

Social Democracy in the 21st Century:
Nature and Prospects

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Social Democracy in the 21st Century: Nature and Prospects

At the start of a new century, it appears to many that social democracy is trapped in an unenviable paradox. In many countries, social democratic or labour *parties* have experienced a remarkable turnaround in their electoral fortunes. Most spectacularly, in Britain, a party that had not won a national election in more than twenty years suddenly found itself sitting atop an unassailable majority in the House of Commons. But to many it seemed that the price of this remarkable electoral success was the wholesale abandonment of a social democratic political *practice* – that is, the jettisoning of a politics with an even mildly progressive (and redistributive) intent. Instead of fulfilling their historic role as the agents of gradual improvement built around a growing political constituency, social democrats have become the instruments of a creeping decrementalism. For the real pessimists, the parties of labour are destined to disorganise and demobilise their own political base becoming, in the medium term, their own gravediggers.

In the face of these claims, some take the impeccably Morissonian line that since social democracy is what social democratic parties do, they should simply get on with the job as best they can. Others insist that in historically adverse circumstances the duty of social democrats is to hold on to what they can and protect the most vulnerable. But there are at least two other and more critical responses. The first calls upon social democrats explicitly to countermand the drift of contemporary ‘neo-liberal’ politics, to seek to renovate links with organised labour and/or to reinstate traditional aspirations for public ownership and high-quality public services funded out of progressive taxation. The other is the call to pursue a ‘third way’. Advocates of this approach insist that society and economy have changed profoundly since the ‘Golden Age’ of social democracy (loosely placed somewhere in the 1960s and early 1970s). To continue to press the agenda of a more ‘traditional’ social democracy under these radically new circumstances is to invite marginalization. Without wholesale change, ‘social democrats will find themselves permanently on the defensive, slowly but inexorably losing ground to their political opponents. Progressives under changed circumstances must pursue a politics which moves ‘beyond’ the parameters of the ‘traditional’ social democratic framework built around a providential state. The politics of the third way should still be radical, but it should work *with* changing and more changeable social and political identities.

Although they contain some very real insights, these more critical perspectives are doubly misleading. First, the social democratic world we have lost is not quite as it seems, either to traditionalists or to advocates of a third way. Social democracy was both something more and other than these accounts suggest. Secondly, change is real and enough to rule out the return to an older social democratic politics which may once have been successful (but is unlikely to prove so again). But quite as crucially, it does not, in itself, justify the wholesale abandonment of those core political ambitions and instrumentalities which drove a more traditional social democratic politics. I certainly do not argue that the old tunes (and policies) continue to be the best, still less that 'nothing has really changed'. But I do insist that those widely-rehearsed accounts which exhort us simply to abandon the established terrain of the centre-left have significantly misunderstood what this politics has been about and where it stands now. Social democracy always was tricky, a politics of hard choices and fuzzy edges - and this, at least, has not changed.

What Social Democracy Is

First we need to be clear about what social democracy really is (and was). Gamble and Wright (1999, p.2) establish the core of the social democratic enterprise as the attempt 'to build and sustain political majorities for reforms of economic and social institutions which will counter injustice and reduce inequality'. Similarly, Eric Hobsbawm identifies social democratic politics with the ambition 'to regulate and socialise the wealth-creating and directionless economic dynamism of capitalism, not replace it', (Hobsbawm, 1996). These definitions are admirably modest and economical. But they tell us very little about what social democracy might actually look like. In practice, social democratic experience is not easily brought under a single and simple formulation. One important body of research has always treated it as principally the name of a party and investigated it in terms of the dynamics of parties and party systems. Others identify it with a tightly-specified model of a strong corporatist regime uniting labour party and centralised trade union organization (of which there are comparatively few examples, almost all confined to northern Europe). For others again, social democracy is an expansive term which covers almost anything that is broadly 'left-of-centre'. Beyond this, there remains the suspicion that for some authors social democracy *really* means Sweden, with the possible addition of those who have sought more or less successfully to emulate her!

