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Political Parties and Growth Models

Jonathan Hopkin and Dustin Voss

Introduction

The growth model (GM) perspective has offered a much-needed jolt to comparative political economy, but it has suffered from a pathology that has long afflicted research in the field of political economy: a neglect of how electoral politics constrains and shapes policy through the mediation of organized political parties. This chapter makes a start to remedying this, suggesting ways in which party politics can be brought into GM theory. We discuss how political parties have been differentially conceptualized by political economists and party specialists and il- lustrate the potential for bringing these literatures together. We offer empirical illustrations to show how growth models are shaped by party politics.

We argue that electoral politics should not be seen as epiphenomenal or incidental to growth models, but neither is it realistic to claim that electoral politics shapes policy and institutional development in the direct way imagined by optimistic accounts of how parties "matter." Instead, we show how GM theory's emphasis on the politics of demand, the instability of contemporary financialized capitalism, and overbearing influence of the asset-holding classes can be better understood by integrating new research on political parties into the picture. Finally, we show that the recent rise in populist or anti-system policies, and the ways in which this has reshaped the political economy, show how growth models cannot insulate themselves from electoral pressures, particularly when they fail to deliver growth.

Growth Model Theory and Party Politics

Growth model theory seems to relegate political parties and elections to a marginal role in the political economy. The concepts of "hegemonic social blocs," or "dominant growth coalitions," which cement a particular pattern of power relations upholding a growth model, seem fundamentally at odds with stylized ac- counts of democratic governance emphasizing the role of competitive elections, redistributive politics, and accountability. Taken to its logical limits, the role of parties in this perspective would be simply to provide a theatrical simulation of democracy, generating the illusion that citizens get to choose who governs from a restricted menu of relatively powerless representatives. From a Gramscian perspective, the dominance of the social bloc would be ideational as much as material, with alternative interpretations of the economy being off limits or even inconceivable (Lukes 1973). But even mainstream party politics scholars have offered accounts of elections as essentially changing little (Katz and Mair 1995).

In this relative discounting of the cycles of electoral politics, growth model theory is far from alone. The dominant paradigm of the early 21st century, Varieties of Capitalism (VoC) (Hall and Soskice 2001), with some caveats, also tended to see institutional forms as driven by the preferences of non-parliamentary social interests, and liable to persist independently of the vagaries of election results. Neither did VoC's main rival, which we could loosely call "convergence theory," see much relevance in electoral dynamics, with its account of progressive liberalization relying as much on the impersonal forces of globalization and technological change as on the mobilization of political and electoral clout by neoliberal politicians (Baccaro and Howell 2012).

There are however, a number of reasons why growth model theory can benefit from more attention to party politics. First, if we take seriously the concept of hegemony, the focus on ideas and ideology is far from irrelevant to parties. If anything, parties can be seen as the key agents of developing and propagating the justificatory apparatus of a particular growth model, generating support for it, and adapting understanding of it to changing political and economic circumstances (Blyth 2003; Hopkin and Blyth 2019). Nor should parties' role be limited to merely "selling" the growth model—by helping to articulate new understandings of the economy parties' "ideational infrastructure" (Bick 2021) can redefine the boundaries of growth models. There is a role for parties as propagators, interpreters, or even initiators of new ideological justifications for ways of managing capitalism (Piketty 2020).

Second, the focus on the demand side of the economy brings voters back in, albeit perhaps indirectly. There is a big difference, in terms of electoral politics, between an export-led and a consumption-led growth model, in that export- led models imply an accumulation of savings at the expense of consumption, with significant potential to provoke electoral backlash unless a social consensus around the model has been carefully built, while consumption-led models tend to imply high levels of electoral instability as credit conditions fluctuate and the balance of power between creditors and debtors evolves.[1]

Third, by focusing on how capitalist interests can influence policy without needing to form institutionalized relationships of cooperation across class lines, we can move beyond the optimistic pluralist accounts of interest formation and policymaking that guide much of the electoral politics and public policy literature. Not only is it important to look at how social blocs vary in terms of the size and heterogeneity of the electoral coalitions they appeal to (Baccaro and Pontusson 2019), but we also need to understand how powerful groups can shape growth models to their needs in ways which bypass formal and visible policy processes altogether.

Bringing Parties Back In

Growth model theory shares with most mainstream comparative political economy a relative neglect of the complexities and nuances of parties and elections (Hall 2020). This is mirrored by the relatively oversimplified models of the political economy that most parties and elections scholars tend to work with. In this section we chart the development of party politics scholarship to identify the research contributions that can inform our understanding of the political economy.

Parties and Political Economy: From Cleavages to Strategic Choices

To risk caricaturing a vast and varied literature, the classic political parties' scholarship tended to work with a very under-theorized understanding of the political economy. As a result, some of the standard concepts and categories often still used in the parties' literature presupposed a particular configuration of socio- economic forces that was in fact quite specific to the period in which they were developed. Parties' scholars in the postwar period did often reflect on theories of macrosocial change in their analysis of party development, such as long-run processes of economic modernization, but social categories such as workers, petit bourgeois, and the nebulous "middle class" underpinned discussion of parties' social roots. As a result, a certain understanding of the class structure and social-cultural divides in early and mid-20th-century Europe, and its mutation into a something more fluid and egalitarian during the postwar boom years, continued to influence researchers far beyond those periods.

In the electoral sphere, the scholarly debate developed very roughly as follows. The early, more conflictual phase of party democracy saw the establishment of party systems that starkly reflected economic class structures and long-standing social-cultural and territorial divides, both in the types of political representatives that were elected, and in the ideological and programmatic positions they adopted (Lipset and Rokkan 1967; Sartori 1976). But the lack of data and limited statistical power meant much less was known about voter behavior. When electoral surveys began to be widely available, they soon revealed a much weaker correspondence between social structure and voter choices than initially thought, leading to long debates on class dealignment, which coincided with an increasing preference for individual-level explanations of electoral outcomes. Alongside the growing political influence of neoliberal thinking, this resulted in a rapid detachment of the study of political parties as organizations that structured political ideas and projects from the study of voter behavior, increasingly seen as a set of reasonably coherent individual choices (e.g., Rose and McAllister 1986). The main resistance to this trend came from scholars reluctant to give up on a view of class politics that had transformed almost beyond recognition (Heath, Jowell, and Curtice 1988).

This growing emphasis on electoral choice had several limitations. Although most electoral surveys do ask basic questions about occupational, housing, and economic resources, they generally stick to a relatively simplified conceptualization of economic interests, which hinders more sophisticated analysis of the economic foundations of voting patterns, relative to the usually extensive battery of questions on attitudes and explicit policy preferences. This has encouraged a view of parties' relationships to voters in which parties provide a "supply" or "offer" of policies and personalities which comes up against voter "demands," which seems relatively optimistic about the extent to which what citizens want shapes politics and policy.

The "high point" of this type of analysis is the "valence" model of voting in which voters cast judgment of politicians' performance in meeting a set of voter needs that are broadly uncontroversial: law and order, a growing economy, and a reasonable level of governing competence (Clarke et al. 2010). The growing influence of the "valence" model tended to downplay the role of political parties and other actors "shaping" electoral preferences (Dunleavy and Ward 1981) and left electoral studies unprepared for the return of conflictual electoral politics in the 2010s.

