

The Social Democratic Malaise and World Politics

RIK COOLSAET

The Critical Success Factors of Social Democracy in History

Social democrats have lost their political momentum. They no longer seem to know what they stand for in today's world, and all European social democratic parties are suffering from the same malaise. The search for a new social project has started, though in many cases this is still happening within the national context.

But there is no watertight partition between domestic and international politics. That has been the experience of the socialist and social democratic movement from its very beginning. The movement developed because the international environment was conducive to it and when its political project was successful, success was always closely linked to the international context that enabled it. This is equally true today, when social democratic parties feel they have arrived at an impasse.

Social democracy was born in the late nineteenth century, an era characterized by global competition between emerging and existing great powers, globalization, and an industrial revolution. It was this context that gave rise to this new political movement in many European countries, just as 50 years previously, in the early nineteenth century, liberalism got the wind in its sails.

The Industrial Revolution had led to the development of new social classes with conflicting interests. The basic values that united socialists and social democrats across the borders of the various countries, and differentiated them from their political opponents, were equality and solidarity. Modern socialism was a response to a dual social need. It expressed moral outrage at the continuing pauperism of the vast majority of the population whilst a minority enjoyed the blessings of the Belle Époque. But it was also a rational revolt against the illogical nature of the liberal economic model which, with its periodic booms and busts, led to a waste of wealth, human energy, and self-esteem, the first victims of which were the weakest members of society.¹

1. Rémond, René (1974): *Introduction à l'histoire de notre temps, Tome 2: Le XIXe siècle 1815–1914*. Paris: Seuil: 133–34.

The social democratic project offered more than just the defense of the weakest, however. By offering the outcasts of the time the prospect of an equal place in bourgeois society, and an improvement of their lot for present and future generations, it lent its own interpretation to the nineteenth-century idea of progress, inspired by its basic values of equality and solidarity.

To realize such a project, power was required. The strategy for acquiring power came down to mobilization of the majority against the prosperous minority and subsequently the deployment of the state. That succeeded in many European countries. In contrast to its successful domestic strategy, however, social democracy's international strategy failed. The international environment had facilitated its birth, but social democracy lacked the power to control its increasingly competitive nature at the turn of the century. Social democrats gambled on international solidarity and cooperation amongst workers and their organizations to prevent war. This failed because they underestimated the allure of nationalism, including in their own ranks – and because there were no international instruments available to prevent the downward spiral towards war.

The second success story in social democratic history was the development of the welfare state after the Second World War. Once again it was founded on the same two critical success factors: a favorable international environment and adequate identification of the strategy to be followed and the instruments of power.

The scope of the 1929 crash and the subsequent Depression led to the postwar doctrine, inspired by John Maynard Keynes, that the free market is inherently unstable. Left to its own devices the free market periodically goes into crisis and can, if the crisis is protracted, as it was in the 1930s, drag the whole of society down with it. Government intervention was intended to offset market failure. Besides, social democrats had their own existential reasons for opting for political intervention in the economy. After all, it was still the weakest who were hardest hit when the market failed, just as they had always been. Social democrats responded to this widely felt social need in terms of their own classic values of equality and solidarity. Prosperity for all, safeguarding individuals from the risks against which they could not protect themselves, and shielding future generations from economic disaster – »freedom from want« – was the post-war variation of the idea of progress.

Social democracy could never have realized the welfare state on its own. At the national level the development of the welfare state was

founded on a coalition of the largest social groups: organized labor on the one hand and business on the other, with the state as mediator. Although their interests did not always coincide, these main actors concluded a social contract with each other to enable a shared common objective, an economic policy aimed at ensuring demand, universal employment, and the promotion of economic growth, and a social objective, the development of a welfare state that was supposed to offset the failings of the free market.

Moreover, this social contract was possible only because international cornerstones offered a stable environment for the development of the Keynesian welfare state at a domestic level. This favorable international context was closely intertwined with American leadership. This not only guaranteed that Western economies remained faithful to the free market principle, but also ensured the international monetary and economic stability needed for the success of the welfare state, through the 1944 Bretton Woods system. The World Bank oversaw industrial reconstruction by guaranteeing private loans. The International Monetary Fund took over the large merchant banks' pre-war role in monetary affairs and from then on regulated international payment traffic in the name and at the behest of states by overseeing a stable system of fixed exchange rates. After 1947 social democrats had no difficulty subscribing to this United States-led world order. They endorsed American leadership precisely because it provided one of the critical success factors for the development of the welfare state that was so dear to their hearts, but which they could never have achieved by themselves.

