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European Social Democracy – In Need of Renewal

Nine country cases & Seven policy proposals

- Social Democratic parties throughout the more affluent, economically highly developed part of Europe have experienced a dramatic decline in electoral support over the last few years.
- This text presents the cases of nine countries in Western, Northern and Southern Europe, all members of the European Union before Eastern Enlargement. It looks at the challenges, posed by socio-economic and socio-political evolution, at the political discourse that has defined and structured political issues, and at the responses Social Democrats as well as their competitors have offered to these challenges.
- It is argued that fundamental changes in the way the world economy works have made it difficult for Social Democracy to deliver on its core promises. If it does not come up with ways to secure social inclusion under today's conditions of globalisation and the post-industrial knowledge economy, Social Democracy risks becoming obsolete.
- European Social Democracy must come up with an encompassing project of renewal, a project that is able to meet today's challenges and that appeals to a heterogeneous majority of the population. It must forge a new coalition to »tame« capitalism and once again put its productive and creative forces at the service of human fulfilment. This paper makes seven policy proposals for the renewal of Social Democracy in Europe.

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Introduction

In much of Europe, Social Democratic parties have seen their share of the vote declining in recent years. In a number of cases the decline set in a decade ago. On the basis of nine country case studies, this paper* shows why Social Democracy has been losing electoral support in most of Europe and what must be done to reverse this development.

The first part of the paper analyses the situation of Social Democracy in the United Kingdom, Germany, France, the Netherlands, Austria, Italy, Spain, Denmark and Sweden. It looks at the challenges posed by socio-economic and socio-political evolution, at the political discourse that has defined and structured the related political issues and at the responses Social Democrats as well as their competitors have offered to these challenges. We will not pay much attention to factors without lasting strategic significance, such as personalities, internal rivalries, coalition tactics, campaigning slogans, scandals etc., which often dominate the political discourse for some time.

Even though we consider the development of Social Democracy in the post-communist European countries as very important for Social Democracy in Europe as a whole, we leave these countries out of our survey. The situation there and the challenges it poses for Social Democracy are different from those in the more affluent countries of the West. The analytical focus here is insufficient to provide valid recommendations for post-communist Europe.

In the second part we generalise some findings from the case studies in order to explain the general causes of Social Democratic malaise in Europe. Of course, our analysis of what has gone wrong constitutes a simplification, or reduction to essentials of a rather diverse reality. One respect in which the nine countries differ is the extent to which and the way the economic transformations of recent decades have affected social inclusion and hence the kind of challenge this poses for Social Democracy. They also differ in the political cleavage structures they have inherited from the past. We will take into account these differences and qualify our statements accordingly where we find it appropriate.

Based on this analysis the final chapter presents a project of social democratic renewal and its main areas of focus. Seven policies are proposed as a starting point for such a project. They are neither all-embracing nor complete, but they might provide an impetus for further discussions on how to secure the future of European Social Democracy and how to advance the social democratic cause.

The Decline of Social Democracy in Europe: A Common European Pattern?

The fact that voters in polities as diverse as Britain, France, Austria, Germany and Denmark have all turned away from Social Democracy suggests that there are more than country-specific factors at work. Hypotheses are readily available, but in trying to arrive at an explanation it seems advisable to take into account the diversity of the various countries and not to be over-hasty in concocting a stylized pan-European story of Social Democratic decline. This decline is likely to be a complex phenomenon, exhibiting more than one pattern of cause and effect. At the same time, for explanatory hypotheses to be valid they must be applicable across the whole spectrum of countries.

British New Labour: the Historic »Third Way« Comes to an End

New Labour was able in the 1990s to present a programmatic message that appealed simultaneously to the lower income strata and to significant parts of the middle class. The message was very appropriately dubbed the »Third Way«, because it distinguished itself clearly from two extremes that constituted the politically relevant alternatives at the time and that had both outlived their socio-economic relevance and appeal. One of these was the radical, socially polarising neo-liberalism of the Conservative government, which even in the eyes of its erstwhile supporters had long since accomplished its »historic mission« of revitalising the British economy. The other was old Labour's focus on the rights of employed labour, on income equality and on Keynesian macroeconomics.

New Labour was able to mount a powerful campaign for social inclusion *because* large-scale social exclusion was part of the Thatcher heritage. This heritage had put New Labour in the politically comfortable position of being able to promote social inclusion in a business-friendly way. There was no need (real or perceived) to undo economically dysfunc-

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tional rigid welfare-state structures. The Conservatives had already done this. The Third Way could simply stay away from measures that would have reintroduced these structures and focus instead on opportunities and the capability for participation. In other words, what the Third Way did was to re-establish Labour's economic policy competence in the eyes of the middle class while at the same time allowing it to lay renewed emphasis on social justice.

While there is still some resentment on the left concerning the Third Way departure from old Labour ideals, this resentment never constituted a political danger, because the British electoral system does not allow it to be articulated in a way that is politically relevant. New Labour therefore did not have to deal with electoral competition from the left.

Today, Labour seems to have largely fulfilled its »historic mission« of reuniting British society on an economically promising platform, but it is not very obvious to voters where this should now lead, and the limits of the Third Way approach (the label has since been abandoned) have become more visible. At the same time, the Conservative Party is presenting itself as much more of a centrist force with sympathy for the economically weak than it did under Margaret Thatcher and her successor John Major. All this has created a situation where non-ideological voters – who make up the majority at elections – no longer perceive a choice between fundamentally different directions for the country to go, but rather a competition between contenders for power who both claim competence for roughly the same middle-of-the-road agenda. It is a situation where circumstantial factors (charisma, style, minor issues, etc.) play a larger role than in all the years before. Labour's modernisation agenda lost its lead.

That is not to say that the British Conservatives have become a Social Democratic party as well. But, as elsewhere, the specific Social Democratic agenda cannot by itself muster majority support. It must be embedded in an agenda and in a narrative that appeals to those who have priorities other than social inclusion, justice and solidarity. The attempt (real or perceived) to pursue social justice goals at the expense of the middle classes, for instance by raising taxes, does not have a good chance of political success. Proposals for making Britain more socially inclusive must be presented convincingly as being in the interest of the middle classes as well. At the end of the Thatcher period this was possible, because Thatcher – with all her well-received neo-liberal reforms – had distorted British society. Now, after sixteen years of Labour government, normalcy has been restored, so to speak. New Labour's success in achiev-

ing this has also reduced its range of strategic choices. In mid-2009, further significant Social Democratic progress (after all, there is still plenty of social exclusion) seems to require a policy agenda that is not as easily sold to the middle classes as the Third Way agenda could be in the heyday of New Labour.

The economic crisis that unfolded in the second half of 2008 might have been an opportunity to take major steps towards a socially more inclusive labour market and at the same time to put a more competitive economy onto the agenda of political debate, in order to broaden the range of »acceptable« policies. But it seems that Labour – perhaps »mainstreamed« (and to some extent corrupted) by twelve years in power – has not taken such an initiative. After the initial stabilisation of the financial system, which temporarily boosted the dwindling popularity of Prime Minister Gordon Brown, British politics became dominated by rather temporary issues that had little to do with the strengthening of social inclusion. So far, there is no Social Democratic project for Britain beyond the Third Way that would inspire Labour politics and give it a renewed orientation.

The German SPD: Antagonising the Workers without Convincing the Middle Class

When the German Social Democratic Party (SPD) returned to power in 1998 after sixteen years in opposition, Germany – in the meantime reunited – was in bad economic shape. The economy had been growing extremely slowly ever since the short-lived reunification boom. Social exclusion was on the rise, and the general malaise was highlighted by seemingly intractable large-scale unemployment (much of it long-term). The SPD won the election with significant middle-class support because its Christian Democratic rivals had shown no attempt to seriously tackle the socio-economic malaise. The SPD had asked for and been granted a mandate to do the job better than the Kohl government, but the approach it took ended in disaster for the party.

The Schröder government adopted a policy stance with similar conceptual roots to the Third Way, but the challenge it faced was entirely different from the one New Labour faced after eighteen years of Conservative rule. The German welfare-state arrangements provided for more comprehensive protection of the formally employed than was ever the case in Britain and, unlike Margaret Thatcher, Helmut Kohl had left them intact. Whereas New Labour could base its drive for social inclusion on enhanced efforts to qualify people for the labour market, the dominant

view within the SPD was that the only way to proceed was to tackle the inflexibility of the German labour market. To a certain extent (the comparison should not be carried too far), it saw itself compelled to do Margaret Thatcher's work in Germany – i.e. to introduce a dose of Anglo-Saxon flexibility into the German system.

However, the SPD neither intended nor would have been able to change the German labour market arrangements altogether. The rights of the insiders (i.e. those who had a job) were left intact. The new flexibility affected those on the margins, putting pressure on them to accept very badly paid work with precarious working conditions. Those in regular employment were affected indirectly, too, because the greater availability of cheap marginal labour made it easier for companies to bypass both collectively negotiated wage agreements and protective legislation.

The reforms, known by the name of one of their chief architects, Peter Hartz, were hailed by business as a first step in the right direction. But many of the SPD's traditional working-class supporters considered them as an unnecessary sacrifice of social justice and if not a betrayal of Social Democratic core values and a present to capital owners, then at least a concession to the market orthodoxy that had come to dominate economic policy thinking. They would not buy the message that the reforms were the only way to get the German economy going again. The SPD lost many votes to the newly founded Left Party (Die Linke), which became a significant player in German politics precisely because of large-scale disaffection with the Social Democrats.