This diversity does not mean that we have simply to give up the search for any kind of coherence in the social democratic experience. In fact, what most persuasively identifies social democracy is not so much a political programme as an approach to the political process – above all, a commitment to piecemeal and ‘progressive’ change through legal-constitutional and generally parliamentary methods. Every now and then social democrats have thought a little more creatively about what democracy might mean and where it might happen. Occasionally, they have canvassed the possibility of quite radical reform through parliamentary avenues. But if anything, the social democratic commitment to an exclusively parliamentary form of democracy has become firmer across time and along with this commitment has typically gone a faith in the capacity of the state bureaucracy and of the public sector more generally to deliver on these progressive policies. Throughout most of its history, social democracy has persisted in the belief that state institutions and civil servants – the tradition of ‘public service’ – were the appropriate means for delivering its agenda. Indeed, it was often this faith in the ethos of ‘public service’ rather than a concern with social ownership that fuelled the social democratic commitment to the public sector and helped to redeem its claim to be a politics of extended citizenship. At the same time, social democratic politics has always been resolutely possibilist or pragmatic. Social democrats do have characteristic values – or at least sympathies – but these are always mediated in practice by political circumstances. Since social democrats aim to use public policy and state power to effect incremental reforms – in circumstances where the principal levers of non-elected power are seen to lie in the hands of their opponents – and since ignoring social democratic reforms will often be enough to make them go away, they have also had a more than usual concern for their electability.

Accommodation is the name of the social democratic game – and not only in those corporatist democracies which privilege the forging of consensus. The experience of the rise of fascism taught European social democrats that self-restraint may be the appropriate response to even quite predatory forms of liberal capitalism, just so long as the alternative is judged to be worse. A somewhat similar logic informs contemporary social democratic calls for ‘socialism in one class’ as a response to the widening income inequality generated by a more assertive globalised capitalism (Scharpf, 1991). In part, this is just a restatement of what has been called the ‘structural dependency’ thesis: that social democratic governments committed to legal-constitutional methods and economic growth must attend to the interests

of mobile capital, even when these clash with what appear to be the immediate needs of its principal electoral constituency. This can slip over into the argument that it is better for social democratic forces to give capital what it wants than to have the same goods delivered by a party of the right. The problem with *this* logic is that it appears to give licence to 'social democratic' politicians to pursue almost any political agenda, howsoever damaging to the interests of its supporters, on the grounds that the alternative (right-wing policies delivered by right-wing parties) would be worse. Judging the extent to which the hands of reluctant social democratic politicians were forced by circumstances beyond their control is a fine art.

If the meaning of 'democracy' in social democracy is reasonably clear and fairly conventional, 'social' has at some time been taken to mean almost everything from the complete socialization of ownership of the means of production and exchange to the most mild-mannered and inconsequential of incremental reforms. Socialism is *one* source of its ideas - and (Marxist) revisionism provides its most coherent defence - but it is as much marked by other forms of 'progressive' thought, above all by that social liberalism from which it is not easily distinguished. Thus socialism takes its place alongside a concern for the poor, the nation, economic and administrative efficiency, modernisation and social justice as characteristic themes of social democratic politics.

It is perhaps this broader base in 'progressive' opinion plus an overriding concern with electability which has drawn social democrats to speak so frequently in the language of citizenship. The move from workers' parties to peoples' parties and from workers to citizens is, of course, in part driven by an electoral logic. (At its simplest, there are just not enough workers' votes to underwrite stable social democratic majorities). But it also accords with a wider social democratic sentiment, that insofar as social democrats aspire to socialism it is in order to forge a socialist democracy and not a proletarian one. Of course, the nature of citizenship (including social citizenship) or 'community' is itself far from straightforward and, amongst its critics, as much associated now with exclusion as inclusion.

Having directed attention away from a substantive social democratic agenda, it is nonetheless clear that historically social democrats have been identified with both particular issues and policies. Given its varying forms of association with organized labour, typical workers' concerns - health and safety, insurance against loss of income, rights of collective organisation - have always been high on the social democratic agenda. Similarly,

employment and unemployment have been abiding concerns for social democrats (though this aspiration was rarely expressed on behalf of all citizens). Retractable at least to the 1930s is a concern with uneven development. Social democrats also consistently supported public services on the basis that an administrative or 'needs' basis for allocation of goods and services was likely to optimise outcomes for their natural supporters. In time, of course, the providers as well as the recipients of public services became a key constituency of support for social democratic parties.

