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## **The Social Organization of Ideas in Employment Relations**

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### **Abstract**

This article compares how the USA and Germany deregulated labor markets between the 1980s and 2010s in response to the rise of neoliberalism. Building on literature with a focus on ideas and national knowledge regimes, the article argues that the different trajectories of labor market deregulation across the countries are explained by the distinct social organization of ideas. The latter refers to the actors and institutions involved in the production and dissemination of ideas (including think tanks and public research institutes), their access and ways of communicating to political elites and electorates, levels of shared academic standards across the political divide and related degrees of competition or cooperation in the production of new knowledge and policy ideas. Moving beyond previous employment relations literature with a focus on institutions and power, the article aims to break new theoretical ground by demonstrating how the social organization of ideas is a key intermediary in explaining employment relations change and continuity.

The role of ideas in analyzing employment relations (ER) is underdeveloped. That is the case even though classic ER texts have stressed the importance of ideas. Dunlop (1958) pointed out how actors and the various contexts of the ER system were bound together not just by a ‘web of rules’ but also by a common ideology. Sabel (1984: 14) pointed to ideological differences between groups of workers within society. He stressed how ‘workers’ world views shape their ideas of what it is worth fighting for, and how industrial struggles, in turn, can change their original world views’. These classical accounts show how ideas and changes in ideas drive the agency of ER actors. Yet, while Dunlop’s web of rules and Sabel’s notion of politics became common reference points, their consideration of ideas *per se* did not translate into a wider empirical research agenda in ER (for exceptions see Frege 2005; McLaughlin and Wright 2018, Hauptmeier 2012). Instead, conceptions of rational actor behavior that focused on economic interests within material contexts gained the upper hand and left a lasting impact on ER (e.g. Kochan, Katz and McKersie 1994). Even initial developments in Varieties of Capitalism were based on similar models of economic rationality though in this case the emphasis was on rationality within specific institutional contexts. The firm as a rational economic actor responded to the incentives created by national institutions (Hall and Soskice 2001).

By the 1990s, however, researchers of ER were having to face the challenge of dealing with the changes brought on across a variety of national contexts by the embrace of neoliberal ideas by parties of the right and the left. These ideas articulated a new set of relations between capital and labor based on the primacy of market forms of coordination and a restructuring of the role of the state in creating and managing markets (Vogel 2018). Researchers explored the history and development of the neoliberal paradigm and the various ways in which they became incorporated

into different national policy regimes (e.g. Davies 2016; Harvey 2005; Mirowski and Plehwe 2009; Peck 2010). Within the field of ER, researchers took the rise of neoliberal ideas as their starting point. Baccaro and Howell, in one of the most systematic accounts of ER change, base their approach on the centrality of neoliberal ideas as ‘an economic philosophy that inspires a set of economic policies’ (2017: 16). Similarly, Greer and Doellgast focus on marketization as a central idea of neoliberalism while stating that their ‘focus on marketization shifts attention away from these broader policy or ideological matters to the concrete changes they typically promote’ (2017: 4). Neither of these sets of authors explain how and why specific versions of neoliberal ideas are produced and disseminated within particular societies. Instead, the form that neoliberal policies take in different contexts is explained by the interaction of existing power relations and institutional legacies in the changing global economic regime (Doellgast 2012).

In this paper, we suggest that the sphere of ideas production itself is a very specific institutional context that crucially influences the take up, form and nature of neoliberal ideas, policies and reforms in different societies. The organization of this sphere impacts on how new policy ideas are developed and communicated to politicians, policy makers and the electorate. In order for neoliberalism to replace Keynesianism as the dominant framework for economic policy, its relevance for particular contexts has to be explained and articulated by actors within the sphere of ideas production. Ideas have to be made relevant to the particular context and shaped in ways which makes them a motivating force for actors (Hauptmeier and Morgan 2014, Hauptmeier and Heery 2014). Societies develop actors and institutions whose role it is to develop, produce, evaluate and communicate ideas. This constitutes a particular institutional structure, which we describe as the social organization of ideas. In this paper, we seek to understand how the social

organization of ideas influences the way in which neoliberal ideas about ER are constructed and communicated in different societies.

Following Cahill and Konings (2017), we can identify two key aspects for examining neoliberalism. The first is what they describe as ‘the neoliberal thought collective’ i.e. the international group of intellectual founders associated with the Mont Pelerin Society and subsequent free market think tanks (Mirowski and Plehwe 2009) who in the texts which they produced, provided an intellectual grounding for the key ideas of neoliberalism. The second approach examines how neoliberal ideas are modified and reshaped in national contexts (Blyth 2002; Peck 2010, 2013). As Callison and Manfredi (2020: 2) make clear, ‘rather than treating neoliberalism as a monolithic ideology....[we] theorize its multiple and mutating forms – as an intellectual and political project, a program of economic governance, a form of normative reason and an order of material production’. This paper focuses on how the social organization of ideas in particular societies shapes variations in neoliberal policy ideas. In order for ideas to be considered important and policy relevant, they have to be authorized by organizations that are perceived to be the legitimate arbiters, creators and purveyors of ideas. Campbell and Pedersen’s (2014) pioneering analysis defined this in terms of national knowledge regimes which in their definition refers to ‘the organizational and institutional machinery that generates data, research, policy recommendations and other ideas that influence public debate and policymaking. Knowledge regimes produce the ideas that inform what political and economic elites do’ (ibid.). They state: ‘Those who have shown that ideas are important have paid remarkably little attention to how these ideas are *produced* and *disseminated* in the first place and how this varies across countries and over time’ (2014: 2). In our paper, we seek to develop this analysis further showing

how national differences in the social organization of ideas impact on how neoliberal ideas develop in the sphere of ER.

