans (2009) seek to gain insight into parties' change processes and try to uncover differences across party systems and party lines. They find proof for their assumption that change in party manifestos takes place either incrementally or dramatically, rather than moderate change being observed (Walgrave/Nuytemans 2009: 201). In addition, they identify "tremendous resistance to change among all political parties in updating their agendas and platforms" (Ibid.). Differences between parties are also uncovered and the authors name three factors that cause parties to adapt their manifestos to a lesser extent: existing in an environment with many competing parties, having a history of governmental participation, and enjoying stable election results (Ibid.). Walgrave and Nuytemans conclude: "party programs are *not* flexible at all (...). Parties (...) tend to stick to the status quo and hardly change their manifesto" (Ibid., emphasis in original).

To sum up, past electoral results appear to be important only when a substantial vote loss has taken place and when a short period of time lies between a disappointing election and the one succeeding it.

2.1.2 Median Voter

In his seminal contribution, Downs (1957) put forth an "Economic Theory of Democracy", ascertaining that parties exist in a system of political competition, which runs along a single dimension. He posits that parties are not driven by ideology but are primarily vote-seekers, and maximize their vote share by moving in the direction of the median voter. Therefore, an apparently simple way for parties to maximize votes is to adapt their position according to shifts in the median voter position along the left-right dimension (Dalton/McAllister 2015: 762). Stimson et al refer to this process, in which public policy follows public opinion, as "dynamic representation" (1995).

In their analysis of party shifts in eight countries from 1976 to 1998, Adams et al (2004) incorporate manifesto as well as Eurobarometer data into their data set, in order to compare shifts in public opinion with party ideological shifts. They conclude that "parties shift their ideological orientations in response to shifts in public opinion", however, this is only the case when public opinion shifts away from a party (Adams et al 2004: 590).

Schumacher et al, examining left-right position shifts from 1997 to 2003 in 55 European countries, differentiate between changes in the mean voter position and the mean party voter position, focusing especially on party organization (2013: 472). They find that the likelihood of a party changing in line with mean voter shifts increases with the degree of leadership orientation. Therefore, mean voter shifts have a negative influence on activist-dominated parties as party's activists appear to "shield" the party from the change in the mean voters opinions (Schumacher et al 2013: 472). An opposite effect is uncovered for shifts in the position of the mean party voter. The marginal effect of such a shift increases with the degree a party is dominated by activists (Schumacher et al 2013: 472). The authors conclude: "leadership-dominated parties respond to shifts in the mean voter position (...), while activist-dominated parties respond to party voter changes" (Schumacher et al 2013: 474). Like Schumacher et al (2013), Meyer (2013) finds support for the notion that the possibility of policy change is predetermined by a party's organization, with mass organizational strength and hierarchical decision-making facilitating policy change (Meyer 2013: 176).

Adams and colleagues (2006) analyze parties' policy positions in manifestos of eight Western European democracies in order to evaluate possible differences between mainstream and niche parties - which have also been observed elsewhere (Meguid 2005) - in how they react to public opinion shifts. From 1976 until 1998, shifts in mainstream parties' policy positions corresponded to public opinion shifts, while niche parties - Communist, Green, or nationalist parties - showed policy stability, by not responding to these shifts (Adams et al 2006: 519). This may stem from electoral evaluations, as the authors find evidence for voters punishing niche parties at the polls, once these parties moved their positions to be more in line with public opinion (Adams et al 2006: 524).

As Adams et al (2006) show niche parties to be unresponsive to changes in the mean voter position, Ezrow et al (2010) seek to uncover what then affects their policy position change. An analysis into whether parties respond to shifts in the opinions of the mean voter or their supporters also uncovers differences between mainstream and niche parties. Mainstream parties' left-right position change responds to the shift in mean voter positions, while these parties ignore the positional shifts of their supporters. The opposite is the case for niche parties: they appear unresponsive to mean voter shifts, while being highly sensitive to changes in the position of the mean supporter.

Studying parties' positions of the same countries and time-span as Adams et al (2006), Adams et al (2009) find that centre and right parties adapt their positions in line with public opinion, while parties on the left are found to be "markedly different", as they do not "systematically respond to public opinion" (2009: 612).

Adams and Ezrow (2009) find European parties to be especially responsive to opinion leaders among the electorate and that this response is mediated by time: parties adapt to current shifts in policy preferences of opinion leaders, as well as lagged shifts. According to the authors, this "representational inequality" (Adams/Ezrow 2009: 206) disputes the basic ideals of democracy. At the same time, they find no evidence of parties being responsive to the average rank-and-file voters' position shifts (Adams/Ezrow 2009: 214).

Therefore, especially centre-right mainstream parties are inclined to follow public opinion shifts, while centre-left mainstream parties do not seem to be as responsive to public opinion shifts. Niche parties are shown to be different to mainstream parties in that they respond primarily to opinion shifts of their supporters, while disregarding changes in public opinion.

2.1.3 Personnel Changes

Sartori describes parties as being comprised of diverse "party subunits" (Sartori 2005: 63) or factions[1]: "an aggregate of individuals forming constellations of rival groups" (Sartori 2005: 64). Panebianco refers to the group, in whose hands the power resources are concentrated, as the "dominant coalition" (Panebianco 1988: 37) and this group controls "the most vital zones of uncertainty" (Panebianco 1988: 38). To view a party as internally factionalized means moving away from the assumption of parties as unitary agents (Budge et al 2010: 781) and accepting the possibility of internal power struggles taking place over positional placement.

Harmel and colleagues (1995) test Harmel and Janda's theory by examining six parties over a period of 40 years (1950-1990), utilizing a data set on party organization, goals and issue orientation. They focus on the factors electoral performance, leadership change and change of dominant faction as possible reasons for change. Electoral outcomes are not identified as being a "necessary (...) or sufficient condition for change" (Harmel et al 1995: 18). The authors ascribe an important role to changes in leadership and dominant faction, with leadership change in some cases accounting for more change than electoral outcomes, especially for parties with influential leadership (Harmel et al

[1]Although Sartori disagrees with this term, it has become the common label.

1995: 13).

Harmel and Tan (2003) evaluate factional change as reasons for party change within five German and British parties from 1950 until 1990. They emphasize the need to distinguish wherein the different factions set themselves apart. The "nature of factionalism" is based on differences in ideology, strategy or leadership, with all factional change in their sample being driven by ideology (Harmel/Tan 2003: 413). Building on their earlier study (Harmel et al 1995), faction change may be the cause for three unaccounted for instances of party change (Harmel/Tan 2003: 417). However, the authors have difficulty in formulating generalizable conclusions, as their hypothesized factors of intensity of rivalry, cohesiveness of new dominant faction and faction change plus leadership change "do not have equal impact on degree of party change" (Harmel/Tan 2003: 422). Meyer (2013) goes further and in his analysis of party change among Western European countries, he finds no evidence of leadership change causing policy shifts (Meyer 2013: 152-155).

While the assumption that change in party personnel would facilitate party change, the above conclusions render it clear that change in dominant faction or leadership alone are not sufficient reasons for change.

2.1.4 Other Parties

According to spatial theory, a party moves in accordance to its main rival's adaptation to various issues. As Downs puts it: "Party ideologies can remain different only in so far as none is demonstrably more effective than the rest" (Downs 1957: 101), as this would lead the other parties to adapt their positions. As noted above, Ian Budge posits the opposite may be the case, as parties might opt to set themselves apart from their rival in a distinct way (Budge 1994: 454). In any case, parties are in search of the ideal reaction to their competitors shifts, a so called "Nash equilibrium" (Adams/Somer-Topcu 2009a: 826).

Adams and Somer-Topcu (2009a) investigate this assumption by analyzing the relationship between changes in a group of parties' and their main opponents' manifestos in 25 countries. Their time-series, cross-sectional evaluation shows that parties adjusted their policy positions according to their rival party's shifts at the previous election. They further uncover that parties are responsive to shifts a party of their ideological family conducts (Adams/Somer-Topcu 2009a: 826).

Williams and Whitten (2014) combine clarity of responsibility, party policy positions and economic performance in their analysis of party competition in 23 countries. They put forth a "Theory of Spatial Contagion Effects", stating that the assessment of the performance of Party A will have an impact on Party B, to test whether high clarity of responsibility leads to smaller spatial contagion effects or vice versa (Williams/Whitten 2014: 312). Therefore, low clarity of responsibility and a short ideological distance between two parties should lead to similar evaluations of their record. The results support the assumption that spatial contagion effects are strongest in situations where clarity is low (Williams/Whitten 2014: 318).

Focusing on populist parties, Rooduijn et al (2014) conduct content analyses of party manifestos in five European countries to evaluate whether or not party manifestos of mainstream parties are influenced by the presence of a successful populist party in their party system. The authors do not find support for the notion that mainstream parties change their manifestos due to a populist "Zeitgeist". Additionally, difficulties arise in trying to determine what causes the variation in populism in the various manifestos, as electoral loss can be ruled out (Rooduijn et al 2014: 571).

Bale et al (2010) delve into the options social democratic parties have when faced with a populist radical right challenger. The authors analyze four party systems (Denmark, the Netherlands, Norway, Austria) with a strong radical right contender to evaluate whether or not centre-left parties toughen their stance on immigration and integration. Of the sample, no social democratic party has chosen to "hold its position and fight the good fight for permissive immigration and integration policies" (Bale et al 2010: 421). The intensity and timing of adaptation are influenced by three factors: the main centre-right party's reaction, the unity of the social democratic party, and the reaction of other parties on the left (Bale et al 2010: 421).

Spoon et al (2014) analyze the influence of parties on the left, specifically that of Green parties. By utilizing manifesto data of 19 countries spanning 30 years, the authors aspire to evaluate under which conditions other parties respond to green issue ownership. They identify two factors; the threat posed by the Green party and the potential of the green issue in providing votes (Spoon et al 2014: 374).

While rival parties' shifts can play a role in whether or not a party changes its policy positions, adaptations that take place in parties that are ideologically close, appear to be more important.

2.1.5 Economic Conditions

A final factor considered to have the ability to shape party positions is the national economic situation a party is confronted with. As the state of the economy has transformed in recent decades, due to globalization and the European integration, parties too have had to change their positions, as policies of the past are no longer viable in interdependent economies.

Faced with conflicting theoretical assumptions of how globalization affects parties, Haupt (2010) analyzes policy shifts of 138 parties from 16 countries over the course of 32 years. While parties of the left, as well as parties of the right, respond to changes in the global economy by adjusting their position, they do not shift in a uniform way (Haupt 2010: 7).

Adams et al (2009) find that centre and right parties not only adapt their positions in line with public opinion, but also respond to changes in global economic conditions, while parties of the left are not found to systematically adapt to globalization. Specifically, parties of the right and centre move to the right with increasing foreign direct investment and to the left when capital flows increase (Adams et al 2009: 626). Left parties react differently, due to the importance of policy and the way the "old left" parties are organized. The authors refer to this as "Leftist Exceptionalism " (Adams et al 2009: 614-15).

In contrast, Ward et al (2011) posit that the reaction of left parties to economic change is due to the position of the median voter. They examine the effects of economic globalization on social democratic policy, as social democratic parties promote "Keynesian demand management to ensure low unemployment, industrial policies to promote economic growth, redistributive taxation, extensive welfare provisions, and a large public sector", while "globalization calls this pattern into question" (Ward et al 2011: 509-10). The authors identify a need for left parties to converge with their centre-right rivals, due to globally networked capital and deregulated financial markets calling centre-left positions into question (Ward et al 2011: 510). Hence, pressures from a globalized economy should cause social democratic parties to shift to the right. An analysis of manifestos of 180 parties from 1973 to 2002 shows differences between left and right parties and leads the authors to conclude that "globalization has an effect, but only if the median is relatively far to the left" (Ward et al 2011: 541).

Ezrow and Hellwig (2014) argue that originating from a country with an open economy brings along difficulties for parties of balancing "public demands with the pressures of the market" (Ezrow/Hellwig 2014: 816), as parties face a trade-off of responding to either voters and public opinion or markets. Utilizing manifesto and Eurobarometer data covering party and median voter shifts from 20 countries and 40 years, the authors show that parties only respond to shifts in the mean voter position if "the national economy is sufficiently sheltered from world markets" (Ezrow/Hellwig 2014: 824). Especially parties with governing experience from countries with high levels of globalization fail to react to mean voter shifts (Ezrow/Hellwig 2014: 824).

In aspiring to disclose the relationship between issue competition and the emphasis parties place on the economy during an election campaign, Williams et al (2016) study party competition in 22 democracies. By utilizing manifesto data spanning back to the 1950's, the authors show that the parties in their sample, especially those in government, emphasize economic issues in their manifestos when economic conditions worsen (Williams et al 2016: 53). Additionally, ideologically proximate parties follow similar campaign strategies concerning economic issues (Williams et al 2016: 57).

In conclusion, economic conditions can have an impact on party positions, however, this is the case again primarily for centre-right parties. Especially parties in government are affected by economic circumstances, due in part to economic voting (Lewis-Beck/Stegmaier 2000).

2.2 Theory of Party Goals and Party Change

In their "Theory of Party Goals and Party Change", Robert Harmel and Kenneth Janda (1994) develop a theory that focuses on party goals as the deciding factor for changes in parties. The authors stress that the theory can be applied only to competitive political parties, competing in free elections

(Harmel/Janda 1994: 272). Harmel and Janda name three premises that their theory is based on: each party has a primary goal and this goal varies among parties; various reasons for change exist, but the most severe change will occur when a party is faced with an external shock; and these external shocks cause the most dramatic change if they affect a party's primary goal (Harmel/Janda 1994: 265).

There are a number of assumptions Harmel and Janda follow when formulating their theory: parties, as conservative organizations, resist change and change only under pressure (1994: 278). Several reasons restrict their options to change: voters associate parties with certain positions; the support of certain groups in society is vital for its success; and various factions usually exist within a party, all with varying interests which should not be disappointed, further limiting any change (Janda et al 1995: 174). Change is introduced by the party's dominant coalition, but only if the benefits outweigh the costs and only if the dominant coalition can thereby secure its power, or the dominant coalition estimates that this change will advance the party's goals (Harmel/Janda 1994: 278). While all parties have multiple goals, one is more important than the others and this primary goal affects the criteria for judging the party's performance (Harmel/Janda 1994: 279).

Harmel and Janda introduce a number of explanatory variables to their theory, namely leadership change, change in dominant factions and external stimuli (1994: 266). Examples of external stimuli, or environmental changes, are: constitutional reforms, funding regulations, the emergence of new parties and changes in proportion of votes. In other words: "these can be thought of as social, economic and political changes and events that take place outside the observed party" (Harmel/Janda 1994: 267). While some stimuli would affect all parties equally, others only affect one and a shock for one party, may only mean an adaptation to the environment for a party with a different primary goal (Harmel/Janda 1994: 267-68). Change in leadership or dominant faction, while facilitating change, is not a prerequisite. In fact, an external stimuli may cause this change in the first place. The external shock has to impact the party's primary goal substantially, resulting in someone within the party realizing the need for adaptation (Harmel/Janda 1994: 267). A party that is unresponsive and does not adapt to change will be replaced by or, at the least, lose to parties that do (Schlesinger 1984: 384 in Janda et al 1995: 174).

Harmel and Janda follow Strøm (1990) in defining primary goals for parties: vote-maximizing, policy-maximizing and office-maximizing, while also including intraparty democracy-maximizing (Harmel/Janda 1994: 269). The most important external shock for parties with the primary goal *vote maximizing* is electoral failure, as defined by the party itself. Accordingly, the main goal may only be in danger once a pattern of election losses emerges. It could, however, be enough for a party to be faced with one devastating loss at the polls, causing a need for change to set in. The existence of *office maximizing* parties becomes apparent in multi-party systems, as they cannot be distinguished from vote-seekers on systems of only two parties. Office-seekers desire participate in government and would consider an external shock to be the unwillingness of other parties to coalesce. For *policy maximizing* parties, an important external shock would constitute an event that would call into question their party identity. Examples for such events are the fall of the Berlin Wall for Communist parties or the successful reduction of nuclear power for Green parties in Europe. Once the central issue is no longer relevant, parties may be forced to reprioritize their positions or rethink their identity to some extent. One group of parties, so called *intraparty democracy maximizing* parties seek to actively represent their members. The largest shock for such parties could be a party system change, which significantly affects the composition of the party's membership. This was the case for agrarian parties, which were faced with the declining numbers of farmers. Another problem for intraparty-democracy maximizers would set in if their membership suddenly grew dramatically, making it impossible to respond to all members' wishes (Harmel/Janda 1994: 270-271). Harmel and Janda put forth the following proposition, pertaining to party goals and change (Harmel/Janda 1994: 280, emphasis in original): "*The poorer the party's performance in achieving its goals, the greater the pressures for party change.*"

The authors define party change as "any variation, alteration or modification in how parties are organized, what human and material resources they can draw upon, what they stand for and what they do", while adding that the theory "only predicts those aspects of party change that are within a party's direct control" (Harmel/Janda 1994: 275). Therefore, the party itself has to make a decision to change, with anything outside the party's control being beyond the scope of the theory. Examples for changes the party itself implements are changes in "party rules, structures, policies, strategies and tactics" (Harmel/Janda 1994: 275). The consequences of parties' adaptations are also beyond the theory, as change can have non-intended, negative consequences (Harmel/Janda 1994: 275-76). As the term "environmental change" is too broad and covers all types of variation, Harmel and Janda differentiate between an environmental modification and an environmental trend. A modification, as an alteration of rules - such as the introduction of new campaign regulations - alters the environment of a party. A trend is comprised of a number of changes, gradually moving in the same direction, and results in an observable shift over time (Harmel/Janda 1994: 277). An external shock is an extreme type of environmental change.

2.3 External shocks

When referring to environmental change, Harmel and Janda assume the existence of an environmental event, happening at a specific time and being publicly recorded (Harmel/Janda 1994: 276). Examples for such environmental events are elections, strikes or wars. The more extreme form of an environmental event is an environmental shock. These have "severe consequences, usually for specific parties", as they impact the parties' primary goal (Harmel/Janda 1994: 276). The Watergate affair would constitute such a shock for the Republican party in the United States, and the end of the Soviet Union acted as a shock for Communist parties (Harmel/Janda 1994: 276).