Sometimes, social democracy has been simply (and rather misleadingly) identified as 'the politics of the welfare state'. In practice, welfare states, even those which have been sub-classified as social democratic, have varied significantly in size, structure and intent and we need to attend to these important differences if we are to avoid the trap of generalising, as some have been tempted to do, about the past and present of 'the social democratic welfare state'. We need to be wary of the claim that social democratic regimes had a unique propensity to 'tax and spend' or that they were especially committed to Keynesian demand management. It was not always the 'most' social democratic states that ran the largest budget deficits and levels of formal public ownership varied widely. 'Planning' (as part of a 'planned economy') was extremely limited and often came in practice to mean incomes policies plus demand management. There was a widespread belief that it was a legitimate (but not the sole) function of progressive taxation regimes to narrow inequalities of income and opportunity. But the extent to which these ambitions were embodied in policy varied widely across time and between states and parties.

Finally, social democrats have generally been committed to achieving economic growth - and it is probably legitimate to argue that elements of their particular growth regime have become counter-productive both politically and perhaps economically (see Kitschelt, 1994). Of course, this commitment to economic growth is an aspect of modern politics that goes far beyond social democracy. In practice, neo-liberal opponents generated much more political capital by claiming that social democracy was inimical to growth than from their repeated insistence that social democracy was the enemy of individual liberty. If (as Giddens among others imagines) a key contemporary issue is 'the politics of less' - of how to slow that juggernaut which ties economic growth to environmental degradation, whilst also addressing the growing global inequalities of incomes and resources - this is an issue which challenges, but also reaches far beyond, social democracy. On the other hand, social

democracy offers almost our only successful experience of negotiated decrementalism plus social protection.

Contemporary challenges: globalization and demographic change:

For contemporary critics of social democracy, all this historical variety may be irrelevant. For characteristically they have argued that all (social democratic) regimes now find themselves increasingly at the mercy of two irresistible and debilitating processes: globalisation and demographic change. To what extent has social democracy been rendered obsolete by the twin challenges of 'globalisation' and demographic change?

'Traditional' social democratic practice is seen to have been based upon the forging of *national* settlements in which governments used the strength of *organised numbers* (trades unions plus social democratic parties) and *state power* to tie capital in to arrangements (and costs) which it would otherwise seek to avoid. It is said to have relied upon the existence of partially autonomous national economies (located within a supportive international environment) subject, within limits, to effective government control and the capacity to resource and deliver an extensive system of social protection. Understood in this way, social democracy is seen to be fundamentally challenged by the rise of globalisation. At its simplest, globalisation is seen to increase the porosity of international borders, to heighten the mobility of capital, to disorganise the internal homogeneity of the "labour interest" and thus to disempower the social democratic form of the interventionist state.

In fact, the more apocalyptic accounts of globalisation are pretty fanciful. Heightened trade has an impact on domestic states but the nature of that impact is ambiguous. At certain times and in some places, greater trade openness has actually coincided with *larger* public economies. Capital mobility has increased at an extraordinary pace but it has not been followed by a flood of disinvestment from developed economies (with large public sectors). A new international division of labour has certainly left its mark on domestic labour markets and corporatist institutions, but there is something of a consensus that technological change has been far more consequential in this area than the transfer of employment into less developed economies.

