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Abstract

This paper is an attempt to solve a "rational choice" puzzle with a "nested games" answer. The data are drawn from four social democratic parties, all of which face a number of rather similar strategic dilemmas and policy choices. While all four of these cases eventually found their way to a "vote-maximizing" strategy, each party undertook a rather different journey. The Spanish PSOE and the Swedish SAP adjusted their policy positions and electoral strategy relatively smoothly and with little intra-party turmoil. Not so the British Labour Party and the German SPD. Both parties suffered internal strife, defections, and electoral losses. Why such divergences? The nested games approach allows us to focus on the strategic choices of intra-party players and how their choices are shaped by institutional settings. The paper suggests that the preferences and position of the unions representing workers in declining and uncompetitive industries inside these parties ex-plains, to a large extent, the degree of difficulty in adjusting to new electoral conditions. The more entrenched representatives from such unions there are in the party, the more resistance there will be to policy adjustments and strategic changes unfavorable to their members and union organizations.

Recasting Social Democracy in Europe: "Nested Games" and Rational Choices in the Strategic Adaptation Process

All major working class-based parties, social democratic, socialist or otherwise, face similar sets of dilemmas. On the one hand, they are required to respond to changing economic conditions which curtail their ability to increase governmental expenditures. Social democracy faces an "efficiency challenge" from the political right, not only in terms of whether the welfare state functions effectively or squanders taxpayers' money frivolously but also from industrial interests which succeeded in portraying governmental intervention in the economy as a drag on economic growth.(Offe, 1984; Scharpf, 1987) Redistributive social democratic policies are no longer popular when the extension of benefits to working class groups through social, incomes and industrial policies are viewed as detrimental to both economy and the majority of the electorate.

On the other hand, working class-based parties are forced to respond to social changes in terms of a shift away from the blue-collar, unionized workforce to a much more heterogenous base both in terms of occupation and values.(Dunleavy and Husbands, 1985; Przeworski and Sprague, 1986) White-collar workers, students and professionals are as, if not more, important as electoral constituencies than blue-collar workers. The "post-material" challenge to working class-based parties may vary from country to country in severity, but the heart of the matter is not whether "post-materialists" exist or not but whether social democratic

parties can adapt to new political demands and issues raised by groups outside of the blue-collar base.(Kitschelt, 1990; Merkel, 1990) As Adam Przeworski notes, not only is social democratic policy at stake, but its entire electoral and political strategy.(Przeworski, 1985) Which groups should social democratic parties appeal to: its traditional base or other social groups?

This study is an attempt to explain a "rational choice" puzzle. Given that various working class-based parties are faced with similar sets of strategic questions, why do they respond so differently to these challenges in their adjustment process? The study focuses on four major social democratic parties in Britain, Germany, Spain and Sweden. All four parties have undergone adjustments in their electoral strategies and policy choices in response to social and economic change. There is in fact only one "rational" choice in terms of electoral strategy for these parties if we posit that political parties want to win elections and adopt vote-maximizing strategies in order to do so. Now, it is not surprising that all four parties have indeed discovered the electorally most promising strategy. However, social and economic conditions have been such that this strategy has been the only organizationally rational choice for some time. What is surprising, from a "rational choice" perspective, is that it has taken some of these parties a very long time to discover and adopt the vote-maximizing electoral approach. Each party has taken a distinct route to the same destination. The Spanish Socialist Party (PSOE) adopted the rational, vote-maximizing strategy in 1982

without much internal turmoil or electoral defections. Swedish Social Democrats (SAP) have made the change to the strategy in a similarly smooth transition. The German Social Democratic Party (SPD), on the other hand, has experienced major difficulties in arriving at the rational strategy. The British Labour Party has had the roughest of times electorally and organizationally in its path to a vote-maximizing strategy since 1981.

The research question is: why do some parties adjust relatively smoothly to new economic and social conditions whereas other parties experience great stickiness in their efforts to adjust? Why do some parties take so much longer to see the light than others? Why do they seem unconcerned about massive electoral losses and pursue electoral strategies and policies attractive to only a small section of the electorate? The thesis developed in this article focuses on the strategic choices actors within social democratic parties face when dealing with their intra-party opponents. The argument is that adaptation is more difficult for parties with a strong organizational connection to blue-collar unions in declining industries and relatively smooth for parties with a greater organizational independence from unions in declining industries.