How Favorable Are World Politics Today to a New Social Democratic Project?

Current world politics show similarities with those of the nineteenth century, but equally with those of the years just before and just after the Second World War. It is exactly this that makes the period unique. Looking back offers valuable lessons for those in search of a new role for social democracy today.

Just as it did at the end of the nineteenth century, international competition between existing and emerging powers is tearing at the foundations of global geopolitical relations. Moreover, the classic alternating pattern of cooperation and confrontation between the major powers is

once more at work. Even though soft power is more important than it was then, these underlying dynamics barely differ from the basic mechanism of world politics in a multipolar world. Major powers cooperate as long as their interests coincide and clash when they do not. If there is no shared objective, embraced by all the great powers, world politics bob to the rhythm of their struggle for power and primacy, their rise and fall, and successive crises amongst them – until one crisis becomes one too many.

A first conclusion, then, is that it is essential for countries to possess power and instruments of power if they are not to be swallowed up in the power game. And secondly, today too, a shared objective is needed to blunt the sharp edges of the balance of power and to prevent it from sliding into a downward spiral once more.

A second underlying thread, parallel to the first, also has a lot in common with that of the late nineteenth and early twentieth century world – globalization. This is not simply a recent economic process. It reaches back at least to the nineteenth century, and some argue even earlier. The forces that physically shrink the world, that compress time and space, and that bring peoples and continents into contact with each other are the same every time – innovations in communications and transport, the increase in international trade, cross-border economic cooperation and, of course, policy options. It is the latter, by the way, that make the difference between the nineteenth century and today's globalization. In contrast to a century ago, when a series of competitive, neo-mercantile trade blocs united the world, while at the same time dividing it up, it is the liberalization of the trade in goods and services, and free global movement of capital that are the essential characteristics of today's globalization.

Probably the most concrete feature of globalization, with which everyone is confronted in their day-to-day lives, is the arrival of large groups of newcomers. The current wave of migration may be relatively smaller than that of the nineteenth century mass migrations, but it is obvious – with hindsight – that the unequivocal increase in the number of newcomers was bound to be accompanied by social resentment and uneasiness also this time round. But the effect on the indigenous population was overlooked by everyone, including social democrats, for far too long. Populists and extreme right parties all over Europe have taken advantage of this. Anti-immigration became their trademark and immigrants the pawns in their political campaigns.

With each acceleration of globalization in times gone by, the moment came when existing governance instruments turned out to be insufficient to deal with its negative effects. That is also the case today. Decades of deregulation and liberalization have contributed to the erosion of international governance instruments. A novel consensus is rapidly growing that new international arrangements are once again needed to cope with persistent problems – monetary volatility and speculation, the influence of the capital markets, enduring poverty in large parts of Africa, and increasing inequality. In addition, there are interrelated challenges in the areas of food, migration, climate, and energy, which have all been influenced in one way or another by the present acceleration of globalization. International polls show time and again how high these climate-related problems score in people's lists of international threats, especially in Europe.

A broad consensus has now developed that recognizes that the limits of liberalization and the retreat of the state have been reached. Certainly, financial liberalization and globalization have turned out to be much less positive than was originally claimed.² The volatility of capital flows and the financial crisis that erupted in September 2008 prompted the American and European authorities to intervene in the financial sector to a degree that had not been seen since the 1930s.

The credit crunch crisis has made Western countries comprehend what others elsewhere in the world had already realized a decade earlier. The East Asian financial and monetary crisis in 1997, which then engulfed Japan, Latin America, Russia, and the Central and East European countries, put an end to the unqualified belief in an Invisible Hand and confidence that the free market always regulates itself – the same belief that was so strong in the 1920s until the social effects of the Wall Street Crash in 1929 undermined the legitimacy of this economic orthodoxy.³ The success of government-led economic growth in Asian countries (primarily, of course, China), and subsequently their maintenance of an – albeit more modest – economic growth when Western countries entered recession, has also contributed to no small extent to the further erosion of the legitimacy of the Washington Consensus. Re-regulation by national governments is palpable again and government intervention is once more considered legitimate. As a result, the state has started to assert itself again as an irre-

2. Pisani-Ferry, Jean: Progressive governance and globalisation: the agenda revisited, Brussels: Bruegel Policy Contribution (April 5, 2008).

