Party Organizations and Growth Models

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Abstract

What role do political parties play in the transition between macroeconomic growth models? In this paper we argue that political parties play a specific and contingent function. We identify parties as mediators between state and society, and thus act as forums for different types of actors to express interests and exert influence. The types of macroeconomic policies that a party will adopt is contingent on the internal balance of power, and specifically the capacity for historically specific actors to win internal authority over others. We then apply this framework to explore the cases of Germany and Australia. We show that in the case of Germany, the SPD played a critical role in the construction of an export-led growth model in the late 1990s and appears to be playing a similar role in the transition to a new model in the contemporary period. In both periods, the internal balance of power plays a critical role in the way in which macroeconomic policies are expressed. In the Australian case, the construction of a consumption-led model in the 1980s was predicated on the specific way in which the Australian Labor Party demobilized industrial trade unions by integrating their leaders into party decision-making structures, which led to a reconfiguring of interests. Both cases show that internal party organization has significant implications for understanding the emergence of macroeconomic policy.

Keywords: growth models; party organization; organizing logic; Germany, Australia

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Introduction

Growth model theory (GMT) has made notable contributions to the field of comparative political economy (CPE) in the recent past. Inspired by Post-Keynesian economics and focused on the demand-side drivers of macroeconomic growth, it provides us with a new heuristic model for the analysis of political power dynamics that govern contemporary societies, as well as connected policy priorities and outcomes. Doing so, GMT puts capitalist instability at the centre of attention and sensitises CPE for the importance of social inequality, the role of financial flows, and geopolitical (capital) relations, to name but a few of the main foci (Baccaro and Pontusson 2016; Baccaro *et al*. 2022).

However, while the macroeconomic foundations of the theory have been clarified (Baccaro and Pontusson 2018; Stockhammer and Kohler 2022), and the diverse trajectories of European and international growth models have received ample attention by now, the *political mechanisms* that drive stability and change of GMs remain oddly underspecified. Above all, the *role of political parties* remains underdetermined. During normal economic times, parties are presented as relatively passive "conveyor belts" (or, "sales representatives" of policies) that mediate between dominant coalitions of elites, a fringe majority of voters who benefit from the GM only peripherally (if at all), and a government that enacts policies that closely correspond with the demands of the dominant growth-producing sectors (Baccaro and Pontusson 2022). During crises, punctuated type of institutional change may lead to lasting recalibrations of growth models, but the role of parties in this process, too, remains unclear.

More recent contributions to GMT credit parties with a certain level of agency as active brokers of social and macroeconomic coalitions that can reshape the character of growth models. Such strides require a stronger focus to be put on the organisational structure of parties (Hopkin and Voss 2022). The simple yet demanding idea behind this call for attention is the following: The relationship between voters, parties, and governments is of utmost relevance to understand how distributional conflict is mediated within a given society. What goes on *inside* a party constitutes an important vector of *who gets what*.

Building on this basic assumption, this paper explains the function that a party plays in the transition between, and by implication the continuation of, growth models.

Our main claim is the following: The inclination and capacity of governing parties (or those with governing ambitions) to pursue distinctive growth policies depends on their party-internal organization and their capacity to mediate party-internal conflict. In contrast to how GMT traditionally sees parties, we argue that parties are active and dynamic creatures that frequently reorganize themselves according to external forces, but also, to changes in internal logics resulting from the demise and rise of old and new guiding ideas. This, in turn, affects the relative influence of voters and producer groups on policy, because parties are the filter through which these groups act and through which their demands get formed and refracted.

To convey our main claim, we propose an original analytical framework for the role of political parties in GMT. Drawing on a rich sociology of parties literature, we posit that parties are characterized by an *organizing logic* that is comprised of an orienting ideology and an infrastructure (Kiefel 2023). The *orienting ideology* is the culmination of negotiation between actors who seek to ensure that their interests are prioritized in the party's ideational and strategic framework. *Party infrastructures* are the resources that a party must possess to exist, and they can take on an ideational or material quality, or both, as they include financing, policymaking, formal rules, and communications. These two factors must be aligned for an organizing logic to be coherent. An orienting ideology is determined by the actors that hold influence within a party organization at a given point in time, and they must win key internal victories to ensure that this orienting ideology shapes the behaviour of key infrastructures. In conjunction, the interplay of these factors has an important bearing on the macroeconomic policy mix that a party subscribes to. A coherent organizing logic is an important premise to signal electability.

We substantiate our argument in comparative case studies of Germany and Australia. While these cases are intended to illustrate the usefulness of our analytical framework, they cover some of the most important distinguishing markers typically applied in CPE: liberal and coordinated market economies (Hall and Soskice 2001), export-led and consumption-led growth models (Baccaro and Pontusson 2016), and majoritarian and proportional electoral systems (Iversen and Soskice 2006). For our empirical material, we draw on party manifestos, media reports, archival documents, and, in a next step of data collection, interviews.

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Our paper makes at least three contributions to the extant literature. First, the paper introduces a novel analytical framework that allows us to pry open the "black box" of internal party organization and clarifies the role of parties in GMT. Injecting GMT with insights from the sociology of parties literature shifts the focus from policy effects onto party organization as a key, but heretofore largely neglected, mechanism. Second, the paper makes an important contribution to what could be labelled an ongoing "intentionality debate" in GMT: are there actors who intentionally change growth models, or does growth model change stem from structural institutional and macroeconomic dynamics that lie outside the creative leeway of politics? GMT's current hypothesis is that—under strict conditions—actors can intentionally change a growth model according to the preferences of a so-called "dominant growth coalition" (Hopkin and Voss 2022; Baccaro and Pontusson 2022). We contribute to this view by nuancing the argument: Parties and their internal organization play a key role in shifting a growth model, and we need to look inside parties to understand the precise mechanisms at play. Third, we posit that political science, in an ever-intensifying struggle for micro-level analysis, has lost sight for the (once) important meta question of how party politics and macroeconomics interact (for a seminal best-practice example, *see* Scharpf 1991). We hope that our focus on the internal organisation of parties can re-ignite the interest in this important relationship.

The remainder of our paper is structured as follows: The next section reviews the role that political parties play in the comparative political economy literature. Section 3 introduces our analytical framework. Sections 4 and 5 present illustrative case studies of Germany and Australia, respectively. The final section concludes.

Literature Review & Theory

The classical scholarship on political parties is formed around electoral choice and interest groups literature, which although often considered rivals, tend to discount the importance of party organisations. In this section we show that this has significant implications, and ultimately minimises their effectiveness, in identifying the forces that shape policymaking in capitalist democracies.

The electoral choice literature builds on Anthony Downs' (1957: 28) famous idea that governments 'formulate policies in order to win elections, rather than win elections

to formulate policies'. The focus of related strands of theories (e.g., public choice, political behaviour, or the "electoral turn") is thus on the *voter*. Competitive elections are considered the prime means for the discovery of policy preferences where political demand as expressed in voters' preferences meets the supply of policies provided by political parties (Beramendi *et al*. 2015; Häusermann and Kriesi 2015). The main determinants of parties' policy positions are their voters' preferences, which are generally expected to be well-specified (Kitschelt and Rehm 2015). In addition, it is commonly assumed that vote-seeking party strategists do not necessarily distinguish the individual weight of votes; every vote carries the same weight towards the ultimate end of winning an electoral majority.