Alongside the trend in electoral research toward voter choice models, political parties scholars also ditched earlier models of more structured party competition (Duverger 1954; Sartori 1976) in favor of conceptualizations of political parties as power- and vote-seeking strategic actors operating with a substantial degree of autonomy from social forces (Kirchheimer 1966; Panebianco 1988; Muller and Strom 1999). This reflected the very real organizational decline of parties, at least in terms of the idealized concept of the "mass party" that had shaped earlier generations of research (Duverger 1954).

By the 1980s it was becoming clear that parties had fewer grassroots members, weaker ideological moorings, and fewer reliable supporters than in the early phases of democratic politics. This sparked a "party decline" literature, which, while reflecting a very real phenomenon of increasing organizational and cultural fragility of political parties, had the unfortunate byproduct of reducing interest in their internal workings and the ways in which they developed ideas on how to govern the economy.

For our purposes, it is worth illustrating how these different conceptions of parties map onto analyses of the political economy. Mass parties that articulated and represented stable social cleavages underpinned the "managed capitalism" of the postwar boom, by giving structure to the distributional politics of an expanding welfare state (Esping Andersen 1990) and overseeing the corporatist bargains over wages and investment that held inequality at bay while delivering returns to capital (Hibbs 1977; Scharpf 1991). The difficulties of the 1970s, where growth slowed and corporatist bargaining broke down in many places as voter expectations accelerated beyond what governments were able to deliver, weakened the party types that had brokered social peace (usually social democrats and Christian democrats). The end of the postwar compromise and the shift to neoliberalism required a different kind of party. The "party decline" identified in the parties literature thus coincides with the crisis of the wage-led growth model identified by growth model theorists (Baccaro and Pontusson 2019; Hopkin and Blyth 2019). The shift to neoliberal modes of economic man- agement had its counterpart in party politics with the shift to "cartel parties," first conceptualized by Katz and Mair (1995), who offered an account of party politics after the mass party era that was both realistic and historically grounded.

Parties and Political Economy: "Cartels" and the Neoliberal Growth Regime

For Katz and Mair the contemporary "cartel party" was the end point of a process whereby governing parties had effectively detached themselves from civil society to become embedded into the state, as indicated by their increasing material reliance (at least in Europe) on public funding and the implicit or explicit collusion between them to exclude outside forces from the political system. The oligopolistic pattern of behavior they described insulated political institutions from voter pressures, and alongside a gradual and almost universal decline in party membership and voter participation across the Western democracies short-circuited the standard channels for political accountability and citizen input into policymaking (Mair 2013). Far from the representative party government theorized in various ways by the pioneers of party studies (Schattscheider 1960; Downs 1957; Lipset and Rokkan 1967), democracy appeared to no longer involve much in the way of consultation with the *demos*.

The cartel party thesis had major implications for the political economy that were spelled out in subsequent contributions by Katz, Mair, and coauthors. Blyth and Katz (2005) elaborated a set of implications for economic governance of the cartel model, extending the implicit collusion of the core party system beyond party funding and barriers to entry, to consider also the ideological and programmatic boundaries of partisan competition. Shutting out outsider parties also facilitated shutting out different ideas, which became especially important once the establishment parties tired of responding to voter demands for ever- higher living standards and found it convenient to step back from active management of the economy and redistribution (Melzer and Richard 1978). The cartel party model was therefore an ideal electoral and legislative arrangement for entrenching the neoliberal growth model, shutting out alternative, more interventionist political economy models, delegating key policy levers to non-elected officials, and downsizing voter expectations (see also Blyth and Matthijs 2017).

From the Cartel to the Electoral Turn

The cartel model fitted neatly with the valence model of voting and with the political style of the post-Cold War 1990s and 2000s. The demise of the only real rival to liberal democracy and market economies, the loss of confidence of social democratic parties and labor movements, and the dramatic expansion of global capital markets, left progressive politicians in the West reluctant to challenge the kind of neoliberal thinking that had come out of the Cold War triumphant (Hopkin and Blyth 2019). Voters were therefore left with a choice between barely distinguish- able partisan alternatives, sold to them based on superficial personality appeals and claims to governing competence (Crouch 2004; Hay 2007).

With adequate economic growth, this system appeared sustainable, albeit with obviously declining public enthusiasm and trust in politicians and institutions (Pharr and Putnam 2000). But the Global Financial Crisis overwhelmed this model of governance, drawing out the full extent of voter disaffection and disenfranchisement. Short of voter trust and forced to take unpopular decisions such as bank bailouts and austerity measures, parties, as Peter Mair put it at the time, “now appear to exacerbate rather than alleviate the problem” of securing democratic consent (Mair 2011, 13).

This pessimistic view has been countered by the so-called electoral turn literature, which recognizes constraints on responsible party government but still gives center stage to the “changing *supply and demand sides of politics*, that is, politicians” political-economic policy proposals and commitments, but also citizens’ policy preferences (Beramendi et al. 2015, 2). Their model of “constrained partisanship” is primarily pitched against the classic political economy literature that gave primacy to the corporatist dealings of social partners and interest groups. But it also challenged the cartel politics thesis, with its implication that parties matter but party differences matter less (Mair 2011, 4), and there- fore that elections ultimately fail to constrain policymakers very much (see Kitschelt 2000).

Instead, the claim the “electoralists” seek to make is that producer groups may matter, but that elections matter too, and indeed their importance has been growing. Rather than issue or valence voting, contemporary party politics still revolves around the competition between different occupational groups battling over material resources, but along updated and refined policy dimensions, such as trade-offs between consumption and investment as well as between different degrees of government interventionism (Kitschelt 1994; Kitschelt and Rehm 2014). In the next section we show how the debate between the cartel poli- tics thesis and the constrained partisanship model can help inform our under- standing of growth models, how they vary and how they change over time, and their implications for the distribution of economic resources and the stability of the democratic system.

The Party Politics of Growth Models: Securing Consent

One of the strengths of the growth models’ approach is the potential to develop a more fluid understanding of how electoral and party-political dynamics shape economic policies and institutions. The heavy focus on path dependency in much of the political economy literature of the last few decades leaves parties as either important mainly in key formative moments of welfare regimes, but relatively less decisive afterward (Esping-Andersen 1990), or simply as expressions of social interests filtered through electoral institutions that are more decisive than the parties themselves (Iversen and Soskice 2006). Yet we know that political parties and their leaders disrupt and reshape capitalist systems, pushing societies onto alternative paths (Gamble 1994). To better understand how political parties do this, and under what conditions they can be tools for fundamental changes in the political economy, we need to understand parties as organizations.

One of the main limitations of coalitional approaches to the political economy is that they very often leave out the crucial detail of how, exactly, political organizations like parties mobilize support, and how they use their political and electoral capital to pursue particular political and policy ends. Even when the constraints on politicians are taken seriously, this omission can still result in an oversimplified, indeed naive accounts, of how votes inform policy and the organizational structures within which they operate are black-boxed. The cartel politics perspective is a good antidote to this kind of thinking. By questioning simplistic implied “principal-agent” relationships between voters and interest groups on the one hand, and party leaders on the other, we can theorize more realistically how different interests shape political decisions.

Blyth and Katz (2005) show that in a post-mass party world, voters should not be seen as principals delegating authority to the political party as agent, but rather as agents serving the purposes of principals who need votes to legitimize their rule. This is the consequence of parties no longer needing to extract human and financial resources from citizens (in the form of grassroots activism and membership subscription) because they have learned to secure those resources from elsewhere (state funding or wealthy private donors or a mix of both) (Hopkin 2004). If party systems take the form of an oligopolistic market for political representation, then voters are "price-takers" who have marginal influence on what political leaders are supplying to the market.

