Challenging the politics of evasion

The only way to renew European social democracy

Olaf Cramme | Patrick Diamond | Roger Liddle

policy network paper

Policy Network
Third floor
11 Tufton Street
London SW1P 3QB
United Kingdom

t: +44 (0)20 7340 2200
f: +44 (0)20 7340 2211
e: info@policy-network.net

www.policy-network.net

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About the authors*

Olaf Cramme is the director of Policy Network. Previously, he was a lecturer in European politics at London Metropolitan University and worked as a parliamentary researcher at the Houses of Parliament. He publishes widely on global affairs, the future of the European Union and European social democracy, and is co-editor of *Social Justice in the Global Age* (with Patrick Diamond, 2009).

Patrick Diamond is head of policy planning at the office of the UK prime minister, No.10 Downing Street. He is also a senior visiting fellow at the London School of Economics and Transatlantic fellow of the German Marshall Fund of the United States. His recent publications include: Beyond New Labour (with Roger Liddle, 2009); Social Justice in the Global Age (with Olaf Cramme, 2009); and Global Europe Social Europe (with Antony Giddens and Roger Liddle, 2006).

Roger Liddle is chair of Policy Network. He is a former economic adviser to the European Commission president Jose Manuel Barroso and a former European adviser to the then British Prime Minister, Tony Blair. He is currently chair of the UK government's New Industry, New Jobs, Universities and Skills advisory panel, as well as a visiting fellow at the LSE's European Institute. He is the author of numerous publications, including The Blair Revolution (with Peter Mandelson, 1996), Global Europe, Social Europe (with Anthony Giddens and Patrick Diamond, 2006) and Beyond New Labour (with Patrick Diamond, 2009).

* The authors write here in a strictly personal capacity

1. Introduction

For social democrats, the global financial crisis has presented a cruel paradox. When the crisis first struck at the end of 2008, it was widely assumed that it presented European social democracy with a golden opportunity for political renewal and electoral recovery. After all, it is social democracy that has always argued for state intervention to counteract market failure, saving capitalism from itself. We have recently experienced the most significant global market failure since the Great Crash in the 1930s. Yet across Europe, voters are apparently reluctant to draw the "correct" conclusion that it is social democrats who can be trusted to safeguard their future. The irony is that it is both bankers *and* the left that appear to have faltered as a result of the crisis.

The 2009 European election results could hardly have been more dismal for centre-left parties. They were behind centre-right parties in 21 out of the 27 European Union member states. These included Austria, Belgium, the Czech Republic, Finland, France, Germany, Italy, the Netherlands, Poland, Spain and the UK. Overall, in the European Parliament, the PES won 184 seats compared with 265 for the European People's Party. At 25% of all the seats, this is the smallest representation of centre-left parties since the first direct elections in 1979.

True, there are also deeper structural dynamics that lie behind the declining performance of social democratic parties. These were clearly apparent before the global economic crisis, notably the continued erosion of "good" working class jobs, the increasing social divide between university graduates and manual workers, new social risks such as ageing and long-term inactivity to which the traditional welfare state has few answers, and the shift towards increasingly individualist values. This has exacerbated existing tensions within the support base of centre-left parties between "cosmopolitans" and "communitarians", accelerated by the decline of traditional forms of social cohesion.[1]

The challenge for social democrats is now to analyse the roots of this long-term structural decline and to determine why the global financial crisis has not proved sufficient to overcome these long-term structural weaknesses. Our interim conclusion is that, far from social democracy presenting clear answers to the crisis, the root of the problem is the ideological vacuum the crisis has exposed in European social democracy.

2. The politics of evasion

The strength of centre-left politics lies in the power of active and enabling government to counter injustice and to bring about a fairer, more equal society. We believe this ethical commitment can still have great animating force as a political project. Yet its potential will be squandered, unless social democratic parties face up to hard truths. The left in Europe has been guilty of what we describe as the new "politics of evasion".

This idea of the politics of evasion was first developed by two leading exponents of American progressive liberalism, William Galston and Elaine Kamarck. They used the phrase to sum up what in their eyes had been the repeated refusal of Democrats in the United States to face up to the dramatic loss of confidence in their party among voters, resulting in successive presidential election defeats. Too many Americans had come to see the Democrats as inattentive to their economic interests,

indifferent if not hostile to their moral sentiments, and ineffective in defence of their national security.