We focus specifically on labor market deregulation, a typical outcome of neoliberal reforms. We compare the varying trajectories of labor market deregulation across Germany and the USA between the 1980s and 2010s. These countries had contrasting starting points in the early 1980s with the USA already having a more deregulated labor market compared to the corporatist regulation of the German labor market (Turner 1991). From there, however, two distinctive trajectories of labor market deregulation evolved as the neoliberal paradigm became more influential. In the USA, a continuous process of labor market deregulation took place in the following four decades as actors in the center of ideas production invented and advanced new policy ideas to reduce the power of unions and expand the flexibility of market relations. Key labor market deregulation took place during the Reagan and Clinton Governments and at the state level with a focus on ‘right to work’ policies. By contrast, in Germany the deregulation of labor markets as proposed by local neoliberal supporters found very little traction amongst the key actors in the social organization of ideas in the 1980s and 1990s. It was not until the second Schröder Government and the Hartz Commission that significant labor market deregulation took place. As we demonstrate, however, this change emerged by sidestepping the traditional gatekeepers of the ideational system in the German context and instead constructing a one-off coalition of actors who were not constrained by the norms and expectations of that tightly integrated system. However rather than setting off a stream of frequent labor market deregulation as happened in the US from the 1980s, the focus of ideas and innovations in labor market policy returned mainly to the traditional actors during the various Merkel Governments.

What explains these different trajectories of labor market deregulation in the USA and Germany under neoliberalism? Most analyses emphasize the importance of the power of various actors, institutional structures and the internationalization of the economy and how this translates into state policies and impacts on ER. Without denying the influence of these factors, our paper emphasizes that the social organization of ideas in these countries mediated and advanced the neoliberal paradigm in different ways. Specifically, we identify four key dimensions of how the social organization of ideas varies across countries: (1) the position of unions and employer associations as insiders and outsiders; (2) the degrees of partisanship in the knowledge regime; (3) the governance principles in the sphere of ideas production particularly around varying notions of expertise, reputation and standards; and (4) the extent to which the sphere of ideas production acts as a direct pathway to government for individuals and organizations or rather as a relatively distinct advisory sphere; what we describe as the degree of openness of the government administration to actors from the social organization of ideas. The cross-national variation along these four dimensions impacts on how neoliberalism translates into policy ideas and specific reform proposals, influencing the forms and extent of labor market deregulation.

Following Locke and Thelen (1995), we develop a contextualized comparison with the aim of explaining the distinctive trajectories of labor deregulation over time across the two countries. Hence, our case studies do not examine the exact same policy issues in the two contexts but instead focus on those matters that have high salience in each country. We recognize that ‘apparently similar issues possess very different meanings in different national settings, depending especially on differences in starting points and in the impact of various changes on

traditional arrangements' (ibid: 340). The case studies which we present are based on secondary literature and whilst we recognize the limitations of case studies built in this way, we maintain that the cases are sufficiently distinct and evidence based to support our conclusions. This approach enables us to open up a new theoretical terrain for ER which is the primary goal of this paper.

### **Levels, actors and national patterns in the social organization of ideas**

The debate on the role of ideas in society has been bedeviled by the contrast between idealism and materialism – crudely an either/or choice as to whether ideas or material interests are the engines of history. This was challenged by Weber whose studies of the relationship between religious ideas and forms of economic organization refused to accept such a dichotomy and sought to find ways to integrate the two. 'Not ideas, but material and ideal interests directly govern men's conduct. Yet, very frequently the 'world images' that have been created 'by ideas' have, like switchmen [sic], determined the tracks along which action has been pushed by the dynamic of interest' (Weber in Gerth and Mills 1946: 280). More recently political scientists such as Blyth (2002) and Schmidt (2008) in their studies of the rise of neoliberalism have sought to reestablish the importance of ideas to institutional change processes (see also Carstensen and Schmidt 2016). Parsons (2016) argues that ideas do matter and have an 'influence of their own' even though 'their uptake and influence on action is affected by other conditions' such as power relations and institutional constraints.

For analyzing the influence of ideas, it is helpful to distinguish between different levels. First, ideas exist as paradigms; in Hall's words, 'policymakers customarily work within a framework



of ideas and standards that specifies not only the goals and the kinds of instruments that can be used to attain them but also the very nature of the problems they are meant to be addressing' (Hall 1993: 279). New paradigms have to be established in opposition to existing paradigms and this necessarily plays out in the sphere of ideas (e.g. Blyth 2002 on the shift towards neoliberalism and Hall 1989 on the earlier establishment of the Keynesian paradigm). Changes in paradigms involve not simply the emergence of new ideas; they also involve shifts in the basis of legitimate authority about who can speak on policies. Experts that have in the past supported the dominant but declining paradigm find themselves being moved out of key institutions and replaced by those engaged with the new paradigm. Second, policy ideas are developed, addressing a particular policy issue drawing on the paradigm by framing problems and solutions, including specifying causal relationships between means and ends. Specific policy ideas and reforms are developed by the actors of the knowledge regime and offered as solutions to the policy problems politicians and governments face. A third level of ideas relates to instruments and metrics. They do the work of implementing the paradigm goals by setting and reporting on the metrics which provide the feedback on how effective the policies are (Beland et al. 2018). Ideas become embedded into practices through the creation of instruments which appear technocratic and neutral. This process of institutionalization involves learning and monitoring as feedback loops lead to modifications and changes at the level of policies, instruments and metrics.

*Table 1.* Levels of Ideas

<b>Levels of ideas</b>	<b>Degrees of abstraction and generality</b>	<b>Problem of changing ideas</b>	<b>Key Actors</b>

<b>Paradigms</b>	High – e.g. debates on markets vs state regulation	How to problematize old ideas and legitimate new ones	Ideas entrepreneurs and ‘thought collectives’, individual thinkers as charismatic talismans of new ideas
<b>Policy ideas</b>	Translating a paradigm into a specific policy problem, e.g. need for labor market deregulation, and proposing solutions	Explaining policies so that they are convincing and effective to elites and to electorates; undermining and replacing experts with different approach	Research institutes, think tanks, policy networks developing frameworks and change programs that feed into policy formulation and implementation
<b>Instruments and metrics</b>	Development of specific techniques and measurements to solve the problems as identified by the paradigm, embedding ideas into everyday practice	How to develop mechanisms for learning and measuring the effectiveness of policies allowing modification and improvement of outcomes	Expert groups drawn from private sector, professional groups and think tanks etc. to develop new instruments and communicate them to policy makers

*Note: Own compilation based on Hall (1989,1993) and Carstensen and Schmidt (2016).*

By the social organization of ideas, therefore, we refer to those organizations and individuals that are primarily invested in producing ideas at these various levels and the networks (see Table 1) which connect them to each other and to policymakers, e.g. think tanks, research institutes, policy networks and any other organizations that put primary emphasis on analyzing data, producing reports, making recommendations, engaging in and advising on the development of policy proposals and communicating these ideas to key audiences. As outlined earlier, our analysis focusses on four key dimensions in the social organization of ideas which impact on how neoliberal ideas are developed.

