

## **Is the social-democratic model past its sell-by date?**

*by Prof. Zaki Laïdi*

The election victory of the German Social Democrats shows that Europe's rightwards drift is not ineluctable. Yet it cannot disguise the essential fact that as a reformist ideology, social democracy is in crisis or at the very least on the defensive. 30 years ago, the German and Swedish models appeared to be both avant garde and stable. Today, they look more like defensive models. Fitting a given social model to the social democrat ideal is getting more and more problematic; we may well ask whether the characteristic social democrat link between parties and trade unions is actually appropriate to a working world where homogenous structures are disappearing, and trade unions are, more than ever, seeking their autonomy vis-à-vis political parties.

In Germany, political innovation is the prerogative of the Greens rather than the Social Democrats; the Greens have successfully taken on board the idea that the whole issue of threats (to the food chain, to the environment, etc.) was rapidly becoming the heart of the political debate. They seem less inhibited than their Social Democrat counterparts with regard to labour market reform and employment issues, probably because they are less dependent on the trade unions. Moreover, the German Greens as opposed to their French counterparts and to the German Social Democrats are less inclined to defend the sacred idea of the state. This is quite clear when looking at the energy issue in Europe: they are in favour of opening these markets because they see it as an opportunity to move progressively out of nuclear energy via an increase in the offer of the energy supply. They have fully integrated the fact that public debate is not to be reduced anymore to an ideological and abstract choice between state and market. Even if their success should not be over-estimated, it does nonetheless highlight the fact that 'modern Greens' could well be more in tune with the long-term socio-cultural development of our societies than social democrats are: the question of finding a political synthesis of the needs of the workforce and those of the environment will in all likelihood become absolutely fundamental over the next few decades.

In France, Lionel Jospin's defeat reflects the chronic inability of the French Socialist Party to develop a clearly defined, wholehearted fresh political synthesis. Jospin was a reformer unwilling to face up to the full consequences of his own reformist stance. This can be explained by the relative weakness of Social Democrat culture in France. Being a Social Democrat does not simply mean to be a reformer. It means to be fundamentally capable of putting trust into society by giving it the possibility of being autonomous. For example, the French Left often deplored the weakness of trade unions and the fact that this weakness forced the Left to substitute itself to the unions in order to defend the interests of workers. But this apparently simple explanation hides an essential fact: the weakness of the trade unions can also be explained by the fact that labour law is very detailed and therefore leaves very little margin for manoeuvre to social partners and to negotiation. This in turn leads to a disinterest in social negotiation and to an induced preference for the social arbitrage by the state via legislative action.

In fact the only genuine innovation on the Left in the last ten years has come from 'Blairism', whose strength resides less in the boldness of its proposals as in its role of getting the Left back on the offensive by wholeheartedly embracing the realities of the new world we live in. But apart from the fact that Labour has never been a social-

democrat party properly speaking, it is a very open question whether Blairism can actually be exported. Anglo-German rapprochement has failed to deliver the goods. And the French Socialists, whether on tactical grounds or on principle, have remained guarded on the subject of Tony Blair.

Northern European social democracy has remained outwith the debate for another reason: rightly or wrongly, it continues to believe that it can find its own path, without any need to theorise about it. In the face of globalisation, its fears are less of a social nature than over matters of identity. Scandinavian social democracy is seeking a way of balancing its very liberal approach to immigration which leads to integrationism – and elicits a populist negative response – and an assimilationist, Malthusian approach which is the very opposite.

This means that, when speaking about the future of social democracy, we must never lose sight of national differences, which remain decisive. Even if all the social democrat parties are labouring under the same constraints, even if the debates going on are common to them all, the national situations of each party simply cannot be ignored. We need to understand social democracy as being above all a political movement committed to reforming social relations, even if technically, social democracy only genuine exists in Scandinavia, Germany and Austria.

Compromise is an essential element in this reforming approach. Social democracy is defined by its commitment to three essential compromises:

- the compromise between workers and capital;
- the compromise between the state and the market;
- the compromise between competition and solidarity.

Throughout the 20<sup>th</sup> century, social democracy sought to construct these three compromises within 'bourgeois democracy', to which after long debate, it had decided to adhere. Social democracy was thus able to use wages as a means of integrating the proletariat into the bourgeois set-up. Trade unions enabled the members of the proletariat gradually to become petits- bourgeois: the very wage structures they dreaded became their identity. The property and ownership issue, which Marxism saw as constituted a fundamental contradiction between workers and capitalists, was thus defused, and there was no longer any need for someone to be a property owner themselves, since production profits were shared between bosses and wage-earners. Social democracy thus demonstrated that people could become bourgeois without becoming bosses<sup>1</sup>. The political alliance between social democrat parties and trade unions played an essential role in this compromise. Whether this situation can continue, given the loud demands for self-determination emanating from civil society, is another question.

