At the beginning of the new millennium, social democrats were in power in three-quarters of the 15 EU member states. Under the aegis of the adoption of the Lisbon Treaty many fondly imagined that the EU was living through a social democratic age. But things have changed: in the meantime, Europe’s social democratic and socialist parties have come under intense pressure and are now mainly in opposition.1

Given the failure of financial capitalism and the ensuing crisis of confidence many had hoped for a shift of Europe’s political coordinates towards the left. This has not happened. Instead, the transformation of the European party landscape may be characterized much more by – in some instances dramatic – losses of confidence in parties of the center, together with a boost for populist parties on the far right and left of the political spectrum.

Large segments of the public feel that their socio-economic, cultural, and political life-worlds are in jeopardy. At the same time, social democratic parties are often no longer perceived as guarantors of social justice and protectors of the vulnerable, but, quite the contrary, as co-responsible for, or at least ineffectual in their efforts to combat, the global financial and economic crisis. Furthermore, other actors are looking to move in on social democratic policies which traditionally were the province of social democratic parties.

European social democracy is faced by a number of challenges. It must carefully analyze its policies of recent years; clearly identify its successes and failures; open itself up in terms of both party programs and organization; and develop a future-oriented political alternative to neoliberalism, »soft« conservatism, and backward-looking populism.

After falls from power in traditional strongholds, such as the Netherlands, Sweden, Germany, and the UK, and the associated end of the

1. On this see the graphs on government participation 2000 and 2010, as well as the current figures on the FES’s Social Democracy Monitor webpage; available at: http://www.fes.de/ipa/inhalt/monitor.php.
Third Way, social democratic parties at present have neither universally accepted leaderships nor a new paradigm, and so they lack a clear policy orientation. Academics, foundations with close political ties, think tanks and, naturally, the parties themselves are in anxious pursuit of these things. The present contribution must therefore be understood as an attempt at an interim report on the debate.

Step One: »Position Statement« – Search for Explanations and Self-Criticism

The first step – the analysis of the current crisis of social democracy – is already under way among a whole host of social democratic actors. The general downward trend makes it clear that, besides individual country-specific reasons, transnational social and political changes play an important role. The various explanations can be expressed in terms of seven theses, which are to some extent related:

1. *Dahrendorf thesis*: With the end of the industrial age, social democracy has fulfilled its mission and so has become superfluous. The electoral base of the (oppressed) industrial working class no longer exists. The political promise of social advancement has either been realized or is no longer considered realistic (Dahrendorf 1983).

2. *Narrowing thesis*: The room for political positioning in the party spectrum has become narrower for social democratic parties, whether because conservative parties have become »soft« and now occupy the political center, or because populist parties attract the votes of dissatisfied population segments. In countries in which both tendencies manifest themselves, social democratic parties are »sandwiched.«

3. *Discursive hegemony thesis*: Social democratic parties have lost discursive hegemony concerning the most important social topics. The dominant influence at present is a kind of conservative-liberal mainstream. Progressive left-wing approaches, however, in most cases no longer enjoy majority support.

4. *Lack of credibility/performance record thesis*: Social democratic parties are no longer perceived as guarantors of social justice. Other parties are now competing with them for this role. Reforms implemented by social democratic parties in recent years are regarded as socially unjust and no longer in line with social democratic core values. The performance record of social democratic governments is evaluated
negatively by the voters. As a result, although there continues to be considerable support for social democratic ideals social democratic parties are losing votes or being voted out of power.

5. **Alienation thesis:** Social democratic parties have become alienated from their original base in the working class. Exclusive ties to the trade unions or social movements no longer exist or have been severed in recent years. What social democratic parties are offering no longer corresponds to the ideas and problems of the working class, which is increasingly pessimistic about opportunities for advancement.

6. **Splitting of the electoral base thesis:** The former electoral base of social democrats has split into advocates and opponents of globalization. Voters who are among the losers in a globalized world, not to mention a European knowledge society, or who feel their social status under threat due to globalization no longer feel themselves sufficiently represented or protected by social democracy. But even globalization supporters consider themselves to be better represented by other parties, such as those which represent the interests of well-educated elites. The core electorate of social democratic parties is increasingly shrinking. The incessant individualization of European societies favors the formation or consolidation of small niche parties.

7. **Value transformation thesis:** In recent years socio-cultural issues have increased in importance in the public perception. This reflects both societal transformation processes in the wake of the »hedonistic revolution« of the post-68 era and the consequences of immigration, which is bringing about increasing cultural, social, and religious heterogeneity in (western) European societies. The »cosmopolitan« and multicultural ideas espoused by the left-wing nomenklatura have come into conflict with »communitarian« yearnings among part of the core social democratic electorate (Hillebrand 2009). For the latter, these changes are turning their world upside down, which finds expression in deracination and a loss of identity. As a consequence, former social democratic voters, in particular from among ordinary members of the working class, are deserting the party, either for populist movements or by simple abstention.