Instead of facing up to reality, too many Democrats chose to embrace the politics of evasion, ignoring the fundamental problems of their party. They blamed everything for defeat: lack of fundraising and inadequate technology, weak presentation and coverage in the popular media, the "wrong" leadership personalities, and the failure to mobilise their "traditional base" and to create a "rainbow coalition" of various interest groups motivated by an ethic of competitive grievance. In other words, they manufactured excuses that were designed to avoid confronting the truly difficult and challenging strategic questions for the social democratic project. [2]

That is exactly the predicament that confronts social democrats in Europe today. Too few leading politicians in the EU are prepared to debate the fundamental causes of the left's vulnerability and loss of élan. Parties of the European left cannot be allowed to retreat into their own version of the politics of evasion. Those of us who care deeply about social democracy's future have to confront why social democrats have lost ground so severely. If necessary, we have to shatter the cosy and comfortable consensus of lowest common denominator politics that so often surrounds the deliberations of so many fora that centre-left parties inhabit, particularly when they come together at European or international level.

European left parties have become increasingly insular, cut off from wider developments in the world of ideas, wedded to outdated ideological and strategic assumptions and dismissive of the electorate's apparently contradictory desire for freedom and security. This cannot be allowed to continue if social democrats are to recover their ability to win and retain power in a world of insecurity, complexity and constant change.

The central argument advanced in this paper is that centre-left politics in Europe is affected by a profound malaise which is not resolvable by changes of personality, short-term fixes, tactical re-positioning or seeking new electoral alliances. Instead, our ambition should remain to form majority parties capable of building the widest possible progressive coalition across our societies. What is required to do this, above all else, is coming to terms with the structural dilemmas and weaknesses, as well as intrinsic policy trade-offs and challenges facing the centre-left today.

Centre-left politics is affected by a profound malaise which is not resolvable by changes of personality, short-term fixes or tactical repositioning

The assumption here is that this argument holds true for most social democratic parties in northern, western and central European countries. Social democratic politics in many of the member states that were once part of the Soviet bloc also requires a radical rethink of an equally profound but somewhat different nature. On the other hand, centre-left parties in southern Europe seem (yet) to constitute something of an exception, possibly because of how recent history shaped their respective political systems and spaces, the state of economic development as well as loyalties and partisanship in countries such as Spain, Portugal and Greece which were all ruled by authoritarian or dictatorial regimes until the 1970s.

In the discussion that follows, we will address why the economic crises hit the centre-left unprepared, analyse some of the factors which contributed to the structural decline of social democracy after the end of the Cold War, and offer reflections on where we should go from here.

3. The centre-left and the economic crisis

Today, the centre-left is suspended between embarrassment and complacency. On the one hand, there are the social democratic revisionists, embarrassed by the various accommodations made in the mid-1990s with the perceived realities of international capitalism and globalisation. The most high profile group, of course, includes the UK exponents of New Labour. But also there are the revisionists from whose example New Labour learned: Wim Kok's fashioning of the highly praised Polder model; the revisionism of Swedish social democracy in the wake of their 1990s banking and economic crisis; and the reformist Danish course set by Poul Nyrup Rasmussen.

But the group also includes those who at least for a time were enthused by New Labour's example, most notably Gerhard Schröder's *Neue Mitte* and the Italian Democrats. It was social democratic revisionists who argued, with great passion, that the left needed to come to terms with the realities of markets and global capitalism. How are they now to explain what it is that went wrong? Are they to blame for giving legitimacy to bankers' excesses – and more broadly for the dynamics of globalisation that have accentuated the pattern of "winners and losers" in our societies? And how do revisionists, still keen to acknowledge the efficacy of markets, now avoid "throwing out the baby with the bath water", with a retreat to traditional forms of anti-market utopia?

On the other hand there is the complacency of increasingly vocal traditionalists in our parties who demand a return to the eternal verities and truths that the revisionists allegedly lost. With some exceptions, exponents of this view give the impression of not having adjusted to the structural and dynamic changes in European societies, and have little to offer other than an essentially conservative defence of a welfare state status quo. This positioning appears to have little appeal to deprived social groups who find themselves marginalised as a result of insider-outsider divisions in the labour market and growing generational inequalities, still less to the "new middle class" of professionals, the self-employed and small scale entrepreneurs. This traditionalism can easily be represented by our opponents as the protection of largely public sector vested interests and does not amount to a credible electoral, let alone governing strategy.