We have plenty of evidence that globalization *does* make a difference. The abandonment of capital controls does reduce the macroeconomic repertoire of domestic governments. Greater mobility does alter the incentives for capital to participate in corporatist arrangements and makes 'exit' a less costly option. Tax regimes have become flatter and less progressive. The capacity to operate across borders enhances the powers of Multi-National Corporations. The need to attract and retain foreign investment is an important consideration for national treasuries. On the other hand, globalisation need not constitute 'pure loss' for social democratic forces. After all, there are potential welfare gains from trade and these formed the basis of the open economy/extensive welfare state regimes of northern Europe. Collapsing costs of communication and transport do more than facilitate instantaneous disinvestment. Nor is it true that the end of the Bretton Woods era has led us into an epoch where international financial and trade arrangements are completely unregulated. Indeed, in many ways, the terrain of 'global governance' is now more crowded and 'enmeshed' than ever. The World Bank, the IMF, the GATT, WTO, meetings of the G7 and G8, large corporations and a range of international NGOs are all a part of this process. Critics usually draw attention to the neo-liberal agenda of these organizations and their power to dictate terms to impoverished nations (a function which was once performed by imperialist states). But a sub-theme is surely that the global economic order is subject to rules and regulation and, to a limited extent, co-ordination. The global economy may heighten inequality and foreclose on the options of the disadvantaged but not because it is unregulated.

We could argue at great length and, in the end, rather inconclusively about whether the bottle marked 'globalisation' is half empty or half full. There is a real globalisation effect – but it is much less than is widely assumed. In explaining the restraints upon social democratic governments, it needs to take its place modestly alongside slowed economic growth, occupational change and the remorseless press of demographics (Pierson, 1998). What is crucial is that we recognise that globalization is best understood not in terms of policies which it either 'mandates' or 'prohibits' but rather in terms of changes which it brings about in the structure of costs and opportunities for differing actors. Of course, a truly prohibitive cost constitutes an effective veto, but more generally we should understand the impact of globalisation upon social democratic states as one of redefining the costs and opportunities of particular strategies. It may be that particular policies become more difficult (costly) to pursue or, on the other hand, that the process of coalition-formation from

within which established policies could be pursued is made more difficult. At the same time, globalisation may afford new possibilities, for example by increasing the numbers of those moderately affluent but economically vulnerable to whom social democratic policies may appeal. I think it is right to say both that globalisation matters and that in many ways it has made life much harder for social democrats. What we should challenge is the claim that these changes require that social democracy should simply abandon its traditional quest to marry social justice to economic efficiency.

It is clear that, in much the same way, demographic change really matters. Demographic change presents all developed states (not just social democratic ones) with a range of deep-seated challenges and some unenviable choices. The intensity and urgency of this challenge varies significantly and, for most states, it can be addressed through a process of reform which is both incremental and measured. (A more severe challenge might arise from the interaction of the consequences of ageing with ecological limits to growth but this is an issue that has hardly been registered at the institutional level). The real issue is whether demographic change presents a distinctive and more acute problem for social democratic politics. Is there a special 'premium' or 'penalty' for addressing the issue of demographic change within the framework of a social democratic politics?

Of course, this very much depends upon where the parameters of a social democratic politics are drawn. Giddens's *Third Way* is presented as a 'renewal' of social democracy (Giddens, 1998). As such, it sits quite comfortably within the new paradigm of an 'active society' and 'employment-oriented social policies'. But Giddens's makeover relies upon a rejection of much of what passed for 'old-style' social democracy, including the reconfiguration of *equality* to refer to *inclusion*, now seen as a principle that concerns not the distribution of wealth but rather attachment to 'the social mainstream' (Giddens, 1998, p. 104). Giddens makes similarly accommodating moves to downplay the role of the state, redistribution (at least of resources rather than opportunities) and public provision. Is such a reformulation the only way in which social democracy can be saved from and for itself?

At the very least, we should say that this is an open question. Whoever governs, the challenge is profound and unavoidable. At the same time, its severity varies very considerably between states. Given the generally incremental nature of the policy changes that are likely to be introduced (particularly in the most costly area of pensions) and the differences in existing regime types, both the differential urgency of the reform agenda and

the institutional structure of reforms that emerge are likely to leave a pattern of considerable international variation. Even if policy convergence proves to be a real and sustained process, it will still leave a range of differing policy regimes as its outcome. Must these regimes at least be 'less' social democratic than those we have at present?

Circumstances of 'permanent austerity' (if these are what we face) will certainly make it harder to be a 'good' social democrat. Rapid economic growth and fullish employment - like a favourable ageing profile - tend to make political choices easier for everyone.

