

Revisionism Revisited

The Third Way and European Social Democracy

von Michael Ehrke

„In truth, the parties of the Whig and Tory are those of nature. They exist in all countries, whether called by those names, or by those of Aristocrats and Democrats, Côté Droite and Côté Gauche, Ultras and Radicals, Serviles and Liberals“.

Thomas Jefferson to the Marquis de Lafayette, 1823

„The name is wrong, the programme vague, the use often opportunist; but it is becoming more and more popular because it seeks to answer the large questions“.

John Lloyd, New Statesman, 19th May 1999

Yet another spectre?

Discussion of the Third Way and the „Neue Mitte“ (*New Centre*) is marked by a paradox: on the one hand, this latest political philosophy has attracted an astonishing amount of public attention for a fundamental political debate in both the United States and Europe. The ubiquity of the theme has caused some observers to preface their comments with „a spectre haunts ...“. On the other hand, most commentators agree that the overriding feature of the Third Way is its lack of a specific message. The only anchor-point is its claim to stand „between“ or „beyond“ neo-liberal conservatism (the „new right“) and the political past of those who support Third Way (the „old left“).

The public interest so far aroused by this debate can be attributed to expectations that the Third Way might constitute the first non-defensive response from the left to the transition from traditional industrial society to a post-industrial social order (however that is to be defined). This transition is evident in the gradual disintegration of a whole series of arrangements, institutions and traditions of industrial society: standard terms of employment, collectively regulated working time, provision for retirement, normal career profiles, Keynesian global regulation and the role of trade unions. As a consequence, politics is either compelled to devise new arrangements, establish new institutions and re-define traditions, or is condemned to operate a form of permanent crisis management, carrying out more and more short-lived repairs.

The politics of the Third Way is expected first and foremost to provide hard answers to clear questions: what sort of provision should be made for retirement? How should the tax system be reformed? How can the costs of the national health service be kept under control? Yet what is also expected of - and offered by - the Third Way is a coherent interpretation of trends we find unsettling, a blueprint (however vague) for the society towards which we are aiming or moving, and a definition of the political goals for which we should and can strive in a changed environment.

New economy, new welfare state, new governance

The Third Way promises a coherent political interpretation of current social change, coupled with solutions to the real problems of our societies. But until now this sweeping claim is matched by some rather threadbare concepts. These can be roughly summarised as follows¹:

* *New economy*: embracing or at least accepting „globalisation“, including the ensuing increase in social inequality;

* *New welfare state*: renouncing traditional notions of welfare, and replacing welfare benefits in the form of material safeguards with the creation of „employability“ for individuals (the „State as facilitator“);

* *New governance*: replacing the State’s material obligations with an offer of new forms of „stakeholding“.

The crucial difference from neo-liberalism is usually identified as the active (but materially much diminished) role of the State („the State should not row but steer“). We are not told *to what end* the State should use its instruments of regulation. However, the crucial question so far unanswered by the Third Way protagonists lies in the definition of social *justice*. Justice is not a problem for neo-liberalism: the primary distribution of goods, power and opportunities by the market is *by definition* just; to correct it by political means is pointless and harmful. The Third Way presents itself as a *departure* from the ideas of justice formulated in the past by the US Democrats and European social democrats, but clings on to the „value“ of social justice. It remains to be seen whether this is merely intended to cover up for the failure to define its own notion of justice, or whether such a definition is in the pipeline.

The first revision: modernisation and social justice

A history of revisions: values and programmes

The history of European social democracy is one of *revisions*. Social democracy is „the only left that’s left“, for the very reason that it has been flexible enough to take account in its policies of transformations in its social environment. But the question is whether, despite all the revisions, social democratic politics still has a constant thread which justifies reference to a „social democratic identity“.

Advocates of the Third Way, led by Tony Blair, have found this constant element in *values*: values are timeless, whereas the means of putting them into practice vary. The Proposal for Europe’s Social Democrats published by Tony Blair and Gerhard Schröder lists „fairness and social justice, liberty and equality of opportunity, solidarity and responsibility to others“. The chosen level of abstraction is such that surely everyone would endorse this catalogue of values. It therefore remains too imprecise to define a political position. Values take on political relevance when they are linked with an *assessment* of social reality.