However, the losses to the left were not compensated for by gains in the centre. Many middle-class voters who had supported the SPD in 1998 (2002 was a special case not discussed here) out of despair with the stagnation of the Kohl regime no longer saw the Social Democrats as the modernising force Germany needed. This may have been partly due to the perception that the Hartz reforms were not all that crucial for the economy as they were harsh on those unlucky enough not to be able to find a reasonable job, quite a few of them the children of the middle classes. More generally, increasing social polarisation and poverty became a high-profile issue in the public perception, and after the Hartz reforms the SPD was no longer seen as the political force that would do something effective about it. On the contrary, the reforms were perceived by many as a means of turning large-scale unemployment into large-scale precarious employment. In the meantime, the Christian Democrats had regenerated themselves and rid themselves of the image of stagnation they had had

in the later Kohl years. Disenchanted, centrist-minded middle-class voters with a basically »bourgeois« outlook drifted back to them as their »natural« political representative. Moreover, the Christian Democrats in practice, if not in their rhetoric, actually espoused Third Way positions as well.

Support for the SPD fell even further after the lost election of 2005 to reach its lowest level since the founding of the Federal Republic of Germany (23 per cent in the 2009 national elections). The background to this dramatic decline is more profound than anything that can be said about the SPD's handicap as a junior partner in the coalition government of Angela Merkel or about the image of its leading personnel. The topics the SPD likes to emphasise in its programme (like educational reform or more equal opportunities) are covered by the Christian Democrats as well, leaving the Social Democrats to try to argue that the idea was originally theirs, that the intentions of their rivals are not sincere, or simply that they are less competent. This »we-do-it-better« message does occasionally succeed, like in 1998, but it seems that the »bourgeois instinct« of large parts of the middle classes would tend to favour the Christian Democrats.

Nevertheless, neither of the large German parties, nor the small ones for that matter, currently has a programme on offer to effectively reverse the trend towards social polarisation and large-scale social exclusion in German society. On the level of values, the social democratic discourse may lay more emphasis on social justice and inclusion, but when it comes to presenting programmatic answers to the ever more dismal social reality in Germany, the SPD does not offer a credible perspective that would transcend the new »iron laws« of globalised labour markets. While unimaginative Social Democratic »realism« vis-à-vis the dynamics of the capitalist economy might appeal to many who do not consider themselves as leftist, it offers no compelling, non-circumstantial, reason to vote for the SPD rather than for its bourgeois rival (and secret twin). The message of the SPD, spelled out in its Hamburg programme of 2007, embraces objectives many citizens would identify with, but it does not contain a convincing road map for overcoming the formidable obstacle economic reality puts in the way of these objectives.

It will not be easy for the SPD to climb out of the hole it has fallen into. If it tries to move away from the Agenda 2010 reforms and to restyle itself as the defender of »ordinary« people's interests, of social fairness etc. it will face a double problem: (a) it will jeopardise its credibility even further, and (b) it cannot hope to win over segments of the middle-class large

enough to beat the Christian Democrats in general elections. However SPD cannot stick to those policies that were at the root of the party's dramatic decline.

The French Socialists: Progressive Ambitions, Pragmatic Policies, Internal Conflicts, Shrinking Constituency

The Socialist Party (PS) has had to digest a number of defeats in national elections (presidential and parliamentary) in the last fifteen years. However, in municipal elections in between the PS has repeatedly been the strongest party nationwide.

Since the early 1980s, when the first Socialist-led government of the Fifth Republic tried to set the French economy on a »socialist« track with state control of strategic industries and wage-led reflation, politics in France has no longer been about fundamental decisions on the direction national development should take. Rather, it has focused on solving a number of serious problems. The French economy has not been too well for quite a while, unemployment has remained high, youth unemployment very high, and social exclusion has been on the rise, though not as dramatically as in Germany and other European countries. For many people, one of the most serious political challenges derives from the mass immigration of mostly North African Muslims.

The country's well developed welfare-state entitlements (including labour rights) are not well adjusted to the current structure of protection needs, but they have generated well-entrenched vested interests. Antagonising these interests is more or less tantamount to political suicide for any government. Therefore, neither socialist nor »conservative« governments have seriously set about introducing Third Way-type flexibility into the French labour market. On the contrary, the Socialist government of Lionel Jospin introduced measures to reduce the labour supply (the famous 35-hour week) in order to tackle unemployment. With regard to social policy, the PS has on the whole remained an old-fashioned Social Democratic party, even though it never was a genuine workers' party.

Both the large parties – the PS and the centrist-bourgeois party, which is descended from the Gaullist movement and currently carries the name Popular Movement Union (UMP) – offer middle-of-the-road policies that stay within the framework of the French version of a social market economy. Each one sets different accents. The UMP stresses law and order, while the Socialists emphasise civil liberties. Moreover, each wraps its agenda in a different narrative. The key point, however, is that both potentially ap-

peal to a broad range of middle-class voters who have not been socialised into either a conservative or a »left« political subculture. The large majority of uncommitted voters are willing to vote for a slightly leftist orientation or else for a moderate and sufficiently flexible conservatism, depending on which they think is likely to be more competent.

While the PS and the UMP continue to contend for the dominant position in the political middle ground (centre-left vs. centre-right) and try to present themselves as the more competent crew to steer the state ship through the stormy sea of societal and worldwide transformations, more radical contenders have been advancing from both ends of the political spectrum and have been making inroads into the support bases of the big parties. The xenophobic right-wingers of LePen's National Front have been successful since the 1980s, and more recently the left-wing Anti-capitalist Party has been gaining ground. This is gradually putting the Socialists in an awkward position.

As it tries to woo the middle-classes on whose support electoral victories over the centre-right crucially depend, the PS is losing support among the lower strata (the »couches populaires«), the majority of whom used to vote for the Socialists, but to whom a centrist message (even if it is disguised in leftist rhetoric) cannot appeal. The loss of working-class support makes it extremely difficult for the PS to win elections and threatens its identity. We see the same tendency here as in several other countries, too. The middle ground is hotly contested and shrinking, while the working-class base of the social democrats is eroding.

That working-class voters are becoming less responsive to the Social Democratic message has its origin in the subtle deterioration of their life situation and the outlook offered by the fundamental socio-economic transformations (keywords: globalisation, the decreasing economic weight of manufacturing, the information age, the knowledge economy, slow average economic growth). In order to guard against misunderstandings, we refer here to a level of economic and social degradation that is above outright social exclusion and is contained thanks to the comprehensive safety net provided by the French welfare state.

The Socialists do not have much substantial to offer that would reverse this trend, nor do they have convincing explanations that can be communicated to the public – like Social Democrats elsewhere, they are associated with the system that has produced the deterioration. Instead, they have laid emphasis on the emancipatory-liberal dimension of the Social Democratic value canon, something that does not strike a chord with »ordinary« people and their grievances

and that in several respects runs counter to their authoritarian and intolerant inclinations. The changes taking place in society now no longer conform with the type of »progress« associated with the emancipation of the working-class – hence the »progressive« discourse of the PS is no longer one of working-class emancipation, and bypasses the daily reality of many workers and employees.

The discrepancy between the Socialist discourse and the life of »ordinary people« is not just a product of the educated middle-class (or even upper-class) background of most PS politicians or of an unreflected elitist arrogance that characterises the organisational culture of the PS or even of its attachment to a social-liberal ideology that has little bearing on the problems lower-class people face today. Rather, it reflects the objective difficulty of coming up with an encouraging message for the »losers« of our times. The PS, for all its ideological emphasis on social inclusion and equality, has simply not managed to find a politically acceptable recipe for offering better prospects to »ordinary« people. More than that, the PS has avoided (with a canny political instinct, one might say) engaging in a serious search for such a recipe, as this might call into question the architecture of the French welfare state with its well-entrenched entitlements. By sticking to institutional reality, however, it has significantly reduced the scope for »progressive« policy-making and hence for once again broadening its support base.

To all its objective difficulties, the PS has added some home-grown ones. The party suffers from a lack of internal discipline, which has to do with its origins. The PS has always been an association of political entrepreneurs and ideologues, rather than a political interest group of the working-class, which has shaped the history of other Social Democratic parties in Europe and imposed a different sort of commitment to a common cause. As in most large parties, there are partly conflicting ideological currents within the PS, which are intertwined with competing networks of political careerists and power-holders. However, in the French Socialist Party internal rivalries are more liable to get out of control – to the point where the party loses sight of common interests, in recent times to an excessive degree.

The Dutch Labour Party: Competing in a Crowded and Shrinking Centre while Losing the Left

The Dutch Labour Party (PvdA) is competing in a highly fragmented political arena, as the number of

parties is concerned. Traditionally there has been a high degree of consensus over the range of acceptable policy, but the last decade has witnessed a significant radicalisation. Like in Austria, large parts of the population, especially from the ranks of »ordinary« people, have rebelled against the consensus of the established political class, of which the PvdA is a part.

In the course of this rebellion, both the Social Democrats and their main competitor, the centrist Christian Democrats (CDA), have lost considerable political ground. On average, the decline of the Social Democrats has been worse, even though election outcomes have become highly volatile. The erosion of the political centre has gone hand in hand with a surge in xenophobic populist parties (themselves very unstable) and recently a Socialist Party to the left of the PvdA.