In order to examine these theses and also as a contribution to the analysis of the crisis situation the International Policy Analysis unit of the Friedrich-Ebert-Stiftung (FES) commissioned a series of studies on social democratic or progressive parties in Europe, but also other countries,
such as the USA and Canada. Some of these analyses are presented in this issue of »International Politics and Society.« On the one hand, these analyses briefly offer a good overview of the current situation of social democratic parties, and on the other hand, they identify the reasons given at national level for election defeats – or in some cases election victories – and lay out future prospects.

**Step Two: In Search of a New Social Democratic Narrative**

The very variety of the answers put forward concerning the decline – or rather, temporary downward turn – of Social Democracy (Weßels 2010) increases the difficulty of finding a new social democratic narrative.

Notwithstanding this variety, social democratic policies and ideological party debates over the past decade have been strongly influenced by the predominantly British Third Way discourse of so-called »New Labour.« Around the turn of the millennium a progressive dialogue emerged, in whose direction, organization, and agenda-setting the London-based Policy Network played a decisive role.

These modernization efforts met with a positive response in particular from the Dutch PvdA, Italian Center-Left party movements, the Hungarian MSZP under Prime Minister Ferenc Gyurcsány, and Germany’s SPD under Chancellor Schröder. Resistance was not entirely lacking: many felt that things had gone too far with regard to non-ideological pragmatism in government and the constant mantra of »force of circumstances« – real or alleged – when social democratic parties were in power. Membership figures declined continuously and lost elections testified to the electorate’s alienation. With the 2005 German parliamentary elections

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2. The background to the structure of the studies, the selection of authors, and the results are discussed in the editorial in this issue of IPG (4/2010).

3. The debates of recent years can be followed on its website – www.policy-network.net – especially the efforts to establish an annual Progressive Governance Conference, which initially, under President Clinton, also included the US Democrats. (Policy Network 2010). Although he has often complained of being misunderstood Anthony Giddens, with his book *The Third Way. Renewal of Social Democracy*, has done a good deal more than give the movement its name (Giddens 1998). Roger Liddle and Peter Mandelson, in their *The Blair Revolution* (1996), cast its basic ideas into a political program for New Labour (Liddle/Mandelson 1996).
the Red-Green reform project had to be abandoned; and after the UK general election in May 2010 the Labour Party went into opposition (Krönig 2010). »We were too infatuated with the market,« according to Lord Liddle, one of the senior figures in the Policy Network. The repercussions of the global financial and economic crisis, after a series of lost elections, have finally buried the Third Way.

The quest for a new paradigm goes on. The search teams are primarily from academia, party affiliated foundations, and think tanks, as well as from the parties themselves.

For example, the Foundation for European Progressive Studies, after the disastrous – for European social democracy – European elections of June 2009, launched, together with the Karl Renner Institute, the pan-European project »Next Left.« In a series of working papers and workshops the future of social democracy is debated in the areas of: values (solidarity, democracy, equality, and freedom), socio-economic models and the role of the state, and organizational challenges (partnerships, communication, education and training, and so on).

Taking as point of departure the position paper »Building the Good Society« by Jon Cruddas (UK) and Andrea Nahles (Germany) (2010), the journals »Social Europe« and »Soundings,« »Compass,« and the Friedrich-Ebert-Stiftung’s London bureau organized an online debate on the future of social democracy in Europe. The various contributions can be classified under the following headings: »European and Global Vision,« »Inequality,« »Sustainability,« »Reform of Capitalism,« »Role of the State,« and »Democracy and Party Organization.«


5. On this, see the results of the Bruno Kreisky Forum, Vienna, of June 7, 2010 (Kreisky Forum 2010).


7. A summary of the 90 or so contributions can be found in Henning Meyer/Karl-Heinz Spiegel (2010): What Next for European Social Democracy? The Good Society Debate and Beyond.
Contours of a Social Democratic Project for the Twenty-first Century] (2009), takes a critical look at the renewal of the objectives of European social democracy. He refers to gaps and anachronisms with regard to such issues as (i) the distribution of society’s wealth and the aims of welfare state intervention, (ii) the societal bases for a politics based on solidarity, (iii) the future role of the state, (iv) the social democratic conception of humanity and society, and (v) the future of democratic participation. He calls, as an alternative to neoliberalism’s economistic view of humanity and consumerism’s promise of happiness, for a specifically social democratic vision of a good society of sovereign citizens.