**1. Position of unions and employer associations:** A key dimension is the degree to which unions and employer associations play an insider or outsider role in the social organization of ideas. Where they play an insider role, the government grants them a privileged position in the development of policy ideas. Here the research institutes, foundations or research departments of unions and employer associations are directly connected to central political actors and to the various ministries of state, involved in the governance of labor market bodies and take part in tripartite social consultation tasked with developing labor market policies ideas. The regular institutionalized exchange between the different labor market actors facilitates compromise and tends to sift out radical policy ideas. In countries where organized labor and employers are outsiders, they compete for influence over ideas with a range of other actors, such as think tanks. There also tends to be a lack of institutionalized exchange and coordination between unions and employers, which could facilitate joint positions and mediate between contrasting policy ideas.

**2. Degree of partisanship.** There exists variation in partisanship across time and contexts. At one extreme is high partisanship where actors in the social organization of ideas are less committed to neutral technocratic advice and more focused on supporting a particular political position and undermining the output of those not sharing that position. Since the 1970s, partisan think tanks with clear ideological orientations and political agendas have become more important in some countries. The proliferation of partisan organizations can be facilitated through national tax arrangements, such as making donations fully tax-deductible for donors which allow and encourage the very wealthy to pursue their particular partisan interests by setting up supportive think tanks. By contrast, where funding is primarily sanctioned through the state or quasi state bodies with interests in objective data and policy making built on analyses supported by

scientifically validated methods, then actors in the social organization of ideas which diverge too far from this end up losing reputation, funding and influence. In such systems partisanship in the social organization of ideas is constrained.

**3. Governance principles.** Where the governance principles underpinning authority and hierarchy in the social organization of ideas are predominantly based in expertise and hierarchies of scientific reputation validated by prizes, positions and academic recognition, then the social organization of ideas remains relatively homogeneous. Gatekeepers deny entry to those not meeting such standards. The resulting relative homogeneity in terms of personnel, standards and reputational mechanisms means that efforts to reach agreement and compromise become possible even across political and organizational divides. In other contexts, however, where funding comes from diverse sources with political goals directly in mind, organizations are less concerned with scientific legitimacy and reputation and more concerned with whether they are being heard in the media or are having an influence on politicians and policy makers. Such contexts have weak gatekeepers and therefore access is easy and claims to provide knowledge are not tested or monitored by external authorities. This allows for strongly partisan claims about problems and solutions with very little shared standards of evidence to constrain arguments and analyses.

**4. Openness of government.** Government administrations are open to a varying degree to the actors in the social organization of ideas. In some countries, following a change of government, a large number of administrative positions are politically appointed by the new government. Given the sheer scale of the administrative positions to fill, this provides access points for think tank

employees to join the new administration and import their policy ideas. The alignment between think tanks, political parties and individual careers reinforces and rewards partisanship. By contrast, in other countries, government administration involves to a large extent permanent career appointments. These actors are likely to have developed long term relationships with the central actors in the knowledge regime whom they trust to provide independent advice based on established scientific and academic standards of data collection and analysis. These more closed government administrations are therefore less susceptible to the influence of partisan think tanks.

*Table 2. Cross-National Patterns in the Social Organization of Ideas*

	<b>Consensual organization of ideas</b>	<b>Partisan organization of ideas</b>
<b>Position of unions and employer associations</b>	Insider Institutionalized exchange and coordination between unions and employer associations	Outsider Lack of coordination and exchange between labor and employers
<b>Degree of partisanship</b>	Low	High
<b>Governance principles</b>	Limited number of actors. Research, data gathering and funding based to an important degree based on academic standards	Plurality of actors. Research, data gathering and funding influenced to an important degree by political stance
<b>Openness of government administration</b>	Low High number of permanent career bureaucrats	High High number of political appointments

A summary of the different dimensions allows us to distill two broad cross-national patterns in the social organization of ideas (Table 2). One pattern can be described as consensual; the other as partisan. The different cross-national patterns have implications for the range and diversity of ideas which emerge and how they may influence the policymaking process (Campbell and Pedersen 2014; Schulze-Cleven and Weishaupt 2015). The different characteristics ‘fit’ together in each pattern, which generates particular sorts of problems and conflicts. For example, the more the different organizations in the consensual pattern share a common evidence base and a common set of assumptions about how to analyze evidence and produce solutions, the narrower the range of options they will offer to policy makers. This has the effect of producing a more incremental approach to decision-making amongst the policy making elite (Katzenstein 1997) which raises two problems. First, it may encourage a form of groupthink, i.e. an inability to think beyond the consensual frame even when external or internal crises change the policy making context substantially. Secondly, this inability to respond in new ways may lead those outside the enclosed sphere of the social organization of ideas to feel that this elite is ignoring wider social interests, a discontent that can fuel and be fueled by populist rejections of notions of expertise and science (Muller 2017).

By contrast, the more diversity that exists amongst these ideas producing organizations in terms of what they count as evidence, as background assumptions, and ultimate goals, as ways of analyzing and communicating to elites and the electorate, the more diverse problem definitions and solutions will emerge. Such diversity leads to more acrimonious partisanship within the social organization of ideas where hierarchies of prestige and status are less stable amongst both individual affiliates of the various organizations and the organizations themselves. Competition

increases and crucial resources are not so much expertise but also money and influence via the media. High levels of partisanship undermine trust in social institutions generally and lead to deepening cleavages in societies that can become vicious circles of declining social cohesion (Runciman 2018).