3. Krugman, Paul: »Cycles of Conventional Wisdom on Economic Development,« in *International Affairs* 71, 4 (1995).

placeable instrument of power. The November G20 meeting in Washington was both a recognition that the power of the state has taken center stage again and that by now the old industrialized countries of the G7 have insufficient clout to manage the world economy all by themselves.

A second conclusion, then, is that because of the magnitude of today's need we can no longer allow ourselves the luxury of the libertarian or anti-statist discourse that took root during the 1980s and 1990s on both the right and the left. The gap between the current situation and the governance instruments necessary to deal with the (negative) effects of globalization has become obvious to most. As in the late nineteenth century, much human energy and prosperity are going to waste because of monetary volatility and unbalanced growth. It was precisely an analogous realization that made governments decide after the Second World War to subject economic and monetary relations to international arrangements. Only states were – and are – in a position to put this kind of arrangement in place.

A third and last underlying thread in world politics brings us to the end of the nineteenth century again. Just like the (second) Industrial Revolution then, the Post-industrial Revolution has put many peoples' daily lives under severe pressure and once more seriously exacerbated inequality.

Since the early 1980s almost every country in the world has experienced the same tendency towards sharply increasing domestic inequality. Indeed, at a global level this can be gleaned from the historically low share of national income that goes to labor, whilst the part that goes to company profits and interest is historically high. Put simply, this means that those who live from their work receive relatively less today than those who enjoy the benefit of interest and other financial income. The »haves« just keep on getting more. »Capitalists have rarely had it so good,« commented *The Economist* drily in September 2006.

Various causes have contributed to this inequality. Deliberate policy choices in the tax system in the 1990s unmistakably played a significant role. Cuts in taxes on international trade, corporations, and top personal incomes have been accompanied by increased indirect taxation (VAT). Taxation as a way of redistributing wealth has thus become increasingly eroded.⁴

4. *World of Work Report 2008. Income Inequalities in the Age of Financial Globalization* (2008). Geneva: ILO: 131–36.

The integration of hundreds of millions of working women and men from China, India, the former Soviet Union, and other formerly non-capitalist countries into the global labor force – which is part of the liberalization and integration of world trade and economy – has also exerted powerful pressure. This sharp increase in the total labor force at the global level has put pressure on wages in the old industrialized countries, which has been aggravated by the loss of trade union power as a counterweight since the 1980s. Workers in the industrialized countries are not getting their full share of the fruits of globalization. This is true not just for the lowest-skilled but increasingly also for the more highly qualified. In developing and emerging countries real wages have grown more slowly than productivity (as they have in industrialized countries, by the way), the relative price of labor has declined, and the global return on capital has increased.⁵

As studies on the effects of globalization process ever more topical data, economists seem to be developing a new theory, namely that globalization – and this means international trade – has had a greater effect on inequality in industrialized countries than was assumed until recently. Some economists, such as the 2008 winner of the Nobel prize for economics Paul Krugman, have revised their opinions on this point now that it has become obvious that the importation of manufactured products from developing countries has significantly increased, which seems to have a negative effect on the real incomes of workers in industrialized countries. They have also come to the conclusion – without wanting to endorse protectionism – that there needs to be more regulation in international trade to deal with the negative effects on wages and incomes.⁶

Thirdly, the Postindustrial Revolution is at least as responsible for the current increase in inequality. As with the classic industrial revolutions of times gone by, the current technological mutation has also produced winners and losers because it too is coupled with great inequalities in wealth and prosperity. Part of the explanation lies in the greater demand for highly skilled workers and the decreasing demand for low-skilled work-

5. »The New Titans,« in: *The Economist* (September 16, 2006).

6. Paul Krugman explains the revision of his point of view concerning the impact of globalization on the wage gap in »Trade and Inequality Revisited« (June 15, 2007), <http://www.voxeu.org/index.php?q=node/261>, and in the *New York Times* of December 28, 2007. Dani Rodrik also endorses this thesis in his »How to Save Globalization from Its Cheerleaders,« Centre for Economic Policy Research, October 2007.

ers, which exacerbated inequality between the two groups during the 1990s.

