

What is Right for the Right?

Austrian and German Catch-All Parties' Responses to Globalization

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Abstract

I examine how international economic conditions affect Western Europe's welfare states by analyzing parties' ideological dynamics over time. Previous quantitative analyses revealed that both left-wing and right-wing parties systematically adjust their policy positions in response to economic changes associated with globalization, pointing to need to include right-wing parties in the globalization literature. Here, I examine how the Austrian and German center-right wing parties react to economic openness by tracing the parties' policy positions and policies over time. Furthermore, I consider how the ascent of neoliberalism has affected intra-party consensus. The hypotheses that right-wing parties have an incentive to shift their policies further to the right and hypothesis that neoliberalism has appeal as a policy paradigm for the right are tested.

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Introduction

How does globalization affect political parties? The rich literature on the effects of globalization on the welfare state is characterized by contradictory claims about the manner in which economic openness will affect traditional policy making. Based on the assumption that competitive dynamics of the international economy pressure governments to embrace market-friendly policies, globalization has been said to entail *neoliberal² policy convergence³* along and practices and concurrent welfare state retrenchment. For example, Mishra (1999) argues globalization forces governments to focus on reduction of deficits and debt and on the lowering of tax rates, thereby lowering social protection and social expenditures. In addition, with respect to globalizations non-material, *ideational* dimension, major international organizations such as the IMF, the OECD and the European Commission have been advocating neoliberal policy, for example by stressing the need for structural adjustment. This ideological shift away from post-war Keynesianism toward neoliberalism is reflected in prescriptions for social democracy to embrace a “third way” (e.g. Anthony Giddens 1998;

² Neoliberal policies include the liberalization of capital flows, monetary policy committed to low inflation, financial and labor market deregulation, trade liberalization, increase of the power and freedoms of entrepreneurs and investors, and restructuring of corporatist production regimes. The general goals of neoliberal policies are to lower costs, to invite private investment, to reduce inflation and increase economic production.

³ Neoliberal convergence typically refers to increasing similarity of national socio-economic policies and welfare related institutions around market-friendly practices which favor smaller governments, reduced provision of social services and lower levels of taxation and regulation (e.g. Berger 2000; Garrett and Lange 1991:540; Glyn 2001; Rodrik 1997). The argument implies that the neoliberal forces of open markets act as a *causal* force on national politics. The theory of neoliberal convergence must be distinguished from earlier conceptions about welfare state convergence which postulated that industrialization would entail elite leadership and mass response, rather than Marxian class conflict, and included predictions about the end of ideology and the *expansion* of the welfare state (Goldthorpe 1984, referenced in Kleinman 2002).

2007). Borrowing Hall's (1997) terminology, neoliberalism has become the ascending '*policy paradigm*'⁴ in the international arena. In short, compared to the post-war decades dominated by Keynesianism, the ideological pendulum of economic policies has swung to the right.

A second strand of the globalization literature questions the onset of convergence, predicting that *divergent* policy approaches and institutional structures will continue to exist. Arguments point to empirical evidence of consistently levels of welfare state spending (Garrett and Mitchell 2001), to the effects of institutions (e.g. Alesina et al. 1994; Dyson 2002; Garrett 1998; Kersbergen 2000; Hall and Soskice 2001; Swank 2002) and to electoral demands for compensation on maintaining existing levels of welfare benefits (Przeworski 2001). This literature also predicts the continued relevance of partisan strategies in affecting the economy (Boix 1998). Recently, more qualified claims about convergence (Cerny 2005) are answered by more qualified claims about divergence (Knill 2006). In short, the convergence-divergence debate in the globalization literature remains unsettled.

This paper seeks to contribute the debate about globalization by examining how *parties'* *policies* and *parties' policy preferences*⁵ change in response to economic openness, focusing on

⁴ Defined as a "consistently applied set of policy beliefs" (Hall 1997).

⁵ Why focus on party's policy positions? For one, the behavior of political parties in response to economic openness is not well understood. Numerous scholars analyze the effects of public opinion on parties' policy programs (Adams et. al. 2004, 2006; McDonald and Budge 2005, Ezrow 2006) but the effect of international economic conditions on parties' policy programs has received little scholarly attention thus far. Analysis of *policy programs* is valuable for three reasons: first, parties' programs are important in and of themselves, as they are endorsed by the party as a whole and as pre-election declarations they serve as a guideline for voters (Adams et al. 2004, 2006, Klingemann 1994, McDonald and Budge 2004, Volkens 2004). Second, empirical research suggests that parties' pre-election policy programs are a reliable indicator of the policies they will pursue once in office (Klingeman 1994, McDonald and Budge 2004;). Thirdly and importantly, parties' policy positions reveal shifts in domestic economic agendas more clearly than do policy outputs which arise as a compromise between coalition partners; therefore, shifts in policy positions enable a researcher to examine the *ideological* foundations of socio-economic policy-making.

right-wing parties. I previously presented a time-series, cross sectional analysis of the policy shifts of 138 parties in 17 European welfare states⁶ over a time-period of approximately 30 years. The results revealed that both left-wing and right-wing parties systematically adjust their economic policy positions in response to changes in economic openness. However, different responses to various economic openness indicators (i.e. trade and capital mobility) called into question straightforward claims about neoliberal policy convergence associated with the early globalization literature.⁷ Importantly, the results revealed that the differences between left-wing and right-wing parties' responses to globalization are not statistically significant, calling for more detailed analysis of right-wing parties which are currently nearly neglected in the globalization literature. This is what I do here. After introducing the literature on globalization and political parties and the hypotheses in section 2, section 3 presents case studies Germany's and Austria's catch-all right-wing parties. The case studies trace the economic policy preferences of both parties over time, emphasizing party's policy programs. I address the following questions: Do right-wing parties adjust their policy positions in response to economic openness? Does economic openness open a policy window to pursue economic policies in accord with traditional right-wing parties' economic policy preferences? Have right-wing parties internalized neoliberal ideology? Do they respond differently to economic openness when in government and. when in opposition? Lastly, what do the economic policy directions of these right-wing parties suggest about the likelihood of policy convergence between the left and the right?

⁶ I focus on the effect of European economic integration - which arguably constitutes an "intense" case of globalization (McNamara 2003, Scharpf 1999, Notermans 2001).

⁷ Results available from author upon request

The results I report are mixed. The cases of Austria's and Germany's right-wing parties confirm that right-wing parties systematically respond to changes in economic openness, aiming at reducing the role of the state. The cases reveal that both parties have been receptive to a market-oriented policy approach. Recently, the conservative Austrian People's Party (ÖVP) utilized its governing position as a window of opportunity to pursue market-oriented welfare reform, while the German Christian Democratic Union (CDU) party campaigned on a similar platform but has not been able to implement these policies and has since then questioned its policy direction. While de-emphasizing the ideological force of neoliberalism, both parties refer to globalization and the changed economic climate when justifying their reform-oriented policy directions.

2. The Literature, The Analytical Framework and Hypotheses

2. 1. Literature on Globalization and Right-Wing Parties

Social democratic policies have been based on the assumption that capitalism can be regulated and the effects of the market corrected. Since globalization increases the might of market forces vis-à-vis the state, it is not surprising that the future of social democracy and social democratic parties has sparked wide interest in the scholarly community.⁸ Studies highlight the failure of social democratic parties in adapting to structural changes and their failure to put forth a persuasive model of socialist political economy (Callaghan 2003; Malière

⁸ e.g. Callaghan 2003; Garrett 1998; Glyn 2001; Kitschelt 1994; Kuhnle 2000; Ladrech 2000; Lordon 2001; Luther and Müller-Rommel 2002; Mishra 1999; Notermans 2001; Pierson 1995, 1999; Przeworski 1985; Roder 2003; Scharpf 1999, 2001; Schmitt 2002; Thompson 2000.

1999). Importantly, due to the incompatibility of their traditional preferences and the increasingly open market, social democratic parties are said to be caught in a “catch-22” with respect to the electorate. They must either scale down their commitments, or promise what they are unable to deliver (Heywood 2002). With the rise of neoliberalism, social democrats are faced with the choice of continuing remedial social policies or adopt neoliberal prescriptions. Arguments about neoliberal convergence foresee that it will become inconsequential “whether the left or the right wins the election, [as] the constraints of the internationalized economy will oblige either party to follow the same monetary and fiscal policies” (Berger 2000:51). Empirical suggest that numerous leftist governments have indeed accepted orthodox policies, prioritizing inflation control, limitation of the tax burden and labor market deregulation and, that European social democrats programs closely resembled those of their center-right counter parts (Glyn 2001:20Ladrech 1999:4).

In contrast to social democracy, the manner in which economic openness affects conservative and center-right parties (i.e. Christian Democratic parties), has received little attention.⁹ Consequently, theories about their reaction to globalization and their role in the trajectory of the welfare state are virtually absent. Considering the great political significance that Christian democratic parties’ have played in Europe (Kalyvas 1996) in the era of welfare state expansion - for example, Christian-democratic parties have shaped salient religious cleavages in Europe, thereby moderating the political significance of class and shaping a distinctive path to welfare capitalism (Kersbergen 1995:237) - the lack of attention to their current impact on the welfare state is anomalous. Presumably right-wing parties have been

⁹ but see Boix (1998); Kersbergen (1995); Hanely (2002); Johannson (2002), Kaiser and Gehler (eds. 2004).

less interesting because their traditional partisan preferences do not obviously conflict with the dynamics of an open market. However, this assumption might brush over important differences between right-wing parties and neglects to consider the relationship between right-wing parties and the electorate. Furthermore, the reactions of right-wing parties to economic globalization provide not only insight into the future of the welfare state, but also speak to the convergence-divergence debate, because arguments of policy convergence predict that left-wing and right-wing parties' economic policies become more similar due to left-wing parties' shifts to the center. However, this prediction implies that right-wing parties do not also shift in response to globalization. Considering their traditional economic policy preferences, I argue that it is plausible that right-wing parties have an incentive to shift right-wards.