The second social democrat compromise is between the state and the market. Social democrats understood that a social compromise was a better guarantee of middle class prosperity than public ownership, and it therefore consistently rejected nationalisation of all means of production. At the same time, however, it greatly helped legitimise the idea that the state should play a decisive role in the production and supply of public assets. An essential tool in distinguishing between public assets and the private assets was redistribution of wealth. Hence, social democracy's heavy commitment to high levels of taxation.

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<sup>1</sup> Cf. J.- Claude Milner, *Le salaire de l'idéal*, Paris, Le Seuil.

The corollary of these first two compromises was the third, more general compromise, namely between competition and solidarity. Capital was not to be prevented from growing, particularly in private hands, while everything was to be done to ensure that it remained embedded in its own national social provisions.

These three compromises are the strength of social democracy, whose influence spread far beyond its own confines. If we take the example of France, where we have never had a truly-social democrat Left, and where the Left was out of office for almost 30 years, it is obvious that these compromises were adopted by conservative right-wing parties, who moreover, relied heavily on the state.

This brings us to a very important ideological problem. Until the 1980s, even when politically dominated by right-wing parties, cultural hegemony was guaranteed by a left-wing ideology. In other words, the right-wing parties had to embrace left-wing values such as solidarity by means of taxation or social protection against capital.

Today, as we begin the 21<sup>st</sup> century, the context has undergone a profound change. Cultural hegemony is now exercised by neo-liberalism. This explains why left-wing parties have been forced to come to terms with values like competition and equity, and not merely solidarity. This upheaval is the reason that social democracy is on the defensive and even prepared on occasion to risk appearing to be a conservative force. Nothing could be more misguided than identifying the Right with conservatism and the Left with 'change'. In many respects, neo-liberalism is the revolutionary force, and the Left is faced with having to explain what it is that it wishes to 'conserve' and why it rejects certain changes. This is an essential point to be clarified if one wants to avoid social democracy to appear as a conservative force. It is a key problem faced today by the French Left on the question of state reform. The French Left must demonstrate that reforming the state doesn't stand for privatisation. It must also affirm that the state's civil servants do not own the state, even if experience shows that no reform has a chance of being achieved without their support.

Against this background, what is to become of social democracy's three compromises in a globalised world? Two essential changes need to be registered:

- the nature of the capitalist system itself has been transformed;
- an individualist approach to preferences and choices is steadily growing.

For social democracy, modernisation will not happen by putting into question its own values but by updating them. To this end, it must keep a balance between all opportunities opened up by changing times and all inherent risks this contains. It must reject the idea that the market is a sort of prosthesis imposed on society. At the same time it also needs to bear in mind the inherent risks of an emerging market society in which public regulation would be reduced to taking care of the social market costs. In this respect it must remain faithful to a principle in which it differs from the liberal right: individual freedom can only develop in the permanent search for greater equality. All of this must lead social democracy to theorise its reflection and to grant itself a conceptual framework reaching well beyond general statements.

It is essential for social democracy to grasp these two factors. If the social-democrat discourse continues to address the globalisation issue in over-general terms, over-readily identifying capitalism with globalisation, the result may end up as nothing more than a Pavlovian reaction. For if the only principle it can come out with is 'we need to adapt to a changing world', it will be indistinguishable from the Right. Worse, it will risk losing sight of the social imbalances generated by the new capitalist system altogether.

Social democracy cannot avoid the need to apply itself to carrying out a critical and lucid analysis of this new capitalist system, not to reflect upon the new articulation between the state and market, but upon the combination of the state, the market and the so-called civil society.

Fundamentally, the relationship of developed society to politics has changed profoundly. Politics is not everything anymore. In other words, partisan political identity has become no more than one dimension of people's identity. To them, the meaning they give to politics results from their various experiences. The finality of politics is not to propose a new model of society, but to help society in reinventing itself permanently based on principles which are themselves to be redefined constantly.

