

# SOCIAL DEMOCRACY READER 1

*Tobias Gombert u. a.*

## Foundations of Social Democracy



AKADEMIE  
FÜR SOZIALE  
DEMOKRATIE

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## FOREWORD to the first German edition

Politics requires a clear sense of direction. Only those who are able to state their goals clearly will achieve them and inspire others. In light of that, in this Reader we would like to address the question of what social democracy means in the twenty-first century. What are its core values? What are its goals? How can it be put into practice?

One thing is clear: social democracy is not predetermined or set in stone for all time, but must rather be constantly renegotiated and subject to democratic contestation. This volume will therefore not provide ready-made answers but rather seek to encourage further reading and reflection.

Our primary audience is the participants in the educational and training programmes of the Academy for Social Democracy, where this volume will be used as a basic text. However, the Reader can also be read and used by anyone who wishes to play an active role in social democracy or has an interest in it.

In the following pages you will encounter various approaches to social democracy. Freedom, justice and solidarity, social democracy's core values, serve as the starting point. Building on that, the ways in which social democracy differs from other political currents are considered. Thomas Meyer's *Theorie der Sozialen Demokratie*, finally, serves as an important foundation for discussing the practice of social democracy in five countries.

The reader *Foundations of Social Democracy* will be the first of a series. Readers will also be published for the other seminar modules of the Academy for Social Democracy.

Here we would like to thank Tobias Gombert and Martin Timpe. Tobias Gombert wrote the bulk of the Reader, with the assistance of Martin Timpe at various points. In addition, they have performed the editorial duties with extraordinary skill and expertise. It was possible to publish the volume in such a short time only because of their commitment and application. They and all the other authors involved deserve our thanks for their outstanding cooperation.

The symbol of the Academy for Social Democracy is a compass. By means of the Academy's programmes the Friedrich-Ebert-Stiftung would like to offer a framework for the clarification of standpoints and orientations. We would be delighted if you make use of our programmes to help find your own political path. Constant public engagement and debate is the very lifeblood of social democracy.



Christian Krell

*Director*

*Academy for Social Democracy*



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*Social Democracy Readers*

## FOREWORD to the International Edition

What are the differences between social democracy, liberalism and conservatism? The search for socio-political ideal models and their discussion is more urgent than ever in a period of global economic and financial crisis. The consequences of market failure have seldom been so obvious and the calls for an active and effective state so strong as they are today. The collapse of Lehman Brothers and its consequences have not only brought the largest national economies in the world to their knees, but have also put to the test many political principles and dogmas which not so long ago were deemed self-evident. Centuries-old fundamental questions facing democratic polities have suddenly become topical again: How can social justice be achieved in an age of globalisation? How can the tension be resolved between self-interest and solidarity in today's societies? What is the meaning of freedom and equality in the face of current socio-political realities? And what is the role of the state in implementing these principles?

With this *Social Democracy Reader* the Friedrich-Ebert-Stiftung is offering guidance in answering these and other fundamental questions. The international edition of this Reader is intended in particular for political decision-makers and opinion formers in the more than 100 countries in which the Friedrich-Ebert-Stiftung promotes democracy and development, contributes to peace and security, seeks to guide globalisation in the direction of solidarity and supports the extension and deepening of the European Union.

The Social Democracy Readers have their origins in the Friedrich-Ebert-Stiftung's activities in political education in Germany. This first volume addresses the *Foundations of Social Democracy*. Further volumes on *The Economy and Social Democracy* and *The Welfare State and Social Democracy* have already been published in German.



Most of the examples used in the Readers reflect politics and society in Germany or in other OECD countries. Nevertheless, they illustrate political ideal models and courses of action which also have relevance in other socio-political contexts. Underlying the international work of the Friedrich-Ebert-Stiftung is the conviction that the core values and ideals of social democracy know no borders, whether geographical, cultural or linguistic.

I therefore wish the international edition of the Social Democracy Readers a large and committed readership.

A handwritten signature in blue ink that reads "Christiane Kesper". The signature is fluid and cursive, with the first letter 'C' being particularly large and stylized.

Christiane Kesper

*Director*

*Division for International Cooperation*

# 1. WHAT IS SOCIAL DEMOCRACY?

*What is social  
democracy?  
Four answers*

*'Social democracy – isn't that self-explanatory? The idea that it is inherent in the very notion of democracy that it should serve every member of society and on the basis of equality – isn't that self-evident?', some would say.*

*'Social democracy – don't we already have it in Germany with our model of the social market economy', others ask.*

*'Social democracy – that really belongs to the SPD and therefore it concerns only social democrats; it is their theory', according to some.*

*'Social democracy – why not democratic socialism? Isn't that the traditional meaning?', others say.*

*But who is right?*

At this point, if not before, the debate becomes confused. But who is right? The shadow of the Tower of Babel looms and progress begins to look daunting.

The first task, therefore, is to agree on a common language, enabling us to understand and explain the various standpoints. Where the direction has yet to be agreed, a common starting point must first be found. In terms of the four approaches to the meaning of social democracy, all bring something important to the debate.

Some concern its foundations and premises: that is to say, what can be – legitimately – expected of social democracy.

Others address the question of what has already been done; in other words, the empirical examination of existing society.

A third group, by contrast, asks who are the representatives of social democracy in society. This question is of particular importance.

Finally, there are those who wonder what benefit there is in diverging from an already established idea. The question is, therefore, what constitutes the core of social democracy and how it differs from other standpoints.

Anyone wanting to talk about social democracy, therefore, must first make clear exactly what they mean by it and what audience they are addressing. Social democracy does not have a fixed meaning. It is elusive and people associate a whole range of values with it. The idea is socially charged because it operates socially and is claimed – or rejected – by various interest groups.

The four questions show that, before using it, one has to define one's terms precisely and be fully aware of what social goals are associated with it.

The idea of 'social democracy' is used in many different ways in the theoretical debate. There is no single, binding definition.

But what are the consequences of there being such a range of definitions? In the context of an academic discussion the conceptual foundations and their explanations would have to be compared; the grounds they furnish for establishing concepts would have to be examined; and the empirical results would have to be reconciled. It would have to be investigated whether the definitions were consistent, whether there were conflicting empirical data and whether the sources had been correctly interpreted.

In the academic sphere these are important questions, to be sure. For those who are not engaged in that sphere, however, but who – in their free time – are socially or politically active, there is usually no time to enter too deeply into the theoretical side. Without entirely neglecting technical definitions and explanations, where do we go from here?

This volume cannot solve this problem; but it can serve as an entry point to the debate. To that end, various political and theoretical approaches will be outlined. One must find one's own bearings – this book cannot and indeed should not circumvent that, but rather provide a source of inspiration.

In what follows, therefore, we shall consider a number of approaches. It is then up to the reader to decide for themselves which one they find most convincing.

*We need a definition*

*Definitions of  
social democracy*

*Practical action*

*Different  
approaches*

The following points of reference arise from the opening questions:

- *a normative one*, which seeks the principles and core values of social democracy;
- *a theoretical one*, which is concerned with the theory of social democracy; and
- *an empirical one*, which analyses in detail the implementation of social democracy in a number of countries.

We shall get to grips with the three levels in individual chapters.

The *normative level* will be addressed in the next two chapters (Chapters 2 and 3), which examine in detail the core values of freedom, justice and solidarity and investigate how various models of society (liberalism, conservatism, socialism/social democracy) imagine putting them into practice.

The *theoretical level* is surveyed in Chapter 4 with reference to Thomas Meyer's *Theory of Social Democracy*. We chose Meyer's theory because it presents a coherent argument, and encompasses a number of levels.

Chapter 5, which addresses the empirical level with reference to various country examples, also takes its bearings from Thomas Meyer. As he shows in his book *Praxis der Sozialen Demokratie [Social Democracy in Practice]*, social democracy can be implemented with very different instruments and also with widely diverging degrees of success.

## 2. CORE VALUES

### In this chapter:

- freedom, equality/justice and solidarity are elucidated as core values of social democracy;
- the core values are related to politics today from a historical and philosophical perspective;
- how the political parties represented in the German Parliament understand the core values;
- the practical significance of the core values with regard to education, health care, the world of work and higher education is outlined.

*‘Liberté, égalité, fraternité!’* This was the battle-cry of the French Revolution; and these broadly remain the core values of democratic parties today. The formulation of core values began in the nineteenth century with the rise of the bourgeoisie and they began to conquer the world at the latest in the mid-twentieth century – they came to be the standard by which states and societies were judged.

This is also reflected in the legal foundations of the United Nations. With the UN’s two Human Rights Covenants of 1966 the fundamental civic, political, economic, social and cultural rights attained the apex of their legitimacy and have been ratified by almost every country in the world. They constitute something like a global legal foundation. Fundamental rights are supposed to ensure the transposition of core values into formal legal claims.

Having said that, it must be emphasised that, in many countries, the fundamental rights that were collectively agreed upon are not applied and even some signatory states flagrantly contravene human rights.

In many places, it is doubtful that fundamental rights are actually enforced and, therefore, that core values really have much purchase. In that case, this ceases to be merely a theoretical question and is rather a matter for societal negotiation and of the power relations of societal actors in individual countries and regions.

However, the core values and their implementation in the form of fundamental rights represent something of a critical benchmark when it comes to setting a political course. One must therefore come to terms with these values at the very outset.

*Freedom! Equality!  
Fraternity!*

*UN Human Rights  
Covenants as a  
foundation*

*Core values and  
fundamental rights*

Core values and general political orientation were discussed with particular intensity in 2007. The two major parties in Germany, the SPD and the CDU, adopted new party programmes, one of the aims of which was to describe how the core values are to be defined and applied in politics today.

Social democracy, too, at the normative level takes its bearings from core values and fundamental rights. In terms of their normative claims and the question of whether they can really be implemented they constitute the crucial points of any political compass.

Historically, the definition of the core values – as well as how they relate to one another – has been subject to constant change since the eighteenth-century Enlightenment.

Today, broadly speaking, one may start out from the three core values of freedom, equality/justice and solidarity.

## 2.1. Freedom

Without doubt, freedom is a basic value that is shared by virtually all political actors. It goes hand in hand with Enlightenment thinking and what German historiography refers to as the 'bourgeois' period (roughly 1815–1915). Philosophers such as John Locke, Jean-Jacques Rousseau, Immanuel Kant and Karl Marx, as well as representatives of Critical Theory, have at various historical moments thought through and described how freedom might be realised.

The debate on freedom comprises, roughly speaking, three basic questions:

1. How is freedom to be defined?
2. How can freedom be realised or guaranteed in society?
3. What are freedom's limits in society?

English philosopher John Locke's definition of freedom has stood the test of time:

*The natural liberty of man is to be free from any superior power on earth, and not to be under the will or legislative authority of man, but to have only the law of nature for his rule. The liberty of man, in society, is to be under no other legislative power, but that established, by consent, in the commonwealth; nor under the dominion of any will, or restraint of any law, but what that legislative shall enact, according to the trust put in it.*

(Locke 1977: 213f; *Two Treatises of Government*, Part I, Chapter 4)

**John Locke** (1632–1704) was one of the first and most important representatives of liberalism.

Locke played a major role in the development of empiricism, the investigation of how people learn through experience. The comparison of experiences is, on this basis, the starting point of theory.

In 1690 Locke published *Two Treatises of Government* in which he shook the theoretical foundations of the English monarchy and developed a constitution of society based on freedoms.

In the tradition of Locke, three different dimensions of freedom are distinguished: freedom in one's own person, freedom of one's own thought and feelings, and freedom of disposal over property that was legally acquired. These three dimensions of freedom have been incorporated in countless different constitutions and their definitions of fundamental human rights. Many different theories have referred to and interpreted John Locke's definition.

Locke's point of departure is that each person is entitled to these freedoms by nature – that is, they did not develop in society, but are somehow 'prior'.

To be sure, the 'preservation' of these natural rights in society is possible only through a process of change. They are then transformed into individual persons' claims on society.

Locke's core argument has retained its force, with numerous philosophical variations, up to the present day and is a constant point of reference in debates on freedom as a core value. Locke remains one of the leading thinkers of liberalism.

However, this constantly referenced definition cannot hide the fact that it is enshrined in a historical text that cannot be properly understood apart from its

*Freedom and natural right*

*How can freedom be guaranteed and realised in society?*

origins and cannot be applied directly under present-day circumstances. This also becomes manifest in the question of how freedom can be guaranteed or realised in society.

*Natural equality and equal freedom*

It is decisive for the historical debate that Locke – and many subsequent philosophers of the Enlightenment – was opposing the argument that it is possible to justify a lack of freedom for the majority on the basis of a natural inequality. Natural equality and, therewith, equal freedom was a revolutionary assertion in an absolutist society in which kings sought to legitimise their rule as something God-given.

However, Locke did not confine himself to naturally given, equal freedom, but transposed natural freedom into society by means of a social contract.

In society, to summarise his argument, freedom becomes personal property by being exercised; freedom of thought and feeling must be ensured in society by means of participation in decision-making and political power, and freedom to be able to dispose of legitimately acquired things requires a free market to which every person has access. *Natural freedoms, therefore, are not simply preserved in society as a matter of course, but have to be safeguarded by societal regulation.*

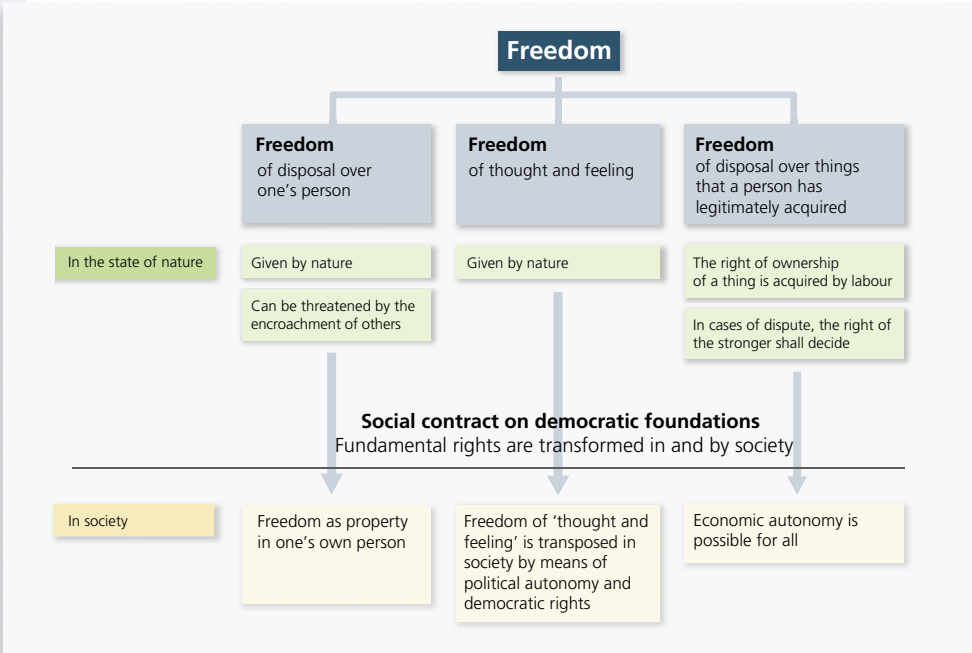


Figure 1: John Locke's concept of freedom



It was on the question of how freedom can be realised that John Locke's theory was criticised in the eighteenth century. Probably the most important critic was Jean-Jacques Rousseau, who opposed or expanded on Locke on four central points:

1. A good social contract can come into being only if, in the establishment of a society, all men renounce all their natural rights in order to get them back again as civil rights.
2. The social contract of contemporary bourgeois-monarchic societies is not a good social contract.
3. Lasting 'freedom' can be realised only if all political decisions are reached by all by way of laws. Only then is every person really subject to their<sup>1</sup> own will and thereby free.
4. For Rousseau, however, 'freedom' is also bound up with the idea of development. Rousseau believed that each person had a 'faculty that develops all the others', which he called '*perfectibilité*' (Benner/Brüggen 1996: 24). Such 'faculties' are not predetermined, however, but develop in accordance with the possibilities for learning and living offered by society.

The first point of criticism in particular is, at first sight, surprising. Why should one surrender all natural rights, only to receive them back again from society? Doesn't that open the door to tyranny? Rousseau's radical insistence on this point is almost shocking. He chose this radical formulation partly because he wanted to make it clear that no sinecures, no possessions and therefore no social inequalities should be permitted to insinuate their way into society if freedom is to be achieved by all. His ideal is a society of free and equal persons.

*Ideal: A society  
of free and  
equal persons*

**Jean-Jacques Rousseau** (1712–1778) was one of the precursors of the French Revolution.

Rousseau wrote a discourse of fundamental importance on the development of inequality in society, which was partly philosophical, partly historical-empirical.

Further important works deal with the theory of the democratic state and with education.

In this way, Rousseau inquired about the reality of freedom in society. His analysis of contemporary society showed that the much proclaimed freedom served only to protect the rich. He emphasises this point by imagining plausible arguments by means of which a rich man might try to win over the poor for the bogus social contract and its one-sided freedom:

*Freedom only  
for the rich?*

1 In order to avoid gender bias the word 'their' is used instead of 'his' or 'her', unless this is linguistically impossible.

*'Let us join', he said to them [the poor – author's note], 'to guard the weak from oppression, to restrain the ambitious, and secure to every man the possession of what belongs to him: let us institute rules of justice and peace, to which all without exception may be obliged to conform; rules that may in some measure make amends for the caprices of fortune, by subjecting equally the powerful and the weak to the observance of reciprocal obligations. Let us, in a word, instead of turning our forces against ourselves, collect them in a supreme power which may govern us by wise laws, protect and defend all the members of the association, repulse their common enemies, and maintain eternal harmony among us.'* (Rousseau 1997: 215–217 [Discourse on the Origin of Inequality, Part II])

Freedom, we can say with Rousseau, can certainly also be used as a kind of knock-down argument. This makes it all the more important to carefully examine protestations of freedom to see whether they really do apply to everyone.

*The relationship  
between freedom  
and power*

Rousseau's third point of criticism concerns another aspect of freedom: namely, its relationship with power. While Locke – and before him, to an even greater degree, Thomas Hobbes – assumes that, while legislating is *legitimised* by the people, it is not necessarily exercised by it, Rousseau takes a radically democratic stance. He argues that one is free – that is to say, subject only to one's own political will – only if one is bound by laws in whose making one has participated.

*'A faculty that  
develops all  
the others'*

With his fourth point of criticism Rousseau supplements Locke's concept of freedom on a central issue. He takes the view that human freedom results from the fact that human beings are naturally endowed, not only with 'faculties', but also with a faculty to develop other faculties (cf. Benner/Brüggen 1996: 24). Facilitating the development of personality is therefore a central challenge for a democratic society.

*What are the  
limits of freedom  
in society?*

The question of how far freedom – of the individual in society, but also in relation to the state – can be taken is the topic of constant debate. Whether wire tapping is permissible or whether, in an emergency, a defence minister has the right to order the shooting down of a passenger plane: a whole host of questions bring the limits of freedom to the fore.

Two philosophical responses are frequently cited in relation to the definition of the limits of freedom:

Two answers

*'It is true that, in democracies, the people seem to act as they please; but political liberty does not consist in an unlimited freedom. In governments, that is, in societies directed by laws, liberty can consist only in the power of doing what we ought to will, and in not being constrained to do what we ought not to will. We must have continually present to our minds the difference between independence and liberty. Liberty is a right of doing whatever the laws permit; and, if a citizen could do what they forbid, he would be no longer possessed of liberty, because all his fellow-citizens would have the same power.'*

Montesquieu 1992: 212f [*The Spirit of the Laws*, Book XI]

*'There is only one categorical imperative and it is this: act only according to that maxim whereby you can at the same time will that it should become a universal law!'* (Kant 1995: 51 [*Groundwork of the Metaphysics of Morals*])

### Charles de Secondat Montesquieu

(1689–1755) was a jurist and moral philosopher best known today for his treatise *The Spirit of the Laws* (1748).

Among other things, he favoured a constitutional monarchy and the separation of powers (legislative, executive and judicial).

The limits of freedom, for Montesquieu, are related to the duty to obey the laws, alongside which one has the right to expect that everyone else will obey the laws, too.

Montesquieu

Kant's formulation is more far-reaching, with the limitation of freedom conceived at a higher level

Kant

of abstraction. Of every action, one must ask whether its maxim can become a universal law. This extension, therefore, goes beyond merely obeying the law to encompass also how freedom is exercised within the framework of the laws. A simple example may serve as an illustration. It is not against the law to drive a gas-guzzling, environmentally unfriendly 4x4, but if everybody did it there would be an environmental catastrophe.

For Kant, therefore, the limits of freedom were moral in nature and, for the individual, linked to the *public good*. This individual perspective on the lim-

*The limits of freedom are moral and bound to the public good*

its of freedom, however, is by no means sufficient to make freedom accessible to all in society. In other words, it is not merely a matter of preventing infringements or intrusions with regard to freedom, but of extending freedom to those whose freedoms are inhibited. In society, this can be realised only in the form of equal freedom for all. The SPD's Hamburg Programme states this concisely: 'Every person is capable and competent for freedom. But whether a person is able to live a life commensurate with this vocation depends upon society.'

More recent theories – for example, that of Indian Nobel prize winning economist Amartya Sen – therefore also talk about 'capabilities', which go far beyond fiscal equality to require extensive participation in the life of society.<sup>2</sup>

The upshot of the debate on freedom for social democracy, therefore, can be expressed in terms of a number of standards that it has to meet.

**Immanuel Kant** (1724–1804) is one of the most influential German philosophers of the Enlightenment. His work addressed almost every philosophical issue of his age.

His most important works include: *Kritik der reinen Vernunft* [Critique of Pure Reason] (1781), *Kritik der praktischen Vernunft* [Critique of Practical Reason] (1788), *Kritik der Urteilskraft* [Critique of Judgement] (1790), *Zum ewigen Frieden* [On Perpetual Peace] (1795), *Metaphysik der Sitten* [The Metaphysics of Morals] (1796/97).

### 'Freedom' in the SPD's Hamburg Programme

*'Freedom means the possibility of self-determination. Every person is capable and competent for freedom. But whether a person is able to live a life commensurate with this vocation depends upon society. Every person must be free of degrading dependencies, need and fear, and have the opportunity to develop their capabilities and participate responsibly in society and politics. [But] people can exercise their freedom only if they are secure in the knowledge that they enjoy adequate social protection.'*

(Hamburger Programm 2007: 15)

<sup>2</sup> The first two German government reports on poverty and wealth, accordingly, no longer use only a material indicator to measure poverty, but also take in social inclusion and exclusion.

## Standards to be met by social democracy arising from the debate on freedom

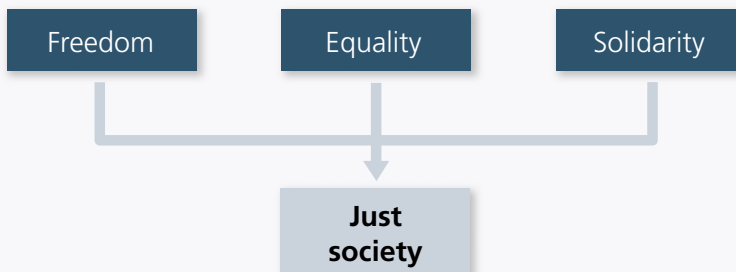
- Personal freedom and freedom to play an active part in society and its decision-making must be fundamentally ensured and guaranteed.
- Freedom presupposes that every person is able to live that freedom. This requires social measures and institutions that make this possible. The formal establishment of freedom as a fundamental right does not suffice.
- Freedom presupposes that people act responsibly and rationally. This is the task of education in a democratic society.

## 2.2. Equality/Justice

Many people find themselves in a quandary when it comes to the second core value. Is it 'equality' or 'justice'?

*Equality or justice?*

This uncertainty can easily be explained in a historico-philosophical perspective.



*Figure 2: Just society and core values*

Historically, since the French Revolution the three core values have been 'freedom, equality and solidarity' (*'liberté, égalité et fraternité'*). From a philosophical perspective, therefore, one could talk of a 'just society' if these core values were realised.