The so-called Amsterdam Process, initiated by Policy Network and the Wiardi Beckmann Stichting, is focused on five thematic areas: (i) the idea of social democracy in the twenty-first century; (ii) demographic change; (iii) electorates and coalitions; (iv) political economy and reform of the welfare state; and (v) European integration.

Besides these, there is a plethora of other approaches and projects, for example, the newly established Observatoire de la Démocratie der Fondation Jean Jaurès in Paris and the various activities of the Fundación IDEAS in Spain. The fes focuses its multifarious activities in its International Social Democracy Monitor, within the framework of which it provides election analyses, research on European political parties, best practice comparisons of Social Democratic policies, and contributions to the debate on the future of Social Democracy.

Countering Threefold Uncertainty

The various debates in academia and politics, and among social democrats can be concentrated in three basic areas, in terms of what needs to be done in response to the voters’ uncertainty in their socio-economic, cultural, and political life-worlds.

This is grounded in the social changes experienced by the European population in recent years. Broad population groups feel under threat in their social, cultural, and political milieus. The origins of this threefold uncertainty lie in the fundamental new challenges and development

8. On this, see: http://www.jean-jaures.org/Manifestations/Les-rencontres/Les-nouvelles-promesses-de-la-social-democratie-europeenne.
tendencies which, for example, the European Commission’s Bureau of European Policy Advisers (BEPA), in its consultation paper »Social Reality in Europe«¹¹ has identified as follows:

- globalization;
- the ascent of China and India in the global economy;
- demographic change;
- the ongoing transition to a knowledge and service society;
- the looming costs of climate change;
- the individualization of values;
- the increasing ethnic and cultural variety of European societies.

Social uncertainty: wide sectors of the population are anxious about losing social status (»fear of falling«). The financial and economic crisis also has repercussions for the concerns of Europeans. Across Europe, worries about increasing unemployment (54 percent of those asked) rank higher than fears about the loss of economic stability.¹² Europe is one of the richest regions in the world, but 17 percent of Europeans (79 million) live below the poverty line. In many EU countries, poverty has even increased in the past decade.¹³ The societal chasm separating globalization’s winners from its losers is growing. Opportunities and hazards in European societies are becoming less and less evenly distributed: some social groups are able to maximize their potential opportunities and minimize their risk factors, while others are generally deprived of opportunity and also have to bear more and more risk.

Cultural uncertainty: alongside people’s worries about their jobs and the economic situation, crime and immigration are also among the 10 problems Europeans find most important. In Denmark, »crime« takes first place, while in Malta worries about immigration take top spot (European Commission 2010a). Increasing ethnic diversity is regarded by broad segments of the population as a threat to social homogeneity. Convincing social democratic solutions which demonstrate how social integration and identification can be achieved in migration-magnet

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¹¹. The paper in question served as the basis for a European Commission consultation process with the aim of providing information on social reality and tendencies in European society (European Commission 2010c).

¹². On this, see the study »Challenges of Europe,« 2009, conducted annually by GfK Nürnberg e. V. (GfK 2009).

Europe have so far not made much impact on the electorate. On the issues of crime and domestic security, too, many people feel that law and order is in safer hands with conservative parties.

Political uncertainty: there has also been a major loss of confidence with regard to democratic institutions, although this is often rather an expression of frustration with the prevailing style of politics (European Commission 2010b). Around one-quarter of people in Germany consider themselves unfairly treated and as having somehow lost out. More than half tend to be skeptical about political reform. Around 40 percent believe that our democracy does not work as it should and, above all, are dissatisfied with how politics is currently conducted (Friedrich-Ebert-Stiftung 2009). The election results in 2009 reflect these tendencies, since throughout Europe turnouts fell sharply, including in Germany. As the reasons for their failure to vote, non-voters cite democratic deficits, a general distrust of political institutions, and insufficient information (Hegewald/Schmitt 2009, Infratest dimap 2009): 56 percent of Germans and 61 percent of Europeans feel that the state treats them like children (European Commission 2010a).

If social democracy is to have any hope of re-establishing itself as a leading and transformative force in Europe it must come up with new and convincing solutions to the social, cultural, and political uncertainty by which European citizens feel so threatened. The following issues and topics play a key role in this.