Parties may no longer need activists and identifiers to the same degree, but they do need some organizational resources to be able to function and hold their own within the party system. Technological changes in mass communications provide new opportunities to attract voters using the sophisticated tools of marketing, targeting, and persuading also used by private companies. These tools are very capital intensive, compared to the labor intensive patterns of mobilization adopted by mass parties, and require significant investment (Hopkin and Paolucci 1999). Happily, parties can offer a return on this kind of investment by adopting policy positions and securing policy and implementation decisions that can make the investment in political mobilization pay off (Ferguson 1995; Hacker and Pierson 2010; Skocpol and Hertel-Fernandez 2016).

In short, the contemporary cartel party is, by virtue of its relatively capital- intensive mode of political organization, ideally suited to an era in which the interests of capital are likely to triumph in any battle against the interests of labor. Increasingly free of the need to satisfy ever-escalating demands of voters and activists than alternative models assume, it can act as a mediator between the policy requirements of investor groups and the often-inchoate preferences of voters, and in some cases, as we shall see next, act straightforwardly as an agent for the former.

The Party Politics of Growth Models: Building and Reforming Dominant Growth Coalitions

By conceptualizing parties as agents of the configuration of capitalist interests invested in a particular growth model, rather than as political entrepreneurs seeking to act on behalf of an electoral coalition that is organized around a particular model, we can get closer to the conceptualization of a dominant growth coalition laid out in the introduction to this volume. In this account, the dominant growth coalition reflects sectoral interests, driven largely by capitalist producer interests, but also including a cross-class alliance of capital and "labor aristocracy."

The primacy of capital in this account is reflected in the claim that dominant growth coalitions are not coalitions of equals, and that instead the reshuffling of the bloc is usually at the expense of a section of its labor component. This is consistent with capital enjoying structural power and with the clout that capital enjoys as crucial funders of political campaigns, especially in the more liberal market economies. But beyond these more materialist dimensions of capitalist power, hegemonic forces can embed advantages in fundamental institutions of economic governance which establish the boundaries of legitimate economic policy. Understanding political parties' role in entrenching or challenging these institutions is key to understand how they shape and maintain growth models. Parties, beyond being organizations with leaders and voters, are also carriers of ideas or "generalizable principles" (White and Ypi 2016) that bind party supporters together and form the basis of a broader social appeal.

The classic scholarship on parties in the early and mid-20th century saw ideo- logical differences between parties, and the correspondence of these ideological differences to specific social interests that parties sought to articulate, as central to democratic politics. The post-mass party model of democracy is instead seen as ideologically vacuous, with competition between strategically flexible actors pursuing votes following the demands of the median voter. But the lack of ideological distinctiveness does not mean the absence of ideology. Instead, a very clear preference for orthodox macroeconomic positions, pro-business regulation of markets, and limits on redistribution has been a shared, if rarely explicit starting point for political debate among established political parties since the 1990s (Blyth and Katz 2005; Hopkin and Blyth 2019).

This dominant ideology is even more powerful for being largely unrecognized in many cases, with political arguments occurring along entirely different, often superficial lines creating the impression of a vibrant pluralistic democracy while fundamental social conflicts remain buried. Party collusion in the cartel model is a good example of Schattschneider's insight that "the definition of the alternatives is the supreme instrument of power" (1960, 66). Once a growth model is entrenched, party competition revolves around distributional battles within the dominant growth coalition and payoffs to others adjacent to it, but with some claims to a share of the proceeds of growth. Because of the difficulty of organizing marginalized groups with no business interests willing to invest in a party alternative, large sectors of the electorate may be poorly served and entirely dissatisfied with the model, but unable to do anything about it, lapsing into abstention or a reluctant vote for the mainstream forces least hostile to them. The "party decline" trend described earlier captures such a scenario.

However, this "consent as acquiescence" may be harder to sustain if growth stagnates or some major economic shock disrupts the political equilibrium, as we have been able to observe in the decade following the Global Financial Crisis. If such consent is a widely observed pattern in the Western democracies over the past few decades, we need to go deeper to understand how this pattern of cartel politics reproduces distinctive growth models, and how in certain circumstances these models can be challenged.

Growth Models without Growth: Democracy and the Anti-System Challenge

In the rich democracies, from the 1990s until the late 2000s—a period of relative macroeconomic stability—political parties acquired a role as a kind of broker between the representatives of key economic sectors and the wider electorate. Their key function rested in defending the interests of dominant growth coalitions while shaping distributional policy so that the benefits of economic gains were sufficiently spread out to obtain support for, or at least acquiescence in, the economic model. In this phase, the parties' role was mostly one of "selling" the growth model to the public, or indeed in some cases suppressing con- testation to it by switching the political conversation to less threatening issues such as sociocultural policies ("identity" politics). The convergence of established parties around the key policies and institutions underpinning each national growth model, and the delegation of key policy decisions, ensured that elections served to legitimate the model rather than entertain alternatives. The space for contestation was limited to variations in the distributional bargains necessary to secure consent.

We distinguish between two kinds of dominant growth coalitions: a narrow "dominant" coalition *that* is the main source and beneficiary of growth, and a much wider, "secondary" coalition, consenting to, and benefiting from, the growth model on the former's terms. The core of the "dominant" coalition consists of the organized economic sectors whose interests are unambiguously and tightly bound up with the institutions that underpin the growth model. In the export-led model, for example, this is the cross-class coalition within the export-oriented manufacturing sector, comprising owners and managers of firms and their core employees, their families, as well as the residents of areas heavily dependent on these firms for local economic prosperity.

Yet as Baccaro and Pontusson (2016) point out, however well organized and influential such groups, they are highly unlikely to constitute a majority of the electorate. As such, the main task for parties lies in building and maintaining a dominant growth coalition by mobilizing the support of voters whose interests are less obviously protected by the existing growth model, but who nonetheless enable growth through the provision of services, or public goods, or, more generally, through the provision of the *infrastructure* required for the successful operation of a distinct growth model.

In general terms, parties can draw on three strategies when building a dominant coalition: they can *integrate* groups of voters and/or particular interests into the dominant growth coalition; they can *buy them off* using redistributive policies such as welfare spending priorities, regulatory policies, and patterns of public employment and investment that effectively redirect some of the productivity gains of the growth model to groups beyond the immediate beneficiaries; or they can choose to *marginalize* them by exclusion. Party political strategies to achieve this vary across growth models along the lines of well-understood differences between welfare regimes (Hassel and Palier 2021a). In times when this cross-coalitional bargain is tenable, the political underpinnings of a particular growth model can be considered stable.

But this condition makes the politics of growth models particularly susceptible to the dilemma of democratic capitalism (Streeck 2014a). Absent physical domination, democratic political economies are only stable when there are sufficient resources available to redistribute in a somewhat equitable fashion. Tensions between the electoral (democratic) and the elitist (capitalist) domains arise particularly in times of crisis and pose serious challenges to the ability of parties to maintain a dominant growth coalition. When parties fail to uphold the boundaries of their dominant growth coalitions, for instance, because former beneficiaries become part of the excluded, growth models become politically contested. The 2008 crisis and subsequent periods of austerity and stagnation have exhausted the political legitimacy of the post-Fordist growth models in the hardest-hit countries, opening avenues for institutional change.