The *assessment of social reality* is what has divided political opinion in Europe since the French Revolution. The conservative position maintains that, in this reality, values have basically been put into practice to an optimum degree, bearing in mind economic constraints and human nature. The opposite stance is that the realisation of values remains inadequate, and that this shortcoming can and must be tackled politically. In other words, the identity of social democracy does not lie in approving of „fairness and social justice, liberty and equality of opportunity, solidarity and responsibility to others“, but in considering that these values have not actually been put into effect - or insufficiently so, given the available scope - and therefore in aspiring to change social reality.

The traditional polarisation of the European spectrum does not rule out the existence of themes which cut right across the main dividing-line (ecological issues being one example). Yet the claim that „right“ and „left“ are outdated historical categories implies that the existing distribution of opportunities, power and resources cannot be improved any further, and that no-one wishes to improve them any more. But for as long as social democracy challenges the view that we have reached the end of the road as far as justice is concerned, its policies will have to abide by at least two principles. There is no logical connection between these principles, but both result historically from the origins of social democracy in the labour movement and from its allegiance to the tradition of the enlightenment.

The *first* principle is the above-mentioned *commitment to the underprivileged*. In the past, social democratic politics assumed that there were social (and not just individual) differences, that opportunities, power and earnings were unequally distributed, and that special political efforts were required in order to improve the lot of the disadvantaged in absolute and relative terms. Inequality cannot be accepted as a fact, but has to be justified by reasons understandable to all concerned (e.g. because the achievements of individuals are unequal or because, in a situation of social inequality, the lot of the least well-off can be improved more rapidly than that of the better-off).

The *second* principle lies in the assumption that the economy and society are open to *rational political influence*: that we are not subject to the laws of the market as we are to laws of nature. Of course, the scope for exercising the opportunity for regulation altered with the development of capitalism itself. In the early days, when periodic crises and mass poverty were considered a constituent part of capitalism, economic planning appeared to offer the sole alternative to market anarchy. To the extent that capitalism acted in such a way as to avert economic crises or limit their effects, the principle of rationality could be preserved even without all-round economic planning.

The first revision: the golden age of social democracy

Late 19th century revisionism removed the belief in socialism as a „final state of affairs“ from the social democratic agenda. Eduard Bernstein’s famous dictum „the means are the end“ made possible a continuous process of reform, whereby „socialism as a state of affairs“ was deferred indefinitely and its practical implementation explicitly abandoned. Bernstein was unable in his day to prevail over the orthodoxy. Only in the 1930s did Scandinavian social democrats develop an explicitly revisionist policy. Europe’s other social democratic parties followed suit after the Second World War.

The revisionism of European social democracy was a reaction to the impressive economic upturn of the first few decades after the war, the golden age of capitalism, when high growth rates and full employment dramatically increased the living standards of social democracy’s constituency. Two parallel notions of equality and justice came to the fore. Firstly, the principle of the welfare state or social state, whereby all citizens, whatever their circumstances, must be assured of a „dignified existence“ (albeit defined as a minimum level), including in material terms. To this end, post-war Labour governments in Britain introduced a comprehensive system of State welfare benefits („from the cradle to the grave“), removing substantial and fundamental spheres of workers’ lives from the market; in Germany the SPD relied on the social insurance system already in place (and which was further developed by the Christian-Democrat governments of the 1950s and early 1960s).

Secondly, all citizens - including the previously underprivileged - gained a foothold in society in a material sense, in that they obtained access to consumer goods formerly restricted to a small minority. The question of distribution found a dynamic solution: fair distribution of earnings and assets was not even an issue, since everyone was part of the dynamics of what seemed to be a never-endingly prosperous consumer society. Everyone had the prospect of enjoying more and better consumer goods in the future. Thus the problem of a badly-off underclass became less acute: circumstances in the golden age were such that social democracy could credibly strive to preserve the existing order without renegeing on its commitment to the underprivileged. If everyone was sharing in the prosperity, one could move on from the socialist notion of *ownership or non-ownership of the means of production* as the fundamental social dividing-line.

The transition to post-industrial society: basis of the „second revision“

The politics of the Third Way is understood as a criticism of social democracy in its golden age. Like the revisionism of post-war social democracy, it is responding to changes in society with a change of political programme. These changes cannot really be defined in detail, since we are living through an indistinct transitional period whose „new“ elements can at best be detected in vague outline. There are a number of *trends* which do indicate a direction. It is a matter of making *assumptions* about a transition, based partly on popularist interpretations of the situation which have found a certain resonance in the media. With this qualification, a mixture of statements on trends and descriptions of situations does coalesce into a picture - still a hazy one - of a „knowledge-based service society“ (according to the Schröder-Blair document), „information society“ or „reflexive modernity“ (Anthony Giddens and Ulrich Beck). According to the discourse of the Third Way, this society has the following characteristics.