The following article deals with only one explanation. Explanations focusing on structural impediments to electoral and policy adjustment are mentioned briefly as are those focusing on rational vote-maximization. Both schools of thought are dismissed since they can explain one type of response but not the other in a

comparison in which I focus on two parties which apparently adjusted quickly and with little pain (SAP and PSOE) and two parties in which adjustment was both divisive and painful electorally (Labour and SPD). I argue that only an explanation focusing on the actors within parties and their preferences leads to both a plausible explanation and accurate description of struggles over electoral and policy choices. The following explanation draws much from the "nested games" approach which suggests that the outcomes of intra-party struggles are explicable only through an analysis of the actions of intra-party players whose rational choices are structured not only by the institutional structure of the party but also by competing political arenas.(Tsebelis, 1990)

Electoral Strategy and Policy Choices

Social democratic parties face a two-fold dilemma. On the one hand, they need to maintain their traditional electoral coalition. Given that the traditional base of the party has shrunk in size significantly over the last twenty years, working class-based parties face the question of whether to recruit voters from social groups outside of their traditional base and, if so, how. (Przeworski and Sprague, 1986) It is not a vote-maximizing strategy to concentrate on purely the blue-collar working class since that social group only represents some 20% or less of the electorate. Working class-based parties have to choose between appealing to their traditional base (thereby consistently losing elections) or whether to chase voters from other social groups

(thereby losing their character as a working class party).

On the other hand, social democratic parties face a series of policy dilemmas which overlap with their electoral strategy problem. Policy preferences reflect the interests of whoever the intended voters are. If the party remains wedded to its traditional policies (commitments to welfare state expansion, job protection, economic growth, wage egalitarianism) it is likely to remain stuck with its established base but little support from groups beyond it. Once the party decides to pursue new policies, it is likely to appeal to new social groups but less so to its traditional base. The choices social democratic parties face are illustrated in the following four matrix box:

Table I:

	Electoral Strategy	
	Recapture working class	Appeal to other groups
Appeal on traditional policies	-Workerism -Socialism	-Social Democracy
Policy Strategy		
Appeal on new policies	-Popular Authoritarianism	-Rainbow Coalition -Government Party Strategy

Adapted from: Ivor Crewe, "The Decline of Labor and the Decline of Labour", paper presented at the APSA, San Francisco, August 1990.

Some of these policy and electoral strategy choices offer alternatives. If a party chooses to appeal to its established base with traditional policies, then the party may do so either with a penchant for socialism (nationalization, economic autarcky, state planning) or with policies designed to protect failing industries, jobs and the social welfare programs which were designed to help

workers in such industries while maintaining capitalism. If a party chooses to appeal to new social groups with new policies it may do so by either appealing to the social protest movements and environmentalist groups (to build a "rainbow" coalition as the Dutch Socialist Party (PvdA) has done), or it may experiment with a very broad range of policies designed to attract the white collar workers, professionals and "post-materialist" voters.(Wolinetz, 1988; Crewe, 1990) The "government party" strategy offers a vast range of policies designed to attract as broad a range of social groups. It may include environmental policies if the party is threatened by a Green Party; it may provide for libertarian policies if a liberal party competes with social democrats for the intended electoral target. The "government party" strategy is reminiscent of Lipset's "end of ideology" because social democracy abandons any pretension of being a working class party and adopts a classic "catch-all" policy potpourri. However, it is distinct from the social democratic "catch-all" strategy of the 1950's and 60's since it appeals to groups outside of the white and blue-collar working classes. The aim is to build an even broader social/electoral coalition than social democracy by offering "something for everyone" to match the electoral appeal of conservative parties.

Appeals to the working class, whether with old policies or with new ones (such as "law and order", hence the subheading popular authoritarianism), are likely to be electorally counterproductive.(Crewe, 1990) Since the traditional working

class base has shrunk, reliance on the old base is only a "rational" strategy if the party means to be a representative of the blue-collar working class with no pretensions of capturing political power via an electoral majority. Przeworski suggests that working class parties gave up any pretension of representing purely one class as soon as they entered parliamentary competition.(Przeworski, 1985) Social democracy is the attempt to provide policies for groups outside of the working class as well as a broad coalition between white and blue-collar workers.(Kesselman, 1982)

As the following typology indicates, the four parties under investigation all opted for the "government party" strategy in recent years. However, two parties meandered from "socialism" to "social democracy" to their final destination. Labour travelled in dissarray; the Spanish PSOE underwent a similar transformation in a much less divisive and more coherent manner. The German SPD and the Swedish SAP moved from traditional social democracy to the "government party" strategy, but also on divergent paths. The SPD underwent considerable internal upheaval whereas the SAP underwent little internal fighting over the strategic change.

