THIRD WAYS AND SOCIAL DEMOCRACY: THE RIGHT WAY TO GO?

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Abstract:

This paper examines the extent to which there has been programmatic change towards Third Way ideas and concomitant policies within social democratic parties in Western Europe and Australia and New Zealand after 1990. The findings are that some social democratic parties have adopted Third Way ideas but most have not abandoned their original ideas altogether. The movement towards the ‘radical centre’ of many social democratic parties appears to coincide with a convergence of many parties towards the ‘centre of gravity’. However, this hardly pays off in increasing votes but enhances government participation by Social Democracy. Finally, there is a limited effect of social democratic policy re-positioning regarding the welfare state as regards its policy performance. The adoption of Third Ways by social democratic parties merely appears as a half-hearted strategy to maintain its electoral appeal but results through governmental participation in retrenchment of the welfare state.

Keywords: Social Democracy, Parties, Elections, Government, Policy Performance
“Having the same job for life is a thing of the past. Social Democrats must accommodate the growing demands for flexibility – and at the same time maintain minimum social standards, help families to cope with change and open up fresh opportunities for those who are unable to keep pace” (Tony Blair and Gerhard Schroeder: *The Third Way/Die Neue Mitte*)

1. **Introduction**

Social Democracy can be characterised by its ambivalence as a political movement: on the one hand, it aims at changing society for the benefit of those who are in dire straits, on the other hand it strives to gain office to direct their desired policies by competing in parliamentary democracy. More often than not this ambition to change society for the better fell short because of lack of power and the necessity to share power in coalitions (Schmidt, 1982; Keman, 1990; Kitschelt, 1999). It is telling therefore that the Blair/Schroeder Declaration quoted starts of by stating that “Social Democrats are in government in almost all the countries of the [European] Union”. In other words: if Social Democracy has sufficient political power and – according to this document – indeed the ability to change its policy programme, it is the political movement best suited for governing contemporary society. Judging the recent economic developments as regards stock exchanges and banking systems around the world and in particular in liberal democracies, it appears that the national states have remained more crucial than is often thought. In addition, it can be observed that in many of the OECD democracies social democrats were leading the way to solve the financial crisis.

This paper will investigate, first of all, the question to what extent Social Democracy has indeed changed across Europe and, if so, into what direction. To this end I shall first discuss in section 2 the programmatic change of social democratic parties regarding the welfare state and economic management (see for this: Keman, 1990; Scharpf, 1991; Esping-Andersen, 1999; Keman, 2002). In section 3 the shift from the ideology of the traditional welfare state to the ideas of the so-called social investment state, i.e. as part of the Third Way ideology will be explored. This change over time (1975-2004) will be measured by means of two scales: one representing the traditional social democratic position on “Social Welfare”; the other indicating the new direction of Social Democracy toward “Social Investment”. Indeed a
number of social democratic parties have shifted their policy positions towards what is considered to be the Third Way. I shall then turn to the question to what extent this change in ideology has been influenced by vote- and office-seeking behaviour (Strøm, 1990; Mair, 1997). Finally, I will ask to what extent the change in policy priorities has had an impact on actual social democratic policy making. In other words: do Third Ways matter in terms of social democratic policy formation or is it merely political rhetoric? Is it a radically ‘new’ way of the Left or in fact only implies moving to the Centre or even to the Right?

This comparative analysis comprises 19 social democratic parties and their main competitors in: Australia, Austria, Belgium (2 parties¹), Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden and Switzerland. Apart from Australia, New Zealand, Norway and Switzerland all countries are member of the EU. The period under review is 1975-2004 and the comparative analysis is carried out on the level of parties as well as on the level of party systems.

2. **A new direction? From welfare state to social investment state**

Social democracy emerged in response to the challenges posed by industrial capitalism and the concomitant ideology of (progressive) liberalism. Its strategy was — contrary to revolutionary socialism— to regulate capitalism by a mixture of trade unionism, political representation and urging state intervention. In the course of the last century and especially after World War II, social democratic parties gained governmental office in many democracies. In the course the modern welfare state arose, providing social security for those in need and guaranteeing equality by way of state action, particularly in core areas like education and health. At the same time Keynesian ideas on controlling the economy in order to stabilise macro-economic developments, in particular to regulate the labour and to promote economic stability and growth belonged to the policy domain of Social Democracy (also: Castles, 1978; Esping-Andersen, 1985; Keman, 1990; Pierson, 2001; Keman, 2003)