Are we capable of overcoming these past shortcomings and schisms? It may be the case, of course, that in the short term the centre-left can do little to move forward. The false logic of historical inevitability has frequently failed the left in the past. The renowned political scientist Andrew Gamble argues that, historically, recessions have tended to strengthen the right.[3] Recessions make electorates turn in on themselves. As a result, voters are more open to the arguments of the moderate conservatives that they can be more trusted to handle the context of uncertainty and insecurity: in contrast, according to Gamble, history suggests greater willingness to risk voting for the left at moments of optimism about the future.

Alternatively, in truly dire circumstances, recessions increase the attractiveness of extremist voices on the right and left who offer easy scapegoats for what has gone wrong, as happened in much of Europe in the 1930s. There are of course major exceptions to this historical perspective, not least Franklin D. Roosevelt's victories in 1932 and again in 1936, Bill Clinton in 1992, and even Barack Obama in 2008. But this may reflect essential differences in the psychological outlook of the United States and European electorates: when recession shatters the American dream of individual opportunity, US voters swing to the left. But when recession threatens the European yearning for social cohesion, European voters are more likely to put their trust in the right.

Far from aiding social democracy, the global crisis has exposed unresolved tensions in the approach to the market economy and globalisation. The revisionism of the 1990s was largely about accommodating the market economy. But our leaders at the time offered few convincing answers to the limits or boundaries of what social democracy was accommodating to. Moreover, this process of accommodation to the market by the centre-left was more visible to voters than the view of the centre-right, because it represented a far larger revision of traditional socialist thinking.

By contrast, the dominant parties of the centre-right across Europe were never enthusiastic economic liberals. They preached fiscal responsibility and were cautious about – though not viscerally opposed to – redistribution. They accepted the market economy as a fact of life, not an ideological crusade and sought to order it to produce socially acceptable outcomes, whether through Gaullist dirigisme or the Christian democracy of catholic social teaching.

This longstanding commitment to the concept of a "social market" has benefited centre-right parties in the present crisis. It has enabled them to portray the crisis as evidence of the excesses of the "Anglo-American" model and as proof of the social market's positive virtues. Decisively, the centre-right has also benefited from the electorates loss of faith in *both* the "big state" and the "free market", the heightened appeal of communitarianism and social conservatism, and a yearning for social order and stability as the storms of globalisation swirl around the world.

Market economy versus market society

The crisis has exposed the centre-left as lacking a clear conception of what is and is not legitimate in a modern market economy. For all the qualifications that revisionist thinkers and policymakers can legitimately point to in their writings, such as the acknowledgement of market failures, the need for state intervention and regulation, and the importance of more effective international economic governance, commentators and the public interpreted their message as "let the free market do its work". That would take care of growth and the proceeds would be distributed more fairly.

In retrospect, two major errors were inflicted. First, in the ideological brouhaha that followed after the publication of Anthony Giddens' "Third Way" and the "Blair-Schröder Declaration", then French Prime Minister Lionel Jospin made a thoughtful and important intervention. He defined his brand of social democratic revisionism as believing in a "market economy, not a market society". Some revisionists rushed to assert that this is what they believed too, referring – in the case of Britain – to New Labour's success in introducing a minimum wage, launching an assault on child and pensioner poverty, and devising the largest investment programme UK public services had ever seen. All this was true, but it evaded the central question of how social democrats should seek to mould and regulate markets in the public interest.

Decisively, the centre-right has also benefited from the electorates loss of faith in both the "big state" and the "free market"

Secondly, social democracy was often defined too narrowly in terms of *how much* public spending could be increased on vital public services. Again, this is particularly true in Britain, where New Labour shied away from an explicit agenda to create a new kind of capitalism, giving an impression of its view of the role of the market, which could unfairly be characterised as "anything goes". Of course, public service investment has been transformative – especially for the National Health Service (NHS). But now that public spending is tightening, as a result of the global crisis with its particularly severe impact on public finances in the UK, there is a risk of another kind of ideological bankruptcy.

Social democratic revisionists have to be prepared to admit what they got wrong. The UK Prime Minister Gordon Brown, for instance, has recently argued that markets cannot prosper without rules – and that fair rules have to be seen to apply at the top as well as the bottom. [4] This is not an argument that would ever have been made in the heyday of New Labour's enthusiasm for globalisation and deregulation. But this is where one of social democracy's core challenges now lies: it has to develop a sufficiently sophisticated critique of the market.