Table II: Electoral Strategies

Strategy 1: Socialism	Strategy 2: Social Democracy
Labour 1979-87	Labour 1974-79
PSOE 1975-78	PSOE 1979-82
	SAP 1975-82
	SPD 1974-87
Strategy 3: Popular Authoritarianism	Strategy 4: Government Party Strategy
	Labour 1988-present
	PSOE 1982-present
	SAP 1982-present
	SPD 1988-present

The Case of Sticky Transformations: British Labour and Germany's SPD

Both Labour and the SPD experienced a very difficult transformation from their policies of the 1950's to 70's to the government party strategy. Both parties were committed to traditional social democratic strategies and appealed to a combination of blue and white collar workers throughout most of this period. In the 1970's both parties suffered major internal upheavals in terms of intra-party struggles leading to the defection of singificant groups of activists, party politicians and voters.(Koelble, 1991) The struggle revolved around the issue of which social groups and interests the party ought to represent: those in declining industries who were adversely affected by economic transformation or those in the public and private sectors who were doing relatively well and/or those who were concerned not just with issues of economic growth but life-style issues (environment, feminism, civil rights, defense) as well.

The internal struggle over party policy, personnel appointments and party rules was so severe in both cases that it lead to the emergence of challenging parties formed by the losers of the struggle and subsequent defectors.(Koelble, 1987; 1991) The electoral defeats of both Labour and the SPD in 1983 and 1987 can be attributed, at least partially, to the emergence of these small parties. The Social Democratic Party (SDP) in Britain emerged as a result of the leftward drift of the Labour Party towards a socialist economic policy, whereas the Green Party responded to the

dominance of the party leadership in the SPD which took issues such as environmental protection, the nuclear protest movement and the peace issue less seriously than the social movement supporters in the SPD thought they ought to. The result of the organizational and electoral split in both cases led to a counterproductive outcome: electoral defeat and a long period of conservative government.

Both parties have, since their electoral defeats in 1987, rethought their policy packages and electoral strategies. The SPD has become far more receptive to the issues of the social protest movement and has incorporated an innovative environmental policy platform into its party program.(Padgett, 1989) Equally, Labour adjusted its policy strategy. The Labour Party Policy Review of 1989 could well be mistaken for the policies offered by the Social Democratic Party in 1981, spiced up with policies designed to attract homebuyers, upwardly mobile white-collar workers and professionals!(Crewe, 1990) In other words, both parties are attempting to recapture lost voters via the government party strategy. The secret to success, it is hoped, is a non-socialist economic policy (less intervention in the economy, more market mechanisms, tempered environmental policies, a less active social and incomes policy, less progressive taxation to stimulate investment and economic growth) coupled with a commitment to represent not only those interests in society which have suffered as a result of economic adjustment but also those sectors which have benefitted. Nevertheless, the journey towards this solution

was extremely difficult and marked by a long period out of government, external challenges and internal discord.

The Case of Smooth Transformations: the Spanish PSOE and Sweden's SAP

Both the Spanish PSOE and the Swedish SAP had to adjust their policy packages and electoral strategies since the late 1970's as well. Both parties moved away from plans to transform the capitalist system. The SAP dropped its commitments to the Meidner reform plans in which the wage-earner funds were to be used to fundamentally change property relations. (Pontusson, 1987; 1984; Tilton, 1990) The PSOE experienced an even more remarkable change: it dropped its commitments to a socialist transformation when it became governing party in 1982.(Share, 1989) While some observers stress that PSOE is still committed to socialist goals, its policy direction has been quite the opposite. Some observers have likened PSOE's policies to those of Margaret Thatcher.(Share, 1988) The PSOE has become a party of government, of economic growth and very much committed to maintaining its electoral coalition of professionals, white as well as blue-collar workers.(Merkel, 1989)