The opposing view focuses on the dominance of *organized interest groups*. E. E. Schattschneider (1960), one of the intellectual thought leaders of this school, saw as a main shortcoming of Downsian pluralism a tendency to discount social power biases. Influential actors make use of structural, instrumental, or infrastructural powers to gain access to policy making. Policies are not the means to secure the support of an electoral majority, but instead, a 'prize' that can be won and used to consolidate a dominant position (Hacker and Pierson 2014). This process will lead to representation gaps that sit uneasily with theories that emphasize the centrality of electoral politics (Bartels 2008; Elsässer *et al*. 2021). In its most radical form, producer group politics can become so dominant that all other political practices, including processes inside parties, are degraded to mere 'electoral spectacle' (Hacker and Pierson 2010: 3).

The party politics literature navigates between these two poles. The classical party politics literature of the post-war years reflected the conflictual spirit of modern party democracy's genesis, delineated by clear-cut economic, social, and cultural class cleavages (Lipset and Rokkan 1967; Sartori 1976). Partisan politics mattered as foremost mouthpiece of class-based interests (Hibbs 1977; 1992; cf. Hewitt 1977; Tufte 1978; Korpi 1989; Raess and Pontusson 2015). Distinct partisan cleavages ran through the area of macroeconomic policymaking and government spending. Here, parties were thought to develop distinctive economic policies in accordance with their core constituencies' interests to maximize their probability of winning an election. While centre-left governments tended to increase intervention in the economy and accept fiscal deficits to create jobs, cushion business-cycle effects, and redistribute wealth, right-wing parties were expected to follow a pro-cyclical fiscal strategy aimed at stable inflation rates and balanced budgets. Hence, the basic partisan difference in

the area of economic policymaking lies in the strategies parties adopt when correcting macroeconomic business cycles (Cusack 2001: 93). This classical conception of left-right partisan politics defined the political environment in Europe since the end of the Second World War and throughout the "Golden Age" of growth (Scharpf 1987). The symbiosis of an optimistic and progressive ideology with an interventionist Keynesian toolkit culminated in a new form of technocratic economistic leftism which lifted European social democratic parties into government responsibility in the 1960s and throughout the 1970s (Mudge 2018).

A methodological turn facilitated novel empirical and theoretical insights and corresponded with an apparent demise of the party family-macroeconomics-nexus. Improved access to electoral survey data revealed relatively weak correspondence between voters' interests and parties' programmes. This spurred theories of class-party dealignment, delegitimised the core function of parties as mouthpieces of class politics, and 'resulted in a rapid detachment of the study of political parties as organizations that structured political ideas and projects from the study of voter behavior, increasingly seen as a set of reasonably coherent individual choices' (Hopkin and Voss 2022: 378). The "party decline" literature accurately reflected incisive social developments of the time, the rapid decline of party membership, the diffusion or nebulization of ideological convictions, and the individualization of society (van Biezen and Poguntke 2014). But it also weakened political scientists' confidence in the representative abilities of parties, and thus, interest in their internal workings and organisational structures (Mair 2013).

The advent of cartel party systems signalled the final step in the decline of party democracy (Katz and Mair 1995; Mair 2013). These party systems characterised most advanced democracies at the end of the twentieth century, where mainstream parties of government retreated from society, into the state. Collusion on policy shielded these parties from the entrance of challengers. There were clear organisational effects on the structure of parties: a reliance on state subsidies, rather than affiliated social organisations and members, for financing (Nassmacher 2009); the dominance of the 'party in public office' over other internal actors (Katz and Mair 2002); the increased influence of spin doctors and policy wonks, typically employed through by the state, rather than the party (Bardi et al. 2017). Party competition is defined less by policy, which has typically been de-politicised through the delegation of authority to non-partisan institutions like Central Banks (Burnham 2001; Blyth and Katz 2005), and

instead by valence appeals. The effect of this is, somewhat paradoxically, increased polarization where parties make appeals based on their perceived personalised claims to experience and knowledge but actually lack the tools to independently affect policy making (Bickerton and Accetti 2021). This only fuels partisan anger at the inability for parties to 'do something' to ameliorate declining living standards (Hopkin and Blyth 2019).

The organisational transition from mass to cartel has has meant that parties are increasingly identified as a a problem rather than a solution to democratic representation (Mair 2011: 13). The organisational tenets of this transition is clear, but its effect on the varying capacity for parties to influence macroeconomic policy has been less clear. What this means is that we lack an understanding of the relationship between party organisation and the decision-making processes that have macroeconomic outcomes. To be clear, the decision to delegate authority to non-partisan institutions is a conscious decision made by specific party actors; we need to understand how intra-organisational dynamics condition these decisions to identify the relevance of parties on changing macroeconomic strategies.

To redirect the focus back on the role of internal party organisation, we anchor our analysis in a burgeoning comparative political economy framework: growth model theory. GMT highlights the importance of macroeconomic demand-side factors for understanding and distinguishing contemporary political economies (Baccaro and Pontusson 2016; Baccaro *et* al. 2022; Hall 2020; Hassel and Palier 2021). The empirical and analytical focus lies on the main drivers of macroeconomic growth and the economic sectors which produce it. Although GMT asserts to remain agnostic about static regimes types and open to systemic change, three paradigmatic versions of growth models have emerged (Baccaro and Pontusson 2016): consumption-led models, in which domestic demand is fuelled by easy access to financial credit (United Kingdom), export-led models, in which external demand is fuelled by large and competitive manufacturing sectors (Germany), and mixed models, in which domestic and external demand, as well as the underlying economic sectors, remain more or less in balance (Sweden).

For our purposes, of primary importance are the (party) political implications of this nascent analytical framework. In the political dimension of GMT, the aim is to integrate macroeconomic policymaking as a characteristic feature of party competition (Hall 2020). At its core stands the idea of 'dominant growth coalitions' (Baccaro *et al*.

2022: 32ff.; Baccaro and Pontusson 2022). Based on a long tradition of producer group politics in political economy (Gourevitch and Shinn 2005; Swenson 1991; Frieden and Rogowski 1996), dominant growth coalitions are comprised of actors who share a set of convictions regarding the working of the economy and the means required to produce economic growth. These actors form hierarchical cross-class coalitions that unite firms in leading sectors, capitalists, corporate executives, and workers (i.e., voters), who are considered the main beneficiaries of a given growth model and share similar policy preferences.

GMT seeks to overcome the often-unhelpful intellectual division between voter- and producer-group based explanations by shifting the focus on parties as key political mediators. GMT reiterates some of the common critiques against the literatures outlined above. With regards to the electoral choice literature, and its more recent version of the "electoral turn" (Beramendi *et al*. 2015), GMT scholars allude to an apparent neglect of macroeconomic policies as a feature of party competition. It also, perhaps more implicitly, critiques their conceptualisation of the relationship between political parties and voters, which is understood to exist in the classic supply/demand relationship where parties supply policies and programmes to meet the demands of voters. According to Baccaro and colleagues (2022: 34), 'it makes more sense to think of electoral politics in terms of selling the growth model/the policies of the dominant growth coalition to the public at large and, in some circumstances, to pre-empt or deflect popular discontent.' In this sense, (mainstream) parties are seen as intermediaries captured by the dominant growth coalition, although GMT scholars acknowledge that parties, in particular high-ranking politicians and their advisors, can play an active role in the genesis of growth models and the development of political ideas that unite disparate interests.