4. The structural decline of social democracy

Whatever the recent ideological deficiencies or strategic shortcomings, it is important to recognise that the historic defeat inflicted upon the centre-left in the European elections of June 2009 is not a new phenomenen, rather it fits within a long-term trend which stretches back over the last two decades. The reality is that, long before the advent of the financial crisis, or even before the latest wave of social democratic revisionism, the majority of Europe's social democratic parties have performed poorly in both national and European elections, pointing to a deeper malaise despite some very notable centre-left successes in the 1990s.

The principal basis for this conclusion is simple electoral data. In France, for instance, the Socialist Party has not won a national election since 1997, while its electoral shares in first round legislative elections over the last two decades have never again reached the levels of the 1980s. Similarly, the PvdA in the Netherlands have not managed to pass the 30 % threshold since the end of the Cold War, experiencing a number of particularly poor results over the last fifteen years (1994, 2002, and 2006), even falling below 20% on one occasion.

In Germany, the SPD have essentially scored only one convincing election result (41% in 1998) since reunification, bumbling through in 2002 and losing in four others campaigns, at the latest election with a staggeringly low 23% – its worst post war performance. The Danish social democrats, meanwhile, have suffered three consecutive defeats since 1998. And finally, the Swedish social democrats, who constantly scored over 40% between 1930 and 1990, have been stuck for the last twenty years in the mid-30% range (with the notable exception of 1994) and now find themselves in opposition. In this context, the three consecutive successes of the British Labour Party since 1997 appear somewhat exceptional, although they occurred within the context of a first-past-the-post electoral system.

The current weakness of the social democratic idea

What then are the structural weaknesses that lie behind the declining performance of social democratic parties? Shortly before the millennium, the late sociologist Ralf Dahrendorf famously wrote of the "end of the social democratic century". For him, the Third Way and other revisionist projects were merely desperate (and largely unsuccessful) attempts to develop a new big idea for our times. In fact, this view resonates with those who believe that social democracy's core mission has basically been accomplished, given that today's social democratic recipes form part of any mainstream political menu. Hence, there is nothing *specific* about social democracy anymore.

A less benign reading of this predicament leads one to the conclusion that social democracy has been fighting a losing battle since the opening-up of the world order in 1989. The period after World War Two allowed a model of nation-state social democracy to emerge which ultimately saw national solidarity trump international class solidarity. It was a period defined by the aim of working class

emancipation, during which social democrats strived to advance the position of the least well off in our societies, within fixed state boundaries, through the use, primarily, of redistribution and new entitlements. But, with new levels of global and European integration – spurred on by the magnitude of international economic competition as well as migration – this transformative characteristic of social democracy has turned into a predominantly defensive and protectionist one: a position which can hardly inspire or endlessly be sustained.

On top of this, many tend to blame the new wave of globalisation and market capitalism for the destruction of collectivist institutions and the creation of an increasingly individualistic society. As a consequence, class solidarity has been eroded, and society is no longer viewed as a structural conflict, locked in an irreconcilable dispute between labour and capital. In effect, the end of the Cold War seemed to mark the end of the social democratic dream, even if it enabled the centre-left to clearly distinguish itself from the excesses of state socialism.

The overarching question therefore is: can the moral purpose of social democracy be redefined in the 21st century? At its core, social democracy used to emanate hope and optimism. It made people believe that the particular aspirations of different groups in our societies could be firmly harnessed to the common good. This ability to bridge individual and collective interests has always formed the basis on which centre-left parties ultimately gained power. However, as it stands, this ability seems to have been substantially eroded.

In what follows, we will shed light on three key (to some extent interlinked) structural challenges which need to be overcome in the pursuit of resurrecting social democratic ideals.

Partisanship, social capital and fluctuation in voter loyalties

Social democracy started as a mass movement. Its ability to mobilise voters was always closely linked to its large reservoir of party members, committed activists and associated institutions (above all the trade unions). These core groups, in turn, created momentum and support for social democratic policies and ideas. In addition, social democratic parties traditionally occupied an important social structuring role by mediating between the state, wage earners and employees. All this contributed to a particular social democratic identity which most, if not all, centre-left parties in Europe are still attached to and carry with them.

However, this character and identity has clearly been eroded over the last two decades, not least because of the recent decline in party membership, loyalty and identification. Data suggests that since the end of the 1980s, most European social democratic parties have suffered a significant drop in party membership, whether viewed in terms of gross figures or electoral penetration rates – measured as the ratio between the number of members in a party and the total number of registered voters.[5] While numbers have fluctuated considerably throughout the 20th century, the most striking feature is the consistency and sheer extent of party membership decline that occurred as the 1990's drew to a close. This points to a deeper problem of citizen engagement in the age of modernity. And, of course, it corresponds with a substantial decline in trade union membership.