With respect to economic policies, left-wing and right-wing parties have traditionally differed in a number of socio-economic issues, such as governmental versus private ownership of the means of production, the degree of redistribution and the scope of governmental social welfare programs (Harmel and Janda, 1979). More specifically, the partisan-ideological thesis holds that leftist parties seek to increase the level of intervention in the economy, seek to lessen the effects of business cycles, and favor redistribution of wealth to the less well off. In contrast, right-wing parties strive to reduce the extent of government intervention, increase the disciplining effects of market mechanisms, and reduce the breadth and depth of the welfare safety net (Garrett and Lange 1991:563). Considering these preferences, it is clear that the general tenants of neoliberalism - such as liberalization of capital flows and trade, monetary policy committed to low inflation, financial and labor market deregulation, , increasing the power and freedoms of entrepreneurs and investors, etc., - as

well as the goals of neoliberalism - to lower costs, to invite private investment, to reduce inflation and increase economic production - are compatible with the economic goals of the right.

Certainly, right-wing parties' are not homogeneous. Conservative and Christian Democratic have differed in their conception of the role of the state in the economy. For example, conservative parties have leaned towards classical liberalism, while Christian Democratic parties have combined liberalism and social responsibility,¹⁰ having given rise to economic models such as Germany's 'social market economy.' With respect to social policies, Christian democracy aims to lessen the political importance of social cleavages, without aiming to eradicate them. Representing a middle way between capitalism and socialism, Christian democratic parties' political and social practice is shaped by both a commitment to the market and a trust in the possibilities of politics (Kersbergen 2000:231). The underlying assumption is that the state steps in when fundamental social units, such as family, the market or vocation, prove unable to secure their existence. In essence, Christian democracy has aimed at *accommodating* social, economic and cultural differences, but, in contrast to social democracy, it has not striven to *transform* differentials stemming from occupational, economic or social status. The goal of alleviating social conflicts and the notion of Christian morality has been maintained despite secularizing trends (Kersbergen 1995:231,240).

¹⁰ Christian democratic parties replaced conservative parties in Catholic societies. Emphasizing a "new beginning" after World War II, the parties delineated themselves from traditional conservatives (Pelinka 2004:205; Kersbergen 1995).

However, right-wing parties, including Christian democratic parties, have been ambiguous in both their political program and their ideology. Over time, they have displayed greater ideology flexibility than their social-democratic counterparts, which have traditionally sought to transform society and shape public opinion (Przeworski and Sprague 1986). For example, Christian-democratic parties' emphasis on the politics of mediation and on nurturing an "organic harmony of society" has declined (1995:238), and, as a consequence, the distinction between Christian democracy and conservative parties has become hazy. Pelinka (2004) believes that this decrease in differences was accelerated with the development of a transnational European level party system and the European parliament, where the difference between the conservatives and the Christian democrats is not substantial. In comparison to the programmatic image in the post-war years, many center-right parties, such as the German CDU/CSU and the Austrian ÖVP describe themselves as both Christian democratic and conservative (Pelinka 2004:205). Perhaps as a result of this ambiguity, the political distinctiveness of Christian democracy has been downplayed in the academic community. However, despite secularizing trends in post-modern societies, electoral support of Christian Democratic parties has not suffered and they continue to play an important role in many European nations. Thus, their reactions to globalization will critically shape the future of the welfare state.

What does the extant literature suggest with regard to mainstream right-wing parties' reactions to openness? Milner and Judkins (2004) find that right-wing parties advocate free trade to a greater extent than left-wing parties, leading to polarization on this policy issue. Roder (2003) notes - but does not explore - that conservative and Christian Democratic

parties' have reacted to increasing economic openness by distancing themselves from Keynesianism. Kersbergen argues that Christian-democratic parties by the mid 1990s pursued policies of welfare state retrenchment and fiscal austerity while attempting to preserve some form of social compensation to recompense the losers of economic adjustments (Kersbergen 1995:237). In a quantitative study, Adams, Haupt and Stoll (2007) present evidence in support of the claim that right-wing parties, compared to social-democratic parties, are more responsive to shifts in public opinion and also more responsive to changes in the global economy. Kaiser and Gehler (2004) find that Christian democratic and center-right parties failed to develop a new societal vision in the global age. In some cases the agenda of welfare reform has caused tension within the parties (Kaiser and Gehler 2004:1-3), for example in the case of the Dutch Christian democrats, whose party leadership disagreed over the degree to which neoliberal policies should be adopted and social compensation should be maintained (Kersbergen 1995:243). Meanwhile, European public opinion has consistently supported existing welfare arrangements and has grown increasingly skeptical of neo-liberalism (Przeworski 2001:329; Kersbergen 1995),¹¹ In summary, the evidence suggests that right-wing parties' are receptive to economic openness. It is less clear, however, whether or not economic openness entails a break in the post-war model of compensatory social policies or shift in policy paradigm (Hall 1993, referenced in Kersbergen 1995:244; Kaiser and Gehler (2004). Therefore, the literature on globalization offers some clues, but few theoretical insights to the behavior of right-wing parties. The manner in which economic openness affects center-right-wing parties, the degree to which neoliberalism has penetrated their

¹¹ The fact that the European left experienced a revival during the 1990s lends support to this assumption.

platforms, or the manner in which globalization affects the relationship between right-wing parties and the electorate has not been explored systematically.

2.2. Analytical Framework & Hypotheses

Analytical Framework

I build upon the assumption that parties are rational actors who simultaneously pursue office, policy and votes - goals which are often in conflict with another and require potentially difficult tradeoffs¹² (Müller and Strom 1999; Strom 1984). I argue that economic globalization changing the “policy menu” of available economic strategies, thereby affecting the trade-offs involved with parties’ threefold goals. Following Hall (1993; 1997) and Hall and Soskice (2001) and Dyson (2002), I also consider the role of *informal rules and ideas* in order to assess the impact of economic globalization on political party behavior. Based these assumptions and on the insights and questions raised by the existing literature, I propose the following hypotheses:

Hypotheses

The end of the Keynesian-based consensus and the advent of a more market-friendly policy paradigm on the international level plausibly *lessen* right-wing parties’ tradeoff between policy and office. In other words, the material and ideational dimensions of economic globalization create an economic climate more favorable for right-wing parties than left-wing parties, conceivably *complementing* their economic policy preferences and opening a window of

¹² Policy-seeking behavior is seen as a supplement to, not a substitute for, office seeking behavior. Like office, policies can have an intrinsic or an instrumental value, while votes are seen as an instrumental goal only (Müller and Strom 1999).

opportunity to pursue economic policies consistent with right-wing partisan preferences. In contrast to left-wing parties, right-wing parties, traditionally less organizationally bound and ideologically rather flexible, are likely to embrace neoliberalism, especially since they represent the beneficiaries of globalization. Therefore, in light of the material “realities” of economic openness, *right-wing parties are inclined to shift their economic policies to the right in response to economic openness* (Hypothesis 1).¹³

Secondly, I consider globalization as an *ideational force* which influences policy actors’ conceptions about ‘best economic practice.’ Considering the general compatibility of neoliberalism and right-wing partisan preference regarding economic policies, neoliberal ideology as a policy paradigm is likely to be absorbed by right-wing parties (especially considering that their policy preferences had been at a disadvantage under Keynesianism). At the same time, drawing from Hall who points to the resilience of existing policy paradigms, I hypothesize that Keynesian ideas are relatively “sticky.” Though the resistance to neoliberalism likely to be greater among left-wing parties than right-wing parties, it is plausible that not only within left-wing parties, but even within right-wing parties, *existing Keynesian ideas and Christian democratic conceptions of social responsibility will compete with the new neoliberal paradigm, possibly leading to intra-party conflict* (Hypothesis 2).

Thirdly, in light of the trade-offs between policy and votes, I hypothesize that despite globalization’s incentives to shift right-wards, right-wing parties will shift only if when they consider this shift to be electorally disadvantageous. Building on this assumption, I hypothesize that parties’ position of influence (whether in government or in opposition) is

¹³ A related claim - one that cannot be tested in this paper, however, is the claim that *policy convergence between left-wing and right-wing parties is not an inevitable outcome of economic openness.*

likely to determine their ideological positioning. In light of European public opinion being skeptical of neo-liberalism, the pursuit of votes is likely to harness rightist parties' adoption of neoliberal policies. In short, I postulate that being in office is likely to render right-wing parties more responsive to neoliberal ideology (Hypotheses 3).

3. Comparative Case Studies: Austria's and Germany's Right-wing Catch-All Parties

Putting the hypotheses to the test, this section compares the economic policies of German Christian Democratic Party (CDU) and the Austrian conservative People's Party (ÖVP) over time. The Austrian and German cases are very similar and invite comparison. For example, with respect to their welfare regime characteristics, both countries belong to the welfare regime category "corporatist conservative" - meaning they *share the same norms underpinning social service provision* - and they are very similar with respect to welfare state expenditures (Busemeyer 2005:571). As mentioned above, they share a common historical and cultural heritage. Both countries are members of the European Union¹⁴ and European Monetary Unions, which can be considered an "intense case of globalization" (McNamara 2003). Concerning Austrian and German parties, both countries have been ruled either by a social democratic or a Christian democratic government,¹⁵ either in coalition or alone.

¹⁴ Though Austria is a latecomer to the European Union, Austria's economy has always been very open and subject to the forces of the international market.

¹⁵ Though Christian-democratic parties in Europe are quite heterogeneous, Germany's center-right Christian Democratic Union (CDU) and Austria's conservative People's Party (ÖVP) have traditionally been alike in terms of their platforms and the characteristics of their electorates.

Furthermore, the two countries' party systems have become increasingly similar: with the rise of the Freedom party in Austria and the emergence of Green parties in both countries, the party systems are characterized by two opposing blocs on the left and the right of the ideological spectrum.¹⁶ Political institutions do not constitute a focus of this study, thus it is helpful that these variables "are held constant:" Germany and Austria are reasonably similar with respect to their electoral system (purely proportional in the case of Austria and mixed-proportional in the case of Germany) and both countries are federations. Even though institutions are not at the center of this analysis, it is worth noting that the two cases *differ* with respect to their political-economic institutions (which are more likely to influence left-wing than right-wing parties' positions).¹⁷ As a result, Keynesianism had become more firmly entrenched in Austria than in Germany.

The case studies are based on archival research, on party documents, press reports and on several dozen interviews with policy elites conducted during the fall and winter 2005. Furthermore, I utilize the data of the Comparative Manifesto Project¹⁸ which codes parties' policy platforms.