*Difference between  
the philosophical  
concept and  
contemporary  
political usage*

At the same time, the debate on the core value of 'equality' gives rise to the question of what a just distribution of material and non-material goods would be. As a result, since the 1980s 'justice' has increasingly been asserted as a core value, either distinct from the concept of 'equality' or to make it more precise. In the meantime, it has become established usage to talk of 'freedom, justice and solidarity'. Nevertheless, the philosophical debate is worth looking at. In contrast to the concept of 'freedom', which can be ascribed to every individual, 'equality' and 'justice' are relative concepts: they relate each person and their individual freedom to the other members of society.

*Equality and justice  
as relative concepts*

Speaking philosophically, 'justice' is the higher concept. In the following passage, the author tries to define the concept of 'justice' more precisely:

*'What is justice? Can one even ask the question? "What"-questions ask about what a thing is. Justice is not a thing. Justice is a relationship category. It concerns relations between people. Relationships of a certain kind are described as just. Consequently, the question should not be "what is justice?", but "what is justice about?" ... The topic of justice is how the individual stands in relation to the communities of which they are a part, in society, and in relation to other persons with whom they have dealings. ... People feel the need to determine their position in relation to others with whom they come into contact, and to find out how they are perceived, how they are valued. ... If an individual's self-esteem corresponds to how they are judged by others, they feel that they are being treated justly. Such judgement finds expression in the distribution, denial or withdrawal of material and non-material [ideelle] goods.'* (Heinrichs 2002: 207 f.)

The concept of justice is, therefore, subject to numerous qualifications. Individually, one can feel oneself unjustly treated, while objectively a 'just' distribution prevails. What is just and what is not can be established, therefore, only by societal negotiation. In other words, justice requires:

- that society distributes (non-material and/or material) goods; and
- that the distribution of goods takes place in accordance with legitimate distribution criteria, consented to by all.

Only when these two conditions are met can we speak of 'justice'. Equality, however, is a particular form of the distribution of material and non-material goods.

*'Equality is the point of departure, not the result [of a social] order. In matters of distribution, a basic norm is required in relation to which the justice of any deviating distribution can be judged. This primary norm of distribution is numerical equality – the division of the resources to be distributed by the number of those who have to be taken into account. In contrast to justice, equality requires no criteria. ... When there are no criteria for the distribution of goods in a given case, when there are no grounds on which more should be given to one than to another, in order to avoid proceeding arbitrarily the same must be given to all.'* (Heinrichs 2002: 211 f.)

The demand for equality, therefore, requires that there are no socially acceptable arguments that could legitimise discrimination in the distribution of goods.

Up to this point, the concepts of 'equality' and 'justice' can be defined without different theories coming into conflict. However, the question arises of how 'unequal distribution' can be theoretically justified. There have been many attempts at this kind of justification and definition. Of course, we do not have room to look at them all. Anyone with an interest in politics, however, will naturally inquire how a proposed policy can be judged just or unjust in political practice.

In the following section, four different approaches to the concept of justice will be presented, all debated in both the theoretical and the political arena since the 1980s or 1990s. It is clear from the different definitions and approaches that a rationale for justice is not easy to find and that it is a topic of political controversy.

#### John Rawls's *A Theory of Justice*

- The socialist critique of liberal theories of justice
- Nancy Fraser's definition 'between recognition and redistribution'
- The political dimensions of justice

*The concepts of equality and justice must be defined carefully*

*The problem: How can 'just discrimination' be justified?*

*Four approaches to justice*

## 2.2.1. John Rawls's *A Theory of Justice*<sup>3</sup>

*John Rawls*

In the philosophical context, John Rawls's *A Theory of Justice* has been the subject of intense debate. His theory, which is in the liberal tradition, was first presented as early as 1971, but it really began to make a political impact in the 1980s and 1990s as a counter-view to the market radicalism of the Reagan and Thatcher era and the 'spiritual and moral turnaround' called for by the government of Helmut Kohl (for the historical context, see Nida-Rümelin 1997: 15f). Rawls's theory has been hotly debated in social democratic circles in particular.

**John Rawls** (1921–2002) is regarded as one of the most important moral philosophers in the liberal tradition. He was professor of political philosophy at Harvard University. In 1971, he published his most influential work, *A Theory of Justice*.

His theory of justice was also debated in social democratic circles, particularly in the 1980s and 1990s.

*The establishment of a 'just basic order'*

In his theory, Rawls analyses the regulation of conflicts of interest in society, whose members must try to distribute relatively scarce goods by cooperation. For this purpose, the opposing interests are set in what one might call a 'just basic order', with specific institutions (constitution, economic and political framework and so on). In his theory, Rawls wants to bring out these implicit assumptions of a just order and principles.

He starts with the assumption that:

- fundamental ideas and general principles can be formulated for justice on which everyone can agree;
- it is implicit in modern democracies that people regard one another as free and equal;
- on this basis, the principles of social cooperation can be discovered.

Like John Locke, Rawls assumes an initial condition for this purpose. However, he refers not to a state of nature imagined as real, but rather a hypothetical situation in which free and equal people, pursuing only their own interests, come together to reach agreement on the principles of justice.

<sup>3</sup> It is beyond the scope of the present discussion to present John Rawls's theory in its entirety. The aim is rather to discuss the practical problems with the definition of justice, which may also arise in political practice.

*A thought experiment: The 'original position' of free, equal and goal-oriented individuals*



According to Rawls, that basic order and those procedures are just on which the members of a community (or society) could reach a consensus under fair conditions.

Another aspect of the thought experiment is that individuals do not know what their position in society is. As a consequence, according to Rawls, everyone must have an interest in ensuring that the position of the least well-off is maximised ('maximin' rule).

*The 'maximin' rule*

### **Discussion Points and Follow-Up Exercises**

John Rawls invites the reader to engage in a thought experiment.

Imagine yourself in this assembly of free, equal and 'purposively rational' persons:

- On what principles could you agree?
- What principles would be controversial?
- By what arguments could controversial points be settled?
- Which of these principles have been realised in contemporary German society and which have not?

It is necessary to take a closer look at the two fundamental principles underlying Rawls's wide-ranging theory in order to be able to say whether something is just or not.

*Two principles of justice*

One of Rawls's most important contributions is his development of the classical liberal debate beyond the redistribution of social goods to a theory that redefines just distribution. In this way, Rawls linked the liberal tradition, which involves the claim to and safeguarding of civil rights and liberties, to social democratic ideas of equality and justice.

*A new definition of just distribution*

In his *A Theory of Justice*, Rawls formulates two principles:

### Principle 1

*'Each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all.'* (Rawls 1979: 81)<sup>4</sup>

### Principle 2

*'Social and economic inequalities are to be arranged so that they are both: (a) to the greatest benefit of the least advantaged (consistent with a just savings principle); and (b) attached to offices and positions open to all under conditions of fair equality of opportunity.'* (Rawls 1979: 336)

The first principle refers to a whole arsenal of basic freedoms that must exist for everyone so that they can exercise their freedoms. The reference to a 'similar system' makes it clear that every form of conduct can be abstracted from concrete individuals. In concrete terms, one can therefore talk of 'equality before the law' and guaranteed personality rights. The first principle is recognised by almost everyone in the literature.

Rawls assumes – in the liberal tradition – that the first principle must take absolute priority over the second.<sup>5</sup>

In contrast to the broadly uncontroversial first principle, the second – the so-called 'difference principle' – is rather more difficult. Here Rawls proposes an abstract norm in accordance with which discrimination can be adjudged fair. An unequal distribution can be justified if it meets two conditions:

1. if it is to the advantage of those who are worst off;
2. offices and positions are open to all.

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4 This formulation is synonymous with one already formulated by Kant: 'Every action is just which in itself, or in the maxim on which it proceeds, is such that it can coexist along with the freedom of the will of each and all in action, according to a universal law.' (Kant 1963: 33)

5 This proves to be problematic, both practically and logically, as Meyer makes clear (see pp. 88).

Rawls formulates the first condition for 'just unequal distribution' in terms of the expected consequences of that unequal distribution: if everyone will benefit from it, including the weakest in society, then an unequal distribution (in its subsequent effects) can be classified as just. The effect in question is, therefore, temporally delayed.

The second condition refers to fair access. Only if access to 'offices and positions' is, in principle, open to everyone can unequal distribution be justified. More succinctly: 'all should have a fair chance'.

The difference principle is extremely controversial, not just philosophically but also politically. Before one can ask whether or not it is an adequate definition of justice, however, one has to apply it to practical examples. In the box, a number of political arguments are presented which you should evaluate and decide whether or not they are 'just' in accordance with Rawls's two principles.<sup>6</sup> The best approach is first to consider what you instinctively regard as just.

### **Discussion: Progressive income tax – yes or no?**

Even though a significant majority oppose the arguments of Paul Kirchhof and the ultraliberals, such arguments still have to be critically evaluated.

Paul Kirchhof, as CDU shadow finance minister, called for a general income tax rate of 25 per cent for all in the parliamentary elections in 2005, although progressive taxation has been in place in Germany for decades: under the latter system, everyone has a certain tax-free allowance, after which income is subject to progressively increasing taxation.

In other words: everyone's income is subject to progressive income tax at the applicable rate.

### **Question**

How just are the two models when considered within the Rawlsian framework?

<sup>6</sup> By the way, one would be misinterpreting Rawls if one were to examine unequal treatment solely on the basis of the difference principle. Rawls assumes that justice is conditional upon both principles together.

## 2.2.2. The Socialist Critique of Liberal Concepts of Justice

*'It is the exclusive realm of freedom, equality, property ... Freedom, because both buyer and seller of a commodity, let us say of labour power, are determined only by their own free will. They contract as free persons, who are equal before the law ... Equality, because each enters into relation with the other, and they exchange equivalent for equivalent. Property, because each disposes only of what is his own.'* (Marx, *Capital*, Volume I)

### *The social reality*

Justice and equality as presented so far – in the definitions of Heinrichs and Rawls – are defined and differentiated in accordance with their philosophical contents.<sup>7</sup> They refer, therefore, to concepts, not to social reality. For the purpose of definition, it is irrelevant whether or not justice is regarded as having been realised in a given society.

However, that core values have real effects in society is naturally a fundamental demand. Socialist concepts of justice turn on this very claim.

### *How can the predominance of inequality and injustice in society be explained?*

Socialist concepts of justice generally start out from the position that one must be able to explain the prevalent inequality and injustice. It is plain to see from statistics on poverty and wealth that society will not give rise to equality or just distribution of its own accord. Inequality and injustice, therefore, are not merely accidental or the outcome of a one-off disequilibrium, but rather a systemic problem afflicting society. The main cause – although certainly not the only one – of inequality and injustice was identified as conditions of production in capitalist market economies.

Over the past 150 years, therefore, socialist arguments have been constructed on two pillars. On the one hand, they demand a redistribution of society's wealth and, on the other hand, they demand that the way in which goods are produced and acquired be fundamentally changed, so that freedom for everyone can be realised. The basic idea is that equality must be made real in order to guarantee freedom for all.

<sup>7</sup> To be sure, Heinrichs does not have any liberal theory in mind, but primarily the social-philosophical background of radical philosophy.

Rawls contradicted this in his approach, asserting that, generally speaking, the worst off would benefit most in the social market economy.

Socialist approaches dispute Rawls's premise that economic inequality can be to the benefit of all (and, above all, those who are worst off). Instead, they assume the intensification of inequality and injustice. Recent empirical studies appear to bear them out.<sup>8</sup>

This split on the political left also manifests itself in theoretical terms. In the debate on justice, two different models in particular stand toe to toe: on the one hand, justice in the distribution of social and material goods and, on the other hand, justice with regard to access, or the question of whether and how particular social groups are recognised and have access to various social positions (in other words, social status). This debate is taking place not only on the theoretical, but also on the political level. Furthermore, this adversarial stand-off between distributive justice, on the one hand, and justice of access, on the other hand, is largely the result of preconceptions on both sides.

In particular, theorists who set great store by justice of access do not close their eyes to redistribution in principle. Rather, what is at stake are more complex concepts of justice that apprehend economic inequality as a problem of justice.

This dispute is also significant because it might imply a division of the workers, a target group which is of particular importance for social democracy. At the moment, this target group – as earlier in its history – is polarised, not least in relation to this question of freedom and equality.

At this point, we shall briefly present Nancy Fraser's two-dimensional concept of justice, which to a considerable extent combines both dimensions of justice.

*Can inequality result  
in benefits for all?*

*Distributive justice  
vs. justice of access*

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8 See, for example, the following studies: Bourdieu et al. 1997; Castel 2000; Schultheis/Schulz 2005.

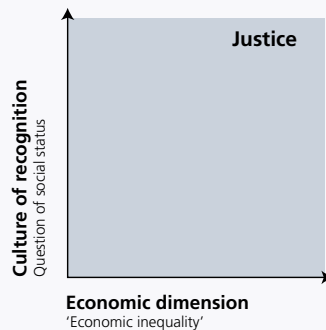
## 2.2.3. Nancy Fraser's Two-dimensional Concept of Justice

*A two-dimensional concept of justice*

In her conception of justice, Nancy Fraser tries to mitigate the conflict between distributive justice/redistribution and justice of access or the liberal approach, and proposes a two-dimensional concept of justice:

*'Theoretically, the task is to devise a two-dimensional conception of justice that can accommodate both defensible claims for social equality and defensible claims for the recognition of difference. Practically, the task is to devise a programmatic political orientation that can integrate the best of the politics of redistribution with the best of the politics of recognition.'* (Fraser 2003: 17 f.)

Fraser's thesis here is that every injustice or disadvantage includes both economic disadvantage and a lack of recognition, although to be sure in quite specific proportions:



*Figure 3: Nancy Fraser's concept of justice*

*Practical examples*

To take an example, discrimination against homosexuals takes place primarily in the realm of status and the respect of society. At the same time, it is inextricably linked to the financial handicap imposed by the taxation of registered life partnerships. 'Justice' can be achieved here, therefore, only if the specific constellation comprising disadvantages both in status and in the economic dimension is taken into account.

**Nancy Fraser** (geb. 1947) is Professor of Political and Social Science at the New School for Social Research in New York. She is one of the most prominent theorists of feminism.

She has published on feminist theory, the theory of justice and critical theory.

As a second example, take the stigmatisation and exclusion of the unemployed in our society. While their social exclusion is due in large part to their adverse material circumstances, again and again empirical studies confirm that the respect and recognition of society – in other

words, social status – represent a serious problem for those affected. In order to realise justice and participation in society, strategies are needed that adequately take into account both dimensions.

Fraser goes on to describe, therefore, an analytical procedure for the investigation of discrimination or injustice. However, she does formulate normatively what justice, in her opinion, should be. She understands justice as ‘parity of participation’:

*‘The normative core of my conception is the notion of parity of participation. According to this norm, justice requires social arrangements that permit all (adult) members of society to interact with one another as peers. For participatory parity to be possible, I claim, at least two conditions must be satisfied. First, the distribution of material resources must be such as to ensure participants’ independence and “voice”. This I shall call the objective condition of participatory parity. It precludes forms and levels of economic dependence and inequality that impede parity of participation. [...] The second condition requires that institutionalized patterns of cultural value express equal respect for all participants and ensure equal opportunity for achieving social esteem. This I shall call the intersubjective condition of participatory parity.’*

(Fraser 2003: 54 f.)

At this point, Fraser – like Rawls – must specify the criterion in accordance with which she wishes to establish or rule out just or unjust discrimination in the two dimensions. She proposes the following:

*Justice requires a multi-dimensional strategy*

*The idea of ‘parity of participation’*

*Criterion for (un)just discrimination*

*'Thus, for both dimensions the same general criterion serves to distinguish warranted from unwarranted claims. Whether the issue is distribution or recognition, claimants must show that current conditions prevent them from participating on a par with others in social life.'*  
(Fraser 2003: 57 f.)

### Test procedure

1. *Analysis*: What kind of discrimination are we talking about? How do the two dimensions manifest themselves?
2. *Application of the criterion*: In what ways do social provisions/rules hinder participatory parity?
3. *Alternatives*: What changes and strategies would be needed in order to establish participatory parity?

These test steps (analysis on the basis of both dimensions with reference to concrete instances of injustice, application and alternatives), according to Fraser, are primarily a matter of democratic bargaining and negotiation.

A practical or field test also makes sense here. For example, the discussion of universal (or 'citizens') health insurance versus flat rate insurance (see below) can be adduced.

Fraser discusses two social strategies to combat injustice (Fraser 2003: 102f): affirmation and transformation. For example, the liberal welfare state represents an affirmative strategy to ameliorate the economic downside of the free market economy. Although the economic discrimination between capital and labour is not abolished, it is moderated.

A transformative strategy would be that advocated by socialists, namely the replacement of the free market economy by a socialist economic system.

Fraser rejects both strategies, introducing a third strategy, which she (after André Gorz) calls 'nonreformist reform'. She links this clumsy and not easily understandable concept with a social democratic project:

*Two strategies for implementing justice*

*Starting point: 'nonreformist reform'*



*'In the Fordist period, [this strategy] informed some left-wing understandings of social democracy. From this perspective, social democracy was not seen as a simple compromise between an affirmative liberal welfare state, on the one hand, and a transformative socialist one, on the other. Rather it was viewed as a dynamic regime whose trajectory would be transformative over time. The idea was to institute an initial set of apparently affirmative redistributive reforms, including universalist social-welfare entitlements, steeply progressive taxation, macroeconomic policies aimed at creating full employment, a large non-market public sector, and significant public and/or collective ownership. Although none of these policies altered the structure of the capitalist society per se, the expectation was that together they would shift the balance of power from capital to labor and encourage transformation in the long term. That expectation is arguable, to be sure. In the event, it was never fully tested, as neoliberalism effectively put an end to the experiment.'* (Fraser 2003: 110 f.)

This strategy of 'nonreformist reform' is aimed at establishing a *via media* between social liberal and socialist conceptions of justice.

## 2.2.4. The Political Dimension of Justice between 'Achievement or Merit-based Justice' and 'Needs-based Justice'

The philosophical discussion has shown that justice can be defined in different ways, but philosophical explanations can only take us so far. What is at issue is a relative definition that is subject to social negotiation and is claimed by various social groups (such as trade unions, employers' associations and political parties).

Ultimately – as already became apparent in the philosophical discussion – questions of justice always concern the distribution of material or non-material goods (distributive justice), which are assessed as just or unjust.

In the political debate, however, two other concepts of justice have become established that are aimed at justifying and legitimising the distribution of goods from different viewpoints.

*Political justifications of unequal distribution – two political conceptions*

Another way of expressing the idea of achievement-based justice is the slogan 'achievement must be rewarded again'. The traditional constituency of the FDP and the CDU/CSU generally take the view that achievement – or merit – legitimises being better off in terms of the distribution of goods. Achievement-based justice thereby assumes that distributive justice can be measured in terms of the achievements or merit (*Leistung*) of the individual.

One example of this is the income threshold with regard to health insurance. Above a certain annual income it is possible to choose a private health insurance scheme (and so, as a rule, better treatment if one becomes ill). Many of those on the left are uncomfortable with this or even oppose it outright.

On the other hand, achievement-based justice is also used as an argument on the left: according to one commonly held argument to this effect, 'strong shoulders must bear more'. Those who have more also have to contribute more to public welfare. Social security (unemployment and pension insurance) also incorporates the guarantee that one's social status will be maintained: those who have paid in more will also receive more in case of need.

A similar argument can be marshalled in criticism of the corporate wage structure. Does a CEO really contribute so much more to the success of the company than an assembly-line worker? Is the work of a stock market analyst really worth more than that of a nurse?

In other words, achievement-based justice has been taken up by a number of political camps. It has become established as the basis of political argument in favour of unequal distribution. However, it remains first and foremost a relative argument and thereby a matter of social power relations and bargaining

*Needs-based justice:* Needs-based justice is concerned with what benefits different persons should receive because their social situation requires it. For example, a person in need might require some sort of care. Healthy persons cannot claim this benefit because they do not have this particular need or their need is not socially recognised. Most social transfers in accordance with the Social Code have a needs-based orientation. Needs-based justice, therefore, has a place in our social system as a principle of legitimation.

Both lines of argument turn up again and again in the political debate.

## 2.2.5. Digression: Equality and Justice as Social Democratic Concepts

Alongside these philosophical approaches to the concept of justice the historical development of key political concepts within social democracy since the founding of the Federal Republic is also interesting. A shift of emphasis can be detected in the political debate on justice, which, although it came about independently of the theoretical debate, has definitely been influenced by it.

At this point we shall examine the policy theses of social democracy, among other reasons because social justice has always played a special role in the programmatic discussions of the Social Democrats.

A sequence can be identified in their definition of concepts, marked – as far as the different periods of Social Democratic government are concerned – by a transformation of how justice can be implemented or shaped by political means. Over time, the notion of ‘equality’ was supplemented by that of ‘equal opportunity’ and later on by that of ‘equitable opportunity’.

In particular up to 1959, when the Social Democratic Party in Germany, in the wake of its party conference in Bad Godesberg, was able to reach out to new sectors of the electorate, the call for equality was still identified entirely with left-wing politics. It applied to every area of life, but the world of work was of central importance. Equality was linked primarily to surmounting lack of freedom and exploitation in terms of the relations of production. From codetermination in the coal and steel industries up to the strike wave of the 1950s – events that have almost faded from memory today – the goal was to attain more equality, in other words, more codetermination with regard to working and living conditions. The results were mixed: although there were partial successes in terms of codetermination in the workplace and at enterprise level, the demand for equality in working life was not fulfilled over the long term.

In the Brandt era and under the so-called ‘social-liberal coalition’ (SPD/FDP), the notion of ‘equality of opportunity’ was coined, which has considerable resonance even today (and not only among Social Democrats) and characterised progressive politics, especially in the Brandt era. The new concept tended to accept existing social inequality and focused instead on education policy. The expansion of edu-

*Shift of emphasis in the justice debate*

*Equality*

*Equality of opportunity*

cation and the state sector became the principal means of reaching out to new sectors of society and portions of the electorate, and inequality was conceived not only in terms of material distribution, but also in terms of the distribution of educational opportunities in society. For Social Democrats, it went without saying that the unequal distribution of material resources and the unequal distribution of educational opportunities go hand in hand. For the Liberals, however, the emphasis was less on connecting the ideas of equality and equality of opportunity and more on wanting to substitute equality by equality of opportunity. Equality of opportunity was something that Liberals could latch onto; otherwise, a social-liberal coalition would not have been possible.

The new focus was the sign of a new social configuration and a realignment of politics. The notion of equality of opportunity was strongly characteristic of this, being introduced during a period in which the welfare state was viewed positively and was able to stabilise the economic situation.

*Equitable opportunity*

In the third period of Social Democratic government, under Chancellor Gerhard Schröder, the concept of equality of opportunity was supplemented by what might be termed 'equitable opportunity'. 'Equitable opportunity' puts more emphasis on the distributive aspect. The concept makes the point that opportunities in society are linked to the distribution of material and non-material resources. These resources, in turn, are – and this was a defining contention of this government – limited in economic terms.

Limited opportunities should therefore be distributed 'fairly' and Schröder's policy borrowed from the political notion of achievement- or merit-based justice. The formula 'support and challenge' (Fördern und Fordern) encompasses the granting of opportunities and the allocation of material resources, as well as the expected return.

*The definition of equitable opportunity has split the Left*

The very definition of equitable opportunity in political debate divides the Left. The critical issues are as follows:

- Are resources really in such short supply, and if so to what extent? Or is it rather a question of political will, in which case different choices could be made with regard to public finances and social security?
- Can the current social distribution of burdens and relief be called fair (for example, relieving the burden on business, while making cuts in the social safety net)?

Regardless of how one answers these questions, it is clear that the notion of justice is highly controversial, in both the theoretical and the political realms.

### Challenges to Social Democrats arising from the justice debate

- Justice is the core value as far as the distribution of material and non-material goods is concerned. Having said that, social democrats do not have a standard concept of justice to which they can appeal. As a principle of legitimation, justice is socially effective but theoretically controversial.
- Justice clearly has to be approached in different ways in different social spheres.