1. Globalisation

Globalisation has become the hallmark of the present era (the extent to which goods and services really are traded internationally nowadays plays a secondary role here, as does the true extent of cross-border capital movements). The term „globalisation“ and all that it signifies is a dramatisation of the fact, known since the time of Marx's *Communist Manifesto*, that capitalism tends to transcend national borders. The new drama of globalisation derives from two facts. On the one hand, the collapse of Soviet communism left in ruins the last large-scale refuge of a non-capitalist and yet avowedly modern economic system. On the other, globalisation is interpreted as a process which, in advanced countries, dispenses with some of the key trappings of industrial society. A globalised financial and capital market, it is believed, imposes tight restrictions on national monetary and fiscal policy; likewise, a global allocation strategy on the part of companies renders employment and structural policy measures ineffectual. In the age of globalisation, nations have become mere business locations and their governments are reduced to accepting or anticipating market decisions.

In social terms, globalisation serves to deepen the divide between those who can transfer their resources (capital or highly-skilled labour) across national borders, moving them to wherever demand is greatest, and those who cannot do this or can do so to only a limited degree, for instance through migration (those who possess labour alone).

2. The information society

The term „information society“ or „knowledge society“ is as vague as „globalisation“. It refers to the growing importance of information as an economic input (as compared with labour, capital and raw materials). This trend is evident from the increasing proportion of sectors and companies which

- a) produce information (software, genetic engineering, etc.) as opposed to physical goods; or
- b) handle, transmit and process information, insert it into physical goods, etc.

The progress of the information society is evident not least from the way companies are valued by the stock market: during the 1990s the innovative potential - as presumed by the market - of companies (rather than their fixed assets) has become the major valuation criterion. Microsoft, the company with the highest market value in the world, is way ahead of General Motors; a Californian internet auction-house is traded as high as BMW. „Intangibles“, i.e.

companies' intellectual assets, have minimised - or even reversed - the significance of company size, turnover, fixed capital and employment.

Labour is also assessed differently in this context. Activities which contribute to innovation are more highly valued and rewarded than routine activities. Robert Reich coined the term „symbols analyst“ with reference to those employed in management, research, development, consultancy, finance, information or marketing, in contrast with employees in manufacturing and traditional services - a polarisation which partially overlaps with the one between the owners of mobile and immobile resources. According to Reich, there is a growing income gap in the United States between symbols analysts and routine workers.

3. Shareholder value

Predictions made in the 1960s - that production would increasingly be dominated by big business and that the technocratic manager would supplant the entrepreneur - have come to nought. Comparatively small firms have been the economic powerhouse of the 1980s and 1990s. The bureaucratisation of the economy by corporate giants has not occurred; instead, large companies have sought to emulate the dynamism of small firms by splitting up into autonomous and competing profit centres. Above all, however, the „managerial revolution“ (inasmuch as it ever did take place) did not overthrow entrepreneurs; „managerial capitalism“ has given way to a new emphasis on „enterprise“ - in the sense of awarding top priority to profit-making. Josef Schumpeter's concern that the bureaucratisation of big business would ultimately stifle the creative/destructive energies of private enterprise has proved unfounded, as have the hopes of some social democrats that the managerial revolution would usher in a new, more rational organisational form of capitalism and curb the anarchy of the market.

The downgrading by social democratic revisionists of ownership of the means of production as the key dividing-line in society has itself been invalidated by shareholders. The renaissance of „enterprise“ is reflected in the new emphasis on „shareholder value“ as a company's sole objective, to which the particular interests of management, staff and other „stakeholders“ are subordinate.

4. A new underclass

The new overall economic environment is producing a new underclass of the unemployed, „working poor“, „ostensibly self-employed“, „casual workers“, etc. New exclusion mechanisms are coming into play, with the effect that progress of the „whole“ is no longer synonymous with progress for all or for a large majority. The hope of social democrats, dating from the 1950s and 1960s, that modernisation and social justice are two sides of the same coin, has proved in this new environment to be a chimera. According to many observers, the emergence of a new underclass, excluded from the economic process, can be attributed to technological and organisational innovation in companies (and increasingly in the public sector too), which are striving systematically to reduce „slack“ - i.e. any unused or under-utilised resources - or to cut costs through new organisational arrangements. Others argue that globalisation is putting pressure on the earnings of the less well-skilled and making terms of employment more unstable.