The latter phase gave rise of populist––or anti-system politics (Hopkin 2020) and placed in office new political forces, many of which have openly advocated major institutional changes. Anti-system politics is, by definition, directed at existing political and economic arrangements. Some aspects of these arrangements may be tangential to growth models but for the most part anti-system political movements take aim at these models, both in terms of their distribution of economic risks and rewards and in terms of the distribution of political power implicit in them. We can restate anti-system politics in terms of the fundamental features of growth model analysis as follows.

First, growth models relate to sources of demand. The 2008 crisis was at its heart a crisis of demand, as the financial meltdown squeezed credit. Different growth models were differently exposed to this crisis of demand, but all the industrialized democracies initially opted for fiscal and monetary stimulus be- fore the post-Keynesian consensus reasserted itself in the form of fiscal austerity (Blyth 2013). The consumption-led models were particularly hurt by the turn to austerity, especially those in the Eurozone, and the shortfall of demand had direct electoral consequences, draining support from established political parties and providing opportunities for anti-system parties to challenge the "usual suspect" insiders (Hübscher, Sattler, and Wagner 2020). The cross- national evidence clearly points to anti-system voting rising most strongly in austerity-stricken countries that had adopted consumer-led growth models (Hopkin 2020).

Second, the distributional consequences of growth models are central to their stability. Inequality has been rising consistently since the 1980s across the advanced industrialized states, but the consequences of different growth models for the income distribution are important. There is a striking correlation also between current accounts and inequality since the export-led models tend to have welfare and labor market institutions that redistribute income more efficiently than the consumption-led models. This has implications for the electoral sustainability of the model, since more widely dispersed income gains naturally reinforce the position of the established parties and secure greater political stability, which is particularly challenging in the context of declining labor shares of income (Piketty 2013; Baccaro and Pontusson 2016).

The welfare state and collective bargaining provides workable solutions to the problem of the narrow electoral base of dominant growth coalitions in export-led economies. More egalitarian income distributions bring more voters into the pool of beneficiaries of export-led growth, while a low inflation and low consumption equilibrium provides some degree of financial security to households outside the dominant coalition but electorally incorporated into it. In consumption-led models household inequality is higher, and consumption levels more unpredictable, meaning that continued consumption growth, even at the expenses of high levels of indebtedness and financial instability, are necessary to preserve the political order.

The connections between different growth models and patterns of electoral behavior therefore became clear in the last two decades. The share of the vote going to anti-system parties grew as the size of the groups perceiving little benefit from existing growth models expanded. These patterns of anti-system voting are not limited to the consumption-led economies that suffered harsh austerity after the Global Financial Crisis. Indeed, the export-led countries were also affected, and well before 2008, as constraints on consumption (through wage restraint, labor market liberalization, and welfare retrenchment) fed through into voter discontent.

Figure 14.1 shows that anti-system voting grew first in the "creditor" countries (export-led and hybrid models, in Northern and continental Europe) from the mid-1990s, and then grew very rapidly in the "debtor" countries (consumption- led models) as the credit crunch hit in the late 2000s. These patterns reflect not only trends in overall growth but also the changes to the distribution of income (Matthijs 2016). Before the crash of the late 2000s, consumption-led models had superior growth rates and saw favorable trends in income inequality, as wages and government spending rose. The rapid reversal of these trends is very visible in the uptick in anti-system voting in the debtor countries as austerity hit in the 2010s.

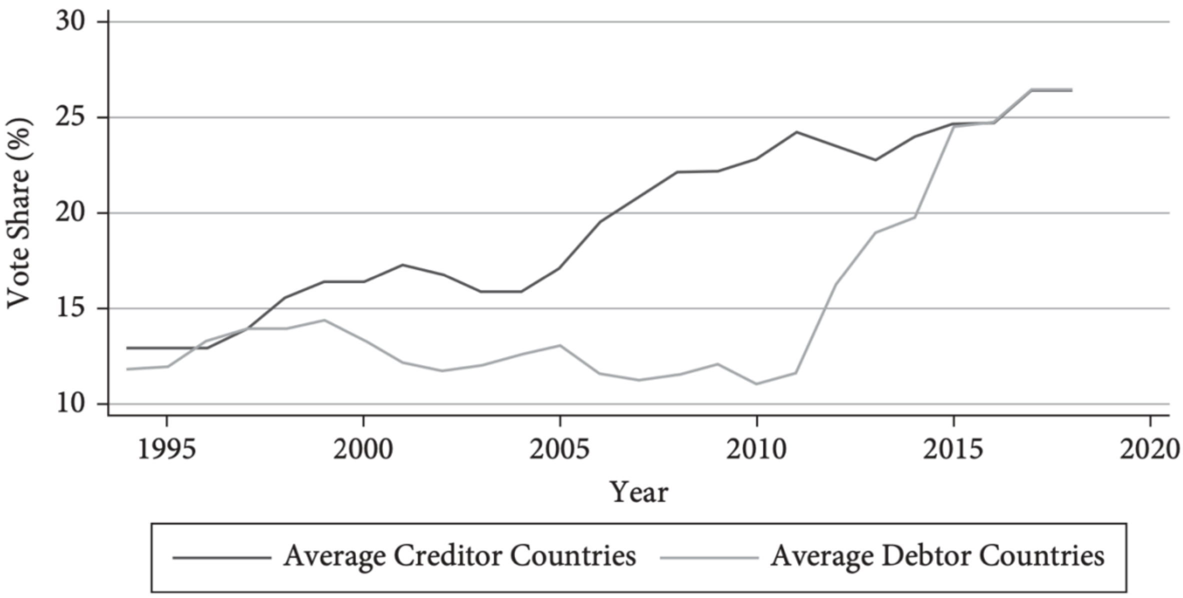

Figure 14.1 Anti-System Vote Shares, by Growth Model 1994–2018 (Creditor vs. Debtor Countries)

The greater inequality and instability implicit in the consumption-led model implies a more precarious life for political parties as they attempt to stretch as far as they can the benefits of the model beyond the narrow dominant growth coalition, while foregoing the kinds of fiscal instruments that would be necessary to do so. The resulting political upheavals when domestic demand is squeezed open new space for political challengers, since the established parties are by definition associated with the failings of the model.

In the next section, we employ more detailed case studies that trace the experiences of different countries throughout the cartel party era and into the period of global financial crisis. They show that parties have often succeeded in building dominant growth coalitions to ignite encompassing change to a country's growth model, and they explore the means and strategies they have used to do so. But they also demonstrate that these coalitions are almost al- ways very fragile constructs that operate under the premise of inclusion and exclusion, and as such, are prone to widening representation gaps and political contestation.

Party Politics and the German Growth Model

As other contributions to this volume argue, German growth is pulled primarily by real exchange rate-sensitive manufacturing exports. The key interests of the dominant export-manufacturing sector are structured around a mix of aggressive deflation and restrained domestic consumption to boost export competitiveness (Baccaro and Pontusson 2016; Höpner 2019). Among other things, this requires the expansion of low-wage employment and rationalization along supply chains while at the same time protecting the interests of the most productive and highly coordinated manufacturing sector under a least-encompassing class compromise. As a result, Germany's export-led growth model is characterized by an intense *Verteilungskampf*, that is, a *within* class "distribution struggle" between better and worse protected workers (Klein and Pettis 2020, 154ff.). This conflict is structured around a fundamental tradeoff between job preservation and wage growth, the outcome of which determines the country's real exchange rate and thus, its external competitiveness.