#### 'Justice' in the SPD's Hamburg Programme

*'Justice is grounded on the equal dignity of every person. It is synonymous with equal freedom and equal opportunities, independent of background and gender. Therefore, justice means equal participation in education, work, social security, culture and democracy, as well as equal access to all public goods. Where unequal distribution of income and property divides society into people who give and people who receive instructions it infringes upon equal freedom and is therefore unfair. Therefore justice requires equal distribution of income, property and power ... Achievement must be acknowledged and respected. Achievement-oriented distribution of income and property is fair. Property ownership entails obligations: those with above average earnings or owning more property than others must also contribute more to the welfare of society.'*

(Hamburger Programm 2007: 15 f.)

- Equality as the equal distribution of goods is not in need of justification. Deviations from this must be defined and negotiated from the standpoint of justice.
- Genuine freedom is inconceivable without equality.

## 2.3. Solidarity

### *Definition of solidarity*

The least discussed concept is that of 'solidarity' (or '*fraternité*' in the French Revolution). Undoubtedly, this is because solidarity concerns our common humanity and therefore is more difficult to integrate in a theoretical framework. Solidarity can be roughly defined, with reference to a number of authors,<sup>9</sup> as:

- a feeling of community and mutual responsibility, which
- arises from a common set of interests, and
- finds expression in behaviour that benefits society, in some cases even against the individual's own short-term interests, and
- goes beyond the formal claim to reciprocal justice.

### *Connection between solidarity and social identity*

'Solidarity' is therefore a question of common 'social identity', which has its source in a similar mode of life and common values.

Having said that, American sociologist and moral philosopher Michael Walzer points out, with some justification, that solidarity 'can be dangerous when it is only a feeling, an emotional substitute for, rather than a reflection of, actual on-the-ground, day-by-day cooperation' (Walzer 1997: 32).

### *Solidarity as the concept of day-by-day cooperation?*

This 'day-by-day cooperation' refers to social institutions and structures within the framework of which solidarity can develop and contribute to social security.

Taken by itself, solidarity can certainly take an exclusive and discriminatory form – the '*esprit de corps*' of right-wing extremists is one example of this. For a democratic society, which develops out of and in tandem with an open and pluralistic civil society, this false form of solidarity represents an enormous and persistently underestimated danger. The fatal threshold is passed when social cohesion is nourished by discrimination against others.

### *Solidarity needs equality and freedom*

We cannot talk about solidarity, therefore, without discussing the realisation of freedom and equality in a democratic society.

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<sup>9</sup> For example, Hondrich et al. 1994; Carigiet 2003.

As difficult as it is to get to grips with this concept, it has nevertheless played a substantial role in social history in terms of societal embedding or institutionalisation. For example, the great social insurance schemes (unemployment, sickness, pension and accident insurance) are solidaristic institutions of the labour force. Their founding in the 1890s or 1920s must be attributed above all to the immense pressure exerted by workers and socialists/Social Democrats, even under Bismarck's conservative government.

The cooperative movement can also be characterised as a community of solidarity, in which members form a community based on their common interests, which to a considerable extent is able to neutralise the competition typical of markets.

Furthermore, it should also be mentioned that solidarity presupposes a compromise between interests if it is to be effective. That points to the fact that solidarity will come into being only when different, but above all common interests are taken into account in political deliberations.

### **'Solidarity' in the SPD's Hamburg Programme:**

*'Solidarity means mutual attachment, belonging and assistance. It is the readiness of people to stand up for each other and to help one another, between the strong and the vulnerable, between generations and between peoples. Solidarity creates strength for change: this is the experience of the labour movement. Solidarity is a strong force that ties our society together, both in a spontaneous and individual readiness to provide assistance, with common rules and organisations, and in the welfare state, which is a form of politically guaranteed and organised solidarity.'*

(Hamburger Programm 2007: 16)

### **Challenges to social democracy arising from the discussion of solidarity:**

- As a bond within society solidarity can be fostered, but not created.
- In a social democracy, it must be scrutinised how state and civil society institutions affect solidaristic cohesion.
- Solidarity must always be discussed in connection with the realisation of freedom and equality.

## 2.4. Other Points of View

*Martin Timpe*

Naturally, the core values of social democracy are not the only ones on the political scene. The other parties have also formulated – in party programmes or similar foundational documents – their core values. We shall now take a brief look at these formulations. We make no claim to completeness and our aim is rather to provide a sweeping overview without getting bogged down in the detail.

### ➤ ‘God’s creation’ firmly in view: the CDU

The core values of the CDU are freedom, justice and solidarity. These three core values are formulated in its new party programme, adopted at the party conference in Hannover in December 2007. Although at first glance these core values are identical to those formulated by the SPD in its Hamburg Programme, a closer look reveals a number of differences. For example, the CDU’s strong emphasis on its orientation towards the Christian conception of humanity and ‘God’s creation’ is striking. For the CDU, the Christian religion is the central reference point, while for the Social Democrats this is merely one of several sources from which it derives its core values. (The regional CSU party in Bavaria is even more emphatic in pursuit of this basic orientation, with a dash of right-wing conservative love of nation and patriotism thrown in for good measure.)

At least to some extent it can be seen that the CDU’s concept of freedom differs somewhat from that of the SPD. First of all, the CDU formulates the concept of freedom in more detail than the other two core values. Indeed, the genesis of this party programme was entitled ‘A new justice through more freedom’. Both could indicate a prioritisation of the core value of freedom, but the SPD insists that the core values have equal status. Apart from that, in the CDU programme the emphasis is rather on the defensive or negative civil rights and liberties than on the empowering, positive ones.

### ➤ The three core values of the FDP: Freedom, freedom and freedom

The FDP does not have a party programme. However, a glance at similar foundational documents, such as the Wiesbaden Declaration of Basic Principles, adopted at the party’s Federal caucus in 1997, makes clear in no uncertain terms the party’s one-sided orientation towards the core value of freedom. This is perfectly understandable for a party that identifies its roots in political liberalism,

*‘God’s creation’  
firmly in view*

*Freedom, freedom,  
freedom*



one might think. However, it might be objected that it is a rather abridged version. For example, it would not be unreasonable to assert that various aspects of justice played a central role in John Locke's ideas on society, one of the founding fathers of political liberalism. In contrast, the FDP seeks to relate every aspect of its fundamental orientation to the concept of freedom. Slogans such as 'Freedom means progress' or 'Freedom means compatibility with the future' show how artificially Free Democrats try to establish a reference to a core value whose importance is beyond dispute. It is also clear, however, that a society which sets its sights exclusively on freedom, at the expense of justice and solidaristic cooperation, would soon run into trouble and social cohesion come under threat.

### ➤ **Something for everyone: Bündnis 90/The Greens**

The Greens assign a central role to self-determination. Their concept of justice has so many different facets that it is difficult to grasp. Alongside distributive justice, which is to be maintained, the Greens line up participatory justice, justice between generations, gender justice and international justice. Of course, there is nothing inherently wrong with any of these demands. However, giving all of these things equal status, without prioritising, does little to enlighten the reader, whether favourably disposed or critical, concerning what is meant by justice. As befits an environmental party the core values are supplemented by a call for sustainability in all policy spheres. Less convincing is the Greens' insistence on giving sustainability, although undeniably important, equal status alongside core values such as freedom, justice and solidarity.

### ➤ **Everything still in a state of flux: Die Linke (The Left)**

To date, Die Linke (The Left), the party founded from the merger of the PDS or Party of Democratic Socialism and the WASG or 'Labour and Social Justice – The Electoral Alternative' has not adopted a party programme. In the 'Draft Programme', on which the merger of the two parties was based, there are a few cursory remarks on core values. There are references to democracy, freedom, equality, justice, internationalism and solidarity as core value orientations. From a historical perspective, the clear recognition of individual freedom is reassuring, without which equality turns into disenfranchisement and heteronomy. Just as clear is the assertion – and advocates of social democracy would certainly not disagree, although they would formulate it differently – that freedom without equality means freedom only for the rich. Indeed, the definition of the relationship between freedom and equality in future programme declarations by Die Linke will have to be carefully monitored.

*Something for everyone in such a diverse array*

*Everything still in a state of flux*

## 2.5. Core Values in Practice

Having explored the core values on the theoretical level, we would now like to look at them in action. What roles are played by core values for social democracy in everyday political debate?

A series of examples from different spheres should generate ideas and stimulate further reflection.

### 2.5.1. Education Policy<sup>10</sup>

#### Master Plan: 'Schools Create Opportunities for the Future' – On the Local Application of a Progressive Education Policy<sup>11</sup>

*Marc Herter*

Since the first PISA studies revealed the deficiencies of the German education system in 2003 the education system has been discussed intensively at national, state (Land) and local level. Central to the debate is the fact that, in Germany, educational outcomes – especially in comparison with other countries – are quite closely related to the social backgrounds of children and young people. However, what would a socially just and solidaristic school system, which at the same time gave everyone the freedom to make their own decisions concerning education and occupation, look like?

In Hamm, the SPD took up this question and developed an integrated social democratic approach in the form of the so-called 'Master plan: Schools create opportunities for the future'. As a town that is an administrative district in its own right (*kreisfreie Stadt*) Hamm runs its own schools and so is responsible for schools' 'future-oriented development'. Why, then, a 'master plan'?

Hitherto, schools policy in Hamm – where a CDU/FDP coalition is in power – has been rather 'occasional' in character. In other words, when the number of

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10 On education, see also: Reader 3: Welfare State and Social Democracy (2012), chapter 7.5 Education.

11 This example is based on a schools development plan worked out by the SPD in Hamm.

registrations at a school are too high or too low, the school is expanded, pupil numbers are frozen or pupils are transferred until balance is restored. When that crisis is over, one waits until the next one arises.

This is not a sound basis for a future-oriented local school system.

Another starting point for a new schools concept was the realisation that not only the school system, but also the various interfaces with child and youth welfare, as well as support with regard to training and education, the labour market and integration, have a decisive role in the educational outcomes of children and young people. Based on an in-depth analysis, the Master Plan formulates long-term goals and spheres of action, key to which is the improvement of educational participation and results

### **Social Democratic Master Plan**

The aim was to come up with a social democratic alternative to how educational provision is managed by the incumbent town hall majority. Two indicators of the failure of previous schools policy, besides the ubiquitous PISA studies, clearly demonstrate how important this is:

- With an annual *abitur* ('general qualification for university entrance') pass rate of below 30 per cent, Hamm lags well behind the other *kreisfrei* towns in the state of North Rhine Westphalia. Neighbouring Münster, for example, has a pass rate of 50 per cent.
- While in more well-to-do districts around 50 per cent of students go on to *gymnasium* (similar to grammar schools in the UK), in the traditional working class district of Herringen barely 19.5 per cent do so.

At the same time, socio-demographic developments are crying out to be addressed. By 2015, the number of pupils going on from primary to secondary school will have fallen by around one-quarter in comparison with 2005. As early as 2010, every second child born in Hamm will have an immigrant background. Integration and the utilisation of all available talents, therefore, are not mere political issues, close to the hearts of the progressive minded, but rather the basic precondition of successful development in a town under structural change.

### ► What We Mean by Freedom – All-day Care Not Only for the Few

The Master Plan's first guiding principle is the expansion of all-day care across the board. *Quality care* from the age of one begins with high-quality provision that effectively meets needs for the under-threes, extending to timely and pedagogically challenging care for three- to six-year-olds, followed, when children reach school age, by so-called 'open all-day' care, which is not limited to primary school but extends up to the child's 14th year. In this way, reconciliation of work and family life is made possible. Furthermore, the town council does not pretend to lay down whether and how children are raised, but provides the framework within which mothers and fathers are free for the first time to make their own decisions. In this way, freedom is not the preserve of better-off families, who are in a position to employ a nanny, but belongs to all families, enabling them to plan their lives.

### ► Real Social Justice – District Comprehensive Schools for New Opportunities

Another of the Master Plan's guiding principles is to introduce more permeability and mobility into the school system in all of Hamm's seven districts. All examinations should be available in every district. The aim is to break the chains that shackle success at school to students' social background. Social justice, therefore, starts with equal participation in terms of life chances and educational opportunities and creates equal access to further education across the board. Integration and stronger support for individuals, therefore, are not in conflict, but rather are mutually dependent.

District comprehensive schools (on the North Rhine Westphalia SPD model), therefore, after continuing with mixed classes in the fifth and sixth years, would provide the option of further integrated classes up to the tenth year and splitting up into three streams corresponding to the *Hauptschule* (like the old secondary modern in the UK), the *Realschule* (middle schools with an orientation towards more practical subjects) and *Gymnasium* (grammar school), but all within the same building and as one school. A great deal would change at local level, too: for example, district comprehensive schools would introduce gymnasium and vocational education into the abovementioned Herringen district for the first time. Three other districts would also be endowed with their first 'grammar-school' education. By and large, due to demographic change, virtually no district will be in a position to sustain existing provision without some form of comprehensive education.

### ► Solidarity That Is More than Empty Words – Social Support Budget

The third major element of the schools policy proposals is the social support budget. This takes into account the fact that special needs and circumstances are quite different in different schools.

In those places where the proportion of students with an immigrant background is highest and social problems can seriously impinge on everyday school life, school budgets are mostly used up to maintain basic functions – for example, school books, participation in school trips, care and lunch – while elsewhere they can be diverted into qualitative improvements in teaching, all-day care, special projects and equipment. As a result, absurdly, where there is the greatest need the range of options is narrowest. The social support budget, on the other hand, would function without a lot of red tape: for each eligible student every school would receive a supplementary budget, which is increased by a flat-rate 10 per cent in cases of hardship. By this means, schools would finance special needs and consequently would be able to use the school budget proper in the same way as other schools. This differs fundamentally from the traditional per capita budgeting. It calls for *solidarity* between financially robust schools and financially fragile ones in order to equalise funding possibilities throughout the town and so facilitate successful educational outcomes.

### ► Dialogue

After the joint development of the Plan by the subdistrict and council coalition party this is being presented to and discussed with parents, teachers, students and other interested parties at events in all seven districts. The central issue is whether these ideas can be applied in the relevant district.

## 2.5.2. Health Care Policy<sup>12</sup>

### Universal Health Insurance versus Flat Rate Insurance – An Issue of Fair Health Policy

*Martin Timpe and Christina Rentzsch*

It is regarded as one of the great social achievements of the twentieth century that health care provision is no longer a matter of income or social class. Health care is the basis of a decent life and must be equally accessible to all. This entitlement is directly derivable from social democracy's core values.

In Germany, the question of health care financing has dominated the public debate. In particular on the revenue side two very different policies confront one another: the CDU's »flat-rate contributions« and the SPD's »universal health insurance«.

How are the two models – »universal health insurance« and »flat-rate contributions« – to be evaluated with regard to the core values of social democracy? To answer that, we must first take a closer look at the two models and the particular features of private health insurance (PKV).

#### ► Universal Health Insurance

The SPD is calling for statutory health insurance (GKV) to be upgraded to universal health insurance, to which, it is envisaged, everyone would contribute in accordance with their ability to pay. However, the basis of assessment would no longer be confined to wage income – other forms of income (for example, capital income) would also be brought into play. With universal health insurance, statutory health insurance would continue to be financed from the contributions of those insured and employers. Spouses without income of their own would continue to be covered and children would not be liable to pay contributions.

#### ► Flat-rate insurance

The model described by the CDU itself as a 'health premium' is composed of a monthly flat-rate payment, which self-evidently is the same for all contributors, and employers' contributions, fixed at 6.5 per cent of income subject to contri-

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<sup>12</sup> On health care, see also: Reader 3: Welfare State and Social Democracy (2012), chapter 7.4 Health Care.

butions. Employers would thus be spared future cost increases. Those for whom the flat-rate contribution represents more than 7 per cent of their income would be compensated. The contributions of the children of those covered by statutory health insurance will in future be tax-financed.

### ➤ The Future of Private Health Insurance

A central feature of the German health insurance system is that some people are not liable for solidaristic contributions. For example, civil servants, on the basis of the special tax-financed form of health insurance for civil servants (*'Beihilfe'*), are excluded from the outset, while the self-employed are not legally obliged to take out insurance, regardless of their income. Employees whose earnings exceed a certain threshold ('insurance obligation limit') can opt for private health insurance. All of this means that the contributions of entire population groups are not available for the solidaristic financing of health care. Depending on one's perspective and political values this may be regarded as either a problem or a positive expression of competition in the health care system.

Private health insurance would be affected in different ways, depending on whether universal health insurance or flat-rate health insurance was introduced. While one of the aims of universal health insurance is to include private health insurance in solidaristic financing, a flat-rate system would leave private privileges untouched. Indeed, tax revenues would be used to finance the freedom from contribution liability of the children of the privately insured.

### ➤ Solidaristic Contribution-based Financing – Fair Burden Sharing according to Ability to Pay

It is obvious that an increase in solidarity is one of the main features of universal health insurance. Everyone would participate in a common insurance scheme to finance the health care system.

The CDU claims that its model is also solidaristic in nature. They can point to the fact that the flat-rate system includes a larger contribution from the tax system. However, this is problematic in two respects.

First, it is not clear how large this »fiscal compensation« can be if the CDU and the FDP further weaken the viability of the state through tax cuts for higher earners.

Second, the possibility of solidaristic compensation via the tax system requires that the latter be organised on a solidaristic basis. The plans of the CDU and the FDP preclude that. The coalition agreement envisages doing away with the principle that strong shoulders should bear more than weak ones, as embodied in progressive taxation.

In any case, what is definitely not solidaristic is the fact that, under the flat-rate model, civil servants would remain exempt and private health insurance (at least formally) would retain its traditional competitive structures.

The introduction of universal health insurance will not mean less freedom of choice, however. It would merely mean that the coexistence of different bases of calculation applied by individual insurers would be brought to an end. Instead, 'fair competition' would be created by means of binding provisions establishing a uniform system.

Insurers would be competing on quality of provision rather than 'good risks' (younger and healthier insurees). Instead of a few privileged people being able to benefit at the expense of everyone else, everyone will have a better chance of benefitting from medical progress.

It is a question of justice which population groups find their financial burdens increased or reduced. On this point, the two models differ decisively: while the universal health insurance model would reduce the burden on families with two children, with the introduction of a flat-rate system they would stand to lose up to 900 euros a year. The situation of single persons is the exact opposite: under a flat-rate system they might hope to gain more than 1,300 euros a year, while under a universal system their gains would be more modest.

As already stated, health is the basis of a decent life and all must have equal access to it. A health care system, besides being fit for purpose, should be oriented primarily towards equal opportunities (access to health services) and needs-based justice.



### 2.5.3. Labour Market Policy<sup>13</sup>

## Permanent Insecurity? The New World of Work and Social Democratic Values

*Matthias Neis*

For many decades after the end of the Second World War a successful compromise was largely maintained between the interests of capital and labour in Germany. During an extraordinarily long period of economic growth from 1949 wage labour was the norm. Employment also gave people a positive right to 'social property', guaranteeing a pension entitlement, protection against wrongful dismissal and maintenance of health and safety standards, codetermination rights and binding wage agreements (Dörre 2005).

Wage labour of this kind – also known as the so-called 'typical employment relationship' or 'standard employment contract' and underwritten by the welfare state – bestowed a minimum level of recognition or social status alongside material security.

This, in retrospect, frankly harmonious period was, of course, far from conflict-free. The compromise was constantly contested, with no holds barred, and the unequal distribution of society's wealth was at best only gradually ameliorated. However, large sections of the population could rest assured that, by virtue of their own efforts, they would slowly but surely be able to improve their standard of living.

Since the 1980s, however, the standard employment contract has increasingly lost its shine. Although the majority of employees still work on the basis of 'typical employment', the number is falling rapidly. Employment growth is to be found only in other areas: part-time work, temporary or agency work, fixed-term or marginal part-time work ('mini-jobs').<sup>14</sup> Like permanent and full-time employment, 'social property' is also coming under pressure. The partial privatisation of old age pensions, proposals to weaken protection against dismissal and the diminishing implementation of binding collective agreements, particularly in eastern Germany, are only the most obvious aspects of this process.

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<sup>13</sup> On labour market policy, see also: Reader 3: Welfare State and Social Democracy, chapter 7.2, Work.

<sup>14</sup> Between 1991 and 2003, the number of part-time workers, for example, grew from around 5 million to over 9 million.

A number of reasons can be cited for these developments. For example, the growing importance of service and IT work calls for a different, more flexible work organisation than the production model of former times. In circumstances in which competition is no longer only between companies, but also within them – pitching teams and departments against one another – ‘social property’ is swiftly becoming a form of ‘reserve in support of flexibilisation’. Companies that manage to water down or even abolish employment protection rights gain a competitive advantage, although probably only a short-lived one.

Most people are profoundly disturbed by this turn of events. In a study by the Friedrich-Ebert-Stiftung in 2007 63 per cent of respondents reported being worried by the ongoing changes in society (Neugebauer 2007). This state of affairs, which is disseminating a generalised uncertainty among large sections of the population, caused by changes in the economy and the world of work, has been dubbed ‘precarity’ by French sociologist Pierre Bourdieu. This is not merely a matter of falling wages or fixed-term contracts, but, just as importantly, of how one experiences and ‘processes’ uncertainty.

When one takes that into consideration, it becomes apparent that precarity is not confined to those in precarious employment. It is working its way deep into the heart of the labour economy. Many permanent employees experience the presence of temporary or agency workers at their workplace as profoundly unsettling. Confronted with the dreaded alternative they are prepared to make concessions on wages and working conditions, which otherwise they would never have accepted. Precarious workers find themselves, somewhere between workers on standard employment contracts and people who have been cast adrift completely from the world of gainful employment, in a state of suspension. Their fear is that they will slip down the social ladder; their dream is to move on up into the sphere of the standard employment contract. All too often, however, the sole realistic prospect is that of coming to terms with permanent uncertainty.

What are the consequences of these developments for the project of social democracy? The significance of ‘normal employment’ for social democracy in the past cannot be overestimated. Embedded in the welfare state, it was long one of the main factors which shaped the three core values. It created security for many – although not for all – and thereby constituted a necessary precondition for the efficacy of positive freedoms. Whatever was achieved in terms of significant redistribution (in

accordance with the value of justice) was done, to a considerable extent, by means of the employment system. Ultimately, 'social property' was geared to cushioning the effects of life's exigencies on the basis of solidarity. Social security, created by normal employment, fostered the identification of large sections of the population with the three core values of social democracy. In particular, the SPD, in its party programmes, made strong reference to the standard employment relationship and, above all, full employment. The aim of extending 'normal employment' to all workers was part and parcel of the Party's understanding of itself as the political standard-bearer of social democracy.

However, this strong association with the standard employment relationship dissolved. The labour market and social policy reforms of the past decade, such as the normalisation of temporary work and the reform of unemployment insurance, for which the SPD was (co-)responsible, were also an attempt to respond to a radical change in the world of work with an equally radical change of course. The values of social democracy still have powerful resonance among the population. However, unlike previously, these values are no longer self-evidently attached to one political representative. The main reason for this is the political failure, so far, to re-establish social security under the aegis of flexibilisation. What does that mean for a new model of social democracy in relation to the core values that underlie it?

### ► Freedom

The new world of work, to be sure, entails new promises of freedom. A small, but not negligible group of workers can, as freelancers or 'self-managers', benefit from the freedom to organise their own work in the form of projects, not subject to the direction of 'bosses'. This group can, in addition, demand a substantial reward for its flexibility. With sufficient resources, workers in this group can transform short-term unemployment into an opportunity for further training. For most precarious workers, without a financial buffer, a similar situation represents a major catastrophe, which drastically curtails rights of both positive and negative freedom.

It is crucial that social democracy develop a promise of freedom that is positive, realistic and social. This includes new instruments of collective (social) security. Any freedom potential that flexibilisation might hold can be realised by most workers only if they are not cast adrift to cope with unavoidable risks and crises on their own.

### ► Justice

What is fair and who is entitled to make legitimate claims, and to what, remains decisively co-determined by employment status. Historically, one's willingness to make an active contribution, as demonstrated by the work one did, entitled one to participate in society. Even then, this concept of justice delineated sharply between social groups – for example, between the sexes – and incorporated tendencies towards the individualisation of responsibility.