¹⁶ In the case of Austria, a more competitive policy-making climate is a recent phenomenon.

¹⁷ While Germany's unions are less centralized and less powerful in comparison to the corporate sector, common for a corporate-conservative type, Austria's corporate system is encompassing and centralized. Austria's so-called "social partnership" resembles those of the social-democratic welfare regime types of Scandinavia; therefore, Austria can be considered a hybrid welfare state type. The cases of Austria and Germany facilitate a comparison of parties' reactions to economic openness in two welfare states *with like norms but different corporatist structures*.

¹⁸ The Comparative Manifesto Project (CMP) has coded the empirical content of policy platforms over time for over 25 democracies during the post-war period. The CMP codes parties' election programs and assigns positions to parties along a variety of policy dimensions, making it possible to construct spatial maps of parties' policy movements over time. The percentages in each category are a measure of the party's position, enabling a researcher to compare policy emphasis of different parties' programmes to each other and the emphasis of a party's program during different election periods (Budge et al. 2001). The coding scheme consists of 7 domains and 57 categories, which measure a party's emphasis on a policy area. By summing the areas, researchers can determine a party's overall ideological position.

3.1. Austria's People's Party (ÖVP)

A Brief History

The Austrian People's Party (*Österreichische Volkspartei, ÖVP*) was founded immediately following the reestablishment of the Federal Republic of Austria in 1945 and has been a major player in Austrian politics ever since its inception. The party perceived itself as a catch-all, non-socialist party with various conservative currents. Christian social doctrine dominated the party's image while classical state liberalism had only limited influence. Religious tendencies, such as Catholicism, manifested themselves as a component of a social reformism in the economic goals of the party (Müller 1988: 99)¹⁹. Like the German Christian Democratic Party (CDU), the ÖVP has traditionally been committed to a social market economy (*Soziale Marktwirtschaft*).

Based on its tumultuous interwar history of near civil war, both the People's Party (ÖVP) and its main competitor, the Social Democratic Party (SPÖ) acknowledged the need for *consensus* to provide an "antithesis" to Austria's tumultuous political history of class conflict and near-civil war of the 1930s (Pelinka et.al. 1999:13). Cooperation and mutual guaranties of power-sharing between government and labor and business - the so-called "social partners" - constitutes the defining feature Austria's economic policy climate (Guger 2001: 61). In the consensus-oriented climate, the SPÖ and the ÖVP agreed to a long-lasting coalition. Compared to other countries, Austria's labor internalized a more long-term perspective which

¹⁹ The party is considered to belong to the Christian-Democratic party family based on the coding of the Comparative Manifesto Project (Budge et.al. 2001).

underpinned wage restraint in light of goals of low inflation and international competitiveness²⁰ (Guger 2001:70). In addition, wide-ranging nationalization of industry, though pursued pragmatically to keep the industry from Soviet claims of “German-owned property,” was in line with a socialist economic agenda of a planned economy. Emerging by bi-partisan consensus was a distinct Austro-Keynesian approach which extended beyond anti-cyclical demand management and which offered a long-term perspective on investment and growth.

The 1960s and 1970s - Decades of Uncertainty

On the federal level, the ÖVP was the strongest party between 1945 and 1970, but then entered a phase of ideological uncertainty. In 1966, it formed a single government, but lost its majority for the first time in 1970 to the Social Democrats. The ÖVP remained in opposition until 1987 (Müller 1988:98). During the 1970s, the SPÖ left a distinct mark on Austria’s economy policy making. Gaining more than 50% of the votes in 1971 the SPÖ became the strongest social democratic party in Europe led by chancellor Bruno Kreisky. Still in an era of welfare state expansion, Kreisky initiated sweeping reforms to develop and to modernize the welfare state (Luther 1999: 20). Kreisky focused on the promotion of full employment and this policy was continued successfully after the first oil crisis along with an effort to control inflation through the exchange rate and to uphold international

²⁰ The specific elements of Austro-Keynesianism include 1. Counter-cyclical use of budget deficits prioritizing full employment and growth; 2. Expansionary fiscal policy and subsidies to industry; 3. Monetary policy aimed at a stable nominal exchange rate to fight inflation and increase competitiveness - which frequently meant appreciating the Austrian Schilling against currencies of trade partners; and, 4. moderate, voluntary wage and incomes policy (to control wages and prices) based on social partnership (Guger 2001:59-60; Veiden 2001:215).

competitiveness via incomes policy. In comparison, other industrialized countries focused on fighting inflation and on restrictive monetarist policies (Guger 2001:54).

The ÖVP's relatively weak performance during the 1970s has been attributed to the party's failure to advance a comprehensive economic program. Müller explains that the party was preoccupied with pragmatism, for example with pragmatic intervention and government regulation serving the ÖVP core groups, such as agriculture (Müller 1988). While diverging ideological positions within the ÖVP seldom surfaced, some ideological differences emerged between the party's leadership and the party base. The party elite focused on the modern conservatism found among German and Scandinavian parties, shying away from a conservative label which might be mistaken for "reactionary." In comparison, the party's base favored conservative Catholicism. In accord accounts of ideological indeterminacy characteristic of the Christian-democratic family (Kersbergen 1995), the ÖVP moved away and then back towards conservatism during the 1970s. For instance, the 1972 "Salzburg Program" stressed the need for industrial adjustment, redistribution of income and "even discussed the alienation of work within the industrial mode of production" (Müller 1988:106). Meanwhile, the party unsuccessfully struggled with reforming its internal organization and leadership. In the process, the party failed to communicate a clear alternative to the economic policies of its competitors (Aiginger 1985).

The 1980s and Beyond - The Ascent of Neoliberalism

Both the economic recession following the second oil crisis and membership in the European Union provided significant momentum for the Austrian People's Party's ideological

direction, ending its phase of ideological uncertainty. The party distanced itself from Keynesianism and moved distinctly to the right during the 1980s (Müller 1988:103). While Austria's economic performance worsened, the ÖVP strove to present itself as the superior choice in national macroeconomic management and began to argue that continuous state intervention had been partially responsible for the economic crisis (Chaloupek 1985). The party's 1985 and 1986 electoral manifestos called for increased privatization and lower income taxes. Supporting, hypothesis 1, the ÖVP advocated deregulation, spending cuts, privatization and tax reform, and its mid 1980s policy program contains neo-conservative themes reminiscent of (but more moderate than) their conservative counterparts in the US, Great Britain and Germany (Müller et.al. 1996:95-6; Müller 1988:110-1). The ÖVP's strategy was successful inasmuch as the federal elections of 1983 resulted in an increase of its electoral share - 43.2 percent - for the first time since 1966. During this election, the SPÖ lost its majority and entered into a governing coalition with the Freedom Party (FPÖ). Steering toward neoliberalism (Müller 1988:111) the ÖVP made electoral gains in various elections held in Austria's provinces. In concert, this development *increased the difference* between the ÖVP and the SPÖ, which, at the time, also began to move rightwards, but less decisively so. During this time, the EU Maastricht convergence criteria prompted consolidation of Austria's budget and sparked numerous reforms. When the election of Jörg Haider as party Chairman of the liberal Freedom party (FPÖ) ended the SPÖ -FPÖ coalition, the two SPÖ and the ÖVP entered into another grand coalition - once again with relatively similar platforms. While the parties' kept their distance vis-à-vis each other - avoiding convergence, the policy paradigm had clearly shifted towards the right.

The subsequent SPÖ -ÖVP coalition of the late 1980s and 1990s maintained the strong currency option, moderate incomes policy, and reduced its emphasis on full employment at the expense of less expansion and budget consolidation (Guger 2001: 67). Together, the parties embarked on a program of privatization, for example of formerly state-run enterprises such as Telekom Austria, Austrian Airlines and Austrian Tabak (Luther 1999: 29). Austria joined the EU in 1995, and in light of EU membership and the Maastricht Treaty, the coalition government agreed to “the most stringent austerity plan in recent Austrian history” (Huber and Stephens 2001:276) aiming to reduce the budget deficit by 2 percentage points, from 5 to 3 percent, within two years. The measures included increases in taxation and cuts in spending, for example on personnel in public sector, reductions of transfer payments (e.g. pensions and child allowances) and raising the retirement age (OECD 1997, referenced in Huber and Stephens 2001:276). Remarkably, membership in the European Monetary Union (EMU) was almost a “foregone conclusion” despite large-scale opposition in the electorate (Lordon, 2001, p. 137).

The ÖVP Government since 2000: Substantial Welfare State Reform

After the election in 2000, the ÖVP entered a coalition with the liberal Freedom Party (*Freiheitliche Partei Österreichs - FPÖ*) and the political dynamics of Austria politics entered a new phase marked by further, ambitious welfare reform. The motto was “*weniger Staat, mehr privat*” - less state, more private. Supporting the hypotheses 1 and 3 (that right-wing parties’ are inclined to shift rightwards, especially when in government), the ÖVP under the chancellorship of Wolfgang Schüssel pursued policies associated with welfare state

retrenchment. For example, the parties embarked on a privatization program, and introduced higher taxation and cuts in welfare benefits (Luther 2001:10). The program issued by the government in 2000 (*Regierungsprogramm*) reflects an increased emphasis on the market and has paid less attention to the social partners (Guger 2001:78). Policies affecting social service provision included a transfer of competencies from the social ministry to the ministry of economy and labor in 2000, changes in labor laws involving less generous parameters and pension reforms in 2000, 2003 and 2004 (Guger 2001:78; Tálos 2005:85). The ÖVP continued its reform course of deregulation and structural changes after its reelection in 2002. The policy actors interviewed stressed *deregulation, privatization and liberalization, deficit reduction* as the party's policy priorities Anonymous²¹ 2005; Anonymous²² 2005). Importantly, most stated that the party policy course was due to *pragmatic* adjustments, indicative of *external constraints* imposed by the Maastricht criteria, rather than of an ideological shift of the party (Anonymous²³ 2005; Anonymous²⁴ 2005).

ÖVP policy actors' confirm that the party's reform course was motivated by international economic constraints. For example, an ÖVP legislator considered the 2005 tax reform an important measure to reduce the tax burden of businesses, indicating an effort to

²¹ ÖVP member responsible for policy analysis, support of ÖVP program, opposition research. Personal interview September 22, 2005, Vienna.