In the following case studies, we examine how variation in the social organization of ideas appear in Germany and the US and what impact this has on the varying trajectories of labor market deregulation between the 1980s and 2010s.

### **Germany**

The German model identified with Streeck's (1992, 1997; Sorge and Streeck 2018) work on diversified quality production showed how beneficial constraints pushed employers to collaborate with labor, underpinning high-end manufacturing and export strategies of German companies. However, high unemployment was a persistent problem (Eichhorst, Thode, and Winter 2011), leading to recurring calls for reform, often formulated in neoliberal terms.

However, this was only intermittently successful and a central part of the explanation for this is the way in which the social organization of ideas in Germany operated as we examine across three key periods of labor market reforms: Kohl Governments (1982-1998), Hartz Commission (2002-2005) and aftermath of the 2008/2009 economic crisis.

#### **Kohl Governments (1982 – 1998)**

The incoming Kohl Government raised expectations of major policy change in line with the neoliberal changes being instituted elsewhere. However, policy making reforms narrowly

focused on areas where social partners were able to agree such as reducing labor supply through early retirement schemes, generous long-term unemployment benefits, lengthy study times of students at universities and tax policies that encouraged women to stay at home (Manow and Seils 2000). Some limited labor market deregulation happened such as withdrawing unemployment benefits for striking workers and reducing the notice period for dismissals. The cost of funding early retirement and generous long-term unemployment benefits increased hugely following German reunification and resulted in higher labor costs (through higher social security contributions on wages), impacting on Germany's economic competitiveness and unemployment levels and leading to commentary on Germany as 'the sick man of the Euro' (The Economist 1999).

The social organization of ideas in Germany had a significant impact on the developed policy ideas and reforms. There was an informal but relatively stable network of labor markets experts from the civil service, social partners and political parties which all played a crucial role in developing policy ideas (Trampusch 2009). First, this set of experts included the research institutes supported by unions and employer associations, such as the employers' Institute of the German Economy and the unions' Institute of Economic and Social Research of the Hans Böckler Foundation. Second, both main parties, the conservative Christian Democratic Union (CDU) and Social Democratic Party (SPD) had respectively a union section within their party, consisting of party members who were also union members with close ties to the labor movement. Members of this party section were tasked with developing labor market policy ideas. Given these linkages, unions and employers had a continuous relationship with the main government party, even if a government change took place. Third, all major political parties had



their own, publicly financed foundations, which operated in effect as think tanks (though their portfolio has been broader than that of think tanks in other countries in part because it included supporting the international relationships of political parties). These foundations such as the CDU's Konrad Adenauer Foundation and the SPD's Friedrich Ebert Foundation supported the development of labor market policy and policy ideas through conducting or funding research. Fourth, within government the Labor Ministry took the responsibility for developing labor market policies. With few exceptions most staff were career bureaucrats, who provided non-partisan advice to policy makers and politicians. These bureaucrats had long established relationships with the other actors in the social organization of ideas. Fifth, the Federal Employment Agency (FEA) was tasked with assisting job seekers to find employment as well as organizing active labor market policies. The FEA was governed in a tripartite fashion and the governance board included representatives from the above discussed actors. The FEA conducted labor market research through its own Institute for Employment Research. Overall, these actors and organizations constituted through the 1980s and 1990s a narrow and tight policy network on labor market issues focused on providing scientific and objective advice to political parties and the legislative processes. The regular exchange between the actors facilitated a common understanding of policy issues, shared methods of data collection and modes of empirical analysis, creating the possibility of compromise and filtering out more radical policy ideas.

Voices to challenge this consensus model did exist and grew through this period drawing on the pro-market policies of the Free Democratic Party, the influence of neoliberal and ordo-liberal ideas amongst German economists (Kinderman 2005, 2017; Puhlinger 2016) and voices in the business community, e.g. the president of the Federation of German Industries, Olaf Henkel.

These actors demanded neoliberal labor market reforms similar to those pursued by Thatcher and Reagan. However, the impact of these voices remained limited on the closed knowledge system and its actors, who acted as gatekeepers in the development of policy ideas in this period.

### **The Hartz Commission (2002-2005)**

A major change only occurred when the Schröder Government deregulated the labor market in a far-reaching manner based on recommendations of the Hartz Commission. The commission was named after its chair, Peter Hartz, the personnel manager of Volkswagen. Under his leadership the commission proposed four reform packages (Hartz I-IV) (Hassel and Schiller 2010). Hartz I-II were mainly concerned with creating new types of atypical employment opportunities and introducing additional wage subsidies. Hartz III made suggestions for restructuring the FEA. Hartz IV suggested significant cuts to unemployment and social benefits. Overall the reforms shifted the approach away from reducing labor supply towards forcing individuals to stay in a reformed labor market by significantly reducing benefits. This went along with opening up the possibility of more flexible part-time, temporary and agency working arrangements. These changes enabled employers to reduce labor costs and match numbers of employees more easily to market fluctuations. Schröder's center-left government was influenced by Giddens' (1998) Third Way approach that sought to combine aspects of labor market flexibility with supply side state intervention and welfare to work policies. This approach had been influential in both Clinton's policies in the US and Blair's reforms in the UK as well as in the European Union's (EU) Lisbon agenda. Indeed, Blair and Schröder (1998) had published together a working paper for the Friedrich Ebert Foundation entitled 'The Third Way'.

However, the greater prevalence of these policy ideas was not sufficient in itself to explain the observed changes in Germany (as new neoliberal ideas had also existed in the previous period). For them to matter, Schröder had to undermine the lock on the development of policy ideas which was held by actors in the existing social organization of ideas. He made a series of changes to sideline traditional actors and bring in new actors that could develop a radical reform agenda for the labor market. First, the government lessened the influence of unions and employer associations by abolishing the social pact (which had been unsuccessfully tasked with reforming the labor market during Schröder's first term). Second, the government used a scandal over doctored statistics in the FEA, which was an institutional anchor of the social partners, to reduce its governing role (Streeck 2005). Third, the Labor Ministry was integrated into a larger Ministry of the Economy and put under the leadership and supervision of one of the more economically liberal politicians of the cabinet, Wolfgang Clement.