These developments have considerable significance for two reasons. First, affiliation and party membership play an important role in sustaining partisanship among voters. Recent research has shown that there is a strong relationship between levels of partisanship in the electorate and the effectiveness of governments in liberal democracies, as measured by the World Bank.[6] In a nutshell, this is because partisanship not only stimulates higher voter turnout and stronger political mandates

for reform, but it also helps to build the crucial social capital which parties need in order to be trusted and govern authoritatively.

True, the decline in membership and its implications does not only affect social democratic parties, but also their centre-right counterparts – basically all *Volksparteien* (mainstream or catch-all parties). Nevertheless, in most European countries it is predominantly the centre-left that seems to struggle with decreasing levels of trust, increasing levels of voter abstention and rising cynicism. Furthermore, it is the social democrats that are quickly portrayed as irresponsible, particularly with regard to financial and economic management. It follows that the loss of social capital that occurs as a result of such developments inevitably puts a heavier strain on those parties who advocate the "primacy of politics" and trust in state action.

Second, there is mounting evidence of a fluctuation in voter loyalty. In essence, "floating voters" have become more important and make up an increasing proportion of the electorate. The direct implications of this seem to vary between countries: in France, voters usually float within political blocs and in line with ideological preferences, whereas in other countries, such as the UK and Germany, voters do not shy away from jumping from one political bloc to another.[7] However, in both cases the basic conclusion is that social democratic parties nowadays have to invest much more into mobilising and convincing their "traditional" constituencies, that are prepared, more than ever before, to look for alternatives.

> Can the moral purpose of social democracy be redefined in the 21st century?

In sum, the ability to count on the dependable loyalties of large-scale social groups has faded while engagement with citizens has become much more challenging. The fundamental question then is whether the structures, organisation and even the functions of our traditional social democratic parties can still cater to the sophisticated needs of a *Volkspartei* in the 21st century, or whether a more radical transformation of our parties is ultimately required.

Constituencies, political milieus and party profiles

Much has also been said about the fragmentation of the traditional social democratic constituency. With the decline of the "good" working class jobs and other sweeping societal transformations, the core base of social democracy has unsurprisingly diminished over recent decades. This development goes hand in hand with trends towards greater diversity in people's interests, their ethnicity, religion, education, their family and work situation and their income levels.

Indeed, class voting has decreased in most European countries, particularly in Britain, where New Labour managed to attract large numbers of middle class voters, but also in other countries such as the Netherlands, Sweden and Denmark, though to a lesser extent and starting from a lower level.[8] Yet while there is clearly a de-alignment under way between the old classes and parties on the left-right axis, we seem to be at the same time witnessing the emergence of new class structures in most western European countries, giving rise to the formation of new types of political milieus: a "drifted precariate", "authority oriented lowly trained", "satisfied social climbers", "established performers", and so on.[9] In effect, the "30-40-30 society" is clearly changing (again).

It is important here to recognise that many formerly coherent societal groups have been "unbundled" in terms of interests, status and even values. The subsequent trend towards increased heterogeneity among voters' preferences thus confronts mainstream parties with the task of "re-bundling" often

divergent interests within different layers of society. If this trend actually continues, then we need to look much more closely into the ability of social democratic parties to simultaneously reach out to different societal groups.

The latest signs are rather discouraging, with voting patterns indicating how the social democratic parties of Europe are increasingly losing out in key voter groups, while their support is disproportionally concentrated within a limited number of social segments. In summary, looking at demographic and socio-occupational analyses of voting patterns in elections across Europe, centre-left parties increasingly struggle to attract the young, the unemployed and the self-employed. On the other hand, skilled workers, public servants and above all pensioners predominantly form the core of social democratic support, in particular among continental parties.

Similarly, members of centre-left parties seem more likely to be retired, have a higher occupational status and work in professional positions, than the rest of the population. Hence, as societal groups emerge, how can social democracy continue to operate as a catch all party, bridging the gap between the individual and the collective, or the high skilled and the low skilled?

The polarisation of the political space

Next to the decrease in social capital and the emergence of new political milieus, a third important structural change, carrying significant ramifications, has been the polarisation of the political space. Studies have shown that party systems in western European liberal democracies have generally all moved in a similar direction, characterised by various degrees of fragmentation and pluralism, ranging from polarised and extreme in France and the Netherlands, to moderate in the UK.[10]

These changes, meanwhile, have created new political potentials which have been most successfully exploited by new populist movements and parties on the (extreme) right and the far left. In essence, the split between "winners" and "losers" of change has become sharper in the light of a new "demarcation-integration" cleavage, while mainstream parties have increasingly struggled to make satisfactory political offers to those losing out.