In contrast to Labour and the SPD, both PSOE and SAP affected their transformations in a much less internally divisive manner. Although there were struggles over policy and electoral strategy, neither party suffered from serious defections from the membership to challenger parties. In Sweden the "war of the roses" involved a dispute between the trade union movement with a number of SAP economists and party strategists who stressed the need for Sweden

to adjust to changing international market conditions by lowering production costs (less social expenditure, less wages, less taxation progressivity).(Tilton, 1990) The struggle was won by the adjustment proponents but not at the expense of organizational disintegration or significant electoral losses (as of the time of writing!). Similarly the remarkable transformation of the PSOE from a socialist to a social democratic to a mildly reformist party in Spain did not involve serious defections.(Gillespie, 1988; Williams, 1988) The electoral strategy developed by Felipe Gonzales and his closest advisor Alfonso Guerra was acepted by almost all sections of the party with little opposition.(Share, 1989)

Orthodox Explanations: Structural Limits or Correct and Incorrect Choices

Two approaches dominate the field of comparative party politics. Since this essay is supposed to be an effort in theory application rather than critique of other approaches, I will only briefly describe their major hypotheses and shortcomings. Many authors have argued that parties depend on their social base. Butler and Stokes suggest that if the social base declines in numbers, as has done the working class, then the electoral performance of the party is going to decline as well.(Butler and Stokes, 1969) While not all authors agree with this correlation, there are many who view parties as essentially trapped - if not in a social base then in an economic contradiction. Przeworski and others have suggested that social democracy is really nothing more

than an inadequate working class response to capitalism. (Przeworski, 1985) Social democracy depends on a certain type of welfare capitalism and once the economic underpinnings of this "stage of capitalism" disappears, so does the "social democratic compromise."(Offe, 1984) Such approaches explain quite well the problems of Labour and SPD, but do less well with the success of PSOE and SAP. Usually these parties are characterized either as untypical of working class based parties (the Spanish "sell-out" or Scandinavian exceptionalism) or on the brink of decline.

Other authors disagree with the notion that parties are wedded to their social base. Ivor Crewe maintains that the decline of the Labour Party is not due to structural shifts in the electorate or the social base but due to behavioral reasons.(Crewe, 1990) Simply put, the party has fallen out of favor with the electorate because its policy positions do not correspond with popular opinion.(Crewe, 1990) The party is out of line; it represents minority interests of a section of the population in declining regions and industries of Britain. The party can reverse its fortunes if it adopts a better, more suitable policy package. Gosta Esping-Andersen essentially agrees with this point of view in his analysis of the Scandinavian social democratic parties. Policy choices are crucial in explaining why some parties do well electorally and others do not.(Esping-Andersen, 1985)

Each approach offers a powerful analysis of party behavior. While both approaches can adequately explain either the decline of some parties or the success of others, each approach has a problem.

For the "social base" argument the fact that the Spanish and Swedish social bases have shrunk just as much as the German or British blue-collar working class is inconvenient. The electoral success of these parties despite a shrinkage in their traditional constituency appears to lend support to the thesis that parties which adjust to socio-economic change quickly will survive electorally. However, the decline of Labour and SPD are not simply "wrong policy choices" but are explicable only with a reference to the heterogenization of their electorates and the resulting splits within not just the trade union movements but the parties themselves over which electoral constituencies interests ought to be shaping policy priorities.(Dunleavy and Husbands, 1985)

Both approaches ignore an important variable - the intensity and outcomes of intra-party conflicts over electoral strategies and policy choices. Parties are not simply dependent on their social bases. Neither are they capable of simply adopting vote-maximizing strategies since they are not purely rational, electoral machines. Rather, they consist of individual players who engage in a multitude of intra-party as well as external calculations. The question is: who determines party strategy and policy choices inside the political party? What are their major political interests and aims? Which set of incentives are they most likely to respond to? Which arena of interaction - the party or the electoral arena - are they more interested in? How are these groups affected by the institutional structures of their respective parties?

Nested Games I: Organizations and Intra-party Actors

George Tsebelis provided a powerful means of analysing reasons why parties sometimes opt for counterproductive electoral strategies.(Tsebelis, 1990) The "nested games" approach stipulates that political parties are complex organizations in which party activists and politicians interact and quite frequently clash since they are motivated by different rationalities for action. Each type of actor responds to a different set of incentives. Activists are mostly concerned with party policy; politicians are mostly concerned with the survival of the party as an electorally viable organization. In social democratic parties a third type of actor is of great importance: union members.(Koelble, 1987; 1991) Trade unionists are most concerned with the representation of their sectional interests. All groups, of course, share an interest in winning elections since that is the means by which each group obtains or hopes to obtain what it wants, but the degree to which electoral victory is valued by each group differs. Each type of actor within a party then finds herself in a situation where strategic calculations are structured not only by a given set of interests but by other considerations such as competing arenas (the electoral versus the institutional) and the institutional design of the party.