»The world has never been richer – nor more unequal,« wrote Bill Emmott, former editor of *The Economist*, in 2003.⁷ Earlier the Indian Nobel prize winner, Amartya Sen, made a similar analysis. In the past 20 years, he wrote in 2001, extreme poverty in the world has halved, but inequality has increased: »Even though the world is incomparably richer than ever before, ours is also a world of extraordinary deprivation and of staggering inequality. We have to bear in mind this elemental contrast when considering widespread skepticism about the global economic order (...). The central issue is inequality: The principal challenge relates to inequality – between as well as within nations.«⁸

But the Postindustrial Revolution has created an additional strain. It has made business organization more flexible in order to be able to take advantage of the intensified global competition for products and services. Workers are paying the price. Studies by the International Labor Organization in 2004 and 2006⁹ confirm how the changed work environment – downsizing, rapid expansion, and outsourcing – translates into increased stress and work insecurity, which then takes its toll on health, with more absence through illness, rising heart risks and other stress-related symptoms. Since 1980 the number and intensity of economic shocks have only increased, which has translated into more insecurity in the workplace. This economic insecurity – dubbed »workplace angst« by the American columnist David Ignatius¹⁰ – has led, in turn, to a sharply increased feeling of work-related stress, which the ILO has identified as the pre-eminent twenty-first century disease, together with the resulting depression. Flexibility, timekeeping, increased competitiveness, technological innovation, and liberalization have all contributed to rising health complaints. According to the ILO, depression is a consequence of stress, now one of the world's major causes of premature death and disability, including suicides and death from overwork (»karoshi«) in Japan and many other countries.

7. Emmott, Bill (2003): *20:21 Vision. Twentieth Century Lessons for the Twenty-First Century*. New York: Farrar, Strauss & Giroux: 257.

8. Sen, Amartya: »Ten Truths about Globalization,« in: *International Herald Tribune* (July 14, 2001).

9. *Economic Security for a Better World* (2004), Geneva: ILO; *Changing Patterns in the World of Work* (2006), Geneva: ILO.

10. Ignatius, David; in: *Washington Post* (March 30, 2004).

The ILO has come to the conclusion that in all sectors worldwide more exclusion is currently being created than inclusion, due to the switch of employment from the manufacturing sector to the service sector, international competitiveness, and the modern management techniques described above.

Contemporary inequality, however, is certainly not comparable to that of Karl Marx's time, when a tiny and largely hereditary elite got richer while the large majority got poorer with the rhythm of the business cycle. In 1993, President of the European Commission Jacques Delors posed the rhetorical question: »Can our society accept twenty percent outcasts, a middle class of seventy percent and ten percent privileged?«¹¹ Two decades later Bill Emmott subscribed to this description, too. Our society, he writes, has a double gap, a gap between the »lucky many« (Delors's 70 percent) and the »unhappy few« (Delors's excluded), and another gap between the »lucky many« and a small group of »superlucky« (Delors's privileged). West German social democrats have made a similar, if not identical analysis of the stratified composition of contemporary society:

»One third of the population is doing extremely well. Optimism is rife, they can do anything, and the government is there mainly to make sure they are not bothered by each other or anyone else. Another third has, as it were, disengaged itself from the collectivity, which is seen as hostile. Between these two groups there is a middle class, the last third, which is worried about the future.«¹²

The lines between the three different groups – the three »classes« – are not clearly defined. The highest segments of the middle group of 70 percent will be close to the 10 percent in the privileged class, and the bottom of the middle class closer to the 20 percent excluded. But the concept of a »20:70:10 society« expresses well the physical and mental apartheid that exists between the two extremes, with a more or less large middle class whose characteristics differentiate it from the other two. Obviously the proportions vary from one country or continent to another, but the dynamic behind this three-way division is the same all over the world.

A small group is becoming obscenely rich and withdrawing from society. Since the middle of the 1990s the number of dollar millionaires and their accumulated wealth has risen constantly and, what is more, ever

11. »Vaincre les 12 peurs de l'an 2000,« in: *Le Nouvel Observateur*, Collection Dossiers (1993): 14.

12. Quoted by Frans Timmerman, Dutch Secretary of State for Foreign Affairs (PvdA), in: *NRC-Handelsblad* (June 1, 2008).

faster, as the annual editions of Merrill Lynch's »World Wealth Report« show. There are now more than ten million worldwide and the number is rising, especially in emerging countries such as China, Russia, India, and Brazil.

The middle class varies in size, from 60 to 70 percent in the old industrialized countries to a few percent in the poorest. At the world level they are growing steadily, especially in emerging countries – in its outlook for 2007 the World Bank spoke of a growing »global middle class.«¹³ Materially the middle class is doing well, but it feels beleaguered everywhere by the consequences of technological mutation and the rapid changes it entails. In the old industrialized countries, its income is stagnating, barely keeping up with the rhythm of inflation. It is this group that globalization has disappointed and in whom it has provoked a fear of tomorrow.