The rise of "single issue parties", or parties who mobilise voters on specific matters, be they national identity, social justice or environmental governance, have presented social democracy with a defining challenge. Far too often varied and ambitious policy proposals, with, in many cases, undoubted merit, are presented to the electorate at large in fits and bursts. Yet, faced with clear visions from new, smaller or "clientele" parties, voters seem increasingly to be at a loss when it comes to putting their finger on social democracy's core societal beliefs. In effect, the cart has been put before the horse in a changing political landscape, whereby there is no longer a binding and compelling grand narrative in place to steer policy and political stances.

This might even partly explain why social democratic parties across Europe have so far failed to gain in electoral and political terms from their pro-climate change policies or, in the case of Germany, from their insistence on the minimum wage, despite widespread public acceptance of the idea. While these transformations are also evident on the political right, such as the UKIP challenge to the Conservatives on Europe, centre-right parties seem better equipped to portray a more stringent type of society under the guise of the *Bürgelichen* or *Bourgeois* that still resonates with large sections of our populations.

The core challenge therefore centres on formulating a concrete and ambitious period of ideological renewal which can inform social democracy's moral purpose and vision in the 21st century.

5. The way forward

In challenging the politics of evasion, the future debate we are advocating has five over-riding dimensions. Firstly, greater clarity about the politics of globalisation. Secondly, the need to come to terms with the centre-right response to the financial crisis. Thirdly, understanding the weight of anxiety about moral and social decline. Fourthly, confronting confusion about the politics of redistribution and fairness. And finally, framing a bold plan for the future that captures the imagination of social democracy's natural allies, new and old.

The politics of globalisation

Our starting-point is that the left has failed to benefit electorally from the economic crisis because it lacks a credible account of the politics of globalisation. In reality, voters confront two contradictory impulses. On the one hand, they want strong governments to shield them from the economic and physical insecurities that globalisation implies. On the other hand, they value choice and autonomy, and are sceptical of the capacity of centralising states to protect jobs and living standards in a global economy.

There are undoubtedly widespread fears of globalisation across much of Europe. This relates to the occupational shift away from traditional semi-skilled occupations in mass manufacturing towards high-skilled service-orientated jobs. Employment polarisation and rising wage inequalities are pervasive across the EU15.[11] Yet social democrats will over-stretch themselves if they believe that the crisis legitimates the expansion of big government at the expense of the market. At the same time, voters are prepared to accept that national governments cannot shield them indefinitely from globalising forces.

There may be a demand for radical measures to deal with the impact of the financial crisis and to reform the institutions that led to excessive risk-taking and irresponsibility. But voters are most likely to support the party that is able to establish a frame of stability and order, within which they can lead their lives. As the American commentator David Brooks has argued, they yearn quite rightly for a safe pair of hands that will protect them from excessive turmoil and risk. The left in Europe has to work through this conundrum, instead of appearing to deny it.

To begin with, there are three credible views of the role of the state, not just two. One is the *laissez-faire*, minimalist view: clearly flawed, but one that is still dear to parts of the right. Another is to argue unequivocally for the idea of the big state as a guarantor of equity. But the third view is of a state with a strong strategic capacity that doesn't try to run everything itself. New Labour might describe the "third way" as an "enabling state". However this may come across as more minimalist than the situation requires: to caricature, the answer to the global crisis must be more than a training scheme. A strategic capacity demands market-ordering, not just market-accepting. Social democrats have now to argue for the construction of a reformed "developmental" state with far stronger, more focused strategic capabilities. That implies a very different approach to governing.

In addition, there must be no retreat from Jospin's market economy. Open markets are the best available means of stimulating innovation and efficiency and these benefits are strengthened by globalisation. However, new technology and new consumer demands constantly create new patterns of "winners" and "losers". Those with the right skills stand to succeed, while there is a continued loss of "good" working class jobs as companies invest in new markets, outsource and de-localise.

Well before the crisis, the confidence that economic growth automatically leads to broad based prosperity had been eroded.