Manufacturing, with its high productivity and potentially high wages is creating less and less employment. This development is triggering a two-fold shift among the labour force: some manage to rise to the higher echelons of the „knowledge-based service society“, thereby turning themselves into the symbols analysts described by Robert Reich; but a far larger group has no other option than to descend into the less productive ordinary service sector. On the demand side, this trend is linked with the growing consumption of ordinary services; in order

for these services to be affordable to individuals - it could at least be argued - the incomes of those supplying them must diverge from the earnings of those demanding them. The new-style primary distribution no longer provides any scope for social justice in the sense of material progress (i.e. more and better consumer goods) for all.

5. A new economic consensus

An economic consensus, forged under the conservative governments of the 1980s and considered irreversible, has taken hold in the industrialised countries. One aspect of this consensus is that inflation must be avoided at all costs, and that taxes and the national debt must not rise. It commits each and every social democratic government to a stability-oriented monetary and fiscal policy. Economic policy is geared less and less to the imperative of boosting *income*; more and more to that of safeguarding *assets*. Thus the constraints arising from the global economic and financial system are compounded by a consciousness of limitations caused by electoral and domestic policy considerations which run along similar lines. For this reason, any State involvement is reduced to whatever is compatible with the guarantee of financial stability and a declining - on no account rising - tax burden. The scope for correcting primary distribution is restricted in this respect too.

6. Individualisation

A virtually universal *breakdown or disintegration process* is visible in modern industrial or information societies: that of traditions, lifestyles, value systems, social circles, communities and normal terms of employment. Theorists of the modernity, such as Ulrich Beck and Anthony Giddens, have described this process as „reflexive modernisation“ or „de-traditionalisation“. The breakdown of tradition extends the scope for individualism: what was previously dictated by tradition is now optional. Career profiles are less determined by tradition, less predictable, than in the past: whether someone becomes a senior manager or a refuse collector is as much his own responsibility as his choice of an appropriate lifestyle; even family life is now only one of several options. Nevertheless, the individualisation of living arrangements has not (as sometimes suggested by the theorists of the modern age) solved the „old social question“, but has merely masked it. The much greater degree of freedom contrasts with the requirement, imposed by the labour market, that individuals be flexible, i.e. that they choose options compatible with their own „employability“.

The Third Way: social democratic politics in an age of inequality

Modernisation

Third Way politics is a *programme of modernisation* (one need only count the uses of the word „modern“ in the Schröder-Blair document). For social democracy to present itself as the party of modernisation is nothing new. This also applies to the revisionism of the 1950s and 1960s. The Labour governments under Harold Wilson (1964-71) and James Callaghan (1974-79) came into power with the self-declared aim of addressing Britain's modernisation deficit; the same theme is evoked in the SPD's „Modell Deutschland“. What are new are the associations with which the term „modern“ is imbued.

In the 1950s and 1960s, as already mentioned, economic modernisation and social justice could be regarded as two sides of the same coin. This connection has since been lost. The emergence of an underclass of unemployed (in western Europe) or „working poor“ (in the United States) proves that not everyone still plays a part in the dynamics of the economy

today. Social justice is still a „value“, and is in fact mentioned in the Schröder-Blair document, but the message tends more to presage a dismantling of social security mechanisms. In the policy declarations of the Third Way protagonists, the State divests itself of most of the instruments used in the past in attempting to ensure social justice; it refrains from encroaching on the decision-making powers of private industry, and given the constraint of financial stability it can no longer meet the material obligations which used to go hand in hand with the guarantee of social justice. The question of distribution, which is closely connected with that of justice, is now only an issue inasmuch as „traditional“ notions of redistribution come in for criticism.

The uncoupling of modernisation and social justice is proclaimed as clearly in Third Way documents as could be the case in political policy declarations. In the future - or so it is implied - we shall be confronted with increasing inequality, which will not be countered by any social democratic programme of harmonisation. The (limited) form of equality which was possible in the golden age of industrial society can no longer be preserved in post-industrial society.

Duty, stakeholding, opportunity, community

Therefore a new problem of legitimation arises: without a minimum of social justice, or without a sufficiently large part of society being convinced that justice is more or less being done, social cohesion is threatened in the long term. There is a risk of a massive withdrawal of co-operation, extending as far as deliberate abuse of State benefits, tax evasion, undeclared labour and crime. What equivalent legitimation does Third Way politics offer, if equality and justice in the traditional sense are no longer on the agenda?