Finally, at the bottom of the scale there is a group of people who never even dream of being able to be part of the middle class, let alone the global jet set. Politically this group feels neglected. There are few politicians who still know what it is like to be down and out. In European countries this last group frequently coincides with darker skin color – the disadvantaged often come from the 1960s migratory wave.

A third and last conclusion, then, is that inequality, as it were the *core business* of social democracy, has by no means disappeared from the world. Quite the contrary, even. In its contemporary form of three-way social division it is on the increase again in just about every country in the world. Furthermore, it is not a result of anonymous forces, but of political decisions. How can this be consistent with the electoral demise of the social democratic movement in almost every European country, not to mention its (new) uprush of self-doubt and vacillation between a hazy »shift to the left« and an equally unclear »third way«?

The Critical Success Factors for Social Democracy Today

Social democracy will become relevant again only if it can respond better than its political opponents to the social needs arising from the above described dynamic – while at the same time embodying a credible politi-

13. *Global Economic Prospects. Managing the Next Wave of Globalization* (2007). Washington: World Bank: 73 and passim.

cal project – not a patchwork of measures, but a recognizable and credible social contract that unites people again by offering a prospect of progress. A social contract does not guarantee that no more conflicts, tensions, or differences will emerge. They will always be there. A social contract unites all those who sign up to it in a common package of rights and obligations and of shared standards and values. But such an endeavor will be successful only when those who have entered into the contract are equals and regard each other as such, and if all the participants have a common goal. In a social contract everyone participates as an equal in a collective story. The strength of a social contract is its capacity to bridge differences. Without solidarity a society drifts to the rhythm of its differences and tensions, and runs the constant risk of being caught up at some point in a spiral of incomprehension, polarization, and segregation.

That there is a definite need for such an encompassing, common prospect, a project which has so far not materialized, is clear from many surveys. In 2004 the Netherlands Institute for Social Research, a government agency which conducts research into the social aspects of all areas of government policy, noted that the average Dutch citizen feels the need for an inspiring prospect again – a social contract – but expects the opposite:

»In general Dutch citizens expect society to be harder and more performance-driven in the future, to offer less social security and guarantee less equality in the availability of health and health care than is the case now. People fear more criminality and ethnic tensions as well, though they would like something very different. Dutch people prefer a society animated by a community spirit and with many of the characteristics that seem to be highly valued now that they are threatened with disappearance.«¹⁴

A similar survey in Flanders in 2008 underlines the importance average Flemings attach to a »common goal« as well, but also shows immediately how strong a feeling of political powerlessness there is.¹⁵

14. *In het zicht van de toekomst. Sociaal en Cultureel rapport 2004* (2004). The Hague: Social and Cultural Planning Office: 6.

15. *Vlaamse Regionale Indicatoren 2008* (2008). Brussels: Studiedienst Vlaamse Regering.

Safeguarding against Risk – Offering a Prospect of Progress

Rethinking the basic social democratic values of solidarity and equality in light of the underlying social needs described above is the first step that must be taken if social democracy is to become a factor of political relevance again.

Organized solidarity was the essence of the success of the nineteenth century labor movement and formed the core of the postwar social contract, the welfare state. The first gave workers a feeling of self-respect and identity and with it their own equal place in society. It made individual workers part of a community, so that they no longer had to face society alone. The second gave European society cohesion again and gave Europeans certainties in a world characterized by many postwar uncertainties. The welfare state offered a collective prospect that included people – though some would later say confined them – and gave them a feeling of security.

That era is now definitely over. If there is ever a new social contract, it will have to take a different form. But if it is to succeed the inspiration will have to be the same. It will have to provide security, include people not exclude them, and offer a credible prospect of progress in society.

Nowadays, too, a social contract will have to safeguard people from risks and challenges that they cannot cope with by themselves – unless they belong to the top layer of the well-off. As well as offering prospects to the excluded minority that lives at the bottom of society, a contemporary social contract will also have to address the anxiety within the large middle class about what tomorrow may bring. Thirdly, it will have to explain and deal with the problems inevitably linked to the consequences of migration and multicultural societies, patiently and over and over again, so that people become less afraid and therefore also less susceptible to the siren song of political formations that make capital out of it but destabilize society.