Giving predominance to sectoral demands and producer groups' interests, early advances from the politics of growth models are strongly inspired by the cartel parties literature. However, this does not mean that electoral dynamics are neglected altogether. Voters and elections are considered relevant, especially when issues with high mobilization capacity are salient (Culpepper 2010). More importantly, democratic regimes require electoral acquiescence. Since dominant growth coalitions constitute relatively narrow political units whose demands do not necessarily reflect the interests of a broad electoral majority (Baccaro and Pontusson 2022), and because growth models produce various kinds of economic, political, and social inequalities which can

put their political legitimacy into doubt (Hopkin and Voss 2022), parties are assigned an important role as political mediators.

Alas, which role exactly parties play, and how party *organisations* affect the constitution of growth regimes, remains an open question. To this end, Hall (2020) makes a valuable contribution when he argues that over time growth regimes produce characteristic cleavage structures which in turn impact (destabilise) party structures. In another recent contribution, Hopkin and Voss (2022) made an attempt to conceptualise the party politics of growth models. Building on Blyth (2003) and Hopkin and Blyth (2019), the authors assign parties a triple role as 'propagators, interpreters, [and] initiators of new ideological justifications for ways of managing capitalism' contending that 'parties can be seen as the key agents of developing […] the justificatory apparatus of a particular growth model, generating support for it, and adapting understanding of it to changing political and economic circumstances' (p. 376). In other words, Hopkin and Voss go beyond earlier GMT conceptions by arguing that parties' rule need not be limited to selling the growth model to voters (passive role), but instead that parties can actively shape and reshape the boundaries of the dominant growth coalition and the growth model itself. To unpack these processes, greater attention should be placed on the organisational structure of parties (*ibid.*, p. 381). Presenting case study evidence from Germany and the United Kingdom, they show that post-Fordist growth models were accompanied by changes in party organisation, where party activities moved from labour to capital intensive processes, which shifted their reliance on party activists and affiliates like trade unions to capital injections from companies, wealthy individuals, and the state. However, their contribution still lacks a conceptual model to understand the role of party organisations in shaping the ability to pursue distinctive growth policies and how this, in turn, affects the relative influence of voters and producer groups on policy.

Building on Hopkin and Voss' (2022) initiative, we argue that parties are integral actors in that they can shape policy development to unite different target groups into distinct growth coalitions by connecting the interests of different hierarchically situated actors. To better understand the iterative role that parties play in building coalitions and in articulating the growth model onto the electorate, we argue that we need to pry open the black box of parties and conceptualise the party-internal process of policy and ideational formation. This will show how different types of actors inside and outside the party can influence policy development to reinforce or change growth models. Our

understanding highlights the active role that parties play when growth models face critical junctures. Through the refractive or iterative function of their organisations parties can coordinate different actors in the construction of a new growth model (Mudge 2018). The next section presents our analytical framework in more detail.

Analytical framework

We suggest that political parties do more than sell a growth model; they actively gain consent for it as they function as a forum through which different societal actors negotiate and construct frameworks, which are then legitimised through political campaigns and elections (Gramsci 1921; De Leon et al. 2015). This makes parties integral actors in the genesis or transition between growth models. Because parties are the organisations that connect society and the state, they house the representatives of different social and producer groups, as well as social movements, trade unions and business associations. To influence the powers of the state, including policy making and regulation, these actors must achieve authority within one or more political parties.

This analytical framework builds on a number of assumptions. A party is not a unitary actor; a party does not simply decide to change policy or enact a new campaign strategy on its own accord (Ziblatt 2017). It is an organisation that is made up of multiple actors that have distinct social relations that extend outside of the party, which in turn shapes their specific interests (Katz and Mair 2002; Mudge 2018). The relevant actors that can exist within a party will vary according to historical context and the party in question but can include politicians, trade union leaders, private donors, grassroots activists, and interest group representatives. By the same logic, the specific party or parties that these actors will seek to capture in order to change or stabilise a growth model will also vary according to historical context. For instance, in the transition to post-Fordist growth the way in which different actors mobilised inside Conservative and Social Democratic parties influenced the specific changes each made to their macroeconomic policies.

Building on Kiefel (2023), we establish that a party functions through its "organising logic", which itself is underpinned by an "orienting ideology" and its institutional infrastructure. An orienting ideology is the culmination of negotiation between actors who seek to ensure that their interests are prioritised in the party's

ideational and strategic framework. These negotiations occur through *institutional infrastructures*, which are similar to Panebianco's (1988) 'zones of uncertainty'. They are the resources that a party must possess in order to exist, and they can take on an ideational or material quality, or both, as they include financing, policymaking, formal rules and communications. Party actors gain their authority inside the organisation through their control of infrastructures. In this sense infrastructures serve as chips to be spent in intra-party debates to determine the party's orienting ideology: a union leader or corporate donor may threaten to reduce their financing of the party, a Cabinet member may threaten to resign and thus take with them their popularity and their expertise, and party wings may threaten open conflict which can create bad press and put the leaderships' legitimacy into question. A coherent organising logic is an important premise to signal electability. For a party to have a coherent organising logic, its infrastructures must align. An internal actor can thus threaten to change the function of certain zones and thereby threaten the viability of the party's organising logic and electoral success.

To relate this back to GMT, a party itself is a critical forum in the genesis of a growth model as it is one of the few organisations that links society to the state. Major parties host the interpretive debates through which the critical ideas that underpin a growth model are formulated. To enact permissive growth policies and regulations, different groups must achieve influence through the party. A party's organising logic then, is the culmination of the processes through which this coordination occurs. It will reflect the balance of power between different actors inside the party. Of course, we must allow for the fact that an actor's internal power will be partially correlated with their broader social influence. The partial aspect of this is seen through the example of a trade union leader in a contemporary Social Democratic party: given declines in trade union density, trade union leaders have lost authority outside of the party relative to their position in the immediate post-war period. However, they retain greater influence inside these parties than they do outside of it because of the path dependency through which the party organisations and its infrastructures have developed over time. A party's organising logic, through its orienting ideology and its infrastructure, also play a critical role in garnering the consent that is required for a growth model to have the necessary social stability and electoral acquiescence to become embedded. In short, it provides the party with the ideational means to make

policies and engage electoral groups and producer groups such that they form a permissive socio-electoral coalition to support the growth model.

Theorising the role of a party in growth model change

A change in the trajectory of a growth model is a reflection of the change in the balance of power between different social and producer groups. As discussed in the previous section, a party is a pivotal forum in which this change is mediated. Thus, growth model change involves the reorganisation of the governing party's structure to both construct the new growth model through state levers and legitimise it in society.