One response, from the New Democrats and from Tony Blair in particular, is an *upgrading of morals* or a *moralisation of politics*. If distribution in present-day society can no longer be optimised politically - or is optimal under the circumstances - deficiencies can no longer be attributed to removable imperfections in society, but only to the moral shortcomings of individuals. Here the moral imperative is directed first and foremost at the prospective victims of modernisation, the recipients of welfare benefits, whose duty to accept training or a job is repeatedly pointed out. The less likely the prospect of „good jobs“ (i.e. tolerably secure and acceptably paid employment), the more strongly this duty is emphasised. The rhetoric of duty is likewise applied to the socialising function of regular work, the converse of which is also countenanced - „tough on crime and tough on the causes of crime“ - i.e. for cases where socialisation through gainful employment is unsuccessful.

A second response is a new *emphasis on „stakeholding“*. If there can be no prospect of „good jobs“ with „fair“ pay for the unemployed, their participation in working life is at least ensured through a form of immaterial gratification, namely the fact of belonging to the working world. But not only people on benefit should become stakeholders; the invitation is extended to society as a whole. Greater involvement - either at local level or, as in Britain, through the devolution of powers to Scotland and Wales - is meant as partial compensation for the curtailment of the State's material commitments. The rolling-back of the State enhances the powers of the renowned „civil society“ and can therefore be interpreted as an act of democratisation.

A third response is to stress *opportunity*. Since there is little likelihood of achieving social justice in the traditional sense, and even less of attaining „equality of outcome“, all that remains is the liberal principle of justice - equality of opportunity - and, consequently, legitimate inequality as a result of unequal achievement. If everyone has the same opportunities, everyone likewise bears individual responsibility for what they make of their opportunities. Extra compensatory mechanisms are not required. This meritocratic principle

does in fact strike a popular chord. The problem is, however, that equality of opportunity is only ever asserted but never realised. Equal opportunities do not exist when a few people inherit millions and others do not. Thomas Jefferson wanted to redistribute all arable land once every 40 years, so as to give every generation the same opportunities; somewhat less radically, Bruce Ackerman has demanded that every adult American should be given \$ 80,000 by way of a start in life (funded out of a wealth tax), so as to bring equality of opportunity a step closer⁵. In reality, however, liberals and neo-liberals are reconciled to the fact that their principle of justice - equality of opportunity - means nothing in practice.

A fourth response, above all in the USA and UK, lies in a new *emphasis on community*. Here the Third Way has been influenced by the Communitarian movement, which has been roundly critical both of the emancipatory individualism following on from the movements of the 1960s and of the calculating egoism of market subjects as represented in neo-liberal policies. The Communitarian movement and the Third Way philosophy agree in their rejection of a nationalisation of local relations by anonymous State bureaucrats, but differ in their judgement of the market. The Schröder-Blair document uses plain language: „We support a market economy, not a market society“, but it remains unclear where the jurisdiction of the market ends and that of society begins, and what principles are supposed to determine the latter.

Cornerstones of the Third Way

Efficiency, employment, justice

The Third Way pursues two goals: *firstly, to increase economic efficiency*. This is nothing new for European social democracy; all that is new is, first of all, the forcefulness with which this duty is proclaimed: a forcefulness prompted by the reality or perception of globalisation. Increasing efficiency is regarded primarily as the task of private companies which, under pressure from the market, have no other option than to become more efficient. A second new element is the confidence which some social democrats have in private companies and the market as „efficiency machines“. There is a sharp difference here from the policies of social democratic governments in the 1960s and 1970s (this applies in particular to the Labour governments of Wilson and Callaghan), which still assumed that the State has to create the right environment to *compel* companies to increase their productivity and efficiency. In the SPD's „Modell Deutschland“ this compulsion arose not least from high wages, negotiated on a cross-industry basis, which made it impossible for companies to neglect productivity. According to the Third Way project, the State's main role is to ensure that managers and shareholders do not lose out because of excessive costs and deficiencies in infrastructure or the education system.