Like Austria, where people also rebelled against mainstream politics, the Netherlands has fared rather well in European comparison. It still has a fairly intact welfare state, so unlike in Germany, France and the UK, social exclusion has been kept in check so far, even though it is increasing at the margins and inequality has grown. In fact, crucial labour-market adjustments to strengthen social inclusion were made in the 1990s in the typically consensual manner of the Netherlands, yet with decisive input from the Social Democrats. Unemployment was brought down drastically at the time and remained low in European comparison, but without the surge in precarious employment we saw in Germany. Seen from the outside, the Netherlands is a case of successful adaptation to »post-industrial« global capitalism.

However, the evolution of the Dutch political economy did not stop there. In the not-so-distant past, the PvdA has done its share to promote neo-liberal-inspired, though moderate welfare-state reforms, which led to a marked deterioration in public services, exacerbating trends that had already been visible for quite a while (e.g. in education). What made people particularly angry were cut-backs (based again on a CDA-PvdA understanding) to the generous Dutch invalidity scheme, which had served as a well-endowed place to park many unemployed. The unpopular reforms coincided with changes in global conditions that negatively affected the life of many people in the Netherlands.

One of these changes has to do with increasing international competition, which has put pressure on the pay and working conditions of many Dutch workers. For many years, however, the politically most salient issue has been large-scale immigration from non-Western (largely Muslim) cultures, which has had a major impact on Dutch society. The estab-

lished parties are being reproached for not having protected the people, or even for having promoted the changes. This reproach has hit the PvdA harder than the Christian Democrats, because it is associated with a betrayal of Social Democratic ideals. It strikes at the party's identity, insinuating that its »pragmatism« is no longer guided by a value compass. With regard to the immigration issue, the PvdA's long-time favourable stance towards a multi-cultural society is, of course, directly rooted in the party's profoundly liberal, emancipatory values. But this rather abstract liberalism has neglected the dispossession and loss of community felt by those whose life-space has been invaded by strangers.

Today, significant parts of the less privileged classes, at whom the traditional Social Democratic message is directed and who used to be faithful PvdA supporters, no longer feel represented by Social Democracy. With that part of the former Social Democratic milieu eroding, the parameters of electoral success have profoundly changed for the PvdA. The party now depends crucially on middle-class votes. But the centre segment of the political market has shrunk, and the PvdA does not have a genuine advantage here that could be derived from its basic political credo. At the same time its centrist competitors are strongly entrenched here, leaving the Social Democrats to demonstrate their competence to tackle the issues »of the day« and to try to gauge the general mood better than the other parties. One would expect them occasionally to succeed (as they did in the municipal elections of 2006) but often enough not to.

The PvdA has neglected the »soft« elements of an integrated society. Its leaders have failed to sense that for those who are not part of the »post-industrial knowledge economy« more is at stake than just purchasing power, namely a feeling of belonging, of shared values and of identity (the strongly communitarian Netherlands they had a respected place in and they were proud of).

In order to regain strength beyond the occasional exploitation of favourable political circumstances, the PvdA would have to re-conquer that segment of the political market that has fallen to the populists and to the more radical left. For that it would have to offer a »product« (programme, narrative, mode of communication) that addresses in a credible way the accumulated discontent of the electorate. However, this cannot simply be a copy of the populist »product«, i.e. inconsequential law-and-order, anti-globalisation, anti-immigration and anti-EU talk.

Unlike some other EU countries, the Netherlands is at present not really in need of a socio-economic

turn-around that would allow it to overcome increasing social polarisation. In this respect, the PvdA is not in the same position as the German SPD, for instance. But like other countries, the Netherlands needs a democratic renewal that would overcome the alienation of many people from the world of governance. The challenge for the PvdA is not to find the magic marketing formula that would »sell« the party better, but rather to pioneer a democratic renewal that would take the wind out of the populist sails. Solutions to people's problems are important, but even more important is a different style of political communication to strengthen people's stake in democratic politics.

The Austrian SPÖ: Riding the Horse of Success Away from Those Who Feed It

The Austrian Social Democrats are in some respects (though not all) in a similar position to the Dutch PvdA. Like the Netherlands, Austria has been faring well economically under Social Democratic management and has remained one of the »star performers« in Europe. The welfare state has stayed largely intact and social exclusion is still pretty low, though rising. The Social Democrats have embraced economic modernisation and have actively promoted the transition to a knowledge-based industrial structure that has positioned itself well in the new transnational markets, leaving behind the old emphasis on state ownership and introducing a remarkable portion of functional flexicurity into the labour market.

Like in the Netherlands, people have started to rebel against mainstream politics. Both big parties, the Social Democrats (SPÖ) and the centre-right Austrian People's Party (ÖVP), have lost a dramatic number of votes to the parties of the reckless and charismatic right-wing populist Jörg Haider, leader first of the once liberal FPÖ and then later of the split-off group, the Austrian Future Alliance (BZÖ). After the election of 2008, both together had almost as many deputies in the national parliament as the Social Democrats and more than the Conservatives. In the meantime support for the SPÖ has continued to decline dramatically, also compared to the ÖVP.

The Social Democrats face the problem that their specific message of social justice and solidarity no longer reaches many of those to whom it is primarily directed, the lower classes.

The explanation is in part similar to the one that applies to the Netherlands, but it has a very specific Austrian component as well. Haider's success can be seen to some extent as a backlash phenomenon in

response to the peculiarly Austrian version of cartel politics. The SPÖ has been in power or shared power in »grand coalition« governments with the ÖVP almost throughout the entire post-war period. This has made it increasingly vulnerable to accusations of insider politics, privilege trading and detachment from the ordinary people and their concerns. The SPÖ is clearly included in the widely accepted image of a self-serving political class.

However, this is not the whole story. The populist »politicians-against-the-people« message has fallen on particularly fertile ground among »ordinary«, not so well-to-do and not so educated people and become a channel for their more generalised discontent. Despite the country's healthy economic performance and not yet endangered mass prosperity, a generalised perception has spread that things are deteriorating and that former certainties with regard to pensions, health care and job security are disappearing.

In fact, a growing segment of the population has experienced a creeping decline of its economic position, finding itself exposed to an ever less friendly labour market, with lower pay, less security and fewer perspectives. Even though this tendency has not generated much outright social exclusion, as it has in other countries, it has contributed to declining lower-class support for Social Democracy, which is no longer perceived as the protective force for the man in the street, but rather as part of the »post-industrial« modernisation syndrome that is shaking old securities.

An additional issue successfully exploited by the right-wing populists is the increasing presence in Austria of immigrants from poorer, mostly Eastern European countries. The xenophobic message strikes a chord within the traditional Social Democratic milieu (as it does elsewhere, too), where many are highly susceptible to a feeling of cultural dispossession, of their life-space being invaded and their way of life being devalued by the spread of »alien« subcultures – a phenomenon observed in other European countries as well.

Ironically, the SPÖ does not only have problems with the working-class rejection of post-Cold War social changes. It is also finding it increasingly difficult to appeal to those who are fundamentally non-conservative and who espouse societal change in response to global mega-trends. They consider the Social Democrats to be unimaginatively attached to existing societal patterns and to be short-term »realists« without a long-term vision, their message irrelevant to the great challenges ahead. For these – mostly intellectual – groups, the SPÖ has ceased to be the force of progress.

Finally, parts of the former Social Democratic milieu have become disinterested in politics and retreated into private life. They are indifferent to the Social Democratic message – no matter how progressive or how traditional.

Even if Austria succeeds in maintaining a healthy economic performance, sufficient to keep social exclusion and polarisation under control, this would not reverse creeping popular discontent with the course society is taking. Therefore, governance based merely on technocratic competence, shrouded in ritual and characterised by unconvincing talk of solidarity, is a risky course to take for Social Democracy. It makes it highly vulnerable to alternative bids for popular support that address the reasons for discontent and are presented with emotional appeal, charisma and perhaps even visionary power. A renewed and revitalised People's Party might come up with something like this and leave the Social Democrats behind. A more sophisticated version of populism that could be taken more seriously by broad sectors of the electorate would be another scenario. Of course, things could also go on in the familiar way for quite some time with no party being able to gain a decisive advantage, because none manages to transcend the current »melange« of uninspiring technocracy and superficial political theatre with a high media profile, which both fascinates and disgusts simultaneously.

A different set of scenarios would surface if economic growth were to slow down significantly over a longer period – whether for home-made reasons (not very likely) or for external ones. Austria would then see its share of mounting social problems from which it has been spared until now. This might in turn engender a populist surge that would be in stark contrast to the almost six decades of extreme political stability. For the SPÖ an entirely new political context could emerge.

Italy: Reconstituting the Centre-Left within an Unsustainable Social Model

Italy's political parties became thoroughly discredited at the beginning of the 1990s, when both the politically dominant Christian Democrats and the non-Marxist Socialists were revealed to be mired in a swamp of corruption just at the moment when the Communists, in Italy the traditional workers' party, lost their ideological anchor with the collapse of the Soviet bloc. Since then, the centre-right has quickly found a new and non-traditional way of political articulation in the shape of media tycoon Silvio Berlusconi's highly personalised Forza Italia movement. The centre-left

has gone through a much longer process of party start-ups, coalitions, mergers and spin-offs. Step by step, this process has generated an ever more encompassing centre-left party, the latest step being the formation of the Democratic Party (PD), which merged political groupings with Social Democratic and Christian Democratic ancestry.