Luc Cortebeeck, Vice President of the International Trade Union Confederation (ITUC) and leader of the Belgian Christian Democratic Trade Union, acknowledges too that creating solidarity between the middle class and the excluded – and even within the middle class itself – is no easy task in today's stratified and fragmented society.¹⁶ But that does not mean that

16. Cortebeeck, Luc (2008): *De solidaire samenleving. Over de rol van sterke vakbonden*. Leuven: Davidsfonds.

solidarity has become non-existent. Surveys in both the United States and Europe point to the contrary. A survey by the American Pew Research Center in 2005 shows that over the past decade there has been a significant rise in empathy for the poor, as well as growing support for more government assistance for the poor and needy, even if it means going deeper into debt.¹⁷

Likewise, a Belgian survey from April 2008 indicates that in Flanders, the richest region in Belgium, there is still very widespread support for the social security system, in which the strongest shoulders bear the greatest burden. Almost three quarters of those questioned consider it logical that richer regions should show solidarity with poorer ones and 60 percent that those who work should pay for the unemployed.¹⁸

Responding to persistent middle-class anxiety – and increasing dissatisfaction – means that the bottom of the welfare state must be raised again. The lowest pensions must be increased to ensure welfare; it must become possible once more, especially for young people, to buy their own houses; a fixed distribution key must be worked out between labor and capital; job security must be guaranteed again; consumer protection must be increased; and the rise in the cost of living must be brought under control. This approach is different to that for the excluded, who must literally be pulled out of the black hole of hopelessness and low self-esteem. A progressive social contract has to combine both recipes, a two-pronged approach with the shared theme: »We won't leave anyone behind!«

But to be successful a modern social contract will have to be more than merely defensive. It will also have to offer a real prospect of progress – exactly in terms of the major challenge the world faces today, against which individuals are powerless, but with which they and future generations will be confronted: global warming. Climate change as a result of the greenhouse effect is now the most threatening Sword of Damocles hanging over our heads. It is a ticking bomb. The International Panel on Climate Change (IPCC) estimates that we must change course and start the transition towards a carbon-low economy within the next ten years. If that does not happen, global warming will have increased so much that the consequences will be dramatic for generations to come.¹⁹ The chal-

17. *Trends 2005* (2005). Washington: Pew Research Center: 22–23.

18. Poll CM-Midden-Vlaanderen, April 2008.

19. »Synthesis reports, Work Group II of the International Panel on Climate Change,« April 2007 and November 2007; <http://www.ipcc.ch>.

lenge, then, is to bring about an energy transition by a combination of technology and policy that allows us to remain within the limits the Earth can bear.

Yet global warming is also the ultimate symbol of inequality. Global warming will have serious consequences for every country and every person, but the developing countries and the weakest will be the first and greatest victims of it. Because of the impact of climate change on water, food, health, and land, the developing countries will suffer disproportionately – and the poorest groups within these countries, who are already at full stretch merely to survive, will pay the highest price – although they bear the least responsibility for it. In rich countries it will be the disadvantaged that will have the greatest difficulty coping with the consequences of energy transition.

But despite many initiatives, declarations, and polls it looks as if there is still no real sense of urgency, either in Europe or in the social democratic parties. Nevertheless, simultaneously and almost without people realizing it, conversion to a carbon-low economy has slowly come close to being the very essence of the twenty-first century idea of progress.

Rather than sketching a picture of energy transition as doom and gloom, this notion thinks of it in terms of collective progress, unexplored terrain, and the opportunities it offers for the development of new technologies that will provide jobs for both high- and low-skilled. In a joint study in September 2008 the International Labor Organization (ILO) and the United Nations Environment Programme (UNEP) estimated that millions of jobs could be generated by worldwide energy transition, for both high- and low-skilled workers.²⁰

Precisely because of the combination of inequality and a possible positive prospect of progress, energy transition is, perhaps as many a social democrat suspects, a crucial ingredient of a social project that promotes as well as implies progress and that can be approached by social democrats from their classic basic values.