The authors cite Angelo Panebianco (1988) and his case studies of the British Conservative Party, the Italian Communist Party, and the German CDU and SPD to underline their theory of "external stimuli joined with preexisting internal disruptions to result in dramatic change" (Harmel/Janda 1994: 283). According to Harmel and Janda, the shocks varied depending on the party's primary goal. The Conservative Party and the SPD, as electorally motivated parties, were faced with an election loss. While the PCI was confronted with an electoral failure as well, it stemmed from a deeper shock: that of an identity crisis caused by the fall of Soviet communism, which proved to be severe for the policy-seeking party. The CDU was excluded from office, constituting the need to adapt in order to reach the goal of office-maximization (Harmel/Janda 1994: 283-284).

A number of scholars have provided examples of external shocks by defining different events as stimuli, which caused party change and adaptation. These stimuli have been identified for single parties, party families, and parties in the EU (e.g. Duncan 2007; Taniyici 2003; Ladrech 1993; Carter et al 2007).

Robert Ladrech (1993) - building on Panebianco - analyzes changes in European social democratic parties, specifically, their transnational party cooperation. His focus is on the impact of European Community integration and he defines “changes in the supranational EC environment (...) as the external stimuli” for party change (Ladrech 1993: 200). He comes to the conclusion that social democratic parties had, at that time, only recently begun to realize that it was necessary to act beyond their national arenas and this manifested itself in changed programmatic orientations and evolving transnational organization (Ladrech 1993: 208).

In their thorough evaluation, Poguntke et al (2007) assess the effect European integration had on national political parties, as “European integration constitutes a system-level trend that provides stimuli for political parties to adapt their organizations” (Carter et al 2007: 7). The reason for this is that the EU impacts all three goals defined by Strøm as being vital to parties (Carter et al 2007: 8). Adaptation to European integration can take on a number of forms: changing policy preferences, different content in manifestos, or rearranging the party’s organization (Carter et al 2007: 9). The authors state that for countries with a lengthy history in the European Union, the process of integration should not lead to drastic change, while for “parties in countries that only recently joined the Union (...) the exigencies of European integration might well be considered a form of ’external shock’” (Carter et al 2007: 8-9).

Fraser Duncan tests Harmel and Janda’s model using the Dutch Christian Democratic Appeal (CDA) (Duncan 2007). After an election loss in 1994 and failing to become part of the governing coalition following this election, the office-seeking CDA underwent changes at the leadership-, factional-, strategic-, and at the organizational-level (Duncan 2007: 82-83). Duncan finds only little evidence of programmatic change, with the party instead opting for continuity. The copious number of parties in the Dutch party system is offered as one possible explanation; the history of the party as another. This leads Duncan to conclude “even where a party experiences a disastrous shock which undermines a fundamental part of its self-conception, its common body of beliefs can remain essentially untouched” (Duncan 2007: 84).

Saban Taniyici (2003) applies the Theory of Party Goals and Party Change to Turkey, specifically the

Islamist Welfare Party. The environmental shock in this context is not only an election loss, but the ban of the party in 1998. This led to policy-related changes, as the dominant faction split and two new parties were founded, which differ on various issues (Taniyici 2003: 465).

Chapter 3

The External Shock: The European Economic Crises

In recent years, the European Union faced the "most serious economic and political crisis" in its history (Copelovitch et al 2016: 811). The crises in Europe, consisting of a banking crisis, a sovereign debt crisis and a growth crisis, originated in the United States in 2007 and began to be felt in Europe in 2009. Countries at the European periphery (Greece, Ireland, Portugal and Spain) were hit hardest (Petrakis et al 2013: 22). The crises were felt throughout the EU as countries were faced with a recession in 2009 (Worldbank 2016) and growing numbers of unemployed citizens (Eurostat 2016). This in turn led to political conflict over economic policies and - in connection to these - also social policies, not only between different countries of the EU, but also within domestic politics of various countries (Copelovitch et al 2016: 812). These crises constitute the external shock with which parties were confronted.

3.1 Prologue

In 1992, the then twelve members of the European Community signed the Treaty on European Union, better known as the Maastricht Treaty, which came into effect in 1993 (EU 1992). Along with the creation of the European Union (EU) (Title 1, Article A), based on three pillars, the treaty also introduced the concept of European citizenship (Title 2, Article G, Article 8) and put the finishing touches on the single market by establishing the Economic and Monetary Union (EMU) (Title 2, Article G, Article 2). Its aim was to coordinate and converge Member States' economic policies with the goal of creating a single currency for the EU, the Euro. The Euro would be implemented in three stages: the liberalization of the movement of capital in 1990, the convergence of economic policies in 1994, and the creation of the single currency in 1999, along with the establishment of its bank, the European Central Bank (ECB). The year 2002 would mark the introduction of the Euro as physical currency in the EU, probably the "biggest cash changeover in history" (Jones 2011: 596). As of 2016, 19 Member States have entered stage three and have thus adopted the Euro as their currency.

Article 109j of the Maastricht Treaty outlines the convergence criteria each Member State must fulfill in order to adopt the new currency: an inflation rate close to that of the three best performing Member States, government debt that is deemed not to be excessive (below 60% of GDP), the yearly ratio of government deficit to GDP must be below 3%, the fluctuation margins provided for by the exchange-rate mechanism of the European Monetary System must remain normal for at least two years, and a Member State is obligated to have an average nominal long-term interest rate for a period of at least a year that does not exceed that of the three best performing Member States by more than two percentage points (see also ECB 2016).

The Stability and Growth Pact (SGP) of 1997 was to ensure that Member States applied "sound budgetary policies" (EU 1997) and supplied Member States, Council and Commission with policy guidelines, which aimed at strengthening fiscal monitoring and coordination. The SGP also states that the Economic and Financial Affairs Council (ECOFIN), after analyzing Member States' budget forecasts, can launch "Excessive Deficit Procedures" and impose fines in the case that a Member State does not adhere to implemented regulations or is in danger of amassing an excessive deficit (Jones 2011: 597). However, Andrew Jones points out that this system is no more than a process of "peer review" as is shown by countries having successfully lobbied against sanctions (Jones 2011: 598). Paul de Grauwe echoes this sentiment, stating the SGP "had to fail and happily so" (De Grauwe 2010: 5).

Already at the introduction of the Euro, criticism arose concerning the weight of the sovereignty of the Member States over fiscal policy. In the case of financial mismanagement of one country, a spillover effect could set in, affecting other Eurozone-countries (Jones 2011: 596). Another problem could also arise through government borrowing. High government debt forces borrowing, to further ensure government spending. However, large budgetary deficits of one Member State can reflect badly on others. Additionally, in a Monetary Union, countries no longer have any influence over their exchange rates, which can be used for monetary control (Jones 2011: 596). "The boundaries", writes Jay C. Shambaugh, "that used to keep economic problems in one country limited to that country have effectively been erased" (Shambaugh 2012: 159).

3.2 Timeline

The crises had their roots in the United States in 2007, where a subprime mortgage crisis emerged after the bursting of a housing bubble. In 2008, the investment bank Lehman Brothers declared bankruptcy and together with the subprime crisis, this set the stage for a global economic crisis, which manifested itself in Europe in 2009 through a developing government debt crisis (Bailey et al 2014: 1) and led to "the near-collapse of European monetary union" (De Grauwe 2010: 2).

In October 2009, the new Greek government under the social democratic PASOK admitted that the countries' deficit-to-GDP and debt-to-GDP ratios were greater than its predecessor had claimed and amid rising debt numbers, embraced austerity policies, which prompted strikes and protests (Armingeon/Baccaro 2012: 169). Months before, the credit rating agency Fitch had downgraded

Greece's credit rating to BBB+, which resulted in rising costs for borrowing (Jones 2011: 598), before Greece was downgraded by Standard and Poor's, receiving a rating reserved for junk bonds (Bohn/de Jong 2011: 7). The slow growth of the Greek economy that followed was not enough to shield Greece from the the global financial crisis and forced the country into recession in 2009 (Jones 2011: 598), as investors lost confidence in the sustainability of the Greek economy (Petrakis et al 2013: 13). At this time, the government in Ireland had also begun to cut public sector wages and public expenditures, as the bursting of a real estate bubble in 2008 left banks facing a problem of liquidity, leading to the Irish government providing a blanket guarantee (Armingeon/Baccaro 2012: 172). Spain was hit hard by the global economic crisis following the bursting of its own real-estate bubble and the government initially replied by implementing expansionary fiscal policy while pursuing a social dialogue (Armingeon/Baccaro 2012: 177-8).

The following year, Greece received loans totaling €110 billion funded by the EU and the International Monetary Fund (IMF), in exchange for more austerity measures (Jones 2011: 598). In order to ensure financial stability throughout the Eurozone, the European Financial Stability Facility (EFSF) was established in 2010. It combined loans of €60 billion from the European Financial Stabilisation Mechanism (EFSM) and €250 billion from the IMF (Jones 2011: 598-9). Ireland received €85 billion from the EU and the IMF as the country was faced with debt and deflation (Jones 2011: 599). The bailout package included measures to downsize the financial sector, increase the retirement age and cut the minimum wage (Armingeon/Baccaro 2012: 173). The structural weakness of the Portuguese economy persistently dwindled and led to rising public debt, public deficit and unit labour costs. In early 2010, the Partido Socialista minority government implemented three austerity programs but failed to achieve support in parliament for further measures, prompting the government to step down. The two conservative parties formed a coalition government after the election of 2011 (Armingeon/Baccaro 2012: 175). The conservative government, withholding support for further austerity measures while in opposition, had to now pursue these policies while in office (Armingeon/Baccaro 2012: 176). A similar situation arose in Spain. After being faced with increasing prices on Credit Default Swaps (CDS) on Spanish public debt, the government cut public spending and undertook labour and pension reforms (Armingeon/Baccaro 2012: 178). Following the downgrading of Greece's sovereign credit rating by Fitch, Moody's and Standard and Poor's in 2009, Ireland was downgraded by the end of 2010 and Portugal was downgraded by early 2011 (Petrakis et al 2013: 13).

Since the Greek targets were not met by 2011, the Greek government implemented a more severe set of austerity measures, aimed at increasing privatization (Armingeon/Baccaro 2012: 170). While austerity measures put in place by the PASOK government were supported in the beginning, public opinion shifted by 2011, as citizens were faced with wage cuts, dismissals, pension reforms and tax increases (Armingeon/Baccaro 2012: 170). PASOK in Greece was forced to implement austerity measures, even though it had previously criticized similar policies of its conservative rival, New Democracy. The party was caught between challenging the EU and IMF on the one hand, which urged for more reforms, and the conservative party, the trade unions, its own voters and other grassroots protest movements on the other, leading to the resignation of the PASOK government in late 2011 (Armingeon/Baccaro 2012: 171). For the first time, the so-called Grexit - the possibility of Greece exiting the Eurozone - was openly discussed (Copelovitch et al 2016: 815). By 2011, Portugal became the third country to receive a bailout package, totaling €78 billion (Jones 2011: 599). At the end of the year, the IMF reported that the continued deterioration of the European economy increased difficulties for Portugal to reach its proclaimed goals as the government had only partly been able to reduce the public deficit (Armingeon/Baccaro 2012: 177). Problems eventually also arose within the European banking systems. Banks faced difficulties of liquidity, as large amounts of funding for government bonds were coming from Eurozone-banks. This indicated that a bank failure could lead to a systemic crisis of the Monetary Union (Petrakis et al 2013: 14). Faced with these problems, the EFSF was turned into a permanent instrument, the European Stability Mechanism (ESM) (Shambaugh 2012: 196). Eighty billion Euros were supplied by the Eurozone countries directly, with Germany (27%) and France (20%) supplying the largest share of sums (ESM 2016). By the end of the 2011, the European Council, the Commission and the European Parliament agreed on the so called six-pack legislation, designed to improve macro-economic surveillance (Petrakis et al 2013: 14). Additionally, the European "Fiscal Compact" set new limits of deficit and debt (Petrakis et al 2013: 15). The ECB introduced a 3-year "Long-term Refinancing Operation" (LTRO), providing funding for European banks and leading to positive effects for sovereign bond yields, as CDS values of peripheral countries decreased (Petrakis et al 2013: 15).

By January 2012, Finland, Germany and the Netherlands were the only EU countries remaining with a triple-A rating (Petrakis et al 2013: 15). The Troika, consisting of ECB, IMF and EC, came to the realization that Greece was unable to pay its debts and introduced programs of austerity measures and structural reforms, to be put in place by the Greek government (Shambaugh 2012: 196). After difficult negotiations, Greece received its second assistance package, amounting to €130 billion (Copelovitch et al 2016: 815). After Standard and Poor's downgrading of 16 Spanish banks, the Spanish government requested assistance in the form of €100 billion to revive the banking sector (Petrakis et al 2013: 16). In July, ECB president Mario Draghi promised "the ECB is ready to do whatever it takes to preserve the euro" (ECB 2012), presenting the ECB's stance of not letting countries exit the Eurozone. Shortly thereafter, the ECB announced its "Outright Monetary Transactions" (OMT) program, allowing the ECB to purchase government bonds on secondary markets in the future (EC 2016). By the end of the year, the European Council, the Commission, the finance ministers of the Eurozone and the ECB announced the "Four Presidents' Report" "Towards a Genuine Economic and Monetary Union", setting out a road map for the future of the EMU (Petrakis et al 2013: 16).

Over the course of the next two years, Ireland, Spain and Portugal exited their assistance programs and stability seemed to return to the European economies (Copelovitch et al 2016: 816). The situation remained tense in Greece, as the Syriza party under Alexis Tsipras, vowing to end austerity while remaining in the Eurozone, was voted to government in early 2015 (Copelovitch et al 2016: 816). Negotiations between Greece and the Troika were brought to a standstill with Tsipras calling a referendum and urging Greek citizens to vote against the Troika's proposal as this was believed to strengthen the government's bargaining position. As its prior assistance program was coming to an end and a new proposal had not been reached, Greece defaulted on its IMF loan and became the first industrialized country to do so. A majority of the Greek electorate followed the government's urging and voted against the proposed measures. However, following additional intense negotiations, Greece was forced to accept a bailout package with harsher terms than the one rejected in the referendum (Copelovitch et al 2016: 816). Through this "Memorandum of Understanding", Greece would be able to receive up to €86 billion over the course of three years from the ESM in return for reforms (EC 2016). Earlier that year, the "Five Presidents"[2] released their report "Completing Europe's Economic and Monetary Union". The report proposed the establishment of four Unions (economic, financial, fiscal and political) and three stages were instituted in order to deepen the EMU (EC 2015). However, it remains unclear whether this new system will lead to increased compliance with the rules by the Member States (Begg 2013). Klaus Armingeon and Lucio Baccaro describe the European response to the crises as "muddling through" (Armingeon/Baccaro 2012: 185), while Petrakis and colleagues see the policies implemented thus far to merely have "transferred much of the crisis costs to the future" (Petrakis et al 2013: 21).

At the time of writing, the EU economy has entered a period of recovery, with Ireland, Portugal and Spain registering growth. Achieved also due to the ECB's plan to introduce quantitative easing to combat deflation (Copelovitch et al: 817). However, in 2016, the economic activity in the EU remains below the pre-crisis level (Copelovitch et al: 812). Unemployment rates have reached record numbers and public debt, as well as social tensions, remain high (Copelovitch et al 2016: 817).

3.3 Three crises

European countries were affected by the crisis in the US through two channels: European banks faced losses because of the housing market bubble and this led to countries of the affected banks having to face the consequences the re-pricing of risk, following the subprime crisis, had on their financial stability (Constâncio 2014: 253). However, this was just one factor leading to the crises in Europe. Another reason was "more than a decade of tensions accumulating within Europe's (...) EMU since its foundation in 1999" (Copelovitch et al 2016: 813) or, as Paul Krugman describes the consequences of the emerging crisis in Greece: "the mother of all asymmetric shocks - a shock that was, in a bitter irony, caused by the creation of the euro itself" (Krugman 2012: 4 in: Gibson et al 2014: 233).

Copelovitch et al (2016) describe the situation in Europe as a crisis of balance-of-payments, emerging with a ceasing of capital flows into countries that held a large current account deficit and were reliant on foreign lending. What contributed to the problems, besides close ties between banks and national governments, was that there was no "lender of last resort" in the form of an independent national central bank, therefore devaluation of the currency was not possible (Copelovitch et al 2016: 817). The authors argue that the crisis was due, in part, to four features of the EMU, which had not been

[2]EC President, President of Euro Summit, President of the Eurogroup, President of the ECB and President of the European Parliament

resolved (Ibid.): macroeconomic divergence, lack of fiscal policy coordination, fragmented financial regulation and a lacking no-bailout commitment.

Jay C. Shambaugh (2012) identifies three crises in Europe: a banking crisis, as banks throughout the Union have faced problems of liquidity, a sovereign debt crisis with some Member States in danger of not being able to fund themselves or pay their debts, and a macro-economic or growth crisis, since the EU as a whole is faced with slow growth and unequal distribution of growth.

Banking crises can occur if depositors question whether a bank is solvent and this leads to the depositors withdrawing their funds (Shambaugh 2012: 162-63). As not all assets are liquid ones, but may include loans, banks may not be able to meet the demand. Two problems can then occur: banks can succumb to problems of liquidity as they have difficulties retaining the necessary funds, or they can face problems of solvency; this occurs when the bank's assets cannot meet the demands. One problem then leads to the another, once banks sell assets below value or borrow at high rates. This in turn can render an infusion of capital necessary, causing a central bank to step in (Shambaugh 2012: 163).

Before the introduction of the Euro, countries' bonds yielded different interest rates, as some currencies were deemed to be stronger than others. With the Euro, the rates converged, with differences again becoming apparent in 2010 (Shambaugh 2012: 166-67). A country is faced with a *sovereign debt crisis* if one year's debt, scaled to a country's GDP, plus interest and new borrowing, does not exceed the previous year's debt. However, as is implied by a divergence of interest rates in 2010, investors can demand different interest rates if one country is considered to be in risk of default. The growth rate of an economy also plays a role. The debt will increase if the interest paid on this debt is larger than an economy's growth rate (Shambaugh 2012: 167-68). Already before the emergence of the crises in 2007, many developed countries were faced with high levels of debt and trade deficits. The developing recession brought along declining tax revenues and the need for increased social security commitments, thereby adding to the public debt (Jones 2011: 595).

Following the recession in 2009, the Euro-area as a whole recorded economic growth. This growth was, however, not equally distributed across the EU (Shambaugh 2012: 169). While German unemployment numbers rebounded in 2010 and were below the unemployment rate of 2009, Greece, Ireland, Portugal and Spain (GIPS) were faced with a growing unemployment rate, thus causing the Eurozone-average to remain at the 10 percent mark (Shambaugh 2012: 170). The austerity measures of some countries contributed to the slow or stagnant growth that again set in in 2011 (Shambaugh 2012: 170). The two aspects of slow growth and unequal distribution of growth make up the *growth crisis*. Those countries faced with a large burden of debt are especially hard hit, as austerity measures inhibit the growth they need to again become solvent (Shambaugh 2012: 170).