The Hartz Commission was the key new actor and created as a one-off body to develop a blueprint for labor market reforms. The role of unions and employer associations was kept to a minimum and instead individual leaders of German companies and independent experts (including from consultancy firms and universities) were appointed. In addition, new market supporting think tanks set up by business, such as the New Social Market Initiative (Kinderman 2005, Pautz 2008) were drawn in to offer advice. Contrary to the traditional actors who directed their attention to communicating with and convincing top level policymakers and politicians, Hartz directly addressed the electorate believing that their support for his proposals would be crucial. He framed the reforms as central to the reduction of unemployment which he framed as

an ‘electrifying goal’ (Hartz 2007: 213), promising his proposals would cut unemployment in half by 2006.

Schröder gave unwavering support to the reform package, moving beyond the incremental politics of the German ‘semi-sovereign state’ (Katzenstein 1987). He had found a way round the existing actors and had encouraged new actors to get involved, amongst them the emerging private think tanks. However, this was a one off effort with a limited if highly important purpose. Though it did not add up to a wholesale transformation of the social organization of ideas as, for example, happened in the UK in the 1980s when Thatcher forced a clear-out of the Keynesians from key policy making institutions (Young 1989). By contrast, Schröder’s changes were more limited and temporary designed primarily to achieve a specific set of reforms. Whether he might have gone further had he not been voted out of office in 2005 (in part as a reaction against the Hartz reforms) is unclear. Therefore, even though key actors had been sidelined during the Hartz reforms, they remained in place in the German social organization of ideas.

### **The 2008/2009 economic crisis and its aftermath**

The 2008/2009 economic crisis triggered a major contraction of the economy and labor market. With less than a year to go until the next federal election, the Merkel Government returned to the traditional actors in the German social organization of ideas in coordinating a policy response, inviting the leading representatives of the social partners to the Federal Chancellery for tripartite consultation (Eichhorst and Weishaupt 2013), as had been so typical before Hartz. Following the joint deliberations, the government introduced benefits that supplemented wages for workers

placed on short working time. This kept unemployment figures down while allowing German companies to take advantage of the following economic upswing by not needing to rehire workers. The social partners also agreed contributions of their own. Employer associations promised to avoid dismissals as much as possible, while unions committed to limiting wage demands in collective bargaining.

This return to the traditional actors in the social organization of ideas during the 2010s can also be seen in the debate and implementation of the national minimum wage. Actors in the social organization of ideas (including unions) had for many years opposed a minimum wage in Germany, arguing that its negative effects would outweigh any positive outcomes. However, as inequality increased due to the impact of the Hartz reforms and the financial crash, there was pressure to rethink this opposition. The government pursued an evidence-based approach drawing on existing expertise and by '2010 the labor ministry...had eight industry minimum wages evaluated by research teams from different institutes with the aim of bringing the debate to a more objective level. All the control group estimates concluded that the industry level minimum wages some of which were relatively high, had no negative employment effects' (Bosch 2018: 28). This and other research including the example of the UK's minimum wage which had been evaluated by professional economists and approved as effective for its impact on wages was also fed into the discussion fueled by evidence, data collection and analysis by the expert research institutes. The emerging consensus in the German social organization of ideas was influential in the politics that led to the introduction of the first minimum wage in 2015. The governance of the new minimum wage was delegated to a new tripartite commission made up of representatives from unions, employers and the state. The commission employed researchers and

funded research related to its mission, which informed its decision-making. In the first couple of years, negotiations took place when a new minimum wage needed to be set. However, subsequently the commission and its researchers developed a formula that translated economic improvements into a higher minimum wage. Thus, negotiations were no longer required, and the automatic, formulaic setting of the minimum wage depoliticized the issue, returning it to the realm of the experts and their judgements based on research data. The new minimum wage reduced wage inequality by 6.3% in 2015, which was the highest reduction in Europe (Vacas-Soriano 2018). This adaptation was based on the traditional non-partisan, consensual approach within the ideational institutions –the careful collection of evidence, the use of shared analytical techniques for measuring potential and actual economic effects in Germany and elsewhere, the development of policy, legislation and instruments to be monitored by experts in order to learn ways to improve the expected outcomes.

Significant labor market deregulation did not occur after Hartz, as the traditional system reasserted itself. However, there were significant challenges facing the German social organization of ideas. The politics of the Grand Coalitions of the 2000s and 2010s were aimed at maintaining ideational consensus amongst the policy elites, the leaders of the social partners and the CDU/SPD parties. However electoral results showed an increasing volatility with a dramatic fall in SPD support and a rise in left and right wing parties, amongst them the extreme right wing party Alternative for Germany. Whilst the policy elites had recovered their consensual mode of operation post Hartz, a significant proportion of the electorate was becoming increasingly alienated from this consensus as reflected in the immigration debate. Further challenges arose from the growing scale and significance of partisan business thinks with their calls for neoliberal

reforms (Kinderman 2017). Thus, challenges for the traditional German social organization of ideas abounded but the core of the system remained intact for the moment.

## USA

In the 1960s, New Deal institutions and the rhetoric of renewal embodied in Kennedy's New Frontier and Johnson's Great Society discourse played a central role in organizing labor markets. In the analysis of contemporary authors such as Mills (1956) and later commentators such as Mizruchi (2013), big business and the federal state had constructed a consensus in which the role of collective labor organizations was institutionalized by New Deal reforms and the operation of Keynesian demand management to secure high employment. The US state by the 1950s constituted a huge bureaucratic machinery of government which captured, analyzed and communicated to the various arms of the US political system information on all aspects of US society and economy (Lepore 2018: Ch. 13). In this context, there were a small number of privately funded think tanks outside the state such as Brookings which provided supplementary ideas, advice and policies on emerging problems and solutions. Often these think tanks took on an academic air, drawing personnel from top universities and providing them with temporary or permanent respite from other duties in order to produce reports and think pieces relevant for policy makers (Campbell and Pedersen 2014; Medvetz 2012). The style of these interventions was broadly technocratic, non-partisan and addressed to policy makers in the national capital. Overall, the social organization of ideas was dominated by the bureaucracy of the federal state with limited input from outside organizations or from individuals from universities and think tanks. However, the US social organization of ideas began to change from the 1970s and we interrogate how this impacted on labor market deregulation during three key reform periods:

Reagan Governments (1981-1989), Clinton Governments (1993-2001) and labor market reforms within the states (since the 1990s).