1. How can we come up with a new socio-economic paradigm which stands for new, social, and also sustainable growth? How can this be properly gauged and specified? In September 2009, a prominent international commission under the leadership of two Nobel prize winners in economics – Joseph Stiglitz and Amartya Sen, who can definitely be described as »social democratic« economists – presented a report on the measurement of economic performance and social progress. Its verdict on the classical view of growth as an indicator of affluence is devastating. Affluence involves more than a society’s GDP. Much of what a society accomplishes and what is important to it is simply not reflected in GDP or the classic growth perspective. British academics Wilkinson and Pickett are to be praised for bringing the value of equality and issues of distribution back onto the political agenda with their book »The Spirit Level.«14 Related to this is the question of reorganizing the relationship

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14. See the review by Liana Fix and Gero Maass, as well as L. Fix (2010).
between *market and state*, in particular against the background of the need for regulation in the financial and banking sector. What possibilities are open to nation-states’ domestic economic policy in seeking to exert some sort of control, when economic relations and dependencies stretch far beyond the nation-state?

The aim of economic policy should be to deploy resources where they are most beneficial for society. The credo of Gerhard Schröder and Tony Blair, according to which there is no such thing as left-wing or right-wing economic policies, but only right or wrong ones, does not hold: every economic policy decision has consequences for society and must be subject to political discussion. What benefits society most includes investments in future-oriented factors, such as education and innovation. Also important are investments in social cohesion and the foundations of society: Tony Judt (2010), with his demand for a renaissance of the welfare state as a core social democratic concern, has recast the social democratic debate on the future of the welfare state under the aegis of a twenty-first century fraught with uncertainty. What at first glance appears to be a retrogressive plea turns out to be a clever historically well-founded argument to the effect that reforms do not always have to take the form of a search for new and radical ideas, but can also involve a return to – mainly hard-won – achievements.15 Just like democracy, social cohesion and its institutional safeguarding via welfare state structures is not a one-way street, but has to be justified and defended ever anew. This brings us to the question of cultural uncertainty.

2. The safeguarding of *social cohesion* remains social democracy’s core political identity, brought to bear by a policy of social justice in tandem with economic innovation. Now, however, a »gradual erosion of solidarity« which »over the long term [undermines] the acceptance of left-wing policies« (Hillebrand 2009: 5) can be discerned. The question is, therefore, how the solidarity of society as a whole can be restored and revivified. Does social democracy need a new understanding of *solidarity* in the context of increasing heterogeneity? Many have come to doubt that political notions of solidarity can still command majority support and regard the European version of the welfare state as in serious jeopardy. But the examples of, say, Sweden and Norway show that people are willing to accept higher taxes and social contributions for social security systems if they thereby »benefit from high quality welfare services and,

15. On this, see the review by Tobias Dürr in *IPG* 4/2010.
at the same time, discernible limits are imposed on abuse« (Hillebrand 2009: 6).

An increasing number of political analysts refer to the key significance of policy on migration and integration.16 Rising immigration,17 coupled with a lack of social integration has resulted in social tensions, as well as fears of swamping on the part of the established population. Social democratic parties have been either clueless or unwilling to come up with answers to this challenge. In some European countries, this issue has served as the gateway to success for populist parties. The task, therefore, is to »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« (Pfaller 2009). Embracing this challenge will become increasingly important since immigration will play a key role in the future, and even – as the next paragraph shows – must do so.

Less of a focus in the debate, but of key significance for the future development of the labor market, social security systems, and the economy is demographic change and the related question of generational justice. European societies are aging societies. The European Commission, in its last Demography Report,18 postulates a birth rate of 1.5 children per woman (total period fertility indicator). For reproduction of the European population at its current level, a rate of 2.1 children per woman is necessary. At the same time, life expectancy – happily – continues to rise.19 The Berlin Institute for Population and Development20 points out that, given the current demographic structure, population aging in Europe will continue for another 30 to 40 years. Without migration, further growth in the European population is improbable. The approaching

16. For example, see Frans Becker and René Cuperus in this issue of IPG. But see also Hillebrand (2009) and Pfaller (2009).
17. In the European Union, according to the European Commission, over the past 20 years a net annual increase of around 500,000 immigrants has been recorded. These figures have tripled to between 1.6 and 2 million a year since 2002. Three-quarters of net immigration in the EU is concentrated in Spain, Italy, and the UK (European Commission 2008).
18. Ibid.
19. According to the Demography Report, women in the EU27 can count on a life expectancy of 81.5 years, men on only 75.2 years. Furthermore, there is a considerable East–West difference with regard to men: in Central and Eastern Europe, the average for men is between 65 and 70 years, while in the EU15 countries the average is over 76 years (Commission of European Communities 2008).
contraction will exert enormous effects on every area of the economy and people’s lives. In this context, the issue of generational justice will come increasingly to the fore. Already, opinion polls indicate distribution conflicts between demographic groups. According to a study by the Max Planck Institute for Demographic Development the older one is, the stronger one’s wish that the pension system place more of the burden on the younger generation and that there should be a shift of emphasis away from family-friendly policies. But even those without children, in contrast to parents, would like to see less support for families (Wilkoszewski 2009). Here too the question arises for social democracy, what a socially just response to the challenge of demographic change might look like. How can the welfare state be adapted to demography without giving a further impulse to the abovementioned erosion of solidarity?