The second goal is to boost employment. Yet the protagonists of the Third Way have stripped themselves of the main traditional instruments of employment policy: (1) Demand management, which brings about high growth rates and an increase in employment, is considered problematical; although global regulation is still deemed capable of offsetting extreme cyclical fluctuations (so says the Schröder-Blair document), any hope that the economy could be stimulated on a lasting basis through demand management is dashed by the obligation to maintain financial stability and by the dependence of internal growth on external factors. (2) Nor can the State function as „employer of last resort“, since the resulting expenditure would have to be funded through higher taxes and/or State debt. Because companies cannot be compelled to create jobs, the only solution is to reduce wages and non-wage costs. The magic formula of social democracy's golden age (especially relevant in Germany) - that high wages and high productivity (and thus high profits) are interdependent -

has had its day. Companies no longer need the „productivity whip“ of high wages, because global competition eliminates national protection zones and forces all companies to increase productivity; and workers no longer need the incentive of high wages, since the pressure of unemployment is sufficiently motivating to render particular monetary incentives to work superfluous. At the same time, the Third Way offers training measures and a reform of unemployment insurance, which strengthens the incentive to accept a job even without monetary incentives and makes people employable and willing to work.

The Third Way project - or so its criticism of social democratic „traditionalism“ would suggest - accepts the segmentation of society into (a) the owners of capital (including workers who own capital) and those who possess skills highly prized by the market, and (b) people who have only their own „simple“ labour, which is outdated in skills terms and easily substitutable - the key factor being that earnings in the two segments are no longer related dynamically. Whereas the earnings of capital owners and those in possession of highly prized skills are not a topic for discussion, it is presumed that the prosperity (including social security) of those possessing „simple“ labour will either decline or at least no longer keep pace with the general increase in prosperity. For those who are mobile, the Third Way offers a programme of gratification, giving them greater scope to take decisions and freeing them from the constraints imposed by the institutions and traditions of industrial society; for the less mobile it is a educational programme, i.e. it seeks to adapt an insufficiently mobile and flexible population to the new environment. The key themes of the Third Way - the overriding importance of education as the way to improve „employability“, the emphasis on responsibilities and duties (of benefit recipients) and the much-vaunted „culture of independence“ - are elements of a educational lesson for the public. It is not private companies that hamper modernisation, but a population which is protected by outdated institutions, ignores new opportunities and expectations, and is too attached to tradition or, in other words, is not available to be deployed in the most efficient manner. Since the population can no longer be made flexible through the incentive of higher and rising earnings, this incentive is replaced by a rhetoric of duty, hard facts and perhaps even unspoken threats.

In theory (if not necessarily in practice) the Third Way sidelines the principle of social justice, to the extent that it applies to income distribution, even though as a „value“ it remains on the list. The industrial-era notion of justice which is being waved goodbye - increasing availability of consumer goods for all and (minimal) material protection at all stages of life - is in any event time-specific and by no means the incarnation of justice *per se*. The question is whether the Third Way can and wants to put forward anything new, which does not just relate negatively to what was traditionally provided by the „old“ industrial society but reformulates it under changed circumstances. Since the Third Way is not presented as a self-contained theoretical construct, but as an incomplete process, all is not lost. Whether the Third Way will prove to be a realistic approach to updating social democratic politics or a regression to the days before neo-liberalism (inasmuch as it replaces the latter's libertarian components with the rhetoric of an authoritarian „nanny“ State) depends on the answers to four key questions.

1. Interests

How does the politics of the Third Way deal with social *interests*? So far, the Third Way politicians have not explicitly defined themselves in print as representatives of *specific* interests. They refer not to specific interests but to the „we“ of a nation transformed into a cohesive community and moulded together by globalisation. The internal borderline between those who belong to it and those who do not runs between those who are competent, mobile, prepared to be flexible, take risks and shoulder responsibility, on the one hand, and the idlers and benefit recipients on the other (whereas traditional social democratic or trade union

representation of interests is dismissed as outmoded). The values cited by Schröder and Blair („social justice“ and „solidarity“) do however implicitly acknowledge at least the existence of „stronger“ and „weaker“ people - and hence of a dividing-line within society. It is not yet possible to detect the attitude of the Third Way politicians to this dividing-line, either in their programme or in practice. The brutal abolition of State welfare benefits („welfare as we know it“) in the United States is not necessarily a precedent, since the initiative came from the conservative-dominated Congress and not from the government. In Britain the politics of the Blair government seem in practice to follow traditional social democratic concepts more closely than the Third Way rhetoric would suggest. As is so often the case, there is a tension here between programme and reality, although the usual mismatch - whereby practical politics fail to live up to the lofty aims of the programme - has in a sense been turned around: things are not as bad in practice as the programme would actually imply.