Since the 1980s the social democratic ideas on socio-economic policy-making have slowly been changing. Social democrats have since then adapted to a process by which the welfare state became a political issue for dispute. Not its (qualitative) expansion and universal character have been at stake, but rather its dismal effects on society and government which
was seen to be conducive to less economic resilience (see: Huber and Stephens, 1998; Pennings, 1999; Glyn, 2001). The reasons for this transformation are multifarious. In a world of open international markets and fast-moving capital flows, traditional leftwing policies are often seen as discouraging domestic investment and undermining international competitiveness. Traditional socialist goals of public ownership or political control were [sic] no longer considered effective in a global financial economy. The internationalisation of economies rendered Keynesian polities outdated and were considered ineffective until recently. In this interpretation, left governments are prisoners of a harsh global economic environment in which generous welfare appear no longer sustainable (Kitschelt 1999; Powell and Bonoli, 2004; Bonoli and Armingeon, 2006). Similarly the impact of European integration and particularly the monetary union have also severely constrained the room for manoeuvre of the European left (Scharpf, 1991; Huber and Stephens, 1998; Marks and Hooghe, 2001). The electoral success of (neo) liberal parties during the 1980s and 1990s also contributed to the social democratic disadvantage and forced it to follow electoral defensive strategies (Kitschelt, 1994; Merkel, 2001; Keman, 2003). A final moral blow was the collapse of the Soviet regime that undermined a belief in the virtues of economic planning and ‘étatism’. In short: Social Democracy was in need of a programmatic revival and new élan.

The term ‘Third Way’ is by no means new. It already figured in discussions within social democratic movements directly after the Second World War (Esping-Andersen, 1985; Van Kersbergen, 1995). The usage of the term faded — especially after the Bad Godesberg declaration (1959) of the SPD — and instead the major discussion terms were democratic socialism and Keynesian welfare statism. The present propagators of the ‘Third Way’ -thinking dispute precisely these general tenets. In the Blair/Schroeder paper, for instance, it is stated that traditional Social Democracy is flawed because it (Cf. Green-Pedersen et. al., 2001):

- Confuses social justice with equality of outcome;
- Confounds achieving equality with higher levels of public spending and taxing;
- Beliefs that state intervention could prevent (or remedy) market failures;
- Distorts the rights of individuals and hence the balance between the individual and the collective.

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1 Due to the process of federalisation in Belgium there are since 1978 two party systems at work in a federalising Belgium. Therefore the Flemish and Walloon party systems are treated as separate cases.
- Elevates often rights over responsibilities and so the idea of mutual obligations tends to be lost.

In summary: the balance between socialism and democracy tends to disappear and with it the relationship between citizen and state is under pressure (Giddens, 2000; Merkel, 2001; Meyer, 2007; Keman, 2008)

The concept of the Third Way, as popularised by for example Giddens (1998), seeks to renew Social Democracy in addressing these issues as well as taking into account contemporary challenges associated with globalisation, individualism, political polarity, agency, the new dialogue with science & technology, ecology and the transformation of values and lifestyles. According to the Blair/Schroeder paper these issue areas, and in particular those relating to ‘welfare statism’, are conducive to a change in policy stance of the ‘new’ social democracy:

- **Macro-economic policy** should be directed at sound public finances, i.e. no deficit spending or rising public debts but rather allowing for tax cuts.

- **Welfare state programmes** ought to aim at transforming the existing safety net of entitlements into a springboard to individual development and taking personal responsibilities instead of remaining dependent on the state.

- **Labour market policy-making** must be developed that promote individual responsibilities, labour market mobility and flexibility of the labour force (i.e. ‘education permanence’ and lifelong employability)

It is this platform of Third Way ideas and the associated proposals for social democratic policy formation are the point of departure in answering the question to what extent European Social Democracy has indeed turned into Third Way directions. The use of the plural here signifies the observation that the development towards a Third Way type of policy programme should by no means be considered as a unique recipe for Social Democracy. As I will show, the opposite is the case (see: Merkel, 2001; Pierson, 2001).

In the remainder of this paper we shall focus on the socio-economic policy component of the Third Way discourse (Schmidt, 2005). Welfare state policies have been central to social democratic policy formation. If social democrats have adopted Third Way policy stances, so we argue, this will have its greatest impact on welfare state policies; both in terms of programmatic change and actual policy-making as regards ‘work and welfare’ and
‘flexicurity’ (Cuperus and Kandel, 1998; Scharpf, 2001; Green-Pedersen et al., 2001; Armingeon and Bonoli, 2006).

To summarise the Third Way approach so far: the traditional welfare – or: social security state – should be replaced by the social investment state. In the social investment state social justice is no longer to be achieved by an ex-post reduction of socio-economic inequalities, but by providing equality of opportunities (Giddens 1998). Employment and employability are the key issues in a social investment state: *welfare to work*. The access to employment should be facilitated through the provision of education and thereby establishing equality of opportunity. The central policy idea is that the state has the responsibility of guaranteeing *access* to certain goods but the state need not directly provide these goods. Welfare in a social investment state presupposes a correct balance between incentives, opportunities and obligations for its citizens: *no rights without responsibilities* (Giddens, 1998: 65). Social justice defined by inclusion is no longer to be solely achieved by the state, but also by the market. Traditional social democratic trust in the state as problem-solver by means of public goods makes way for an increasing faith in the market to re-allocate resources and the creation of jobs (Meyer, 2007).