²² ÖVP member of the National Assembly (XXII Legislative Period) and member of the ÖVP Executive. Personal interview September 13, 2005, Vienna.

²³ ÖVP member of the National Assembly (XXII Legislative Period) and Deputy Chairman of Committee for Labor and Social Affairs. Personal interview September 12, 2005, Vienna.

²⁴ ÖVP legislator during the National Assembly (XXII Legislative Period) and member of the Economy Chamber. Personal Communication, October 3, 2005.

make Austria an attractive investment location (Anonymous²⁵ 2005). Similarly, a member of the ÖVP Vienna believes that EU membership and opening of the East European market now show increasing effect and that the 2005 tax reform was sought in response to the pressures of globalization (Anonymous²⁶ 2005). In addition, the 2006 electoral program asserts, “[w]e pursue an eco-social market economy.... We give clear answers to the challenge of globalization.” (ÖVP Electoral Program 2006).

The market-oriented reforms, in conjunction with the Freedom Party’s (FPÖ) participation in government led to a *decline of consensus* in Austrian politics. Social partnership was weakened because of increasing deregulation and decentralization, allowing industrialists to push for increased flexibility in the labor market (Pollan 1997, cited in Guger 2001:77) and due to supranational governance many area of economic policy have shifted to the central European level (which is characterized by more lobbying and less corporatism) (Anonymous²⁷ 2005). The ÖVP further pushed to reduce the influence of the social partners. The government suggested lowering tax-based contributions to the Chamber of Labor in 2000, which a member of the Chamber of Labor²⁸ considered a “serious effort to intimidate”

²⁵ ÖVP legislator of the National Assembly (XXII Legislative Period). Member of the Economy Committee. Personal interview September 22, 2005, Vienna.

²⁶ Member of the ÖVP Vienna. Personal interview September 27, 2005, Vienna.

²⁷ SPÖ member and former Federal Minister of Finance. Personal interview, December 17, 2005, Vienna.

²⁸ The Austrian centralized organizational pattern of collectivist interest organization dates back to the 19th century, when various chambers of commerce emerged to represent trade, industry and business. These chambers developed into the three-fold corporate structure of the “parastatist” Chamber of Economy, Agriculture and Labor (Markovitz 1996: 7-9; see also Tálos 1996).

(Anonymous²⁹ 2005). In particular, the 2003 pension reform sparked further conflict with the unions. Meanwhile, business and entrepreneurs have benefited from lower taxation and reduced contribution to social security (Guger 2001:78) and the influence of the Austrian Federation of Industrialists³⁰ has risen (Anonymous³¹ 2006). Guger (2001) believes that these developments are indicative of an important institutional change and an attempt to confine social partnership to labor relations and incomes policy (2001:78). The reform course has also impacted the inter-party relationships. The interviews with policy actors reveal that a majority indeed considered the policy distance of the two main catch-all parties to have increased and that polarization has taken place. In respect to the effects of the perceived ideological polarization, a majority of the policy actors indicated they believe that economic internationalization has rendered politics more conflictual. An ÖVP legislator and member of the executive believes that globalization and European integration have increased the importance of *ideology*, even on an international level.³² Contra to the theory of policy convergence, a member of the ÖVP Executive believes this development further delineates

²⁹ SPÖ member and member of Chamber of Labor. Personal interview September 2005, Vienna. Telephone interview October 5, 2006.

³⁰ The Austrian Federation of Industrialists has approximately 4,000 members, employees, who represent a workforce of more than 400,000 (US Chamber of Commerce). Unlike the Chamber of Economy, the Federation of Industrialists represent predominantly large businesses. It is an independent association, not considered a “social partner.” (Christian Friesl 2005, interview by author).

³¹ SPÖ member and member of Chamber of Labor. Personal interview September 2005, Vienna. Telephone interview October 5, 2006.

³² He stresses that European, Latin American and Asian conservative/Christian democratic parties are increasingly interested in mutual exchange, for example at the IPU (Interparliamentary Union). While international labor movements have been active for a long time, this development for the conservative parties is relatively recent.

two distinct ideological camps (Anonymous³³ 2005). The graph in Figure 1 depicts the ÖVP's policy positions as coded by the Comparative Manifesto Project. The graph depicts the ÖVP's policy positions on economic policy positions³⁴ and on the European Union from the elections in 1949 to 2002 (in comparison to those of the SPÖ).

[FIGURE 1 ABOUT HERE]

The graph generally confirms the ÖVP's policy course described above. For example, it reveals the frequent and significant programmatic fluctuations of the ÖVP: on the 200 point CMP scale, the party shifts from a point of at least 25 to the center nearly 6 times. In 1971 and 1979, the ÖVP takes centrist positions, supporting Müller's (1988) argument that the economic policy program of the ÖVP was not clearly defined at the time. The ÖVP's most rightward positions are in 1957 (30), is trumped slightly by the position in 1995 (32). Unfortunately, one idiosyncrasy concerns the ÖVP's move *leftwards* after 1997 and its center-left position in 2002. This leftward move contradicts the accounts of its market-oriented reform course presented reported above. I argue that they *must be considered an anomaly*.³⁵

³³ ÖVP member of the National Assembly and member of the ÖVP Executive. Personal interview September 13, 2005, Vienna.

³⁴ Specifically, building on the CMP's encompassing left-right measure, I construct an encompassing left-right measure of parties' economic positions, which is drawn from policy domains "Economy," and "Welfare and Quality of Life." See Appendix 1 for detail.

³⁵ Please see Appendix 2 for further detail.

Nonetheless, the graphs reveal that the parties *generally keep their distance*³⁶, thereby contradicting predicting of (neoliberal) policy convergence and supporting arguments made by Volkens (2004)³⁷.

Furthermore, Figure 2 depicts the comparison of the degree to which the ÖVP has emphasized the concept “Social Justice”³⁸ (again in comparison with the SPÖ).

[FIGURE 2 ABOUT HERE]

The graphs reveal that the two Austrian catch-all parties emphasized the issue “social justice” to comparable degrees until 1982. The ÖVP’s decline of emphasis of the concept of social justice began in 1967, and has been on steady decline since 1979. As a general trend, *polarization* can be observed since the 1967 programs.

Intra-party Tensions in the ÖVP

Did the ÖVP uniformly embrace the neoliberal reform course? Supporting hypothesis 3, the claim that neoliberalism will encounter resistance due to established ideas about economic best practice, chancellor’s Schuessel’s ambitious reform plans resulted in intra-party disagreements with the ÖVP (and conflict with the FPÖ coalition partner). Within the ÖVP,

³⁶ More clearly so compared to the parties general left-right position (including all policy domains) which is not picture here. The general left-right positions reveals that the People’s Party crosses over into the left ideological spectrum during the early 1980s, “leapfrogging” the Social Democrats. The Social Democrats cross well into the right spectrum in the mid 1990s. Results available from author upon request.

³⁷ This holds also true when comparing the party’s positions on all policy domains, though not as obvious and with one exception in the early 1980s when the People’s Party crosses into the leftwing spectrum and “leapfrogs” to take a position more leftward than the Social Democratic party.

³⁸ Defined as “Concept of equality; need for fair treatment of all people; special protection for underprivileged; need for fair distribution of resources; removal of class barriers; end of discrimination such as racial or sexual discrimination, etc .” (Budge et.al. 2001).

members of the ÖVP faction in parliament and head of the powerful Union of Public Employees, Fritz Neugebauer, and the president of the Economics Chamber and member of the ÖVP, Christoph Leitl, criticized the departure from decades of stability and Austria's system of consensus with the social partners (Busemeyer 2005:580). In addition, some ÖVP members criticized the speed with which reform has been pursued (Anonymous³⁹ 2005). Furthermore, while the liberal wing of the party endorses deregulatory EU legislation such as the Public Service Directive (*EU Dienstrichtungslinie*), the socially oriented wing of the party views it with "considerable discomfort" (Anonymous⁴⁰ 2005).

In recent years, ÖVP has moderated its position regarding social partnership and the 2002 program calls again for a "strong social partnership." Supporting the hypothesis that right-wing parties embark on reform only if this proves electorally advantageous, an ÖVP legislator and General Secretary of the Chamber of Economy explains that the party re-focused on the social partners because the Austrian electorate had begun to feel insecure (Anonymous⁴¹ 2005).

ÖVP's Relationship with their Voters: Policy Actors' Assessments

Have international economic developments impacted the ÖVP's relationship with its voters? Most policy actors interviewed answered in the affirmative. As the case with the

³⁹ Member of the ÖVP Vienna. Personal interview September 27, 2005, Vienna.

⁴⁰ ÖVP legislator during the National Assembly (XXII Legislative Period) and member of the Economy Committee. Personal interview, September 28, 2005, Vienna.

⁴¹ ÖVP legislator during the National Assembly (XXII Legislative Period) and member of the Economy Chamber. Personal Communication, October 3, 2005

Social Democratic party, numerous ÖVP policy actors believe that voters fail to grasp the influence of supranational policies and expect more from Austria's parties than they are able to deliver (Anonymous⁴² 2005). They believe that most citizens mostly see the risk, not the possibilities, associated with globalization, in particular the new competition which small and medium-sized business have to face. As a consequence, voters see globalization as posing a threat, overlooking the potential for growth. Furthermore, the relationship with the electorate towards European Union remains ambivalent. In the opinion of numerous legislators, both the feelings of insecurity and rising complexity of politics necessitate improved communication with the electorate (Anonymous⁴³ 2005; Anonymous⁴⁴ 2005). In regards to market-oriented reforms, ÖVP policy actors interestingly perceive that the reform policies *create a dilemma*, as the electorate tends to perceive welfare reforms (such as privatization raising the retirement age as negative (Anonymous⁴⁵ 2005; Anonymous⁴⁶ 2005). Concretely, this means that at times the ÖVP felt compelled to delay certain desired reforms, for example privatization of the postal service (Anonymous⁴⁷ 2005).

⁴² ÖVP member of the National Assembly and member of the ÖVP Executive. Personal interview September 13, 2005, Vienna.

⁴³ Baumgartner-Gabitzer, Ulrike. Dr.; ÖVP. Personal interview, September 28, 2005, Vienna.