2. Pragmatism or populism?

How can the *tension between populist rhetoric and radical pragmatism*, so characteristic of many Third Way documents, be defused? One element of a critical approach to social democratic tradition is the need to ease the burden on politics. New problems necessitate the contemplation of new solutions, and the outlook should not be narrowed by the blinkers of tradition. Even solutions formerly identified with the political adversaries must be examined as to their suitability; international experience must be taken on board. From this pragmatic point of view, the Third Way is „on-going revisionism“ (Tony Blair), a lengthy process of trial and error in which various policy options are tried and tested. At the same time, however, the pragmatism imposed by circumstances is overlaid and undermined by populist dogmatism. This populist variant (which is for example audible in Tony Blair’s religious-style rhetoric⁶) seeks to gloss over the contradiction between modernisation and justice. This version of the Third Way imitates neo-liberalism in two respects: by taking up its market fundamentalism *and* by merging this with other fundamentalisms (family, nation, community, etc.). In Germany the shrill populism is dominated by references not to religious, family or national values but to the nation as an economic community which has to defend its prosperity in the face of demands from other nations.

3. Once again: duty, stakeholding, opportunity, community

If social justice can no longer be brought about through traditional *redistribution*, *how serious are the Third Way politicians about the above-mentioned equivalents: morals, stakeholding, opportunity and community?*

(a) The *moralisation of politics*, the emphasis on *duties* and *responsibility* to society, is directed not at the rich and powerful (who have already done their duty), but at those who are dependent on the welfare state. This is basically the age-old message to the worst-off that they should accept their material disadvantages and seek a form of secondary gratification in doing their duty. The most important duty is gainful employment, the incentive for which is neither attractive material rewards nor job satisfaction - but duty. In this respect the moralisation of politics is a regression to an age not merely before the social democratic tradition (which always championed the rights of the disadvantaged in particular) but even before political liberalism, which endowed individuals with inalienable rights but declared their morals to be their own affair. In the discourse of the Third Way, the moralisation of politics betrays an authoritarian streak which is directed more against the (possibly ambivalent) outcome of the emancipation movement of the 1960s and 1970s (to which many Third Way politicians subscribed) than against the egoism of calculating market subjects.

(b) The offer of *stakeholding* is ambiguous. Democratic rights of participation are laid down constitutionally; the role of the State is to protect and perhaps extend them, but not to offer them up as a substitute for material benefits. It may of course be sensible and necessary, in a centralised body politic, to devolve responsibility to local and regional bodies and to equip these with more rights and more resources; what is more, many problems can undoubtedly be overcome more effectively through spontaneous co-operation among citizens than by the State administration. But stakeholding cannot be a substitute for income. Active participants in „civil society“ are generally people who have more or less solved their material problems, i.e. salaried teachers rather than ostensibly self-employed truck drivers. A policy with a tendency to reduce job security and tolerate a low-wage sector also indirectly undermines the ground-rules of a functioning civil society supposedly relieving the State of its social functions.

(c) Perhaps the Third Way's greatest potential lies in its offer of *equality of opportunity*, which is the (neo-) liberal concept of equality: „inequality of outcome“ as the result of unequal achievements is fair, as long as the opportunities and starting positions really were equal. But this promise of justice is fulfilled only inasmuch as *formal* access barriers to training and to well-paid jobs are dismantled. In reality, not even radical neo-liberal politics can - or wishes to - prevent the formation of *oligarchies* which distribute opportunities, influence and earnings independently of achievement, according to the criterion of „membership“. As already stated, inheritance law alone creates extremely different starting positions by endowing a minority of people with assets and relieving them of the obligation to earn a living.

In Japan, prohibitively high inheritance taxes, an achievement-oriented education system and a direct connection between job opportunities and measurable educational achievements have created at least the semblance of a meritocratic means of distribution, whose results meet with strong public approval. Likewise in the Federal Republic, the currency reform after the end of the Second World War gave the impression of a broadly comparable start for all (ignoring of course the unequal distribution of property). This original myth of everyone setting out on the same footing, which probably contributed a good deal to the social consensus of the post-war decades, has vanished, in that the unequal achievements of the first generation became the unequal starting positions of the second. Of course it is possible neither to emulate the Japanese model nor to simulate the German post-war situation. It is nevertheless worth considering how to create at least the impression of an equal or comparable start in life, in order to try to attribute diversity of influence and earnings to differences in achievement. Carrying out Bruce Ackerman's above-mentioned proposal - to give every citizen, on attaining the age of majority, a sum of money large enough to lay the foundation-stone of a fortune - would scarcely affect the actual distribution scenario at all; it would however give this impression of an equal start in life and hence create a class of enthusiastic „stakeholders“. Were the Third Way politicians to bring themselves round to such reforms, or to similarly radical ones (i.e. if, unlike liberals, they were to take seriously liberalism's promise of justice), this would perhaps more than compensate for their departure from the traditional belief in justice.