Third Way supporters argue that the social investment state is not a social democratic capitulation to neo-liberalism: social justice and emancipatory politics are still at the core of its program. A reformed welfare state still has to meet criteria of social justice and provide for citizens in need. That means that social democrats intend to keep a reasonable level of welfare spending and that they reject the neo-liberal position to privatise large parts of the welfare state or endeavour retrenchment of the social security systems, leaving only a minimal safety net for those who cannot care for themselves at all (Pierson, 2001). Finally, the state is considered to be both regulator and umpire. Not a Leviathan, but rather a ‘custodian’ state.

The development from traditional Social Democracy to the Third Way can therefore be summarised as the abandonment of an explicit policy stance regarding a generous social welfare state and high degrees of state interventionism. As an alternative to this generous welfare state there is a movement towards a social investment state favouring work and market regulation instead of rigid (if not conditional) welfare entitlements and state interventionism regarding the market economy (Scharpf, 2001; Van Kersbergen, 2000).
In section 3 the extent and direction to which social democratic parties have indeed changed their programmatic policy stance will be examined. But first I will consider the question whether or not (and to what extent) they moved position in terms of the general left versus right distinction within the respective party systems, indicating a development from a ‘traditional’ (leftwing) to a ‘modern’ (radical centrist) type of social democratic party.

3. Social democratic ideas: From Left to Right?

In order to measure the change in position of social democratic parties regarding social and economic welfare policies data from the Manifestos Research Group is used (Budge et. al., 2001). This dataset provides information on the policy positions of the parties. If social democratic parties have moved position and, in particular, have indeed changed their preferences for a social welfare state into a social investment state, this can be traced from their party manifestos (or: electoral platform). Manifestos play an important role at election time when public attention centres on these documents. While few voters ever read the document, it is certain to be disseminated by the media, thus it is a good measure of the change and movement of social democratic policy stances regarding the organization of the welfare state (Keman, 2007).

Social democratic party positions are measured in a threefold way: (1) by looking at a Third Way scale; (2) by using an Electorate oriented scale and (3) by employing a Left versus Right scale. The latter scale, which has been developed by the Manifesto Research Group (see: Budge and Laver, 1992; Klingemann et al., 1994; Budge et al., 2001), is considered here as a benchmark to assess not only the movement of social democratic parties as such but also of the national party systems under review here (Keman, 1997). The electoral scale, which is labelled Working Class-Appeal, is meant to observe whether or not a change in policy stance has also implications for targeting certain groups in society (Keman, 1993). In other words, is the original social democratic constituency — which used to be the ‘working class’ — still an important target of Third Way socialism? Finally the Third Way-scale is — of course — developed to measure the change and movement towards a policy position away from the social welfare state towards a social investment state, as discussed in section 2.

This latter scale is considered as a useful proxy measure (see also: Keman, 2007). For in a highly developed welfare state government tries to control the economy and soften the negative effects of the market system by means of a high level of social security spending and
other ways of state interventionism (Castles, 2004). Conversely, the social investment state presupposes a more reserved stance of government vis-à-vis direct market interventions. In the social investment state government gives more way to the market and assumes that the market is capable to ensure job growth and a reasonable distribution of income. One condition for this to happen is that everybody (except youth and elderly) is capable to participate in the market. This is provided for by educational programmes, which would foster a flexible supply of labour. Another prerequisite is, of course, the instalment and development of active labour market policies under conditions of a steady state economy (Castles, 1998: Ch. 5 and 6).

The shift of a traditional social democratic policy to moving to the centre of a party system may also imply that the social democratic parties are turning towards new electorates. A shift towards the Third Way may be an attempt to move beyond their traditional working class electorate and to open up middle class sources. The original emphasis of Social Democracy on the traditional welfare state clearly coincides with the interests of the labour movement and less advantaged groups on the labour market (Korpi, 1978). If there is a tendency towards Third Way policy stances, these groups may well get less attention or even negative attention in party programs. Issues regarding the middle class could well be mentioned more frequently instead of those related to the working class constituency.

Table 1 shows, first of all, that the differences in terms of Right versus Left tend to become less over time, but are still considerable between Social Democracy and other parties (13.7 points between 1991-2004). Nevertheless, noticing the smaller range of social democratic parties, both over time and across nations the differences are less than before 1990. The same observation can be made as regards the saliency of traditional ‘Welfare Statism’ and Third Way approach to the ‘Social Investment State’. Both the averages and the range decrease slightly after 1990. Yet, social democratic parties appear to stress less the basic tenets of the

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2 The emphasis on a traditional welfare state is operationalised by means of data published by Budge et al., 2001: 219-228 and Klingemann et al., 2006 using the following variables of the data set: PER404, PER409, PER412, PER504. The emphasis on the social investment state or “Third Ways” will be measured by PER402, PER403, PER411, PER506. All are percentages of the total text representing the issues.