### **Reagan Governments (1981-1989)**

By the 1970s, the consensus that held between the federal state, big business and organized labor was beginning to fall apart as the US struggled to maintain its economic dominance in the world (Kruse and Zelizer 2019). Attacks on Keynesian economics, the rise of neoliberalism, the expansion of financial markets and the gyrations and turmoil caused by currency movements and currency crises reflected a growing effort by parts of American business to free themselves from the constraints of the state and reimpose the market as the main determinant of economic growth and distribution. The ideational component of this was crucial – to change the economic paradigm from positive evaluations of the state back towards a primary role for deregulated markets. These struggles went on in many contexts, but they were particularly visible from the 1970s and 1980s in the development of new ideational organizations funded by rich individuals in order to push the virtues of neoliberalism, markets and financial economics (Leonard 2019; Mayer 2016; MacLean 2017). These organizations stood outside the narrow circle of established policy making that had characterized the post-World War II decades and deliberately abandoned the technocratic, neutral style of these forerunners in favor of a more partisan approach to the development of policy ideas. Unlike Germany, wealthy individuals who set up these organizations were able to claim tax exemptions so long as the organizations did not stray into the overtly political territory of lobbying. The result was a ‘saga of proliferation of private research organizations’ (Campbell and Pedersen 2014: 41). Unlike the relative stability of



organizations in the German context, this created a fragmented structure that varied from academic style think tanks through to advocacy bodies that bordered on overt lobbying but remained distinct in order to protect their tax status. Medvetz (2012: 80) argued that central to this process were ‘conservative segments of the US capitalist class or those steadfastly committed to policies of unrestricted free trade and commerce’. These groups had been marginal to the previous Keynesian dominated consensus but in the light of the crisis of US capitalism in the 1970s they aimed to recast the debate about markets, labor regulation and the role of the state drawing on the work of economists and public choice theorists such as Hayek, Friedman and Buchanan and supporting the development of knowledge producing organizations that could develop specific policy ideas for radical change (Mirowski and Plehwe 2009).

The Reagan Government was very open to these organizations. From the start it intended to liberalize labor markets and reduce the regulatory burden for businesses. In the build-up to the election, the Reagan camp collaborated with a wide range of right wing think tanks and business groups though the Heritage Foundation (part funded by the Koch brothers) stood out (Leonard 2019), producing a Mandate for Leadership that articulated an agenda for the new government (Heritage Foundation 1981). The Mandate was 3,000 pages long and included about 2,000 detailed and specific policy proposals for all government departments, including a chapter for the Labor Department. Reagan handed out a copy of the Mandate to each member of his cabinet early on and thus, the Mandate became the blueprint for future policies. In addition, Reagan handpicked Heritage staffers for appointments in the new administration, which provided the think tank with further opportunities to shape the government agenda. Conservative commentator Buckley (1999) suggested the Mandate helped Reagan ‘chart the course to take the nation back

in the right direction. Of the suggestions enjoined on the new president (...) 60 percent were acted upon'.

Specifically, Reagan cut funding and made 'hostile' appointments to labor agencies such as the Equal Employment Opportunity Commission, Occupational Safety and Health Administration and National Labor Relations Board (NLRB) with the intention of weakening their enforcement and norm setting capacities. As a direct result a string of NLRB rulings reduced labor's ability to find justice through labor law. Reagan also drastically cut unemployment benefits and employment in the public sector, the latter being an important union stronghold. Reagan's decision to fire striking air-controllers and replace them with military personnel (McCartin 2011) was later widely seen as a signal to employers to get tough with unions. This was not so much an offensive by US employer associations, which remained weak from a comparative perspective, as they were mostly not directly involved in collective bargaining. Instead individual employers fought unions on the company-level. Reagan's Government had permanently shifted the power balance between labor and employers in favor of the latter. At the same time, he had opened up government to the growing and diverse right wing think tanks which were emerging while weakening state bureaucracies and agencies.

### **The Clinton Governments (1993 – 2001)**

The Democrats and the left more generally were slow to respond to the growth of these right wing think tanks. Only in the mid to late 1980s did they begin to realize the importance of such organizations, founding the union supported Economic Policy Institute in 1986 and the

Progressive Policy Institute (PPI) in 1989. PPI, later referred to as Bill Clinton's brain shop of choice, was instrumental in preparing his presidential campaign manifesto 'Putting People First'. It suggested a departure from the overtly anti-labor stance of the previous Republican administrations in favor of more encouragement of employer/union dialogue and negotiation (Reich 1997). Early in his first term, Clinton created the Dunlop Commission with the task of reforming ER. Dunlop had been a leading figure in US academic industrial relations for decades and had served several US Presidents (both Republican and Democrat) as an adviser. He represented the previous technocratic order of non-partisan experts. The Commission reflected this academic/policy style with an emphasis on non-partisanship, evidence and detailed policy prescriptions. This was reinforced by the appointment of several other academic members with similar approaches such as Tom Kochan as well as some employer representatives who were willing to engage with unions. The Dunlop Commission presented a series of proposals for reform (Dunlop, 1994) with the aim of finding a new compromise based on 'mutual gains' between labor and employer (Kochan 1995). Kochan and other advisers saw an important role for German style works councils as a practical means of achieving trust on the shop floor and therefore more cooperative ER and greater economic productivity. However, US trade union leaders with their orientation of 'bread and butter' unionism were not sympathetic to this idea and were unwilling to support it. Once Congress was taken over by Newt Gingrich's Republicans in the mid-term elections any legislative path to employment reform along the lines of the Commission's recommendations were blocked. In response, Clinton abandoned the Dunlop Report and moved towards a policy position reliant on reforming welfare and forcing people back into the labor market. This labor market activation policy with its punitive and disciplinary elements was readily accepted and extended by the Republican Congress. This

reform episode reflects how much the economic paradigm had, thanks to the efforts of the right wing think tanks and institutes, shifted in the US towards market deregulation and away from state intervention to the extent that even parts of the Democratic party and government embraced a pro-market agenda.