While most revisionist social democrats will claim that they always recognised that markets are a good servant but a bad master, they didn't say that clearly and explicitly and follow through the implications for policy. In the benign period created by the wave of globalisation that has gathered force since the mid-1990s, such beliefs seemed out of sync with the times. Revisionists did foresee ,earlier than many, that the fatal weakness of globalisation was not the economic dynamism it unleashed, but the fact that increased economic interdependence was not matched by new forms of global governance. But given neo-liberalism's intellectual hegemony, there was no decisive impulse to act before it proved too late. And one cannot be sure even now that the crisis has generated sufficient political impetus to secure comprehensive reform of global economic governance.

The global financial crisis has dramatically resurrected the social democratic case for an "active state". There are, of course, dangers here. There is little point in dusting down the interventionist policies of the past. Nor is this the time to return to a protectionist, anti European, anti global, "socialism in one country" model. The need is not for social democracy to turn its back on the dynamic strengths of economic openness, but liberated from past neo-liberal constraints, to recognise explicitly that the market's limits, potential for failure and resulting inequalities need to be better managed in the public interest.

The new paradigm should be one of multi-level governance where through political action at national, European and international level, as well as the regional and local, government has the necessary strategic capacity to act in order to shape the positive forces of globalisation. Social democrats should not glorify an all powerful state and a return to old fashioned interventionism. [12]

Moreover, public policy towards industry has to change. Social democratic revisionists have put the emphasis on supporting the right framework conditions for growth such as skills, competition, infrastructure and research. But, in the UK at least, this is no longer enough, given the huge problems of creating economic opportunity that we still face: the long tail of disastrous underperformance in our education system and continued neglect of skills; stubbornly high levels of worklessness and poor labour market integration of certain ethnic minorities; regional problems of economic decline in old industrial areas with too often an overdependence on a low wage service economy and young talented people drifting away.

This means a new impetus for the development of sectoral policies, regional specialisation, lead technologies and recognition of the need for long-term government planning in transport and energy to tackle climate change. A new era of industrial activism must avoid the "lame duck" bail-outs of the 1970s. Essentially the effect of these was to freeze the old industrial structures of the time, in the vain hope that restructuring could be agreed that would raise performance. Instead we need to move from supply side policies that enable to industrial policies that are developmental thereby recognising the vital role that only government can play.

Social democrats should not glorify an all powerful state and a return to old fashioned interventionism

More profoundly, the task for revisionist social democracy is to design a new model of welfare capitalism. There is widespread moral revulsion against the excesses of financial capitalism: its arrogance and disdain for any form of public accountability; its grossness of reward totally unrelated

to any concept of long-term wealth creation. Social democracy needs to find the appetite for remedies that promote responsible business behaviour. This involves, for example, the abandonment of "race to the bottom" regulatory competition; and sensible European regulation.

As for business as a whole, there must be greater transparency over top pay; open-minded thinking about workplace empowerment to improve lagging productivity; competition rules that discourage merger and takeover fever; and the inclusion of "stakeholder" obligations in company law reforms. Social democrats need fully to liberate our mindset from a neo liberal "competition state" model.

But this more critical approach to the market should not mean that the "big state is back". Modern social democrats should certainly reject traditional neo-liberal hostility towards the state. They should embrace Albert Hirschman's view that the best way for progressives to secure support for collective action in the public interest is to acknowledge that state intervention can have unintended consequences, and that there are limits to the scope of state power as Keynes argued in the 1920s.

Social democracy does not exist to promote and protect the state, but to ensure that the state advances the collective interest rather than the vested interests of an elite. What social democrats need to fashion is not larger government but a more capable strategic state that can steer and intervene in the increasingly complex networks and institutions of a globalised economy and society. This is the main intellectual challenge that the crisis poses for European social democracy.

Standing our ground

Social democrats have to accept that centre-right parties across Europe have successfully captured traditional social democratic territory, such as the need for active government during the global recession. French President Nicolas Sarkozy, for example, has helped to recapitalise French banks, earmarked six billion euros for the auto sector, and lashed out at "rascal bosses" who receive huge pay packages. In Germany, Chancellor Angela Merkel has abandoned her programme of purely market-orientated reforms and approved various forms of state intervention to protect workers during the current recession, from bailing out car-makers to subsidising payrolls at companies where export orders have collapsed. In essence, the traditional fault-line between left and right in Europe has been steadily fractured.

Instead of shifting towards the far left – in an attempt to carve out distinctive programmes and policies that are dismissed by large sections of the electorate as incoherent and unworkable – social democrats must stand their ground. The strategic purpose of social democracy is to shift the centre-ground of politics in a progressive direction. People do not set out to vote along increasingly polarised lines, but rather their confidence in social democratic governments is based on whether they can manage the economy competently without impairing long-term competitiveness. Above all else, the left has to show it can do this in an authoritative and credible manner.