Ideologically, the Democratic Party has adopted a pronounced centrist-pragmatic position, trying to appeal to a broad spectrum of middle-class and working-class voters, but shying away from a determined pursuit of redistributive goals. This has favoured the formation of more outspoken leftist parties. More recently a challenge from the left was mounted with more popular resonance by the Italy of Values (*Italia dei Valori*) party that started out as a centrist, Christian Democrat-oriented political force. The reconstitution of political Social Democracy in Italy was and continues to be a top-down process, driven by debates and negotiations among left-leaning political entrepreneurs. In a way, the Democratic Party (like its predecessor parties) constitutes an alliance of different factions organised around leader personalities. This internal pluralism blends ideological leanings with a career-oriented clientelistic pattern.

For its first electoral contest, in April 2008, the PD formed a coalition with *Italia dei Valori*. But this centre-left coalition lost against the coalition led by Silvio Berlusconi. Berlusconi's own new party, People of Freedom (itself a merger), won 37 percent of the vote and together with its ally, the regional Lega Nord, the coalition of the right achieved 47 percent. The PD itself got 33 percent and its coalition 38 percent. Two years previously, the all-encompassing coalitions of the left and the right (The Union led by Romani Prodi and Berlusconi's House of Freedoms) both came close to 50 percent, with the left very slightly ahead. If one takes into consideration the results of the 2001 and 2003 elections the picture of a slight structural majority of the rightist camp emerges, which the left has not managed to reverse so far.

The attempt to explain the structural disadvantage of the left must go beyond its tactical mistakes, beyond its neglect of opposition homework and its excessive preoccupation with itself. It must also go beyond the binding force of traditional ideological milieus that continue to circumscribe the electoral potential of the left. We have to shift our focus instead to the particular situation of present-day Italian society. Ultimately, elections are won in Italy these days by populist promises to cut taxes, improve the performance of the public administration, be tough on crime and immigration and reverse the decline of the economy. Berlusconi has not only been the better,

because the more reckless, populist, he has also been helped by his personal control of much of the nation's media.

To be successful with an alternative program that is attractive to majorities and sustainable at the same time, a convincing message of profound renewal would have to be offered. The left has not managed so far to offer the grand anti-populist alternative, but has instead stuck to its moderate, and rather feeble, redistributive, social justice standpoint within the pattern of ultimate non-sustainability. In other words, it accepts the confines of endemic populism.

Italy needs – more urgently than any other country in our sample – a national development policy with special emphasis on the build-up of production-related research capacity and on internal competition. The precondition for this to happen is a profound renewal of the state, an end to the clientelistic structures of the »System Italia«, to which the public has got used. If this is not forthcoming it is to be feared that living standards of large segments of the population will continue to decline. The real incomes of many people (some claim, up to two-thirds of the population) are already declining and the low-wage segment of the labour market is expanding, especially in the services sector. Traditional, mostly inter-generational, family solidarity acts as a buffer but does not completely compensate for the impact this has on standards of living.

The fact that the very sources of national prosperity are endangered makes for a rather unpropitious context for any Social Democratic social justice agenda. It would have to focus on distributing evenly the costs of economic decline, not on having everybody participate in the fruits of productive growth. So far the PD as well as its left-leaning allies (and maybe rivals) have limited their social justice message to redistributive and protective mechanisms that befit a growing economy (taxes, welfare-state schemes, workers' rights). However, this is an inappropriate way of neutralising the effect of receding employment in the labour market segment where decent wages are still to be earned. The emphasis of the Social Democratic message in the Berlusconi-dominated post-1990 period has been in the area of civil liberties, the rule of law and European integration (as well as Italy's role in the Iraq war, as long as this was relevant).

Looked at from an economic angle, however, the Italian centre-left has been playing along in the national game of self-deception, of pretending that prosperity is more or less ensured and »business as usual« will do. This has not cost it votes so far, because the nation as a whole seems to cherish the illusion, which is comfortable as long as it lasts. The left

has contributed to increasing future social exclusion, when good jobs will become scarcer and the socially protective function of the family will erode.

Paradoxically, Italy's creeping economic decline has played into the hands of super-populist Berlusconi, who has been cultivating an image as someone who is above petty party politics and cares about the country and the people. But this is also a chance for the centre-left. In the recent history of global capitalism, such renewal projects have often come along in a tough anti-social guise, trying to remove what is supposedly in the way of market forces. But longer-term comparative evidence suggests that it is much more important to develop overheads (notably human, institutional and knowledge capital) and that »productivity coalitions« of labour and (productive) business can be highly conducive to sustained success. This implies that a national development project for Italy could be an eminently Social Democratic one. Besides it would be the only way to create the economic basis for future social inclusion. Such a project should allow labour to share in the fruits of rising productivity. Rising mass purchasing power would contribute to ongoing growth, especially as far as the production of non-tradables is concerned.

A project of this kind could enlist the support of the small Christian Democrat-oriented Union of the Centre party that sided with Berlusconi in the 2006 and 2008 elections. Of course, it would also imply a decisive good-bye to Italy's endemic populism. The message that there is no easy solution to mounting discontent can only be »sold« well at elections if it is embedded in a positive message that change is possible. To come up with such a message takes confident leaders who have a clear vision of the direction the country must go.

The Spanish Socialist Labour Party: Still the Force of Progress in a Catching-up Society

Post-Franco Spain has exhibited an almost text-book pendulum pattern of democratic politics. The Spanish Socialist Labour Party (PSOE) governed Spain from 1982 until 1996, its share of the vote declining steadily from 48 percent in 1982 to 38 percent in 1996, when it had to hand over power to its rival, the conservative People's Party (PP). Four years later, the PSOE polled only 34 percent – its worst electoral result – but it bounced back to power in 2004 with 42.6 percent of the vote and was confirmed in office in 2008 with 43.6 percent.

The PSOE has used its mandates to govern Spain for the successive transformation of the post-dictato-

rial country into a modern democracy, strengthening the rule of law, civil liberties and regional autonomy and pushing back the influence of traditionalist Catholicism on public morals. It has also extended welfare-state protection, but prudently left social inclusion to be led by rapid economic growth and much of the solidarity with those excluded to the family. Thus, for the time being, the Spanish welfare state is still in several respects rather underdeveloped. But it is – at least from the PSOE point of view – in the process of development. Social exclusion is relatively high, social polarisation more pronounced than in most West European countries, but the perspective is one of improvement, not one of retrenchment. The social displacement and discontent associated with the »post-industrial« transition have not affected Spanish politics. In Spain the »end of working-class emancipation« has not arrived yet. Of course, the present economic crisis, which is hitting Spain especially hard, will make for a serious set-back. How temporary this will be cannot be foreseen at the present moment.

Social Democracy is still *the* force of progress in Spain. But the swings of the pendulum show that the PSOE is *not* a hegemonic party that would reflect a dominant Social Democratic mood or conviction within the population. The PSOE's limits are set by the persistent strength of the conservative milieu and by the highly conditional nature of non-committed voters' support.

The erosion of the classical political milieus is not nearly as advanced in Spain as elsewhere. The Socialist and the Conservative milieus are about equally strong, some would say the Socialists have a slight advantage here. The cleavage between the two is primarily a socio-cultural one; the socio-economic dimension is secondary. Both parties have loyal supporters among the lower classes and the middle classes. Whereas the unity of the Spanish nation and the Catholic religion are cornerstones of the Conservative value system, the Socialists not only stand for social justice and solidarity, but equally for civil liberties, for emancipation from traditional authoritarian patterns and for »progress« and »modernity« in a general sense. Part of the PSOE's strength is derived from the fact that the battle for liberal democracy is in a way still being fought in Spain and that for many, the political Conservatives stand for an anti-liberal, anti-modern society. For the conservative milieu, in turn, the PSOE stands for atheism, libertinage and lack of patriotism.

As elsewhere, it is the non-committed voters who decide elections. That they are willing to switch their allegiance indicates (a) that the PSOE is subject to the wear that comes from being in power and (b) that

the PP is flexible enough in political practice to appeal to non-traditionalist, open-minded voters as well.

The swing of the democratic political pendulum might push the PSOE out of power again, but will renewed conservative rule remain an intermezzo, too?

The structural basis of the PSOE's repeated electoral successes is not likely to last. As time goes by, it is to be expected that political conservatism will become more flexible, less anti-modern, more centrist. Such a tendency is already becoming visible. This would imply that the PSOE's claim to be the guarantor of a liberal and modern Spain will be weakened. Moreover, Spain's economic position in the world market is highly vulnerable to low-cost foreign competition. With the domestic, construction-driven boom ending, severe social displacement seems unavoidable. And the Spanish welfare state has not developed very effective protection for this type of casualties of the market economy. High economic growth rates have been an essential element in social inclusion. If the transition to a high-productivity economy is not achieved rapidly it is likely that persistent social exclusion will become a serious problem not only for the country, but also, and especially, for the PSOE. If »modernisation« no longer goes hand in hand with increasing mass prosperity, the party of »modernity« can only suffer. Spanish politics might then develop a similar pattern of radicalisation at the fringes as we observe in other European countries.