But we should be reluctant to accept the claim that social democratic politics is just a politics of 'good times'. It is absolutely *not* clear that increasing the private component in social provision will necessarily generate better societal outcomes (though it may make larger contributions more politically acceptable). In practice, provision will continue to be a mix of public and private within a more or less tightly regulated prudential framework.

Allocating (comparative) disadvantage fairly is at least as important as the equitable distribution of a growing social product, probably more so. Of course, social democrats will be obliged to attend (as they always have been) to the economic context within which they operate. Given this, there is no *prima facie* reason to suppose that the only way in which a social democratic politics can survive in the twenty-first century is by redefining its ambitions to coincide with those of the leading institutions of global economic governance.

Social Democratic Prospects

Those who advise us to throw over the rubric of a more 'traditional' social democracy have justified this appeal through a highly selective use of both historical and contemporary evidence. Looking back across a hundred years of political practice, critics have used a highly-stylised model of a single (if particularly important) strand in social democratic experience (often under the shorthand rubric of 'the Keynesian Welfare State') as the basis for a much more general questioning of its continued viability. Turning to the contemporary period, they have argued that the aspirations of social democrats (at least as these have been traditionally conceived) will inevitably be disappointed by the new context of demographic change and a globalised economy. Yet social democracy is a much more diverse and resourceful tradition that this truncated history would suggest and many of these criticisms fall wide of their target. At the turn of the twenty-first century, social democracy is, if not quite kicking, at least very much alive.

Yet, even its supporters will not feel entirely reassured. It seems sometimes as if social democracy is the politics of perpetually diminishing expectations. In Perry Anderson's (1994, pp. 15-16) rhetorical formulation:

Once, in the founding years of the Second International, [social democracy] was dedicated to the general overthrow of capitalism. Then it pursued partial reforms as gradual steps towards socialism. Finally it settled for welfare and full employment within capitalism. If it now accepts a scaling down of the one and giving up the other, what kind of movement will it change into?

One answer is that social democracy isn't really a social movement at all (any more). It is a part of the routinized 'normal' politics of affluent liberal democracies. Upon this view, the expectation (almost always disappointed) that social democracy should pursue a transformative social and political agenda is archaic, a prejudice left over from a more radical past (or at least from a history of more radical expectations). The mundane practice of social democratic parties is perhaps just not the right place to look for new ideas about the transformation of social and political life. It may be that social democracy's task is the no less noble, though certainly rather duller business of making life a little less awful for the most disadvantaged (the *comparatively* disadvantaged, that is, within the world's most affluent societies) and a little more secure for ordinary citizens. Yet this does not mean a politics which is solely defensive nor an approach which is purely opportunistic. Whatever may be the structural limits that social democrats face, there always remains *some* scope for making a difference and, if we look back over the last hundred years, the cumulative impact of incremental change (despite occasional setbacks) is enormous (if always, in the eyes of its millennial critics, rather pitiful).

But if it is necessary to keep faith with a traditional social democratic programme of social amelioration, it is certainly not sufficient. Changing circumstances do pose a series of intractable problems for social democrats. All these can be said to relate in some way to social democracy's tendency to be reactive (rather than proactive) and to its pragmatic eclecticism. First, despite all the changes that we have seen in recent years and the 'opening' to environmentalism (see Jacobs, 1999), social democracy remains married to the conviction that the key to managing distributional conflict is economic growth. Yet, wherever precisely the limits to economic growth lie, it seems clear that distributional

conflict can *not* be resolved indefinitely by substituting growth for redistribution. What is at issue here is not just the environmental limits to growth (vital as these must be) but also the sense that the benefits of maximising economic activity (one might almost say, at any cost) may be outweighed by the losses for individual well being. Do we, for example, still value 'full employment' even if the price is growing wage dispersion, declining terms and conditions for those with the fewest marketable skills and an end of effective representation in the workplace? This is surely the context in which social democrats should consider seriously the case for an unconditional basic income presented by its most able advocate as 'a second marriage of justice and efficiency' (Van Parijs, 1995). In the face of the recent barrage of micro-economic reforms, we really need (and presently lack) the capacity to place more effective and collectively-determined limits upon market activity. Despite the welcome constitutional reforms that some social democratic governments have managed to effect, its commitment to democracy remains too conventional and modest.