Between the early 1990s and the financial crisis of 2008, this tradeoff had been decided in favor of export-manufacturing capital and protected workers who remained a part of the dominant growth coalition, and at the expense of marginalized outsiders who were not. This outcome was the result of a *corporate* bargain in which the top managers of Germany's largest export-manufacturing firms forged coalitions with powerful work councils and core workers to rationalize supply chains. Only later did "employment for wage stagnation" become the politically institutionalized guiding principle under the social democratic Schröder government, who thanks to long-established personal links to dominant figures of Germany's growth coalition, was able to implement sweeping labor market reforms. This shift was enabled by Schröder's transformative leadership of the Social Democratic Party (SPD), latching onto the "third way" trend launched by the Anglo-American center-left in the early 1990s (Blair and Schroeder 1998) to jettison a significant part of its commitments to labor.

However, we find that since the end of the financial crisis substantial momentum change has taken place that re-strengthened the position of labor, as the mainstream parties—the SPD and Christian Democratic Union (CDU) labor market reforms. Over time, parts of the manufacturing-based growth coalition became themselves subject to socioeconomic insecurity, destabilizing the dominant coalition and reversing the capital and labor shares. In what follows, we trace the joint efforts of business leaders, core workers, and social democrats in the emergence of Germany's "Janus-faced" export-led growth model (Germann 2021, 196; Cioffi and Höpner 2006), but also high- light the endogenous instability of this dominant coalition.

Breaking the Old Coalition

During the 1990s, formidable reunification efforts put severe pressure on the German model. In the 1980s the center-right coalition under Kohl had pledged a neoliberal, Thatcherite policy turn, but failed in the face of opposition from both trade unions and employers, and party-internal conflict within the Christian Democratic Union party (CDU) about the best way forward (Wood 2001). The CDU's neoliberal shift resonated with considerable portions of the electorate but clashed with the growth model that the social partners remained committed to, and the CDU's traditional commitment to collective bargaining and social integration acted as a brake on more radical reforms (Zohlnhöfer 1999).

Coalitional dynamics began to shift in the early 1990s as employers, increasingly focused on international competitiveness, established opening clauses for sectoral agreements, shifted capital investment and low-paid jobs to the East European periphery, and allowed capital and core workers to enforce strict "wage moderation and the reduction in non-core payments." As a result, real wages in high-end manufacturing and low-end services, which had progressed in lockstep with labor productivity until the mid-1990s, suddenly began to diverge dramatically (Baccaro and Benassi 2017, 102–103).[2] Figure 14.2 shows that the labour of income dropped sharply in the first half of the 2000s. This threatened to drive a wedge between beneficiaries and victims of economic change within the Social Democratic base, a tension resolved by SPD leader Gerhard Schröder in favor of the interests of export-oriented firms; and, secondarily, their core workers. Internally, this move involved increasing the influence of corporate supporters of the SPD such as the *Managerkreis* (Manager's Circle), affiliated to the party foundation, the Friedrich Ebert Stiftung, who pushed hard for the abandonment of traditional welfare and labor market structures in favor of a more Third Way approach (Pautz 2010).

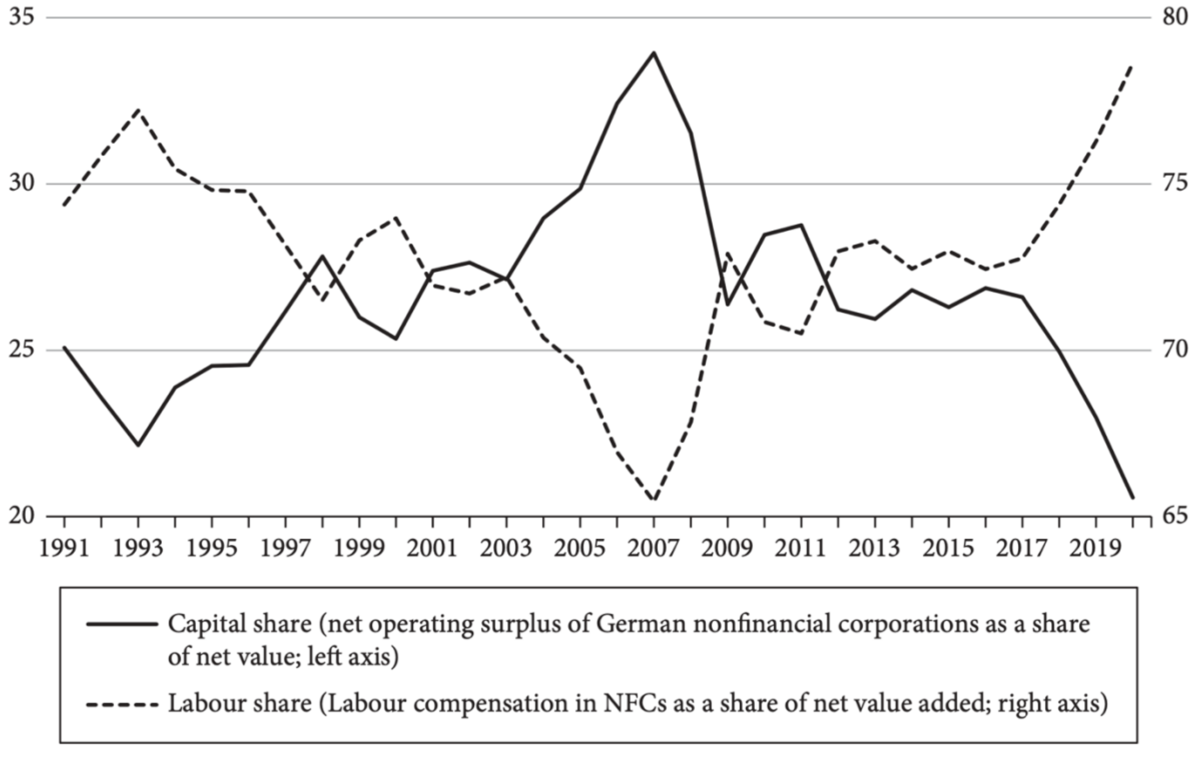

Figure 14.2 Capital versus labor share in German nonfinancial corporations (in %), 1991–2020. Source: Destatis; authors' calculations, cf. Klein and Pettis (2020: 155)

Notably, it was Peter Hartz, head of human resources at Volkswagen since 1993, who personified the "export-oriented elite" that decided the corporate distributional conflict over productivity gains in favor of capital. Hartz was longtime friend of Schröder's, and Schröder's SPD-led government commissioned and implemented Hartz's proposed reform packages that reinforced the German export-manufacturing growth models. These reforms were aimed at reducing seemingly structural and high unemployment numbers by flexibilizing the labor market. They deregulated temporary work, encouraged part-time employment, cut unemployment benefits, and introduced a marginal low-pay mini- job scheme that was exempt from social contributions. Jobseekers also faced sanctions for rejecting "reasonable" job offers, which added to increased wage dumping (Martin and Swank 2012, 211ff.; Lunz 2013, 18).