Indeed, others have interpreted this issue from a progress-oriented perspective, too. The American journalist Thomas Friedman came to a similar conclusion in 2007, that »green« – a somewhat vaguer concept than »energy transition« – could form the basis of »a new unifying political movement for the twenty-first century,« a new »beacon of progress,

20. *Green Jobs: Towards Decent Work in a Sustainable, Low-Carbon World* (2008). New York: UNEP.

hope and inspiration.«²¹ In October 2008, the UN Environment Programme even referred to a »*green New Deal*,« analogous to Franklin Roosevelt's social contract from the 1930s: »Mobilizing and re-focusing the global economy towards investments in clean technologies and »natural« infrastructure such as forests and soils is the best bet for real growth, combating climate change and triggering an employment boom in the twenty-first century.«

If social democracy succeeds in putting the focus on contemporary inequality again, both in its own action and in public debate, and in linking it to a credible strategy regarding energy transition, political success might once more become possible, for it would restore its »core business« – inequality – to its rightful place and tie it to a program aimed at progress. It would moreover make it possible to unite international, national, and local – including municipal – representatives in a common endeavor, while also emphasizing individual opportunities and responsibilities. A social contract that thus includes protection and progress would also facilitate the ties between the party and the trade union movement and, above all, help social democrats to win back the confidence of their traditional rank and file, who in many European countries have concluded that social democrats have identified themselves too much with new-fashioned cultural divides at the expense of their own traditional agenda. Vexation over increasing inequality, loss of purchasing power, and daily economic worries and stress need to be reclaimed from populist parties. It will be a tough and lengthy process – but success in earlier times required no less.

Identifying Instruments

Once the contours of a social contract have been defined, the second critical success factor lies, as always, in the ability to adequately identify the instruments of power that will enable this project to be gradually turned into policy.

An ambitious progressive project cannot be achieved by social democrats alone. Domestically, a project like this will have to have the support of a solid cross-party majority – and that clearly exists. Hope for social

21. Friedman, Thomas L.: »The Power of Green,« in: *New York Times Magazine* (April 15, 2007).

democracy lies with the »compassionate majority,« former Deputy Leader of the British Labour Party Roy Hattersley asserted in a 2008 op-ed.²² In most European countries this will clash squarely with the programs of the populist parties, which have always been better at exploiting gut sentiments and taking advantage of individual egoism than in suggesting solutions.

Moreover, as in the past, this kind of comprehensive project cannot be realized on a national basis alone. That is obvious in the area of energy transition, but it is just as true of fighting inequality. A favorable international environment is needed to enable the realization of a domestic social contract, to see it through and support it.

An initial building block is consensus amongst social democratic parties on the contours of such a project. All European social democratic parties are struggling with the same doubts and questions, and are coming up against the same contradictions in their analyses. There is a lack of unity of vision and strategy, in contrast to the situation a hundred years ago and after the Second World War. Close networking with the new umbrella organization of international trade unions, the International Trade Union Confederation (ITUC), is also indispensable, if only to unite forces in the increasingly bitter opposition between representatives of workers and employers within the International Labour Organization (ILO). In the ITUC, as in social democracy, there is an awareness that there is an urgent need for revitalization and debate about trade union objectives for the future.

The second step is to identify the instruments of power and the political leverage that can be used to mould the international context. The European Union is the most obvious level at which to group the efforts of the social democratic parties in the member states. After all, as a Union the EU has critical mass and crucial potential power at a global level which the individual member states lack.

But social democratic militants, and many representatives, do not wholeheartedly identify with Europe today. »Europe« does not pull at the heart strings. Yet in the 1970s the socialist parties were the first major political formation, in several European countries, to opt to make Europe the preferred level of economic and political decision-making. The magnitude of the economic crisis made the Belgian Socialists (BSP), for example, move towards a vision of Europe that was close to the classic

22. Hattersley, Roy, in: *The Guardian* (July 24, 2008).

federalist tradition. »The BSP unequivocally demands the establishment of a supranational European political power as a preferred mode of intervention at EEC level.«²³ For the Socialists the European level became the preferred political level not just, and not even primarily, for developing a more balanced relationship with the United States, but for strengthening the role of the member states in the fight against economic stagnation. Europe needed deeper, closer integration to be able to fight unemployment, expand the public sector, and secure social security – tasks which the states could no longer take care of alone.

To repair the social contract between citizens and Europe – in the words of Ambassador Jan De Bock, a former Belgian Permanent Representative to the European Union – more is required than just criticism of the »Europe we don't want.« It must be clearly demonstrated that Europe is the only lever that can enable a progressive project. A new social contract will be European – or will not happen.