These norms have proved to be very stable but in the new labour economy they have developed into a veritable driver of inequality, within the framework of which the notion of performance or achievement (merit) persists, but the possibilities of access to employment are becoming more complicated. Falling out of the employment system from time to time, or even repeatedly, is quite normal in the 'zone' of precarity. However, that is far from saying that this is acceptable. Many of those in precarious circumstances are entitled to have their willingness to work demonstrated in the form of regular employment. It is suggested by some that failure in this respect means that one just has to try harder. But this individualisation blurs people's perceptions of the increasing inequalities in society. In this way, this understanding of justice can almost be turned into an antonym of equality.

One challenge that social democracy must meet is to establish a positive relationship between justice and equality. In political terms, this means allowing individualisation to increase only to the extent that each individual has real scope for self-determination. Only on this basis is it meaningful to talk of demanding more self-responsibility

### ► Solidarity

The restructuring of collective insurance systems – the institutional expression of solidarity in the old employment system – can be understood as one element of a general crisis affecting solidaristic behaviour. In the current situation, the main line of contention in society is between the 'haves' and the 'have nots', which has also to some extent set the terms in which these systems have been argued over, overlapping with the division between 'inside' and 'outside'. The two distinctions are not mutually exclusive, but lead to entirely different social conflicts.

Intense competition in the workplace, combined with the feeling that there are others eager to take one's place pressing constantly at the gates, offers the worst possible incentive to solidaristic behaviour. Those 'on the inside' increasingly perceive those 'on the outside' as a threat. Conversely, those elements of collective social security that remain intact are frequently experienced by those in precarious employment or out of work as obstacles which will continue to shut them out. The current crisis makes it blatantly obvious that this perception is not without foundation. After a collapse in orders in large parts of industry in winter 2008 temporary workers lost their jobs almost immediately. Almost from one day to the next factories laid off hundreds of thousands. Protests by workers or even trade unions were sporadic at best. However, these redundancies did secure the jobs of the core workforce and thus the bulk of trade union members.

In light of current developments, the question thus arises of how solidarity is even conceivable in today's working world. Also from the standpoint of a solidarity established on new foundations, effective instruments of social security represent a crucial reference point for the social democracy of the future. It must re-establish the credibility of 'social property'. For that purpose, the relevant instruments have to be designed in accordance with the kind of careers people can expect to have today in order to lessen the contrast between 'inside' and 'outside'.

In the new labour economy, while, on the one hand, the association between the core values of social democracy and labour can no longer be taken for granted, as once it could, on the other hand, this association remains all too close, underlining the urgency of a new debate on the contents of the three concepts of freedom, justice and solidarity.

An accurate assessment of the ways in which freedom, justice and solidarity are related to the new labour economy should be prioritised by the political representatives of social democratic ideas. There is nothing to indicate that employment will ultimately lose its status as an important vehicle of participation and recognition. The nature of work in society will continue to be a decisive influence on the character of social democracy. The crisis experience at the end of this decade shows that, more than ever, the economy and work in a social democracy must be shaped in accordance with democratic principles.

## 2.5.4. Higher Education Policy

### »Private before State« or Public Good? Two Contrasting Models of Student Financing

*Martin Timpe and Frederike Boll*

#### ➤ Social Origins Determine Educational Opportunities

In no other industrialised country in the OECD is a person's educational path so strongly determined by social origin as in Germany. Out of 100 children from families in which at least one parent has a degree 83 will go on to higher education. In non-graduate families, however, only 23 children will make their way to a university or other institution of higher education (see Isserstedt 2007: 11).

Furthermore, Germany has a very low proportion of students compared to the OECD average. In the academic year 2009 – primarily because the cohort taking their Abitur was twice its normal size – it was around 43 per cent of the age cohort. In order to increase the proportion of students and to get closer to the OECD average of significantly over 50 per cent especially children from non-graduate families must be encouraged to study further, because that is where the biggest untapped potential lies. This not only makes sense from an economic standpoint, it is also a matter of social justice.

#### ➤ Problems of Student Financing

One important approach to creating more equality of opportunity and to increasing the proportion of students lies in student financing. Many of those qualified to enter higher education from non-graduate families explain their decision not to go on to study and instead to undertake vocational training on the basis of the trainee allowance – low though it is – the alternative usually being financial dependence on their parents if they opt for study (see Heine/Quast 2009: 16).

#### ➤ BAföG

»But there's also BAföG« (Federal Education and Training Assistance Act – Bundesausbildungsförderungsgesetz or BAföG), someone might say. However, only a small number of students – around 18 per cent – in German institutions of higher education receive BAföG assistance (see 17. BAföG-Bericht 2007: 8).<sup>15</sup> Moreover, the amount the BAföG allows for living costs systematically falls short

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15 This is the proportion of all those receiving support out of all students.

of actual living costs, since the law does not provide for automatic adjustment. The 50 per cent loan portion of the BAföG also puts off many potential students. In non-graduate families people's willingness to incur debt is much lower than in graduate families. This also goes against proposals to fund living costs and tuition fees via loans.

Finally, the income thresholds for BAföG are set so low that many families that could not afford to put their children through higher education nevertheless do not receive BAföG support. This has been described as the »middle-income Catch« (Mittelstandsloch).

### ► Tuition Fees

On top of that, currently six federal states charge tuition fees of up to 500 euros per semester. After the Constitutional Court decided in 2005 that it was up to federal states whether to impose higher education charges seven CDU-led state governments have introduced general tuition fees. In Hessen, however, the fees were subsequently abolished by the Red-Green-Red (SPD-Alliance 90/Greens-Die Linke) majority in the state parliament. The Black-Yellow-Green (CDU-FDP-Greens) state government in Saarland has also decided to abolish tuition fees. In Baden-Württemberg, Bavaria, Hamburg, Lower Saxony and North Rhine-Westphalia, however, tuition fees remain in place, which means that over half of Germany's 2 million or so students are affected by them.

There are therefore two contrasting student financing models: one is based on increasing private contributions to pay for study and advocates, for example, tuition fees, and the other demands free education on the grounds that it is a human right. On this understanding, education is a public good that must be available to all equally, regardless of income, origin and economic or social circumstances.

## **Student Financing and the Core Values of Social Democracy**

### ► Freedom

Freedom, social democrats argue, also has a material basis. Only those with access to education can make use of their freedoms. The right to higher education is worth little to someone who cannot come up with the rent for student accommodation. The right to choose one's course of study freely is undermined if one is financially dependent on one's parents and thus directly or indirectly forced

to take more account of their ideas about one's future career and what subject one should study than one's own interests.

A strong BAföG that depends only on students' individual needs would be a good way of actually realising formal freedom (to study). The various proposals concerning student loans offer only apparent freedom. In fact, they create new dependencies, in the form of debts and contractual obligations to creditors.

### ► Justice

In debates on tuition fees and justice one hears the same argument time and time again – but no matter how many times people say it, it does not become any more correct. Nurses' taxes pay for the studies of the sons of senior consultants. Senior consultants, in turn, make no contribution to these studies, even though they could easily afford tuition fees. This situation is deeply unfair and so well-off families should make a direct contribution to higher education funding via tuition fees.

The situation described would indeed be unfair. In reality, however, one injustice is being used to justify another. The absence of equal opportunities in our education system and the unequal distribution of the social (tax) burden.

The sons of senior consultants will continue their studies with or without tuition fees. Levying tuition fees would only reinforce the social inequality in higher education access, however. Daughters of nurses, say, would be less likely to continue their studies than they are today. Those who complain that senior consultants contribute too little to the funding of the education system or other public provisions and that nurses contribute too much should rather turn their attention to the taxation system itself. To be consistent, they should advocate a higher tax burden for higher earners and a lower one for low and middle earners.

Justice is equal freedom – this is what social democrats believe. Equal freedom to study will at the very least be jeopardised by the levying of tuition fees. At the same time, even the line of argument we have presented is inconclusive. Rather, fair distribution of the funding of public provisions should be organised through the tax system on the basis of ability to pay.



## ► Solidarity

Finally, it is worth pausing for a moment to consider the effects of tuition fees on the social climate. Our institutions of higher education make an important contribution to democratic and social development. Would it not make sense for students and teaching staff to learn to cooperate democratically and in solidarity? Tuition fees and other instruments of higher education policy instead lead to the dominance of market, consumer and competitive relationships. Tuition fees also mean that the incomes of graduates and non-graduates diverge even more. Whether it is good for a society that rich and poor move farther and farther apart, we leave to your own judgement.

### 3. MODELS OF SOCIETY: A COMPARISON

**In this chapter:**

- the relationship between market capitalism and democracy is discussed;
- the liberal, conservative and social democratic social models are elaborated and compared;
- the development and history of ideas of the labour movement is broadly sketched and the concept of democratic socialism discussed;
- the social democratic conception of humankind is contrasted with other conceptions.

*Der Spiegel's* issue of 22 October 2007 sported a provocative cover.



*Der Spiegel*, issue 43. Source: [www.spiegel-online.de](http://www.spiegel-online.de) (22.10.2007).

*What's on the cover?*

A number of leading SPD figures are portrayed in caricature: they have jumped into a lifeboat after an accident at sea. The captain, Gerhard Schröder, remains on the sinking ship, while Gregor Gysi and Oskar Lafontaine have commandeered their own lifeboat. The title 'If we swim side by side'<sup>16</sup> plays on the word 'swim' as a synonym for 'not knowing' – which in English would best be expressed as 'being all at sea' – in this case, not knowing where the journey is headed. Even worse, the cartoon implies a dramatic shipwreck in which people's sense of direction goes overboard along with everything else.

16 This is also a reference to the workers' song 'Wann wir schreiten Seit' an Seit'

What do you think of the cover of *Der Spiegel*? What does it say about people's views on political parties (in this case, the SPD)? It plays on people's fears and the impression that politics today lacks a fundamental sense of direction – in these circumstances, it is inevitable that things will hit the rocks. This familiar accusation is, like the whole scene, deliberately sensationalist, because everyone has their own 'socio-political compass' and in democratic parties – it does not matter which one – it is not just permitted, but entirely necessary that people argue about the coordinates and then take democratic decisions about them.

*What the cover does not show – some comments on interpretation*

Furthermore, there is no sense in which the SPD can be said to be sinking or shipwrecked. Radical political change – not unusual, but rather necessary after a change of leadership or election defeat – is not a shipwreck.

*Debate about the coordinates is necessary*

A 'chain of command' also contradicts democratic decision-making in a party, the very essence of which involves arguing about the party's direction, when the need arises, and coordinating it with one's own 'socio-political compass'.

*Der Spiegel's* cover, on the other hand, presents us with a somewhat authoritarian view of politics, which cannot be reconciled with democracy. It is precisely this 'socio-political compass' which is not depicted in the cartoon – nevertheless, no political course can be laid without it.

Let us consider a moment what it means to 'navigate'.

A 'socio-political compass' presupposes that one has some notion of possible political directions on the basis of which one can describe one's own position and 'get one's bearings'.

*Socio-political compass*

The navigation in question generally takes place – metaphorically speaking – on the high seas of everyday political decision-making. Even if fundamental issues are not involved, one's core convictions are brought into play.

*What are these bearings and what does navigation involve?*

The advantage of this – although it also makes it difficult to describe – is that every one of us has their own compass. For that reason, however, it is not simply a matter of handing out the same kind of compasses to all and sundry. How each person then uses their compass to 'navigate' for themselves is up to them. In democratic parties and organisations, it is a matter of negotiation.

Navigation has two essential requirements: first, one must know one's own views – in other words, one has to analyse where one stands and what situation society finds itself in today.

The second condition is that one agree on a 'political course' which one wishes to pursue.

Both starting point and goal (or reality and aspiration) can be expressed in terms of competing socio-political ideas. Liberal, conservative, socialist and social democratic arguments try to define starting point and goal in such a way that it is possible to navigate in their preferred direction.

If one wishes to discuss social democracy as a model of society or a possible set of bearings, a direction that society might take, one must examine it in the context of other models of society.

## 3.1. Market Capitalism and Democracy

Before we can survey the different coordinates, we need to clarify two more concepts which decisively shape society today: market capitalism and democracy.

*Market capitalism* is understood here as a system in which:

- goods are freely exchanged in a market;
- the production of goods takes place in a capitalist system, that is, one based primarily on rights of private property;
- there is labour on one side and capital on the other;
- there is no regulatory institution but, at most, institutions that may provide the market with a framework.

*Democracy* stands out as the historical achievement which:

- wishes to realise the idea of equal freedom for everyone in society in the state;
- brings about political autonomy by means of democratically reached majority decisions;
- needs a robustly constituted society (state) in order to provide everyone with opportunities for participation.

Even these minimal definitions show that a society that wishes to be organised in terms of both market capitalism and democracy is inevitably exposed to tensions, since the effects of pure market capitalism, like those of a completely democratic society, necessarily come into contradiction.

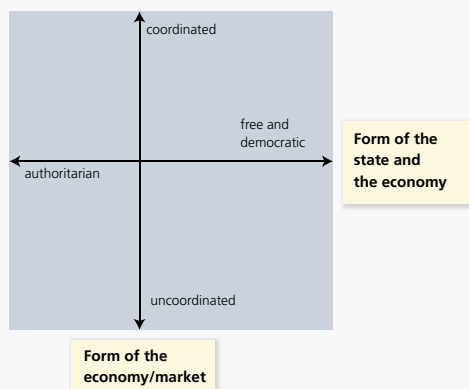
*Market capitalism obstructs democracy if:*

- the private right of disposal enjoyed by some over the means of production leads to an unequal distribution of wealth which is inconsistent with 'equal freedom' and participation in society;
- the balance of power in society is weighted so far in favour of employers, as against employees, that it denies the latter any opportunity to live their lives on the basis of self-determination;
- owing to the pursuit of profit by some, market capitalism stands in the way of the welfare of all, which can be
- ensured only by the democratic principle;
- the state's sole function is to provide for peace and order.

*Democracy obstructs pure market capitalism if:*

- freedom of enterprise is substantially curtailed or even abolished by means of democratic decision-making;
- state interference on the basis of democratic decision-making – for example, by the expropriation of private property in favour of the public at large – jeopardise the development and freedom of the individual; in other words, the private sphere of the individual is infringed.

For purposes of illustration, democracy and market capitalism can be represented as a dynamic field:



*Figure 4: System of coordinates for the classification of models of society*

For the form of the economy or the market the pole 'coordinated/uncoordinated' can be adopted: an uncoordinated market, left to its own devices, on the one hand, and a regulated market and a regulated economy on the other.

On the other axis, the tension is between an authoritarian state on the one hand, and a democratic order resting on the civil rights and liberties of the individual, on the other hand.

Market capitalism and democracy are two fundamental concepts which can describe the current coordinates of society. Political theories, in defining their goals, take their bearings from how they interpret these coordinates and in what direction they wish to go with reference to them.

The question we must now answer concerns how the different ideas or models of society can be classified in terms of this system of coordinates:

- liberal position
- conservative position
- socialist position
- position of social democracy

**For discussion and follow-up exercises:**

Classify the models of society listed above as you see fit. Give arguments for your classification, but also some counter arguments. Locate your own 'standpoint' in the system of coordinates before reading further.

Perhaps you were somewhat hesitant about how to proceed with your classification. Or didn't you hesitate at all?

If you did hesitate, that is no cause for concern, since there is every reason for uncertainty. We shall shortly see that a systematic difficulty may well be involved.

Perhaps the following distinction will help: First, try to fill in the system of coordinates in accordance with the claims these models of society make for themselves. Second, consider how, on the basis of your understanding of politics, these models might be positioned more realistically.

*How may the different models of society be classified?*

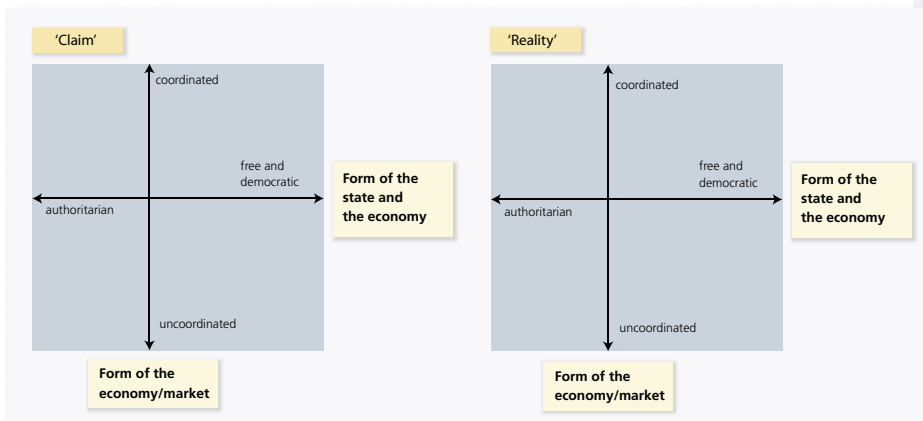


Figure 5: Claim and realistic positioning

Now comes the fascinating question: If there is a discrepancy between the 'claim' version and the 'reality' version with regard to classifications of a model of society, what is the reason for it? (For the purpose of argument, we shall exclude the possibility that we are simply wrong.)

Keep the two systems of coordinates with their classification of models of society in mind as you consider the following explanations and see whether they are of any help.

The question concerning the difference between claim and reality can be answered only if, on the one hand, one subjects the respective models of society to closer theoretical scrutiny and, on the other hand, one puts them to the test of empirical data, for example, by examining the extent to which countries which take their bearings from certain models – or have done so in the past – in fact live up to them. If there is an unusually large gap between claim and reality, it can partly be put down to misleading rhetoric (for example, for the purpose of clinging on to power) which tries to sell something as being in the general interest, when in fact it only serves the interests of a few. If one is not to be duped in such instances, the crucial question must always be: 'Cui bono?' – 'Who benefits?' Who gains from this line of argument?

On the other hand, the gap may be theoretical, in which case the empirical findings and the theoretical claim cannot be made congruent under current social conditions.

*When there is a discrepancy between claim and reality with regard to a model of society, what is the reason?*

*On the one hand: Cui bono? Who benefits?*

In other words, we may be dealing with a model of society whose prospects of being realised in the foreseeable future are remote, and so can be considered utopian from today's standpoint. That does not mean that the claim should be criticised; what would merit criticism, however, is if such political utopianism prevented people from taking whatever action is realistic in the present circumstances. In this respect, one can speak of a second-order obligation, namely that a political idea must be realistically achievable by democratic means.

Utopianism without social action is pure indulgence, which only those who are reasonably well-situated can afford. Whether or not a utopianism that does not seek to shape politics and society exists cannot be answered categorically. It becomes clear only when the political strategies of individual political groups are put to the test in their actual behaviour.

That is sufficient, for the time being, by way of orientation with regard to possible explanations of why claim and reality sometimes diverge. When reading the following summaries of political tendencies and schools of thought, the best thing to do is to keep at the back of your mind where you would 'place' these ideas about society.

In what follows, the different ideas about society promulgated by liberalism, conservatism, socialism and social democracy are presented in brief. Although there is a danger in summarising models of society so briefly, some of the fundamental arguments of individual tendencies should be presented at this point. There are a few comments at the end of the presentation on the respective 'reality versions'.

Since this will be rather a simplistic classification, some follow-up texts related to the relevant model are listed at the end of each presentation.



## 3.2. Liberal Positions

Liberal positions emphasise the free market with regard to the relationship between the market and democracy and stress freedom of enterprise. Democratic decision-making is largely limited to an 'order-maintaining' state which ought merely to stand as guarantor of the continued functioning of the free market. To list a number of fundamental assumptions of the liberal approach:

- The market essentially regulates itself by ensuring that the supply of material and non-material goods is guided by society's demand for them.
- Freedom has absolute priority over equality and solidarity, and the individual over society.
- Freedom is realised directly through the market. A (substantial) restriction of market freedom, in these terms, is to be equated with the restriction of freedom in general and so should be rejected.
- The state has the task of creating secure framework conditions for the market and of making minimal provision against life's contingencies, which can befall people through no fault of their own, but not as a fundamental right. This narrowly circumscribed political space is democratically regulated. The state is responsible merely for society's legal-institutional framework.
- The image of humanity is oriented towards human freedom, in terms of which human beings distinguish themselves by means of their achievements and live as 'utility maximisers'. Freedom in the market is supplemented by freedom from the state: the state only has to ensure that society does not infringe people's personal autonomy. The state should protect people's freedom, but it should not itself intrude upon their freedom.
- Liberal concepts assume an independent central bank, which pursues the stability of the currency as its principal aim (monetarism).

Historically, the origins of liberalism go back to the emergence of bourgeois society. One of its most influential philosophers and 'co-founders' was John Locke (1632–1704) (see chapter 2.1.).

Classical liberalism in the area of the constitution of the state – but not in the constitution of the economy! – is also a major influence today on social democratic reasoning (see chapter 3.4.).

*One of the most famous new liberals:  
Friedrich von Hayek*

In the first half of the twentieth century, the contributions of some new liberals<sup>17</sup> significantly radicalised Locke's (in historical context) balanced position.

For example, Friedrich August von Hayek<sup>18</sup> represents the view that freedom and democracy may be realised exclusively within the framework of an economic system resting on unrestricted private property and competition. Society emerges as a 'spontaneous order' in which economic subjects interact freely via the market in association and competition. The task of the state is merely to lay down general rules to govern the behaviour of individuals in relation to one another (see Conert 2002: 287). The problem that freedom and democracy are, in reality, available only to a few is without significance in Hayek's spontaneous order. Also insignificant in these terms is the fact that under unbridled capitalism one person's economic freedom may result in another person's economic want and lack of freedom. There is no room here for a more detailed discussion of Hayek's argument: Conert provides a good and subtle overview.

**Friedrich August von Hayek** (1899–1992) was an Austrian economist and one of the most important liberal thinkers of the twentieth century. He was one of the main proponents of the free market and an opponent of any kind of state interference. As a result, he was one of socialism's severest critics.

*Another new liberal:  
Wilhelm Röpke*

The divergence of claim and reality with regard to new liberal arguments is also evident from the ideas of Wilhelm Röpke. Röpke represents the view that liberalism is the sole alternative to the tyrannical form of society characteristic of socialism: whoever 'does not want collectivism', he writes, must 'want the market economy ... but the market economy means free markets, a free press and cost elasticity, in other words, adaptability and subordination of producers to the dominance of demand. In negative terms, it means the exact opposition of monopoly and concentration and that anarchy of interest groups which is spreading to every country like the suitors of Penelope. Market economy means choosing, instead of the depraved collectivist principle, the sole regulatory prin-

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17 In what follows, we apply the term 'new liberal' to theoretical positions which developed following classical liberalism in the first half of the twentieth century and were further developed from the 1980s onwards. Certainly, in recent years on the political Left the term 'neoliberal' has become established as derogatory and a kind of general 'battle term'. Regardless of what one thinks of neoliberal ideas, there is a tendency to describe all negative phenomena in today's societies as 'neoliberal'. In order to avoid this analytically inaccurate form of argument we shall here use the term 'new liberal'.

18 At this point it should be mentioned that von Hayek's line of argument differs significantly from the ideas of other new liberals on a number of central points (for example, regarding the constitution of society and the concept of history). For that reason, von Hayek is a particularly influential but by no means uncontroversial figure, even among new liberals.

ciple that we have at our disposal to create a highly sophisticated and highly technologised society, but in order that it really does ensure the regulation of the economic process it must be unadulterated and [may] not be corrupted by monopolies' (Röpke 1946: 74).

There is already a contradiction here that turns up in many liberal positions: on the one hand, a (largely) self-regulating market is propounded, freed from the shackles of political regulation; on the other hand, the formation of monopolies is sharply criticised and a level of control demanded on the part of the state to ensure that competition is not cancelled out by them. This conflicts with the image of a 'free market', however. The market obviously leads to frictions which it cannot regulate itself. A managing state is needed for that.

Apart from that, the new-liberal position assumes that the freedom of the market is enough to ensure the freedom of the individual, an assumption that cannot be sustained in view of the social exclusion brought about by market capitalism.