The SPD leadership retained significant agency in entrenching the German export-led growth model. These conditions enabled Gerhard Schröder to build a new dominant growth coalition. First, while most trade unions stood in forceful opposition to the *Agenda* plans, Schröder was successful in forging a coalition with strategically important unions, most notably the IG BCE, a powerful industrial affiliation of the German Confederation of Trade Unions (DGB) covering mining, chemicals and energy. Traditionally, this union could draw on excellent government connections as the mining industry had always been dependent on state subsidies. Moreover, the IG BCE had implemented its own social policy program which remained unaffected by federal reforms. An important requirement for the financial sustainability of such union-in- ternal social policy program was that its large companies remained productive and profitable and that its members continued to be paid among the highest wages of the entire economy (Schiller and Hassel 2010). So, if wage cuts for these segments were off the table, the IG BCE was very open to reforms that improved the overall competitiveness of the German export sector in general and of the IG BCE's supply chains.

Second, frictions among different trade unions and rifts between large ex- porting businesses and small sheltered enterprises disorganized opponents. Organizational interdependencies between major unions and the SPD's party structure were essential in managing critical unions and convincing peripheral voters. In total, one-third of SPD members were organized in trade unions, with a majority of them in public and service sector unions, such as ver.di and GEW. These unions did not represent the now-dominant growth-producing sectors and were opposed to the reforms as they would have to shoulder the brunt of liberalization efforts. In addition, Schröder gave important government positions to former IG Metall and IG BCE officials and reform- advocates like Walter Riester and Gerd Andres, while the left wing of the SPD came away empty-handedly. This combination helped the SPD leadership to secure crucial support from leading unions while deepening the rift within the labor movement itself.

After securing this division of the labor movement the reform coalition was able to organize encompassing popular consent in the elections of 2002 that went well beyond the narrow interest sets of members from the growth-producing sector. This electoral support was achieved due to the third crucial condition, a hegemonic discourse of crisis politics that allowed the reformists to present the interests of the narrow dominant sector as those of the nation as a whole and left little room for alternative political projects (Jacoby 2020). Structural pressures from globalizing markets, emerging economies in the Eastern periphery, and the ongoing deterioration of the fiscal position because of tremendous reunification efforts added to a general loss of economic confidence. In an influential policy paper of 2003, the *Seeheimer Kreis*, the SPD's market-liberal wing, tapped this general sentiment by arguing that the reform package met but the "minimum requirements for addressing the dramatic economic and financial situation in Germany" (Seeheimer Kreis 2003, 2; our translation). In addition, the SPD stressed dramatic fiscal pressures on municipalities and promised financial relief of €3bn at the federal level plus €2.5bn at the communal level in the first year after the introduction of reforms (Hassel and Schiller 2010, 286). Schröder's TINA politics reached its peak when he combined the final vote on the reforms in parliament with a vote of confidence.

This strategy of "governing by panic" (Woodruff 2016) was a decisive move that helped the SPD tie their hands before the voters, anchor external competitiveness as a guiding principle and objective in public discourse, gain crucial electoral consent, and effectively close the market for political ideas. But this was only possible because Schröder had, in typical cartel politics style, marginalized opposition within the party base by leveraging institutional power from the government and leaning on liberalizing forces outside the SPD (especially the corporate world), at the expense of its internal representative structures (Busch and Manow 2001). The success of this strategy, at least in the short term, is a clear example of how parties can shut down debate on the growth and distributional consequences of major economic policy shifts by insulating the leadership from grassroots pressure and presenting voters with a fait accompli.

This strategy was successful in creating a new dominant growth coalition of sufficient size to be survive two rounds of elections. However, the longer-term consequences for the SPD were less positive as it hemorrhaged support after losing power, having cut off part of its traditional support base in favor of the interests of leading companies in the manufacturing export sector. These adjustment efforts promoted by the SPD government were not shouldered evenly by labor (Hassel 2014). Employment protection legislation (EPL) for regular workers in Germany increased since 1985 (Thelen 2014, 131). Yet at the same time, the Hartz reforms cut EPL for temporary employees by half (OECD 2021a). Similarly, marginal employment (so-called mini jobs) more than doubled and involuntary part-time work almost tripled between 2002 and 2006 (Destatis 2021; OECD 2021b). As a result, poverty rates doubled between 2005 and 2015 from 5 to 10% (Klein and Pettis 2020, 152).

Reforming a Dominant Growth Coalition Under Stress

After a long period of retrenchment, the Global Financial Crisis set off a series of changes which ended up favoring labor whose share of income rebounded as the growth coalition between top managers, core workers (Diessner et al. 2021) and the SPD began to fracture after the implementation of the Hartz reforms. To sustain Germany's dualized labor markets (Hassel 2014), the boundaries between protected workers in core manufacturing industries and marginalized service workers in atypical employment had to remain distinct. But the forces of liberalization could not so easily be contained, and the logic of supply-chain rationalization soon spilled over into formerly more protected core segments of the labor force including sociocultural professionals and skilled workers in manufacturing industries (Marx 2011; Eichhorst et al. 2015). The erosion of the clear distinction between protected insiders and marginalized outsiders combined with structural underinvestment and suppressed domestic consumption to destabilize the export-oriented growth coalition while creating dissatisfied economic losers on both sides of the political spectrum (Nachtwey 2018).

The coalitional shift, which has unfolded since the late 2010s, manifests itself economically in collective agreements. Since 2011, agreed pay increases have scored substantially above the sum of inflation and total labor productivity rate (the Meinhold-formula) suggesting consistent real wage growth (Schulten and WSI-Tarifarchiv 2020, 8). As Di Carlo and Höpner (2020) explain, this period of "silent rebalancing" has been carried by a set of different sectors. Tighter labor markets increased bargaining power. Low-end service sectors, which suffered severe retrenchment from the Hartz reforms saw an income boost thanks to the introduction of the minimum wage in 2015 and a partial re-regulation of temporary agency work. Public sector employees, who are highly unionized but nonetheless contributed the largest share to overall wage restraint after Schröder's *Agenda* had deteriorated states' public finances, saw their incomes rise when public investment increased, as did the construction sector. Together, these sec- toral adjustments weakened Germany's unit labor cost competitiveness and to some extent rebalanced the export-led model relative to the period of stark entrenchment during the Schröder era.

With a strong proportional electoral system and high degree of federalism making coalition formation more likely to reflect the interests of large parts of the electorate, Germany's institutional setup poses a greater challenge to growth model sustainability than in more majoritarian types of democratic regime. Even in 2005, the weakness of the main governing parties was emerging, with the SPD and CDU polling their lowest joint vote share since 1949, and the Global Financial Crisis accentuated the shrinking size of the electoral support base of the dominant growth coalition. The shift toward a distribution of economic gains more favorable to labor coincided with the rise of anti-system politics in the form of the rise of the AfD and the Linke in particular, and the collapse in the vote share of the center-left (Hopkin 2020). As in many other democracies with proportional representation electoral systems, the political repercussions of the crisis played out through an increasing polarization and fragmentation of the party system, weakening the cartel politics arrangements of the 1990s and early 2000s.

Despite these pressures the dominant growth coalition was able to survive through an increasing recourse to electoral "grand coalitions" between the two main governing parties, who had in the past generally alternated in power in coalition with pivotal forces such as the liberal FDP and latterly the Greens. But the shrinking vote share of the traditional parties demonstrated the limits of a growth model that squeezes large parts of the electorate, and the instability of such a politics when growth fails to deliver widespread gains.

In sum, the case of Germany demonstrates that even the most entrenched growth models are a consequence of political compromise, which by definition suggests the possibility of an alternative to the status quo. Not only does it require a delicate combination of political agency and coalitional mediation to redesign the social underpinnings of economic growth, but it turns out that sustaining fragile coalitions comes as an even graver challenge to political parties.