3. The erosion of democracy has become a commonplace of political debate. Prompted by the research undertaken by the Polis/Sinus Institute for the Friedrich-Ebert-Stiftung, according to which one in three Germans no longer believe that democracy can solve society’s problems (Embacher 2009), more and more investigations and surveys are pointing to a crisis for democracy. In 1979, the turnout for the European elections was 61.99 percent. Since then, however, there has been a continuous decline. In 1999, for the first time fewer than half of all eligible voters participated in the elections. In the European elections in 2009 the previous low of 43 percent was attained once again (European Parliament 2010).

In the democratic region of the world, trust in democracy as a mode of opinion-forming and decision-making, as well as a general belief in the ability of politics to assert the public good continues to dwindle. Colin Crouch (2008) has coined the term »post-democracy« to describe this situation of »boredom, frustration and disillusion.« While he sees the cause of the decline of democracy in »the major imbalance now developing between the role of corporate interests and those of virtually all other groups,« others point to globalization or the failure of the state to provide the resources required to redeem the promise of the welfare state.

21. This is the title of Vorgänge, No. 190 (June 2010).
22. There are nine European countries in the top ten of the Democracy Ranking 2009 compiled by the Austrian Democracy Ranking Association (Campbell et al. 2010). Further remarks on measuring the quality of democracy can be found in, among others, Marc Bühlmann et al. (Bühlmann et al. 2008).
It is the task of a social democratic politics to resist this trend and to fight for the inclusion of all social groups in political decision-making. This must begin in social democracy’s own party structures and extend beyond expandable contacts with civil society groups and new social movements to encompass strengthening elements of direct democracy, within the framework of which even unconventional approaches, such as participatory budgeting by citizens or additional votes for families with children, as proposed, for example, in the green paper on the future of democracy in Europe (Schmitter/Trechsel 2005), should be tried.

Ultimately, politics must once more be made conceivable and tangible as a means for the positive transformation of social life. Werner A. Perger, with reference to the last presidential election in the USA, talks of a »populism of enlightenment.« This involves a »permanent populist dual strategy consisting of enlightenment and implementation [of a political program]« (Perger 2008). It is an open question whether President Obama has achieved this since his election. Perhaps it is worth casting a glance further south, towards Latin America, where various left-wing and progressive movements appear to have brought about the repolitization of societal discourse.

Social Democratic Policies Make You Happy

Ideally, the answers expected of social democracy to the perceived threat of social, cultural, and political uncertainty should be key elements of a new social democratic narrative. Social and economic security, societal recognition and cohesion, as well as democratic participation are not ends in themselves. It is rather the task of politics, society, and the economy to contribute to people’s wellbeing, self-realization, and happiness. But instead of attending only to individual advancement, the »we-feeling« should also be taken into account. Tony Judt rightly called for the rediscovery of the »ethical view of what constitutes a good society and what are legitimate means of pursuing this and what not.«

The Deutsche Bank’s think tank dbresearch, in a 2007 study, identified a high degree of trust in one’s fellows, a low level of corruption,

23. On this, see the contribution by Agustín Canzani in this issue of IPG.
low unemployment, a high educational level, and high income as the
key indicators characterizing »the happy variety of capitalism.« 25 Not
entirely without ideological bias, they also defined a few auxiliary cat-
egories, such as a high level of employment among older workers, a small
shadow economy, high economic freedom, weak restrictions on hiring
and firing, and a high birth rate. The international comparative study by
Wilkinson and Pickett (2009) sought to verify statistically that states with
more equality also have healthier, more contented, and happier societies.

The aim of social democratic politics could therefore be described as
the maximization of happiness. 26 With reference to other studies, 27 the
following social happiness factors can be identified:
1. Basic political and social order, in terms of stability, the rule of law,
sustainability, and social justice.
2. Rising incomes (above a certain level, however, this effect tails off
significantly).
3. A higher level of equality.
5. Employment (in other words, work rather than social benefits).
6. The quality of democracy.