At the latest since the 1960s, a dense web of new liberal research networks, political consultancies, economic institutes and lobbyists has been established. This web contributed not a little to the 'neoliberal turn' of the 1980s, for example, under Thatcher and Reagan.<sup>19</sup> New-liberal positions, as a rule, find support among the owners of capital and those whose life circumstances are secure (classically, therefore, in the educated middle class and the business elite). New liberalism, therefore, is an elitist model of society in a double sense: its formation occurred among the well-to-do and it represents their interests.

**Further reading –  
new liberals and  
their critics:**

*Friedrich August von Hayek (1946), The Road to Serfdom.*

*Wilhelm Röpke (1942), The Social Crisis of Our Time*

*Wilhelm Röpke (1946), Civitas Humana (also published as The Moral Foundations of Civil Society)*

*Hansgeorg Conert (2002), 'Zur Ideologie des Neoliberalismus – Am Beispiel der Lehre F. A. von Hayeks', in: Conert, pp. 275–96*

*David Harvey (2007), A Brief History of Neoliberalism.*

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19 There is a valuable essay on the emergence of these 'neoliberal networks' in Plehwe / Walpen (2001).

### 3.3. Conservative Positions

*Conservatism:  
oriented towards  
what already exists*

The conservative position is the most difficult to grasp. This is owing to both historical and systematic reasons.

Historically, conservative positions – as the word implies – have, in the main, been oriented towards what happens to be in existence and its preservation. As a result, it is difficult to establish a discrete, universal notion of it in historical terms. In short: there have always been conservatives, but not a constant, general conception of conservatism.

In the French Revolution and at the time of the Restoration in the first third of the nineteenth century, conservatives represented corporate privileges of birth and the interests of the aristocracy. In the emerging German Empire, they spoke up for the small German states and, in the end, for the Empire itself, while in the Weimar Republic they stood, in large part, for the restoration of the Empire and against democracy. In the 1980s, conservatives returned rather to the classical values of the new liberals and called for the overturning of the reforms of the 1970s. A constant thread cannot be identified.

Nevertheless, it is possible to list some of the essential foundations of conservative thought, mainly with reference to the present day:

- Conservatives take their bearings, as a rule, from the basic values of family, personal responsibility and merit or achievement. Tradition is given pride of place.
- The state is, as a rule, derived from a ‘higher order’ of values, which are reflected in the nation. As a rule, this ‘higher order’ provides justification for a more hierarchically oriented mode of thought and a positive attitude towards (meritocratic) elites in society. Social inequality is justifiable in these terms.
- In Germany – but also in many other countries – conservative thought is oriented towards a Christian image of humanity. Fundamental ideas from Catholic social doctrine (charity, subsidiarity principle) are cited as values.
- In recent years, the term ‘new bourgeois values’ (see Buchstein/Hein/Jörke 2007: 201) has come into use among conservatives.

- It describes a citizen<sup>20</sup> whose life is oriented towards such values as family, propriety, loyalty and courtesy and participates in civil society and in professional life as an autonomous individual. Udo di Fabio formulates it as follows: 'To be bourgeois today means to accept the link between duty and desires, love and conflict, privation and prosperity; to understand freedom above all as freedom of commitment and success as a result of one's own hard work, and on this basis to take pleasure in moderation, without imposing commitment and hard work as absolutes. To be bourgeois means to keep in view, whatever one's personal orientation, community and the concerns of all, including the vulnerable and the needy, and, alongside freedom and equality, also to foster fraternity' (di Fabio 2005: 138f). The concept of 'new bourgeois values' also reflects a concept of individual freedom which appeals principally to individual-oriented morality. This differs clearly from a socialist or social democratic conception of humanity, but also from the liberal view.
- Since the 1980s and the 'spiritual-moral turn' represented by the Kohl government there has been something of an amalgamation of the Christian-conservative conception of humanity, on the one hand, and economic liberalism, on the other. Angela Merkel's government, in contrast, has incorporated more social democratic elements and ways of thinking – albeit revised and somewhat watered down – in its own standpoint. To some extent, this has fostered potential conflict between 'modernisers' and 'conservatives' in the CDU.

For conservatism, especially, it must be emphasised that the unambiguous classification of a party and historical ideological constants are difficult to establish.

It is rather easier to delineate the target group of conservative views: primarily the well-to-do from the educated middle class and the business elite, as well as the religious – mainly Catholic – sphere.

#### **Further reading – conservatism:**

*Udo di Fabio (2005), Die Kultur der Freiheit [The culture of freedom], Munich.*

*Edgar Jung (1932), Deutschland und die konservative Revolution, Munich.*

*Martin Greiffenhagen (1971), Das Dilemma des Konservatismus in Deutschland, Munich.*

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20 German: Bürger – the term also has strong connotations of 'bourgeois'

## 3.4. Social Democracy and Democratic Socialism

*Historical development incorporated in the model*

Democratic socialism as a vision and social democracy as a political force have a long (history-of-ideas) tradition linked to the emergence of the workers' movement. In contrast to conservative and liberal ideas, this political model has proved to be very adaptable. It represents a way of looking at things which is always conscious of its own historicity. It is, therefore, well worth briefly examining the history of ideas of this social tendency.

### 3.4.1. Precursors of the Workers' Movement

*When did 'socialism' as an idea really become influential?*

'When did the idea of democratic socialism originate?' This question is difficult to answer. According to Hermann Duncker: 'The history of socialism begins with the history of humanity' (Duncker 1931: 9). Others link the idea of socialism with early Christianity. Others still refer to the early socialists in France or England. In this way, one careens through history, always finding new points of origin. No doubt, every position has some grounds and even legitimacy. However, the question is somewhat misleading because when an idea began to have a decisive influence and why is much more important than the question of when it originated.

This question can be easily answered: the idea of socialism became influential with the workers' movement – in Germany, with industrialisation in the nineteenth century.

There is no space here for a comprehensive history of socialist ideas, but only a brief presentation of essential points of departure and periods of radical change.

#### **From 1848 to the end of the nineteenth century:**

##### **The emergence of a political tendency**

In 1848, not only did the 'bourgeois revolution' take place in Germany, but the *Manifesto of the Communist Party*, a commissioned work written jointly by Karl Marx and Friedrich Engels, appeared.

**Karl Marx** (1818–1883) was an outstanding social economist and one of the most important philosophers of the nineteenth century. Above all, his economic analyses of capitalism remain of prime importance and go far beyond the simplifying presentations of his critics, but also of many of his followers.

For the first time, a programme was formulated for the workers' movement in language that most people could understand.

The theoretical foundations of this political programme were reinforced in further works, principally

by Karl Marx. The fundamental assumptions of socialism, as a conceptual model of the period, can be drawn from them.

- Marx starts out from the idea that (market) capitalism leads to inequality and lack of freedom for the many in contrast to freedom for the few. On one side stand the owners of capital and on the other, those who do not own capital and so are forced to sell their labour for wages. Market capitalism is built on the fact that wage labour is not paid the value of what it produces. In this way, the owners of capital are able to accumulate more and more capital. It is irrelevant in this connection whether the owners of capital are real persons, large companies or large financiers.
- The competition between the owners of capital and the constant pressure to accumulate more capital in order to re-invest in production and be able to produce on more favourable terms than the others – this 'treadmill' constantly puts pressure on the workers' working conditions and results in, besides poverty, production overcapacity. Goods cannot, then, be sold and capital is no longer invested or is annihilated in overproduction crises due to lack of markets. This is the reason, in broad terms, why Marx assumes that economic crises are an essential – and necessary – part of the (market) capitalist system.
- Inequality and lack of freedom, which are regarded as systematic consequences of (market) capitalism, in particular contradict the claim to equal freedom for all.
- The claim of democracy can be realised, therefore, only if ownership of the means of production is nationalised and decision-making on the use of capital takes place on the basis of democratic structures. Private property, however – in contrast to what is generally supposed – would not be subject to nationalisation.

*Characterised by  
inequality and  
lack of freedom*

*Competition  
and pressure on  
the workers*

- The Marxist vision of humanity is constructed, broadly speaking, on the basis of a discrepancy: human beings who are, in principle, free, equal and solidaristic live in a system based on an unequal and unfree system oriented towards maximising utility. This vision of humanity, therefore, contains a strong normative claim.
- The theories of Marx and Engels, therefore, constitute – alongside various other theories and doctrines – an important point of departure for the workers’ movement.
- Nevertheless, the effects of this political programme remained extremely limited, among other things because Marx and Engels did not – or were unable to – take into account a number of central factors in their analysis, especially the question of the relationship between socialism and the state.

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*Lassalle’s  
assumptions*

However, these questions were essential points of departure for Ferdinand Lassalle. Particularly important was the initial assumption that every state and legal system must start out from human freedom. For Lassalle, the consequence of this is that fundamental law must be the expression of the sense of right and wrong of the people as a whole.

**Ferdinand Lassalle** (1825–1864) played a substantial role in the foundation of the Allgemeiner Deutscher Arbeiterverein (General German Workers’ Association, ADAV) in Leipzig in 1863.

In his book *The System of Acquired Rights* he argued in favour of a democratic understanding of the state.

On this basis, the state is understood first and foremost as an association of free people, a provocative notion, one would have thought, given that the Prussian state and the German Empire, founded some years later, were characterised by a monarchical-hierarchical structure.



*'It is the state whose function it is to carry on this development of freedom, this development of the human race until its freedom is attained. ... The object of the State, therefore, is not only to protect the personal freedom and property of the individual with which he is supposed, according to the notion of the bourgeoisie, to have entered the State. On the contrary, the object of the State is precisely this, to place individuals through this union in a position to attain to such objects, and reach such a stage of existence as they never could have reached as individuals; to make them capable of acquiring a level of education, power and freedom which would have been wholly unattainable by them as individuals.'*  
(Lassalle, *The Working Class Programme*, 1862 – [German edition] 1987: 222f)

The object of the state should be 'the education and development of the human race until its freedom is attained'. The significance of the fourth estate or the working class for Lassalle, therefore, was precisely to take this idea of the state further. Accordingly, the basic demands were direct and universal suffrage and emancipation through the formation of workers' associations. In Lassalle's view, these should be established with the assistance of the state.

Lassalle thereby introduced two of the central starting points for the debate on social democracy and democratic socialism: on the one hand, the question of a democratic state and its social preconditions and, on the other hand, the question of what strategies would best serve the interests of the workers.

**Wilhelm Liebknecht** (1826–1900) and **August Bebel** (1840–1913) were the most important founders of the Social Democratic Workers' Party in 1869. In addition, they were the first social democratic representatives in the (North German) *Reichstag* (1867–1870). Liebknecht was also editor-in-chief of *Vorwärts* from 1890.

The most prominent critics of Lassalle's view of the state were Wilhelm Liebknecht and August Bebel. The main point of criticism was that Lassalle's programme fell short: without freedom of the press, freedom of assembly, freedom of association and radical change with regard to the

state the interests of the workers cannot be asserted in and by means of the state.

In 1875, the General German Workers' Association (*Allgemeine Deutsche Arbeiterverein*) and the Social Democratic Workers' Party (*Sozialdemokratische Arbeiterpartei*) merged, at a conference held in Gotha, to form the Socialist Workers'

*August Bebel and  
Wilhelm Liebknecht*

*Unification party  
conference in  
Gotha, 1875*

Party of Germany (*Sozialistische Arbeiterpartei Deutschlands*). The foundation stone was laid, therefore, in the German Empire for the further expansion of social democracy, and also against Bismarck's Anti-Socialist laws. The essential points of conflict were also sustained during this period, however, and flared up again later on, leading to a split in the workers' movement.

### 3.4.2. Split in the Workers' Movement

From the 1890s, a conflict developed in social democracy, centring on a theoretical question: Had capitalism entered a (final) crisis in which the workers' movement could overcome capitalism in the proletarian class struggle and achieve socialism? And what did that mean for the strategy of social democracy?

Roughly speaking, three basic camps can be identified (for more on this, see Euchner/Grebing et al. 2005: 168; Grebing 2007: 66–94).

A group around Karl Kautsky and August Bebel hoped that parliamentary majorities and a well-organised working class could bring about the transition to socialism, but came to the conclusion that the radicalised politics of the Empire and its imperialistic orientation, which was bringing the country closer to war, might make resistance necessary in the form of extra-parliamentary political action, such as mass strikes. The strength of the workers' movement could bring about the transition to socialism by force.

Alongside this conception of historical development, so-called Revisionism developed – the major influence on which was Eduard Bernstein – which attempted a critical revision of Marxist doctrine on the basis of statistical data. As a result of this interpretation the view emerged

**Karl Kautsky** (1854–1938) was the founder and editor of the theoretically-oriented SPD newspaper *Die neue Zeit*. Kautsky played a prominent role in establishing the Marxist analysis of society in the SPD. He was the principal author of the Erfurt Programme, with Eduard Bernstein.

**Eduard Bernstein** (1850–1932) was one of the most influential representatives of 'revisionism' in social democracy. In *Die Voraussetzungen des Sozialismus und die Aufgaben der Sozialdemokratie* ['The Preconditions of Socialism and the Tasks of Social Democracy'; English translation: *Evolutionary Socialism*] he challenged Marxist orthodoxy. Bernstein was – alongside Karl Kautsky – one of the main authors of the Erfurt Programme of 1891

*A contentious theoretical issue and three basic camps*

*Group around Karl Kautsky and August Bebel*

*Revisionists: for example, Eduard Bernstein*

that reforms would be possible within society and the capitalist state. In addition, capitalism was not destined to collapse; instead, capitalism's internal crises would diminish rather than increase. By strengthening the trade unions and cooperatives, reforms could be achieved in society, developing into socialism. The trade unionist Adolph von Elm summed up the essence of the revisionist programme as follows:

*'Through evolution to revolution – through incessant democratisation and socialisation of the bodies of society to the complete reorganisation of the capitalist into the socialist society: that, to sum up, is the standpoint of the revisionists in the Party'* (cited in Euchner/Grebing et al. 2005: 171).

**Rosa Luxemburg** (1871–1919) was co-founder of the Social Democratic Party of the Kingdom of Poland and Lithuania. In 1899, she went to Berlin. She was a leading theoretician on the left of the SPD, among other things with her theory of imperialism. In 1918, she was co-founder of the KPD and in 1919 she was murdered by Freikorps soldiers.

Rosa Luxemburg claimed, contra Bernstein, that capitalism would come to grief as a result of its internal dynamics, namely the permanent competition between the owners of capital.

The capitalist mode of production requires constant expansion and the

acquisition of land in non-capitalist territories. She also rejected the difference between revolution and reform:

*'The daily practical struggle for social reforms, for the amelioration of the condition of the working people within the framework of current conditions, and for democratic institutions, represents for social democracy the only way of leading proletarian class warfare and working towards the final goal: the seizing of political power and the abolition of the wage system. For social democracy, there is an inseparable link between social reform and social revolution, in that the struggle for social reform is the means, but radical social change is the goal'* (Luxemburg 1899: 369).

Rosa Luxemburg was not opposed to parliamentary action, but considered it to be insufficient if socialism was to be achieved. She therefore put her trust in the extra-parliamentary workers' movement.

These three tendencies in the workers' movement and the SPD could still have been reconciled in the face of external pressure from the Empire (*Kaiserreich*). However, the approval of war credits by the majority of the SPD and the resulting split between the USPD (*Unabhängige Sozialdemokratische Partei Deutschlands* – Independent Social Democratic Party) and the SPD, together with the end of the First World War and the emergence of the question of how a democratic society should be organised, caused the workers' movement to split.

### **1919 and the Formation of the Weimar Republic**

In 1919, the SPD formed the first government of the Weimar Republic. This was against the opposition of conservative, nationalist and reactionary forces, but also very much against the opposition of the Communists. This historic opportunity for the Left to shape politics for the first time brought the fractures in the socialist debate to the surface once again.

While Communists and some Socialists spoke in favour of founding a state with workers' and soldiers' councils, the Social Democrats played a major role in founding a representative democracy and shaping it right into the 1920s.

Fritz Naphtali summarised the Social Democratic approach neatly:

*'In the period in which capitalism was still completely free no alternative to unorganised capitalism seemed conceivable other than the socialist organisation of the economy as a whole. ... Then it gradually emerged that the structure of capitalism itself is changeable and that capitalism, before it is broken, can also be bent'*

(Naphtali 1929; here cited from Euchner / Grebing u. a. 2005: 305).

In brief, the point of contention lay in the difference between revolution and reform. On the one ('revolutionary') side, the view dominated that what was needed was to overturn previous property relations and the constitution of the state in order to achieve a new society, while the reformist position was that contemporary society, together with its constitution of the state, should be developed, by means of continuous reforms, into democratic socialism.

The various ideas were also reflected in different models of the state:

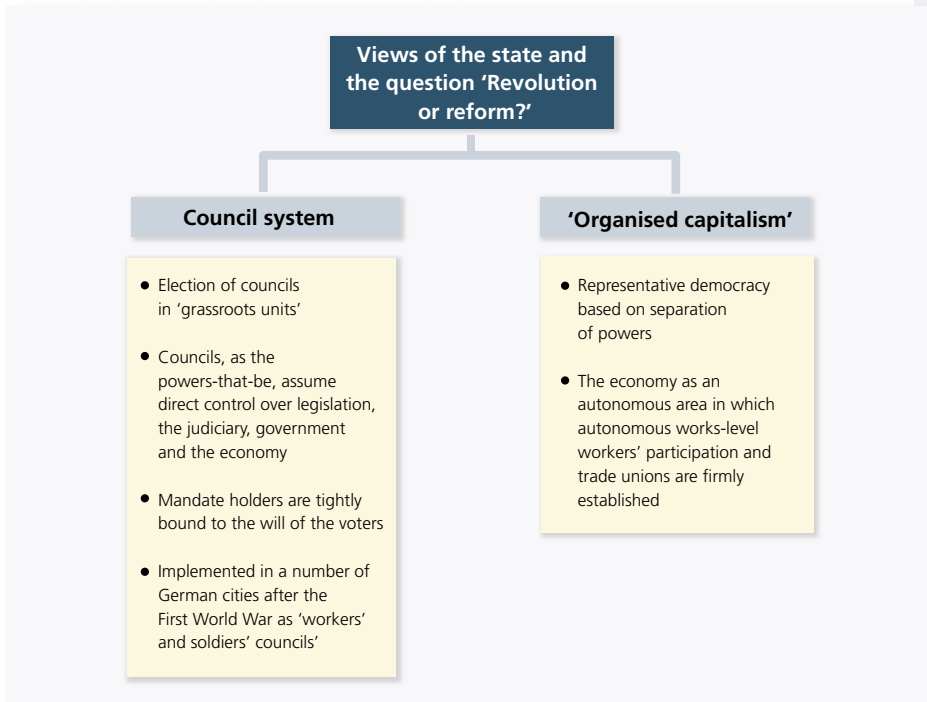


Figure 6: The Council system and 'organised capitalism'

The idea of 'democratic socialism', as broached by the SPD, set out its stall in favour of parliamentary democracy and a separation of the political and economic spheres. In both spheres – political and economic – democratisation was to be achieved in the interests of the workers and the common good. 'Democratic socialism', in this context, meant a complex and complementary interaction between a socialist economy with strong workers' representatives – trade unions, works- and enterprise-level participation – and a parliamentary democracy.

In 1959, in Germany the SPD's Godesberg Programme came up with the basic Social Democratic formula for the 'free market': 'Competition as far as possible – planning as far as necessary!' (Dowe/Klotzbach 2004: 332). Here a position was formulated which stressed 'democratic socialism' more than a 'new economic and social order', but at the same time accepted market capitalism in a largely regulated form under the primacy of the political sphere. At the same time, Social Democrats dropped the notion of a planned economy as it was implemented in the Soviet Union.

*The idea of democratic socialism*

*Godesberg Programme 1959: 'Competition as far as possible – planning as far as necessary!'*

### 3.4.3. Democratic Socialism vs. State Socialism

After the Second World War, the difference between an SPD oriented towards democratic socialism and state socialist ideas came to the fore even more strikingly. With the Godesberg Programme of 1959 the SPD officially detached itself from Marxism as a worldview – although not from all of its analyses – and thereby also from the idea of a development towards socialism as a ‘natural necessity’. Instead, socialism was now described as a ‘permanent task’, which could be justified by means of a whole range of religious or philosophical motives. Central to the definition of democratic socialism now were the three core values of ‘freedom, justice and solidarity’. The Social Democrats derived basic demands from these core values, such as a clear declaration of belief in freedom and democracy:

*‘Without freedom there can be no Socialism. Socialism can be achieved only through democracy. Democracy can be fully realised only through Socialism’* (Declaration of principles of the Socialist International, Frankfurt am Main, 1951, cited in Dowe/Klotzbach 2004: 269).

On the basis of this understanding of freedom, democratic socialism definitively dissociated itself from totalitarian regimes, and particularly from the so-called ‘people’s democracies’ of the Eastern Bloc.

### 3.4.4. The SPD Today – New Challenges, New Answers

Our look at the history of the workers’ movement brought to the fore the strategic debate on the function of the state and society. ‘Democratic socialism’ is still a crucial vision for the SPD, which is committed to its realisation. What we are talking about is a society in which freedom, equality and solidarity actually prevail. The SPD’s principle of action – according to the Hamburg Programme – is to be ‘social democracy’. This brings the Party back to the achievement of democratic socialism by means of democratic decision-making and the realisation of basic political, economic and cultural rights.

*'Our history is shaped by the idea of democratic socialism, a society of free and equal people, in which our core values are realised. It requires an ordering of economy, state and society in which basic civil, political, social and economic rights are guaranteed for all, and in which everyone can live a life free from exploitation, oppression and violence, and therefore in social and human security. ... democratic socialism remains for us the vision of a free and fair society in solidarity. Its realisation is a permanent task for us. The principle for our actions is social democracy'* (Hamburg Programme 2007: 16f).

Social democracy now faces the challenge, against the background of further market globalisation, of responding to the influence of the financial markets and radical change in the labour market and of deciding how a new balance between market capitalism and democracy might be imagined. In other words, it is a question of how a democratic socialism is to be achieved under these circumstances. However, the SPD's Hamburg Programme makes it clear that not only have new questions emerged, but also the first answers (see also Chapter 6).

The consummation of a coordinated economy and representative democracy via the primacy of politics is also continued in the Hamburg Programme, but as a demand for the future on a European and global scale:

*'Markets need to be shaped by politics – in the era of globalisation and beyond national borders. Our approach is: As much competition as possible and as much regulation by the state as necessary'* (Hamburg Programme 2007: 43).

A closer examination of the conceptual models of social democracy, liberalism and conservatism shows that they are real alternatives and gives the lie to the claim that political party programmes today are almost indistinguishable.

*The challenge  
of today*

### 3.4.5. Digression: 'Die Linke' and Its Contradictions

#### 'Die Linke'

The *Wende* ('turning point' – now generally used to mean the collapse of the Communist system leading to the dissolution of East Germany in 1989) of 1990 brought with it the establishment of another left-wing party, the PDS (Party of Democratic Socialism), first of all in the East, as successor organisation of the SED (East Germany's Socialist Unity Party). In the meantime, the party has merged with the WASG (Labour and Social Justice Alternative) to form the party known as 'Die Linke' or 'The Left', gaining a foothold also in a number of western German states.

It is extremely difficult to pin down what 'Die Linke' is really about – it is still very much in a state of flux. For example, in 2007, the party agreed on a set of 'key programmatic points', but not a party programme in the classical sense.

In its 'programmatic points' Die Linke also declares its support for democratic socialism:

*'Democracy, freedom, equality, justice, internationalism and solidarity are our core value orientations. They are inseparable from peace, the conservation of nature and emancipation. The ideas of democratic socialism are key guidelines for the development of the political goals of the Left. DIE LINKE derives its political action from the connection between goal, path and core value orientations. Freedom and social justice, democracy and socialism are contingent on one another. Equality without individual freedom ends in incapacitation and heteronomy. Freedom without equality is only freedom for the rich. Those who oppress their fellow human beings are not free either. The goal of democratic socialism, which wants to overcome capitalism in a transformational process, is a society in which the freedom of the other is not the limit but the condition for one's own freedom.'* ('Key Programmatic Points', Die Linke 2007: 2)

Leaving aside these 'key points', however, a few other points might be adduced in an attempt to describe Die Linke and its aims and objectives:

- Die Linke is a political heterogeneous movement, which brings together former SED cadres, disappointed former Social Democrats, parts of the new social movements, trade unionists, protest voters, pragmatic local politicians, com-



munists and so on. All these groups bring to the party very different ideas on society – a uniform conceptual model or standpoint is not (yet) discernible.