⁴⁴ ÖVP member responsible for policy analysis, support of ÖVP program, opposition research. Personal interview September 22, 2005, Vienna.

⁴⁵ Member of the ÖVP Vienna. Personal interview September 27, 2005, Vienna.

⁴⁶ ÖVP member of the National Assembly, XXII Legislative Period; member of Committee for Labor and Social Affairs, and Economy Committee and Family Committee. Personal interview September 28, 2005, Vienna.

⁴⁷ Hammerer, Gerhard Dr. ÖVP. District Mariahilf, Vienna. Personal interview September 27, 2005, Vienna.

Conclusion: Globalization, A Favorable climate for the ÖVP?

Clearly, the ÖVP has been receptive to the material and ideological influences of the international economy. Recent globalization and the parameters of European integration served to end an age of ideological uncertainty. However, several ÖVP legislators disagreed with the claim that globalization caused the party to *change* its ideological policy direction or that globalization was an ideological force. Instead, they presented the ÖVP market-oriented reform course as *pragmatic, necessary* adjustment to changing systemic conditions. In support of hypothesis 1, they emphasized that governing without the SPÖ after 2000 has *enabled the ÖVP to implement its long-held policy preferences* (such as decreasing the role of government in the economy, privatization and liberalization) (Anonymous 2005⁴⁸ and Anonymous⁴⁹ 2005). Interestingly, the right-ward shift of the ÖVP occurred despite the strong tradition of Austro-Keynesianism and revealed a willingness to break with the tradition of consensus (i.e. the position of the social partners) in Austria, resulting in a more adversarial political climate. Clearly, systemic economic openness, though not exclusively perceived as favorable, constitutes an opportunity to pursue economic policies and welfare state reform consistent with the partisan thesis. The fact that the ÖVP capitalized on their opportunity to implement right-wing economic policies while in office lends support to hypothesis 3. At the same time, ÖVP policy actors do perceive their reform to be moderated by electorate. Perhaps these electoral preferences explain why ÖVP policy actors shied away from the label “neoliberal.”

⁴⁸ ÖVP legislator during the National Assembly (XXII Legislative Period) and member of the Economy Committee. Personal interview, September 28, 2005, Vienna.

⁴⁹ ÖVP member of the National Assembly and member of the ÖVP Executive. Personal interview September 13, 2005, Vienna.

For example, a member of the ÖVP Vienna emphasized the reform of the welfare state *is* a policy priority of the party but rebutted “neoliberal⁵⁰” tendencies of ÖVP politics, considering the comparatively high expenditures associated with Austria’s social market economy and the comparatively highly regulatory climate (Anonymous⁵¹ 2005). Lastly, there is evidence that the neoliberal course of the party has created tension within the ÖVP, lending some support for hypothesis 2. Interestingly, these disagreements do not only pertain to the party’s policy course, but also to the traditionally consensus-based relations with the social partners.

3.2. The German Christian Democratic Union (CDU)

Both the Christian Democratic Union and its Bavarian sister party, the Christian Socialist Union (CSU) emerged in the post-war years. The CDU has been an extremely important player in German politics: since 1949, its chancellors governed for a total of 39 years, and even when in opposition, the CDU constituted the strongest parliamentary group in parliament. This importance was also reflected in government at the state (*Länder*) level and the upper house representing the states (*Bundesrat*).

The CDU’s 1947 “Ahlen Program,” placed the party squarely into the left of the ideological spectrum. The program emphasizes “Christian Socialism” not only in an attempt to bridge differences between Protestantism and Catholicism, but also based on the grounds that the pre-war capitalist economic model fell short of meeting the governmental and social standards of the German people (ARD 2007). The CDU pursued encompassing socio-

⁵⁰ The interviews with various policy actors made apparent that the word “neoliberal” had a negative connotation and generally avoided. In comparison, “neoclassical” was more acceptable.

⁵¹ Member of the ÖVP Vienna. Personal interview September 27, 2005, Vienna.

economic reform, even calling for the nationalization of large industries while objecting to the restitution of several pre-war capitalist structures. CDU chancellor Konrad Adenauer supported Article 15 of Germany's constitution, the "Basic Law," which allows the socialization of land, natural resources and means of production (given proper compensation) (Conradt 2004:125).

Shortly thereafter, however, the successful currency reform under finance minister Ludwig Erhard in 1948 not only ended inflation, the black market and the Allies' opposition to "socialist" politics, but it also changed initial patterns of political competition. Being crowded out of the left ideological spectrum, the CDU pragmatically finds its place in the center-right of the ideological spectrum, espousing a conservative economic policy course. Electoral success in 1949 and the subsequent economic growth - Germany's "Wirtschaftswunder" - cemented the economic conservative course and the focus on an ordoliberal social market economy (Conradt 2004:125). The post-war ordoliberal⁵² model is based on a combination of laissez faire market conditions and restrictive fiscal and monetary policy (the public budget was explicitly prohibited from growing faster than GDP), which was reflected in the Düsseldorf guidelines ("*Düsseldorfer Leitsätze*") and Hamburg Program of 1953 (ARD 2007).

Under leadership of Adenauer, the CDU continued to enjoy electoral success during the 1950s. In comparison, the CDU's main competitor party, the social democratic SPD, did

⁵² Ordoliberalism focuses on a competitive market, on monetary stability and a framework for ensuring the functioning of the market. The state should provide a framework for economic *order* rather than directing the economic process. Ordo-liberalism favors a division of labor in economic management, with specific responsibilities assigned to particular institutions. For instance, a central bank should be responsible for monetary stability and low inflation, and insulated from political pressure by independent status.

not govern until 1966. Despite its shift to the center left, the CDU party base reflected numerous political viewpoints and, in accord with Kersbergen's observations, remained ideologically relatively uncommitted. The party was commitment to the social free market economy," and a pro-Western foreign policy, but otherwise avoided ideology and instead pursued a pragmatic approach to politics. Electorally, the CDU appealed to liberals, socialists, conservatives, Catholics and Protestants, urban and rural workers, even labor. Conradt writes, "the CDU became a prototype of what Otto Kirchheimer termed the 'catch-all party,' a broadly based, programmatically vague movement that capitalized on the mass economic prosperity of postwar Europe" (2004:124-5).

Relying on Adenauer's leadership, the party failed to build up its organizational structures or to "depersonalize" its electoral appeal. In 1961, the CDU lost its absolute majority and formed a coalition with the liberal Free Democrats (FDP), but chancellor Erhard did not enjoy wide intra-party support. The recession of 1966 and the ascent of Keynesian politics favored the Social Democrats, which entered government in a grand coalition in 1966. The CDU's "Berlin Program" of 1968 focused on the principles of subsidiary, solidarity and justice (ARD, 2007a) but did not attract sufficient number of votes to allow the CDU to govern by itself. The party was forced the party into opposition in 1969 by a coalition of the Social Democrats and the Liberal FDP. Specifically, the various ideological elements of the German Christian Democrats - conservative, liberal and socialist - were difficult to reconcile in its 1970 party program, setting the stage for a serious intra-party programmatic discussion during its time in opposition until 1982 (Bösch 2004:63).

During its early time in opposition, the CDU tried unsuccessfully to break up the SPD-FDP coalition-government, i.e. by forcing a vote of no-confidence. Meanwhile, it was evading organizational, platform and leadership issues. Only after a clear loss in the 1972 election did the CDU settle into its role as an opposition party. Economically, the 1970s were marked by the *rise of Keynesian policies in Germany*⁵³ under SPD leadership. For example, the government implemented a number of generous social reforms, such as the *Lohnfortzahlungsgesetz* of 1972, which guaranteed full wages during the first six weeks of sickness to all workers, and increased the progressivity of the income tax system and introduced improvements in social welfare policies. Helmut Kohl emerged as CDU party leader in 1976, but failed to lead the party to electoral victory. Subsequently, conservative CSU leader Johann Strauss attempted to form a new national party but then settled for running as the party's chancellor candidate in 1980. Meanwhile, the global economic crisis in response to the worldwide recession in 1974, prompted SPD Chancellor Schmidt pursued an economically conservative, pragmatic approach, ending the *expansion of welfare policies ended in* 1975. The SPD's coalition partner, the FDP, gained electoral strength in 1980 and pushed for market-oriented policies more assertively. Resulting tensions with the unions and the SPD eventually culminated in a vote of no confidence in 1982 which ended social democratic rule for 16 years. Meanwhile, the CDU's 1978 program, the "Ludwigshafener Party Program" became the first encompassing party platform referencing all political issues. The CDU highlights principle values such as freedom, justice and solidarity but acknowledges the "necessity for social-political corrections" (ARD 2007, translated).

⁵³ Nonetheless, due to ordoliberal traditions, Dyson argues "Germany's shift in a Keynesian direction had been reluctant, tentative and incomplete" (Dyson 1999:222).

The German CDU regained office in 1982. Under leadership of chancellor Helmut Kohl it began to build a more conservative profile, emphasizing a decreased role of the state. This agenda was complemented by the parameters of European economic integration, supporting hypothesis 1. The CDU's economic policy resulted in decrease of debt and inflation, and numerous cuts in social programs were introduced (e.g. in the area of unemployment insurance, active labor market, etc), but the approach lacked a long-term vision and was only moderately successful in combating high levels of unemployment (Bösch 2004:64). While there was some expansion in the social policy realm (e.g. provision of free daycare based on Christian-democratic commitment to the family), the primary goal were *budget consolidation and lowering of social insurance*, based on the reasoning that social insurance contribution have a negative effect on German firms' international competitiveness (Seelieb-Kaiser 2003:158). Blaming the high unemployment on the policies' of the previous government, the CDU reduced spending, increased consumer taxes and tax incentive for businesses (Conradt 2004:127). Unlike the Austrian Peoples' Party (ÖVP), the CDU has not maintained close relations with large trade unions. However, even existing ties declined during the 1980s. For example, group existing group within the CDU, the *Christlich-Demokratische Arbeitnehmerschaft* (Christian-Democratic Employees' Organization), represented employees' interest and was relatively influential during the 1950s, 60s and 70s. The organization's influence declined markedly after its leader criticized Kohl's policies for being too liberal and was subsequently replaced (Bösch 2004:73).