The individualist approach to preferences and choices is equally fundamental. For it takes account of fundamental social developments which the Left often finds itself unable to get the measure of. On the French left-wing, there is a debate going on as to whether the renewal of the Left involves social-liberalism or not. For historical and cultural reasons which go beyond the scope of this article, the term 'liberalism' has become identified with economic neo-liberalism. And so, at one fell swoop, everyone who supports or has supported social-liberalism finds himself tarred with the right-wing brush. In fact, the issue needs to be presented in the following terms: if being a social-liberal means accepting 'the way the things are' and responding only to the consequences, without ever questioning the workings of the way things are, the social-liberal stand lacks credibility from a left-wing standpoint. This is one of the main criticisms that can be levelled at Blairism. If, however, being a social-liberal means registering the fact that we are living in a society whose culture is a liberal one where priority is given to individual rights, then it becomes difficult to be left-wing without being social-liberal. Social democracy needs to do some hard thinking about doctrine if it is to position itself vis-à-vis liberalism.

There are in fact liberal ideas which social democracy has every right to appropriate. Amongst them is the idea that every individual is engaged in the permanent struggle for his or her social autonomy; this was actually an idea which Marx himself put forward, before it was swallowed up in the principle of class struggle. Collective action cannot have other finalities than the promotion of individuals' autonomy. It is true to say that the conditions in which this autonomy is constructed and developed poses many questions. However, one has to start from there in order to understand the social game and not to start from the abstract compliance with a system of values.

And then there are liberal ideas which need to be updated by turning them back on the neo-liberals, as it were. Liberal thinking has the idea that the individual should struggle against power in all shapes and forms. But where does that leave the power of the market? Curiously enough, neo-liberals refuse to view the market as having any power. They claim that it is not a 'power', but a system of optimum allocation of scarce resources. We all know that this view does not always hold true: the market is both a means of allocating scarce resources and a power. So in the end, being liberal or social-

liberal comes down to dealing with the excessive sway of the market over the autonomy of the individual.

Finally, there are of course liberal ideas which social democracy cannot accept as such, particularly the principle whereby the division of labour and monetary exchange are the only alternative to subjection. Nor can social democrats spontaneously embrace the idea that the market rids the subjected of their subjectors. It may seem paradoxical, but it is up to social democrats to refine liberal and particularly neo-liberal thinking, which is having problems regenerating itself. Historically, liberalism developed on the basis of the struggle for individual freedom from the tutelage of Church and State. But what is liberalism's role supposed to be once these two goals have been universally achieved?

### **The nature of capitalism has changed**

The new capitalism is not the old industrial capitalism. It is financial and technological. By its very nature it breaks the keynesian-fordist equilibrium between work and capital, and it does so in several ways:

- it rests on a mobility of capital which is incomparably greater than that of labour. This imbalance has a domino effect: it encourages higher returns on capital than on work, it makes it more difficult to tax capital than work, it creates major inequalities within the working world by prising highly skilled work, which is itself linked to a mastery of technology; it deepens the gulf between rich and poor countries, with the latter thinking themselves penalised by the fact that labour is much less mobile than capital. The new capitalism creates winners and losers. It has nothing whatever in common with the Pareto equilibrium.

The new capitalism is a financial capitalism which is much harsher than fordist capitalism, because it exploits factors which are not equitably distributed namely speed, high qualifications and adaptability. In the context of social relations, this new capitalist system has three major consequences:

- firstly, as far as the social compromises are concerned, it creates an imbalance between those who hold capital and those who work for wages. One of the major threats is a downwards spiral of wage negotiations to take account of each individual company's own conditions and multi-national strategies defined on a worldwide basis and in obedience to other financial imperatives. This threat is real, even if in reality, observable situations in Europe encourage much greater prudence. This more fluid new deal has an important consequence at social level. It affects the nature of social protection, which can no longer provide long term guarantees of stable social situations such as employment. On the other hand, it can offer guaranteed support for permanent adaptability. Social democracy can no longer guarantee job situations; but it can guarantee a career. This implies a thoroughgoing philosophical rethink of the very idea of protection. Protecting people would mean not so much making up to them what they suffer, as setting them up to face social risks under equitable conditions. With this in prospect, social democracy needs to build a full-blown philosophy of social prevention, which will necessarily lead to the individual's greater responsibility with regard to certain risks, such as nicotine addiction, alcoholism, breaking speed limit, etc.).

The change required is a large one, and its results will depend both on the voluntarism of all those involved - including the State - and at the same time, the degree of cohesion which exists within our societies. It implies very important individual and collective changes in behaviour.

- secondly, the new capitalism means that the interests of businesses and governments have been sharply disassociated - not to mention those of wage-earners - all in terms of whether they are skilled or unskilled, protected or exposed to worldwide competition.
- and thirdly, the new capitalism does not benefit the countries of the Southern hemisphere; indeed it wipes out the potential benefits to be gained from their opening-up to world trade.