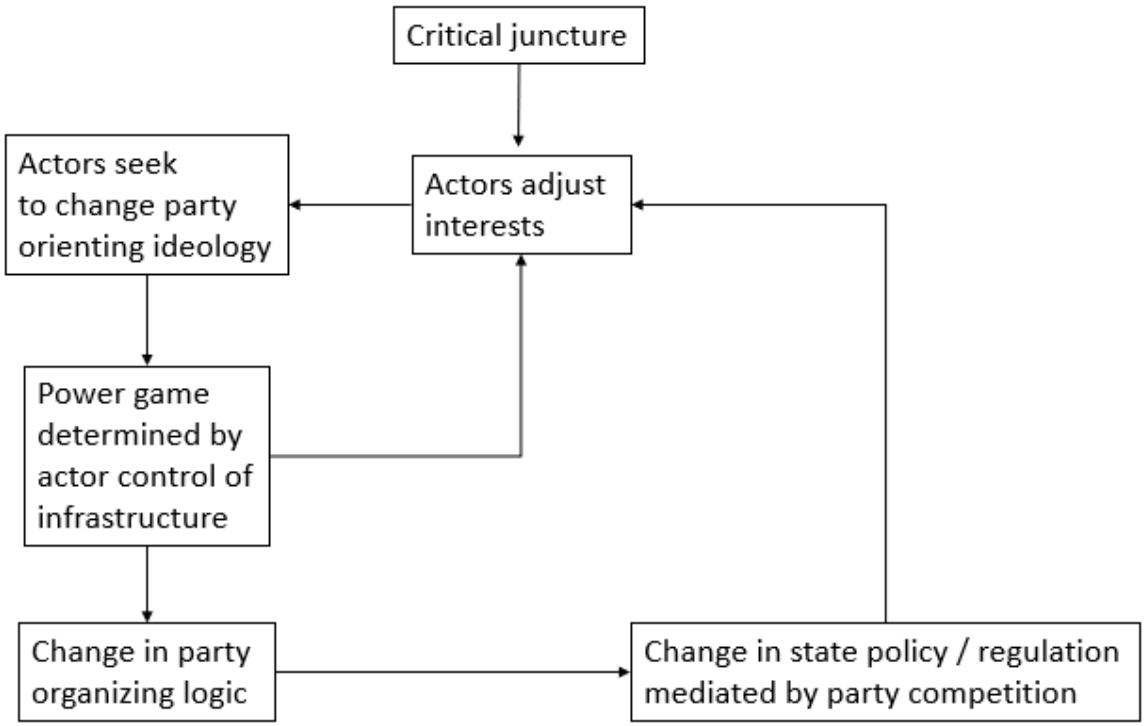
A party does not have the capacity to fundamentally transform a growth model on its own. Building on a historical institutionalist tradition, GMT assumes punctuated equilibria and critical junctures in the form of exogenous shocks to trigger lasting changes in macroeconomic policy. For instance, the stagflation crisis following the oil price shocks of the 1970s is frequently recalled as the incision that ended the Fordist wage-led growth model of the post-war years. However, depending on the specific context, parties do play a pivotal role in *framing* these events to precipitate a shift in growth model. In the first instance, these events will bring forward an interpretive crisis inside the party that requires it to "reorient" itself. As such, it will provoke debates between incumbent party actors, and new types of challengers that emerge in the context of specific historical responses. The interests of the relevant actors are themselves likely to be changed depending on how their social position has experienced the specific exogenous shock or critical juncture (Mudge 2018).

Parties' function as interpretative and framing entities becomes all the more important as crises evolve. It is not only the initial shock that requires interpretation and policy response. Deep-cutting policy responses paired with the degree of complexity of a particular crisis are likely to trigger feedback loops which will again pressure a party to change course. The fact that each next round of policy response carries with it the weight of previous decisions makes this a highly dynamic and contested process. Over time a crisis can evolve from an exogenous into an endogenous challenge making party-internal reorganisation a continuous, re-emerging endeavour.

Our framework is visualised in Figure 1. It represents our contention that the way in which different societal actors influence state policy is mediated through the

party organization. This is ultimately an iterative process where both the internal party dynamics and the outcome on state policy filter back through continued interpretive debates amongst different actors. It is through this iterative dimension that, after the initial critical juncture, a new growth model becomes negotiated and stabilized as the infrastructures within a party shift and become gradually embedded and the shifts in actor preferences become more minute with each round of debate. This is because the growth model entrenches specific power dynamics, for instance, a decline in trade union density in the consumption-led model, that in turn have implications for intra-party power games. The implication of this is that it becomes much harder to change the contours of the growth model, without the exogenous shock of a critical juncture dramatically disrupting the power of the dominant growth coalition.

Figure 1. Visualisation of the analytical framework



In the following sections, we add empirical flesh to the bones of our analytical framework. While we consider Germany and Australia illustrative cases in the first instance, they cover some of the most important distinguishing markers typically applied in CPE: liberal and coordinated market economies (Hall and Soskice 2001), export-led and consumption-led growth models (Baccaro and Pontusson 2016), and

majoritarian and proportional electoral systems (Iversen and Soskice 2006). For our empirical material, we draw on party manifestos, media reports, archival documents, and, in a next step of data collection, interviews.

Germany: The unlikely comeback of the Social Democratic Party

We argue that parties constitute critical fora to achieve macroeconomic policy outcomes, and, in more specific terms, growth model change. The German Social Democratic Party (SPD) serves as one of two illustrative cases to support this argument. The subsequent chapter contrasts with the case of Australia.

Like many other centre-left parties in Europe, the SPD has, over the course of the last 25 years, gone through distinct phases of macroeconomic strategy. Unlike many other centre-left parties, the SPD has survived its stint into Third-Way-ism. Like almost no other traditional centre-left party, it has very recently even found its way back into government leadership in the persona of Olaf Scholz at the 2021 general elections. As we will show in this section, what many saw as a highly unlikely return to electoral success involved a profound reconfiguration of the party's internal organising logic. This reconfiguration involved the overwriting of an orienting ideology strongly focused on export-led growth, supply side politics, and wage repression in disorganised sheltered sectors, and the emergence of a programmatic alternative that returned the focus to social justice and the ideal of "respect". Policy-wise, this agenda would reintroduce elements of wage- and consumption-led growth into macroeconomic policy, which for decades had seemed incompatible with Germany's deeply entrenched export-led growth model. We consider party manifestos, newspaper reports (and in a next step of this research project, interviews with party officials, strategists, and external partners) to argue that the reconfiguration of the SPD's organising logic involved a party-internal battle between different wings and factions over key infrastructures, specifically, over top positions within the party organisation to moderate conflict and reduce tensions, and over campaign strategies to secure acquiescence from a broad electoral coalition.

What brought a fulminant victory in the 1998 elections seemed to become the nail in the SPD's coffin in the medium run: the Agenda 2010 including the infamous Hartz reforms was a response to reunification pains and a structural unemployment crisis, but it burnt the party with many former core voters. Somewhat ironically, it was

the SPD which implemented a key policy that entrenched the German export-led growth model. The Hartz reforms radically increased flexibility in Germany's labour markets and institutionalised wage suppression by deregulating temporary work, encouraging part-time employment, cutting benefits and expanding the marginal employment sector (Martin and Swank 2012; Lunz 2013). As the governing party, the SPD was directly involved in reinforcing the export-led growth model and the sectoral inequalities it produced.

In subsequent elections, the SPD tried to score points with disgruntled voters by proposing half-hearted reforms without decisively abandoning supply-oriented measures that benefited the export model at the expense of the domestic economy. Reasons for the party's inertia can be found in strong path dependency upheld by numerous members and especially powerful decision-makers who had been involved in—and remained supportive of—supply-side measures and the macroeconomic principles of the Third Way.