The Danish Social Democrats: in Danger of Losing Their Profile in a Social Democratic Country

Social Democracy dominated Danish politics throughout most of the 1960s and 1970s and then again in the 1990s. In that latter period the Social Democratic government under Poul Nyrup Rasmussen applied a well-designed package of macroeconomic, industrial and labour-market policies that led to the Danish »employment miracle« and established that famous »flexicurity« system that has attracted world-wide attention and admiration. Yet in 2001, Social Democracy lost about one fifth of its 1998 votes, without its leftist and centrist coalition partners being able to make up for the loss. From then until now, Denmark has had a centre-right government, dominated by the Liberal party (Venstre, which means left) of Anders Fogh Rasmussen (since April 2009 Lars Løkke Rasmussen), which has replaced the Social Democrats as the strongest party.

The Venstre party did not campaign with a pronounced neo-liberal programme, but instead reas-

sured the people that they would leave the highly developed and widely popular Danish welfare state intact. However, it also promised tax cuts and spoke in general terms about »less state«. All around, it made a major effort to reposition itself as a political force of the (in many respects social-democratically minded) centre, as a force that responds in a non-ideological and competent way to the upcoming challenges, including the environmental one, to which it had for a long time turned a blind eye. Venstre could count on substantial monetary support from business, whereas financial trade-union support to the Social Democrats was reduced significantly.

The issue that contributed more than any other to the turn-around in Danish politics was Muslim immigration. The issue was given a high national profile by the right-wing populist Danish People's Party (DF), which was founded only in 1995 and led by the highly articulate and outspoken Pia Kjaersgaard. The DF polled 12 percent of the votes in 2001. It did not enter a coalition with Fogh Rasmussen's Venstre party, but instead lent crucial parliamentary support to the governing Liberal-Conservative coalition – for the price of tough anti-immigration policies. In the next two elections (2005 and 2007), the votes for Rasmussen's party receded, but the DF grew even stronger.

There are several factors that contributed to the relative decline of the centre-left. One was certainly the defection of parts of the »working class« to the DF. However, their susceptibility to the xenophobic message has less to do with a deteriorating socio-economic situation than it does in other countries with a heated anti-immigration discourse. The overwhelming majority of the Danish working-class has so far not faced social and economic decline. Xenophobic feelings in Denmark have more to do with a sense of cultural provocation by the intrusion of entirely »non-Danish« ways into a hitherto fairly homogeneous and intact community (similar in this respect to the situation in the Netherlands). For some, the »provocation« may be coupled with a kind (or fear) of material and cultural dispossession, as, for example, when parts of public housing or entire neighbourhoods together with their schools go downhill.

A related theme that has also tended to curtail popular adherence to Social Democracy is Denmark's deeper integration into the European Union, which the Social Democrats have advocated, but which a majority of the population tends to fear as a threat to the Danish community and Danish identity – as a kind of surrender to foreign rule.

The defection of segments of the population that have a stake in the maintenance of Danish »social

democracy« must be seen against the background of the apparent national consensus on the social democratic architecture of Danish society. Like in some other European countries, the welfare state and the labour-market institutions are not openly a major bone of political contention in Denmark. The populists of the Danish People's Party even advocate more generous benefits for pensioners. This has facilitated the rise of other issues to political salience. The general view is that the Social Democrats are not needed that much, because Denmark is a social democracy anyway.

The fact that the democratic left in Denmark has long been organised in several parties that would elsewhere be united adds to the sense that the Social Democratic Party is dispensable as the political force of social inclusion, solidarity and emancipation. It is believed that these broadly shared values can be in good hands with other parties as well. What becomes more important, then, for electoral success are circumstantial factors such as leadership qualities, perceived competence to govern and campaigning skills as well as positions on issues that are not easily covered by the core values of Social Democracy. One should expect that such a pattern of politics, characterised by a fundamental »social democratic« consensus, multiple political controversies and a relatively fragmented structure of competing parties, makes for volatility in election outcomes. It does not give a Social Democratic party a particular advantage derived from the values it stands for. Rather it induces the Social Democrats to develop a profile on all sorts of »post-modern« issues, just like the other parties, and hence to become less discernible in the process.

Yet, like in Sweden, the »social democratic consensus« is treacherous in Denmark. An open assault on the welfare-state structure in the name of a neo-liberal lean-state alternative has no political chance. But the Venstre party of Prime Minister Fogh Rasmussen has adopted a cunning tack, introducing apparently minor changes – for instance offering more choice and competition – that would create incentives to opt out of the solidarity structures and to develop parallel structures for the well-to-do. It also used the past years' boom windfalls to the budget to cut taxes in a way that may jeopardise the future financing of the welfare state. Many are convinced that there is a strategy behind these moves. This would make it important to put the issue of what kind of a society the Danish people want, currently being addressed behind the scenes, back onto the table. And then it would be important whether the centre-left or the centre-right governs.

Opinion polls conducted in summer 2009 suggest

that Social Democracy, together with its centre-left allies, has a good chance of replacing the centre-right in government at the next elections. Whether it succeeds depends, of course, on the usual ingredients of a successful campaign, on the comparative charisma of the leaders and on the comparative efforts (dedication, resources, professional skill) invested in persuasive communication with crucial target groups. But also important is that the Social Democrats, who stand for a proven concept of globalisation-proof social inclusion, refocus the political discourse on this concept and rescue it from the seductive »more-choice« and »less-taxes« line. Voters must be made aware that there is a trade-off between taxes and public services, that the well-functioning public sector that most people enjoy and support has its price.

Equally important is that the Social Democrats should not leave the agenda-setting advantage in the immigration issue to the xenophobic populists and their opportunist centre-right allies. Here they would need to actively promote a concept of their own, focusing on positive action-based integration and counteracting, with commitment to results, ghettoisation and the degradation of neighbourhoods – even though this might create conflict with their Social Liberal allies (who polled 5 percent of the vote in 2007).

SAP: the Guardian of the Highly Popular »Swedish model« but without a Political Monopoly

Without winning absolute majorities in elections, the Swedish Social Democratic Party (SAP) has enjoyed political hegemony ever since it led the country out of the Great Depression of the 1930s. Its policy design for economic recovery, developed in close cooperation with organised labour, blended with an economically resilient architecture of social inclusion. Both together have shaped Swedish society and become part of Swedish identity. They have generated a solid basis of vested interests in the maintenance of the »People's Home« (*folkhem*), as the country's welfare society has been branded. Unlike other European welfare states, the Swedish one was the sole result of Social Democratic governance. And Social Democracy has been its »guardian« ever since.

While a point was reached where the »bourgeois« opposition did not dare question the architecture of the Swedish welfare society, and indeed periodically emphasised their loyalty to it, it was the SAP that re-financed it after a severe economic slump in the 1990s. After the major changes introduced by the

Social Democrats, the Swedish economy, which had been virtually stagnating during the 1980s, bounced back to high growth rates based on a combination of sound macroeconomics and competitiveness in high valued-added production. Significantly, the adjustments made to accommodate the need to stay competitive under global capitalism were not extended to the labour market – in the way they were in Germany, for instance. No low-wage sector has been allowed to emerge so far.

Instead, the Swedish labour movement, governments and the trade unions alike have consistently since the 1930s encouraged rather than resisted industrial restructuring. By strictly limiting low-wage competition through a »solidarity wage policy«, low-productivity work places have been wiped out, forcing individuals as well as firms to increase productivity. Social Democratic governance from 1994 to 2006 under Prime Minister Persson built on this thinking and continued what must be deemed a resounding success story.

Nonetheless, the 2006 polls were won by a »bourgeois« coalition, led by the Moderate Party presenting itself from the centre ground as »the new labour party«. The SAP was relegated to the opposition, even though it remained with 35 percent of the votes by far the strongest party (the Moderates won 26 percent).

This defeat followed the classical pendulum pattern of democratic politics. The Swedes did not vote for a revision of Social Democratic policies, they did not vote for less welfare state and lower taxes. It is more appropriate to say that many non-committed urban middle-class voters considered the SAP's work as done and the time therefore ripe to give a chance to a new style of governance, to a greater dose, so to speak, of individual autonomy and choice. However, the polls suggest that they are quite ready to switch back to the centre-left if »bourgeois« governance does not prove satisfactory. At present, Swedish politics is not about fundamental choices, it is about variations in public policy accents on the basis of the well-established »Swedish model«.

While it is true that a solid majority of the population favours the socially inclusive, relatively egalitarian way the economy and the state are organised and are willing to pay with high taxes for the universally accessible high-quality public services, adherents of a more neo-liberal economy and society, who gained access to political power in 2006, seem to be trying to undermine the Swedish model in a stealthy way. The Social Democrats fear that their target is the high degree of unionisation, which is a pillar of the overall architecture of the *folkhem*. It is feared that deliberately weakening organised labour with seductive of-

fers of more individual choice will clear the road for the emergence of a low-wage labour market segment, which would mean the end of Swedish-style social inclusion. From this point of view, it would be essential for the SAP to return to power in 2010.

The weaknesses of the »bourgeois« government – and a source of remaining Social Democratic strength – is that people suspect its long-term goals may be at odds with the »conservative« outlook of most Swedish people. The government tends to lose support as soon as it goes ahead with anti-welfare reforms, and is, moreover, currently gaining from its »social democratic« discourse about the need for strong public finances (to motivate non-interventionist economic policies during the downturn) and criticism of excessive risk-taking and greed by financial and business leaders.