Social democratic parties contain blue-collar, white-collar, professional and student interests. They contain professional politicians, interest groups representatives and activists from all of these diverse interests. Electoral strategies and policy

preferences vary according to which coalition of interests
dominates the party. Considerable disagreements between these
groups may exist, but the level to which these disagreements are
carried into party policy and electoral strategy depends on
institutional design of the party and the extent to which each
group perceives its interest as being helped or hindered by
bringing the conflict inside the party to bear upon its electoral
performance. As Tsebelis notes in his analysis of the question why
party activists in the Labour Party commit "political suicide",
incentives for action in Labour are structured in such a way asto
make conflict between politicians and activists not only possible
but encourage them if the activists can find a way of building a
coalition with trade unionists to enhance their power resources
over policy making and personnel decisions.(Tsebelis, 1990)
Electoral considerations are less important to the activists who
play an internal rather than electoral game. Equally, party
leaders in the SPD have an institutional incentive to ignore local
challengers as long as these challengers do not have an exit option
in terms of a viable challenging party to the left of the
SPD.(Koelble, 1991; Kitschelt, 1988)

Institutions structure the way in which policy is made and
power distributed throughout the institution. Political parties
are organizations with different forms of institutional structure
and accordingly varied distributions of power. The Labour Party
exhibits a rather unusual organization in which decision-making
power over policy, personnel and finance is in the hands of the

trade union movement.(Minkin, 1978) As long as party leaders have union support, they are virtually immune from pressure of the party activists or sectional intra-party interests.. However, should they fall out of favor with the majority of the union leadership they have no other institutional protection. The complete dependence of Labour Party leaders in both Parliament and party was amply demonstrated in the 1979-1981 leftist coup inside Labour.(Kogan and Kogan, 1982) Union leaders and leftist activists formed a coalition against the hapless Callaghan group of social democrats which was held responsible for the austerity programs of 1976 to 1979 which the union movement disliked intensely.(Gourevitch and Bornstein, 1984)

In stark contrast to Labour's organizational structure, the PSOE, SAP and SPD are far more centralized and hierarchical. Policy and personnel appointments are made by party leaders, not sectional interest groups outside of the party or activists. However, the dominance of the party leaders over party activists and union interests varies somewhat among these parties. The PSOE is characterized by a relatively small activist base, a weak union representation within the party and overwhelming centralized power structure in which party leaders dominate.(Merkel, 1989) Both SPD and SAP have a large membership with a significant union base. Party activists can and do influence leadership decisions through their involvement in the local, regional offices and, of course, some representation in the highest policy-making organs of the party.(Tilton, 1990; Koelble, 1991)

Both SPD and SAP are also parties with considerable ties to the respective union movements. The organizational connection between union and party is, however, nowhere near as intimate as in the British case. In Germany federal law prohibits the explicit merging of political parties with interest groups such as unions. The SPD has no official connection to the unions although many of its activists and leaders have union credentials. In Sweden, SAP and the union movement are connected in a similar way - union leaders and activists also tend to be active within the party. At the local level, trade unions often form the basis and membership of the party. However, at the national level the policy decision-making process does not involve direct union representation as in the Labour Party Annual Conference. Policy decisions are taken by party leaders and delegates, not trade union leaders. Both parties are hierarchies in which party leaders have a good deal of decision-making power at the expense of activists and interest group representatives.

The PSOE, mostly as a result of its exile from Spanish politics during the Franco era, has only very loose organizational connections to the Spanish union movement.(Share, 1988) While the Spanish union movement was instrumental in organizing a local base for the PSOE in the 1970's, the unions and the party are quite distinct entities. The PSOE even alienated parts of the union movement when it agreed to the "Moncloa pact" in which it gave support to the conservative Suarez government to impose austerity measures to enhance economic growth and stabilize the transition to

a democratic regime in 1978.(Share, 1988)   The PSOE affords its leadership cadre the greatest degree of organizational independence and policy making powers and provides relatively little influence to the party activists, even less to its trade union constituency. (Gillespie, 1988)