### **Individualising preferences and choices**

This is the second challenge facing politicians in general, and social-democrats in particular. By definition, politicians act on behalf of a given collective, who are deemed to have coherent or homogeneous concerns.

What strikes us today is the extent to which general measures seek to tackle the complexity of reality. The French decision to cut working hours is paradigmatic. A 35-hour week is very differently viewed within any single given branch of industry. Any 'old-guard' left-wing search for spectacular, beacon-like measures is condemned to failure. Individuals appreciate collective measures only in terms of their effects on them as individuals. Hence the considerable tension between social demand for a very strong state, and ever-more particularised individual demands. The individualisation of preferences in no way reduces the collective demand for justice. Quite the contrary. But the simple fact is that the response to that demand cannot be too all-embracing; nor can it be adequately expressed simply by enacting legal provisions. The forms and origins of inequality today are far more complex than they used to be, and the challenge for social-democrats, with their egalitarian ideals, lies in the fact that the correction of inequalities can no longer be mechanically achieved by measures redistributing wealth.

Inequalities of access tend to become ever more important as formal inequalities are reduced. Such inequalities of access include inequalities linked to concrete conditions under which one has access to collective services, be it to hospitals, schools or to the labour market. But such inequalities cannot be corrected by simple distributive or administrative measures. The fact that centralised France is a country within which regional inequalities are very high is a proof of this. Moreover, the customers or social democracy can themselves become the sources of such inequalities.

An important result of this shift is that a public utility of an asset can no longer be measured or guaranteed by the state alone. In other words, market mechanisms may well be better suited to regulatory or optimising purposes than public mechanisms. For example, competition between sickness insurance services might be a good thing not because health is no longer regarded as a public asset, but because competition, within strict parameters, could provide better services. Today's citizens are as sensitive to the failures of the state as to those of the market.

The environment provides another instance. Bringing market mechanisms into the fight against pollution does not mean abandoning a public asset, but finding the most equitable, least costly and most incentive-providing measures for solving the problem.

Bringing the rules of the market to bear can provide fresh approaches and fresh choices. This is obvious with regard to energy, where the Greens, no less than the Liberals, are calling for the market to be opened up. A lot of thinking needs to be done to ascertain just how far the market might actually prove a better source of equality than classical compensation or passive redistribution measures. With regard to employment, we already know that improved market access conditions or services offered to families have far more beneficial effects than classic redistribution measures.

However, we do need to grasp the fact that all these transformations, which mean we cannot see the relationship between the state and the market as a zero sum game, are not free from other risks. Individualisation of preferences and choices, facilitated by technological development, which allows us to increase individual traceability, could lead to social atomisation.

### **Which political agenda?**

The preceding pages should serve to remind us that before we come to the issue of the social-democrat political agenda, we need to grasp that there can be no in-depth renewal without in-depth debate. If the Social Democrat agenda wishes to be more than mere political marketing, it needs to fight two battles simultaneously: the battle of legitimate ideas and the battle of optimum strategies. Work needs to be done in two areas:

- we need to think through the conditions for more equitable globalisation;
- we need to take account of the resurgence of the issues of ownership and redistribution in a globalised context.

#### **A - Conditions for more equitable globalisation**

The social compromise between workers and capital now needs to be seen on a world scale. Even if our own salaries are more affected by Wall Street than in Beijing, the integration of the proletariat is now a world question. That is the big difference between 19th century globalisation, which only affected the West, and 21st century globalisation, which will fundamentally be that of the non-western world. The political tensions spawned by globalisation are right in front of our noses. Social democrats need to tackle discussion and criticism of the new capitalist regime and the imbalances it is creating between the financial sector and reality, and they need to do so in far more depth and much more critically. These imbalances include the central issue of the unbelievably high rates of financial return demanded or expected by the markets. The shrinking of the 'technology bubble' makes this a particularly propitious moment to analyse this imbalance; restricting ourselves to general considerations will simply no longer do.

The moment has also come to draw up a general balance sheet on globalisation. The contrasts are striking. The issue of the social acceptability of globalisation can no longer be left up to the anti-globalisation movements. It is not only in the wealthy countries that 'free trade-ism' is encountering real opposition; the problem is even greater in the southern hemisphere, where globalisation's balance sheet is less impressive. In all these societies, we find a glaring contrast between the enormous scale of the economic and social adjustments they have been making for some 20 years, and the very low rate of

social mobility they display in national terms. Apart from South East Asia, their returns on globalisation have been very modest. The fact that there is no alternative to globalisation does not exonerate us from our duty to think through the issue of these massive imbalances at world level. In this respect, European social democracy must reflect on Europe's responsibility with regard to these imbalances.