The three crises are interconnected and reinforce each other. Shambaugh describes the following linkages (2012: 158-59): "the sovereign debt holdings of Euro-area banks are so large that if some of the debt-stressed sovereigns (...) cannot pay their debts, the banking system as a whole is insolvent". The apparent solution to this is an austerity policy, this however, impedes growth, leading to a prolonged sovereign debt crisis (Shambaugh 2012: 159). The largest impact the sovereign debt crisis has on the growth crisis is through austerity policies, put in place to limit sovereign debt (Shambaugh 2012: 192). Concerning the policies pursued as reaction to the crises, Shambaugh concludes that they "have been effective at treating the symptoms of one of the three crises, but often only temporarily or at the cost of worsening one or both of the other two" (Shambaugh 2012: 200). Andrew Jones notes that countries outside of the Eurozone, such as the United Kingdom, are also affected by the crises, as these countries hold shares in ECB stock and thereby also in European sovereign debt (2011: 595).

3.4 Hypotheses

In order to answer the research question *"Have the economic crises in Europe acted as an external effect that made European parties change their economic left-right positions?"* the crises in Europe are defined as a turning point, which led to position change on economic issues in various European parties. Establishing the crises as the root, allows party-specific (changes in the organization, leadership or dominant faction or an election loss) and party-system specific reasons for change (the rise of a new party on the left, a possible parallel movement of the closest party in the respective party system, or a contagion from the right), as well as national characteristics (changes in the public opinion or economic conditions) to be attributed to the crises.

Change will be measured as movement on the left-right economic scale, rather than the general left-right dimension, as it seems appropriate to focus exclusively on economic issues due to the economic nature of the defined shock. Additionally, the general left-right scale may carry with it country-specific party positions, which may distort the general picture of party positions.

In order to answer the research question of whether an external effect exists that can affect all parties of one geographical region, the primary goals of the parties in question must be defined. Downs of course again presents the most extreme view in this regard. He believes: "since none of the appurtenances of office can be obtained without being elected, the main goal of every party is the winning of elections" (1957: 34-35). Office is certainly an important driver and Ward et al follow the assumption that parties "have policy goals they are willing to trade against higher chances of winning" (2011: 516). Somer-Topcu believes "parties experience a trade-off between policy keeping and vote seeking" (2009: 238) an assumption also made in this research, as parties pursue certain policies over long periods, thus making it impossible for them to be mere office-seekers (Ward et al 2011: 515). Indeed, Strøm states: "Institutionally, policy influence and office benefits are often compatible goals" (1990: 572).

The question of interest is whether the sovereign debt, banking and growth crises impacted European parties' positioning on the economic left-right scale. This question will be evaluated by focusing on the social democratic party family. The parties of the sample, despite their adaptations in the past, are more policy-driven than their mainstream counterparts, continually supporting and propagating welfare-state structures and economic intervention to diminish inequalities (Padgett/Paterson 1991; Pierson 2001). The crises in Europe indicate a “loss of neoliberalism’s hegemonic aura” (Ryner 2010: 554), which gives social democratic parties the chance to react (Bailey et al 2014; Gallagher et al 2011: 243; Ryner 2010) as they have in the past (Berman 2006; Padgett/Paterson 1991). Bailey et al point out that an electorate exists that “desires a coherent and progressive alternative” to the measures implemented after the crises, inviting social democratic action (Bailey et al 2014: 2).

Since the crises set in at different times in various countries across Europe, it is not possible to compare left-right changes up to a certain year with changes taking place after. The external shock is therefore measured by using the average GDP growth and the change in the unemployment rate as indicators of the crises and as the explanatory variables for the parties’ positional changes. Unemployment and GDP growth, in addition to inflation, are “popular” measures of economic performance (Williams et al 2016: 52) and provide insight into the intensity of the crises in each country at various times. The data on the unemployment rate is from Eurostat (2016), while the data on GDP growth is from the World Bank (2016). The change in the unemployment rate will be obtained by simply subtracting one year from the subsequent one, while an average will be calculated for the GDP growth. A resulting large positive number for change in the unemployment rate therefore signifies greater increase in unemployment, while a small average GDP growth points towards fluctuations and economic hardship.

A party of a country faced with sizeable absolute average GDP growth and changes in unemployment rates should react to these circumstances. Especially - according to Bailey et al (2014) - when the party promotes different economic policies, as social democratic have in the past. Such a reaction to these changes is signified here by a large absolute movement on the left-right economic scale. Therefore, the *Absolute Movement Hypotheses* are:

H1a: The greater a country’s average absolute GDP growth, the more the party will undergo a shift on the left-right economic scale.

H1b: The greater the absolute changes in a country’s unemployment rate, the more the party will undergo a shift on the left-right economic scale.

For Bailey et al, this “economic crisis of neo-liberalism (...) creates the potential to consider a shift towards an alternative socio-economic model and set of ideas”, especially for social democratic parties (2014: 6). While this outright shift has not yet been witnessed by the authors, perhaps a movement in this direction can be detected. Therefore, it is expected that social democratic parties see the crises as an opportunity to re-identify with social democratic policies, which they may have (temporarily) abandoned in the past. The *Relative Movement Hypotheses* will provide insight into the direction of the movement and read as follows:

H2a: The lesser the country's average relative GDP growth, the more the party will undergo a shift to the left on the left-right economic scale.

H2b: The greater the relative negative changes in a country's unemployment rate, the more the party will undergo a shift to the left on the left-right economic scale.

To obtain a more complete picture of the aftermath of the crises, the parties' reactions and the policies they advocated are also of interest. The simplest way to analyze this is by utilizing the vast amount of data made available by the Manifesto Research on Political Representation (MARPOR) (Volkens et al 2016a). To date, MARPOR has coded 4054 manifestos of 1027 parties from 56 countries (Volkens et al 2016b). Each quasi-sentence of a manifesto is coded into one of 56 categories, resulting in percentage frequencies of how much emphasis a party lays on an issue.

Studies have shown that tough economic times lead to parties emphasizing economic issues in their manifestos to a greater extent (e.g. Williams et al 2016). Therefore, all parties are expected to have devoted more sentences to economic topics in their manifestos over the course of the crises. One domain of MARPOR data is devoted to the economy, thus making it relatively simple to draw comparisons. The *Economic Emphasis Hypotheses* are as follows:

H3a: The lesser the country's average relative GDP growth, the more the party will increase its emphasis on economic issues.

H3b: The greater the relative negative changes in a country's unemployment rate, the more the party will increase its emphasis on economic issues.

As well as focusing more on the economy in their manifestos, it is also assumed that negative changes in the GDP growth and the unemployment rate are accompanied by a re-emphasis of "typical" left economic issues in social democratic manifestos. The Manifesto database distinguishes between "left" and "right" economic issues. These issues can be compared to evaluate whether "left" outweigh "right" issues or vice versa. Thus, the *Economic Left Emphasis Hypotheses* are:

H4a: The lesser the country's average relative GDP growth, the more the left issues will outweigh right issues.

H4b: The greater the relative negative changes in a country's unemployment rate, the more the left issues will outweigh right issues.

Chapter 4

Case Selection and Data

Social democratic parties are considered to be the "strongest and most enduring of western Europe's political families", in addition to being one of the oldest political groupings in the world today (Gallagher et al 2011: 240). Looking back on the party family's history, its perseverance may seem surprising to some, as social democracy has - more than once - been portrayed as "if not in its grave, then verging on terminal decline" (Taylor 1993 in: Lavelle 2008). Undoubtedly, social democracy has undergone a transformation, which will become clear in the following outline of its development and its adapted positions. The chapter then goes on by highlighting why especially social democratic parties are affected by the defined external shock, before the two sets of data sources that will be used to test the formulated hypotheses are described. Besides the two data sources, the independent variables of this thesis are also defined in this chapter, acting as the outline of this thesis' research framework.

4.1 The Case Selection: Social Democratic Parties

4.1.1 Historical Development

The development of social democratic parties can be divided into three phases (Merkel et al 2008: 7): from social democracy's origins as a labour movement up until the First World War, characterized by labour parties acting as the opposition; from 1918 until the end of the Second World War, defined by the split between communist and social democratic parties and first experiences in government; and a third phase beginning after the war, characterized by the establishment of the welfare state. Merkel et al further split this last phase into two periods: the "golden age of social democracy", as well as its "age of decline" (Merkel et al 2008: 7).

Social democratic - or rather socialist - parties arose at the end of the 19th century to represent the working class, while having close ties to trade unions. Early social democratic parties followed Marxist ideology and followed the primary goal of replacing the capitalist order with socialism (Gallagher et al 2011: 240-42). The newly established industrial working class, not politically represented and faced with exploitation, supported the rise of this mass membership party type, setting itself apart from the other parties at the time (Padgett/Paterson 1991: 3). The first social democratic party appeared in Germany in 1875 and for the first 30 years, the German Social Democratic Party (SPD), like many others in Europe, adhered to this Marxist ideology (Padgett/Paterson 1991: 4).

The Russian Revolution of 1917 caused a division within the socialist party family, leading to communist parties breaking away from the social democratic parties. Once a party decided to take the path of elections, rather than revolution, the parties' organizational techniques and positions began to change (Gallagher et al 2011: 240-42). This "ballot box socialism" meant that the parties had to give up much of their radical positions and it also led to an identification with liberal democracy (Padgett/Paterson 1991: 7-9). Adam Przeworski describes this dilemma: "Leaders of class-based parties must choose between a party homogeneous in its class appeal but sentenced to perpetual defeats or a party that struggles for electoral success at the cost of diluting its class orientation" (Przeworski 1985: 102).[3] An increasing vote share encouraged many social democrats in this decision (Padgett/Paterson 1991: 107). Additionally, the belief persisted that, with growing industrialization, the working class would eventually constitute the majority of the electorate (Padgett/Paterson 1991: 124-25).

Most social democratic parties in Europe were voted into government in the interwar period. Regularly being entrusted with government office led to further moderation of the parties' views and increased the need for ideological compromise (Gallagher et al 2011: 240-42). However, social democrats in government were faced with mass unemployment, for which they struggled to find a solution (Pierson 2001: 34). Additionally, this "divided Left" of communist and social democratic parties failed to channel resistance movements of anti-fascism in Germany, Italy and Spain (Padgett/Paterson 1991: 10). Along with the suspension of democratic processes, social democrats were confronted with imprisonment and murder (Pierson 2001: 34-5).

After the Second World War, with social democratic parties' rivals having failed to solve the interwar depression and having collaborated with National Socialist occupation in many countries, social democracy gained sympathizers (Padgett/Paterson 1991: 12), paving the way for its "golden age" (Pierson 2001: 20). Between 1945 and 1948, the first welfare state was established in Britain under the Labour government (Padgett/Paterson 1991: 138). The Scandinavian model of the welfare state emerged in the 1940's and 50's, following the guiding principles of institutionalism, universalism and unconditional entitlement; for the first time making the state responsible for the welfare of all its citizens (Padgett/Paterson 1991: 138-39). The welfare state expansion in western European countries in the 1950's and 1960's was largely due to social democratic policies (Gallagher et al 2011: 240). However, European social democratic parties were also faced with an altered environment they had to adapt to: the manual working class had declined; the 1950's brought economic growth, making economic reform unnecessary; the economic structure had changed with governments exercising indirect control over a mixed economy through the institutionalisation of Keynesianism; and the conflict between capital and labour, from which social democracy originated, had diminished (Padgett/Paterson 1991: 22). A changing society, believed to be beneficial to social democratic

[3] See, however Kitschelt (1994).

parties at the polls, had the opposite effect. Industrialization, rather than increasing the share of the working class population in society, led to a more fragmented electorate, causing social democratic parties to follow the strategy of becoming a catch-all party (Padgett/Paterson 1991: 125).

Enjoying a period of dominance in the 1960's, social democratic parties became part of consensus politics and this led to what Stephen Padgett and William E. Paterson call an "ideological vacuum", which opened the door for challengers of the "New Left" (Padgett/Paterson 1991: 38). Following the oil crisis of 1973, an international recession highlighted the shortcomings of social democratic policy: without economic growth, full employment, a functioning welfare state and economic redistribution could not be realized. Additionally, the solutions offered by political rivals were incompatible with social democratic ideas, yet enjoyed popularity among the public (Padgett/Paterson 1991: 49). In the late 1970's and early 1980's, many social democratic parties were thus exiled into opposition, as they were unable to compromise on economic policies (Padgett/Paterson 1991: 158).

The radical positions characterizing social democratic parties at their establishment have steadily declined and have been taken up by either communist, or more recently, by Green parties. Today, social democratic parties, while still firmly supporting welfare policies and egalitarianism, have shown acceptance of market solutions and - in some countries - have begun to proceed on a path between socialism and neo-liberalism, the so-called third way (Gallagher et al 2011: 243). This "march to the middle" conducted by social democrats in the 90's was at first met with support, however, these electoral victories could not be repeated in the years following the shift to the "third way". From 2006 until 2011, a number of once dominant social democratic parties, most notably the Swedish Socialdemokratiska arbetareparti (SAP), were faced with electoral defeats. Karreth et al argue that this was due to "third way"-policies leading to incoherence in social democratic ideology (2013: 792). This "third way", made prominent by Tony Blair in the United Kingdom, while not being referred to anymore at present, still exists through ideas supported by social democratic parties today (Gallagher et al 2011: 243), as these ideas seem to be more popular than the label they had initially been given (Bonoli 2004: 201).

4.1.2 Organization

"The socialist party was to be the working class organized", explains Przeworski (1985: 19). The mass organization of parts of the electorate is a defining characteristic of early social democratic parties. In his typology of political parties, Maurice Duverger differentiates between at least three types of parties; with one type being the "Socialist parties of continental Europe" (1963: 1). The main goal of this type of party is to organize a large proportion of the electorate through membership in the form of a "strict system of individual subscriptions", thereby rendering a system of administrative organization necessary (Duverger 1963: 1-2). Ideology and doctrine is important for these parties and they do not restrict their actions to the political domain (Duverger 1963: 2). Duverger defines socialist parties as one type of "indirect" parties. These believe that "there is no party community really distinct from the component social groups" (Duverger 1963: 6). However, it is possible to undergo a transformation from an "indirect" to a "direct" party, as done by the British Labour party or the Belgian Socialist party (Duverger 1963: 10).

The internal workings of social democratic parties were different from other parties in two ways. First, the party organization included sub-organizations, offering a wide range of activities, thereby channeling members' interests into party-affiliated organizations. Second, the parties wished to reach the goal of inner-party democracy, allowing member participation in the decision-making process (Padgett/Paterson 1991: 66-67). The way social democratic parties were organized facilitated electoral mobilisation (Padgett/Paterson 1991: 108-109). This organizational strength is the reason for the social democratic parties of Scandinavia and Austria having the most successful electoral record of postwar Europe (Padgett/Paterson 1991: 114).

As social democratic parties are highly ideological parties, factionalism has always been a problem, with group based patronage - the case when particular groups, such as trade unions, are favoured - reinforcing factional differences. These factional struggles were reduced once socialism was divided into communist and social democratic parties in Europe after the First World War, however, they still persist (Padgett/Paterson 1991: 84-85).

Already before the First World War, the "solidarity community" each social democratic party sought to establish within, was faced with organisational difficulties. Parties reacted to these challenges by increasing bureaucracy and following a more top-down approach (Padgett/Paterson 1991: 67). This "solidarity community" no longer exists today, or - as Padgett and Paterson put it - "it is alive only in the sense that amputees can experience pain in limbs that they no longer have" (Padgett/Paterson 1991: 95).

Already in the 1950's, social democratic parties began to broaden their base, attempting to attract voters outside the - already diminishing - working class in order to establish themselves as catch-all parties (Padgett/Paterson 1991: 21). Otto Kirchheimer describes five main characteristics of catch-all parties (Kirchheimer 1966: 190-91 in: Allen 2009: 642):

> "(a) drastic reduction in the party's ideological baggage; (b) strengthening of top leadership groups; (c) downgrading of the role of the individual party member; (d) de-emphasis of class or denominational clienteles in favor of recruitment at large; and (e) securing of access to a variety of groups."

According to Kirchheimer, along with the establishment of one catch-all party, the tendency is that more parties of this type develop, as success can only be secured by following along this transformation of encompassing all social groups and by operating as an electoral party. Consequently, ideology becomes less important as pragmatic approaches are sought to solve society's problems (Kirchheimer 1966 in: Padgett/Paterson 1991: 73). While the rise of catch-all parties in Europe was overstated by Kirchheimer, in Germany the success of the Christian Democrats put the social democrats under pressure and led to the development of the Bad Godesberg Programme in 1959, in which the SPD radically changed some of its positions (Padgett/Paterson 1991: 73-74). This transformation into catch-all parties (Gallagher et al 2011: 243) causes Padgett and Paterson to conclude that “changes in social composition and party organisation have been at least as dramatic as the more obvious changes in ideology” (Padgett/Paterson 1991: 105).

4.1.3 Social Democratic Positions

The values liberty, equality and fraternity, born out of the French revolution, are the base for social democratic values (Merkel et al 2008: 7). The positions of the social democratic party family can be defined as “the attempt to reconcile socialism with liberal politics and capitalist society” (Padgett/Paterson 1991: 1). The objectives, as Herbert Kitschelt describes them, are thus “moderating wage earners’ exposure to market risks (due to sickness, old age, unemployment) and engineering significant income redistribution toward the less fortunate in society, while promoting economic growth” (Kitschelt 1999: 317). Padgett and Paterson further state that “fluidity” is a characterizing feature of social democratic ideology, stating: “Its ideology resembled a kaleidoscopic mosaic of ideas and values, constantly changing in response to new circumstances and in the light of practical experience” (Padgett/Paterson 1991: 11).

The re-establishment of social democratic parties in 1945 was characterized by continuity in their party programmes (Padgett/Paterson 1991: 69). Almost all programmes of European social democratic parties after the Second World War shared three main themes: the socialization of the means of production, state planning and control of the economy, and equality in society (Padgett/Paterson 1991: 13). Especially in the 1950’s, programmatic rewriting took place in European social democratic parties. With the reorientation to becoming catch-all parties, the goals of “working-class socialism” were put aside in favour of a more vague ideology of welfare capitalism (Padgett/Paterson 1991: 21). Social democratic parties pursued four main objectives: increasing equality of wealth and income, promoting full employment, establishing a welfare state, and acting as representatives of the labour movement (Pierson 2001: 6-7).