3 Working Class-Appeal is constructed by means of the following variables from the Budge et al., 2001 and Klingemann et al., 2006 data sets: PER415, PER701, PER705, PER706 representing positive references on labour groups, minority groups on the labour market and positive references to underprivileged in society. A high(er) score – representing percentages of program text - implies stronger attention for the Working Class constituency.
traditional welfare state (-1.4) whereas this remains the same with other parties. Third Ways also is also less emphasized. This is not the case regarding Working Class Appeal: more programmatic emphasis is laid on labour groups, minorities and those in need of support (for other than economic reasons) by social democratic parties and ‘other parties’ (2.5 and 2.8 points change respectively.

All in all: Table 1 shows that Social Democracy is still more left leaning than many other parties, that they remain by and large faithful to the extant type of Welfare Statism and that Third Ways are apparent, but not largely more than in other parties. Working Class Appeal is (moderately) growing and may well indicate to some extent a return to seeking realignment by Social Democracy. Yet, this feature is also visible in the scores of other parties.

The most striking result from Table 1, however, is the convergent development that has taken place. Although the movement of social democratic parties is more pronounced the differences with other parties have become limited (Range is decreasing by 34 points on the Left versus Right scale and 14.5 point on traditional welfare statism). Only the attention paid to the working class constituency (and the weaker groups in society) increases slightly, but the actual level of ‘appeal’ is, again, quite similar for all parties under review. Hence, the statistical ranges are less than before 1990 and this – again – points to party system convergence. This is in particular the case for the social democratic parties. As shown in Table 1: the range for all parties on the different scales is – except for the Left versus Right scale – close to the ranges of social democratic parties.

Overall Table 1 demonstrates that party differences seem to diminish and although social democratic parties are still more to the left than most other parties, their movement is towards the ‘centre of gravity’ of most party systems. This implies that exactly this party family is relaxing its policy positions (in terms of the type of welfare to be provided) as well its appeal to the electorate (as regards its original constituencies). However, as Table 2 below shows,

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4 It should be noticed that in many West European parties there exist left-wing contenders (like in Scandinavia, Netherlands, Italy, Germany and France) included in the category ‘other parties’ which obviously influence the results for social democratic parties.
some parties are still close to their original ideology whereas others clearly have moved towards the ‘radical centre’. Hence Third Ways have emerged, but at the same time it is also clear that some social democratic parties in Europe have remained by and large ‘true’ to their original ideological position. In addition: also ‘other parties’ show a similar pattern and indicate that the differences between party families appear to fade during the 1990s (Kitschelt, 1994; Keman and Pennings, 2006).

Below in Table 2 the scores reported in Table 1 are disaggregated at the national level. It becomes clear that in some countries - most notably Australia, Flemish Belgium, Finland, Germany, Italy, Netherlands, Sweden and the United Kingdom – not only the move towards the ‘radical centre’ is apparent, but is also accompanied by more emphasis on Third Ways ideas and less on maintaining the traditional welfare state (e.g. Australia, Finland, Flanders, Ireland, the Netherlands, Sweden and the United Kingdom). In many cases the change of discourse also affects the ideas as regards the working class (French Belgium, Ireland and Norway in particular), but this is not a unilateral movement: in Austria, Denmark and Sweden the opposite movement can be discerned. Finally, it must be noticed that the relationship between emphasising traditional welfare and Third Ways (or the Social Investment State) is absent (Pearson’s $r = .08$ for 1975-1990 and $.21$ for 1991-2004). Hence, what one must conclude is that overall Social Democracy is in flux and in general towards the centre of gravity of party systems (Keman, 1997), but at the same time not all social democratic parties change into the same direction, or on all indicators used here. This within diversity is further underpinned by the observation that the ‘other parties’ show similar developments: the trend is convergent but the variation among parties and party systems remains considerable.

From these observations we infer that not only the movement toward a Third Way position is a general one across party systems and not confined to Social Democracy alone, but also that to a large extent the position of many social democratic parties still tends to be ‘leftist’ (in the traditional sense). The detailed listing in Table 2 not only confirms the previous observations but also shows that there is considerable cross-national variation regarding the change in policy positioning of the social democrats. For example the New Zealand, Swiss and French
social democrats seem to be the most stable parties regarding their policy position on the Third Way-scale). Conversely the main propagators of the Third Way, British Labour and the German SPD show indeed considerable change towards the ‘centre’ (see also Volkens, 2004).

As all parties, and the social democratic ones in particular, have changed course it appears tenable to suggest that this was in part done because of vote and office seeking motives. Especially after 1990 this appears to have led to a movement towards the Third Way direction and expresses this strategy to maintain or regain power resources. Therefore we shall now turn to the question whether or not this change in ideology has indeed enhanced the vote- and office-seeking capacity of social democratic parties.