The Single European Act 1985 provided an opportunity to further the ordoliberal agenda by means of European integration, acting as a catalyst for domestic liberalization

(Dyson 1999:223). Germany unification only temporarily interrupted the agenda of liberalization and prompted the CDU to raise taxes (Bösch 2004:65; Conradt 2004:128). During the early 1990s, social spending and social insurance contributions were increased heavily (Seelieb-Kaiser 2003:149). Then, after the unification process was formally completed in 1992, social policy was retrenching again. Meanwhile, Germany experienced a rapid increase in capital mobility and responded with increased flexibility - albeit only incrementally, lacking bold, proactive leadership. Instead, economic policy makers took up opportunist positions to ensure that firms, industries and their employees were not overwhelmed by externally induced change.

The CDU's 1994 Hamburg Program, titled "Freedom in Responsibility" (*Freiheit in Verantwortung*) called for "ecological and social economy" (rather than "social economy") but its references to the economy were increasingly liberal, i.e. emphasizing 'free development of personality.' In comparison, emphases on justice, equality and community were decreased (Bösch 2004:66). Under chancellor Kohl's leadership, the party narrowly won the 1994 elections, and imposed social cuts in 1996 and 1997, raised the age for retirement and achieved some flexibility of labor law. From 1994 onward, the manufacturing industry began a process of restructuring to meet the challenges of globalization, Europeanization and the terms of German unification. Due to political inertia, however, the CDU government was not pursuing fiscal discipline to the degree that was advocated in context of European integration (Dyson 1999:228).

The CDU in Opposition 1998-2005

The CDU lost the 1998 election to a SPD-Green coalition. Initially a strong opposition party, winning an seven state elections by 2000, a major finance and donation scandal involving key policy actors such as former chancellor Helmut Kohl significantly weakened the CDU's reputation and influence, forcing a leadership change (Bösch 2004:73, Conradt 2004:129). On an organizational level, the party was now less centralized than under Kohl's leadership needed to pay greater attention to its programmatic profile.⁵⁴ However, in practice, the base of the party was not actively involved in the program or in party leadership choices and the party quarreled internally about leadership. Bösch argues it was not the CDU's program, but the policies implemented by prominent CDU ministers, such as those of Bavarian Minister Edmund Stoiber, which determined the CDU's direction. Stoiber officially assumed CDU leadership in 2002. In line with ordoliberalism, he favored privatization on the one hand, but simultaneously regulation of industry and employment on the other. The party considered to reintroduce conservative values to the party and emphasizing Christian culture as the 'Leitkultur' (Bösch 2004:68).

With respect to the international economy, a party publication on the aspects of the social market economy emphasizes international economic developments and the decline of national sovereignty. It does not call for large-scale reform, however, but instead for the establishment of an international economic order (CDU 2001). In comparison, the party's 2002 program emphasized a stronger social security system, lower taxes in the Eastern regions and reversal of cuts in health care (Bösch 2004:67). Markedly, according to a CDU legislator,

⁵⁴ Though the idea was develop the program by open debate, it ended being written by only a few members and seldom discussed.

the 2003 Leipzig program outlined new policy direction with *increased neoliberalism* (Anonymous⁵⁵ 2005), emphasizing a reform course which decreases the role of the state and stressed the necessity of individual responsibility. In midst of a debate about the future of health insurance and the German welfare state in general, Angela Merkel espoused the reform course “*mehr Markt, weniger Staat*” (more market, less state) and emphasized a *clear break* with the CDU welfare state image of the previous CDU generation represented by Herbert Blüm and Heiner Geissler. By 2005, some CDU policy actors even placed the parties’ economic policies in line with those of a liberal party (Anonymous⁵⁶ 2005). Reminiscent of their Austrian sister party’s agenda, a publication of the CDU party meeting 2004 strongly emphasizes the need growth and specifies that growth must be based on a ‘lean’ state. Blaming existing regulations for lack of growth and jobs based on international comparison, the program advocates deregulation (CDU Beschluss des 18. Parteitages). Importantly, in contrast to the program of the SPD, the CDU program called for efforts to meet the Maastricht criteria. In 2005, the CDU campaigned by putting forth a market-oriented course which emphasized the need for adjustment of the welfare state, while highlighting globalization’s forces.

The CDU in Government 2006-

After a contested election victory in 2005, the CDU entered into a grand coalition with the SPD. In 2006, Angela Merkel, now chancellor, suggested a new economic policy

⁵⁵ CDU. Member of the German Bundestag, 15th Legislative Period; member of the Committee on Economic and Labor Affairs. Personal interview October 6, 2005, Berlin.

⁵⁶ CDU member. Personal interview October 5, 2005. Berlin.

approach: a blend between traditional CDU Christian values and new perspective, still based on the principle “*mehr Markt, weniger Staat.*” The threefold goals freedom, justice and solidarity are hard to attain, she claimed, and only by “daring [to pursue] greater *freedom* can justice and solidarity again be realized in Germany” (Benning 2006, quoting Merkel, emphasis added). Similarly, Merkel’s opening address at the world economic summit in Davos in January 2006 which presented German notions of economic reform emphasized a “new social market economy⁵⁷” which rests upon the assumption that “the most dignified market and social economy needs to believe in the mature citizen that can exercise responsible freedom” (Benning 2006, quoting Merkel).

The graphs in Figure 4 depict the CDU’s economic and EU policy positions from 1949 to 2002 (compared to that of its main competitor, the Social Democratic Part):

[FIGURE 3 ABOUT HERE]

The graph reveals that the CDU, like its Austrian sister party, shifted its economic policy positions significantly over time. Consistent with the account reported above, the CDU crossed from left to right ideological spectrum in the 1950s, thereafter the CDU advocating centrist economic policies. Polarization between left and right can be observed during the late 1970s and early 1980s, associated with the advent of the Single Market and the removal of capital controls in Germany. The CDU reaches its most right-ward point in 1985 (18/200).

⁵⁷ Specifically, the reform program rested on four pillars, the first of which explicitly references the influence of globalization: 1. embracing economic openness and globalization; 2. a future orientation of preserving welfare and environment for generations to come; 3. support of innovation in research, training and enterprise (in turn resting on more competition), and 4. increased market liberalization and less bureaucracy, calling for legislation which links economic freedom to individual responsibility (Benning 2006:3).

Thereafter, the two parties shift in tandem and keep their distance vis-à-vis each other. The aftermath of unification marks a clear left-ward shift for both parties. In sum, in Germany, the period associated with rising economic internationalization is not marked by convergence around neoliberal policies.

The parties' have emphases of the issue "Social Justice" is depicted in Figure 4:

[FIGURE 4 ABOUT HERE]

The parties' emphases of 'social justice' converge during the 1970s, but then begin to drift apart. As to be expected, the CDU's emphasis of social justice declined sharply until unification, after which it reappeared.

Relationship with Voters

In its 2005 election campaign, the CDU presented a market-oriented course emphasizing the need for adjustment of the welfare state, while highlighting globalization's forces. For example, Angela Merkel emphasized that voters ought to accept "uncomfortable truths." In particular the choice of Paul Kirchhof, a professor of economics and tax law expert, as future finance minister triggered electoral concerns and the caused the CDU's drop in public opinion polls. Kirchhof's policies were neoliberal and character; for example, he advocated to adopt a flat tax of 25% for nearly all German citizens. This forward campaign approach confirms the that right-wing parties are likely to shift rightwards toward a market-oriented reform orientation (hypothesis 1). However, considering the reluctance of the

electorate to accept a reform course, the CDU strategy *contradicts* the hypothesis that right-wing parties are likely to advocate reform when *in office*. Merkel's goal to be "honest" with the electorate about the necessity of reform suggest that a market-oriented reform agenda reflected sincere beliefs about the necessity of reform, not as a pragmatic response to public opinion (again, supporting hypothesis 1).

While the ÖVP policy actors indicated concern regarding the electorate's willingness to pursue reform, the CDU policy actors clearly perceive the party in a dilemma and in a crisis. Reflecting the relatively poor performance in the 2005 elections, which CDU policy elites called "a disaster which indicated that voters were not willing to follow us," a CDU member of the committee on Economic Affairs and Labor believes the party failed to convey to voters the necessity of reform. He also finds it "frightening that people have a sense that changes are necessary, but refuse to face these changes" (Anonymous⁵⁸ 2005). Similarly, another CDU legislator criticizes that voters' expectations on the party are "inconsistent" (Anonymous⁵⁹ 2005). This has also increased intra-party debate and conflict (Anonymous⁶⁰ 2005).

Intra-Party Debate

The relatively weak performance of the party in the 2005 elections has sparked a sharp debate within the CDU between a reform-oriented faction and a "socially"-oriented faction

⁵⁸ CDU. Member of the German Bundestag, 15th Legislative Period; member of the Committee on Economic and Labor Affairs. Personal interview October 6, 2005, Berlin.

⁵⁹ CDU member of the German Bundestag, 15th Legislative Period; member of the Committee on Economic and Labor Affairs. Personal interview October 10, 2005, Berlin.

⁶⁰ CDU member of the German Bundestag, 15th Legislative Period; member of the Committee on Economic and Labor Affairs; member of the Subcommittee on Globalization and International Economy. Personal interview, October 11, 2005, Berlin.