The welfare state was a vital element of social democratic policies. It was to recognize “the interdependence of wages and benefits”, necessitating a rethinking of economic rights and rewards, even limiting the effect of market forces (Padgett/Paterson 1991: 137-38). Important factors in social democratic economic policies were the implementation of economic management and a turn to Keynesianism, advocating measures to diminish social inequality (Padgett/Paterson 1991: 141-43). Government intervention was seen as the key in shaping consumption and investment, or as John Maynard Keynes put it: “If the state is able to determine the aggregate amount of resources devoted to augmenting the instruments and the basic rate of reward to those who own them, it will have accomplished all that is necessary” (Keynes 1973: 378 in: Pierson 2001: 41). The regulation of the economy through the state, rather than the invisible hand, inherent to Keynesianism, was to reconcile democracy and capitalism through expansive fiscal and wage legislation and currency revaluation (Merkel et al 2008: 10). By adopting this ideology of Keynesian social democracy, the parties also found a way to reconcile socialism with the market (Padgett/Paterson 1991: 22-23). However, the welfare state, a social democratic accomplishment, has itself transformed citizen’s preferences and, as Kitschelt writes, has become “a victim of its own success” with citizens taking these policies for granted (Kitschelt 1994: 280).

In the beginning of the 1970’s, the instruments supplied by Keynesian demand management became inadequate for reaching social democratic policy goals (Merkel et al 2008: 11). When faced with conflicting goals, such as economic growth, price stability and managing sound public finances, Merkel et al characterize the social democratic response as “favor(ing) redistribution as long as the majority of voters did not have to bear too great a cost and the next election was not in jeopardy” (Merkel et al 2008: 9). As social democratic parties had to then change their economic policy instruments, “the differences between social democratic and bourgeois governments’ tax policies began to lose their distinctiveness” (Merkel et al 2008: 14). According to Padgett and Paterson, already by the 1960’s the “parties’ socialist profiles had been reduced to mere shadows” as their ideology was “assimilated into the politics of consensus”, leading to a convergence of left and right parties (Padgett/Paterson 1991: 35).

The idea of the “third way” of the 1990’s led many European social democratic parties, first and foremost the British Labour Party under Tony Blair and the SPD under Gerhard Schröder, to alter previous positions, as “third way politics is above all an endeavour to respond to change” (Giddens 2000: 27) and the objective is to (Giddens 2000: 28):

> “carry through the political implications of New Times, recognizing that this means that the established positions and policies of the left have to be profoundly revised (...), their doctrines have to be rethought as radically as half a century ago, when social democracy originally broke away from Marxism.”

Social democratic parties that adopted the “third way”, thereby accepted the market as the mechanism for achieving certain outcomes, however, it also included a belief of strong state intervention, combining cuts in personal income taxes and labour market flexibility with social investments and labour market policies (Green-Pedersen/van Kersbergen 2002: 511). Concerning these policies, Christoffer Green-Pedersen and Kees van Kersbergen write: “The core of the ‘third way’ is about job creation and labor market participation and the means towards achieving these goals are both the market and state intervention” (2002: 511). For its supporters, the “third way” signifies a global model of modernized social democracy (Powell 2004: 3).

When trying to define what social democracy stands for, Colin Hay (1999: 56) finds himself confronted with the dilemma of having to

> “differentiate, on the one hand, between modifications to and developments of a political philosophy, tradition and practice which represent appropriate and necessary responses to a changing external environment and those, on the other, which represent a departure from and betrayal of that tradition.”

He identifies three possible strategies (Hay 1999: 56): The first is simply to say social democracy “is what social democratic parties do”, neatly ensuring the persistence of “social democratic positions” as long as such parties exist. The second way to define social democracy is in historical terms, by simply referring to positions held in the past, even if these positions no longer hold true. A third strategy is to evaluate social democratic tradition with potential social democratic values and to extrapolate from these a set of principles of social democracy. According to Hay, only the third strategy allows for a comparative historical analysis and he sums up social democratic parties' positions to being committed to redistribution, democratic economic governance, and social protectionism (Hay 1999: 57). Giuliano Bonoli names the following policies as goals pursued by social democratic parties at the end of the 20th century: maximising employment, containing public expenditure and strengthening the social investment component of welfare states (Bonoli 2004: 202-7).

4.1.4 Transformation, Decline or Death?

In 1983, the sociologist Ralf Dahrendorf spoke of the "end of the social democratic century" (Merkel et al 2008: 1). Since then, a number of reasons for a possible decline have been stated (Merkel et al 2008: 1): social democratic parties only offer outdated policies and solutions for current problems, globalization and European Integration have been stated as factors constraining centre-left parties, demographic and value changes have been named as causes for decline, as well as postindustrialization and crises of the welfare state. Jonas Pontusson focuses on economic changes and argues that the "decline of European social democracy" in his case selection is due to shifts to smaller units of industrial production and a rise in private nonindustrial employment (Pontusson 1995: 496). A decreasing share of social democratic voters, due to the changing social composition of advanced industrial societies and a change in the organization of the working class, further added to the parties' troubles and threatened social democracy to become the representative of a minority (Padgett/Paterson 1991: 125). Since "their organisational links, their ideological commitments, their daily habits, and their political projects tie them to their working class roots", turning away from this base would lead to the parties having to face the electoral consequences, bringing them closer to their end (Przeworski/Sprague 1986: 183-85 in: Padgett/Paterson 1991: 125). According to Ashley Lavelle, social democracy has already died and she boldly "rules out a revival", as "the economic base from which social democracy could provide an alternative to neo-liberalism cannot be restored" (Lavelle 2008: 2). While a decline did take place, social democracy could adapt to these changes, due to the "fluidity" of its ideology (Padgett/Paterson 1991: 125). Merkel et al come to a similar conclusion concerning the development of social democratic parties: "the history of social democracy can be read as a process of adaptation to changing conditions" (2008: 2).

The circumstances present in the decades following the Second World War allowed social democratic parties to expand the welfare state, maintaining full employment while securing balanced budgets. Beginning in the 1970's however, low economic growth, an aging population and open markets presented changed circumstances for social democrats (Kitschelt 1999: 317-18). The "transformation of European social democracy" that followed was most famously stated by Kitschelt (1994), determining "traditional social democratic policies *ought no longer* be pursued, because they *cannot* be successfully implemented in the socioeconomic and cultural environment of advanced capitalism" (Kitschelt 1994: 7, emphases in original). The reasons for this, Kitschelt claims, are to be found in "internal" explanations, such as party systems, strategies and party organization, as opposed to the "external" factors of class structure and political economy (Kitschelt 1994: 7). Setting himself apart from Przeworski and Sprague, Kitschelt argues that parties can modify their appeals if they intend to address a new clientele (Kitschelt 1994: 284-86). This would mean that social democratic parties are not necessarily forced to decline alongside the working class.

Kitschelt identifies three interdependent dilemmas facing social democratic parties at the end of the 21st century: a political-economic dilemma, forcing a reevaluation of social democratic economic policies; an electoral dilemma, which sets in, once social democratic parties adopt centrist programs and lose voters; and an organizational dilemma, as past models of clientelist politics and leader-accountability stand in the way of centrist strategies and coalition formation (Kitschelt 1999: 344). Merkel et al name globalization, European integration and social change as the main challenges social democracy has to adapt to (Merkel et al 2008: 16-21), while Christopher Pierson identifies two similar key challenges: globalization and demographic change (Pierson 2001: 63). James Piazza (2001) finds globalization to indeed play a role in changes undergone by social democratic parties, namely a growing policy conservatism and weakening ties to organized labour. In a study aiming to uncover whether social democratic goals and instruments have changed as a reaction to these challenges, Merkel and Petring (2007) find that strategies and goals do not have to change simultaneously. Of the six social democratic parties of their sample, some modified their strategies and could still pursue the same goals. However, the authors conclude that those parties "which did not change their traditional strategies, have failed the greatest in achieving their traditional goals of full employment and social justice" (Merkel/Petring 2007: 141).

At the turn of the century, social democracy miraculously survived, apparently refuting Dahrendorf. After spending, in some cases, considerable time in opposition, by the end of the 1990's, social democratic parties returned to government in 12 of the 15 European member states (Karreth et al 2013: 792), apparently refuting claims of their "death" (Lavelle 2008). However, not only was this success short-lived (Allen 2009: 637), scholars have discussed the extent to which social democratic parties have had to change in order to be voted into office, stating: "'Social Democratic governments' were, in effect, no longer Social Democratic" (Powell 2004: 2) with the most recent change becoming apparent in the form of the "third way". Andrea Volkens (2004) analyzes manifestos of 15 European social democratic parties from 1945 to 1998 in order to better understand "third way" policies and uncover a possible move to the centre. Her study shows that most social democratic parties moved to the left from the 1940's until the 1960's, while the general trend from the 70's until the 90's shows a shift to the right. In both time frames, there are only three exceptions to the described trend (Volkens 2004: 28). Additionally, she codes Anthony Giddens' "The Third Way" along the same categories as the used manifesto data to better understand when social democratic parties began their journey on the "third way". Parties are shown to have adopted "third way"-policies, however, the identified core categories deduced from Giddens' work can be found in social democratic manifestos as early as the 1950's, with the portion of the categories rising with each additional decade. The same development is again shown to be true for the main competitors (Volkens 2004: 35).

For Christopher S. Allen, following the "third way" movement meant "a second embracing of Kirchheimer's 'catch-all' party thesis" (Allen 2009: 635). According to Allen, this move to the centre, while initially leading to success at the polls, quickly led to a reversal of fortunes, with Green parties and other left parties gaining support (Allen 2009: 636-38). In recent years, social democratic parties face additional competition in the form of radical right parties (Bale et al 2010).

4.2 The External Effect and Social Democracy

Social democratic parties change their positions. That these changes can at times be rather severe can be concluded from this chapter, as social democratic parties have undergone a sheer transformation since their days as propagators of the revolution. The social democratic party family acts as a fitting example of how parties adapt to changed environments and circumstances, while at the same time competing for votes and - especially - office. There are a number of reasons for selecting this party family to constitute the sample of this thesis.

Every European country has a party claiming to represent the working class, and this left side of the party spectrum has been "reasonably homogeneous" and, at its height, it has been represented by no more than two parties. The European centre-right, however, shares far less features and is more fragmented (Gallagher et al 2011: 229), making European-wide comparisons more difficult. In order to compare parties in all of Europe, it is vital to analyze a party family that in fact has comparable positions and goals. These have been described in depth above and include, inter alia, a commitment to redistribution and equality of opportunity and the goal of maximizing employment, while remaining firm supporters of the welfare state.

Social democratic parties do not constitute a newly emerging party family that is still in its developmental stage. This would mean that observed change could be part of the "life-cycle" of party development (Harmel/Janda 1994: 262), as opposed to an adaptation to change. Rather, social democratic parties have existed for over a century and have been known to undergo changes when the need to alter positions arises. This willingness - or perhaps this need - to change has been prevalent throughout social democratic parties' existence, causing scholars to characterize social democratic ideology by its "fluidity" (Padgett/Paterson 1991: 11). It has become obvious that social democratic parties do not shy away from change, with the most recent of such wide-ranging adaptations having taken place in the late 90's with the establishment of "third way"-policies. The impression that this legislation represented a new and improved form of social democracy was not always drawn from the policies themselves, but rather the rhetoric surrounding their introduction (see, for example, Volkens 2004). This "overemphasis of the political centre" (Allen 2009: 635) has been described as the cause for declining social democratic electoral success in the early 21st century (Karreth et al 2013).

Additionally, social democratic parties constitute a mainstream party, implying the importance of office-seeking. Niche parties have been shown to exhibit policy stability (Adams et al 2006), while their mainstream counterparts, as catch-all parties, try to appeal to a broad base. This increases the likelihood of position change in line with factors pertaining to office-seeking, such as public opinion (Adams et al 2004).

Already during the crises, trust in the EU reached a record low (Copelovitch et al 2016: 815) and trust in national parliaments and satisfaction with democracy among the European citizenry also decreased (Armingeon/Guthmann 2014). Populist parties on the left and right gained support and the European Parliamentary elections of 2014 were characterized by a rise of anti-EU parties (Copelovitch et al 2016: 815-17). As part of the austerity measures, GIPS countries were forced to, inter alia cut public sector wages, reduce public sector employment, reduce old-age public expenditures and increase the retirement age, increase indirect taxes, establish exemptions from minimum wages, and implement cuts in unemployment insurance benefits. The crises therefore, also had societal consequences, such as increasing inequalities between wage-earners in Europe (Petrakis et al 2013: 28), leading to a rise in unemployment throughout the EU (Eurostat 2016), or giving rise to protest movements (Bosco/Verney 2012; Kioupkiolis 2016).

The crises seem to invite views challenging the neoliberal market solutions (Ryner 2010: 554) and social democratic parties have been expected to take up this role (Bailey et al 2014: 1). Confronted with market failures, social democratic policies, such as supporting financial and housing market regulations, redistribution, the moderation of austerity measures and the welfare state, have been considered options to combat these failures. These solutions seem viable, since according to Bailey and colleagues, the measures implemented to date amount to a "neo-liberal remedy to cure a crisis caused by neo-liberalism" (Ibid.). As the above noted policies are quintessentially social democratic, it is no surprise that it is suggested these parties be the ones to reintroduce them, as welfare state expansion and increasing employment are main goals of social democratic parties (Pierson 2001: 6-7).

Moreover, since the traditional social democratic base is especially affected by implemented measures and suffers the consequences of increasing inequalities - circumstances that social democratic parties have also sought to change in the past - centre-left parties should be even more inclined to step up, as to not alienate their voters.

4.3 Data Sources

4.3.1 Shifting Positions: CHES

There are four common data sources for evaluating party positions: voters' perceptions, opinions of party experts, self-placement of party officials and coded party manifestos, thus deriving positions from content analyses. Russell J. Dalton and Ian McAllister (2015) compare these diverse datasets on party position and come to the conclusion that there is "a striking agreement among three of the data sources - public perceptions, expert judgements, and political elites" (2015: 766), with correlations above .90, while "the correlation between Left-Right in the manifestos and party experts is only

.64" (Dalton/McAllister 2015: 767).[4] The Comparative Study of Electoral Systems (CSES), which integrates various voter surveys into one data set, only includes questions regarding general left-right positions, not the economic scale. These considerations have led to the decision to follow Dalton and McAllister in the selection of a database for evaluating positions, therefore testing Hypotheses 1 and 2 through a time-series analysis of party left-right economic positions on the basis of expert judgements, using the Chapel Hill Expert Survey (CHES) (Bakker et al 2015a).

One of the earliest efforts of collecting data on party positions through expert judgements was undertaken by Francis G. Castles and Peter Mair in the mid-80's (Castles/Mair 1984), while the CHES has collected data on party positioning in the areas of ideology, European integration and 13 other policy fields since 1999 and continually, in 4 year-intervals since 2002 (Bakker et al 2015c: 144). The trend file from 1999 to 2014 includes data on all 28 EU member states, albeit some countries, such as Cyprus, Luxembourg or Malta, have only recently been added to the survey. For the most recent wave of 2014, 337 party experts evaluated 268 parties, with the number of experts per country in the years 1999 until 2014 ranging from 3 (Luxembourg 2014) to 23 (Romania 2010) (Bakker et al 2015b).[5] The questionnaire covers four main areas: party positioning on the general left-right scale, party positioning on the economic left-right scale, party positioning along the gal-tan dimension (green/alternative/libertarian - traditional/authoritarian/nationalist), and party positioning on European integration (Bakker et al 2015c: 144). The wording of the question concerning the economic left-right dimension for 2006, 2010 and 2014 was:[6]

> "We now turn to a few questions on the ideological positions of political parties in [country] in [year] (...). Parties can be classified in terms of their stance on economic issues. Parties on the economic left want government to play an active role in the economy. Parties on the economic right emphasize a reduced economic role for government: privatization, lower taxes, less regulation, less government spending, and a leaner welfare state".

The respondents were then asked to place the parties on an 11-point scale, ranging from 0 (extreme left) to 10 (extreme right). As this question has been asked since the beginning, the combination of all waves allows a time-series analysis (Bakker et al 2015c: 144).

"Expert surveys are", as Hooghe and colleagues (2010: 692) note, "appropriate only for that subset of topics where reliable information is not available in documentary sources, but can be found in the brains of experts." The advantages of implementing expert judgement is that data can be collected independent from elections and no source material is needed. Additionally, data on a large number

[4]A possible explanation provided by the authors is that MARPOR constructs a left-right scale from issue saliency, while the other sources collect the data on the positions directly (Dalton/McAllister 2015: 767).

[5]The mean of the number of experts per country since 2002 is 11.2 (Bakker et al 2015a).

[6]The question wording for 2002 was (Hooghe et al 2010: 700): "Political scientists often classify parties in terms of their ideological stance on economic issues. Parties to the right emphasise a reduced economic role for government. They want privatization, lower taxes, less regulation, reduced government spending and a leaner welfare state. Parties to the left want government to play an active role in the economy. Using these criteria, indicate where parties are located in terms of their economic ideology."

of parties can be collected fairly quickly and the academic experts in question do not only consider party policies but also evaluate what parties say (Bakker et al 2015c: 148), thereby expediently processing and interpreting different types of information and reducing complexity (Hooghe et al 2010: 689). This is especially important if the research interest lies in areas not covered by other source material (Steenbergen/Marks 2007: 347). A further benefit is that far less people have to be surveyed, compared to a general voter survey, also making expert evaluations more inexpensive (Hooghe et al 2010: 689). However, there are also problems that have been pointed out concerning data derived through expert judgements. For Ian Budge it is unclear whether the experts judge party leaders', voters' or activists' positions (2000: 105-7). The CHES collects data explicitly on the ideological positions of the party leadership (Bakker et al 2015c: 144). Budge additionally criticizes the time-period the experts are asked to evaluate, as respondents may consider the past few years when judging party positions (Budge 2000: 110). The CHES has tried to counteract these notions by specifying the year to be evaluated. Another aspect criticized pertains to the criteria the judgements are based on, this is especially important when focusing on the general left-right classification and poses less of a problem when limiting the dimension to just one, namely the economic left-right dimension (Budge 2000: 108).

The analysis of the 2010-wave shows that standard deviations on positioning for the parties of one country are relatively small, pointing toward reliability of the party placements. However, the experts seem to have difficulties placing parties with a low vote-share, resulting in greater standard deviations (Bakker et al 2015c: 148). To counteract this and to diminish variance, respondents are encouraged in the CHES to skip questions concerning parties they are unfamiliar with (Hooghe et al 2010: 692). As it is easier to place parties along basic dimensions, there is strong expert agreement on party positions along the general left-right, economic left-right and gal-tan dimensions, as well as general positions on European integration, while there is dissent on more abstract questions. The most reliable results are found concerning large parties, salient issues, extreme parties and parties of Western Europe (Hooghe et al 2010: 693).