Divisions amongst the European member states are far too numerous for the EU to be transformed overnight into a lever for a progressive project. A »multi-speed Europe,« therefore, is probably a more promising option. This consists in creating a number of parallel »vanguards« of different groups or coalitions of countries, sometimes within – based on the mechanism of structured cooperation – and sometimes outside the framework of the existing treaties. Those who want to »mould« the European context for a progressive social contract will have to start by working out which member states are prepared to cooperate deeply in specific concrete areas that are of direct importance to the success of such a social project.²⁴

Moreover, only the European Union has the power to take credible action on multilateral arrangements at the global level in those policy areas that are equally crucial to the success of the domestic social contract (dealing with economic insecurity and financial turmoil, redistribution, climate/energy, food and migration). The global part of a modern social contract is often referred to as »Global Governance.«²⁵ The objective be-

23. Delwit, Pascal (1995): *Les partis socialistes et l'intégration européenne*. Brussels: Editions de l'ULB: 223–24.

24. A more thorough exploration of this vanguard-Europe strategy is available at www.rikcoolsaet.be.

25. *Global Governance: The Next Frontier* (2004), Egmont-Royal Institute for International Relations, Egmont Paper 2. Brussels/Ghent: Academia Press. For other Global Governance blueprints, see, among others, *Global Governance: Report to the*

hind it is in fact the equivalent of what a social contract endeavors to do at a domestic level, namely the restoration of an elementary feeling of community – which proves once again that there is no watertight partition between domestic and international politics. Indeed, we are confronted at both levels by the same choice: to build an inclusive society or inherit an exclusive society.

Certainly, there is no lack of proposals; since the end of the Cold War experts have come up with plenty. There are proposals, for example, to turn the World Bank – which risks becoming irrelevant as a result of the emergence of private donors and emerging countries – into the financier of global public goods and, in particular, of large-scale projects concerning energy transition. A progressive tax system on capital gains is an old proposal and there are many variations of it today. It could function as a source of income for a new-style World Bank. Other proposals have been presented for a global monetary authority to oversee global monetary arrangements that would regulate the volatility of the capital markets.

For the first time since the mid-1970s, the financial turmoil at the heart of the Western free market economy in the summer of 2008 has once again brought about a consensus on the desirability of re-regulation of the financial architecture, the most liberalized sector of the economy. There now exists a real prospect of a return to a form of embedded liberalism, such as existed between 1945 and 1971 when, as a result of a combination of international and national efforts, speculation and the freedom of the financial markets were curbed and long-term stability was preferred to short-term gains.

This consensus in the financial sphere may have a snowball effect so that international arrangements are reached in other areas, especially those that are crucial to energy transition.

An ambitious European Union with this kind of alternative Global Governance agenda is necessary, too, because of the increased crisis-sensitive nature of world politics today. In a multipolar world order, with its inbuilt tendency to misperceptions and distrust, there is a serious risk that

Bishops of COMECE; Brussels, September 2001; Rischard, Jean-François (2002): *High Noon. 20 Global Issues. 20 Years to Solve Them*. Oxford: Perseus; Patten, Chris: »America and Europe: An Essential Partnership,« Chicago, Chicago Council on Foreign Affairs (October 3, 2002); *Global Governance Initiative: Annual Report 2004*, World Economic Forum (2004); Annan, Kofi: *In Larger Freedom* (March 21, 2005); Waslekar, Sundeep (2007): *An Inclusive World in which the West, Islam and the Rest Have a Stake*. Mumbai: Strategic Foresight.

all political and diplomatic energy will be swallowed up by geopolitical concerns, as it was in the years following September 11, 2001. The Georgian question in August 2008 is an example of the sort of crisis that risks occurring frequently in the future. This is an added reason to see Europe develop into an autonomous actor, with the most credibility of all the big powers as regards making »cooperation« the key word of the twenty-first century, as Willy Brandt's »éminence grise,« Egon Bahr, argued in 2007.²⁶ European diplomatic traditions have resulted in two specific recipes for tempering the unpredictability of a multipolar system: credible international organizations and fixed rules that apply to all states, both large and small.

The greatest obstacle to a grand new social contract today is a collective lack of imagination and ambition, and widespread pessimism in the old industrialized countries (which is in stark contrast to the optimism in emerging countries, by the way).²⁷ It is not ideas that are lacking, but the critical mass – and the ambition to fine tune our domestic and foreign policies to achieve it.

26. Bahr, Egon: »Europe's Strategic Interests. The Role of German Foreign and Security Policy en route to European Self-Determination and Global Responsibility.« Brussels: Friedrich-Ebert-Stiftung (April 2007).

27. For an analysis of international surveys and the differences between industrialized and emerging countries, see Chapter 10 of my *Geschiedenis van de wereld van morgen* (A History of Tomorrow's World). Leuven: Van Halewyck, 2008.