The crucial issue is that organizational structure determines the degree to which party leaders control activists and unionists inside the party.   This degree of control impacts strategic thinking. Activists, politicians and unionists agree that it is important to win positions within the organization to shape policy. Those in a position to shape electoral strategy and policy aim to maintain this ability whereas those out of power hope to obtain influence. The structure of the party shapes the opportunities by which these aims are fulfilled. If a player is "out" of power, she faces the choice between cooperating with those in power to achieve at least some of her ends (i.e. limited voice of opposition) or to challenge those in power (loud voicing of opposition and the threat of exit). For Labour Party activists willing to challenge the social democratic leaders an opportunity arose in 1979 to build a coalition with trade union interests who had the power to replace the "old guard". Such an opportunity does not exist for PSOE, SAP or SPD activists who find themselves in a position where, to get some concessions, cooperation with party leaders is most likely to win them concessions unless they are able to swamp the party with new activists in sufficient numbers to take over the entire organization from the bottom upwards. This strategy is unlikely to

succeed since it not only involves the mobilization of many new members but also a great deal of protracted activism with the intention of changing party personnel and policy.(Koelble, 1991) Most party activists do not have the patience for such a longterm strategy.

Nested Games II: Preferences, Electoral Strategies and Policy Choice

For party activists, trade unionists and politicians policy priorities vary. They all share, as Mayhew suggests, a desire to win elections and enact good policy.(Mayhew, 1974) They agree that the external mission of a party is to win power but they disagree over the extent to which winning elections ought to be placed over the other important variable: good policy. Further, they differ over the definition of good policy depending upon which set of preferences and interests they represent.

Assuming that party politicians or leaders want to win elections and make good policy (in that order of preferences) then it is possible to argue that politicians are most likely to choose the "government party" strategy. It is indeed striking that the party leaders in each of our cases were most inclined towards that strategy. In the SPD the party leadership group of Vogel, Lafontaine, Rau even Brandt favored such a strategy. In the SAP, Palme and Erlander; in the PSOE, Guerra and Gonzales; in Labour Hattersley and Kinnock (eventually) favored a combination of policies aimed at as broad an electoral constituency as possible. There are, of course, examples of leadership figures who did not or

do not agree with such a strategy, but these politicians have committed themselves to representing not the electoral aims of the party but the sectional interests of either a group of activists (f.i. Tony Benn as spokesperson for Labour's "new left") or union interests.   The crucial intra-party variable is in how far activist and union interests are able to block or hinder politicians from adopting such a strategy if it does not favor their policy preferences and tangible interests.

While the calculations for politicians are predominantly affected by the electoral arena (competition with other parties), party activists tend to be more affected by organizational factors. Activists volunteer their time to the party for a variety of reasons.   Either they plan to become politicians themselves, in which case they are most likely to support leadership decisions in order to be rewarded by those in power, or they are there for policy reasons. If so, they again face the problem of getting what they want - cooperate with the leaders or oppose and challenge. If opposition is chosen as a strategy then activists have to map out a strategy of how to do so without being punished. It is difficult to challenge the established elite in hierarchical parties such as SPD, PSOE and SAP without a great deal of internal turmoil and retaliation.   In leadership dominated parties, activists are more likely to try and cooperate with those in power than to challenge them.   Activists need to have support from the unions for their policies if they hope to successfully challenge the party elite.

The strategic calculations of trade unionists in social

democratic parties is complicated by loyalties to their organization. Trade unionists may share both internal and external missions of activists and/or politicians, but are also concerned with the fate of the unions preferences and interests. A trade unionist not only participates in electoral competition calculations, intra-party strategic calculations but also in a set of intra-union, inter-union and union-capital relations and conflicts. As Dunleavy and Husbands in the British case and Kern and Schumann in the German case show, union interests are highly fragmented and heterogeneous.(Dunleavy and Husbands, 1985; Kern and Schumann, 1984) Unionists representing workers in declining industries exhibit a very different view of the role of the state, the political party and the union movement than unionists representing blue or white collar workers in highly competitive and well-paying sectors.

Returning to table 1, unions in declining or endangered industrial sectors are most likely to prefer a "socialist" or "workerist" strategy to protect the jobs and benefits of their workers. It is not surprising that the National Union of Miners in Britain, for instance, called for a radicalization of the Labour Party. Arthur Scargill supported the radical left in Labour in its battle with the social democrats. While not every union becomes "workerist" or inclined towards "socialism" if its industries decline, they are most likely to favor protection of both their industry and the workforce and, above all, their own union organization.(Golden, 1990) Extending welfarist benefits is likely

to be one of their major priorities.