Following Schumacher et al (2013), the absolute and relative movements of parties on the left-right economic scale are of interest: Absolute $= |\text{Position}_{\text{t}} - \text{Position}_{\text{t-1}}|$ and Relative $= \text{Position}_{\text{t}} - \text{Position}_{\text{t-1}}$, where t signifies a year of evaluation and t-1 represents the previous available year. As four data points are available in the CHES (2002-2014), three position changes can be calculated.[7] As the impacts of the different crises were felt at varying degrees and at different points in time across the various countries, two proxies will be used to signify the impact of the crises: the unemployment rate and the GDP growth. The changes of the unemployment rate will be calculated in accordance with the position shifts, while an average for the GDP growth will be calculated, including all years between two CHES evaluations, in order to receive a more thorough picture of a country's economic situation. The average GDP growth (G) and the changes in the unemployment rate (U) are calculated as follows: $\text{U} = \text{U}_{\text{t}} - \text{U}_{\text{t-1}}$ and $\text{G} = \frac{G_{\text{t}}+G_{\text{t-1}}+G_{\text{t-2}}+G_{\text{t-3}}+G_{\text{t-4}}}{5}$.

[7] Estonia and Latvia are exceptions, as they have only been part of the CHES since 2006.

In order for a party to be included in the analysis, the party has to originate from a country that is a member state of the European Union. In addition, the party must have been included in the CHES from at least 2006 until 2014 and be categorized in the database as belonging to the "socialist" party family. When available, data points as early as 2002 have been included in order to identify possible reversals of earlier shifts (Budge 1994). Following these parameters, 24 parties from 23 countries with the total number of years for which party positions are available reaching 94 remain, allowing the calculation of 70 movements. The following table provides an overview of the case selection:

Table 4.1: Case selection CHES

Country	Party name	English translation	CHES years
Austria	Sozialdemokratische Partei Österreichs (SPÖ)	Social Democratic Party of Austria	2002, 2006, 2010, 2014
Belgium	Parti Socialiste (PS)	Socialist Party	2002, 2006, 2010, 2014
Belgium	Socialistische Partij Anders (SPa)	Socialist Party Different	2002, 2006, 2010, 2014
Bulgaria	Koalicija za Bălgarija (KzB)	Coalition for Bulgaria	2002, 2006, 2010, 2014
Czech Republic	Česká strana sociálně demokratická (ČSSD)	Czech Social Democratic Party	2002, 2006, 2010, 2014
Denmark	Socialdemokraterne (SD)	Social Democrats	2002, 2006, 2010, 2014
Estonia	Sotsiaaldemokraatlik Erakond (SDE)	Social Democratic Party	2006, 2010, 2014
Finland	Suomen Sosialidemokraattinen (SDP)	Social Democratic Party of Finland	2002, 2006, 2010, 2014
France	Parti Socialiste (PS)	Socialist Party	2002, 2006, 2010, 2014
Germany	Sozialdemokratische Partei Deutschlands (SPD)	Social Democratic Party of Germany	2002, 2006, 2010, 2014
Greece	Panellinio Sosialistikó Kínima (PASOK)	Panhellenic Socialist Movement	2002, 2006, 2010, 2014
Hungary	Magyar Szocialista Párt (MSzP)	Hungarian Socialist Party	2002, 2006, 2010, 2014
Ireland	Páirtí an Lucht Oibre (LP)	Labour Party	2002, 2006, 2010, 2014
Latvia	Sociāldemokrātiskā Partija "Saskaņa" (SDPS)	Social Democratic Party "Harmony"	2006, 2010, 2014
Lithuania	Lietuvos socialdemokratu partija (LSDP)	Social Democratic Party of Lithuania	2002, 2006, 2010, 2014

Netherlands	Partij van de Arbeid (PvdA)	Labour Party	2002, 2006, 2010, 2014
Poland	Sojusz Lewicy Demokratycznej (SLD)	Democratic Left Alliance	2002, 2006, 2010, 2014
Portugal	Partido Socialista (PS)	Socialist Party	2002, 2006, 2010, 2014
Romania	Partidul Social Democrat (PSD)	Social Democratic Party	2002, 2006, 2010, 2014
Slovakia	Smer - Sociálna demokracia (SMER)	Direction - Social Democracy	2002, 2006, 2010, 2014
Slovenia	Socialni demokrati (SD)	Social Democrats	2002, 2006, 2010, 2014
Spain	Partido Socialista Obrero Español (PSOE)	Spanish Socialist Workers' Party	2002, 2006, 2010, 2014
Sweden	Sveriges socialdemokratiska arbetareparti (SAP)	Swedish Social Democratic Party	2002, 2006, 2010, 2014
United Kingdom	Labour Party (Lab)	Labour Party	2002, 2006, 2010, 2014

4.3.2 Economic Emphasis: MARPOR

In order to gain insight into topics the parties themselves emphasize, their manifestos will be the source of data. Manifestos are drafted at election time to inform the electorate of the party's policy preferences and proposed reforms. Although manifestos may not be read by the majority of the electorate, they provide extensive insight into a party's plans and establish the promises and proposals a party will later be held accountable for (Walgrave/Nuytemans 2009: 191). The benefit of coding party manifestos to attain a deeper understanding of political parties is that they originate directly from the parties themselves, as they are the only documents formulated on behalf of an entire party and are approved by a party convention (Klingemann et al 2006: xvi). The manifestos can be evaluated retrospectively, allowing the coverage of most of the post-war period for many countries (Budge/Pennings 2007: 123). One approach, criticizing the use of manifestos, perceives manifestos as not being able to convey a party's actual positions, as the documents have a strategic purpose of convincing voters. This aspect should be considered when drawing conclusions from manifesto data (Benoit et al 2009: 499).

The most comprehensive collection of manifesto data is the database of the Manifesto Research on Political Representation (MARPOR). MARPOR was formed in 1979 as the MRG (Manifesto Research Group) by Ian Budge and David Robertson. From 1989 onwards the project was known as the Comparative Manifestos Project (CMP) (Klingemann et al 2006: xvii-xxii) before changing to its present name in 2009. To date, MARPOR has coded 4,054 manifestos of 1,027 parties from 56 countries (Volkens et al 2016b). Each quasi-sentence of a manifesto is coded into one of 56 categories by human interpretative coders. The (quasi-) sentences of a category of one manifesto are then divided by the number of total sentences to reach a percentage for this category. For example, the value of the variable per401 "Free Market Economy" could be 0.45, this means 0.45% of the total manifesto is devoted to this topic. In order to evaluate the "Economic Emphasis Hypotheses" and the "Economic Left Emphasis Hypotheses", MARPOR data will be used (Volkens et al 2016a), as it explicitly measures parties' emphases and is widely used in academic research (Gemenis 2013: 4). Due to lacking alternatives, researchers accept certain drawbacks concerning the data (Benoit et al 2009; Klingemann et al 2006; McDonald/Budge 2014; Mikhaylov et al 2012).

The researchers of MARPOR assume that parties focus on different issues instead of emphasizing opposing views on the same issues (Gemenis 2013: 3). This assumption goes back to Donald E. Stokes (1963) who referred to issues that are either positively or negatively valued by voters as "valence issues". These are issues on which parties agree, such as unemployment or corruption, as opposed to position issues (Stokes 1963: 373) and MARPOR supplies data on both these issues. As a result, issue dimensions can be created from these data. One such issue dimension variable is the "rile"-variable, which is created by subtracting percentages of 13 "left" issues from 13 "right" issue percentages (Volkens et al 2016b: 29). The focus here is, similar to the aim of the study by Walgrave and Nuytemans (2009), on parties' issue attention and not on directional change and thus, the constructed left-right scale will not be used as such, also because its reliability has been criticized (see Gemenis 2013 for an overview).

The "Economic Emphasis Hypotheses" can be operationalized by adding the already calculated percentages of sentences covering the economy (Domain 4) available in the database. Table 4.2 gives an overview of which variables are part of the analysis of evaluating the change in "Economic Emphasis" (Volkens et al 2016b: 14-17). These 16 variables are then added to obtain the percentage of economic mentions (per_econ) in the manifestos. For each manifesto, changes to the previous manifesto are calculated ($\text{per\_econ}_{t} - \text{per\_econ}_{t-1}$). In line with H3b, this would mean that the percentage of economic issues in a manifesto increased if a party's country was faced with large changes in the unemployment rate, resulting in a positive number.

Table 4.2: Hypothesis 3: Variable selection

Variable Label	Variable Name
per401	Free Market Economy
per402	Incentives: Positive
per403	Market Regulation
per404	Economic Planning
per405	Corporatism/Mixed Economy
per406	Protectionism: Positive
per407	Protectionism: Negative
per408	Economic Goals
per409	Keynesian Demand Management
per410	Economic Growth: Positive
per411	Technology and Infrastructure: Positive
per412	Controlled Economy
per413	Nationalisation[1]
per414	Economic Orthodoxy
per415	Marxist Analysis
per416	Anti-Growth Economy: Positive

[1] This variable refers to favourable mentions of government ownership of industries and nationalisation of private industries.

Table 4.3: Hypothesis 4: "Left" and "Right" Issues

"Left" Issues		"Right" Issues	
Variable Label	Variable Name	Variable Label	Variable Name
per403	Market Regulation	per401	Free Market Economy
per404	Economic Planning	per402	Incentives: Positive
per406	Protectionism: Positive	per407	Protectionism: Negative
per412	Controlled Economy	per414	Economic Orthodoxy
per504	Welfare State Expansion	per505	Welfare State Limitation

As mentioned above, MARPOR allows for the formation of issue dimensions, such as the "rile"-variable. The 26 issues of this dimension include economic "left" and economic "right" issues (Volkens et al 2016b: 29). These will be used to construct a dimension that will allow the evaluation of Hypothesis 4, which compares the occurrence of economic "left" and "right" issues. In addition, "rile" includes variables from the Domain "Welfare and Quality of Life", which are also considered. In order to balance out the number of issues on both sides, not all economic variables of "rile" were used. As Lowe et al (2011: 125) state, there are various options of creating scales with MARPOR data and Haupt (2010) devises a similar dimension in her study. See Table 4.3 for the construction of the variables.

The obtained left percentages are then subtracted from the right percentages for each manifesto, with a positive number indicating an emphasis on right issues and a negative number an emphasis on left issues. This change in the emphases between one manifesto and the previous one is again calculated by subtracting the percentage of the older manifesto from the percentage of the more recent one ($\text{econ\_leri}_{\text{t}} - \text{econ\_leri}_{\text{t-1}}$). This results in a number that signifies the direction the emphasis has moved to: positive (to the right) or negative (to the left). In accordance with H4b, for example, it is expected that the emphasis on left economic issues increases with a rising unemployment rate. In line with H1 and H2, the average GDP growth rate and the change in the unemployment rate will be calculated according to the election years. The change in the unemployment rate will be obtained by subtracting the rate of one election year from the unemployment rate of the previous election year ($\text{U}_{\text{t}} - \text{U}_{\text{t-1}}$). While the change in average GDP growth for H1 and H2 is calculated for a fixed set of years; the election years are naturally not constant across countries, therefore the amount of values varies ($\frac{G_{\text{t}}+G_{\text{t-1}}+G_{\text{t-2}}+...+G_{\text{t-n}}}{n}$).

Unfortunately, not all manifestos of the selected parties have been coded and a number of parties have only recently been added to the MARPOR dataset. Other parties are not part of the analysis pursuing to uncover parties' emphases: the Latvian social democrats have in the past formed coalitions with other parties when running for office; the social democratic party of Lithuania ran for election in the form of a coalition with the government partner in 2004, making comparisons to 2008 impossible; the Polish "Democratic Left Alliance" ran as part of a coalition in 2007 making comparisons to 2005 and 2011 impossible; and the Romanian social democrats competed in the 2004 and 2008 parliamentary elections as part of a coalition with the conservative "Humanist Party", the coalition was joined by the "Centre Right Alliance" for the 2014 elections. This leaves 19 parties and 76 election manifestos, from which 52 changes can be deduced. See Table 4.4 for an overview of available data. Finally, Table 4.5 provides an overview of the independent and dependent variables of this thesis, their data source as well as the mean, standard deviation, minimum and maximum.

Table 4.4: Case selection MARPOR

Country	Party name	English translation	MARPOR years
Austria	Sozialdemokratische Partei Österreichs (SPÖ)	Social Democratic Party of Austria	2002, 2006, 2008
Belgium	Parti Socialiste (PS)	Socialist Party	2003, 2007, 2010
Belgium	Socialistische Partij Anders (SPa)	Socialist Party Different	2003, 2007, 2010
Bulgaria	Koalicija za Bălgarija (KzB)	Coalition for Bulgaria	2005, 2009

Czech Republic	Česká strana sociálně demokratická (ČSSD)	Czech Social Democratic Party	2002, 2006, 2010, 2013
Denmark	Socialdemokraterne (SD)	Social Democrats	2005, 2007, 2011
Estonia	Sotsiaaldemokraatlik Erakond (SDE)	Social Democratic Party	2003, 2007, 2011, 2015
Finland	Suomen Sosialidemokraattinen (SDP)	Social Democratic Party of Finland	2003, 2007, 2011
France	Parti Socialiste (PS)	Socialist Party	2002, 2007, 2012
Germany	Sozialdemokratische Partei Deutschlands (SPD)	Social Democratic Party of Germany	2002, 2006, 2009, 2013
Greece	Panellinio Sosialistikó Kínima (PASOK)	Panhellenic Socialist Movement	2004, 2007, 2009, 2012a, 2012b, 2015a, 2015b
Hungary	Magyar Szocialista Párt (MSzP)	Hungarian Socialist Party	2002, 2006, 2010, 2014
Ireland	Páirtí an Lucht Oibre (LP)	Labour Party	2002, 2007, 2011
Netherlands	Partij van de Arbeid (PvdA)	Labour Party	2002, 2003, 2006, 2010, 2012
Portugal	Partido Socialista (PS)	Socialist Party	2002, 2005, 2009, 2011
Slovakia	Smer - Sociálna demokracia (SMER)	Direction - Social Democracy	2002, 2006, 2010, 2012
Slovenia	Socialni demokrati (SD)	Social Democrats	2004, 2008, 2011
Spain	Partido Socialista Obrero Español (PSOE)	Spanish Socialist Workers' Party	2004, 2008, 2011
Sweden	Sveriges socialdemokratiska arbetareparti (SAP)	Swedish Social Democratic Party	2002, 2006, 2010
United Kingdom	Labour Party (Lab)	Labour Party	2001, 2005, 2010, 2015

Table 4.5: Operationalization of Variables

Dependent Variables	**Indicator**	**Data Source**	**Mean**	**Std. Dev.**	**Min.**	**Max.**
Absolute Movement	$\lvert Position_t - Position_{t-1} \rvert$	CHES (Bakker et al 2015a)	0.57	0.46	0	2.32
Relative Movement	$Position_t - Position_{t-1}$	CHES (Bakker et al 2015a)	-0.04	0.74	-2.32	1.61
Economic Emphasis Change	$per\_econ_t - per\_econ_{t-1}$ [a]	MARPOR (Volkens et al 2016a)	2.56	8.74	-14.07	33.48
Economic Left-Right Emphasis Change	$econ\_leri_t - econ\_leri_{t-1}$ [b]	MARPOR (Volkens et al 2016a)	0.11	7.55	-20.90	24.32
Independent Variables	**Indicator**	**Data Source**	**Mean**	**Std. Dev.**	**Min.**	**Max.**
Average GDP growth	$\frac{G_t+G_{t-1}+G_{t-2}+...+G_{t-n}}{n}$	Worldbank (2016)	2.03 (CHES) 1.49 (MARPOR)	1.98 (CHES) 2.68 (MARPOR)	-4.89 (CHES) -6.55 (MARPOR)	7.80 (CHES) 8.22 (MARPOR)
Average absolute GDP growth	$\frac{\lvert G_t+G_{t-1}+G_{t-2}+...+G_{t-n} \rvert}{n}$	Worldbank (2016)	3.28 (CHES)	1.91 (CHES)	0.94 (CHES)	8.72 (CHES)
Unempl. rate change	$U_t - U_{t-1}$	Eurostat (2016)	0.51 (CHES) 1.03 (MARPOR)	4.55 (CHES) 4.21 (MARPOR)	-9.3 (CHES) -6.1 (MARPOR)	13.8 (CHES) 14.9 (MARPOR)
Unempl. rate change absolute	$\lvert U_t - U_{t-1} \rvert$	Eurostat (2016)	2.92 (CHES)	3.5 (CHES)	0 (CHES)	13.8 (CHES)

Note: *t* signifies the more recent point of evaluation, *t-1* stands for closest previous date for which data is available

[a] per_econ = per401+per402+per403+per404+per405+per406+per407+per408+per409+per410+per411+per412+per413+per414+per415+per416

[b] econ_leri = (per401+per402+per407+per414+per505) - (per403+per404+per406+per412+per504)

Chapter 5

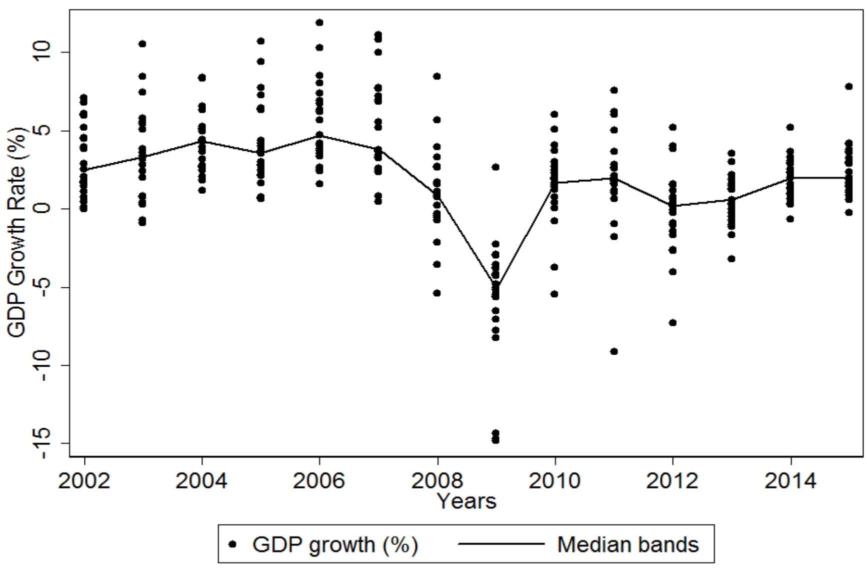
Empirical Analyses

Using the statistical software Stata, analyses were run for all independent and dependent variables in the form of correlations and OLS as well as linear regressions. Four different data sources were combined to test the eight separate hypotheses formulated in order to answer the research question. Early on, straightforward results made it clear that rudimentary statistical analyses were sufficient to draw conclusions regarding the hypotheses, which will now in turn be highlighted.