The Party Politics of Building a Consumption-Led Growth Coalition

Britain is a consumption-led growth model, with demand fueled by credit injections from a loosely regulated financial system that draws in capital from around the world. But its origins are to be found in an unambiguously partisan re- form project in the 1980s, with the dramatic collapse of manufacturing resulting from the adoption of harsh deflationary policies under the first Thatcher government, and the reforms to the financial sector under her second administration. By the end of the 1980s, Britain had shifted from being a country struggling to maintain its balance of payments, to an economy consistently running substantial current account deficits that only closed in times of recession. But this new growth model had required a sharp reconfiguration of social forces and the party system that articulated their political representation.

The shift in the growth model reflected a significant shift in the influence wielded by different producer groups in the main political parties. Manufacturing industry, traditionally well represented by the Conservative Party, was initially supportive of the Thatcher project, which it saw as a solution to industrial un- rest, inflation, and a squeeze in real profits (Glyn 2006). But as the disinflation and sterling appreciation of the early 1980s decimated much of British manufacturing, the business groups represented by the CBI (Confederation of British Industry) became increasingly critical of the Thatcher government, and as a result lost influence in party leadership circles to the more finance-oriented and ideologically neoliberal Institute of Directors (IoD) (Grant 2001, 339).

Trade unions, however, traditionally aligned with the Labour Party, were not just sidelined but threatened with near extinction from large swathes of the economy by a series of hostile pieces of legislation. As a result, the Labour Party progressively distanced itself from the unions over the late 1980s and 1990s. The kind of intra-industry cross-class coalition that underpins exemplars of the export-led growth model was fragile at best in postwar Britain, partly because the majoritarian two-party system made cross-party policy cooperation impossible (Iversen and Soskice 2009). By the late 1990s, with both major parties reluctant to side with manufacturing industry representatives, and labor in massive retreat, it had disappeared without trace.

Changing Demand Drivers and Changing the Growth Coalition

The decline of manufacturing coincided with the launching of a rapidly expanding and internationally open financial services sector, which become the key source of growth in Britain from the mid-1980s on. Reforms to financial markets not only attracted large amounts of foreign capital to London's stock exchange, as in the United States, but much of this capital also fed through to the housing market thanks to a loosening of restraints on mortgage lending and a decline in real interest rates. As a consequence, the economic cycle became more and more tied to housing market cycles, as the "wealth effect" of rising home equity drove consumption and often further borrowing based on equity withdrawal. UK Housing booms would typically begin in London and the South-East, where the direct beneficiaries of financial sector compensation growth and rising financial asset prices mostly lived, before spilling out into the rest of the country, with distance from London and the social composition of areas predicting the extent of house price inflation.

The emergence of this consumption-led growth model had significant consequences for voting patterns (Ansell 2014). Already existing patterns of class-based and region-based voting were accentuated, as the regions that had traditionally relied on manufacturing employment became even more heavily Labour, while the Conservatives further entrenched their domination of the South-East by picking up votes among working-class homeowners (Dunleavy and Husbands 1985).

A particularly electorally successful policy was the Thatcher government's "right to buy" initiative, which obliged local councils to sell public housing to tenants at heavily discounted prices, effectively creating a new constituency of lower income homeowners and landlords who were disproportionately likely to switch their political allegiance to the Conservatives. The scale of the shift was substantive enough to affect elections, with around two million sales to tenants since the early 1980s (Murie 2016). In this way the Conservatives expanded support for the credit-led model beyond the direct city beneficiaries to a wider coalition of homeowners and mortgage holders.

After briefly doubling down on its support for manufacturing and public sector workers and suffering a series of defeats, Labour rectified its "Southern discomfort" (Radice 1992). That is, its unpopularity with upwardly-mobile homeowners, particularly in Southern England, by aligning with Conservative positions on housing and its related economics of easy credit combined with tight public finances (Hopkin and Alexander Shaw 2016). As a result, policies focused on maintaining this housing-based credit expansion survived changes of government.

For example, Labour returned to power after the recession and housing crash of the early 1990s collapsed the housing market, pushing highly leveraged mort- gage holders into negative equity, many of whom were forced into foreclosure. This recession hit the South-East particularly hard and provided the Labour Party with an opportunity to win over sections of the indebted Southern middle classes in the 1997 election. Support for the Conservatives among non-unionized working-class homeowners dropped from over 40% throughout the 1980s to only 23% in 1997 (Heath, Jowell, and Curtice 2001). Unsurprisingly, Tony Blair's post-1997 Labour government presided over another even more sustained housing boom that was only halted by the 2008 financial crisis.

Labour cemented the electoral hegemony of the new dominant growth coalition in two key ways. First, it refused to reverse the "right to buy" policy, nor did it make any attempt to build significant numbers of social housing units to make up for the millions sold off. By restricting the availability of non-market alternatives, growing demand for housing fed through into a growing private rented sector, backstopped by colossal public subsidies of rents for low-income households, which doubled after 2000 to reach a peak of almost £25 billion in the mid-2010s (more than 1% of GDP).[3]

This expenditure benefited around four million households, but indirectly contributed substantially to rental income for housing associations, local councils, and private landlords. This latter sector also received a boost under Labour with legislation establishing a new form of rental contract—assured shorthold tenancies—which facilitated tenant turnover, thus turbo-charging the emerging "buy to let" industry of small landlords buying up properties with mortgages to be paid off with rental income. Favorable tax treatments—such as generous tax deductions for landlord expenses—and the fall in interest rates after Labour opted for Bank of England independence, all made a buy to let a popular investment vehicle for middle-income, middle-aged Britons sitting on substantial home equity, many of whom were the beneficiaries of the earlier 1980s boom.

Toward an Asset-Based Growth Coalition

By 2020, almost three-quarters of people aged 65 years and over in England owned their home outright,[4] and around 5.5 million adults lived in households that owned at least one rental property, making small landlords a quantitatively significant electoral sub-constituency within the broader group of homeowners (around half of landlords owned only one rental property). A disproportionate share of this wealth was held in London and other Southern regions of England,[5] not surprisingly, given the high housing prices there. This constituency has enjoyed particularly careful attention from political representatives, with, around 20% of MPs being landlords themselves,[6] while most also own second properties purchased with the help of generous allowances for work-related accommodation expenses. Companies working in the real estate management and construction sectors were also generous contributors to UK political parties, particularly the Conservatives.

By the 2000s the British growth model's foundations in ever-rising house prices had become entrenched, with all the main political parties complicit in favoring the interests of the property-owning majority over other constituencies. Despite supply shortages becoming recognized in government as a reason for house price inflation, no serious effort was made by successive Labour and Conservative administrations to boost homebuilding, which had never recovered from the loss of the public sector contribution to building after 1980.[7]

The Resilience of a Seemingly Unstable Model

The period after 2010 is worth particular attention, because the aftershock of the 2008 crash seemed to undermine the foundations of both the British growth model and the cartelized party system. The deleveraging—both public and private—sparked by the financial crisis had predictably negative effects on demand, leading to a decade of real wage stagnation. What is more, homeowners began to decline as a percentage of the population after 2000, and the availability of credit to private individuals collapsed. The political costs of this stagnation contributed to the Brexit vote of 2016, which overturned a prime minister and drove fundamental shifts in the British political debate in the second half of the decade (Fetzer 2019; Adler and Ansell 2020). On the face of it this seems to challenge our understanding of the model and its relation to government policy and party politics. However, there are considerable continuities which lead us to conclude that the 2010s have seen a consolidation rather than any fundamental change in the British growth model, involving a shift from consumption growth to asset growth as the basis for political consent.