4. The power resources of Social Democracy: Votes and Office

As is clear from section 3: the overall trend is a changing point of gravity towards the right within most of the respective party systems in combination with a simultaneous movement of Social Democracy away from its traditional policy stance as regards the welfare state. This is what is considered as an indicator of Third Way politics and is by and large confirmed by the increase of 1.7 points on this scale, whereas the other parties show a decline of 1.1 points in this respect (see Table 1). The question we shall now turn to is to what extent party system change and the ‘new’ politics of Social Democracy have affected its power resources in terms of an increase in votes and office (; Kitschelt, 1999; Mair, 2002).

Wolfgang Merkel (2001: 33ff.) notes that European Social Democracy has experienced almost historically high levels of voters’ support (30.9%) and participation in government (43.5%) in the 1990s. This is, however, a slightly optimistic observation if one looks at the statistical range (respectively 37.2 and 49.1 after 1990). Below in Table 3 the change in average votes – seats – government participation before and after 1990 is reported in relation to the extent parties have changed their programmatic profile or not. Obviously the ‘success’ of social democratic parties has been less than is often thought (e.g. by: Kandel and Cuperus,

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5 The scale has been derived from the indicators that have been used: Left to Right movement; less traditional welfare statism; more Third Ways attention and Working Class Appeal. See Notes 2 and 3. If a party scores on 3 of the 4 indicators it implies strong change of strategy, if 2 it is moderate, if 1 it is considered as minor, and if none of course no change of strategy has occurred. Portugal is example of (hardly any) change, whereas the UK or the Netherlands exemplify ‘Major’ change.
1998). Hence the question begging for an answer is to what extent vote and office seeking behaviour drive Third Way politics. And, of course, whether or not this strategy is paying off?

Table 3 about here

From the aggregated overview across time and across 19 party systems it appears change has occurred and that apparently this is associated with a change in strategy. However, the vote share has gone down (on average -3.7 per cent) as have seats in parliament (on average -2.1 per cent). Yet, damage control is visible if a party did change its strategy towards Third Ways. In fact, if this change was decidedly then it seems to pay off in seats in parliament and government. Government participation has gone up indeed by 13 points on average for all parties and indeed increased after 1990 dramatically in the case of a ‘major’ change of strategy. To a large extent this has been due to the re-appearance of Labour in the United Kingdom, the relatively long reign of the Dutch Labour Party (1989-2002), the emergence of Schroeder in Germany and the relatively strong position of Social Democracy in Southern Europe. Yet at the same time the Scandinavian stronghold is already under siege and also elsewhere votes and seats are harder to come by (Pennings and Keman, 2006). In addition, judging the increase in net volatility, it appears that the floating vote seems to become more important (+3.0% for all cases). In Table 4 we have specified the degree to which Social Democracy has pursued a strategy that is more or less characterized by Third Ways ideas.

Table 4 about here

Obviously Table 4 demonstrates that the electoral development and its translation into seats in parliament have not really paid off. Yet, at the same time it appears that a changed strategy helps to maintain votes and offices, in particular government participation. Moving to the ‘centre of gravity’ and moderating the policy stance as regards welfare statism is rewarded in parliamentary and governmental offices. How is this relationship shaped? What indicators of strategic change have been more important to account for the changes reported in Table 4?

Parties viewing government participation as their main goal seem to play down their ideology in order to maximise their votes or in order to become attractive coalition partners. This assertion is in accordance with the Downsian model of party competition, which predicts that

\[\text{Note that the 6.2 per cent increase in seats is affected by the FPTP electoral systems: Australia, New}\]
parties are not primarily ideologically driven but predominantly tend to follow (median) voter preferences to maximise their votes (Budge, 1993). We know that many social democratic parties have followed a vote and office maximising strategy regarding their policy stances as well as regards their Left versus Right position and accordingly have moved towards the centre of gravity of their party system. In addition it follows – given this movement towards the centre – that the Third Way politics has become more prominent and apparently have a greater bearing on the votes and offices gained (Cuperus and Kandel, 1998). Table 4 shows the extent to which social democratic parties have changed their strategy before and after 1990. With the exception of Working Class Appeal, about 35 to 45 percent of all social democratic parties have moved to the centre and altered their policy position as regards welfare statism. Most striking is perhaps the farewell to the traditional generous welfare state (44.8 per cent) trading it off against the Social Investment State (see also: Pierson, 2001). This change of strategy appears indeed to be conducive to more votes and offices: Pearson’s Correlations coefficients between less traditional welfare statism, on the one hand, and more Third Ways attitudes, on the other hand, and votes and seats is: .37 and .44 (significant: < 0.05). However, this relationship does not hold as regards government participation. It appears that the translation from votes and seats to government is less directed by the strategic choice for mover to the centre and relaxing the traditional policy position regarding the welfare state (unlike Giddens, 2000 and Huber and Stephens, 1998 have argued). Yet, at the same time we observe a strong increase in government participation. In part this can be understood as an effect of the politics of government formation, which is a complex and delicate game involving more variables in the equation than votes and offices (see: Laver and Budge, 1992; Müller and Strøm, 1999; Keman, 2006). Most countries under review know governing by coalition only (and sometimes under minority conditions). Hence, to understand the relationship between changing strategies and government participation we must look at the combined effects of Third Ways strategies, Left to Right movement of social democratic parties and their legislative weight.