A third problem needs to be tackled, namely the rise to power of autonomous, uncontrolled private regulation. Rating agencies are a good example of this. Even if, as I have already said, we need to stop posing the state and the market, we must remain on our guard against public norms being systematically subordinated to private norms. We must never forget the need to ensure that we continue to uphold public norms which can, if the need arises, be opposed to private norms.

Social democrat strategic debate, however, only makes sense if it is linked with the European debate. Is Europe a relevant and effective political means of tackling globalisation? Social democrats think so. But we no longer even know whether this is an act of blind faith, or the outcome of objective assessment. Our unclearness on this issue means that there are two risks. We could stick willy-nilly to an agreed pro-European line, on the pretext that doing the opposite would mean joining the anti-European camp.

The second risk is the opposite phenomenon, namely driving social democracy into the euro-sceptic ranks, given the difficulty of getting anywhere on certain economic and social issues such as tax competition.

## B. The return of ownership and redistribution issues

We earlier stressed that social democracy's strength lies in the way it partially sorted out the ownership issue by constructing national compromises between capital and labour. It is clear that in a globalised context, the ownership issue is becoming a major one. In a globalised economy where operators benefit from the opening up of markets and state disengagement, what we need more than ever are strict ownership rules to guarantee the interest of private operators. At the same time, however, we also need to define the rights protecting public ownership, and specifically the ownership of global public assets. This is what is at stake in the patentability of living organisms. If these rules are not defined, there will no longer be any public assets. Europe's social democrats need to adopt a position on these fundamental issues, not least because in Europe, they have at their disposal the only geographical area which has managed, thanks to the single market, to find supranational answers to problems of this type by means of mutually recognised standards and laws.

Social democracy had successfully regulated the ownership question, and its correlative, the redistribution issue, in the national context. Now, globalisation has raised these issues all over again, and in a fundamental way. The resurgence of the ownership issue reflects three things:

- the intensification of economic globalisation, based on intensive use of finite resources (trees, fish, water, etc., ) is creating an ever growing number of external factors, or what are more and more coming to be known as 'global public ills'. And less and less is being done about these public ills, either because institutions capable of doing so do not exist, or because there is no political agreement on how to deal with them.
- secondly, there is the growing deregulation of economic and social activities, which could potentially see public assets such as water, health or education locked into a

process whereby they are appropriated by the private sector which, in certain cases, strongly resembles a private takeover of public wealth.

- thirdly there is the growing intangibility of transactions and trade, which affect the classic arrangements surrounding ownership insofar as they create an essential difference between ownership and right of use.

These are colossal challenges which call for complex responses. But the first thing we need is a basic position on the entire issue. We therefore need a clear definition of the list of world public assets - e.g., the environment – so that we can then defend and protect these assets.

Acknowledging the public and world-wide nature of certain assets does not mean that they are being claimed as assets in public ownership. Acknowledging the public and world-wide nature of certain assets means that there are private activities which can be opposed by public legislation enacted quite specifically on the public nature of the assets in question, e.g., in public health terms, there is the principle whereby health emergencies take precedence over copyright protection.

These problems are, of course, incredibly complex and forbiddingly technical. They might therefore seem to fall outwith the sphere of political regulation and indeed, seem rather remote from the immediate political goals of social democracy. But these awkward facts cannot be used as a pretext for inaction. One of the greatest political challenges of globalisation is the fact that problems are increasingly technical, which leads to governments and public figures in general using this complexity as an excuse for not taking a stand on them. But the complexity of any problem does not mean that it is impossible to lay down simple general principles, not even in this sphere.

Secondly, we need to be fully aware of the fact that social democracy can only renew itself in the 21<sup>st</sup> century by taking the century's problems by the horns. Those problems are resolutely global. The impact of globalisation on European societies is relentlessly growing day by day, thanks to finance, the environment and immigration. In the 20<sup>th</sup> century, social democracy sought to integrate the world of the working proletariat with the capitalist system and the bourgeois political model. Today, social democrats need to think out how we can integrate the world's proletariat with the globalised set-up. That is the new compromise social democracy needs to embrace. If it fails in this, social democracy will at best, end up as a conservative trade union for the petite bourgeoisie of Europe.