This leads on to a second set of issues surrounding the nature of community – that which might be thought (if anything does) to distinguish social democracy from 'left liberalism'. Marquand (1999) has spoken of two differing orientations in (at least British) social democracy. One is value-driven, the other largely 'technocratic'. The suspicion is that, in practice, the technocratic has come to prevail over the value-driven. That is, social democracy has come to rely upon a technical competence (formerly through macro-economic management) to deliver desirable outcomes, rather than making the case for reform from particular social values (autonomy, social justice, social solidarity). For a long time this technocratic 'substitutionism' could be seen as parasitic upon an existing sense (and source) of community – whether in the nation state or within what could once be called, without any sense of irony, the labour movement. In this sense, social democracy (in contrast to various forms of conservatism and neo-liberalism) has been short on values. The resources of a shared identity upon which social democracy once drew have become increasingly scarce, often giving way to a rather threadbare multiculturalism, a rather vague postmodernism or the attempt to squeeze just a little more out of the legacy of a lost world of labour. At worst, it leads to social democratic politicians coat-tailing on the unattractive forms of identity traded in by politicians of the nationalist right. None of this will really do, because to function effectively social democracy, and especially social democracy in a cold climate, requires a fund of social

solidarity. In an 'anti-tax' /low trust climate, smart social democrats may be able to 'do good by stealth' but only in a context where a growth dividend can obscure real patterns of redistribution. But a social democracy that cannot persuade the rich and resource-full that they *ought* to sanction transfers to the resource-poor is likely to prove increasingly ineffective, especially if growth slackens. These difficulties are greatly amplified when we shift our attention from individual states or from the club of affluent nations to include the much poorer majority of the world's population. What social democracy really lacks and needs is a kind of 'cosmopolitanism in one country' - though it remains quite unclear where this is to come from.

There is one final issue that arises from the gaps left by the 'technocratic' and pragmatic orientation of traditional social democracy. This is the issue of ownership. Unfortunately, in recent years, this has been represented very largely as an issue of 'public ownership' versus privatization - a question that has been largely 'resolved' in favour of the latter. Ironically, the question of ownership has been declared 'closed' at the very time that a number of societal changes (the environmental imperative and the further commodification of public services, for example) make it newly important. In fact, in this area we have stepped backwards. Justifications of property and its distribution were at the heart of earlier arguments about the nature and legitimacy of the modern political order (and, indeed, the medieval political order). A century ago, an inheritance tax, though fiercely condemned by some, was certainly a topic of polite debate amongst the mildly progressive - but even this now lies largely beyond the pale of polite conversation. In fact, the issue of why patterns of ownership (and the income streams associated with them) should be as they are is highly contentious. When thrust in front of social democratic policy makers (as in the context of aboriginal land rights) it causes acute embarrassment. The property question has not disappeared completely from social democratic discussion. It underpinned the wage-earners' fund initiative in Sweden in the 1970s and it is explicitly canvassed by the contemporary advocates of Basic Income (one more reason perhaps why this initiative lies at the fringes of current social democratic thought). Of course, for social democratic politicians who have spent much of their adult lifetime in the painstaking work of trying not to frighten voters, problematizing property rights belongs in the category of the *really* unthinkable and even more compellingly unsayable. But for those whose focus lies beyond the next election (or even the one after that) it is probably unavoidable.

These issues are vital to the future well-being of social democracy - to a politics that tries to build wide-ranging coalitions for the amelioration of inequality and the rectification of injustices. It is too much to expect that these ideas will originate from within the apparatus of social democratic parties whose institutional imperatives require them never to frighten the voters with something new. It is the function of those who stand outside the day-to-day business of social democratic governance to think and say the things that the politicians cannot, in the hope that they may give the practitioners of 'nudge and fudge' a shove in the right direction.

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