- Die Linke is often popularly described as a protest party. This term is extremely imprecise, since it links together two different aspects in a rather abbreviated fashion. The first is the question of who Die Linke's voters are. This still differs considerably in eastern and western Germany. The second aspect concerns the question of political strategy or the kind of political action it wishes to take – here, too, the outcome is very different with regard to the federal states and the Federal Government.
- In the few academic publications that have concerned themselves with the party so far, Die Linke is described as being, not only extremely heterogeneous, but also as markedly inconsistent. For example, on the one hand, the party gives itself out to be pragmatic, moderate and modern, but on the other hand, it adheres to an orthodox ideology with almost extremist features (cf. Decker et al. 2007: 327). The large discrepancy between its markedly absolutist declarations of intent, on the one hand, and its rather more pragmatic policy in various state parliaments, on the other hand, which from time to time contradicts these declarations of intent, appears to confirm these impressions.

As far as the phenomenon of Die Linke is concerned, it remains to be seen whether and in what form it will become established. At all events, there must be a political debate on its political ideas.

### 3.4.6. The Social Democratic Conception of Humankind

A specific social democratic conception of humanity is rather elusive. Rather, the social democratic conception of humanity draws on many sources and is characterised by a foundational pluralism. There are overlaps, for example, with the tradition of the workers' movement, liberal theory and Christian and Judaic doctrine, as well as humanist and Marxist influences. It makes reference to the freedom of the individual, like liberalism, but also – in common with a Marxist approach – analyses the social obstacles hindering the realisation of basic rights. In their book *The Future of Social Democracy*, Meyer and Breyer attempted to distinguish a libertarian ('new

*Confluence of different sources in the 'Social Democratic conception of humanity'*

liberal') conception of humanity from social democracy's conception in tabular form. For guidance, we have added a further column, summarising a 'socialist conception of humanity':

	<b>Libertarian democracy</b>	<b>Social democracy</b>	<b>Socialist democracy</b>
<b>Anthropology</b>	Sceptical anthropology	Realistic anthropology	Normative, utopian anthropology
<b>Conception of freedom</b>	Negative	Positive	Positive
<b>Behavioural motivation</b>	Self-interest	Self- and communal interest	Communal interest as self-interest
<b>Conception of humanity</b>	Rationally calculating egoist	Oriented towards rapprochement	Oriented towards militancy and a future 'New Man'

Source: Meyer/Breyer 2005: 33 – last column provided by T. Gombert.

Although this tabular format inevitably simplifies matters, it does point to various tendencies:

- Liberal theories are based – as a rule – on the assertion that it is 'self-interest' that drives people. This self-interest can be realised if it is protected against others (and the state) in order to leave room for 'freedom to maximise utility' for all.
- Socialist theories have a long tradition of wishing to achieve a society fit for human beings by means of a 'New Man' (cf. Adler 1926 and Heinrichs 2002: 308–14). On this view, historically, people have been so corrupted by capitalist society and social inequality that their ability to recognise communal interests as their own and to support them in solidarity has become submerged. It is the task of education and upbringing to (jointly) overcome the discrepancy between conditions of life in society and the claim of free and solidaristic human beings.
- A social democratic conception of humankind – at least, this is what Meyer and Breyer suggest – attempts to strike a balance with a view to bringing self-interest and the common good into accord. In other words, the idea is of a balance of 'legitimate interests'.

**Further reading:**

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Helga Grebing

et al. (2005),

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*in Deutschland.*

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and Nicole Breyer

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*Dokumente der*

*Deutschen Sozial-*

*demokratie, 4th*

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## 4. THOMAS MEYER'S THEORY OF SOCIAL DEMOCRACY

### In this chapter:

- Thomas Meyer's *Theory of Social Democracy* is discussed;
- the relations between market capitalism and democracy – partly strained and partly mutually supportive – are examined;
- the key differences between liberals, libertarians and social democrats are discussed;
- the relations between core values, basic rights and instruments are explained;
- the difference between negative and positive civil rights and liberties is elaborated and the duties of the state discussed.

The discussion of core values and our glance at a number of different models of society in the preceding chapters show that social democracy can draw on a tradition of ideas. The concept is quite distinct from the other ideal models and in such a way that – if it is to be properly explained – merely referring to the core values of freedom, equality and solidarity as ways of attaining a just society suffices no more than references to liberalism, conservatism and socialism.

At the beginning of this introduction, mention was made of a *theory of social democracy*. 'Social democracy', it was claimed, must be carefully defined if one aspires to discuss it and draw on it in the course of argument.

In this context, four perspectives on social democracy were listed, and here we shall briefly recall three of them:

- '*Social democracy – isn't it self-explanatory?*' A concept that incorporates the promise that it is part and parcel of a democracy that it is of benefit to all and that there is social equality. Isn't that self-evident?
- '*Social democracy – we already have that in Germany with the German model of the social market economy, don't we?*'
- '*Social democracy – that belongs to the SPD and therefore it concerns only Social Democrats; it is their theory*'.

*What is social  
democracy?  
Three answers*

These questions quite rightly stand – from a practical political perspective on a theory – at the beginning of our considerations. They have to be addressed if the theory of social democracy is to be brought to bear politically.

The first question – *‘Social democracy – isn’t it self-explanatory?’* – has already been answered. An accurate depiction of social democracy must be developed because the concept triggers a whole host of associations which can be clarified only as a group. Certainly, the notion contains an essential normative core: in other words, common rules and norms we can refer to when attempting to realise social democracy.

A glance at the core values has shown that a whole host of philosophical arguments can contribute to the task of clarification, but do not suffice to establish a normative foundation, precisely because multiple and controversial definitions are involved. *A theory of social democracy* therefore requires a more specific normative foundation as point of departure.

The second question – *‘Social democracy – we already have that in Germany with the German model of the social market economy, don’t we?’* – will be discussed in more detail in relation to the country case studies (see chapter 5). We have already noted, with reference to the tensions inherent in the prevailing model of society and the economy, that there can be no question of ‘achieving social democracy all at once’, somewhat along the lines of winning a 100-metre sprint. Furthermore, there is a wide range of models of society towards which various interest groups wish to ‘navigate’. Any reference to a ‘German model’ or the ‘social market economy’ falls short, therefore, because it simply leaves out of account whole tranches of socio-political actors.

The third position – *‘Social democracy – that belongs to the SPD and therefore it concerns only Social Democrats; it is their theory’* – does not hold water at all.

Reference to ‘social democracy’ as a party and a political tendency is entirely natural, but far from exhaustive:

*'Social democracy, in contemporary usage, is both a basic concept of the theory of democracy and a name used to characterise the programme of a political tendency. Although these two usages are variously interrelated they refer to two quite distinct states of affairs with different kinds of validity claims. The theory of social democracy is not attached, either in its normative foundations or its explanatory role, or even in the comparative discussion of the different ways of realising it, to definite, pregiven political actors, although naturally every step in its realisation depends on political actors lending their support to the programme of practical action that derives from it. Political actors of various stripes can, in turn, make use of the concept of social democracy as a programme label, if they think it will serve their interest, largely independently of whether and to what extent their political endeavours are congruent with the theory of social democracy or even have any inclination to be connected to it.'* (Meyer 2005: 12)

Accordingly, social democracy as a conceptual model and social democracy as a political party – or tendency – intersect at various points, but they are not one and the same. As a conceptual model, social democracy must set itself the task of methodically examining norms and values, their transposition into basic rights and their realisation in different countries and of presenting them consistently. Whether political parties pick up on these ideas is another story.

In what follows, we shall not be considering the Social Democratic Party, but rather a conceptual model which has developed in the course of debate since the 1980s and 1990s.

As our starting point, we shall take the theory of social democracy presented by Thomas Meyer, in which numerous different strands, which continue to shape the framework of the debate on social democracy, are combined.

## 4.1. Starting Point

*Initial question:*

*What is the relationship*

*between democracy and market capitalism?*

The starting point for Meyer's *Theory of Social Democracy* is the question – which we have already met – of the relationship between democracy and market capitalism.

Both democracy and market capitalism are regarded as essential features of our social system, which have developed to some extent antagonistically.



*Figure 7: Relations between market capitalism and democracy*

*Condition of emergence and factor of uncertainty? What is the relationship between market capitalism and democracy?*

Meyer claims, therefore, that, on the one hand, capitalism and democracy complement one another: market capitalism has thus been a condition of the emergence and stability of democracy. On the other hand, he asserts a 'curious tension' between them because an unregulated market is inconsistent with the necessary preconditions for the participation of all.

Meyer describes the relationship between the economic system and democracy in terms of two theses: on the one hand, he analyses democracies' conditions of emergence historically; while on the other hand, he empirically investigates the interaction of democracy and market economy in today's societies.

These two theses are, in the first instance, not self-evident: they are very much theoretical, but also politically controversial, as we have seen.

What leads Meyer to take up these theses in the face of weighty counterarguments?

### 4.1.1. Historical Justification

In the first instance, we are dealing with a historical argument. Meyer's point is that, historically, democracies have come into being mainly in the wake of, or in direct connection with, the emergence of free markets – in Europe, this occurred at different times and in different countries in the form of 'bourgeois society':

*'Bourgeois society meant a model of economic, social and political order which made it possible, by overcoming absolutism, privileges of birth and clerical patronage, to realise the principle of legally regulated individual freedom for all; which guaranteed human coexistence in accordance with reason; organised the economy in terms of markets on the basis of legally regulated competition; guaranteed people's life chances in accordance with reason; and both limited the power of the state in the spirit of the liberal constitutional state based on the rule of law, and reined it in by means of public opinion, elections and representative organs in accordance with the will of "politically mature citizens".'*  
(Kocka 1995: 23)

*The historical argument*

Free markets, the industrial bourgeoisie and the idea of civil rights and liberties and their granting by the state developed in mutual dependence – in historical terms, they cannot be separated.

## 4.1.2. Justification in terms of the Comparative Study of Democracies

*Justification based on research into the stability of democracies*

However, Meyer's thesis is also backed up by much empirical research carried out within the framework of stability studies of democracies.

The empirical results of transformation research – whose primary object has been the states of the former Soviet Union – also show that free market economies can certainly have a positive, stabilising influence on emerging democracies. However, there is also empirical evidence of the opposite case, namely where economic power penetrates the political sphere and democratic participation is undermined to the benefit of monopolies and cliques: this is the road to bogus, at best merely formal democracy.

This points to the need for any theory of social democracy not only to look at the formal constitution of a state, but also to examine empirically whether democratic structures and fundamental rights can really be exercised by everyone.

All in all, Meyer argues, we can say that a free market economy can 'favour' democracy (cf. Dahl 2000: 140; Meyer 2005: 581).

*Curious tension between democracy and capitalism*

To be sure, Meyer does not regard the relationship between democracy and capitalism as 'simple' or uncritically – the contradictions that we have already encountered also call this into question. Therefore, the contemporary debate must be clearly distinguished from its historical origins.

### **Where market capitalism is in conflict with community**

- Market capitalism leads to (economic) inequality.
- Uneven distribution of material resources leads to uneven distribution of opportunities to participate in society and democracy.
- Market capitalism is increasingly operating on a global basis, while democratic participation is largely national. In this way, market capitalism is jeopardising democratic structures in individual countries.

Market capitalism contains centrifugal forces which promote inequality and uncertainty, thereby potentially jeopardising the foundations of democratic legitimacy and stability.



There is no question that freedom of the market and the freedom of everyone in society contradict one another.

*Market capitalism and democracy, according to Meyer, stand in a curious mutual tension.*

This curious tension cannot simply be abolished or denied, but only shaped – that is the essence of the historical and empirical research that Meyer draws on.

Referring to the different conceptual models of liberalism and social democracy, it can be said that simply renouncing the claim to freedom, which is historically linked with the liberal tradition, would be just as fatal as allowing oneself to be taken in by new-liberal strictures. It is therefore of crucial importance to take a more sophisticated look at the relationship between liberalism and social democracy.

In this connection, in his theory Meyer distinguishes between two ‘ideal types’ that have developed from liberal theory: libertarianism and social democracy.

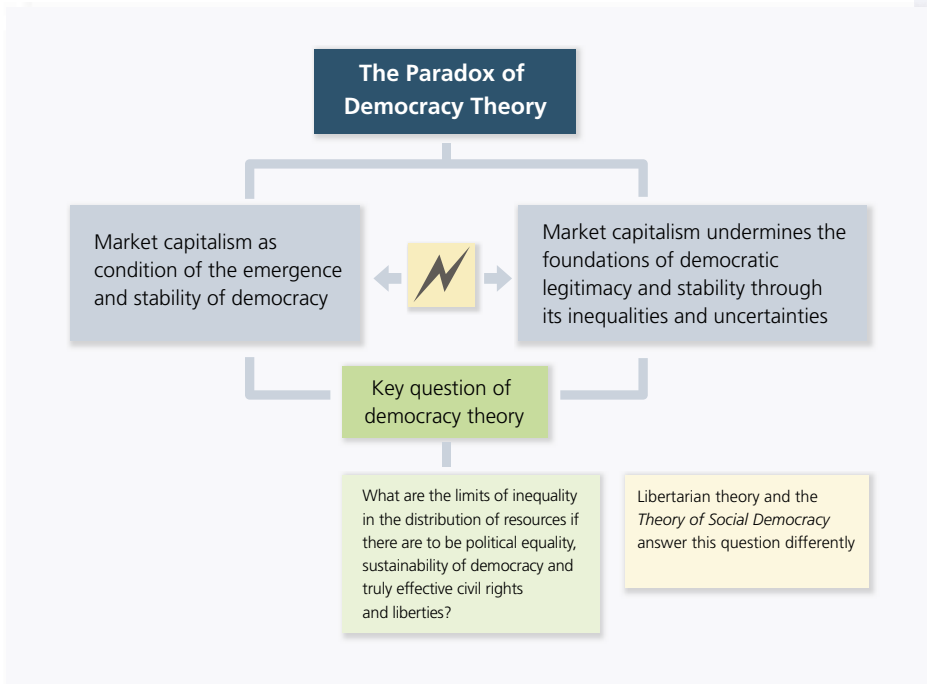


Figure 8: The Paradox of Democracy Theory

## 4.2. Libertarianism vs. Social Democracy

The *Theory of Social Democracy* differs from theories of libertarian democracy normatively, theoretically and empirically. Both are rooted in liberal democracy as it has developed since the Enlightenment of the seventeenth and eighteenth centuries.

The concepts of 'libertarian' and 'liberal democracy' are sometimes portrayed differently by other scholars. Therefore, a precise, common definition is particularly important in debate.

Libertarianism and social democracy are – it must be emphasised – ideal types that are nowhere to be found in their pure form. Rather libertarianism and social democracy are defined as poles between which societies can be classified in accordance with their constitutions.

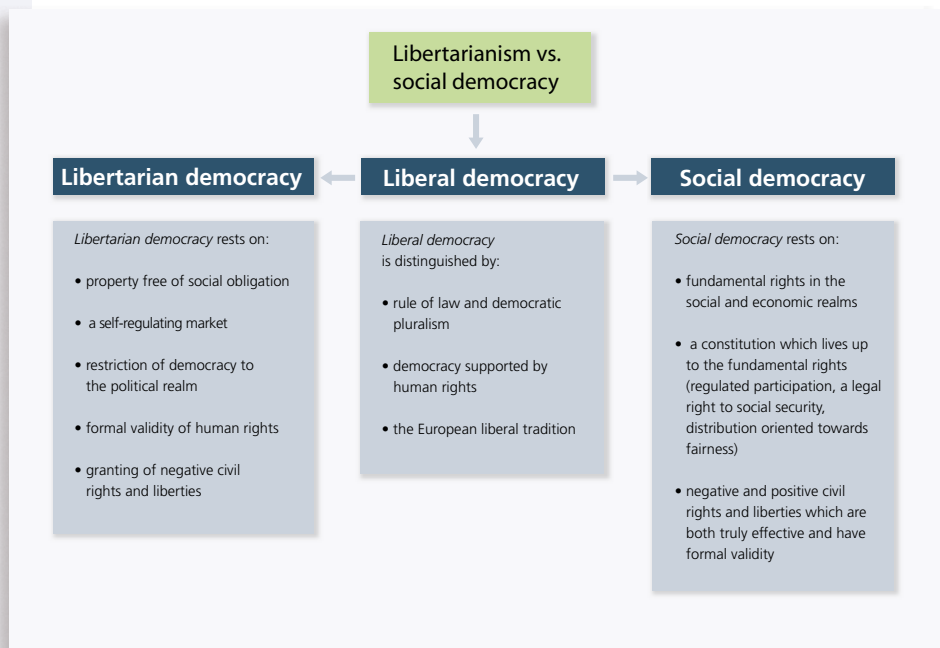


Figure 9: Comparison of liberal, libertarian and social democracy

- The common roots of liberal democracy relate to the European tradition of liberalism (see chapter 2.1.)
- and involve pluralistic democracy under the rule of law
- which is based on human rights.

Libertarian democracy,<sup>21</sup> as an ideal-typical conceptual model, is characterised by:

- property without social obligation
- a self-regulating market
- the limitation of democracy to the political realm and, on that basis, the granting of negative civil rights and liberties (on this concept, see chapter 4.4)
- the formal validity of human rights.

Social democracy, in contrast, is characterised by:

- fundamental rights in the social and economic realms;
- a constitution of society that lives up to these fundamental rights (both formally and in practice);
- negative and positive civil rights and liberties which both have formal validity and are implemented in practice.

Meyer therefore makes a theoretical distinction between the ideal-types of libertarian and social democracy which can be exemplified in terms of the actual political positions of individual tendencies and parties, although it is not exhausted by them.

The tension between democracy and market capitalism is not subject to any fixed order, but is constituted by negotiations between social actors. Power relations between the two can shift from time to time in a given country, leading to a new relationship between market capitalism and democracy there.

As an example of the tension-filled and by no means simple relationship between market capitalism and democracy and its structuring we can compare the German Basic Law with the UN covenants on political, social, economic and cultural rights (see chapter 4.3.). While the Basic Law of 1949 clearly formulates the basic protective civil rights and liberties against the background of the Nazi regime, the particular balance of power in the emerging Federal Republic between 'bourgeois'

21 It can be seen that 'libertarianism' or the libertarian type coincides extensively with new liberalism (see above). Meyer's main point in introducing the new concept is that essential ideas of historical liberalism diverge significantly from new liberal reductionism. That being the case, there is the potential for communication between liberalism and the theory of social democracy.

*Liberal democracy*

*Libertarian  
democracy*

*Social democracy*

*Who are the  
relevant actors?*

*Example:  
Negotiations on the  
German Basic Law*

or traditionally middle class forces, on the one hand, and the political Left, on the other, meant that the enabling civil rights and liberties in the Basic Law remain underdetermined. Consequently, in the jurisprudential debate there are different interpretative approaches to the Basic Law: some consider the basic rights laid down in the initial articles to be central, while other, more critical interpretations take the view that the question of (private) property was, and still is, the crux of the matter (cf. Haverkate 1992; see also the table comparing the fundamental rights in the Basic Law and the UN covenants in chapter 4.3.).

*A comparison with  
the UN covenants*

In the UN covenants of the 1960s, in contrast, the international perspective, but also social developments at that time, gave rise to a much more far-reaching formulation of negative and positive civil rights and liberties.

Different theories, as already mentioned, give different answers when describing the relationship between the market and democracy.

Above all, the theoretical tendencies of so-called libertarianism and the *theory of Social Democracy* diverge on the question of how democracy and the market (should) relate to one another and with regard to their respective explanations.

Both theoretical tendencies have the same roots: liberalism as it has developed since the seventeenth century.

*The decisive  
question: How is  
freedom realised  
in society?*

The crux of the matter, however, is how individual freedom is realised in society. There are very different theoretical answers to this question.

In order to be able to evaluate the different answers it is necessary to define the concept of 'civil rights and liberties' more precisely.

Furthermore, before considering the various definitions of civil rights and liberties to be found in libertarianism, on the one hand, and social democracy, on the other, another conceptual clarification is needed: why is the talk of 'civil rights and liberties' and not simply of 'freedom' and 'core values'?

## 4.3. Digression: The Triad of Core values, Fundamental Rights and Instruments

We saw that political theories and philosophies offer very different conceptions of the three core values of freedom, equality and solidarity. We therefore face a kind of ‘foundational pluralism’ that runs through the various political conceptual models and tendencies.

This plurality of grounds harbours a problem for any attempt to come up with a comprehensive theory: if such a theory is related to particular aspects or foundational strands it loses its claim to generality and potentially cuts itself off from other philosophical, ethical or religious traditions.

A theory of social democracy, for this reason, must – according to Thomas Meyer – choose the broadest possible basis of argumentation. For this purpose, a level of argument must be found which is not culturally specific, but can be described in terms of a general and democratically legitimate framework.

As a result, the level of core values will not do as a basis of argumentation: such values form an important context for argument but they are variable and culturally specific.

Any attempt to give an account of the foundations of social democracy, therefore, must take place on another level. Roughly speaking, three levels can be distinguished:

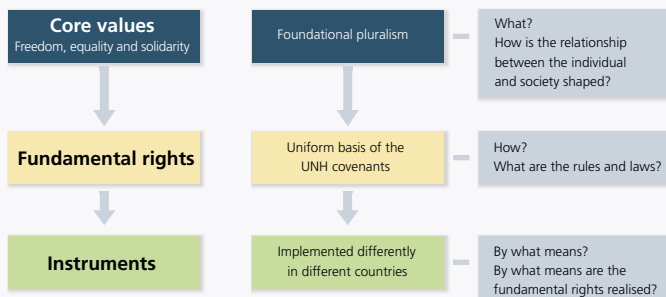


Figure 10: Derivation of core values, fundamental rights and instruments

*The triad of core values, fundamental rights and instruments*

*What is the broadest possible basis of argumentation?*

*Three levels*

### Core values

At the level of *core values* – freedom, equality and solidarity – it is made clear what the relationship is between the individual and society and how life in that society is to be organised. Views about society which define and enlist the core values for their own purposes have their origins – as we have seen – in a range of socio-political and philosophical approaches.

### Fundamental rights

On the level of *fundamental rights*, the core values are translated or transposed in terms of socially binding, democratically legitimised norms of action.

Unlike the core values, they are not subject to a foundational pluralism, but rather regulate coexistence in society, regardless of their social grounding.

### Instruments

At the level of *instruments*, the social institutions are defined by means of which states and associations of states are to satisfy the demands for action arising from the granting of fundamental rights. They vary in different countries and cultures – sometimes markedly – as the country studies show.

If one wishes to secure the broadest possible basis of argumentation for a *theory of social democracy*, therefore, the level of fundamental rights must be chosen as point of departure. Meyer selects the UN covenants on political, economic and cultural rights as basis of argumentation. There are a number of arguments in favour of this:

- The UN covenants are the most uniform and legally binding cross-cultural and cross-national sources for fundamental rights worldwide. The UN covenants have been ratified and so have become law in more than 140 countries.
- The UN covenants are aimed at the social development and diffusion of fundamental rights on the basis of international cooperation. The ratifying states are committed to continually improving the practical realisation of the fundamental rights.
- The UN covenants contain extremely broad and precise formulations of rights which every individual can claim.