### **Labor Market Reforms within the States (since the 1990s)**

While labor market reforms increasingly stalled at the federal level the states became a battleground as right wing think tanks developed new ways of reducing the power of labor. Hertel-Fernandez (2019) describes how what he calls a Troika of organizations identified state level legislation as ripe for radical change. The Troika consisted of a lobbying organization, the American Legislative Exchange Council (ALEC), a national level think tank body that offered support to think tanks at the state level, the State Policy Network (SPN) and a grass roots organization claiming charitable status but funded by the Koch brothers called Americans for Prosperity. The SPN, founded in 1992, was an attempt to provide a unifying framework and resource for pro-market state-level think tanks. It developed into a network with at least one organization in each state. The SPN fiercely promoted free labor markets and an anti-labor agenda through their own research and recommendations to government agencies and legislative bodies. The SPN provided templates for state laws that would reduce the power of public sector unions in particular to bargain across a range of issues besides wages, making it more difficult to recruit and maintain members. Key activists and advocates of the SPN were regularly hired into government and administrative positions by politicians the SPN previously supported. The SPN was at the forefront of some of the most successful rollbacks of labor rights at the state level in

the USA, curtailing public sector collective bargaining and focusing on establishing ‘right to work’ states, including in Oklahoma (2001) Indiana (2012), Michigan (2012), Wisconsin (2015), West Virginia (2016) and Kentucky (2017).

Progressive donors began to sponsor their own set of think tanks and private research institutes in response to the dominance of right wing think tanks (Hertel-Fernandez 2019). Much of the activity of these think tanks focused on Washington DC and elite policy makers as well as the large metropolitan areas where campaigns for minimum and living wages found a more favorable context (Luce 2004). However, as Hertel-Fernandez (2019) points out these city level initiatives could be over-ruled by state legislators and this was done in some places where Republicans controlled the governorship and the legislature (Hertel-Fernandez 2019). Meanwhile at the federal level, President Obama achieved only limited reforms in favor of labor such as the Fair Pay Act but he failed to get the Employee Free Choice Act passed and was only the third president, since the introduction of the minimum wage in 1938, who was not able to raise it.

Compared to the Republican think tanks for whom weakening unions and changing the structure of the labor market was central to their agenda, most Democrat big donors and sponsors of think tanks had little interest in directly strengthening unions. They tended to prioritize support for liberal social issues or single, narrow labor issue such as minimum wages as Republicans moved increasingly to embrace conservative causes in ways which went far beyond most right wing parties in Europe, e.g. on gay rights, abortion, support for religion in schools and more widely, a process which Hacker and Pierson (2020) describe as asymmetrical polarization with the

Republicans moving further and faster to the right compared to the Democrats who remained predominantly centrist despite the rise of Sanders from 2015. Campbell and Pedersen (2014) argued that ‘the crisis of partisanship reached an unprecedented level’ in the 2000s but in the 2010s this trend developed further and faster, particularly with the rise of the Tea Party movement and President Trump (Kruse and Zelizer 2019; Hacker and Pierson 2020). In this context, think tanks had no interest in developing consensus and joint policy ideas across the political divide. In other words, while claims to objective expertise could still be made by think tanks and private research institutes, in effect, what existed now was a marketplace of ideas shaped by influential funders and not a community of scholars sharing certain standards of scientific production (Drezner 2017), a process exacerbated by the rise of social media in which the way to be noticed is to use outrageous partisan language rather than engage in calmer reflection of evidence and ideas.

In conclusion, in contrast to Germany, the US knowledge regime has changed fundamentally since the 1970s. Many new organizations have emerged and their approach has become much more partisan. Although evidence and data is still called on, this is in the context of highly explicit ideological frames that seek to reinforce existing positions. The overall ideational framing of the system has shifted towards the neoliberal paradigm, shaping legislation that undermine unions and deregulate labor markets. Right-wing organizations directly target the sphere of ER, while few of the Democratic leaning think tanks are much concerned to place this at the center of their agenda, preferring other liberal social causes. Right-wing think tanks have longer and more established records; they have stable long term funders and they have a strong core ideology around free markets and small state. They have embraced partisanship and have

sought ways to deepen divides, abandoning efforts at consensual decision making and the use of shared standards of evidence and analysis. They have also shown an ability to find new areas to campaign on (at federal, state and local levels). Their agenda has by no means run out of steam and the competition for attention and sponsorship between them continues to spur them on to innovate and propose new areas of reform. Thus, changes in the social organization of ideas since the 1970s, facilitated attacks on unions and advanced labor market deregulation, fundamentally altering the structure of the labor market, despite some successes on the left with minimum and living wage campaigns.

### **Conclusion**

The aim of this article has been to open up a new theoretical terrain for ER. We pursued this agenda by developing our focus on the social organization of ideas and showed how this mediated and refracted neoliberalism and led to varying trajectories of labor market deregulation. Our contrast between Germany and the USA draws attention to key differences in the social organization of ideas between the two countries. Following our framework as set out earlier we identify these differences and their consequences.

First, we point to the degree to which trade unions and employers were integrated as key actors into the social organization of ideas. In the Germany, employers and labor are incorporated into the social organization of ideas and the regular exchange and coordination between the actors facilitates compromise and incremental policy change. The Hartz reform did not conform to this model and was a one-off. However, it did not offer a direct challenge to the existing ideational structures and processes which continued in a similar way as before under the various Merkel

Governments, allowing organized labor in Germany to have an outsized role in influencing labor market policies due to their insider role in the knowledge regime. This contrasts with the outsider role of organized employer and labor in the US social organization of ideas. They are just one group of actors, without coordination between them, amongst a plethora of others and their voice is not influential in the development of policy ideas. Employer associations have always been weak in the US, while the role of unions has weakened during the examined period. The speed and depth of the decline of US unionism is, we argue, not just a function of the exercise of coercive power by employers and the state but also a change in the social organization of ideas away from the New Deal system and through the following proliferation of new ideas and concepts about why and how union power should be restrained.