Unions representing white-collar workers and those acting on behalf of an internationally competitive and highly paid workforce are far less likely to support protectionism or indeed wage equalization policies.(Dunleavy and Husbands, 1985; Esping-Andersen, 1985) Workerist or socialist strategies are not always in the interests of such a workforce. Such unions are more likely to support policies designed to increase competitiveness, to reduce tax burdens on their workers, to encourage adjustment to international conditions.(Kern and Schumann, 1984) Such unions are also more likely to support a strategy of adjustment by the political party to attract other social groups and maintain electoral competitiveness. The current rift between the Swedish blue-collar union organization, the LO, and some white collar workers organized in the TCO over the wage-earner funds is a good example of this type of intra-union rivalry.(Pontusson, 1987) The policy preferences of some unions within these two large union organizations are at odds over such fundamental issues concerning working class preferences and strategies.

Not all unions fall into one category or the other as neatly as the researcher might hope. The German metalworkers union (IG Metall) or the British miners (NUM), for instance, contain both workers in competitive and declining industries or firms! These unions suffer from internal dissention over suitable policy. Further, there are a number of factors which may lead unions not to advocate policies favorable to the international position of their

industries. For instance, one can imagine a situation where an industry is doing poorly but has succeeded in closing out the unions from organizing the workforce. In such a scenario, the union may not share the concerns and protectionist sentiments of the owners. Alternatively, unions in competitive industries may not share free trade preferences if they are suspected to lead to the weakening of the union. The survival of the union as an organization is the most important variable determining the calculations of trade union activists and leaders. (Golden, 1988) Nevertheless, unions do tend to support either an economic policy geared towards international competitiveness or one aiming at protectionism and the control of markets and production. Unions representing blue-collar workers in declining industries are more likely to support a "workerist" or even "socialist" policy strategy than unions representing professionals, white collar workers and workers in competitive industries.

Intra-party Coalition Building

The policy choices and electoral strategies of social democratic parties reflect the dominance of diverse intra-party coalitions. The oscillation of policy from socialism to social democracy to the government party strategy in the PSOE's case reflects the sense of uncertainty among the party leaders asto which policy direction might work in a newly established democracy. While party strategists needed time to find an appropriate strategy, the absence of an intra-party blue-collar interest group allowed the party leaders to adopt the vote-maximizing strategy

relatively quickly and unencumbered. Once it became clear that conservative and liberal parties had not captured the middle class vote, the PSOE quite rationally went after this electoral constituency with policies quite unattractive to the blue-collar workers and their unions.(Williams, 1988)

The Labour Party, on the other hand, adopted policies favored by unions organizing workers in declining industries after 1979. In Labour blue-collar interests dominated the Trade Union Congress (TUC) and the Labour Party Annual Conference. Only after two massive electoral defeats has the party adopted a policy package favorable of groups other than blue-collar workers. Partially, the shift is also explicable by a shift within the union movement away from blue-collar worker. The TUC has lost over 4 million members since 1979 most of whom were blue-collar. The dominance of the blue-collar unions is fading in the TUC and, thereby, in Labour.

The SPD and SAP cases are somewhat less clear cut. Both parties enjoy the support of the broader trade union movement. In both parties, blue-collar interests are strongly represented. The Swedish LO, the blue-collar union organization, has for decades been a decisive influence on SAP policy.(Tilton, 1990) Similarly, blue-collar interests are strongly represented within the German trade union federation (DGB).(Markovits, 1986) In contrast to Sweden, however, there is no union associated specifically with blue-collar interests since German unions are organized along sectoral or industrial lines. How then can we explain the absence of significant opposition to the new policy in Sweden eventhough

there is a significant blue-collar presence in the SAP and relatively strong opposition in Germany where there is, apparently, no specific blue-collar organization within the SPD?