In the 2009 manifesto, with foreign minister Frank-Walter Steinmeier as candidate, the SPD stuck firmly to export-focused policies, above all, household consolidation and 'debt reduction in good economic times' to 'build on the reforms of the two Social Democrat-led federal governments, which have helped to make Germany the most competitive country in the entire European Union today' (SPD 2009: 15, 20). Self-praise for the Agenda reform continued in 2013 under candidate Peer Steinbrück: 'The prerequisites for the economic success of our country were laid by the SPD-led federal government with Gerhard Schröder. […] The "Agenda 2010" increased investment in research and innovation, accelerated the expansion of renewable energies and took hundreds of thousands of people off the welfare sidelines and included them in active labour market policy for the first time' (SPD 2013: 7). In a half-hearted side note, the manifesto suggested that 'the abuse of temporary work, mini-jobs and low-wage employment that has arisen in this process' would be corrected (*ibid.*), but support of Germany's domestic demand-suppressing, wage moderating macroeconomic policy regime remained as staunch as ever. In 2017 under the former president of the European Parliament, Martin Schulz, for the first time the SPD dared a departure from its devotion to the Agenda politics with a focus on social justice, redistribution, a 'public investment offensive', the acknowledgement of European trade imbalances, and no mentioning of the export sector as Germany's leading economic sector. However, the party seemed to lack, both, concrete policy

proposals, as well as electoral credibility, to balance Germany's macroeconomic profile and to better the socioeconomic position of many former core voters. The result of this era of electoral misfortune and political decline was the sixteen-year reign of the conservative CDU with the SPD in opposition or as junior partner in a grand coalition, during which the SPD failed to meaningfully distinguish itself from its centre-right competitor. Macroeconomic policies were cartelised and reinforced a deeply entrenched export-led growth regime (Blyth and Katz 2005; Hopkin and Blyth 2019; Höpner and Baccaro 2022).

Even shortly before the 2021 elections the SPD's chances to end the CDU's reign looked bleak, despite the popular Angela Merkel not running for a record fifth term. Against the backdrop of failed attempts to detach itself from the path dependence of unpopular policies, the media, the academic literature, and even resigned voices from inside the party had sung the SPD's death song for years (Der Spiegel 2021; Süddeutsche Zeitung 2021; Merkur 2022; Süß 2022). In June 2021, polls ranked the SPD at 12 percent, behind the radical-right *Alternative für Deutschland* (AfD), their lowest result to date. At the European elections in 2019, the SPD finished with 18.8 percent, the lowest transregional election result in its history and important state elections in Sachsen-Anhalt and Baden-Württemberg were lost in the year of the general election in 2021. Against the background of the seminal decline of social democratic catch-all parties and the rise of challengers (Rueda 2005; Hobolt and DeVries 2020), there was not much room left for optimism.

However, crises always create opportunities for change and the formation of new alliances. How did the SPD adapt its organising logic away from a deeply entrenched export model towards the pursuit of consumption-based elements? In line with our analytical framework and theoretical expectations, we argue that processes of party-internal reorganisation serve as an explanation, which brought critical factions, especially from the progressive youth organisation *Jusos* ("Young Socialists in the SPD"), into leading ranks of the party executive. Lars Klingbeil, General Secretary at the time and today's Party Chairman can be considered a key architect in the SPD's successful reorientation.

This new spirit was reflected in the 2021 election manifesto. Party strategists found a successful guiding principle in the idea of "respect", framed against the highly inequitable fallouts of the Covid crisis and as a counter narrative to the neoliberal focus on individual performance and activation policies which had undergirded Third Way

reforms. The manifesto put its focus on less well-off voter groups and the “losers” of the German export model who had shouldered the costs of underinvestment and wage restraint for decades and increasingly felt “left behind” (Hopkin and Voss 2022). The main concrete policy proposal was a minimum wage of 12€/hour which was estimated to benefit more than six million people in Germany’s expansive low-wage sector, many of them women and workers from Eastern Germany (Bundesregierung 2022). In addition, the SPD planned to turn around six million positions in marginal employment into regular contracts, and to remunerate old-age care workers according to collective agreements. Both measures aimed at dismantling precarious work relations and represented a clear departure from wage repressing policies in domestic sheltered sectors of preceding years. Hartz 4 was to be abolished and turned into the so-called ‘Bürgergeld’ (SPD 2021). Interestingly, this manifesto was particularly successful with older voters over 60, who would usually vote Conservative, whilst the urban strongholds were overwhelmingly won by the Green party. Success among the elderly population, who generally constitute a crucial electoral group (Vlandas 2018), harks back to the SPD’s priority issues of social security and strengthening old-age provision.

For many years prior to the 2021 run, the SPD had been engulfed in deep party-internal conflict. Constant antagonism within the party and a tug-of-war between different wings and factions over the party’s infrastructures and organising logic, some in favour of the status quo, others progressive, had paralysed the party. For years, the Jusos had antagonised party leadership with demands for more progressive policies, above all, a decided departure from the Hartz reforms. This created the impression among voters that the SPD lacked unity and a clear agenda and made it relatively easy for other parties and the media to paint the SPD as clueless, incompetent, and lacking leadership (Deutsche Welle 2021). Conflict between Jusos and the party leadership peaked in early 2018, shortly after the lost general elections of 2017, when the SPD under Andrea Nahles’ leadership struggled over the question of joining yet another Grand Coalition with the CDU, which was eventually decided—but by no means solved—in a membership ballot. In a speech at the annual federal convention of the Jusos shortly after the membership vote, Nahles accused the Jusos of actively splitting the party and adding to the SPD’s electoral misfortune: ‘This looks to the outside as if we are not at peace with ourselves […] I believe that a party that is not at peace with itself is naturally not convincing either’ (Die Zeit 2018). In his own speech,

Kevin Kühnert, leader of the Jusos at the time, responded with more enmity: ‘The Jusos patience is wearing thin. And at some point it snaps.’ (*ibid*.).

In this context of deep and lasting antagonism, Lars Klingbeil emerged to unite the camps. Klingbeil, himself socialised in the more centrist faction of the party, set out to include members much more in important decisions and gave leading Jusos, most notably Kevin Kühnert, leading positions in the party executive. In the run-up to the coalition referendum, Klingbeil supported the Jusos’ controversially debated invitation to young voters to become members in the SPD (and use their votes to prevent another Grand Coalition). While it did not change the result, it brought a total of 20,000 new, mostly young members into a party that was thus far dominated by the Baby Boomer generation, sexagenarians and older (Süß 2022: 17). This direct democratic process was repeated once again in the election of a new leadership in June of 2019. Since candidates had to present themselves to members at a total of 23 regional conferences, the election process took more than half a year. But the positive effects of this entirely new approach were noted:

> ‘Many outsiders—and some within the SPD—found the process completely overloaded. But it served its purpose, namely the reconciliation between the party leadership and the party base, who felt heard again as a result. Many in the party say that this is precisely what laid the foundation for its subsequent success in this year's Bundestag elections. It was only because the party base had a say in the question of the chair that it was possible to appoint Olaf Scholz as the candidate for chancellor in the backrooms of the party. It was only because a left-wing duo was elected to the SPD leadership at that time that the rather conservative Scholz was able to run in the Bundestag elections.’ (Business Insider 2021; our translation)

Klingbeil himself recalled party-internal reorganisation and the outcome of the decisive leadership elections as follows: ‘After the election of Saskia Esken and Norbert Walter-Borjans as new party leaders, many bet that it would tear the SPD apart. As Secretary General, I have always remained neutral, but it was clear to everyone that I had previously worked well with Olaf Scholz. Kevin [Kühnert] had supported Esken and Walter-Borjans. It was my job to keep the shop together and to form a team out of winners and losers, in which victory and defeat no longer played a role. And that’s where the close relationship with Kevin was helpful. Our friendship helped the SPD overcome its divisiveness’ (direct quote translated from Die Zeit 2020). In a joint media

interview (Die Zeit 2020), Kevin Kühnert, now the party's Secretary, and thus Klingbeil's direct successor, echoed these sentiments:

> Kühnert: 'I am convinced that the way we deal with each other is also a driver for cultural change - I see that every day. In the past, people texted each other from every board meeting and leaked information to the press...'
> Klingbeil: '... some documents were photographed…'
> Kühnert: '...and we haven't experienced all that for half a year. Of course, there are still controversial discussions – after all, we are the SPD. But these debates no longer take place as a war of positions between the party wings'.