Unlike in other European countries, welfare-state retrenchment and labour market liberalisation cannot easily be portrayed as a maybe bitter, yet unavoidable medicine prescribed by the reality of global capitalism. For this, the Swedish economy performed too well under Social Democratic rule. Reforms must be introduced as a matter of preference, but it is a preference that is not shared, it seems, by the majority. In this respect, »bourgeois« politics is locked into the social democratic model of society that has been established and developed in the past. The »bourgeois« parties can be politically successful only as long as they do not question Swedish Social Democracy.

Thanks to Social Democratic policies, globalised »post-industrial« capitalism has *not* generated many losers in Sweden so far and »modernisation« has not become a major challenge for Social Democracy. But the present economic crisis is changing the parameters for both the continuation of Swedish-style social inclusion and equality and neo-liberal-inspired strategies. While adjustment to the ways global markets work has lost much of its persuasiveness, it remains to be seen whether the economic core institutions of the Swedish model – highly centralised productivity-oriented wage-setting and large-scale public employment – will be able to buffer the impact of the global slump.

In the near future, the serious challenge for Social Democracy will no longer be the lure of economic radical political forces might emerge if the »administrators of the system« do not come up with convincing responses to large-scale unemployment. In the past, it has been the strength of Swedish Social Democracy to develop radically rational responses to vital challenges. It is to be hoped that it has maintained this rare political capacity. Many fear it will be hampered by the novelty of forging a pre-election

alliance with the Green and the ex-communist left parties for the polls in September 2010.

The social democratic Malaise and its Causes

In several of the countries investigated the reason for the electoral decline of Social Democracy seems quite obvious: significant parts of its traditional support base among the less well-to-do social strata have broken away, because they have experienced socio-economic deterioration without the Social Democrats being able to do much about it. Middle-class support has shrunk, too, but to a lesser extent. In other words, the Social Democrats are no longer seen as effective promoters of lower-class interests. These population segments have ceased to regard the Social Democrats as the political force advancing their interests. At the same time the loss of lower-class support has not been compensated for by a switch from the centre-right to Social Democracy by better-off voters.

Until not so long ago, it was possible to say that Social Democratic thinking had been pushed into the corner of outdated »ideology« by the hegemony of neoliberalism. Today, however, the ideas that provided the normative direction for how society and the economy were to be shaped over the past three decades have lost their seductive power. Nevertheless, political Social Democracy now has less appeal than it has had at any time since World War II, while political conservatism is »social democratising« itself. At the same time, discontent with »mainstream« politics – centre-right and centre-left – is obviously growing, boosting the electoral success of the populist right as well as parties left of Social Democracy. Social Democracy is simply not seen as the political force that has the most convincing answers to the challenges posed by the deepest economic crisis for more than seventy years. At the same time, those associated with the rise of crisis-prone »post-Keynesian« capitalism are still winning elections.

The End of Social Democratic Progress

Our hypothesis is that fundamental transformations in the working of the capitalist market economy – globalisation, the digital revolution, the »post-industrial« knowledge economy as well as a secular decline in economic growth in the wealthy countries – have made it increasingly difficult for Social Democracy to deliver on its core promise of social justice. Recipes of the past, embracing welfare-state protection, work-

ers' rights and full employment, have not been able to prevent creeping social exclusion and polarisation. When Social Democracy finally came to accommodate the new realities programmatically, this did not take the form of a reassertion of fundamental social democratic values, but rather amounted to a recognition that more inequality was to be tolerated.

Now that bold new answers are required, Social Democracy seems to be paralysed by its newly found pragmatism that – in the eyes of many voters – stands for everything and nothing. It is afraid to be pushed back into its old ideological corner which it fought so hard to get out of. To put it pointedly: in many European countries, Social Democracy seems to be afraid to become social democratic again. Thus, so far it has lacked the ideological conviction and power to shape the future of capitalist development, it runs behind the new developments instead of providing direction for them.

Social Democracy has always been about social inclusion, about making the capitalist economy function in a way that gives people a fair share in the fruits of capitalist productive efficiency. More generally, it strives to put the economy at the service of human well-being and self-fulfilment, providing the material basis for the freedom to shape and live one's life according to one's own personal preferences. Turning this vision of a profoundly »human« society into reality was the essence of social democratic »progress«. The emancipation of the »working class«, the losers of early industrial capitalism, to make them members of such a »human« society has for a long time been the core element of this kind of progress. Yet now it has come to a halt and is being reversed throughout much of Europe, apparently without the Social Democrats being able to do much about it.

The mechanisms of social democratic progress towards a socially inclusive society were (1) the bargaining power of labour vis-à-vis employers, (2) the welfare state with its schemes of risk insurance and income support and (3) the importance of public goods and services. Beginning in the 1980s, the labour-market pillar of social inclusion was successively weakened, resulting in a combination of rising unemployment on the one hand and worse paid, more precarious employment on the other. Consequently, this put the other two pillars under pressure as well. The evolution of global capitalism blocked some of the once successful roads to social inclusion, because it made certain arrangements of labour-market regimes and welfare-state protection ineffective, especially with regard to social inclusion, and turned them into a kind of »socially exclusive corporatism«.

Losing the vision of progressiveness is the main reason for the patterns we find in Germany, France and to a lesser extent (so far) in Italy. The UK is rapidly heading in this direction, now that the impact of New Labour's corrections to the preceding radical market excesses of the Tories has petered out and large-scale social exclusion has come to stay.

We also find a variant of this pattern in Austria and the Netherlands, where outright socio-economic deterioration among the lower classes has not become a major problem yet, but where the economic perspectives of many less-educated people (and not only them) have become delinked from the general growth in prosperity and where the socio-cultural divide between the lower classes and the educated middle classes has grown more accentuated.

In Spain, where the Social Democratic Party continues to poll well over 40 percent of the vote, it is still the force of progress – most of all, of civic progress vis-à-vis a political conservatism that is associated in several ways with a pre-democratic, authoritarian past. The contrast presented by a highly »anti-social« and outmoded conservative competitor also explains much of British New Labour's stunning success, which has now come to an end.

In Sweden and Denmark, in turn, social democracy (seen as a way to organise society) is so entrenched and so resilient to the economic changes which have swept the world in recent decades that Social Democratic parties have become, in a certain way, dispensable. Their »bourgeois« competitors are not perceived as a danger to the socially inclusive societies that prevail in these countries. Thus, the political discourse and political competition has come to focus on other issues, which do not favour the Social Democrats. A growing anti-collectivist preference for more individual autonomy has boosted the appeal of »bourgeois« parties in Sweden and Denmark. In Denmark (as in the Netherlands, Austria and France but against different socio-economic backgrounds), a growing anti-immigration sentiment has turned into an additional problem for the Social Democrats.

Altogether, the problems of Social Democracy in Scandinavia are on an entirely different level than they are in the other countries in our sample. In Sweden as well as in Denmark it is hard to see what additional progress can be achieved under Social Democratic rule, since practically everything the Social Democrats stand for has been achieved and is not openly challenged by the »conservative« camp. What could give them renewed relevance is the need to defend the institutional architecture of social inclusion against attempts to dismantle it by the back door.

A Socio-cultural Divide

The fact that political Social Democracy has been losing support among the lower classes throughout much of Europe has more than a purely economic dimension. The message Social Democracy has for them has lost its power. Nowadays, the future is the knowledge society, which offers plenty of chances for bright, well-educated, enterprising and highly mobile people, while political Social Democracy has ceased to espouse the cause of »ordinary« working people. It has become part of that »brave new world« of high value-added production, flexibility, life-long learning etc., which is the world of the »winners«. When asked to provide real perspectives for the losers of the »great transformations«, the Social Democrats find themselves at a loss.

Many people throughout the affluent countries of Europe sense that the central parameters of the societal framework in which their and their children's lives are unfolding have changed. There is a general, vague feeling of unease prompted by insecurities about incomes, careers, jobs, skills and social protection, which also extends to how people feel about their way of life, community and identity. Many people fear that the future carries more risks than chances for them and their children. They fear for their standard of living and for their place in society. In a way, the world that is unfolding around them is no longer theirs. They feel alienated, dispossessed and downgraded. Many of those who have become pessimistic about the future come from those segments of society that traditionally supported Social Democracy. Nowadays they consider Social Democracy to be part of the »modernisation« that is eroding old comforts and old securities.

Where Is the Enemy?

Related to the »end of progress« is that Social Democracy has lost the »enemy« who was rather essential for the Social Democratic profile. Throughout most of Western Europe, Social Democracy's most important rivals in the political market place are neither neoliberals nor »conservatives« in an anti-progressive meaning of the word, even though the basic value-orientation of their most faithful voters is conservative. In reality (as opposed to the myths propagated by both sides), Social Democrats and »Conservatives« no longer compete over fundamentally different directions national development should take. They compete over competence to govern. The differences which do exist are minor compared with the differ-

ences cultivated in the parties' narratives. The political discourse – in its essence rather than in its projection into the theatre of partisan debate – is a centrist one, oriented towards the handling of the various national problems within relatively narrow constraints circumscribed by a broad consensus on what is realistic and what utopian.

In some highly developed European countries, Social Democracy is in the process of losing its relevance because it has not found ways to live up to the expectations of many of its erstwhile supporters, nor indeed to its own social democratic values. A political force that reinforces social democracy (here taken to mean a desirable way to organise society) is badly needed. But Social Democratic parties have so far not been up to this task. In part, because they have emphasised policies that are no longer adequate, in part because they have come to adopt »realistic« policy stances that amount to an acceptance of high levels of social polarisation and exclusion. Thus, they have lost their natural advantage, so to speak, vis-à-vis the centre-right, which has developed its social discourse well beyond the stereotype of hard-nosed neoliberalism and classic conservatism.