5.1 Independent Variables

To better understand the economic situation of the countries in question, the GDP growth rate and the unemployment rate (both in %) for each country from 2002 to 2015 are plotted in the following figures (Figure 5.1 and Figure 5.2). The line represents the median rate of all countries for a certain year.

Figure 5.1: GDP Growth Rate



What becomes clear when looking at Figure 5.1 is that, apart from Poland, all countries of the sample registered negative GDP growth in 2009. To increase readability of the two graphs, labels were not added. Therefore, it is important to note that the countries with the highest decline in GDP growth of 2009 (-14.81, -14.72 and -14.34) are Estonia, Latvia and Lithuania; the countries with the largest GDP growth rate leading up to 2009. Following the EU accession of 2004, Eastern European countries' GDP increased, however this - sometimes steady - growth in Eastern European countries began to decrease by 2008. In 2010, three countries with negative growth remained: Greece, Latvia and Romania. By 2011, Latvia and Romania seem to have recovered, with a growth rate of 6.21% and 1.06%, respectively. However, the negative trend for Greece continues (-9.13%) and the crises in Portugal and Spain manifest themselves in negative GDP growth rates for both countries. The median growth rate again decreases in 2012, due to ten countries undergoing negative GDP growth (Greece, Portugal, Slovenia, Spain, Hungary, Finland, the Netherlands, the Czech Republic, Sweden and Denmark). In 2013, GDP growth remains negative in eight of these countries. 2014 marks the year with the lowest variance for GDP growth (1.75), indicating a small distance between the rates of the countries. The larger variance in 2015 can be explained by selected countries again registering increasing positive growth rates.

Figure 5.2: Unemployment Rate

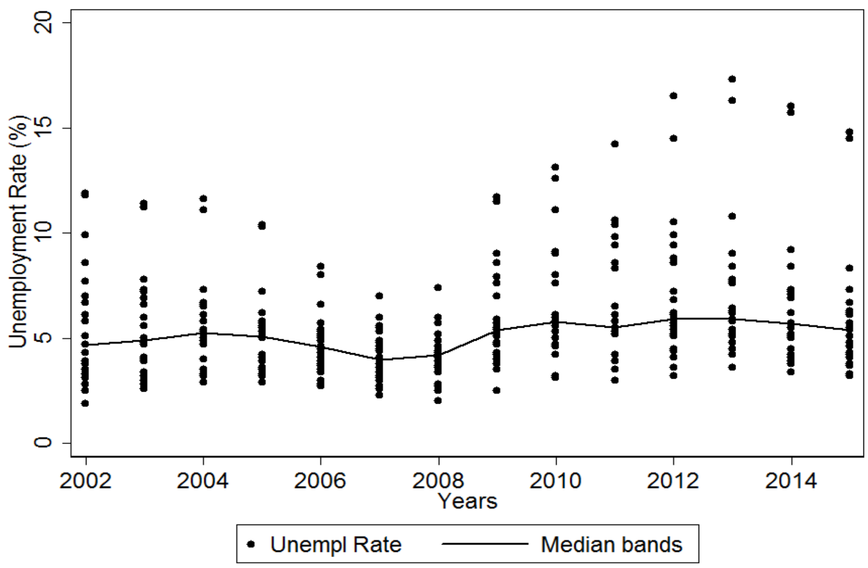


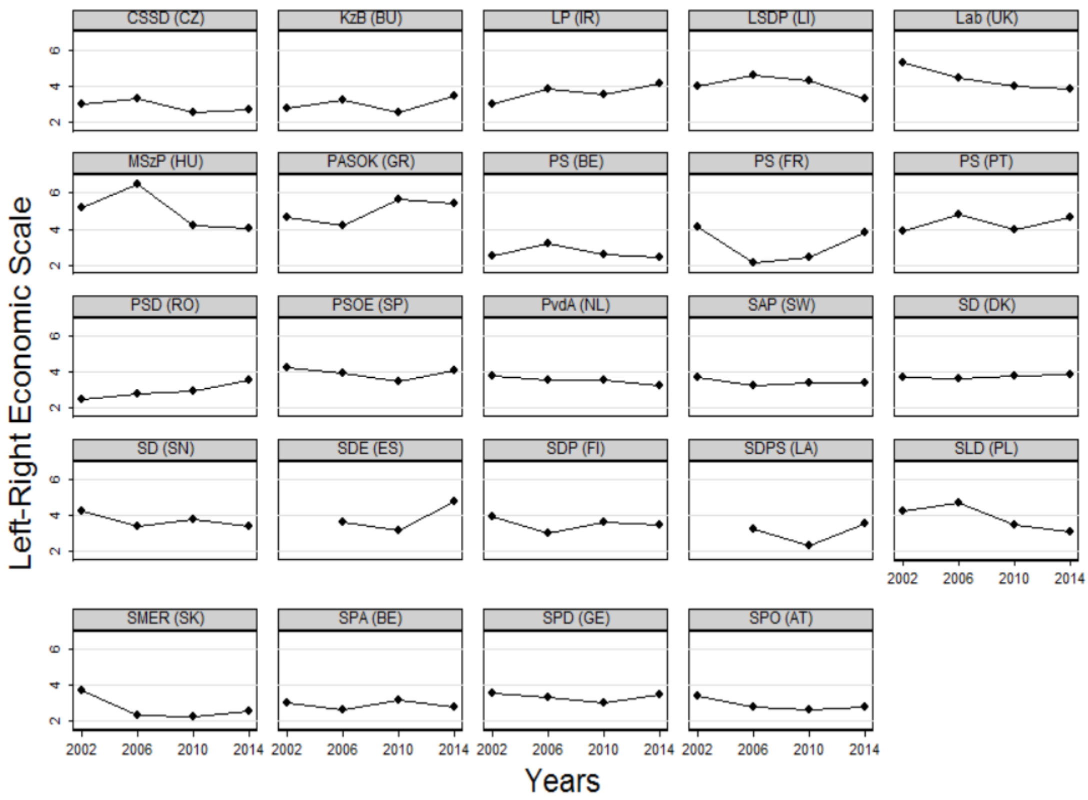
Figure 5.2 shows the unemployment rate of all countries from 2002 until 2015. The onset of the crises in Europe is not as apparent as it is in Figure 7.1. It rather appears that the countries' unemployment rates converge around the 4% mark in 2007 and 2008, before again dispersing. Here too, it is important to point out the countries with the largest unemployment rate before and after 2009. Until 2007, Eastern European countries have the highest percentage of unemployed citizens. Poland and Slovakia continually top the list, with the countries' unemployment rates decreasing from 11.8% and 11.9% in 2002, to 5.5% and 7% in 2007. While Slovakia still exhibits the largest unemployment rate in 2007, it is surpassed by Spain in 2008. In 2009, the unemployment rate in Spain and Latvia reaches double digits, and Estonia, Ireland, Lithuania, Portugal and Slovakia also experience rising unemployment

numbers. Spain, Latvia, Estonia and Lithuania remain the countries with the highest unemployment rate in 2010. In 2011, Latvia, Lithuania and Estonia are surpassed by Greece, while Spain's unemployment rate increases from 13.1% to 14.6%. The following years, while the unemployment rate in Ireland, Portugal and the Baltic States decreases, Greece and Spain continue to suffer from a high unemployment rate, which in 2015 stood at 14.8% and 14.5%, respectively.

5.2 Hypotheses 1 and 2

Before providing insight into the parties' movements, some information concerning their left-right economic position is necessary. In the expert judgement data from 2002 to 2014, the minimum - the furthest left position - is 2.13 (French Parti Socialiste 2006) and the maximum is 6.5, the position of the Hungarian MSzP for 2006. The mean for all 94 observations is 3.57 (Std. Dev. 0.81). Figure 5.3 shows the left-right position on the economic scale for each party of the sample from 2002 until 2014.

Figure 5.3: Left-Right Economic Position (2002-2014)



While some parties, namely the Czech, Spanish, Dutch, Swedish, Danish, Finnish, German and both Belgian social democratic parties show very little variance in their positions, others, especially the Hungarian, Greek, French and Estonian social democrats, undergo rather large positional changes. The figure also shows that some parties move steadily in one direction, such as the British Labour Party or the Romanian Social Democratic Party, while, for example, the French Parti Socialiste or the Portuguese Partido Socialista appear to reverse earlier shifts.

From 2002 to 2014, 70 absolute and relative movements for 24 parties were calculated. The minimum of the absolute movements is 0, or to be more precise, 0.0000007 (Swedish SAP 2010 to 2014), while the maximum is 2.32 (Hungarian MSzP 2006 to 2010). The mean is 0.57 (Std. Dev. 0.46). The maximum of the absolute movement is the minimum of the relative movement (-2.32), while the maximum is 1.61 (Estonian SDE 2010 to 2014). The mean of the relative movement is -0.04 (Std. Dev. 0.74).

In a first analysis to gain insight into a possible linear association between the dependent and independent variables, the Pearson's correlation coefficient (r) is calculated for the absolute movement, the absolute average GDP growth rate and the absolute unemployment rate change as well as for the relative movement, the average GDP growth rate and the change in unemployment rate. The values of r can range from -1 to 1 (with a negative number implying a negative association), where a value of 1 signifies a perfect linear relationship and 0 that no such relationship exists. Tables 5.1 and 5.2 show the correlation matrices for H1 and H2.

Table 5.1: Correlation Table H1: Absolute Movement

	mov_abs	gdp_abs	unempl_abs
mov_abs	1		
gdp_abs	0.0567	1	
unempl_abs	0.1515	0.5181***	1

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 5.2: Correlation Table H2: Relative Movement

	mov_rel	gdp	unempl
mov_rel	1		
gdp	0.0286	1	
unempl	-0.1932	-0.6403***	1

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

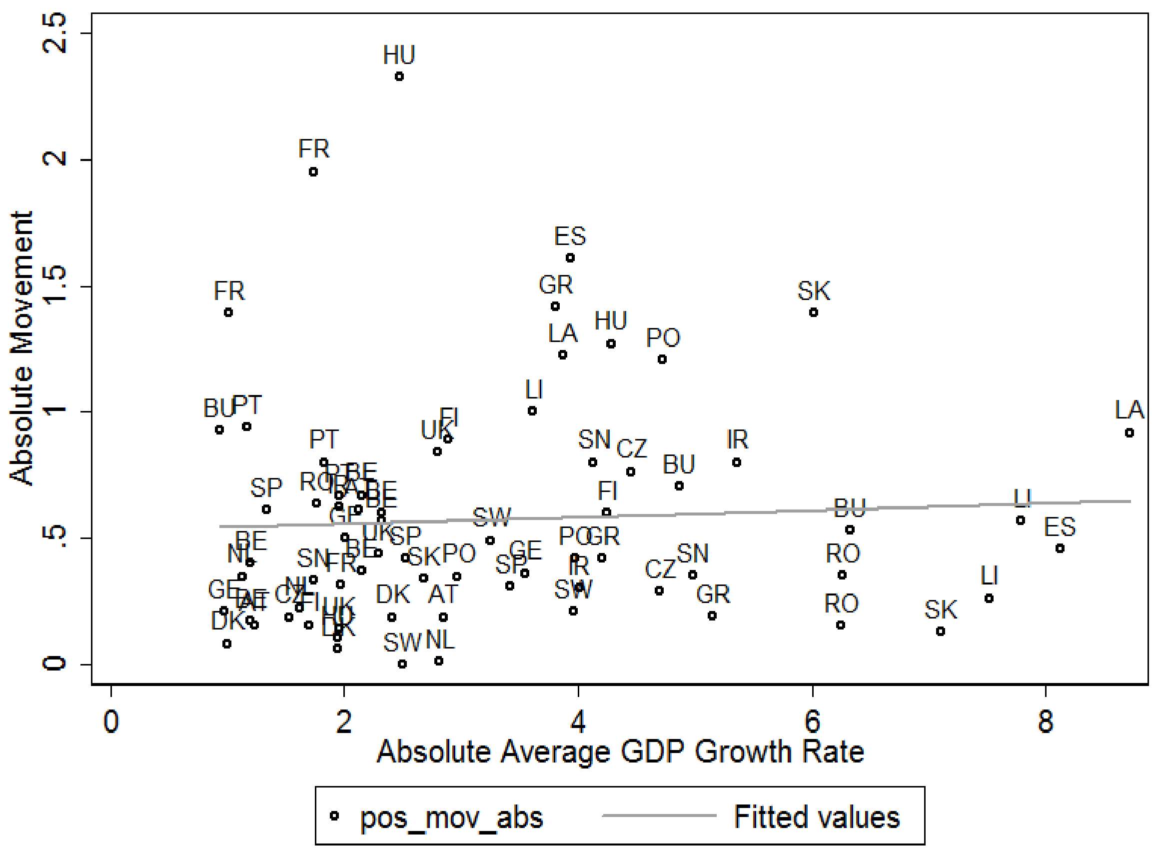
For the Absolute Movement Hypotheses (H1) it is expected that greater absolute GDP growth rates and unemployment rates lead to large absolute left-right shifts. The correlation coefficient between the absolute movement and the absolute average GDP growth rate is 0.06, while the correlation between the absolute unemployment rate change and the absolute movement change is 0.15. As both correlation coefficients are close to zero, this indicates virtually no relationship between the dependent variable absolute movement and both independent variables.

Concerning the Relative Movement Hypotheses, the assumption is that small average relative GDP growth and large relative negative changes in the unemployment rate lead a party to shift to the left, signified by a negative value. The correlation matrix for the relative movement and average

GDP growth rate and unemployment rate change shows a similar picture. Correlating the relative movement and the GDP growth rate amounts to a correlation coefficient of 0.03, while the strength of the correlation between movement and unemployment rate has a value of -0.19. This indicates an extremely weak negative association; as one score increases, the other decreases. In all four cases, the correlation coefficients are not significant.

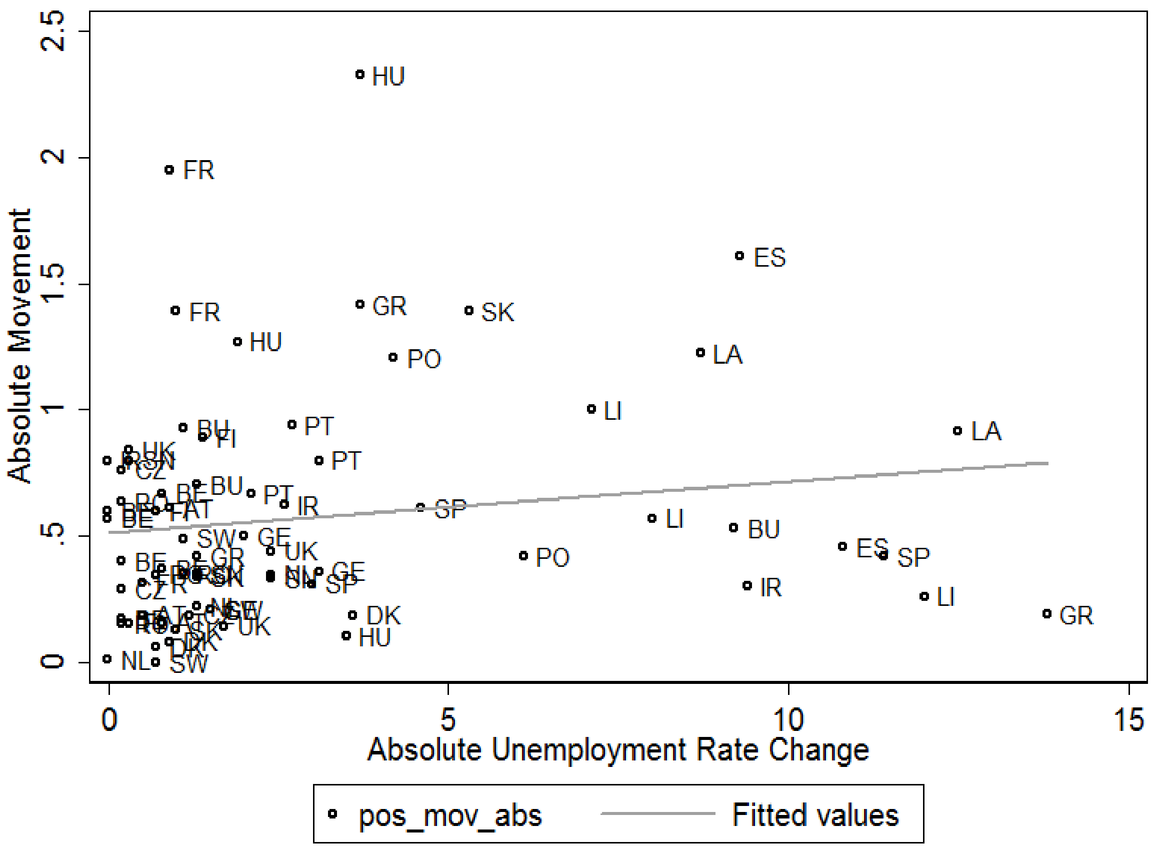
The correlation matrices already give an indication of what the scatter plots will look like. The following figures (5.4 and 5.5) are the corresponding scatter plots to the correlations of absolute movement: one for absolute movement and absolute GDP growth and the other for absolute movement and the change in the absolute unemployment rate.