Table 5 about here

Obviously, if and when a Third Way strategy results in movement to the right as well as pays off in parliamentary seats, the chances of Social Democracy to govern appear to rise. This Zealand (up to 1996) and the United Kingdom.
chance increases after 1990. We conclude therefore that a programmatic change towards the centre of the party system, with a Third Way profile affects the vote seeking capacity of social democratic parties, but also enhances its office seeking capabilities. As far as change of Social Democracy occurs it appears to result in a modest rise in votes and a strong rise in governmental office. Third Way politics appear to be a function of a general shift in party systems (see also Table 1 and 2) in particular after 1990. Working Class Appeal is, not surprisingly, of lesser influence. As Table 1 shows, the reason is that most parties – including non-social democratic ones - show the same level of attention paid to this part of the electorate. There is little comparative advantage in this type of party competition. The analysis so far confirms that the programmatic development of social democratic parties has little bearing on its vote seeking capacity (see Table 3). Hence, as an electoral strategy neither continuity nor change pay off in more votes for Social Democracy. To put it even stronger: Social Democracy gains little from its movement to the centre of gravity of party systems and the role of the ‘core’ constituency is negative.

We conclude therefore that, insofar Social Democracy has changed its programmatic stance towards the centre of gravity, it does not enhance its electoral position. However, it does pay off as regards its office-seeking capacities. In addition, it can be argued that the converging tendency of party manifestos — as manifested in the diminishing differences between parties of the Left and the Right (see Table 1 and 2) — appears to have resulted in a new situation where coalition formation is less influenced by policy seeking behaviour and is more directed by office seeking motives. If this is true it could well explain the emergence of ‘new’ coalitions where we see party combinations that were thought to be impossible. Examples of this development are growing: the ‘purple’ coalition in the Netherlands (1994), the first ever involvement of the Liberals and Greens in Finnish coalitions (1995), the ‘Green/Red’ coalition in Germany (1998), the ‘purple’ variant with a Green touch in Belgium (in 1999), and the coalitions formed in New Zealand after 1996. Hence, one could contend that the changing format of party systems has an impact on the complexion of governments in the 1990s (Mair, 2002). At the same time — so we argue — the concomitant development of social democratic ideology and related policy stance may not mean a dramatic break with its past, but its strategic change may well imply a shift in its social and economic policy making performance after 1990, if and when in government. To this we will turn now.

5. The policy performance of the ‘new’ Social Democracy
The question that is begging for an answer is to what extent the observed changed position of Social Democracy and its role of in party government, has had implications for public policy-making performance. I expect that changes in the policy position of social democratic parties towards Third Way ideas in combination with Social Democratic strength in government and parliament will lead to shifts in the relevant public expenditures on welfare and labour market policies. Hence, if social democratic parties have moved from a preference for the social welfare state towards a social investment state i.e. Third Ways related policy formation, this would lead to higher expenditures on, for instance, education and active labour market policies and to lower levels total outlays by government and of social security expenditures. For a social investment state would imply a ‘smaller state’ (and possible tax cuts), thus not only the social security expenditures would decrease but also an overall decrease in the size of the public sector can be expected. In short: if Third Way politics is not only rhetoric or an office-seeking strategy per se, this should surface in a changed pattern of policy output that is corresponding with the programmatic change of social democratic parties. This effect can be particularly expected during the 1990s, if and when Social Democracy is incumbent.

According to our earlier findings (Keman and Penning, 2006; Vis et al., 2006) it is expected that socio-economic circumstances, on the one hand, and the relative strength of Social Democracy in (more often than not in a coalition) government, on the other hand, be of influence. In addition I will also control the policy performance for the effect of party differences on the Left-Right scale as an indicator of party system change. The dependent variables represent the core policy areas of the ‘old’ and the ‘new’ Social Democracy after 1990. Education expenditures, and the expenditures on active labour market policies are benchmarks for Third Way policies, whereas social security payments and the size of government spending indicate the perseverance of the traditional Left (Castles, 1998, 2007; all measured in percentages of GDP and taken from OECD and Armingeon: CPDS, 2006). In Table 6 the correlations between these policy outputs and the indicators of social democratic politics and policy positions (as derived from their party programmes; see Table 2) are reported. The analysis is performed on the (aggregated) level of national states.