(Anonymous⁶¹ 2005). Considering that the intensity of the debate increased after the party was disappointed by the election results lends some the hypothesis that parties are more cautious about neoliberalism when not in office/when a reform course does not appear electorally advantageous (hypothesis 3). Specifically, the party now discusses whether or not its economic reform course has gone too far and/or was not effectively communicated to the party's voters, though the direction the CDU is taking is not yet clear. At a party meeting in 2006, Angela Merkel called for a renewed debate emphasizing the changed global economic environment. Contra the 2003 Leipzig Program that stressed the responsibility of the individual, parliamentary leader Jürgen Rüttgers emphasizes a balance between economic and social considerations. Referring to the assumption that lower taxes entail more investment and lower wages more employment positions, he accused the party leadership to have presented "*life lies*" to the voters. Rüttgers urged the party to reconsider that "is social in a global age." Furthermore, former general secretary Heiner Geißler stressed that the CDU may not become a "blown up FDP." A problematic component of the intraparty debate is that prominent state ministers differ in their conception of the reform course, meaning that there is no consensus among the party elite, which makes it difficult for Merkel to determine the course of the party. In short, the link between a coherent ideological approach and a party leadership figure is currently missing (ARD 2006c). Accordingly, the 2006 party meeting in Dresden was criticized by the German press for sending mixed messages: social justice on the one hand, and economic liberalism on the other (ARD 2006e). Currently, the CDU is

⁶¹ CDU member of the German Bundestag, 15th Legislative Period; member of the Committee on Economic and Labor Affairs. Personal interview October 10, 2005, Berlin.

composing a new program which it plans publish in the fall of 2007 (ARD 2007). Meanwhile, CDU policy elites also perceive that economic globalization has increased the level of conflict in the general political arena, i.e. relations with the SPD (e.g. Anonymous⁶² 2005; Anonymous⁶³ 2005; Anonymous⁶⁴ 2005). Policy actors perceive that the inter-party debate around economic policies has become “increasingly ideological” (Anonymous⁶⁵ 2005).

Conclusion: Globalization- A Favorable Climate for the German Democratic Union?

The 1980s and the advent of globalization provided dynamism for the CDU’s market-oriented economic agenda, but the policy direction was quickly interrupted by the political climate of German unification. However, globalization clearly continues to play an important part in the policy course of the CDU. Alongside challenges internal to the welfare state, policy actors indicated that globalization significantly influences the parties’ direction and orientation towards reform. In an interview with *Süddeutsche Zeitung* in July 2005, Merkel emphasized that Germans need to “take advantage of the opportunities of globalization” (*Süddeutsche Zeitung*, translation by author). Thus, the behavior of the CDU lends mixed support to hypothesis 1: globalization clearly motivated the CDU’s rightward shifts on economic policy, but has not (yet) opened a window of opportunity or created a favorable climate. The

⁶² CDU member. Personal interview October 5, 2005, Berlin.

⁶³ CDU member of the German Bundestag, 15th Legislative Period; member of the Committee on Economic and Labor Affairs. Personal interview October 10, 2005, Berlin.

⁶⁴ SPD member of the German Bundestag, 15th Legislative Period; member of the Committee on Economic and Labor Affairs. Personal interview October 11, 2005, Berlin.

⁶⁵ SPD member of the German Bundestag, 15th Legislative Period; member of the Committee on Economic and Labor Affairs. Personal interview October 11, 2005, Berlin.

dynamism and conviction of the recent reform orientation, which was pushed by Angela Merkel in the 2005 election campaign, were slowed by an unfavorable election result in 2005, sparking new doubts about the party's direction. Hypothesis 2, postulating the neoliberalism is an attractive paradigm but must compete with establish paradigms about "best economic practice," appears supported by the CDU's strong intraparty debate which uncovers that the CDU is not uniformly committed to a reform course. This indeterminacy has prompted several policy actors to claim that the party is in a crisis. With respect to the electorate, recent events lend some support to hypothesis 3: even though the CDU campaigned on a market-oriented reform course *before* obtaining office, the doubts about its policy reform course have been significantly influenced by the electoral climate.

4. Conclusion

This paper presented an analysis of the effects of an internationalizing economy on Austria's and Germany's catch-all right-wing parties' economic policy positions. In this context, the effects of systemic economic pressures on intra-party dynamics, the relationships between the parties' and their voters, and, tangentially, the relationship between right-wing parties and their main competitor were considered. Clearly, many variables potentially influence parties' ideology and party behavior, and the welfare state's future direction is determined by both external and internal developments. However, the analysis of Germany's and Austria's catch-all parties reveals that systemic, international changes in economic openness are indeed critical to understanding right-wing parties' ideological positioning. As

such, the results reported in this paper confirm the findings of a previously conducted cross-national quantitative analysis. With respect to the literature on political parties, they should be of interest to spatial modelers who typically assume that parties' positioning is narrowly determined by the currents of public opinion. With respect to the literature on globalization, the results confirm that the research agenda on globalization and the welfare state ought to be expanded to include right-wing parties.

The effects of economic internationalization on right-wing parties' policy positions are particularly obvious in the case of Austria. While Austria's relatively small economy has traditionally adjusted well to open markets (Katzenstein 1985), the economic internationalization associated with membership in the European Union resulted in an upsurge in neoliberalism and ended a period of ideological uncertainty. Economic openness and European integration contributed to consolidating the ÖVP's conservative economic approach. At the same time, consistent with accounts of center-right-wing parties ideological indeterminacy (Kersbergen 1995), the party presents its policy direction not as an ideological change or as the adoption of a neoliberal policy paradigm, but stresses the *pragmatic* nature of the adjustments, which it was able to implement while in government from 2000-2005. Only in light of opposition from the electorate (e.g. to the 2003 pension reforms) and due to disappointing election results in 2006 did the ÖVP moderate its positions. The ÖVP's welfare reform ambitions also led to a decline in political consensus, as the party pursued welfare retrenchment *despite* opposition from the SPÖ and the social partners. Though the policy course of the Austrian social democrats is not explored in this paper, the policy direction of the ÖVP suggests that policy convergence is unlikely in Austria.

In the case of Germany, economic systemic pressures have also critically impacted the policy agenda of the CDU. In particular, the parameters of European economic and monetary integration have brought the issues of international competitiveness to the forefront and shaped the CDU's liberal policy direction starting in the 1980s. The CDU's market-oriented economic policy course has been defined most clearly in its 2003 Leipzig program, and responses to the economic challenges became one of the key issues during the election campaign in 2005. The CDU's motto "*mehr Markt, weniger Staat*" (more market, less state) is an obvious parallel to the Austrian ÖVP's strategy "*weniger Staat, mehr privat*" (less state, more private). However, the market-orientation was less pronounced and on shakier ground than that of the ÖVP, plausibly because the CDU's agenda was interrupted by the "social" character of German unification, and because the CDU did not get a chance to govern while pursuing this course (until 2006, but now only in coalition with the social democrats). As hypothesized, the public's unfavorable reaction to the CDU's reform course has the party second-guessing its direction, entailing a serious intra-party debate about the party's platform in which the parties' response to globalization constitutes a key issue. Thus, policy convergence in Germany is conceivable if the CDU reverses its market-oriented approach and if the SPD retains its reform course of the Schroeder era.

The cases of the ÖVP and CDU point to numerous avenues for future research. Firstly, further case studies of right-wing parties could serve to confirm causal regularities in order to help build theories about the behavior of right-wing parties in a global economic age. In particular cases of right-wing parties in welfare regimes other than corporatist-conservative cases, such as in the Scandinavian "social democratic" welfare regimes (where different norms

underpin service provision) might help to clarify the influence of neoliberalism as an ideological force. With respect to the arguments about policy convergence, the question remains, ‘under which conditions, if at all, does economic openness lead to neoliberal policy convergence?’ Therefore, clearly, an important follow-up project is to synthesize the findings about the behavior of right-wing parties with those about left-wing parties. Lastly, a different research project, one suggested by the mismatch of the ÖVP’s policies and its platform after 1997, would be to examine the linkages between party platforms and policies.