Second, we highlighted the growth of partisanship in the US. Partisanship built on clear ideological positions often set by wealthy funders in the 1970s and 1980s. Private funds gave these organizations freedom from peer review or control by the state. Their activities were directed at deregulating labor markets and undermining unions as one of the major constraints on market freedoms. These organizations were highly innovative in how they approached this agenda, shifting their focus from the national level where change was increasingly stymied and instead focusing on state level strategies such as right-to-work legislation and abolishing public sector collective bargaining. Progressive think tanks emerged only slowly and regularly focused on broader social issue seldom explicitly on strengthening labor unions. Crucially, they have not managed to shift the broad hegemony of pro-market ideas even if in some metropolitan areas and states minimum wage and living wage policies gained greater prominence. By contrast in Germany, even though all major political parties have their own foundations and research



institutes, the regular exchange between the different actors and shared norms for research and policy advice contributed to lower levels of partisanship. There has been a growing presence of private think tanks since the late 1990s such as the Initiative New Social Market Economy (Kinderman 2017), yet their influence remains limited in developing and promoting policy ideas compared to that exercised by foundations and institutes closely connected to the state and social partners.

Third, our framework emphasizes the importance of the governance principles of the social organization of ideas. The German context is characterized through a comparatively small and stable actor constellation, whereby the government plays a gatekeeper role in sanctioning the participation of actors in commissions, consultative bodies and government agencies. The government is also an important funder of academic research and researchers and institutes must conform to academic standards to be considered for funding. This sets the tone for a technocratic form of developing policy ideas, using experts and academically refined instruments to analyze data and come up with policy recommendations. By contrast, the governance of the US knowledge regime is more open, diverse and competitive. The US government has not such a strong gatekeeper role and a wide array of actors exist, amongst them partisan think tanks that are less committed to independent academic research, and instead selectively use data and research to support their ideological vantage point. Further, in the US, many of their interventions are directed towards the electorate rather than just to policymakers. Therefore, success is defined in terms of appearances on TV, in the social media and in influencing public opinion, processes that are often furthered by heightening disagreement and polarizing debates.

Finally, we argue that the relative openness of the government to the various actors of the knowledge regime is crucial for the type of policy ideas developed. In the US, government change following elections is a fertile access point for partisan think tanks. The US system requires large swaths of administrative and political appointments and those are regularly drawn from the think tank community, providing ample opportunity to promote the policy ideas think tanks staffers previously worked on. Think tanks also target new governments through the development of comprehensive political agendas and blueprints such as the various iterations of the Heritage's Mandate for Leadership. The German government is more closed through the small number of political appointments and continuity of career bureaucrats. This facilitates long-term relationship between the administration and established key actors of the knowledge regime and the regular exchange between the actors tends to filter out radical policy ideas with the exception of the Hartz reforms. In the US, the more open access for partisan think tanks to governments provided possibilities for their ideas to become part of new government agendas without the need to compromise, fostering ideologically pure policy ideas.

From a wider analytical vantage point two broad cross-national patterns in the social organization of ideas emerge: a consensual pattern in Germany versus a partisan pattern in the USA. The German social organization of ideas is relatively closed with a stable actor constellation, insider role for the social partners and tight norms and hierarchies for academic research, funding and participation in the knowledge regime, resulting in a more consensual, technocratic and gradual development of policy ideas. This does not mean that there are no challenges to the German system. There are indications that the electorate is dissatisfied with the closed system sustained by the traditional actors of the German model and is moving its votes

towards more extreme parties because of the perceived failure of the establishment to come up with new policy ideas to resolve existing problems. The US social organization of ideas is more open and competitive with a variety of actors, though organized labor and employers play a marginal role. Partisan think tanks, supported by wealthy donors, are particularly influential in promoting and developing policy ideas and linked to policy makers and governments at the state and federal level. The openness of the system creates in principal possibilities for new thinking, however, the actual downside is a fierce ideological competition between the actors that has propelled the degree of partisanship to unprecedented levels over the last 10 years, undermining evidence-based discussions, trust in expert advice and the development of policy ideas based on impassionate research. The social organization of ideas is not the only but an important driver for partisanship and polarization in the US.

Our study suggests the need for more comparative research on the influence of the social organization of ideas on ER. We have identified a series of dimensions which have an influence and could be investigated in other contexts. Such an investigation could reveal how ideas change and in particular how neoliberal ideas about ER have entered into specific contexts and led to policy change. It would be surprising if all cases conformed to one of the above identified national patterns rather than having developed a logic of their own. For example, the elitist nature of the French system guarded by gatekeepers in the *grande ecoles* suggest a social organization of ideas which is closed like the German one but unlike Germany does not incorporate labor into its structure. Rather one might expect to see a stronger role of the state (and its associated network of organizations) in developing ideas and policies about ER. Therefore, how far independent think tanks can emerge outside this structure and impact on it is

an interesting question (see Campbell and Pedersen 2014). Comparative research would lead to a better understanding of the degree of variability of ideational structures and how paradigms and policy ideas are absorbed, adapted or ignored in the sphere of ER. Studying these processes at the national level inevitably also draw us upwards towards international developments. For example, the EU is a major context for the development of ideas and for their spread into member states. The EU's Lisbon Agenda was part of the context for the Hartz reforms and the more general interest in labor activation processes that occurred in the 2000s across several member states (Greer et al. 2017). More study of this level and in particular how it is connected to the national level is certainly required (Salles-Djelic 2017).

Our argument that the social organization of ideas in a particular country impacts on how reforms in ER are constructed is relevant as societies debate the future of work in light of legal, organizational, technological and economic changes. On top of this, the Covid-19 pandemic has provided additional impetus on how to rethink work and employment during and after the crisis. We contend that these debates are shaped importantly by the existing social organization of ideas along the dimensions we have discussed. Exploring the social organization of ideas across different countries and international contexts offers an important new theoretical direction for the study of ER.

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