Towards a Project of social democratic Renewal

This analysis has shown that Social Democracy has been successful where and as long as it could fulfil a progressive function: offering convincing policy packages for a socially more inclusive, freer, more participatory and at the same time more prosperous society; or else offering convincing ways to strengthen progressive structures vis-à-vis the onslaught of globalisation, the information society etc. Social Democracy has seen its electoral appeal decline where its agenda is no longer really a progressive one and where it has to compete with its political rivals predominantly over general competence to govern and to master the various challenges confronting modern societies. The review of European countries suggests further that the Social Democrats' »progressiveness« is not simply a matter of political choice or political consciousness. To a large extent it is a function of the options left by the impact of the »great transformations« on the welfare-state architecture created in the past.

Social Democracy's commitment to social justice and human freedom calls for a policy of profound corrections to the way most Western European societies have been functioning lately. So do the parameters of political competition. European Social Democrats should not and cannot successfully settle for a

policy of timid »realism« that surrenders to the blockades that are in the way of a truly progressive policy, that accepts considerable social polarisation as unavoidable and that tries to outbid the centre-right with regard to general competence to govern. At best, they might profit occasionally from their rivals' political mistakes, prolonged incompetence or ideological blindness.

Social Democracy does not have the often cited choice between a »leftist« policy stance that caters to the losers of the »great transformations« and a »reform« policy of welfare-state retrenchment and a more flexible labour market. If Social Democracy is to reverse its decline it must come up with an encompassing project of renewal, a project that is strong enough to meet today's challenges and that appeals to a heterogeneous majority of the population. It must forge, so to speak, a new coalition for the »taming« of capitalism, once again putting its productive and creative forces at the service of human fulfilment.

As already pointed out, Social Democracy emerged as a response to discontent with capitalism, and the capitalist economic system still represents the all-pervasive frame of reference for both the struggle for a social democracy (understood as the most desirable way of organising modern society) and for the political fortunes of Social Democracy (understood as the political force that defines itself as the promoter of a social democracy). The political challenge posed by capitalism derives from and refers to its relations with other modes of organising society, such as the state, the family or traditions. In the recent past, the dynamics of the capitalist economy have imposed its priorities to such an extent that other human concerns have come to suffer. The task is to reassert the values of a truly »human« society: social justice and (individual as well as social) life beyond the market. For this, the capitalist economy needs a new regulative framework. Developing such a framework, and propagating and fighting for it, is what a Social Democratic renewal project should be about. This might require profound institutional changes, which might appear utopian at first glance. But the political task is to turn such »utopian« ideas into politically realistic options.

Seven Policy Proposals for a Renewal of Social Democracy

Taking into account the conditions outlined above, we will propose seven policy options which could form the basis for a project of renewal of Social Democracy in Europe. The proposals are by no means all-embracing or complete; rather, they should be

seen as a starting point for further discussions on a European-wide renewal process.

1) *Focus on the Labour Market*

Third Way-type reforms are no longer viable under the new conditions. They do not control the polarising effects of widely available cheap labour. Ultimately, they leave people exposed to power relations on the labour market. On the other hand, a programme of reasserted social inclusion cannot realistically be based on large-scale redistribution from the »well-off classes« to the losers of the great economic transformations. The task is rather to incorporate these »losers« on more favourable terms into a growing economy. Social inclusion must be embedded in a policy of economic modernisation, competitiveness and growth.

Theoretically it would be possible to give all those who do not earn enough in the labour market a top-up income in cash and/or kind. To a limited extent, this is done in all highly developed countries. But for the top-up schemes to be a mechanism of social inclusion and not just a bottom-line provision to protect people against hardship they would have to be extended and generalised to an extent that is not being considered seriously anywhere. A socially inclusive society based on large-scale fiscal redistribution is a solution that is clearly inferior to a socially inclusive labour market. Therefore, the following conditions must be met:

- the demand for manpower is high
- the supply of manpower is limited
- job-seekers are in a position to pick up the well-paid jobs (as far as qualifications, knowledge about the job offers and geographical mobility are concerned)
- labour is sufficiently well organised to strike favourable bargains with employers (which implies that labour law limits employers' ability to exploit their market power).

2) *Towards a New Economic Policy Paradigm*

Labour market institutions do much to further social inclusion, but it is an uphill struggle if the overall economy is not supportive. A new set of regulations and incentives for investment, production and spending would be more conducive to sustained prosperity for all.

The economy should be driven by (observable and anticipated) mass demand and entrepreneurial initiatives oriented at mass markets. This requires that real mass incomes rise with productive capacity. For this

to happen, either average wages must rise or prices must fall at the same pace as productivity increases. Profits can only temporarily be allowed to rise. For the dynamics of economic growth to be maintained it is better for wages to rise than for prices to fall. The key for this essential condition to be met is the bargaining power of labour. Labour must be well organised right across the economy, not only in certain sectors, and manpower must remain scarce. A return to the virtuous circle mentioned above would be facilitated by strong labour unions, organised so as to struggle for wage increases in line with average productivity increases at high aggregate levels, best of all at EU level for each economic sector. Social democrats should promote and facilitate this, even though it runs contrary to the neo-liberal wisdom of the past decades, which has brought us decreasing growth rates and increasing social polarisation.

Rising mass incomes and mass demand imply that competitiveness in global markets cannot be the primary or even sole objective of economic policy any more. Governments concerned about their country's competitiveness tend to lay the emphasis on low costs, including low wages, and to neglect demand. In their paradigm national prosperity depends primarily on an advantageous position in global markets. They tend to take these markets as given and implicitly as something to let other countries worry about. Moreover, they take low-cost competition based on lower foreign wages and other countries' more generous neglect of externalities as a reality to be accommodated rather than as a systemic challenge calling for a systemic response.

It would be important to accommodate the global labour surplus with the help of sustained fast economic growth in the surplus regions of Asia, Africa, Latin America and Eastern Europe. Contrary to widely held views, we need more Chinas and Indias in order to accelerate the transition from a global labour surplus (that threatens to depress wages all over the world and to undermine the virtuous circle of rising productivity, rising wages and rising demand) to a virtuous circle on a global scale. As long as the labour surplus countries are growing rapidly they generate markets for rich countries' products and are less of a disturbance to their labour markets (or indeed global stability for that matter) than if they stagnate.

By now it is clear that the ecological renewal of production (and consumption) patterns is unavoidable, and it provides an enormous impetus for economic growth. Maximising prosperity must fulfil the criterion of ecological sustainability. Social Democrats ought to embrace the cause of environmental protection.

3) *Getting Started: a Focus on Education*

Even if a socially inclusive labour market and an economic order conducive to sustained mass prosperity are not (yet) in place, qualifying manpower to fit the requirements of well-paying jobs in itself improves the chances for social inclusion and at the same time for economic growth. Investment in education and qualification is a no-regret strategy par excellence and yields a multiple dividend.

- It carries the promise of a high-productivity economy, well positioned in the global market-place.
- With an adequate pre-schooling dimension, it offers better economic prospects for the children of socially marginalised population groups, including ones with an immigration background.
- Public or publicly-financed employment in the education sector creates jobs. With its pre-schooling dimension it is an essential structural precondition for overcoming gender discrimination.
- With its requalification dimension it supports people's ability to combine non-continuous work careers with an acceptable life-time income and hence the contingent ability to provide for their retirement.
- If organised in an integrative rather than a segregative way it contributes to a general feeling of social integration, giving the overwhelming majority a feeling of belonging, thus working against the formation of subcultures of social »losers«.

The focus on education/qualification is straightforward. If the political will is there, it can be got moving relatively fast, without any major overhaul of established institutions with all their vested interests. In several European countries it could mark a visible end to the paralysing end-of-progress syndrome. As such it could provide momentum and a source of new Social Democratic self-confidence.

4) *Rediscovering Quality of Life as a Programmatic Goal*

Emancipating workers from the dictates of efficient production and protecting the space in which they can live and enjoy their lives has been one of the core objectives of the labour unions. They succeeded in limiting daily and weekly working hours and getting paid holiday for employees, protection against hazards in the work place, maternity and parental leave etc. The introduction of environmental considerations into the world of production was not only motivated by sustainability and security concerns, but also by concern for the beauty of nature, which is a

non-monetary enrichment of human life and should be protected against monetary-utilitarian priorities. However, in today's political practice, economic »imperatives« have increasingly pushed aside quality-of-life considerations. The liberation of human beings from the »realm of necessity« is being postponed to some time in the remote future.

Crucial for change is the establishment of the primacy of politics over ill-understood economics. In other words, people should be given the opportunity to decide themselves – sometimes individually, sometimes collectively – about their quality-of-life rather than being subjected to absolute economic imperatives. People should be given the possibility to decide individually or collectively what price they are willing to pay for what kind and amount of »quality of life«. Making trade-offs visible and a matter of choice would involve institutional set-ups which require purposeful political action. It is to be expected that this will (a) show that some trade-offs are not as dramatic as they might appear behind the curtain of non-transparency, and (b) induce efforts to reduce trade-offs, i.e. to make quality-of-life preferences and the generation of monetary value more compatible.