Real wages barely grew in the United Kingdom after 2008, returning to their pre-crisis level only in February 2020,[8] just before the deep recession provoked by the Covid pandemic. Yet asset values enjoyed substantial growth in the same period. Average real household wealth increased by around 40%, and median real household wealth by around 28% between 2006 and 2018.[9] This shift of growth away from consumption to wealth brought with it a shift in the composition of the supporting coalition for the growth model. From 2015 on, age and property ownership emerged as the key predictors of support for the governing Conservatives, while younger voters, and especially those in private rented accommodation, leaned heavily toward the opposition Labour Party. Policy under the Conservative governments after 2010 tended to reinforce this age divide.

The ultra-loose monetary policies followed by the Bank of England boosted asset values, while restrictive fiscal policies were skewed in distributive terms toward older age groups. Welfare cuts were particularly targeted at low-in- come working-age households, who suffered substantial real income losses be- cause of several rounds of retrenchment measures, while pensions and health expenditures were protected from austerity. Indeed, pensions were indexed to price rises or average wage rises, whichever was highest, a policy known as the "triple lock." Meanwhile a 2011 reform to university tuition fees dramatically increased indebtedness among younger Britons.

Unsurprisingly households benefiting from home ownership and pensions raises were disproportionately likely to offer support to the Conservatives. Policies threatening the home ownership dividend were off the table for both parties. The long-awaited revaluation of local taxation bands (not a property tax but based on property values in the 1990s) continued to be postponed, and a botched attempt by the May government to address the shortfall in funding for social care through part-appropriation of homes was seen as responsible for her failure to win a majority in the 2017 election. In 2017 and 2019 support for the Conservatives was around 60% in the 65+ age group while it was lower than 30% among the under 35s. Support for Labour presented a mirror image, with its vote declining in roughly linear fashion by age group.[10] Helped by turnout being much higher among older voters, the Conservatives have been the largest party in each of the last four elections.

Our focus on balance sheets and age-skewed asset distributions suggests an answer to the conundrum of how to maintain the coalition for a consumption- led growth model when demand is hit by a credit crunch. The coalition underpinning the British growth model has certainly undergone a period of high instability since 2010, with "hung" parliaments for 7 out of 10 years, two prime ministers being unseated between elections, and of course the anti-system revolts represented by the rise of Scottish and English nationalism and Corbyn's left-wing takeover of the Labour Party. But the re-composition of the growth coalition around a Conservative electorate of largely small, retired property holders suggests an alternative form of consent to the credit-fueled consumption of the 1990s and 2000.

Favoring asset growth over income growth should in principle be incompatible with the demands of electoral politics, given that wealth is far more unequally distributed than income. However, an asset-based growth model does deliver a combination of very unequal distribution, in which most of the gains flow to the very top, with a broad base of small-scale beneficiaries, which in a context of low mobilization and fragmentation of the non-wealth-holding electorate, can deliver the dominant growth coalition.

This asset-based growth model has tended to support whichever party is able to preside over rising house prices: party alternation has only occurred twice since the 1970s, in 1997 and in 2010, immediately following the only periods of falling house prices during that period. Parties are therefore active suitors of financial and homeowner interests, and government policies reflect their need to bolster political consent through asset price inflation and, where possible, credit-led consumption growth.

Conclusions: Growth, Parties, and Dominant Growth Coalitions

This chapter has provided a theoretical and conceptual map for analyzing how party politics shapes, maintains, and sometimes reforms growth models. We have tried to move beyond static understandings of social blocs overreliant on the role of producer interests to incorporate the electoral dimension and political parties' role as brokers of a variety of interests in the political economy, illustrated through two cases of representative growth models. The implications for growth model theory can be briefly summarized as follows.

First, looking at party politics offers us a more nuanced picture of how growth models can evolve over time, moving beyond rigid institutionalist assumptions around the relationship between electoral systems and types of capitalism. Party competition and government alternation take place within the context of a growth model but cannot be dismissed as epiphenomena. Instead, parties can shape not only how consent is secured for a growth model but can also re- configure the dominant growth coalition itself. Party systems can be arenas where producer groups shape policy to suit their needs, but they can also deter- mine changes in interest group relations, and even the exclusion of previously powerful groups, such as trade unions and manufacturing firms in the United Kingdom. Examining how parties and leaders manage processes of growth model reform and replacement provides insights into the political foundations of different models. It allows us to move beyond the dichotomy of producer group dominance or electoral dominance that has conditioned the debate on growth models.

Most analysis of the party politics of economic policy takes parties as unitary actors representing relatively compact social interests and as a result misses the internal dynamics that shape how parties evolve and choose to represent different groups and manage the conflicts between them. By looking at how parties finance their activities and represent different socioeconomic sectors in their internal structures, we can see much more clearly how growth models are underpinned by policy. Again, this kind of analysis can reveal producer group dominance, for example through parties' financial dependence or the recruitment of personnel, but it can also reveal how different leadership groups can mobilize or demobilize voter groups in support of a particular set of policies. In short, elected politicians have strategies and these strategies can be growth model "makers" as well as just "takers."

Notes

1. Comparative analysis seems to suggest that export-led models are more politically stable than consumption-led ones (Hopkin 2020), but that in turn poses interesting questions about how political parties mediate between the needs of the growth model and demands for consumption of voters. This mediating role is even more challenging in an age of central bank independence where parties of government lack control over the main policy lever affecting macroeconomic policy.
2. Meanwhile, between the early 1990s and the early 2000s, the share of net value added by non- financial corporations that went to owners, shareholders, and creditors increased from 22.7 to just under 30%.
3. IFS, "Doubling of the housing benefit bill is sign of something deeply wrong," Mar., 4, 2019 https://www.ifs.org.uk/publications/13940
4. ONS, "Living longer: Changes in housing tenure over time," https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglonger/changesinhousingtenureovertime
5. ONS, "Total wealth in Great Britain: April 2016 to March 2018," https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/totalwealthingreatbritain/april2016tomarch2018#regional-distribution-of-total- wealth-in-great-britain
6. Solomon Hughes "Government by Landlord," *Tribune*, May 20, 2020, https://tribunemag.co.uk/2020/05/government-by-landlord
7. A key indicator of how the housing-led growth model had been entrenched was the re- sponse after the 2008 financial crisis, which focused first on saving financial institutions, and then on boosting consumption through a combination of interest rate cuts and central bank interventions to support asset markets (offset, after 2010 by cuts to welfare and social spending on working-age households introductive by Conservative-led governments).
8. ONS, "Labour market economic commentary: February 2020," https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/labourmarketeconomiccommentary/february2020
9. Figure 14.2 "Mean and median total household wealth, Great Britain, July 2006 to March 2018," in ONS, "Total wealth in Great Britain: April 2016 to March 2018," Dec. 2019, https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/totalwealthingreatbritain/april2016tomarch2018#trends- in-average-wealth-in-great-britain
10. British Election Study, "Age and voting behaviour at the 2019 General Election," Feb. 2021, https://www.britishelectionstudy.com/bes-findings/age-and-voting-behaviour-at-the- 2019-general-election/#.YHMHRi1Q3_Q