Only the pacification of formerly antagonist voices within the party allowed it to agree on a new coherent organising logic that would constitute a determined move away from the formerly dominant policy regime focused on competitiveness in the export sector towards consumption-based elements required to pursue an agenda of increased social fairness, redistribution, wage increases, and public investment. While it appears, at the time of writing, that coalitional bargaining (especially with the liberal FDP) prevents more determined moves away from Germany's entrenched export-led growth model. And still, some of the SPD's core demands, most notably the minimum wage increase, have survived. The reorganisation of the party can be considered a crucial element to this outcome.

Australia: The party-political turn towards consumption-led growth

Stagnation at the end of the wage-led growth model

The specific contours of Australia's post-war wage-led growth model were shaped by its status as a commodities exporter. Australia relied on agricultural and mineral exports to subsidise a small, highly protected manufacturing sector through which aggregate demand was maintained (Humphreys 2018: 80). Competition in global commodities markets increased through the late 1960s and 1970s at the same time as the decline of Commonwealth trade preference systems made Australia highly exposed to the worldwide stagflation crisis (Humpreys 2018: 80).

In this context, the Australian Labour Party (ALP) government (1972-1975) and the centre-right Liberal government (1975-1983) struggled to change the structure of the Australian growth model. The ALP, led by Gough Whitlam, pursued progressive reform where significant investment in public services and regional development,

coupled with social policies that strengthened social security protections and expanded access to tertiary education would stimulate skills and economic growth (Bramble and Kuhn 2010). Whitlam announced a referendum that would grant the Federal Government the power to control wages and prices, which it lost, and in a more regressive move, implemented a 25 percent reduction in tariffs.

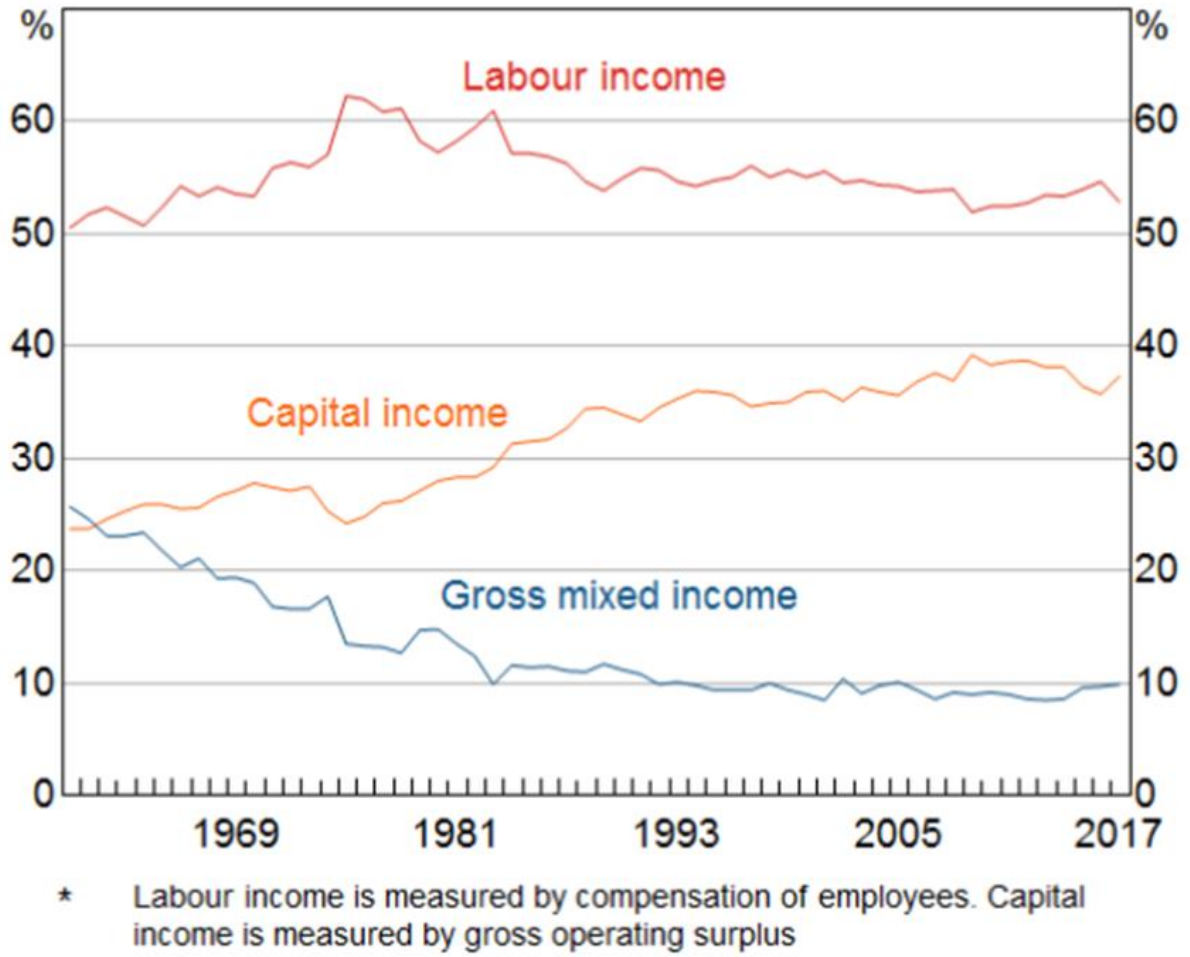
Whitlam's reformist agenda was framed in a radicalism that represented a departure from the preceding 21-year continuous Liberal party government. In one of the most contentious moments in Australian political history, the Whitlam government was dismissed in a constitutional coup in 1975 and replaced by Malcolm Fraser's Liberal party. The Fraser led Liberal government framed their intervention largely on the basis of economic competency, and between 1975 and 1983 pursued monetarist policies that were 'inflation-first'. Austerity measures and wage-freezes were implemented in a sign that the government did not regard unemployment as a major concern.

Whitlam and Fraser thus pursued different organising logics to shift the structure of Australia's growth model, however they were constrained by the militant strategy pursued by unions. The largest union at the time, the Australian Manufacturing Workers Union (AMWU) followed an avowedly militant approach that informed the strategy that was adopted by other unions (Humphreys 2018: 169). It devoted its resources to empower rank and file shop-level committees, where the best organised sites had a trickle-down effect on the rest of industry and inspired unions in other sectors to follow suit (Bramble 2001). The militant strategies pursued by unions in this period has been attributed to the rise in labour's share of national income, as seen in Figure 2 (Bramble 2001). The unions vehemently opposed Whitlam's tariff reduction and secured a 25 to 27 percent increase in industry protection at the same time such that there was no real change in average effective protection for manufacturing (Garnaut 2002; Humphreys 2018: 82). The unions also resisted Fraser's regressive reforms as they won wage increases that far exceeded the wage-fixing system that the government had implemented (Humphreys 2018: 90).