Figure 5.4: Absolute Movement (H1a): Absolute Average GDP Growth Rate



In order to not overload the graph with sometimes long party abbreviations, two-letter country abbreviations were chosen as labels. The line running through the observations is a visualization of the correlation coefficient in Table 5.1 and is the line best fit to show the association between absolute average GDP growth rate and absolute movement (r = 0.06). It is clear that the observations are not arranged throughout the scatter plot in any organized way. The scatter plot for absolute movement change and the other independent variable absolute unemployment rate change provides a similar picture:

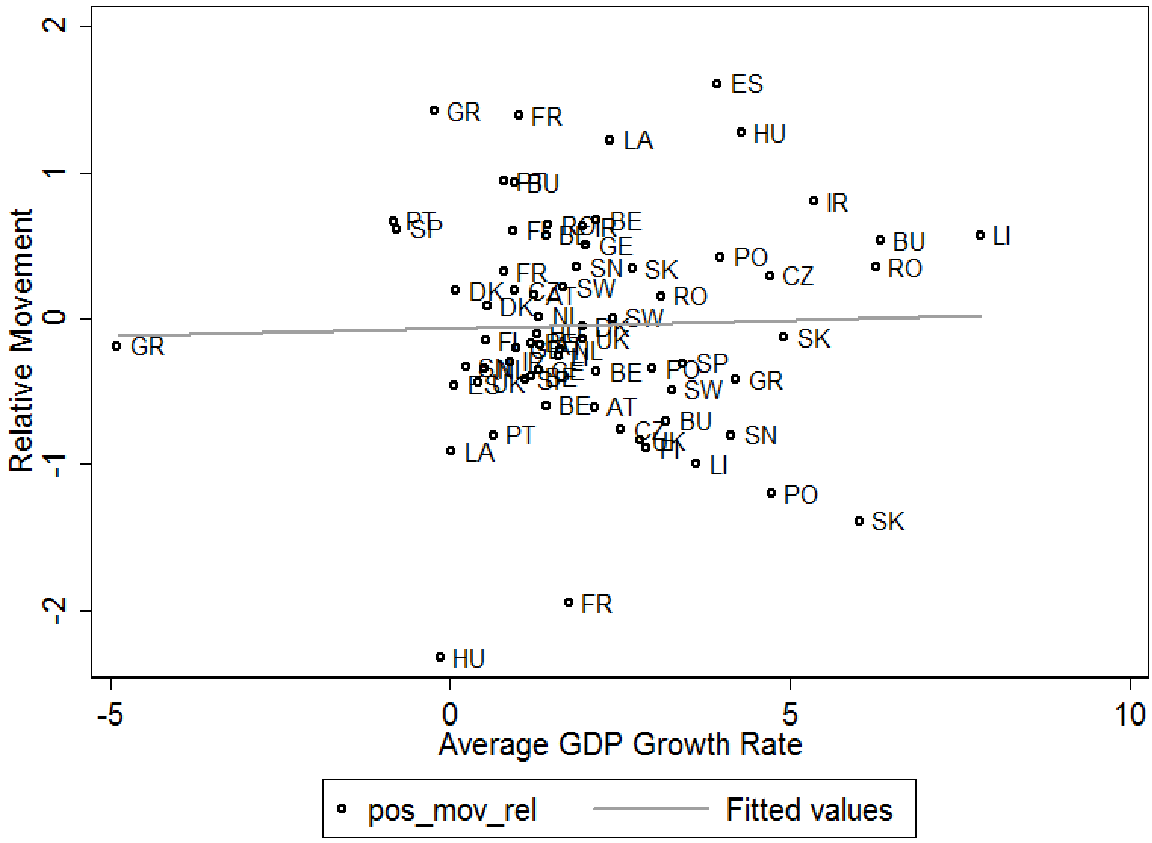
Figure 5.5: Absolute Movement (H1b): Absolute Unemployment Rate Change



The line in Figure 5.5 again shows the interaction, this time between the two variables absolute unemployment rate change and absolute movement (r = 0.15). It becomes clear by looking at the pattern the data points take up in the figure, or rather the lack thereof, that there is no linear relationship between this independent variable and absolute movement, as they are, once again, spread out throughout the plot.

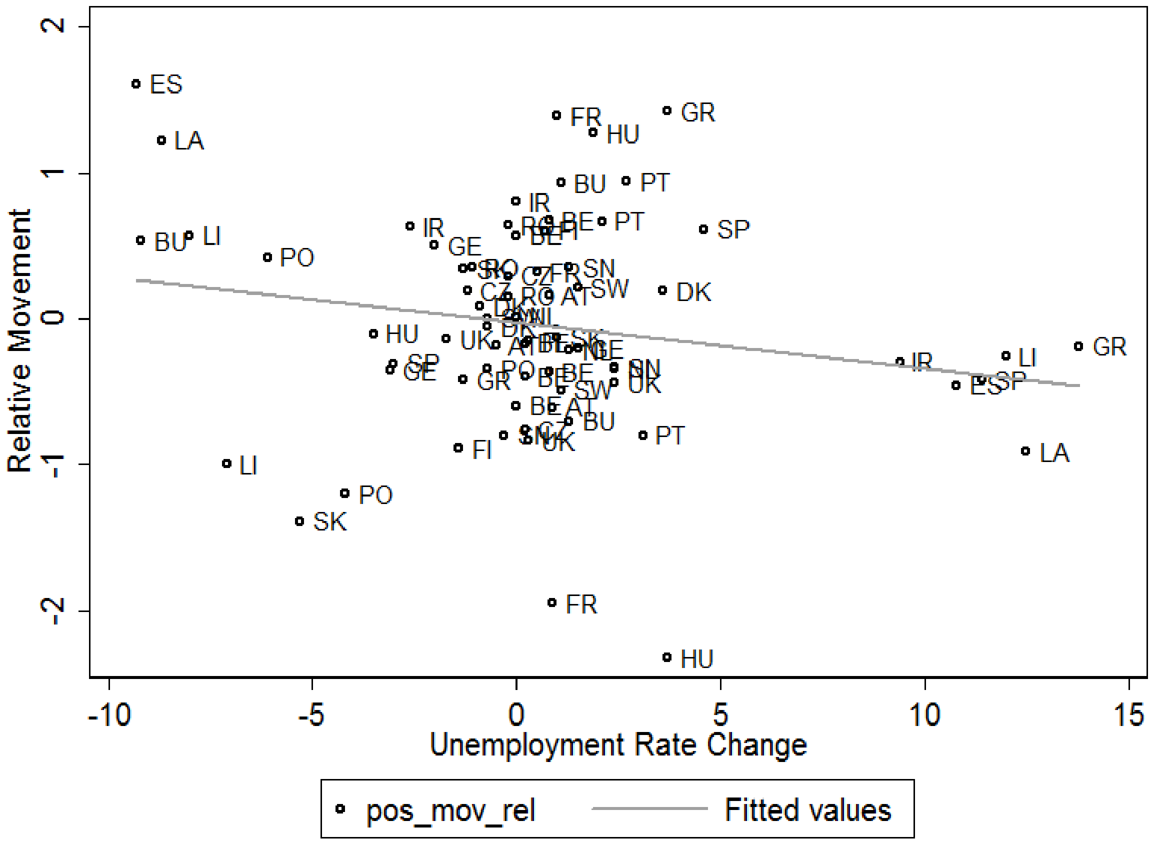
The next two figures (5.6 and 5.7) visualize the data needed to test H2: relative movement and average GDP growth rate as well as relative movement and unemployment rate change.

Figure 5.6: Relative Movement (H2a): Average GDP Growth Rate



The first figure (5.6) plots the relative movement and the average GDP growth rate. It is again apparent that the positions of the observations do not follow a linear pattern, in fact, no real pattern can be distinguished. However, considering the extremely low value of r in the correlation matrix (0.03), this is not surprising.

Figure 5.7: Relative Movement (H2b): Unemployment Rate Change



Although the relationship between relative movement and unemployment rate change (Figure 5.7) is stronger compared to relative movement and GDP growth rate change (r = -0.19), the graph shows that most observations are scattered around the 0% mark and the correlation is shaped by few observations, scattered at the extremes.

In order to run more complete analyses of the relationship between the variables, OLS regressions, as well as bivariate regressions were run.[8] In all cases, the regression coefficients - the change in the dependent variable for one unit change in the independent variable - constitute very low values. For example, in the case of the linear regression of absolute movement change and absolute average GDP growth rate, for every percentage point the absolute average GDP growth rate increases, it is predicted that the absolute movement increases by 0.0137 (constant = 0.530). The absolute movement is predicted to increase by 0.0199 if the absolute unemployment rate change increases by one unit, with a constant of 0.516, however, both values are not significant in addition to being extremely low. This is also the case for relative movement change and the two independent variables relative average GDP growth rate and relative unemployment rate change. This is not surprising, given the correlation coefficients and the way the observations were distributed

[8]The regressions can be found in the Appendix (Tables 8.1 through 8.6).

across the scatter plots. Not only are the numbers very small, signifying little impact on the movement variables, none of the p-values are significant at the 0.05 level. Therefore, it is not possible to reject H_0, which assumes there is no relationship between the dependent and independent variables.

These analyses show that parties do not systematically react to economic changes by shifting positions. The *Absolute Movement Hypotheses*, assuming a large average absolute GDP growth rate and unemployment rate lead to shifts in parties' left-right economic positions, can thus be rejected. Furthermore, the *Relative Movement Hypotheses*, which expect that a bad economic situation - manifesting itself by small average relative GDP growth and large relative negative changes in the unemployment rate - will lead to parties shifting to the left on the left-right economic scale, also has to be rejected.

5.3 Hypotheses 3 and 4

Data on party manifestos was used to test the remaining hypotheses. The first set of hypotheses concerns parties' emphasis on economic issues in their manifestos, more specifically, the change in economic emphasis from one election to the next. Therefore, the percentage devoted to economic issues in one manifesto was subtracted from the subsequent one, resulting in a measure of economic emphasis change and 52 observations. The mean of this variable is 2.56 (Std. Dev. 8.74), the minimum is -14.07 (PASOK in the second Greek election of 2012) and the maximum is 33.483 (the increase by the Finnish Social Democrats from 2007 to 2011).

The Economic Emphasis Hypotheses assume that a small average relative GDP growth rate and large relative negative changes in the unemployment rate will lead to an increased emphasis on economic issues. The correlation matrix below (Table 5.3) again shows the strength of the linear relationship between two variables. The association between the change in economic emphasis and average GDP growth rate is of interest as well as the relationship between change in economic emphasis and the change in the unemployment rate.

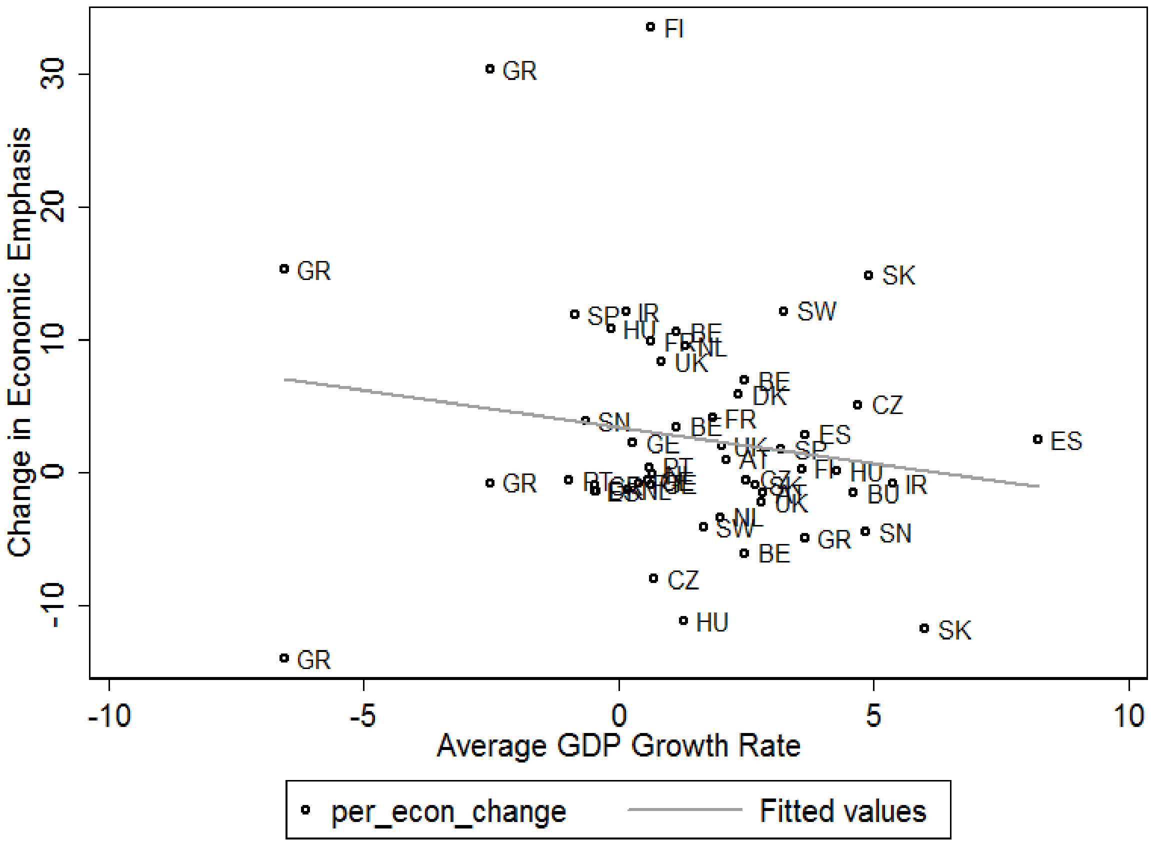
Table 5.3: Correlation Table H3: Economic Emphasis Change

	per_econ_change	gdp	unempl
per_econ_change	1		
gdp	-0.1678	1	
unempl	0.1966	-0.7432***	1

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

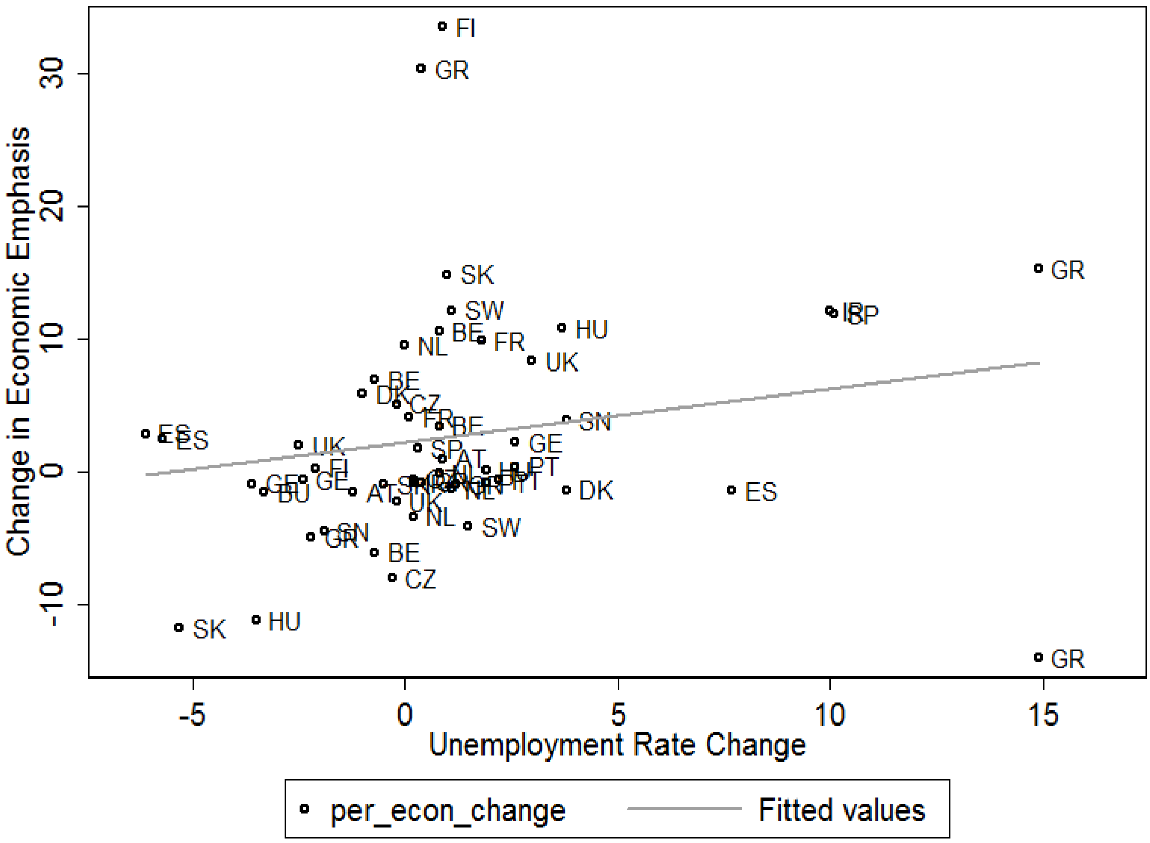
The correlation coefficient for emphasis change and GDP growth is -0.17, this negative value indicates that as the average GDP growth decreases, the emphasis on economic issues increases. While this is in line with the assumption put forth in H3a, the strength again signifies a near-zero association between two variables. The value of r for emphasis change and change in unemployment rate is 0.20 - positive, as expected - but also implying that there is no strong linear association. Scatter plots of the dependent variable economic emphasis change and both independent variables are again provided (Figures 5.8 and 5.9) to better understand the values of r.

Figure 5.8: Economic Emphasis Change (H3a): Average GDP Growth Rate



The first figure (5.8) combines the observations for economic emphasis change and average GDP growth rate. The line with a slope of -0.17 runs through these observations. Some outliers, especially two Greek cases, have a large influence on the association and dropping these would weaken the already faint association further. Figure 5.9, plotting emphasis change and unemployment rate change, provides a similar picture.

Figure 5.9: Economic Emphasis Change (H3b): Unemployment Rate Change



To complete the analysis of emphasis change and economic variables, OLS and linear regressions were run.[9] The bivariate regression of average GDP growth rate and economic emphasis change shows that, with a constant of 3.37, for every percentage point increase of the average GDP growth rate, it is predicted that the economic emphasis change decreases by 0.548. The effect size between economic emphasis change and unemployment rate change is 0.408 and the constant is 2.14, signifying that for every unit the unemployment rate increases, the emphasis change increases by 0.4. While the direction of the associations are in line with H3a and H3b, both values are not significant. This confirms what has become apparent after viewing the scatter plots, that there is no linear relationship between the change in economic emphasis and the average GDP growth or unemployment rate change. Therefore, the *Economic Emphasis Hypotheses*, stating parties increase their emphasis on economic issues in their manifestos in tough economic times, cannot be confirmed.

The aim of the *Economic Left Emphasis Hypotheses* was to explore whether the assumption that the parties of the sample increase their emphasis of economic left issues when faced with rising unemployment and small average GDP growth, is correct. To do this, a variable was constructed, subtracting the emphases of left issues from that of right issues. This value was then subtracted

[9]Table 8.7, 8.8 and 8.9 in the Appendix.

from the subsequent manifesto, resulting in left-right emphasis change. The mean of this variable is 0.11 (Std. Dev. 7.55), with a minimum of -20.90 (Swedish SAP 2002 to 2006) and a maximum of 24.32 (Finnish SDP 2007 to 2011). The following table (5.4) provides the correlations between this left-right emphasis change and average GDP growth, as well as unemployment rate change.