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FIGURES 1-6

Figure 1

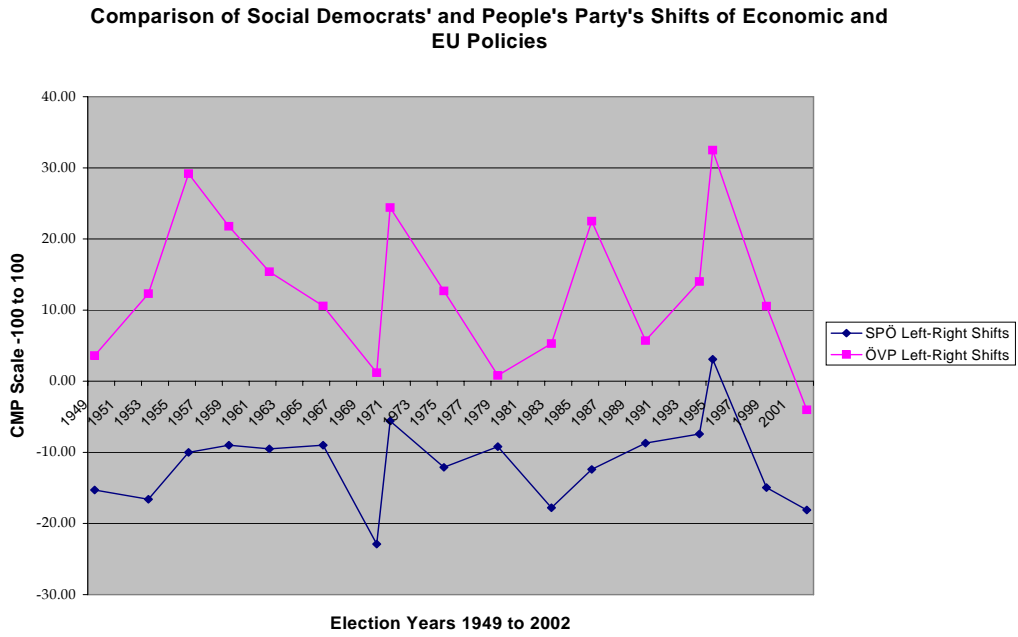


Figure 2

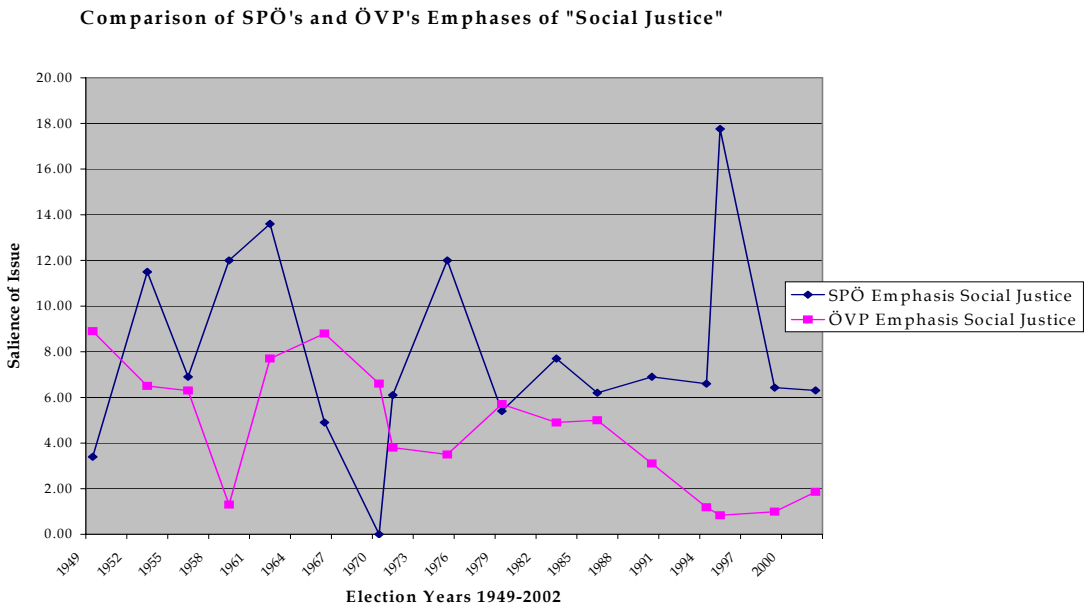


Figure 4

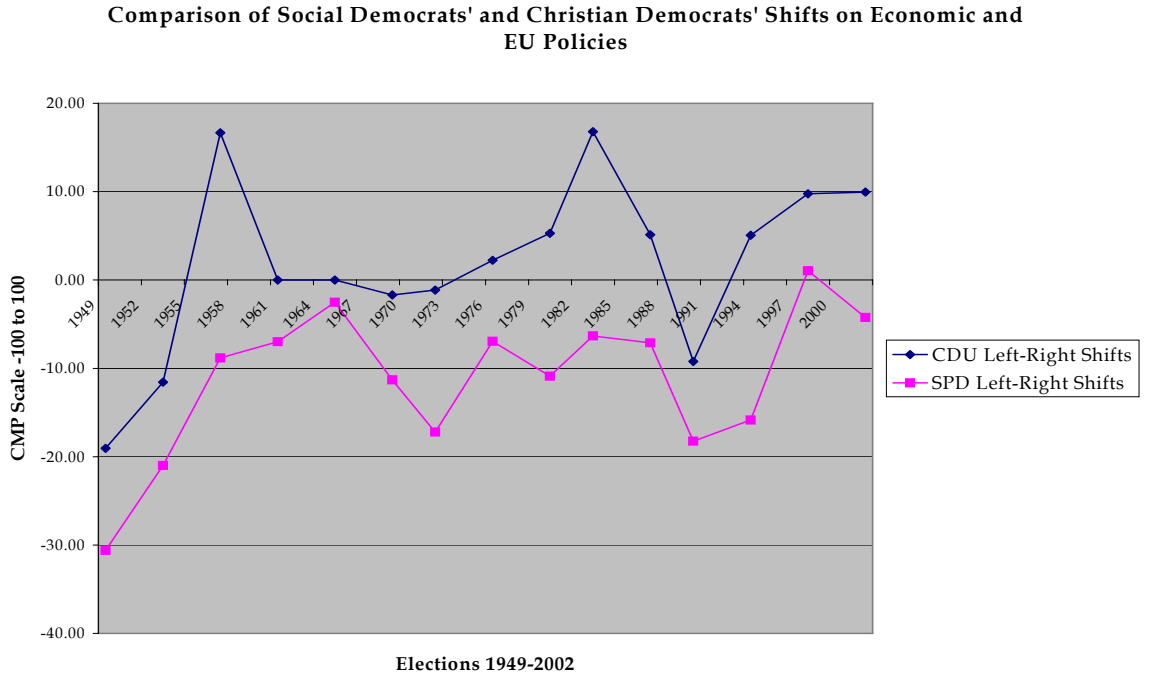
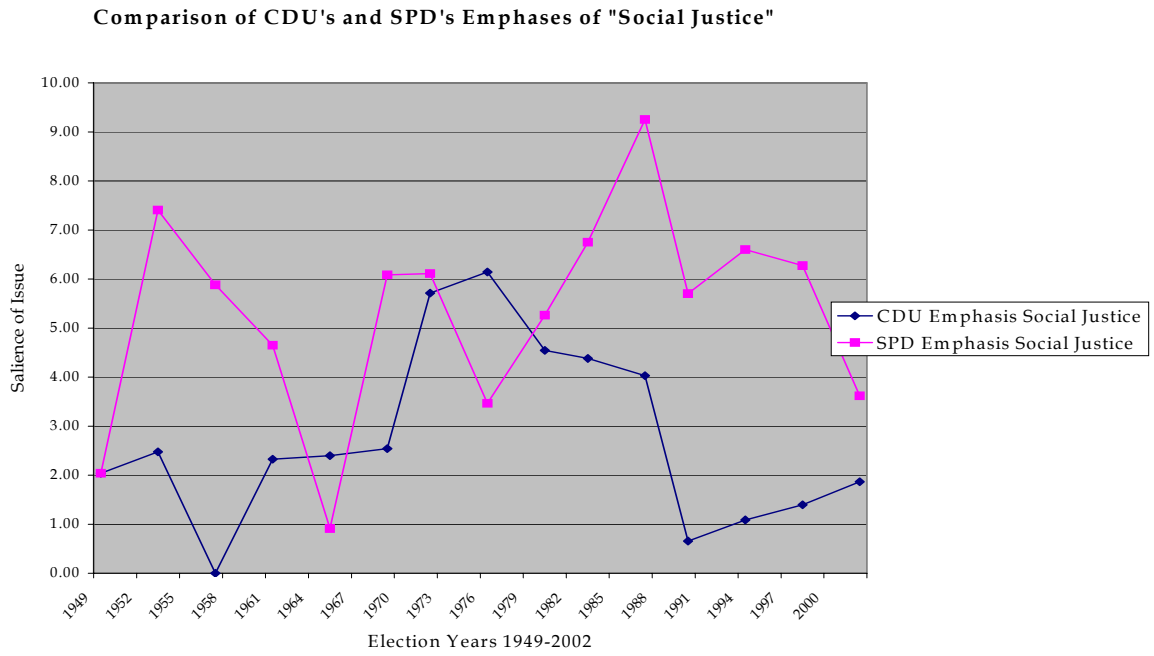


Figure 5



Appendix I

CMP Measurement of Policy Positions

The Comparative Manifesto Project (CMP) offers a Right-Left index of the parties on all key policy issues on a scale that runs on a scale from -100 to 100. The index is created by subtracting the positions on categories associated with leftist positions from those associated with rightist positions. I created an alternate encompassing Left-Right measure, which emphasizes parties' position on economic matters and the European Union (and omits non-economic policy categories): ⁶⁶

Left--Right Measure for Position on Economy:

A. Rightist Position	B. Leftist Position	Right-Left Index Economy (A-B)
per108 EU Reference positive	Per110 EU Reference Negative	
per401 Free Enterprise	per403 Market Regulation	
per402 Incentives	per404 Economic Planning	
per407 Protection Negative	per 405 Corporatism	
per414 Econ Orthodoxy	per406 Protec Positive	
per505 Welfare Limitation	per409 Keynesian Demand Management	
	per412 Controlled Econ	
	per413 Nationalization	
	per 415 Marxist Analysis	
	per416 Anti Growth	
	per504 Welfare State Expansion	
per702 Labour Groups negative	per701 Labour Groups positive	
		Sum of Column B subtracted form sum of Column A = Left_Right Index for Economy

⁶⁶ To ensure that no redundant categories were included in the economy-based left-right measure, I compare the correlation matrixes for the categories which make up the left and right dimensions for each left-right measure. Neither the categories of the CMP's overall left-right measure, nor those of our economy-based left-right measure co-vary to a significant degree. Empirical are tests available from author upon request.

Appendix II

CMP Coding of ÖVP Position After 1997

Numerous studies confirm that CMP data have proven a valid and reliable measure of party policy positions (e.g. Klingeman 1994) and the above discussion reveals that the parties' positions and the qualitative account of parties' positions generally match well. Thus, what are possible explanations for the ÖVP's leftward shift of the after 1999, which does not seem to match its policies?

One explanation for the 2000 coding is to assume that the market-oriented policies pursued by the ÖVP in recent years are strongly influenced by its coalition partner, the FPÖ, but and do not reflect the programmatic preferences of the ÖVP. However, the economic policy shifts of the FPÖ - not printed here⁶⁷ - reveal that the FPÖ did *not* position itself further rightwards than the ÖVP and, indeed, also radically shifted leftward after 1998. Hence, this explanation must be rejected. Secondly, Austria's leading political scientists (Pelinka 2005; Tálos 2005, interviews by author) emphasize that the parties' policy programs are only of limited value in explaining the developments of recent years, pointing to a *gap between rhetoric and policies*. This assertion is underpinned by the claim that the recent political dynamics have been unprecedented in Austria. Thirdly, a plausible answer is that the 2002 program was miscoded by the CMP coders or did not comprehensively represent the party's program at the time. Analyzing the 2002 CMP coding -by disaggregating the measure "Economic and EU position" into of the various policy dimensions - lends some explanatory power. The ÖVP's leftward move on the CMP scale is due to a rise in positive reference to labor groups⁶⁸ and, most strikingly, to a pronounced *de-emphasis* of the concepts "economic orthodoxy", and "Free Enterprise"⁶⁹. These

⁶⁷Available from author upon request.

⁶⁸ Emphasis of 2.9 in 2002 compared to no reference in 1997 and 1999.

⁶⁹ Emphasis of economic orthodoxy declined from 12 in 1995 to 0.9 in 1999 and 2002. Emphasis of "Free Enterprise" from 14 in 1995, 7.3 in 1999, and 2.6 in 2002.

decreased emphases underline the idiosyncrasy with its policies. The most recent 2006 ÖVP program (not part of the CMP data set), supports the argument that the coding in 2002 constitutes an anomaly because it references the party's previous market-oriented reform course. For example, the 2006 program poses the questions "Should the internationally recognized reform course be continued and should the success of the past years be continued?" and mentions the goal "continuation of the successful policies of privatization" (ÖVP Electoral Program 2006). In short, there is strong reason to position the ÖVP further right in 2000 and 2002 than reflected in its manifesto.