**Step Three: »Ability to Act Effectively and to Secure Majority
Support « – Successful Management of the Variety of Tasks**

The last and certainly the most difficult step is the translation of the
lessons learned into a concrete political platform with the aim of regaining
majority support in society for social democratic policies. Decisive
for political success in this respect is a party’s overall positioning. Besides

25. Among the happy countries in this respect are: Sweden, Norway, Denmark, the
USA, Australia, Switzerland, the UK, Canada, the Netherlands and, to a lesser
degree, Finland and New Zealand (Deutsche Bank Research 2007).
26. For measuring the success of social democratic policies quality of life research ap-
proaches which include categories on the individual, the economy, society, pol-
itics, and the environment are useful. See, for example, the Wellbeing Index of the
Australian Centre on Quality of Life: http://www.deakin.edu.au/research/acqol/
index.php.
27. Besides dbresearch and Wilkinson/Pickett this would include the psychologist
Mihaly Csikszentimihalyi (flow-experience), and Richard Layard, an economist
close to the UK Labour Party (for example, Happiness: Lessons from a New Science
the much needed program renewal, mentioned above, in the form of a clear social democratic narrative which reflects the party’s medium-term political goals, societal basis, political core competences, and substantive strengths, other important factors include:

- A credible and convincing political leadership based on a thriving and democratic party, which is also able to learn from previous periods in government and to renew itself while in office.
- Room to maneuver provided by the political culture and the electoral system in relation to the other political parties.
- A performance record which is substantive, professional, and properly publicized (or, during periods in opposition, proof that the government party has not managed this).
- The ability to mobilize strategic partners (especially the trade unions) on one’s behalf.
- In the context of globalization, the need to embed national considerations in the formation of European and international strategy.

It is not enough here to try to make progress on some of these fronts or to be well positioned in some areas. Narrative, leadership, room to maneuver, performance record, partnerships, and European/globalization strategy must form a coherent overall picture. At present, only a few social democratic parties in Europe have achieved this. What is needed, therefore, is management of the full range of tasks which can once more establish the social democratic movement as a leading force in Europe.

Viable Narratives in a General Context of Strict Government Austerity Policies

Central to the future success of Social Democracy is a viable social democratic narrative which goes beyond the core value of social justice and is at the leading edge with innovative ideas in other policy areas. This is easier said than done. In the context of a cycle of crises – first the financial crisis, then an economic and now a budgetary crisis – the austerity regime which is the result of now chronic deficits and dramatic increases in sovereign debt is likely to be the dominant framework of welfare state policies in the coming years. A number of dilemmas have to be resolved:

- Social democratic policies depend on the state’s – especially financial-policy – room to maneuver: higher deficits may therefore be the short- to medium-term result of an active state, but later on restrict
a government’s creative options. State indebtedness is thus, from a long-term perspective, not necessarily an endorsement of a good social democratic economic and financial policy.

Conservative governments, by contrast, are much better able to live with deficits and high sovereign debt over the long term (Wagschal 1996). In fact, deficits supply good arguments against escalating welfare state policies – tax increases are, naturally, taboo because of course they would be detrimental to such parties’ own clienteles. Interest on government debt, in contrast, delivers a secure return for wealthier social strata.

High state liabilities arising from bailing out banks that are »too big to fail« and inevitable economic stimulation measures over the past two years have contributed to the intensification of what were already manifestly chronic fiscal deficits. The fear is, therefore, that fiscal austerity rhetoric will dominate the economic and social policy reform debate for years to come.28

The political consequences of all this are predictable. During periods of austerity, policy tends to thrust aside efforts to transform society in favor of the defense of vested interests, and tries to respond with an effective management of expectations – in other words, poorly organized interests are in danger of being overlooked and necessary expenditure on promising innovation of being cut. If space for progressive measures is to be kept open, social democratic fiscal policy has no option but to try to increase public revenues. In this connection, increased charges for state services seem to be gaining ground just about everywhere – citizens are becoming clients of the state. Social democrats, however, must not confine themselves to this circumscribed understanding of society. There is no alternative to tax increases for those on higher incomes and especially for capital owners (in the Scandinavian sense).

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28. An interesting development of the case of Germany, where the fiscal austerity regime has almost constitutional status and is on the way towards de facto annulling the Basic Law’s welfare state provision is provided by Wolfgang Streeck and Daniel Mertens (2010): »Politik im Defizit. Austerität als fiskalpolitisches Regime,« MPIfG Discussion Paper (May).
Successfully Traversing the Credibility Obstacle Course: Political Leadership with Charisma, Exhibiting an Ability to Learn Both in Office and in Opposition, and Creating Open and Adaptive Party Organizations

The longer a party stays in power, alone or in coalition, the more important it is for it to be able to renew itself in office and to be able to reappraise its previous actions credibly. This becomes difficult when a new policy agenda conflicts with former positions, in particular when the balancing act between adapting to – alleged – force of circumstances and maintaining party identity becomes too much to manage. «Changing lanes» is difficult to accomplish without losing credibility. Often only a change of leadership suffices – sometimes, however, even a series of new appointments are unable to usher in a new beginning, as the various changes in the SPD leadership over the past few years shows.