The final argument can best be illustrated by means of a comparison between the fundamental rights of the German Basic Law and the formulations of the UN covenants:

Area of regulation	Basic Law	UN covenants
<b>Individual right</b>	'Human dignity shall be inviolable. To respect and protect it shall be the duty of all state authority.' (Art. 1)	'Every human being has the inherent right to life. This right shall be protected by law. No one shall be arbitrarily deprived of his life.' (Art. 6, para 1, International Covenant on Civil and Political Rights) 'Everyone has the right to liberty and security of person.' (Art. 9, para 1, International Covenant on Civil and Political Rights of 19 December 1966)
<b>Right to work</b>	(1) All Germans shall have the right freely to choose their occupation or profession, their place of work, and their place of training. The practice of an occupation or profession may be regulated by or pursuant to a law.  (2) No person may be required to perform work of a particular kind except within the framework of a traditional duty of community service that applies generally and equally to all.' (Art. 12)	'1. The States Parties to the present Covenant recognize the right to work, which includes the right of everyone to the opportunity to gain his living by work which he freely chooses or accepts, and will take appropriate steps to safeguard this right. 2. The steps to be taken by a State Party to the present Covenant to achieve the full realization of this right shall include technical and vocational guidance and training programmes, policies and techniques to achieve steady economic, social and cultural development and full and productive employment under conditions safeguarding fundamental political and economic freedoms to the individual.' (Art. 6, International Covenant on Economic, Social and Cultural Rights of 19 December 1966)

Area of regulation	Basic Law	UN covenants
<b>Property/living standards</b>	<p>'(1) Property and the right of inheritance shall be guaranteed. Their content and limits shall be defined by the laws.</p> <p>(2) Property entails obligations. Its use shall also serve the public good.' (Art. 14)</p>	<p>'The States Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions. The States Parties will take appropriate steps to ensure the realization of this right, recognizing to this effect the essential importance of international co-operation based on free consent.' (Art. 11, International Covenant on Economic, Social and Cultural Rights of 19 December 1966)</p>
<b>Education</b>	<p>'(1) Every person shall have the right to free development of his personality insofar as he does not violate the rights of others or offend against the constitutional order or the moral law.' (Art. 2)</p> <p>(1) The entire school system shall be under the supervision of the state. (2) Parents and guardians shall have the right to decide whether children shall receive religious instruction.' (Art. 7)</p>	<p>'1. The States Parties to the present Covenant recognize the right of everyone to education. They agree that education shall be directed to the full development of the human personality and the sense of its dignity, and shall strengthen the respect for human rights and fundamental freedoms. They further agree that education shall enable all persons to participate effectively in a free society, promote understanding, tolerance and friendship among all nations and all racial, ethnic or religious groups, and further the activities of the United Nations for the maintenance of peace.</p> <p>2. The States Parties to the present Covenant recognize that, with a view to achieving the full realization of this right:</p> <p>(a) Primary education shall be compulsory and available free to all; [...]</p> <p>(c) Higher education shall be made equally accessible to all, on the basis of capacity, by every appropriate means, and in particular by the progressive introduction of free education...' (Art. 13, International Covenant on Economic, Social and Cultural Rights of 19 December 1966)</p>



The two UN covenants provide a subtle and detailed overview of how fundamental rights are gradually to be implemented by means of international cooperation. In the Covenant on Economic, Social and Cultural Rights it says:

*'1. Each State Party to the present Covenant undertakes to take steps, individually and through international assistance and co-operation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means, including particularly the adoption of legislative measures.'* (Art. 2, para 1)

A development perspective is therefore inscribed in the UN covenants, that is, an obligation on states to continually promote the realisation of economic, social and cultural rights, based on fundamental political rights, 'by all appropriate means'. This entails the model of an active state.

However, a state which actively intervenes and not only grants fundamental rights but establishes them through positive action conflicts with a libertarian democracy.

One must proceed with caution, however, because in many countries the realisation of fundamental rights is in disarray. There is a veritable gulf between legal rights and their implementation. To that extent, critical questions about the value of the UN covenants are perfectly understandable. Assertive international institutions are lacking.

Nevertheless, it must be said that, in comparison with the Basic Law, the UN covenants formulate fundamental rights much more precisely, which could provide social democracy with a basis for its claims.

It is true that, in Article 20, the Basic Law talks of the Federal Republic of Germany as a democratic and social federal state. However, obligations to take action of the kind foreseen by the UN covenants are very limited.

The controversies surrounding the manner in which an active state may manifest itself come into bolder relief on a closer examination of fundamental rights. It also becomes evident that a consistent libertarianism must contradict itself.

*The development perspective of the UN covenants*

*The UN covenants are contravened throughout the world because the means to implement them are lacking*

## 4.4. Positive and Negative Civil Rights and Liberties

*Definition: positive and negative civil rights and liberties*

Liberal democracy defines itself, first and foremost, in terms of civil rights and liberties, which are conceded to everyone in society. A distinction can be made – following Isaiah Berlin – between negative (formal and protective) and positive (socially enabling) civil rights and liberties.

There is a decisive distinction between libertarian and social democracy in terms of the relative significance they attach to negative and positive civil rights and liberties.

In Meyer's *Theory of Social Democracy* this is a major point of departure, which can lend the debate on civil rights and liberties considerably more clarity. As already emphasised, we should start with a philosophical discussion of ideal-types, irrespective of whether these ideal-types actually exist in particular countries (they certainly do not exist in their pure form).

**Isaiah Berlin**, in his *Two Concepts of Liberty* of 1958, distinguishes between two sorts of civil rights and liberties:

- negative civil rights and liberties (for example, the right to freedom from bodily harm), which grant protection from encroachment by state and society
- positive civil rights and liberties (for example, the right to education), which are intended to facilitate and promote the freedom of the individual via measures taken by society and the state

In terms of this philosophical argument, libertarian democracy is differentiated from social democracy as follows:

### *Libertarian thesis*

The granting of positive civil rights and liberties curtails – and destroys – negative civil rights and liberties. Negative civil rights and liberties have absolute priority: this is (in abbreviated form) Berlin's thesis, which today is also represented by many new liberals.

### *Thesis of the Theory of Social Democracy*

Negative and positive civil rights and liberties must be considered to be of equal status if they are to be valid and to be realised *for all*.

*Libertarian thesis*

*Thesis of the Theory of Social Democracy*

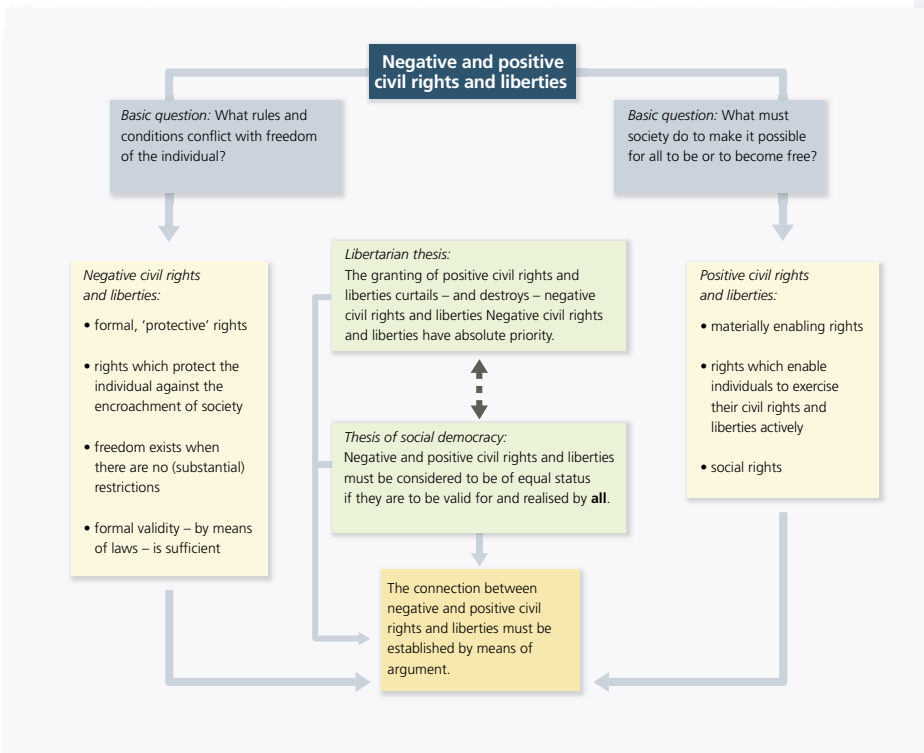


Figure 11: Negative and positive civil rights and liberties

This distinction between libertarian and social democracy calls for closer consideration of how negative and positive civil rights and liberties relate to one another.

Meyer refutes the libertarian argument on logical grounds:

The libertarian argument gives negative civil rights and liberties absolute priority over positive civil rights and liberties, while the *Theory of Social Democracy* asserts a logical and dynamic relationship between the two, based on equality.

The *Theory of Social Democracy* here refutes the libertarian thesis and proves a connection between positive and negative civil rights and liberties.

*Libertarian:  
Absolute priority  
of negative civil  
rights and liberties*

*Premises*

Meyer's argument rests on a kind of argumentative four-step: he starts out from the premise that the negative civil rights and liberties are valid and to be applied universally in the libertarian argument, too – as far as libertarianism is concerned, all that is necessary for this purpose is the existence of the negative civil rights and liberties and their absolute priority.

*When is the  
libertarian thesis  
refuted?*

The libertarian thesis is refuted when there is a constellation in which someone is unable to exercise their negative civil rights and liberties because positive civil rights and liberties are not granted.

*Refutation by means  
of an example*

Such a constellation is easily imaginable: persons who have no formally valid and effective positive right or liberty with regard to education, who do not have at their disposal an infrastructure enabling them to participate in the life of society and cannot purchase an education from their own means, will not be able to exercise their negative right or liberty of freedom of expression. The negative right or liberty would not be worth the paper it was printed on.

*Conclusion:  
interaction of  
positive and  
negative civil rights  
and liberties*

If negative civil rights and liberties are to have more than merely formal validity and are to be effective for all, positive civil rights and liberties must be granted. That means that the wealthy have to accept social redistribution. This represents a modest infringement of negative civil rights and liberties (to property).

Taken to its logical conclusion, the absolute precedence of negative civil rights and liberties cannot hold. Negative civil rights and liberties cannot be valid and effective for all if not backed up by positive civil rights and liberties.

Negative civil rights and liberties can be effective for all only if positive – that is, 'enabling' – civil rights and liberties are ensured. Merely formal civil rights and liberties do not help much when they cannot be asserted against the state by everyone.

Without the social redistribution of wealth, usually organised by the state, civil rights and liberties cannot be realised for all. Meyer's conclusion is that a balance between negative and positive civil rights and liberties has to be negotiated and implemented by the state.

## 4.5. Responsibilities of the State

The realisation of both positive and negative civil rights and liberties for all represents an obligation to act on the part of the state. In contrast to a libertarian state, in which fundamental rights are merely postulated, with their realisation left to the market, claims to genuinely effective fundamental rights for each individual rather fall upon the state. In this way, the state is given an active role and obligations to act, above all:

- to provide an infrastructure and services (so-called 'services of general interest') which are freely accessible, furnish safeguards and open up opportunities;
- to create opportunities by means of social redistribution which allow people to participate actively and independently in society and democracy;
- to embed the market economy so broadly that democratic structures and workers' interests are protected and freely represented.

The instruments used by the state to honour these claims of its citizens vary from country to country. This can be illustrated with a simple example:

In Germany, there is a system of social security which has been developing since the 1890s. The social security system makes a significant contribution to people's ability to lead, by and large, a decent life. At the same time, it took root due to workers' solidarity and ensured the government – as organiser – loyalty to the emerging state.

Other countries – for example, in Scandinavia – have a tax-based social system. Here too – as may be seen in the comparative country studies (see chapter 5) – services of general interest are provided and individuals' claims on the state are satisfied. Nevertheless, comparison of the systems reveals subtle differences with regard to how far positive and negative civil rights and liberties have been implemented.

The obligation to act which is derived from civil rights and liberties is met, to a greater or lesser extent, by both forms of organisation.

*Obligations to act on  
the part of the state*

*The most important  
obligations*

*Path dependent  
instruments*

The realisation of civil rights and liberties is not solely a matter of specific instruments, although they should certainly be examined.

Social democracy is a comprehensive conceptual model which does not stop at the formal validity of human rights. Nor is it merely a philosophical framework, adrift from reality. Rather, as an open model, it has to convince people by calibrating the compass for political action in such a way that concrete civil rights and liberties can be implemented as broadly as possible with a range of instruments. This will also make it possible to realise the core values of freedom, equality/justice and solidarity.

Social democracy is not a theoretical extravagance, but a common challenge and practical task.

## 5. COUNTRY MODELS

### In this chapter:

- the United States, the United Kingdom, Germany, Japan and Sweden are examined with regard to the realisation of social democracy;
- on the basis of the *Theory of Social Democracy* libertarian states are contrasted with less inclusive, moderately inclusive and highly inclusive social democracies.

States can use a variety of instruments to satisfy the obligations to act arising from fundamental rights.

In this context, social democracy cannot be defined as a pre-existing template: it differs from country to country on a path dependent basis. Since social democracy is not content with the mere formal validity of civil rights and liberties, it must be considered with regard to each country whether path dependent development points in the direction of social democracy – that is, whether the country in question has already put social democracy into effect or is striving to do so.

To this end, Thomas Meyer and his colleagues compared empirical data on various countries, in contrast to many theories of democracy, which dispense with such an empirical comparison.

Five brief examples are presented here, which represent different degrees to which social democracy has been realised:

- the USA, which in terms of its basic features is almost a libertarian country and exhibits only a few elements which realise social democracy;
- Great Britain, as a less inclusive social democracy;
- Germany, as a moderately inclusive social democracy;
- Japan, which, although not comparable with Western countries in many areas, can be classified as a moderately inclusive social democracy;
- Sweden, as a highly inclusive social democracy.

Of necessity, the country studies are presented only briefly here. Anyone wanting a more detailed look at the comparison of different countries should consult the second volume of Meyer's *Theory* (Meyer 2006).

*What needs to be done and different modes of implementation*

*Five examples*

## 5.1. USA

*Julia Bläsius*

*Freedom and  
social inequality*

For many people, the United States is the land of opportunity and freedom. At the same time, it is well-known that social inequality is greater there than in Europe. But what does this mean and how did it come about? What is certain is that the USA is a country whose people value individual freedom above all else in many areas, as a result of which society has traditionally been sceptical of a strong central government. An early democratisation process and a political culture that grew up hand in hand with it are among the reasons for this. This affects the political actors, the political system, how basic rights are dealt with and the character of the welfare state.

The USA was one of the first modern mass democracies, which led to the formation of a strong republican ethos in society. Universal suffrage was introduced as early as the Constitution of 1789. While in Europe democracies mostly replaced monarchies and, as a result, found centralistic state structures already in place which had evolved over long periods, in America democracy emerged, so to speak, at the same time as an American state after the War of Independence. This state of affairs has shaped the understanding of the state and the political culture in the USA right up to the present day. Society sets great store in individual freedom and prefers a passive state. As a result, social inequalities are accepted as the natural outcome of human coexistence.

*Freedom as the  
highest maxim  
of action*

The political culture is also very strongly characterised by liberalism, which puts particular emphasis on individual freedom. Unlike in Europe, liberalism in the USA was not challenged by other tendencies, such as conservatism or socialism, as a result of which it was able to establish itself as the dominant principle without real alternatives. Even today, freedom is the highest good in American society.

In keeping with this, the government has traditionally had little scope, but above all little inclination to influence the economy. Even the international financial and economic crisis, which not only originated in the United States but has hit the country hard, will at best only attenuate this principle.

Cooperation between the US government and employees and employers is relatively weak. Trade unions are only weakly organised and barely play a role,



in consequence of which employment contracts and wages are negotiated independently and individually. In this respect, the USA faces one of the characteristic problems of a pluralistic democracy. Particular interests can exert considerable influence, but only those which are well organised and financially strong. Broadly-based interests which are at the same time only weakly organised, however, have little impact. This manifests itself in the strong influence of certain lobby groups and business associations, as well as in the rather negligible influence of ethnic minorities.

How do these facts manifest themselves in the political system and in the architecture of the American welfare state? What kind of understanding of fundamental rights underlies it?

### **Political System**

In the USA, they have a presidential system of government with a dualistic structure, consisting of the executive and legislative branches. The executive power is vested in the President, who is also head of state. The legislative branch consists of the House of Representatives and the Senate, which together make up Congress. The legislative and the executive branches are separate from one another and, at the same time, mutually entwined. This principle of 'checks and balances' goes back to the political philosophers Montesquieu and Locke, and is intended to prevent abuses of power. The aim of this system is to effectively protect the citizens' individual freedom against unwarranted power.

Political parties in the USA are, traditionally, not particularly influential, as a result of which party competition does not play a decisive role. Their predominant function is that of election campaign organisations which organise and run campaigns for the chosen candidates. The parties do not offer a set government programme, either. In Congress, they play a minor role, since, in the first place, they do not have to support a government and, in the second place, the representatives vote rather in accordance with their personal interests than ideologically.

### **The Constitution and the System of Fundamental Rights**

The American Constitution of 1789 opens with the formula: 'life, liberty, and the pursuit of happiness'. It establishes a federal state with a presidential system of government. It is one of the oldest republican constitutions which is still in force. It included universal suffrage – although only white men who owned property could exercise the right to vote.

*What does that mean in practical terms?*

*Presidential system of government*

*Parties as election campaign organisations*

*'Life, liberty and the pursuit of happiness'*

Furthermore, the Bill of Rights, which encompasses the first ten amendments to the Constitution, grants American citizens a number of inalienable rights. They are often termed 'fundamental rights'. They are all designed to protect individuals against the encroachment of the state. The prevailing constitutional position is that these rights are enforceable for every individual.

*Negative without  
positive civil rights  
and liberties*

This early tradition of so-called political fundamental rights determines American society's understanding of fundamental rights to this day. Although these so-called fundamental citizens' rights or negative civil rights and liberties have been curtailed in the wake of the anti-terrorism measures implemented since 11 September 2001, in the USA they play a central role. In contrast, there are far-reaching defects with regard to economic and social rights and so with positive civil rights and liberties. These are not mentioned in the Constitution, nor has the USA signed any international agreement which stipulates such rights. The welfare state is not institutionalised in the American Constitution, either. As a consequence, citizens are entitled to social benefits only if they pay insurance or are in need. However, the needy are not guaranteed these rights, and Congress can vote at any time to abandon transfer payments.

### **Political Economy**

*Uncoordinated  
market economy*

The USA can be classified as a liberal or – in other words – uncoordinated market economy. That means that enterprises are in free competition with one another and there is little cooperation or coordination with the government or the social partners. Economic life in the USA is chiefly directed towards profits and growth. (Some areas, such as agriculture or arms, are exempted from this mechanism of pure competition.)

Trade unions and employers' associations have been losing members increasingly in recent years and have no influence on wage negotiations or the determination of working conditions. Wage negotiations in the USA take place at establishment level and employment protection is very low. This bestows a high degree of flexibility on the economy and in particular the employers' side, so that people can quickly be hired, but equally quickly dismissed. The training system is also directed towards providing workers with the broadest possible skills and know-how.

*Orientation towards  
shareholder value*

The financial system of the USA is also directed towards flexibility. Enterprises finance their activities, as a rule, via the capital markets, as a result of which shareholder value – in other words, short-term corporate profits – has the highest pri-

ority. There are few close ties to speak of between enterprises and banks in the USA. Relations between enterprises are based on market relations or enforceable contracts. The barely regulated US financial system and the naked orientation towards short-term shareholder value increases were strongly criticised in the wake of the financial crisis that emerged in the United States.

## **The Welfare State**

Until well into the twentieth century, the USA had only very rudimentary social security. The Social Security Act of 1937 introduced a national social security system for the first time. This includes a contribution-based pension system, social assistance for needy families, children and old people and a federal unemployment insurance programme. However, the USA today is characterised by a liberal welfare state since state benefits are not very comprehensive and scarcely redistributive. One-third of all social benefits come from private providers. The main reasons for this include the political culture and the fact that the USA is usually governed by Republicans or right-wing Democrats, who give the welfare state short shrift. Most areas of the welfare state are therefore strongly conditional in nature and provide a subsistence minimum only in case of need to avert destitution. It remains an open question whether this will change in the coming years. Barack Obama promised social reforms during his election campaign. The difficulties involved in implementing such reforms in (economic) liberal America are shown by the clashes over health care reform.

**Unemployment insurance:** Although the individual states lay down benefit levels and administer the programme, in the USA unemployment insurance is centrally financed. The unemployed are entitled to assistance for six months, which can be extended by a few weeks in exceptional circumstances. Unemployment benefit corresponds to 30 to 40 per cent of the previous wage.

**Income support:** In the USA, income support or 'welfare' is an anti-destitution measure, entirely targeted on the poorest and often resulting in the stigmatisation of those receiving it. There are also programmes for specific groups, such as as dependent children or families in need. Besides financial aid, they often also receive assistance in kind, such as food stamps.

**Pensions:** The US pension system is contribution-based. Citizens pay income tax, which entitles them to a pension. However, only those who have received wages and therefore were able to pay income tax have a right to a pension –

*The welfare state:  
mirror of American  
priorities*

*Unemployment  
insurance*

*Income support*

*Pensions*

others have to rely on welfare. There is also a contribution ceiling for income tax, as a result of which the burden on top earners is relatively light.

### *Health care system*

**Health care system:** There is no universal, state-financed health care system in the USA. Only three groups benefit from state health care provision: the military, people over 65 and those in need, two groups which are growing ever more rapidly. Large segments of society have long been underinsured or even without health insurance at all. The health care reforms passed under President Obama signify a fundamental reorientation of the US health care system.

### **Education system**

### *Education system*

The school system is divided into religious and public schools, the latter being organised and financed locally. This is an advantage from the standpoint of self-regulation and participation, but it results in considerable disparities and differences in quality. Since the schools are financed from income tax, well-to-do communities can invest correspondingly high tax revenues in the education system, while poorer communities often have correspondingly lower resources at their disposal for the purpose of education. The place and the surroundings in which one grows up therefore often determine the quality of education. Nevertheless, the American education system overall produces the highest rate of people with a higher education in the world.

### **Summary**

Both the political system and social welfare in the USA are characterised by a weak, passive state, the aim of which is to grant individuals the greatest possible (negative) freedom. Political fundamental rights have priority, while social and economic rights play no role at all. Consequently, the state intervenes to regulate the market or society barely or not at all and is unwilling to be tied down by international agreements. This is the result of a fragmented, federal political system and a liberal, religious and republican culture. It means that, while the USA does well in terms of economic indicators, such as economic growth, it does rather poorly with regard to the level of social exclusion.

For example, in comparison with other industrialised countries the USA has one of the highest poverty rates. The Gini coefficient, which measures the extent of inequality, is also relatively high. In terms of the criteria of social democracy, which requires the granting of positive as well as negative freedoms, the USA comes off

badly. Whether one looks at fundamental rights, the political system or the welfare state, it is evident that they all contain numerous libertarian elements. It is a matter of interpretation whether one classifies the USA as a less inclusive social democracy or as downright libertarian. However, the latter exists in its pure form only in theory: even the USA has a – albeit rudimentary – social security system. Whether President Obama’s plans to build up the social security system will succeed remains to be seen. The impact of the financial crisis which originated in the United States and has hit the real economy particularly hard has led to something of a rethink even there. Whether this lasts and takes the form of institutional reforms only time will tell.

United States		
<b>Employment rate 2008</b>	70.9 % (65.5 %)	Share of people in employment aged 15–64 (women) in relation to total population (source: Eurostat)
<b>Women’s income compared to men’s</b>	62 %	Women’s income as a percentage of men’s (source: Human Development Index 2009, p. 186)
<b>Unemployment rate 2008</b>	5.8 %	Proportion of unemployed in the economically active population (source: Eurostat)
<b>Rate of long-term unemployment 2008</b>	0.6 %	Proportion of long-term unemployed (12 months or more) in the economically active population (source: Eurostat)
<b>Income inequality/Gini coefficient 2009</b>	40.8 %	Ratio indicating income inequality – the higher the value, the greater the inequality (source: Human Development Report 2009, p. 195)
<b>Human Poverty Index 2009</b>	15.2 %	The Human Poverty Index comprises a number of indicators (life expectancy, literacy rate, access to health care), 0 = minimum poverty, 100 = maximum poverty (source: Human Development Report 2009, p. 180)
<b>Education: importance of socioeconomic background for educational attainment 2006</b>	17.9 %	Proportion of students’ performance differences attributable to their socioeconomic background (source: OECD, 2007)
<b>Trade union density 2007</b>	11.6 %	Proportion of economically active population organised in trade unions (source: OECD)

**Further reading:**

Lew Hinchman (2006), ‘USA: Residual Welfare Society and Libertarian Democracy’, in: Thomas Meyer (ed.), *Praxis der Sozialen Demokratie*, Wiesbaden, pp. 327–73.