Although most results are statistically moderate, they allow for the following observations:
The movement towards the Right of the party system spectrum by social democratic parties is unrelated to variations in public spending, except for education (see also: Schmidt, 2007). This need not to surprise us since despite the change in strategy of most parties they are still far from the ‘centre of gravity’ in most countries under review. Additionally – as Castles (2007: Ch. 2) has shown – this may well be an effect of the so-called ‘policy legacy of the Left’: the extension and growth of public expenditures reached its apex in many European democracies during the 1970s and 1980s. Since then one observes a more steady state or stationary development of the public sector in view of rising public debts and tax pressures.

The change in policy stance as regards the traditional welfare state is visible as far as the signs go: a negative relationship means that less emphasis expressed by Social Democracy, i.e. away from the original ideas, appears to be related to more spending on education \((r = - .58)\). This confirms the idea that a changing attitude indeed implies more emphasis on education. Finland is the strongest example of this whereas New Zealand shows exactly the opposite development (see also: Schmidt, 2007). This observation is reinforced by the result in the 3d column of Table 6: The stronger social democratic parties move towards Third Ways in the mould of a ‘Social Investment State’, the lower the levels of overall public spending are. Hence, so it seems, the change of Social Democracy towards the ‘radical centre’ does make difference as regards its policy efforts – in particular on the more traditional types of spending, i.e. social security (see also: Vis et al., 2006). Accordingly, the attention paid to specific constituencies as indicated by Working Class Appeal shows an opposite movement: the more ‘appeal’ expresses the less change in public spending in general and on social security spending in particular \((r = .46)\). Apparently there remains a tension between moving towards more Third Ways ideas and the vote-seeking strategy of social democratic parties (see also: Pierson, 2001). On the one hand, levels of social security spending tend to become lower, on the other hand, these expenditures are maintained by most parties if and when in office. Hence, if Working Class Appeal remains present, it tends to imply no change of policy.

All in all, Table 6 makes clear that the changing of social democratic programs and the movement towards the centre of gravity results in a changing pattern of policy outputs. However, apart from the moderate strength of the bi-variate relationships, it may be questioned to what extent these developments are indeed the result of social democratic actions in parliament and government. First of all, in most representative democracies under
review Social Democracy hardly ever governs alone (except in FPTP two-party systems: Australia, New Zealand - until 1996, the United Kingdom, and in fact also in Greece and Spain). Secondly, in most cases Social Democracy is not incumbent all the time (in fact 43 per cent of the time on average between 1990-2004). Thirdly, social democratic parties must pursue their Third Ways in most cases in differently coloured coalition governments that are also regularly changing in party composition and on average do not last longer than 2,5 years (see: Woldendorp et al., 2000: Ch. 3). Hence, one cannot expect that Social Democracy is capable to translate its policy profile to the full extent (Scharpf, 1991; Schmidt, 1996; Boix, 1998; Keman, 2002). Below in Table 7 I report the associations between the features of party government and the relative strength of Left – Centre – Right party’s incumbency with the respective policy outputs as employed in Table 6.

Table 7 about here

From Table 7 it appears that the complexion of party government matters as regards patterns of public spending by the state. This is not surprising as this is more than less an established relationship (Hibbs, 1992; Klingemann et al., 1994; Castles, 1998; Schmidt, 2002; Keman, 2002). What is interesting to observe though, is the fact party differences between Left and Right representation in government is clearly consequential for the size of the public sector and the levels of social security. Hence, the traditional forms of governmental action, welfare related policies in particular, tend to be downsized the more a government is characterised by a Centre to Rightwing complexion of the coalition.

Party competition is therefore not only relevant on the level of votes and office strategies, but also for understanding the extent to which Social Democracy is capable to realize its policy program. For example, whether or social democratic parties are in coalition (see Type of Government) it matters with what kind of party. In addition, it will be important to what extent a social democratic party tends to follow a Third Way trajectory. This may well affect the spending patterns by government and the likelihood of an effectively governing coalition.

This hypothesis appears tenable in view of the associations reported in Tables 6 and 7.7

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7 A caveat is in place re. the relation between Type of Government and Active Labour Market Policies: The result is influenced by the Scandinavian cases that combine often Minority government with a Leftist complexion. However, recalculated without Sweden, Norway and Denmark the relation remains robust.
Educational expenditures emerge as being hardly related to the political features of party government. This seems at odds with the political ideas of Social Democracy (and also of other parties). Yet, the explanation is that, one, it is a non-contested policy issue among most parties (i.e. it is salient, but for all parties), second, the levels of spending have gone down almost everywhere and this development can be seen as a combined effect of arresting total outlays of the state – which is promoted by the Centre and the Right - and trading off this type of expenditure against the more traditional type of expenditure (like Social Security) by the (moderate) Leftwing (see: Vis et al., 2006; Schmidt, 2007).