Former Chancellor Helmut Schmidt regards present-day Europe as largely leaderless. 29 Unfortunately, the social democrats do not represent much of an exception in this respect. Not only is there no pivotal policy issue, but also the requisite leading personalities are lacking whose charisma could enable them to function as opinion leaders in Europe.30

Successful and charismatic politicians of the left have become rare. For example, the star of Spain’s Prime Minister Zapatero now seems to be on the wane against the background of the financial crisis. But outside Europe things do not seem much better. President Obama is increasingly becoming aware of how difficult it is to turn expectations aroused in election campaigns into concrete political projects. Former Australian Prime Minister Kevin Rudd was able to restore the social democrats to power in December 2007, although the decisive factor in the election was voter dissatisfaction with the environmental and foreign policy of conservative John Howard, who had ruled Australia for a decade with a coalition of liberals and nationalists (Scott 2009). Former social democratic golden boy Rudd was ousted in a cloak-and-dagger operation and replaced by Julia Gillard, who in turn has had to contend with falling opinion poll results and was unable to win an outright majority in the hastily arranged parliamentary elections.


30. Why and how this will change can be inferred from Poul Nyrup Rasmussen’s 10 Theses in this issue of IPG.
A »personnel policy« driven to such a degree by the media and opinion polls is difficult for the voters to understand. The electorate yearns for representatives who exhibit constancy, political intelligence, decisiveness, credibility, and political will. The acclaim with which German presidential candidate Joachim Gauck was received by the German public, moreover, testifies to the public’s desire for »bona fide« candidates whose lives have not been entirely given over to a political career. Political parties must step up their efforts to come up with interesting and many-sided candidates for political office. Recruitment and development of party members, opportunities in the party for those from other walks of life, and membership ballots on top candidates are possible options whose significance is likely to increase in future.31

Creating Some Room to Maneuver in Competition between Parties

In countries with proportional representation the party landscape has opened up considerably. A five-plus party spectrum with one or two conservative parties, a liberal and environmental movement, and a party to the left of the social democrats seems to be the European norm. As a result, the composition of governments is becoming increasingly difficult to predict and tactical voting – for example, in countries with first and second ballots, as in Germany – is also reaching its limits. In Central and Eastern European countries in particular right-wing populist parties have managed to enter parliament (Bauer 2010).

Absolute majorities are becoming a rarity. Even in the UK, the ancestral homeland of first-past-the-post elections in Europe, there has been a coalition since May 2010. In future, government formation under the leadership or with the participation of a social democratic party will mainly involve coalitions – unless the particular political culture also tolerates minority cabinets. It is not only in Germany that the future of traditional large national parties is being hotly debated. In future, »national parties« will be political groupings which manage – mostly from the same part of the political spectrum – to establish ties with other parties, for example, in the form of a coalition, at least for a time, thereby forming a government majority.32 The Red-Red-Green government in

31. See the study on the organizational identity of social democratic parties in Europe by Matthias Micus et al., Friedrich-Ebert-Stiftung (forthcoming).
32. On the German debate after the parliamentary elections in 2009, cf. the special issue »Das Ende der Volksparteien?« of the research journal Neue Soziale Bewegungen
Norway under social democrat Jens Stoltenberg\textsuperscript{33} is a successful current example of this, from which the Swedish social democrats are also taking their bearings in their election campaign.

Even though the electoral system has a major influence on the organization of the party system, nevertheless every party, by way of cooperation and policy demarcation has the opportunity to defend or even expand its room to maneuver within the framework of political contestation. In recent years, however, social democratic parties have been reactive rather than active when it comes to setting the political agenda.

Communication and Performance Record

But policy is not only made, it must also be explained. This applies especially in the case of social democratic solutions, which are supposed to be socially just as well as economically rational. In the past, social democratic governments have not always been able to manage this.

Complaining that rational political decisions simply were not put across effectively does not really get us anywhere. Political craft, besides implementation, also involves promoting and explaining policy programs. An important element in this is laying down one’s own terms in order to separate oneself from the political competition. The voters want to be appealed to not only in their heads but also, by finding the right words, in their hearts. »We vote with our hearts, not our minds« – the much-studied psychologist and political consultant Drew Westen created a furor in US Democrat circles in the last presidential campaign with his book »The Political Brain« (Westen 2007).\textsuperscript{34} While ideas point the way, only an appeal to voters’ value-laden emotions galvanizes them into action. But good slogans are not enough: »Engaging in political communication which is cognitively transparent involves a party becoming conscious of its fundamental values and internalized thought patterns, in order to be able to fit individual projects into this value system and communicate them accordingly« (Wehling 2009).