The puzzle can be solved by a brief analysis of the development within the unions and the relationship between unions and party. Although the LO may have influenced party policy for some time, it does not dominate the party hierarchy. LO is an interest group increasingly challenged by groups such as the TCO, representative of white-collar workers, for influence upon the SAP leadership. A gradual shift towards public service and white collar unions has taken place in the Swedish union movement, weakening the LO. Ironically, the LO has brought about this shift with its strong support of extending the public sector and thereby the growth of public sector, white-collar workers.(Esping-Andersen, 1990)

More important, however, is the policy orientation of the LO concerning the interests of declining industries and their workers. The LO committed itself to an economic and fiscal policy designed to discourage the survival of declining industries. (Martin, 1984) The defense of declining industries is not a particularly important item on the LO's agenda; the securing of benefits to workers affected by decline is paramount.(Milner, 1989) Through a host of educational, social and economic policies the transition from industrial decline to international competitiveness is accelerated by SAP policy.(Steinmo, 1989) The blue-collar sector in Sweden is less committed to defending declining industrial interests or wage

solidarity than some white collar unions.

In the SPD, a number of predominantly blue-collar industrial unions formed part of the coalition supporting Helmut Schmidt as chancellor during the 1970's. Blue-collar unions in declining industries do not dominate the SPD, but through their power in unions such as the energy, mineworkers, construction and metalworkers unions, they have been able to resist party policy changes unfavorable to their industries. Particularly on the issue of environmental policy, union representatives from these unions were instrumental in blocking attempts to retain the Green vote in the party during the 1970's and recapturing it with policy concessions in the early 1980's. The blue-collar sector prolongued its influence in the SPD through its support for Johannes Rau, minister president of North-Rhine Westphalia (and SPD chancellor candidate in 1987), the heartland of declining industries. It has only recently lost some of its influence within the party hierarchy after the electoral defeats of 1983 and 1987.

In all parties, blue-collar interests have declined in importance. However, the more established blue-collar interests representing declining industrial interests were within these parties, the more difficult the transition to a vote-maximizing strategy was for the party concerned. The absence of a powerful blue-collar representation in the PSOE leadership cadre explains the party's very rapid adoption of the "government party" strategy. The dominance of blue-collar interests in endangered industrial sectors in Labour explain the party's adjustment difficulties,

particularly since 1979. The organizational seperation between blue-collar unions and white collar interests, the LO's commitment to discourage declining industries and foster industrial winners as well as the rapid growth of white collar sectors and incorporation of former blue-collar workers into this sector in Sweden explain the SAP's ability to adapt relatively smoothly. The organizational entrenchment of blue-collar interests until quite recently in the SPD leadership cadre help us understand why the SPD had such a difficult transition from social democracy to the "government party" strategy. In the SPD's case the addition of East German blue-collar workers in crisis may indicate a further round of adaptation problems since it is likely that the East German economic crisis will adversely affect the blue-collar sectors in a united Germany.

Some Conclusions: Organizations and Choices

This article utilizes a novel approach in comparative politics, the nested games thesis. It represents only a first and tentative step in an attempt to analyse intra-party politics in a much more rigorous and formal manner. The argument holds that social democratic parties are searching for a new political and electoral strategy and that the ability of "conservative" elements (in this case unions representing workers in declining industries which do not want to see a shift away from traditional social democratic or even socialist policies) is an important variable in explaining why some parties adopt a vote-maximizing strategy quickly whereas other parties experience significant adjustment

problems. The ability of such conservative groups is defined by the organizational structures of the party and the relationship between blue-collar interests (particularly unions) and the party leadership. The more office-seeking party politicians control electoral strategy and policy decisions, the more likely the party is to adopt vote-maximizing strategies. The more influence unions representing declining industrial sectors have within a party the more difficult the party's transition to the "government party" strategy. A final word of warning: rapid adjustment to new electoral conditions does not guarantee electoral victory. The SAP and PSOE face stiff electoral tests (partially due to the defection. of groups that have suffered as a result of their vote-maximization strategy!) in the next set of elections while Labour and SPD may in fact recover from the abysmal performances of the 1980's.

The article also qualifies Olson's argument concerning organizational adaptation.(Olson, 1982) While the Labour case appears to vindicate Olson's point that too many interest groups "clog up" organizational adjustment, the SAP case shows that if organizations adapt to changing conditions then they remain competitive. The gradual shift by all four parties to a vote-maximizing strategy also suggests that parties do learn from past errors and adjust, even if that process is a painful one. The article also suggests that while Downs may be vindicated through the eventual adaptation of all four parties, the divergent paths to a vote-maximizing outcome are indicative that rationality for political parties is not merely a question of winning votes but

also of competing internal interests and the games played by politicians, activists and unionists.

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