At the same time, centre-left parties must be prepared to invade territory traditionally colonised by the right in areas such as law and order, immigration and national security. In particular, there is nothing more injurious to liberty and justice than the fear of crime often felt by working-class voters in the most disadvantaged neighbourhoods. It is vital – particularly in a time of economic crisis – that social democrats continue to project tough strategies that help to strengthen law and order.

Morality and character

Understanding the weight of acute anxiety within European societies about moral and social declineis another important dimension, albeit one that should not be grossly over-stated. Support for tolerance and pluralism has grown markedly over the last fifty years, and trust and cohesion are not literally teetering on the edge of break down as some observers have warned. Surveys repeatedly show high levels of self-reported individual life satisfaction and happiness across the EU, and many European countries have made significant strides towards greater gender equality, combined with durable family formation and stability.

But, nonetheless, European voters also harbour some very real concerns about the direction of society. Such concerns include the diminution of family life, the commercialisation of childhood, the relationship between faith, secularism, and the public realm, the emergence of new forms of identity and the role and legitimacy of the nation-state. Underpinning these concerns, there is a general pessimism about future trends in society that pervades much of Europe. This relates to an over-riding theme about the nature of citizenship and identity in today's world.

Social democrats have historically tended to take citizenship for granted, seeing it as the product of a set of inalienable civic, political and social rights emerging from the post-war settlement. But the rise of migration, diversity, ethnic heterogeneity, and the emergence of a new class compromise in western Europe over the last thirty years have shattered the old models of citizenship. Identity, as well as the economy, is now a major issue of political debate, as is the apparent drift towards moral relativism and moral decline.

> Centre-left parties must be prepared to invade territory traditionally colonised by the right in areas such as law and order, immigration and national security

So the left has to re-discover more traditional narratives about the relationship between citizenship and character: not just that rights and responsibilities should go hand in hand, but what makes a good citizen and the politics of virtue. This can take the insight of the work of the moral philosopher Michael Sandel, who argues that we have to recognise more than individual rights and choices, affirming a politics of the common good rooted in enduring moral beliefs.[13]

The fairness code

Social democrats need to confront the confusion surrounding the politics of redistribution and fairness. The left has been hampered by a lack of clarity about what it stands for in relation to distributive justice. Often, principles of fairness are implied or assumed, but they are rarely ever explicitly advocated. This leaves social democrats vulnerable to the charge that the distribution they advocate is even more arbitrary or unfair than the distribution created by the market.

It may be that the linking together of 1960s social liberalism with egalitarianism has been damaging for social democracy. The implied combination of redistribution with individual rights has weakened the emphasis on obligation, creating the impression that the welfare state will always be there for the needy or feckless. This offends what politicians in Britain describe as the "fairness code" – the widely supported principles of "fairness" in the general population that are about desert, opportunity, and the avoidance of material hardship as well as reciprocity.[14] Too often, voters perceive that large-scale government bureaucracies and programmes dilute these principles until they cease to have real meaning and purchase.

Capturing the future

Finally, parties of the left win when they embrace the future instead of relying on the achievements of the past. Elections are not about seeking the gratitude of the electorate, they are about vision and change. The left has to demonstrate that it understands the forces and trends that are re-making our societies from globalisation to individualisation, demography and ageing. We have to show voters that we have a credible plan for the future.

However profound the debate, dialogue alone will be insufficient for the left's recovery. The centre-left in Europe also needs new institutions. In the United States, the modernisation and revival of the US Democrats was engineered by the creation of the Democratic Leadership Council (DLC) in 1989. The role of the DLC was to challenge Democratic orthodoxy, to seek out new ideas, and to develop a new generation of future-minded, progressive elected politicians.

In our view, that is exactly what the left in Europe now needs – a coalition of modernising institutions, working with sister organisations and thinktanks throughout Europe – prepared to address the tough questions with which social democrats must now wrestle. Europe is not the United States, but we should be prepared to learn from the experience of progressive social liberalism, and vice versa.

In this paper, we have sought to challenge and contest the politics of evasion. The next step remains thorough-going centre-left renewal. There is little purpose in looking back or defending the achievements of the past. Our mission is to look to the future in forging a more equal and just society. Now, as ever, there is not a moment to lose.

End notes/references

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