In summary: the policy performance of Social Democracy is not clearly moving in one particular direction nor is it remaining the same since the 1990s. In fact it shows a certain ambiguity: on the one hand, mainly thru Working Class Appeal (if and when pursued) it continues to emphasize and spend on the traditional core of the welfare state, i.e. social security policies; on the other hand, Third Way type of policies are pursued but not vigorously - like education and active labour market policies in particular (see: Keman, 2003; Scharpf, 2001; Vis et al., 2008). Finally, as Table 7 shows, the type (of coalition) and ideological complexion of party government appears to be an important ‘filter’ for getting things done. This observation is by and large supported in Table 8 below where the results are reported of the impact of Left or Right in Government in combination of both the type and complexion of party government.

Table 8 about here

Altogether the pattern of associations confirms the extant analyses as regards ‘Politics does matter’ (Schmidt, 2002; Keman, 2002; Castles, 2004): Rightwing coalition governments arrest expenditures, whereas Leftwing coalitions appear to have little direct influence, apart for social security spending. More important is the outcome that the way government is organized in terms of its coalitional formation and its ‘colour’ or complexion in terms of party differences. This means that local rules and institutions of the political game are important filters for understanding the relationship between programmatic policy agendas and public policy formation. Hence, however observable the development towards Third Ways within Social Democracy may be, this strategy appears only to pay off in policy-seeking terms if the working and organization of party government is taken into explicit consideration.
In summary: the development toward Third Way ideas has a mixed impact on policy-making in OECD democracies. However, one can derive from the bi-variate and multivariate analyses comparing European democracies that the 1990s are indeed different from the preceding period (1975-1989). Apparently, if and when the party system is converging in terms of Left versus Right, Third Way ideas can become a salient feature of social democratic governance. Hence it seems that the shift towards Third Way ideas is perhaps merely a watered down version of ‘traditional’ social democratic thoughts and only indicates an adjusted programmatic policy stance allowing social democratic parties to move to the centre of gravity of party systems and thereby enhancing its office-seeking strategy.

6. Conclusions and some Speculations

Social Democracy across Europe has indeed changed. Most social democratic parties have manifested Third Way ideas and this has transformed their party programmes more or less and sooner or later. These ideas — prominently represented in the work of Giddens (1998 & 2000) — were operationalised by means of two indicators: a scale representing the development towards a “Social Investment State” and away from the (more generous type of) “Social Welfare State”, and a scale focussing on the extent to which “Working Class Appeal” - its original constituency - remained a cornerstone of social democratic ideas. The descriptive analysis demonstrated a movement towards Third Ways and was accompanied with a shift in programmatic and policy positions of many social democratic parties away from a clear-cut left wing position, but not necessarily resulted in doing away with its ‘working class appeal’. The actual outcome of this process meant these developments have been part of a general tendency in most party systems towards the so-called ‘centre of gravity’ (Keman, 1997; Mair, 1997) or as Giddens wrote: the ‘radical centre’ (see also: Pierson, 2001).

The answer to the question whether or not this change in ideology has been driven by vote- and office-seeking motives of social democratic parties in terms of party competition is that the overall trend of the social democratic parties in Europe has indeed been towards the centre of gravity. Table 3 showed that the social democratic vote share did not grow but did also not regress. Yet, the rate of social democratic incumbency remained stable and more often than not flourished in the 1990s. Essentially, the development towards or away from Third Way ideas in the social democratic parties in Europe does not strongly enhance its power resources in terms of votes. On the other hand it does enhance its office seeking strategy through the changing nature of party competition, due to the observed convergence within party systems,
on the one hand, and the movement of many social democratic parties towards the centre, on the other hand (Pennings, 1998; Kitschelt, 1999; Bonoli and Powell, 2004).

Focussing on the question to what extent the changes in party programme and policy positions in terms of Third Way ideas have had an impact on social democratic policy making the results indicate that social democratic politics if and when in government matters with respect to policy-making. Yet, the direct impact of a Third Way programme being translated into a corresponding policy performance is only moderately established. The conclusion as to the effect of programmatic changes of Social Democracy on policy output is that there is change, in particular during the 1990s, but not a straight forward one towards a Social Investment state. Rather one can observe that the policy performance of European Social Democracy resembles a balancing act between ‘traditional’ values and — as the Blair/Schroeder Declaration puts it— “modernisation” of Social Democracy. From the analysis it emerges that a long and winding road still has to be travelled by the ‘new’ social democrats (Merkel et al., 2006). For the moment we can only observe that Third Way ideas merely tend to move from the ‘traditional ‘Left’ to the centre of party systems, but its policy profile remains by and large unchanged except for the size of the public sector.

Taken all together I conclude that Third Ways should rather be considered as a social democratic rhetorical answer to the emergence of neo-liberal ideas on the role of the state and fiscal size of the extant welfare state. It certainly is not yet an ideological transformation of Social Democracy. In the midst of changing party systems and modes of party competition it appears a pragmatic move to enhance the social democratic electoral and governmental appeal. Additionally the empirical analysis has shown that this development is not occurring everywhere or overwhelmingly. Finally, the programmatic changes have had little direct effect upon public policy formation.
References