But even the best communications will not get you anywhere if your performance record is not presentable. From the standpoint of social

\textsuperscript{33} See the analysis of Norway by Biermann/Kallset in this issue of IPG.

\textsuperscript{34} George Lakoff and Elisabeth Wehling argue along similar lines (cf. Lakoff 2010, Wehling 2009).
democracy, the results of a performance comparison with regard to social justice are patchy: the Nordic countries clearly have the edge in this respect over the past two decades, while the continental European models are in need of reform.35 In the crisis of the past two years Rhineland capitalism has regained something of its reputation, its automatic welfare state stabilizers proving somewhat more crisis-proof than many other supposedly modern systems (Abelshauser 2008).

Strategic Partners

For social democratic parties, the trade unions are, as a rule, difficult, but strategically the most important partners. However, they too are now experiencing turbulence and are steadily hemorrhaging members. In the context of crises related to opponents, collective bargaining, organization, and membership they are under pressure to raise their profile, which supposedly narrows their common ground with social democratic parties and makes compromises more difficult. Furthermore, the milieus which foster common organizational connections are in danger of disappearing: less dual membership, fewer high-ranking trade union representatives in parliament, fewer social democratic MPs with trade union affiliations. Perhaps only in the Nordic countries is it still possible to observe how close such organizational ties can be. SAMAK,36 for example, brings together the Nordic social democratic parties and trade unions in a close-knit discussion forum. However, the last elections in Sweden clearly showed that this strategic alliance, although a necessary element in electoral success is far from sufficient.

35. See in particular the results of Wolfgang Merkel et al. (2007) and of Thomas Meyer (2006) who, building on country studies of Sweden, the UK, the Netherlands, Germany, the USA, and Japan comes up with distinguishing features marking off »libertarians« from social democracy and develops indicators for the measurement of social justice.

36. The secretariat is located in Copenhagen. The current president is the Norwegian Prime Minister and chair of the Norwegian Labor Party Jens Stoltenberg (see: http://socialdemokraterne.dk/default.aspx?site=samak). An insight into the still close working relationship between the Swedish SAP and the LOS is provided by Hakan A. Bengtsson (Bengtsson 2008).
Governing Globalization

A key challenge for social democracy is to come up with proposals for governing globalization. Most Germans (69 percent) and Europeans (61 percent) are convinced that globalization represents an opportunity for economic growth, but at the same time take the view that it will intensify social imbalances. The experiences of the past few years have reaffirmed the conviction of Germans (85 percent) and Europeans (74 percent) that the globalization process may no longer be left to its own devices but needs international regulation («worldwide governance») (European Commission 2010a). Globalization and the developments with regard to international risks have become a fixed component of our economic life, but not a fixed component of social and economic policy.37 The economic and financial market crisis has shown that financial globalization, which to be sure has by and large delivered the world more prosperity and growth, has, at least for the time being, become the victim of its own success. The industrialized countries now find themselves confronted by the problem of whether their common capacities with regard to government, regulation, and cooperation will suffice to master, at least to some degree, the excesses of the phenomenon of free movement of capital, which they created. These questions are particularly pressing in the European context. Europe’s economic policy unification remains unfinished. It was a fundamental misconception that some sort of end point had been reached with the introduction of the euro. What is needed is a European governance substantially coordinating social and economic policies (in other words, which is more than an informal coordination method).

It is not just many social democratic parties that are having a hard time taking account of the European horizon. Jürgen Habermas recently observed that the taming of casino-capitalism is going to fail because of the timidity of national governments, the overhasty abandonment of an international cooperation which sets itself the goal of building up inadequate capacities – worldwide, in the EU and, in the first instance, in the Eurozone (Habermas 2010). We need more »European courage« to come up with answers to the challenges of globalization in general,

37. From the many risk and trend analyses which are available we might mention the World Economic Forum’s annual »Europe & Risk. A Global Risk Network Briefing.«
and to the current financial crisis in particular. Social democracy must therefore present itself as pro-European not only in speeches and party programs, but also in its concrete willingness to shape policy at the European level.

Conclusion

Even the longest journey begins with the first step. The resurgence of social democracy in Europe is as yet only in its infancy. The ongoing reappraisal of the Third Way shows clearly that, in some respects, not even the self-critical analysis of social democratic periods of office has yet been concluded. On the other hand, work has already begun on repositioning social democracy. The approaches and headings for a new narrative may still differ significantly in the various processes, but the topics chosen for development, such as solidarity, democracy, and a new socio-economic paradigm are often the same. In the coming months, therefore, the different national and bilateral reflections on the future of social democracy will have to be brought together. It is precisely the challenges at the global level, as well as the need for a unified European-policy approach for social democracy which demand a common understanding of the crisis and its lessons.

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