Table 5.4: Correlation Table H4: Economic Left-Right Emphasis Change

	leri_change	gdp	unempl
leri_change	1		
gdp	-0.1830	1	
unempl	0.3022*	-0.7432***	1

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

The association between left-right emphasis change and average GDP growth rate is -0.18, again indicating a near-zero correlation. The correlation coefficient for left-right emphasis change and unemployment rate change is 0.30. Although this is the highest value r reaches in this analysis, it is nonetheless only an indication of a weak linear association. Next, these correlations are visualized in Figures 5.10 and 5.11.

Figure 5.10: Economic Left-Right Emphasis Change (H4a): Average GDP Growth Rate

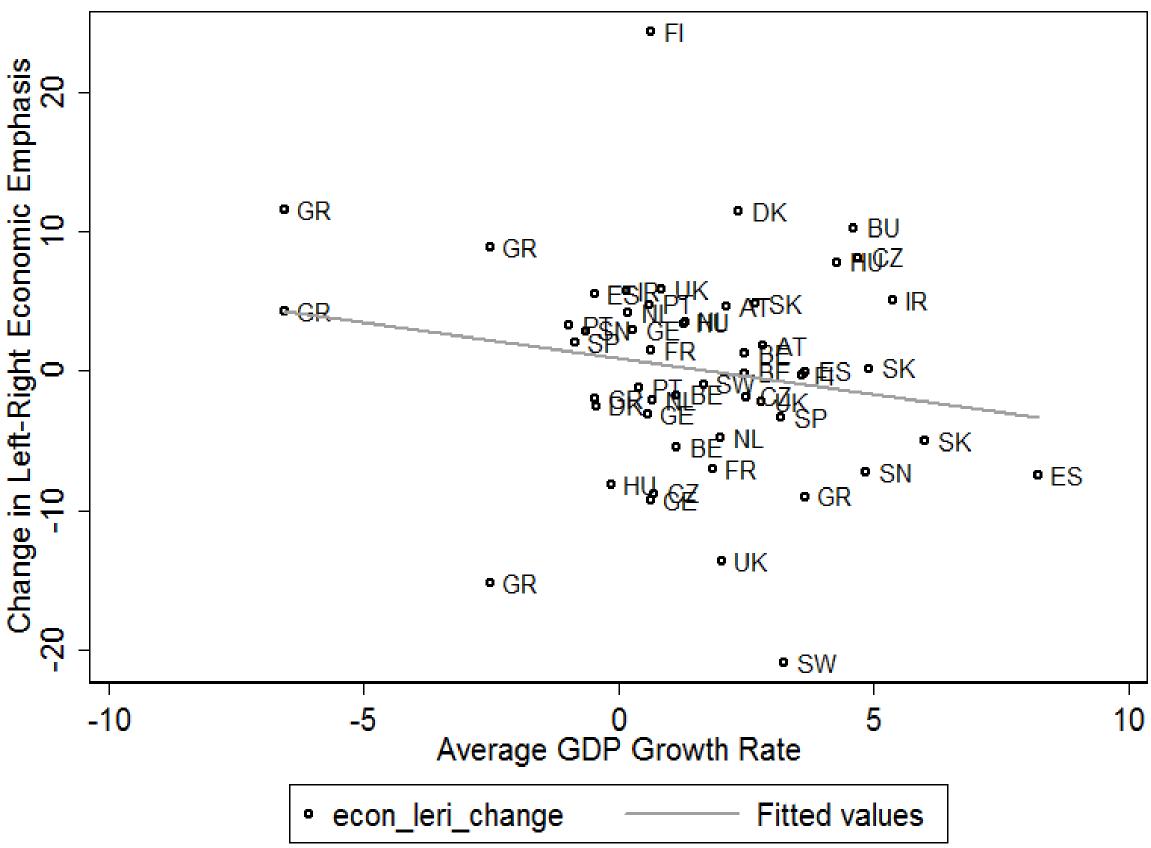
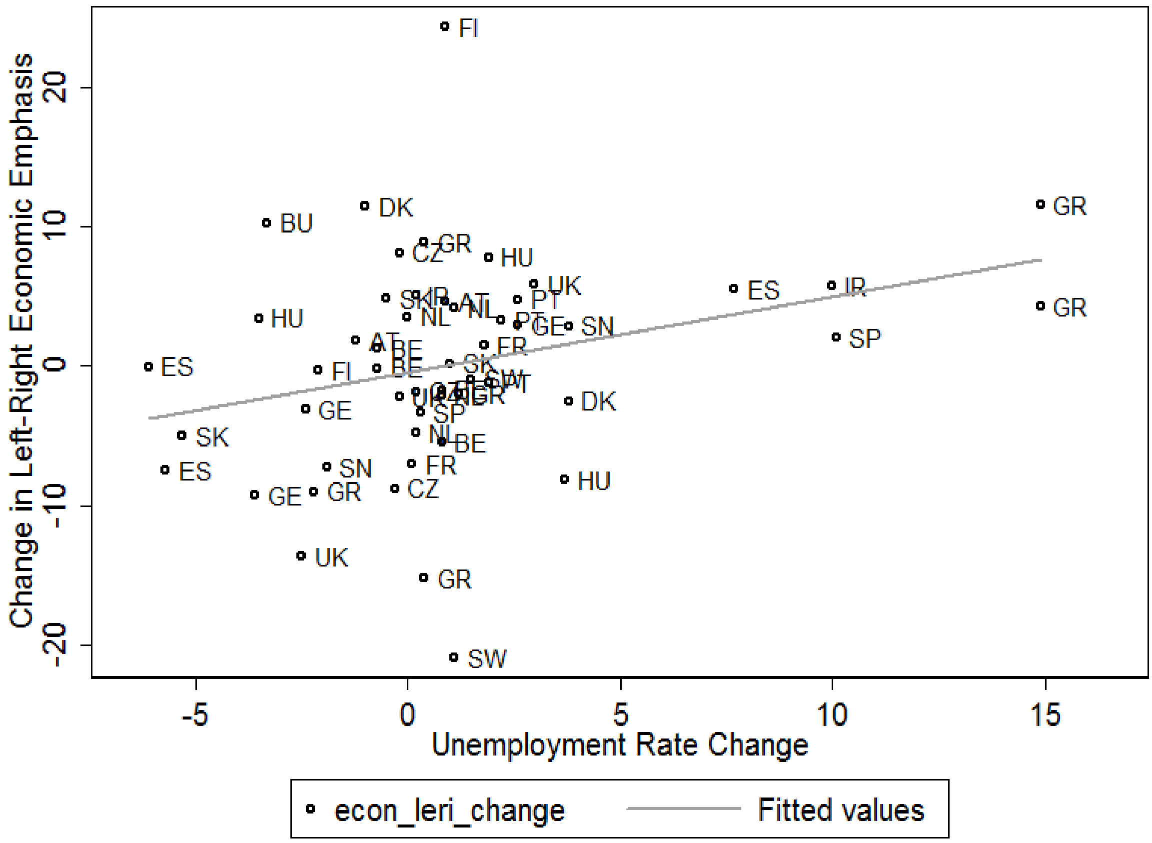


Figure 5.11: Economic Left-Right Emphasis Change (H4b): Unemployment Rate Change



In the first scatter plot, markers signify the values of left-right emphasis change and average GDP growth rate, while the line shows the strength and direction of the association between these two variables. A negative emphasis value signifies more emphasis on left economic issues compared to the previous manifesto, while a positive number stands for a shift to more emphasis on right economic issues. Most observations lay between the 0 and 5% marks of average GDP growth rate, while the Greek cases again heavily influence the regression line with a slope of -0.18. The direction of the association is contrary to the assumption put forth in H4a. In Figure 5.11, the observations for economic left-right emphasis change and unemployment rate change are combined. This regression line gives the impression of a more linear association. However, once the figure is studied more thoroughly, it becomes clear that again a few observations - in particular the Greek cases - contribute to the slope of 0.30.

The regressions can again be found in the Appendix (Tables 8.10 through 8.12). The size of the effect between the economic left-right emphasis change and average GDP growth rate is -0.516, while the predicted change in left-right emphasis change for every percentage point the unemployment rate increases is 0.541. This is the only value significant at the 0.05 level. Once combined in an analysis with average GDP growth, this significance is lost. The direction of the association between the dependent variable and both independent variable was assumed incorrectly in the case of H4a and H4b, however, the OLS regression (Table 8.10) shows that the independent variables do not systematically impact the dependent variable in a significant way. Consequently, the *Economic Left Emphasis Hypotheses* also have to be rejected.

Chapter 6

Conclusion

All four sets of hypotheses, assuming a relationship between party positions and the economic situation on the one hand and parties' emphases on (left) economic issues in their manifestos and economic indicators on the other, have to be rejected. There was a near-zero linear relationship among all but one tested correlation and this remaining association (left-right economic emphasis change and unemployment rate change) only has a very weak correlation coefficient. The research question *"Have the economic crises in Europe acted as an external effect that made European parties change their economic left-right positions?"* has to definitively be negated. While empirical research has shown that "parties do not change opinion all the time and do not jump haphazardly from one issue to another" (Walgrave/Nuytemans 2009: 191) a change of this sort was not implied by the research question. Rather, the objective was to uncover a reaction to the realities of the economy through movement on the left-right scale and emphasis on economic issues.

The formulated assumptions - presented as hypotheses in this thesis - have not held true. Conclusions can be drawn nevertheless. The most striking discovery is that there is no discernible pattern of movement among social democratic parties, let alone an extensive change in line with the defined external shock. The parties of the sample did not react to the economic situations in their respective countries in a systematic manner. Whether the economic circumstances improved, or became more strained in the various countries, a uniform reactionary pattern is missing. A number of possible explanations for the lacking reactions of social democratic parties exist.

One reason could be what Adams et al (2009) refer to as "Leftist Exceptionalism", which assumes that left parties behave differently than other parties when faced with economic changes. One reason being that this type of party is more ideologically driven than its rivals, relinquishing shifts which could possibly lead to short-term vote gains for more far-reaching change. The parties' ties to groupings in society constitute a second reason why they might react in a contrasting manner. These strong links to trade unions inhibit social democratic parties' movements further (Adams et al 2009: 615). A similar, third, reason pertains to the membership aspect of the party organization. Since members are actively included in deliberation processes, the parties cannot react to changes at the same speed their rivals can (Adams et al 2009: 616). Kitschelt sees these membership-ties in a similar light, as “inherited organizational structures that reinforce stability, but undercut strategic flexibility”, thereby “imped[ing] the choice of new and electorally beneficial strategic stances” (1994: 207-8).

Already after the oil crisis of the 1970’s, challenged with declining economic growth, social democratic parties found themselves in a changing environment they had to adapt to (Kitschelt 1999: 318). However, “social democracy had no ready answers to these crises” (Padgett/Paterson 1991: 49). They could not compete with their rivals’ solutions and only supplied outdated answers (Ibid.). Especially social democratic parties with a long history appeared to be less able to adapt to these changing circumstances, than more newly established social democratic parties in southern Europe (Padgett/Paterson 1991: 50). The solutions of the centre-right are described by Padgett and Paterson (Ibid.) as “a categorical rejection of ‘ideological’ solutions in favour of (...) pragmatic ‘realism’”. It took social democratic parties until the 1980’s to react and change their instruments, abandoning demand-side for supply-side policies (Merkel et al 2008: 14; Ross 2014: 46). Therefore, comprehensive adaptations might still take place in social democratic parties, albeit with considerable delay.

Along a very different line of thought is the consideration that social democratic parties may not be able to adapt to changing environments at all, because their proposed policies are not compatible with the way the world economy has developed. Globalization has been termed as a challenge for social democratic parties (Kitschelt 1999; Merkel et al 2008; Pierson 2001). As Christopher Pierson describes, social democrats built their policies on “stable political constituencies within clearly demarcated national economies managed by efficacious centralized states”, however, these conditions have disappeared (2001: 64). He emphasizes that this does not necessarily lead to social democratic demise, but “greater trade openness and increased capital mobility can make life difficult for social democracy” (Pierson 2001: 88). Kitschelt refers to this problem as the “political-economic dilemma” of social democracy: in open economies, social democratic policies put in place to increase employment and economic growth do not work, but rather lead to inflation and the outflow of industries (1999: 322). In the case that social democratic parties do support market liberalization, they are eventually faced with electoral decline, while they are forced into opposition when signaling a reluctance towards implementing such policies (Kitschelt 1999: 323). This would mean the prevalence of a lose-lose situation, leaving social democrats powerless in the face of change.

Possibly, social democracy may have brought this upon itself, by accepting neoliberalism. Perhaps its power is too substantial for social democrats to act outside of its realm. According to Magnus Ryner, social democracy “is so deeply imbricated with the system that is in crisis that it is in no position to offer an alternative to it” (2010: 555). Similar views are presented by Fabien Escalona and Mathieu Vieira. For them, social democratic parties are engaged in two “Faustian pacts” in recent decades, as they showed faith both in European integration and in a knowledge-based economy, prompting social democrats “to lend their support to the core elements of the neo-liberal structure of contemporary capitalism” (Escalona/Vieira 2014: 22). It thereby follows that social democratic parties cannot offer dissenting policies. David J. Bailey and Stephen R. Bates (2012: 209) analyze left responses to the crises and find that social democratic parties displayed the most ineffective reactions to the crises "offering neither a redistributive agenda in office nor a substantive alternative to the government's austerity measures agenda in opposition". Grassroots movements, on the other hand, featured the only effective left response, even being able to influence public opinion (Bailey/Bates 2012: 210).

Social democratic parties seem to have been unable to effectively react to the changes in economy, society and politics that have taken place since the 1970's. A globalized world and an interconnected Europe, a diminishing manual working class, the rise of new issues coupled with the emergence of new parties to the left and right have increased social democratic woes. The departure from a Keynesian consensus in the 80's could not ring in a new "golden age", neither could a turn along the "third way", at least not in the long term.

One strategy for social democratic parties now could be to embrace the EU as this offers two strands of reasoning: it displaces blame from the national social democratic party, moving it instead to the - perhaps hazy - European level, at the same time this argument ties voters to the party a while longer "*with the promise of supranational-level social democratic achievements to come at some point in the future*, despite the increasingly apparent inability of social democratic parties to realise such goals" (Bailey 2014: 247, emphasis in original). Social democratic parties, perhaps further distancing themselves from their initial character, may live on only in those interpretations defining social democracy as "what social democratic parties do".

Chapter 7

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Chapter 8

Appendix

8.1 Supplementary Material

Table 8.1: OLS Regression H1

	pos_mov_abs
unempl_abs	0.0220
	(1.18)
gdp_abs	-0.00720
	(-0.21)
Constant	0.534***
	(4.83)
Observations	70

t statistics in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 8.2: H1 Bivariate Regression: GDP

	pos_mov_abs
gdp_abs	0.0137
	(0.47)
Constant	0.530***
	(4.78)
Observations	70

t statistics in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 8.3: H1 Bivariate Regression: Unemployment

	pos_mov_abs
unempl_abs	0.0199
	(1.26)
Constant	0.516***
	(7.20)
Observations	70

t statistics in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 8.4: OLS Regression H2

	pos_mov_rel
unempl	-0.0481
	(-1.92)
gdp	-0.0603
	(-1.04)
Constant	0.104
	(0.68)
Observations	70

t statistics in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 8.5: H2 Bivariate Regression: GDP

	pos_mov_rel
gdp	0.0107
	(0.24)
Constant	-0.0649
	(-0.51)
Observations	70

t statistics in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 8.6: H2 Bivariate Regression: Unemployment

	pos_mov_rel
unempl	-0.0314
	(-1.62)
Constant	-0.0272
	(-0.31)
Observations	70

t statistics in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 8.7: OLS Regression H3

	per_econ_change
unempl	0.333
	(0.77)
gdp	-0.158
	(-0.23)
Constant	2.453
	(1.34)
Observations	52

t statistics in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 8.8: H3 Bivariate Regression: GDP

	per_econ_change
gdp	-0.548
	(-1.20)
Constant	3.374*
	(2.44)
Observations	52

t statistics in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 8.9: H3 Bivariate Regression: Unemployment

	per_econ_change
unempl	0.408
	(1.42)
Constant	2.141
	(1.73)
Observations	52

t statistics in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 8.10: OLS Regression H4

	econ_leri_change
gdp	0.262
	(0.46)
unempl	0.665
	(1.83)
Constant	-0.960
	(-0.62)
Observations	52

t statistics in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 8.11: H4 Bivariate Regression: GDP

	econ_leri_change
gdp	-0.516
	(-1.32)
Constant	0.878
	(0.74)
Observations	52

t statistics in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 8.12: H4 Bivariate Regression: Unemployment

	econ_leri_change
unempl	0.541*
	(2.24)
Constant	-0.444
	(-0.43)
Observations	52

t statistics in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

8.2 Abstracts

English Abstract

Political parties regularly adapt their positions in order to remain competitive in changing political landscapes. Various reasons for change have been analyzed in the past: disappointing electoral results, a shift in public opinion, new leadership, changing economic circumstances or other external effects. This thesis, focusing on the social democratic party family, investigates whether the economic crises in Europe caused European parties to adapt their economic policy positions. Expert judgements of party positions along the economic left-right scale as well as party manifestos act as data sources, allowing a comprehensive picture of parties' reactions. The results show that the banking, sovereign debt and growth crisis in Europe did not lead to uniform reactions among the European social democratic party family.

German Abstract

Politische Parteien passen regelmäßig ihre Positionen an, um in einem sich ständig wandelnden Umfeld konkurrenzfähig zu bleiben. Diese Veränderungen können durch eine Reihe von Gründen herbeigeführt werden: schwache Wahlergebnisse, einen Wandel in der öffentlichen Meinung, einen neuen Parteivorsitz, durch eine Veränderung in wirtschaftlichen Rahmenbedingungen, oder andere äußere Faktoren. Diese Masterarbeit untersucht anhand der sozialdemokratischen Parteienfamilie, ob die ökomomischen Krisen in Europa eine systematische Positionsveränderung bei wirtschaftlichen Themen herbeiführten. Untersucht werden sowohl Expertenmeinungen der Parteipositionen entlang der ökonomischen Links-Rechts Achse als auch die Wahlprogramme der Parteien, um ein komplettes Bild der Veränderung zu erhalten. Die Ergebnisse zeigen, dass die Banken-, Staatsschulden- und Wachstumskrise in Europa keine einheitliche Veränderung der sozialdemokratischen Parteien in Europa hervorbrachte.