In 1982 Australia suffered its deepest recession since the Great Depression. This hit the manufacturing industry particularly hard, as employment in the metal and engineering industries fell by 17 percent by May 1983 (Archer 1988). At the same time, many of the wage gains that the unions had secured were eroded by the Fraser government's cuts to social services (Humphreys 2018). As such, by the election in

1983, the militant strategy pursued by unions had proved successful in constraining efforts at restructuring Australia's growth model, however they had not brought clear advances either.

Figure 2. Labour and capital share of income in Australia, 1960-2017



Source: La Cava/Australian Bureau of Statistics

The ALP constructs a consumption-led growth model

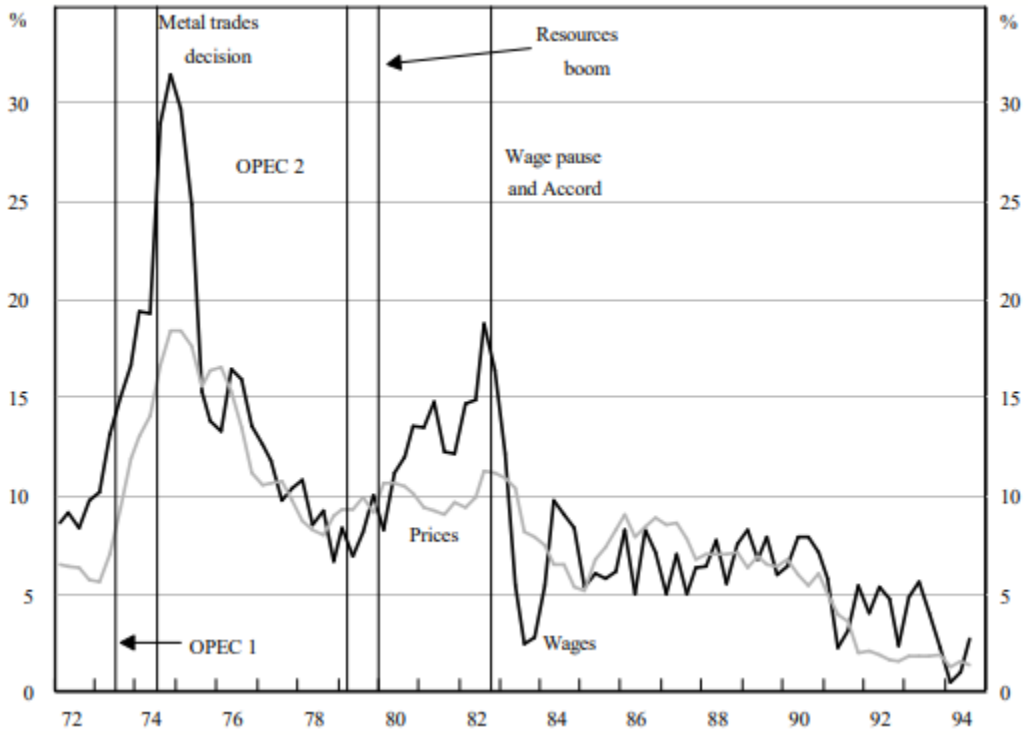
It was the ALP government between 1983 and 1996 that implemented the bulk of the policy and regulatory reforms that were essential in Australia's construction of a consumption-led growth model. The ALP was uniquely placed to de-mobilize the militant trade unions, and thus was a contingent actor in the construction of this growth model. The key mechanism to achieve this was 'the Statement of Accord by the Australian Labor Party and the Australian Council of Trade Unions Regarding Economic Policy', otherwise known simply as 'the Accord', and was formally signed

months before the 1983 election. Under the terms of the original accord, the Australian Council of Trade Unions (ACTU) would voluntarily implement wage restraint, which would allow the government to simultaneously manage inflation while pursuing expansionary measures to limit unemployment and achieve long-term economic growth. The Accord also recognised that labour would not solely bear the brunt of inflation reduction, as the government would limit price increases, while a number of progressive measures such as tax concessions for the working and lower middle classes and the expansion of the social wage would mitigate the effects of wage restraint. Moreover, the Accord also stated that an ALP government would implement a number of consultative mechanisms through which workers would have influence on national policy. As such, an optimistic framing of the Accord was that the unions would 'trade wage restraint for economic democracy', and it was such a message that was pivotal for the ACTU to secure the consent from militant unions like the AMWU (Archer 1988: 214).

Yet the Accord was very different in practice. This became clear almost immediately after the ALP won government at the 1983 election. One of its first acts was to organise the 1983 National Economic Summit and Communique, which was negotiated between the Government, trade unions, business organisations and social welfare groups less than a month after the election. By bringing in other representatives, the Summit was a key public statement that narrowed the Accord as it watered down action on price control, changed wording on wages to limit cost-of-living adjustments, and limited government commitments to tax reforms. More to the point, it reduced the government's commitment to implement the corporatist mechanisms required for the Accord to embed economic democracy. The ACTU was content with this, as its Secretary, Bill Kelty, would reflect that the Communique 'forced the unions to come to terms with the process of government very early', while the ALP economic advisor, Ross Garnaut, identified the Summit as an 'early instrument of public education, helping to prepare a climate of public opinion that expected and favoured trade liberalisation.' The left unions were aware of the impact of the Summit, as the Assistant National Secretary of the major construction union identified that the Communique prioritised the restoration of profitability where the Accord had aimed at 'protecting living standards' (cited in Humphreys 2018: 136). In this sense, by broadening the input of the types of actors onto ALP policy, the Summit signalled that the ALP would moderate the principle of the Accord.

Unlike the Whitlam and Fraser governments, the Bob Hawke led-ALP government did achieve wage restraint, as is demonstrated in Figure 3. The government created the Prices Surveillance Authority in 1983, however it had 'no powers to enforce its observations' and could only request that firms reconsider particularly pernicious price rises. In the Hawke government's first term, it implemented reforms that are akin to Margaret Thatcher's 'big bang' in that they dramatically opened Australia up to financialization. These measures included the floating of the Australian dollar, the abolition of exchange controls, and deregulating the banking sector, housing and credit markets. In the government's third and fourth terms it focused on trade liberalisation by significantly reducing the tariffs without any protection for manufacturing. In the early 1990s the government privatised the Commonwealth Bank, major airlines and significant elements of the energy sector. All of these reforms broke with both the principle and the letter of the Accord, where any major shifts would be negotiated through consultation with the ACTU and, more to the point, actively prevented the government from pursuing industry policy and protections for the manufacturing sector that the AMWU had secured in the original negotiation (Archer 1988).

Figure 3. Wage and price inflation in Australia, 1972-1995



Source: Cockerell and Russell (1995)

In this regard, it was the centre-left ALP that constructed the basis of the consumption-led growth model. Moreover, it did so largely with the acquiescence of the unions who notably did not engage in militant opposition when the ALP failed to implement the Accord. For instance, Humphreys (2018) notes that in response to the insufficient Prices Surveillance Authority the AMWU established a community watchdog that would assist the Authority in identifying price increases, which likely acted to channel anger about price rises within the unions and ALP branches into an acceptable project, thereby limiting the likelihood of an alternative strategy coming to the fore. Likewise, in 1986 the government unilaterally rejected the implementation of cost-of-living adjustments in exchange for continued wage restraint. As Archer (1988: 225) argues, this could have served as the genesis for 'righteous indignation' and militant opposition, but instead the ACTU recommitted to the accord process. The key question is why the trade union movement remained de-mobilised.