(d) The *community spirit* repeatedly proclaimed by the Third Way protagonists touches on the central problem of a society labouring under the self-imposed imperative of flexibilisation. As Richard Sennet has shown, a flexible lifestyle places even modernisation winners in a situation where they themselves can no longer make full sense of their career profiles, let alone pass on a coherent interpretation to their children. Flexibilisation conflicts with the formation of any community, including and in particular the family. Anthony Giddens has declared that the foremost task of politics is to preserve, foster and where appropriate even invent (or re-invent) relationships of solidarity of every type. Here, according to Giddens, the Third Way should don the conservative mantle and help to preserve traditional communities (albeit in a non-traditional manner). The problem is too fundamental to solve by means of a

new law on associations or more child allowance. By stressing community and „inclusion“, the Third Way advocates are acknowledging that the community basis of our societies is under threat. Yet most of the policies they pursue - under the dictates of globalisation - accelerate the disintegration of communities.

4. Rationality and regulation

Where do the Third Way protagonists stand on the *principle of rationality*, which (together with the issue of equality and inequality) was a constant element of social democratic politics in the past? The gurus of the Third Way recommend reliance on regulation by the market - more, in any event, than social democrats have habitually done. Paradoxically, they are turning to the market at the very time when confidence in its reliability (e.g. in the aftermath of the Asian crisis) has been thoroughly shaken and the need for regulation has been placed on the agenda of international economic diplomacy. Deflationary trends in several countries have rocked the cathedrals of market orthodoxy, and Keynesian macro-economic regulation - prematurely consigned by many to the dustbin of history - has again become topical. It would be an irony of fate if, for *ideological* reasons, social democratic governments were now to refrain from tackling (or were even, through orthodox policies, to exacerbate) incipient crises, whereas once one of their key political demands was to combat such crises by macro-economic means. This does not mean that macro-economic regulation would be a cure to heal all ills (and nor was it such in the 1970s).

On the other hand, the Third Way politicians are altogether justified in questioning the higher rationality of the State. The belief that State regulation is more rational than the market, and superior to it in principle, is invalidated by the condition of the major instruments of regulation (e.g. tax systems and social expenditure) even in the western democracies: not only from the point of view of economic efficiency, but also from that of the political goals which they were originally intended to serve (the creation of social justice), these instruments are at best functioning less than perfectly. Social security and tax systems have evolved into an impenetrable jungle of rules, through which none but professional explorers can find their way. The main beneficiaries of these systems are those who can afford the assistance of professional navigators, rather than those for whom such protection was actually intended.

5. Is politics abolishing itself?

The discourse of the Third Way has one merit: it has attracted to the much-needed debate on the modernisation of social democratic politics a degree of attention which it would not otherwise have earned. It has served to take this discussion out of narrow, inward-looking planning groups and into the public arena. Even the intellectual and social aspirations contained in this discourse can be enlightening, since they explain with almost naïve frankness *what it is all about*. The Third Way spells it out as plainly as possible: times are such that we have to bid farewell to the goal of social justice, in the traditional sense, and hence also to social democracy „*as we know it*“. The opposite thesis would be this: the belief that the golden-age model of justice cannot be preserved under the conditions of globalisation does not render obsolete the question of how to improve the lot of the underprivileged in absolute and relative terms, but only makes it more urgent. If the sole remaining purpose of politics is to foster increased economic efficiency, it could be conducted by competing management teams, which would no longer need to put themselves forward under historically charged party names but could equally well call themselves Arsenal or United.

The Third Way is deceiving people if it defines the fundamentals of the „knowledge-based service society“ in such a way that political options are ruled out, or that politics boils

down at best to a contest over who is the most willing manager of unalterable constraints. Politics would then have abolished itself. But for as long as options do still exist, the *name* „Third Way“ is misleading: either the world cannot be improved by political means (the conservative option), or governments can and must take up the concerns of the underprivileged (the social democratic option). The Third Way is either the first or the second.

¹ Thomas Meyer, The Third Way - Some Crossroads, in: Internationale Politik und Gesellschaft, II/99.

⁵ Bruce Ackerman/Anne Alstott, The Stakeholder Society, New Haven and London 1999.

⁶ See Robert Misik, Auf der Suche nach dem Blair-Effekt, Berlin 1998.