Making family life and work more compatible should, for Social Democrats, be a matter of adjusting working patterns, limiting demands on people's availability. At least in the western parts of Europe, our level of material prosperity is so high that we do *not* depend on maximum exploitation of human working capacity at the expense of social externalities.

5) *Towards a »Citizens' Society«*

Representative democracy is in continuous danger of being distorted and, as a consequence, of losing credibility and support. Distorting forces include the manipulation of public opinion by a highly concentrated, privately controlled mass media, technocratic problem-solving (or non-solving) above the heads of citizens, separation of the political agenda from the interests, desires and preferences of citizens (including a generalised principal-agent problem between the democratic sovereign, the people and their elected representatives).

A significant part of the problem is directly related to people's perception that Social Democratic politics are detached from their life experience, worries and wishes. Against this background, Social Democratic rhetoric about justice, solidarity, human dignity etc. sounds hollow. Social Democratic parties should practice and further develop methods of listening to people, registering their concerns and to including

them in a visible and transparent way in the political decision-making process. Seriously involving people as much as possible in the shaping of public policy programmes would be a way to turn them into allies. Therefore the local branches of Social Democratic parties must be strengthened, links to new social movements must be established, and people who actively promote social democratic ideas without being partisans should gain the interest and support of Social Democratic politics.

Another part of the problem is the success of populist political entrepreneurs, who exploit people's frustration both with technocratic governance and protagonist-centred political theatre without offering an alternative. The challenge is to pioneer a democratic renewal that would take the wind out of their sails.

The alternative is citizens' participation. This is not an easy task as involvement in public issues costs time and energy and is often frustrating, but there are various known and tried forms of direct citizens' participation in political decision-making. Social Democrats should actively promote these and develop them further. Involving citizens in the shaping of public policy – beyond the electoral channel – could point the way to neutralising the oligarchy-strengthening effects of decreasing party membership.

6) *Addressing the Problems of »Ordinary« People*

An important test of the seriousness of what the Social Democrats have to offer is how much attention it pays to key aspects of »ordinary« people's life experience that can be addressed by appropriate public policies. In several countries a salient aspect of social disintegration is the decay of lower-class neighbourhoods. This has less to do with lack of public money than with the self-reinforcing dynamics of anomie. What is needed is appropriate intervention to break these dynamics and to restore a positive civic spirit. Positive action to undo some of the spatial segregation of neighbourhoods along class and sub-culture lines might be indicated. It might therefore be important for Social Democracy to develop determined, participatory and widely recognisable amelioration programmes wherever deteriorating neighbourhoods are a problem.

Another sensitive and at the same time neglected issue is the effects of large-scale immigration in Europe. Insufficient integration of immigrants into European societies has given rise to persisting social problems. Resentment on the part of the »native« population has contributed to the rise of right-wing

populism and in some countries has become a major ingredient of lower-class alienation from Social Democracy, which has often tended to play down the whole syndrome. It must, however, develop a policy response that is both politically responsible and faithful to the humanist values of Social Democracy and also focuses on both integration and control. These elements should form part of an actively promoted Social Democratic message that takes issue with hypocritical alternative positions.

The integration of foreigners must focus on education, housing, jobs and the rule of law. The goal of Social Democratic integration policy should be »equal chances for immigrants and their children«. It should discourage the formation of separate, inward-looking, spatially concentrated communities and should not tolerate behaviour patterns that contradict the core values of Western political civilisation. An arrangement for the influx of immigrants according to criteria must be part of a credible and politically »sellable« Social Democratic position. This might imply enhanced efforts to suppress illegal immigration.

7) *The importance of supra-national governance: Europe and beyond*

National governments committed to social democracy as a desirable way of organising society can still achieve much on the national level of governance. But it is nevertheless important to develop new, supranational capacity to shape societal development in line with social democratic values. We are witnessing ever more clearly what we might call the eclipse of the nation-state as the relevant framework for the organisation of society.

The EU is the level of governance on which a new economic policy paradigm for the benefit of mass prosperity can be established. The EU is also becoming increasingly important for the strengthening of labour and thus for the re-establishment of a benign link between economic supply and demand. It appears almost mandatory for European Social Democrats to strengthen EU decision-making and standard-setting structures in economic and labour-market policy, so as to develop counterweights to the superior market power of internationally mobile capital. Of course, strengthening European governance alone will not do. It will also take appropriate majorities to use EU power for the benefit of mass prosperity and social inclusion.

The EU has created a new reality for the great social democratic project. The Union has become both a relevant level of governance, on which important

decisions for the future of European societies are taken, and a relevant target in the struggle for »social democracy« (social inclusion, materially underpinned freedom, solidarity and participative decision-making). The united Europe should become a »social democracy«. This is not just a matter of European solidarity: it is also important for the vigour of social democratic ideals and, thus, for the political chances of Social Democracy. Social Democrats must therefore improve their European profile.

The struggle for a society that espouses social democratic values needs to be transferred to the global level – using diplomacy in the widest sense of the word and developing structures of global governance. Advancing on this front is both a matter of long-term commitment to social democratic ideals and of the survival of our political civilisation.

Promoting the Project of Renewal

This paper has outlined seven policy proposals that might form the starting point for the renewal of Social Democracy in Europe. Taken together they form a programme that promises the losers of the profound economic changes a new place in society and the population at large growing prosperity and increasing freedom of choice in the context of a participatory democracy.

However, such a programme must not only be credible, it must be believed and accepted by people who are sceptical about the promises of politicians. This requires a form of political communication that involves as many citizens as possible so that the Social Democratic agenda becomes *their* agenda. The task is not only to propagate an agenda that aims to restore social cohesion while increasing general prosperity but also to overcome the general mistrust of the electorate in politicians. It goes without saying that this cannot be achieved overnight.

Before we conclude it is worth taking a closer look at two outstanding success stories of centre-left campaigning: New Labour's triumph in the 1990s and Barack Obama's victory in 2008. Even though in both cases the centre-left benefited from the fact that its rivals had become thoroughly discredited and had candidates with far less charisma than Tony Blair and Barack Obama, there is more to it than that. Two factors can perhaps be singled out as decisive: (a) a coherent and convincing message of renewal; and (b) a »missionary« style of propagating the message.

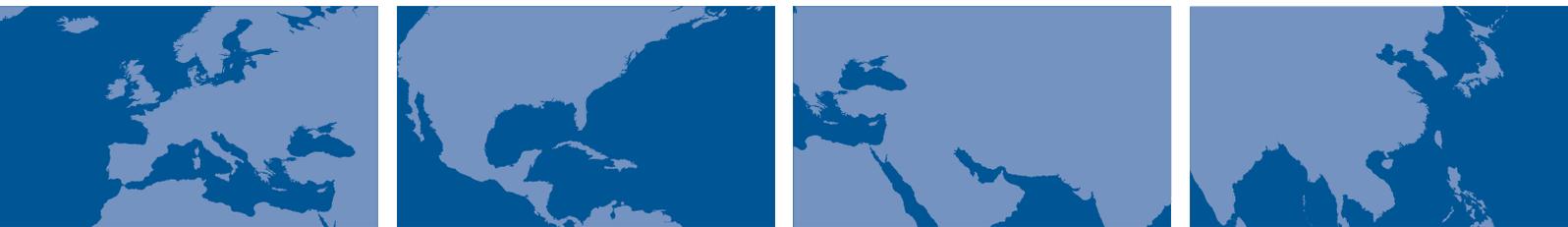
It takes conviction to be convincing and to create this conviction around a concrete and courageous strategy, not just around »eternal« values, the party

militants and their civil-society allies must internalise »the cause« and the arguments underpinning it. This is not something the dynamics of party politics brings about easily. Day-to-day politics tends to impose the primacy of tactics. The management of voters' sensibilities is a permanently high priority, which constrains programme development. For this reason party programmes all too easily emphasise the sales talk aspect at the expense of coherent content. But tactics and sales talk are inadequate when new policy paradigms are needed to cope with challenges that have accumulated slowly over time.

To overcome this structural obstacle to authentic renewal, it might help to set up a small and highly competent task-force to develop key propositions for a medium-term strategy – not a classical party programme that formulates Social Democratic positions on all politically relevant issues and tends to emphasise goals rather than strategy. It is equally important for the propositions to be debated openly, widely and seriously within the party and not imposed by leaders. Otherwise, the party militants will not make the message they have to propagate their own.

Furthermore, debate should not be confined to the party militants; it should be extended to civil society, above all to the organisations of groups with a direct stake in a Social Democratic renewal. Labour unions are the first that spring to mind in this context. Obama's victory was helped significantly by the involvement of organised labour in his campaign. But union (and other organisations) support would have to go beyond an official endorsement of Social Democratic positions by labour leaders. Within the unions, too, open debate on renewal must be carried down to shop-floor level, even though this might not always be easy. To the extent active unionists (and other civil-society activists) make the Social Democratic renewal project their own they will help to propagate it.

Social Democracy as a political force and social democracy as a model of society needs, almost everywhere (Sweden and Denmark being conspicuous exceptions), a comprehensive renewal project that provides robust, new, twenty-first century-proof substance for the ideals of human emancipation, social justice and solidarity. Campaigning should emphasise this project and try to win people's support for it. The party should be – and should be seen to be – at its service. Ultimately, it is social democracy that matters, not Social Democracy.



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