Party re-organisation to ensure union demobilisation

The following analysis suggests that through changes to the structure of the ALP's party organisation, union leaders became co-opted and thus their power was diminished relative to the influence and interests of pro-market parliamentary actors inside the party.

The ALP is a federated party, meaning that from its founding until the 1970s, intra-party power clearly rested in the hands of state parties. As a result, leaders of affiliated trade unions held internal authority through their control of state parties. Their concomitant power over the Federal parliamentary leadership was most famously highlighted in 1963, when a photograph captured the Federal Party leader and his deputy standing outside the hotel in which the party's national conference, whose delegates were dubbed the 'faceless men', were deciding the policy programme that the parliamentarians would use to campaign in the upcoming election.

This power dynamic began to change under Whitlam's leadership (1967-1977). A significant element of this was the change in composition of the party's grassroots membership, which became increasingly middle class as a result of the ALP's opposition to Australia's participation in the Vietnam War, the progressive reformist agenda of the Whitlam government and then the contentious nature of his dismissal as Prime Minister. This membership sought greater input in party decision making,

which created an intra-party conflict with the union-influenced state bosses. Whitlam was an advocate of the membership, and gradually increased the power of the Federal Executive by, first, threatening his own resignation and then securing an increase in the size of the Executive as well as four positions for the Federal Parliamentary Labour Party (FPLP). Whitlam secured a majority on the Executive, which over the 1970s intervened in the Victorian, New South Wales, Queensland and Tasmanian state branches, and forced these parties to elect delegates to the Federal Executive and the national conference on the basis of Proportional Representation (PR). The 1981 Federal Conference voted to increase its size and all delegates would be elected on the basis of PR. The effect of PR was to dilute the power that an individual figure could have as it would ensure representation for different tendencies within each state branch (Lloyd and Swan, 1987).

These reforms theoretically democratised the party structure as they made it easier for individual members to win election to internal party committees. However, the effect was the institutionalisation of a factional system that ensured these positions were allocated on the basis of patronage. While all parties tend to have factions, they are typically informal and relatively fluid groupings that are oriented around specific policy agendas. The ALP is unique in that their factions are rigid, formal and easily identifiable. Individual MPs and trade unions affiliate to specific factions, they caucus to decide positions which then bind members to vote in parliamentary bodies and they elect convenors that negotiate with other factional leaders. Prior to the 1980s, factions had functioned exclusively at the state-level, however, the effect of the above reforms was to institutionalise this at the federal level. Thus as the party opened up its processes, moves were made to co-ordinate groupings at all levels of the party to ensure that positions, from Cabinet minister to policy adviser to branch secretary, were allocated on the basis of patronage. Moreover, the institutionalisation of this system at the federal level of the party smoothed over the intra-party division between union leaders and branch members, as factions 'were now marshalling branch members, parliamentarians, their staff, affiliated unions and their executive officers.' Thus, the power of state parties had been reduced, as the national factions, their caucuses and their convenors, held significant influence over the National Executive's course (Lloyd and Swan 1987: 104).

Union influence inside the ALP was centralised in the hands of individual union leaders who were often senior power brokers within factions on the basis of the

delegates that they controlled at state and federal conferences and the financing that their unions provided through affiliation fees to both the faction and the party (Larkin and Lees 2017). The Accord also served to centralise power within the union movement. It created a need for a centralised union body to negotiate with the government, which 'strengthened the power and prestige of the ACTU' (Archer 1988: 229). Over the course of the 1980s, the ACTU enacted a strategy of union amalgamation. There were 20 union mergers between 1980 and 1990, more than double the previous decade; and between 1991 and 1996 there were 64 mergers (Buchanan 2003). According to Humphreys (2018: 182) a consequence of this was 'the increased centralisation of policy and decision-making in the ACTU and the state-based union federations, further relegating the rank and file'. Whereas, in their more militant period, union strategy had often been made at the shop-level, amalgamation centralised this within the growing union bureaucracies. These bureaucracies were expanding as the centralising tendencies led to the recruitment of more full-time staff, many of whom had no background in the union's rank-and-file. As a result, the interests of union leaders were increasingly divorced from the interests of the rank-and-file, and it was these leaders who wielded authority inside the ALP. Precisely because they were a key cog in the factional system, they were more likely to pursue negotiation with the party rather than more militant opposition.

Conclusion

This paper has sought to identify the specific role that parties play in the transition between macro-economic growth models. We have developed an argument that conceptualises parties as critical forums, as parties are effectively the sole organisations that are capable of mediating between society and the state. We argue that a party is home to a range of internal actors, whose interests are formed by their historically and socially specific position inside and outside of the party. As no single actor is capable of holding power inside a party on their own, they achieve influence by forming agreement with other types of actors and, by extension, seek to prevent their internal opponents from achieving power within the party organisation. It is through this influence inside the party that actors can ensure that their interests and preferences are realised in state policymaking and regulatory institutions.

Our case studies have demonstrated the applicability of this argument. While the German SPD and the ALP are both centre-left parties, they have quite distinct histories, exist in markedly different political environments and, most importantly, we have identified their relevance in different historical periods and in the transition between different types of growth models. In both cases, the parties' change in macro-economic policy was premised on changes in the internal power relations, which enabled new types of actors to gain influence.

This is particularly apparent in the Australian case, where the central dynamic in the shift between wage-led and consumption-led models was the de-mobilization of the trade union movement. The end of the wage-led model was characterized by increased union militancy, which was sufficient to stymie efforts of both the ALP and the Liberal party in implementing new macro-economic policies. However union militancy failed to achieve lasting victories of their own. This stagnation was broken through the Accord agreed between the ALP and the ACTU, in which the latter agreed to implement wage restraint. Yet, as the ALP broke the terms of this agreement and implemented the key policies behind the consumption-led growth model, the unions remained demobilized because their leaders' had shifted their interests to align with the pro-market preferences of their parliamentary counterparts. The key mechanism for this shift was the institutionalisation of a factional system at the federal level of the party, which enabled union leaders to act as power-brokers within the parliamentary party. At the same time, the interests of trade union leaders began to align more strongly with parliamentary elites precisely because a principal effect of the Accord was to centralise power within individual unions and the broader union movement in the hands of leaders. While, in theory, this could have enabled these leaders to implement anti-Accord preferences, this institutional shift opened up pathways for union elites to become parliamentarians which in turn influenced their interest formation.

In the German case, the SPD was integral in the implementation of the export-model in the late 1990s and early 2000s, and also in beginning the shift away from this model in the contemporary period. In both episodes we see a change in the interests of key internal-party actors, and in the latter period a shift in the type of expert as elites from the social-movement oriented Jusos group institutionalise their power. In both the shift to the export-led model and the shift away, the interests of key internal-actors are

likely motivated by electoral considerations. Particularly in the contemporary period the SDP was, and potentially still is, experiencing an existential crisis as it grapples with the rise of challenger parties eroding their electoral base. The parties' response to these different crises is motivated by external considerations, which are refracted through the interests of specific party elites, as well as by shifts in the internal balance of power and the varying influence of the more progressively inclined elements of the party.

Thus, in both cases, we see that the interplay of external developments in the form of macroeconomic stagnation and electoral pressures are catalysts for policy change. However, the specific response, and therefore influence on new growth strategies, are contingent on the way in which these externalities are debated inside the party. This is contingent on the specific way unique internal actors experience and interpret these externalities and the changing balance of power inside the party. This suggests that parties do more than sell the growth model, and the role of party elites in the construction of a new model is contingent on endogenous developments inside key parties.

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