Winand Gellner and Martin Kleiber (2007), *Das Regierungssystem der USA. Eine Einführung*, Baden-Baden. *Demokratie*. Wiesbaden, pp. 119–153.

## 5.2. Great Britain

*Christian Krell*

*A less inclusive  
social democracy*

### **Introduction**

Within the framework of the *Theory of Social Democracy* Great Britain is described as a less inclusive social democracy. That means that social and economic rights – in addition to civil and political ones – do apply here. There is also a welfare state based on fundamental rights in essential areas. Social services are provided only at a low level, however. Fundamental rights have formal validity, but all too often they do not mean much in practice. Great Britain therefore – considered in terms of the categories of social and libertarian democracy – represents the outer limits of social democracy.

*Early development  
of the welfare state*

The fact that in Great Britain the welfare state is relatively poorly developed is surprising, given that elements of a welfare state developed there earlier than in other European countries. The expansion of trade and technological innovation from the eighteenth century was accompanied not only by gains in prosperity, but also by an increase in the social problems associated with industrialisation: poverty, poor nutrition and health, child labour and inadequate social insurance.

In response to these social failures, the first elements of a welfare state emerged in Great Britain relatively early. Needless to say, at first there was no question of a comprehensive welfare state. The reasons for this are to be sought primarily in the deep structures of Great Britain's politics and culture. Liberalism has long played an important role in British political culture. This enabled the development of free trade and economic prosperity and also led to a limited extension of political rights. State interference in social matters was rejected, however. Instead, in the eighteenth and nineteenth centuries social and economic policy was shaped by the liberal credo of *laissez-faire*: 'Government shall not interfere'.

*Nevertheless, a  
poorly developed  
welfare state*

This lack of development of state social services was partly offset by charitable and philanthropic endeavours. Countless charities and private donations led to the emergence of a distinctive non-state welfare structure in Great Britain, which still exists. The problem has always been, however, that not all of the needy benefit from this poor relief. Besides these charities, many – sometimes relatively strong – trade unions developed in Great Britain in the nineteenth century. In

contrast to Germany, however, unified trade unions did not emerge, as a result of which the British trade union scene is fragmented, even today.

The Labour Party – the British social democrats – emerged from the trade union movement in 1900. After the First World War, the Labour Party developed into the second strongest force in Great Britain and in 1945, finally took power. Under its leadership, it was possible to significantly extend the British welfare state.

The Conservative Party and the Labour Party were in agreement concerning the basic features of the welfare state. The notion of a British post-War consensus is frequently encountered, as well as a 'social contract' between the various social strata.

At the end of the 1970s, Conservative prime minister Margaret Thatcher loudly announced the end of the 'social contract' and called for the rolling back of the frontiers of the state. In contrast to the political self-conception of the post-War era, she emphasised that the state is not responsible for full employment. Any kind of state intervention in the free play of economic forces was to be abjured, in her view. State action should concentrate above all on stabilising the framework conditions for economic activity, in particular the money supply. The Thatcher-dominated period of Conservative government – 1979–97 – was, therefore, characterised by privatisation and deregulation in many sectors of the British economy.

Among the consequences of Thatcher's policies were a significant rise in poverty rates and an increase in social inequality in Great Britain. These and other indicators suggest that, at the end of the Thatcher era, Great Britain could be described as a social democracy only to a limited extent.

Only with the election of Tony Blair and the Labour Party in 1997 did Great Britain resume its development towards social democracy. Labour's declared aim of guaranteeing social inclusion for all was supported by a wide range of measures. A massive expansion of social services, in particular in health care and education, targeted anti-poverty measures and the introduction of a minimum wage are only a few indications of Great Britain's resumption of the social democratic path. The low unemployment rate maintained while Tony Blair was in power and a slightly falling poverty rate – during a period when poverty rates in many OECD states rose significantly – prove the success of this model.

*Post-War consensus  
and 'social contract'*

*The Thatcher Era*

*Tony Blair and the  
Labour Party*

However, the maintenance of the markedly liberal labour market and liberal economic order of the Thatcher era, Blair's authoritarian approach to the state and, not least, his policy on Iraq as close ally of the USA, meant that the British variant of the 'Third Way' was controversial.

Gordon Brown, who succeeded Tony Blair as prime minister, remained committed to Labour's fundamental course, but introduced some new emphases. In foreign and security policy the very close orientation to the United States was developed into a more balanced strategy. Investment in public services continued, although with a stronger accent on social aspects.

### **Political System**

Great Britain is rightly described as one of the oldest democracies in Europe. Having said that, the British political system has also been described as an 'elected dictatorship'. How can these features be reconciled?

#### *The British Parliament*

This apparent contradiction is resolved by a brief historical digression. Since the Glorious Revolution (1688–89) the British Parliament has constantly gained in importance. Over the centuries, more and more rights that previously belonged to the throne passed to the Parliament, composed of an upper and a lower house. Radical revolutionary change which, in many European countries, led to a separation of powers, never took place in Great Britain. Power, which was originally centralised in the crown, today for the most part lies with Parliament.

Parliament, therefore, has almost unlimited sovereignty and is not limited by a higher jurisdiction or a constitution. This high degree of sovereignty is today concentrated above all in the leader of the majority party in the lower house, the British prime minister.

#### *Strong government*

Two factors further strengthen the power of the government of the day. First, the centralised structure of the British state mean that there are no strong regions or states able to influence the legislation of central government. Second, the 'first-past-the-post' electoral system means that, generally speaking, one party emerges as clear winner. Coalition governments – other than in times of crisis – are neither usual nor necessary. The Conservatives and the Labour Party take turns to form the government. Alongside these two dominant parties the Liberal Party can be mentioned as a substantial force in the British party system.



As an exception to the rule they entered into a coalition government with the Conservatives, as junior partner. Other parties have found it difficult to establish themselves at the national level due to the first-past-the-post-system. Recently, there have been a number of changes in voter behaviour and thus in the party landscape. Exceptionally, in 2010 the Liberals, as junior partner, formed a coalition government with the Conservatives. Furthermore, smaller parties, such as the Green Party and the extreme right-wing British National Party are gaining support, while the established national parties are losing it. At national level, however, the electoral system tends to result in stable and clear election outcomes.

The centralised structure of the state, clear majorities and a sovereign parliament mean that the government has considerable scope for action. Fundamental changes of political direction can therefore be brought about quickly and across the board. The development of social democracy in Great Britain, therefore, is more open to the future than in many other countries.

### **System of Fundamental Rights**

Great Britain is characterised by another apparent contradiction with regard to fundamental rights. On the one hand, with Magna Carta (1215) and the Petition of Rights (1628), the first fundamental rights were guaranteed at an extraordinarily early date, albeit to a small minority to begin with. These rights were directed primarily against despotism, and therefore were negative civil rights and liberties. On the other hand, Great Britain has no written constitution contained in a single document. There is, therefore, no corresponding list of fundamental constitutional rights.

However, Great Britain did ratify the UN covenants on civil and political rights and on economic, social and cultural rights in 1976. The European Convention on Human Rights was also incorporated into British law in 1998.

Despite their formal validity, in some areas fundamental rights have little practical effect in Great Britain. For example, traditionally high poverty rates in Great Britain call into question whether the right to a decent standard of living is realised.

Since Labour came to power, some fundamental rights have been applied more extensively than previously. Examples include the national minimum wage, established in 1999, and the obligation of employers to apply the same wages and working conditions to part-time employees as to their full-time counterparts.

*Development of  
social democracy  
open to the future*

*Early fundamental  
rights*

*Are fundamental  
rights truly  
effective?*

## Political Economy

Great Britain belongs to the classical type of liberal market economy. In comparison to coordinated market economies, keenly competitive markets play a more central role.

### *High significance of markets*

The high significance of the market is illustrated, for example, by wage negotiations between employers and employees. Since employers' associations and trade unions are only weakly developed and fragmented, wages are frequently bargained on an individual basis between workers and the company. Wages are therefore directly linked to the level the employee can obtain in the market. Participation or 'codetermination' – as it exists, for example, in Germany's coal and steel industry – is largely unknown in Great Britain.

### *Flexible labour market*

It is easy to dismiss employees in Great Britain, owing to the poorly developed employment protection. Having said that, qualified workers are, as a rule, well placed to find a new job in the flexible labour market.

Overall, the length of time individual workers remain at a company tends to be relatively short. As a result, workers do not have much to gain by obtaining qualifications tied to a particular company or branch of the economy. This is one of the reasons why productivity in Great Britain is low by international comparison.

Because of this low productivity the share of industry in the UK economy is relatively small. The service sector is extremely strong, however. The City of London is one of the world leading financial centres. Financial services and insurance companies are strongly represented there. Around 76 per cent of British workers are employed in the service sector.

Enterprises in liberal market economies obtain capital for investment predominantly via the financial markets, as a consequence of which they are locked in to chasing rapid returns. More long-term notions of financing, such as German-style '*Hausbanken*' (literally 'house banks' – there is a longstanding tradition of companies in Germany having a strong financial relationship with one particular bank), are almost unknown. For this reason, the British economy is in thrall to short-termism and profit maximisation.

## Welfare State

In comparative welfare state research the British welfare state is generally ascribed a 'hybrid character'. This reflects the fact that the British welfare state is subject to a number of different logics, not generally found in the same system. For example, some welfare state services – for instance, in the health care system – are universally provided, namely to every resident of the country. Other services are granted only on a means-tested basis, which is sometimes regarded as demeaning. Nevertheless, Great Britain is considered to be a liberal welfare state. The social security system provides protection against basic risks, while any needs which go beyond this basic provision have to be met via the free market.

**Health care system:** The National Health Service (NHS) is the jewel in the crown of the British welfare state. It is financed from tax revenues and guarantees free medical care and the provision of the necessary resources and medicines. One key advantage of the NHS, besides its universal provision, is its high degree of transparency. However, the NHS was underfinanced for years, leading to bottlenecks in care provision, which manifested themselves in, for example, long waiting times for certain operations. Since 2000, enormous sums have been invested in the NHS.

**Social security:** The National Insurance system insures against a range of risks and exigencies, such as old age, unemployment, accidents at work and invalidity. National Insurance financing is contribution-based, in proportion to income. Benefits are flat-rate and provide only basic protection. Anyone wanting to supplement this basic protection must seek it in the free market.

**Social assistance:** National Assistance provides a range of benefits which are available to people who are not entitled to contribution-based benefits and are not in a position to take advantage of private provision. These benefits are tax-financed and usually strictly means-tested, which means that they are accessible only when the applicant has proved that they are truly in need and have no other possibilities to help themselves.

*Hybrid character of the welfare state*

*Health care system*

*Social security*

*Social assistance*

## **Education system**

In Great Britain, the school system can be divided into state and (fee-paying) private (confusingly known as 'public') schools. According to some, this division of the British education system is partly responsible for the fact that, alongside a small, highly qualified elite, the general level of education and training is poor. The correlation between social status and educational attainment is plain. Reform and development of the education system was, therefore, one of the Labour Party's professed aims. One of the most important measures taken by the Brown government in this policy area was the gradual raising of the age at which compulsory education or training ends from 16 to 17 years of age. The aim was to bring it about that the United Kingdom was no longer a country in which most 16 to 18 year-olds were neither in employment nor in education or training (so-called NEETs).

There has been substantial investment, although also a number of controversial measures, such as the introduction of student fees.

## **Summary**

Since the end of the 1990s, Great Britain has resumed its development in the direction of social democracy. The professed aim of the Labour Party was social inclusion for all, primarily through participation in the labour market. Social security should be targeted at those truly in need, not made available to as many as possible and at a high level. At the same time, the provision of social benefits was conditional on the active efforts of benefit claimants to help themselves. Stable economic growth and an active labour market policy led to high employment rates in Great Britain up to 2009 and, as a result, to falling poverty on the one hand and increasing social participation on the other.

However, based on persistently high poverty rates, the low level of social benefits and unequally distributed educational opportunities Great Britain at the end of the Labour government must still be described as a less inclusive social democracy and be located at social democracy's outer limits. How things will develop under the Conservative/Liberal government remains to be seen.

United Kingdom		
<b>Employment rate 2008</b>	71.5 % (65.8 %)	Share of people in employment aged 15–64 (women) in relation to total population (source: Eurostat)
<b>Women's income compared to men's</b>	67 %	Women's income as a percentage of men's (source: Human Development Index 2009, p. 186)
<b>Unemployment rate 2008</b>	5.6 %	Proportion of unemployed in the economically active population (source: Eurostat)
<b>Rate of long-term unemployment 2008</b>	1.4 %	Proportion of long-term unemployed (12 months or more ) in the economically active population (source: Eurostat)
<b>Income inequality/Gini coefficient 2009</b>	36 %	Ratio indicating income inequality – the higher the value, the greater the inequality (source: Human Development Report 2009, p. 195)
<b>Human Poverty Index 2009</b>	14.6 %	The Human Poverty Index comprises a number of indicators (life expectancy, literacy rate, access to health care), 0 = minimum poverty, 100 = maximum poverty (source: Human Development Report 2009, p. 180)
<b>Education: importance of socioeconomic background for educational attainment 2006</b>	13.9 %	Proportion of students' performance differences attributable to their socioeconomic background (source: OECD, 2007)
<b>Trade union density 2007</b>	28 %	Proportion of economically active population organised in trade unions (source: OECD)

**Further reading:**

Christian Krell (2006), 'Laggard or Leader? – der britische Sozialstaat im Spiegel der Sozialen Demokratie', in: Thomas Meyer (ed.), *Praxis der Sozialen Demokratie*, Wiesbaden, pp. 130–241.

Alexander Petring (2006), 'Großbritannien', in: Wolfgang Merkel et al. (eds), *Die Reformfähigkeit der Sozialen Demokratie*, Wiesbaden, pp. 119–53.

## 5.3. Germany

*Christoph Egle*

*A success story for  
social democracy?*

Given the political and economic situation in which Germany found itself after the end of the Second World War, the Federal Republic<sup>22</sup> can be considered a 'success story' for social democracy. Doubts whether Germany, after the end of Nazi rule, could ever become a peaceful and democratic country have largely been dispelled by the stability of democracy in the Federal Republic and its anchoring in a vital civil society. Admittedly, the democratisation of state and society fully asserted itself only at the end of the 1960s. The shame of Nazi rule and the collapse of the Weimar Republic left an enduring mark on Germany's political culture. By way of illustration one might mention the renunciation of nationalistic rhetoric and a deep-seated scepticism concerning extremism of any kind. In contrast, the search for compromise and finding the 'mean' are important virtues in the Federal Republic.

*'Model Germany'*

Alongside the successful (re-)democratisation after 1945, the 'economic miracle' also contributed to the emergence of the Federal Republic as a model for other Western industrialised countries, based on an almost unique combination of economic performance, political stability and social balance. German social democracy, too, identified itself with the social and economic order of the Federal Republic, which it regarded as the realisation of its political values. For example, during the 1976 general election the SPD campaigned on the idea of 'Model Germany'. After reunification, however, it became increasingly apparent that the Federal Republic was no longer living up to this model role, having fallen behind in terms of economic growth and job creation. It is curious that a number of the factors advanced in the 1980s as reasons for the success of the 'German model' were, in the 1990s, identified as reasons for Germany's 'decline'. Prominent among them was the system of government, which had been slow to adapt to changing economic conditions (globalisation) and certain structures of the welfare state, which in some areas had proved to be impediments to employment (especially for the low qualified and women). On the other hand, it is a historic stroke of good fortune that the Basic Law has remained in place, which was originally envisaged only for a transitional period.

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<sup>22</sup> Unfortunately, for reasons of space we cannot discuss developments in the DDR.

## System of Fundamental Rights in the Basic Law

Learning the lessons of the failure of the Weimar Republic, the first 20 articles of the Basic Law (*Grundgesetz*) anchor the fundamental human and civil rights and liberties as law which is almost superordinate with regard to the state. Included are both the so-called liberal rights of privacy against the intrusion of the state in the private sphere ('negative freedom') and democratic rights of participation ('positive freedom'). Social entitlements, such as the right to work, to accommodation, to education or to a minimum income are not cited in the Basic Law, although they are in the constitutions of some federal states. No specific economic system is provided for by the Basic Law, but it does contain a number of bulwarks against both an unregulated market capitalism and a socialist planned economy. For example, in Art. 14 of the Basic Law property and right of inheritance are safeguarded, but the use of property 'shall also serve the public good'. This postulate found practical political expression in the concept of the 'social market economy'.

## Political System

The system of government was also shaped in such a way that a failure of democracy should no longer be possible. For this purpose, a high degree of separation and limitation of powers was put in place, whereby the power of the executive was restricted to a greater extent than in almost any other democracy. These bulwarks against an overmighty state include the federal system and the participation of the federal states in federal law-making (through the Bundesrat, the upper house of the German parliament), the strong position of the Federal Constitutional Court, the independence of the *Bundesbank* (later succeeded by the European Central Bank), the delegation of some state tasks to civil associations and, finally, the participation of the social partners in the administration of the social security system. On the basis of this 'fettering' of state power the American political scientist Peter Katzenstein once declared that the Federal Republic was a 'semi-sovereign' state – it is important to consider, in this connection, that until 1990 the Federal Republic was not fully sovereign with regard to foreign policy, either.

This institutional obligation to balance different interests has done the Federal Republic no harm at all – the system of government is characterised by a high degree of efficiency and representativeness. The parliamentary system has proved to be sufficiently open to allow social development (for example, the emergence

*Negative and positive civil rights and liberties in the Basic Law*

*High degree of separation and limitation of powers*

*Central role of political parties*

of new parties) and, at the same time, has fostered stability in the formation of governments. External expertise is brought in in the legislative process, since representatives of affected interest groups are regularly consulted. The central role in developing an informed opinion is played by the political parties, however; this also applies to public offices. In this way, they perform an important mediating function between society and state. Since the parties can participate in a total of 16 state governments, besides the Federal Government, they are almost never exclusively government or opposition parties. This applies in particular to the two major parties, the SPD and the CDU/CSU, so that the Federal Republic is never far away from a formal or informal 'grand coalition'. This compulsion towards cooperation has led, in particular in economic and social policy, to a 'policy of the middle way' (Manfred G. Schmidt), which fits in seamlessly with Germany's political culture, as described above.

*Strengths and weaknesses of Germany's orientation towards stability*

Party competition and the federal system of government can combine to bring it about that important decisions can be blocked or unsatisfactory compromises reached due to party politicking. Instances of this multiplied after 1990, when, after the re-establishment of German unity, the number of federal actors increased and the necessary changes were not made quickly enough in the face of accelerating globalisation. Due to its tendency towards inertia, the political system's orientation towards stability – long a success factor – became a problem. For a number of years, reform of the federal system has been under way with a view to making it more 'decision friendly'.

### **Political Economy**

Germany is a typical example of a so-called coordinated market economy, in which enterprises obtain financing through long-term credits from their 'house banks' (see above), unlike in a liberal market economy, which relies on the capital market. The resulting interdependence of industry and the banking sector is a central characteristic of 'Rhine capitalism'. Based on 'patient capital', in this model strategic enterprise decision-making is possible within the framework of a longer time horizon than in the case of the short-term shareholder value orientation. Also typical of 'Germany AG' is the – by international comparison – far-reaching workers' participation in enterprise management, with regard to both establishment-level participation (organisation of workplaces, work routines and personnel matters) and enterprise-level participation (with workers' representatives on the supervisory board of public limited companies and other

*'Rhine capitalism'*

*Codetermination and free collective bargaining*



large joint-stock companies). In keeping with this, social relations are fundamentally characterised by partnership and cooperation. Wage formation is subject to free negotiations between employers and employees (free collective bargaining), largely organised in national peak organisations. Industrial conflict is relatively rare by international comparison and usually of short duration.

However, in recent years this model of the coordinated market economy has been showing signs that it is coming apart at the seams. This is due, on the one hand, to globalisation or the – related – growing inclination of German firms to participate in international financial markets and, on the other hand, to the erosion of industrial and social relations as both trade unions and employers' organisations continue to lose power and, thereby, the ability to coordinate.

### **Welfare State**

The Federal Republic of Germany is the classic example of the so-called conservative/corporatist welfare state, also known as the 'Christian-democratic' or 'Bismarck' type. This terminology makes it clear that the German welfare state was not, in the first instance, created by Social Democrats, but owes its historical emergence above all to conservatives and Christian Democrats. After the Second World War, the expansion of the welfare state was driven by two welfare-state parties, the CDU/CSU and the SPD.

Despite being a financial behemoth, the German welfare state is characterised by only moderate redistribution, since existing social disparities are often perpetuated. Examples include different social insurance and care systems for different occupational groups. Mandatory social insurance applies only to employees; the self-employed and civil servants, in contrast, can insure themselves against social contingencies privately or are subject to a separate insurance system (for example, civil service pensions).

The pillars of the German welfare state are various independent social insurance systems, which are financed by the workers' – assessment-based – mandatory contributions. In addition, subsidies are provided from the Federal budget, either when required or – as in the case of pension insurance – continuously. Since the costs of the welfare state primarily fall upon wages, and so increase the cost of labour, this mode of financing has proved to be an obstacle to job creation, in particular in labour-intensive service branches. Insurance benefits are more or less

*Conservative/  
corporatist  
welfare state*

*High additional  
wage costs*

based on the equivalence principle, which means that the longer an employee has paid contributions or the higher their income, the higher the benefits. This employment-centred system can pose problems for people with less stable working lives, because they are able to acquire only limited social protection.

#### *Pensions*

**Pensions:** The standard pension level paid by statutory pension insurance (without supplementary company insurance) comes to about 70 per cent of the average net wage. As a result of the most recent pension reforms this will fall to around 50 per cent over the long term. To compensate for this fall, state allowances and tax benefits will be available to encourage people to take out funded supplementary pensions. If a person's pension entitlements remain below the level of income support a basic insurance comes into play for those who have reached old age.

#### *Unemployment insurance*

**Unemployment insurance:** 'Unemployment benefit I', provided by unemployment insurance, comes to 60 to 67 per cent of the previous wage, according to family status. It is paid out for between six and 24 months, depending on the length of contributions and the age of the recipient. After this entitlement has ceased, tax-financed 'unemployment benefit II' can be obtained, at the level of **income support**. Receipt of unemployment benefit II or income support (for those incapable of working) is conditional on a means test; in addition, the economically active are expected to be willing to work and to provide evidence that they are seeking employment. These welfare benefits are a legal entitlement, which guarantees a socio-cultural subsistence minimum for all.

**Health care system:** The benefits of statutory health insurance are good by international comparison, and the system is correspondingly costly. Children and inactive spouses are co-insured with their parents or economically active partner and those drawing social benefits receive automatic statutory health insurance coverage. The self-employed, civil servants and workers with high incomes are not obliged to pay mandatory insurance and can insure themselves privately, often under more favourable conditions.

#### **Education System**

The education system is more or less the sole responsibility of the federal states and shows significant regional differences in terms of structure and quality. While many states can compare with the best internationally, in other states

#### *Education system*

students are below the OECD average. It is also clear that in few other countries is educational success so dependent on students' social origins – in other words, in Germany, the aspiration of equal opportunity has scarcely been attained.

Germany		
<b>Employment rate 2008</b>	70.7 % (65.4 %)	Share of people in employment aged 15–64 (women) in relation to total population (source: Eurostat)
<b>Women's income compared to men's</b>	59 %	Women's income as a percentage of men's (source: Human Development Index 2009, p. 186)
<b>Unemployment rate 2008</b>	7.3 %	Proportion of unemployed in the economically active population (source: Eurostat)
<b>Rate of long-term unemployment 2008</b>	3.8 %	Proportion of long-term unemployed (12 months or more) in the economically active population (source: Eurostat)
<b>Income inequality/Gini coefficient 2009</b>	28.3 %	Ratio indicating income inequality – the higher the value, the greater the inequality (source: Human Development Report 2009, p. 195)
<b>Human Poverty Index 2009</b>	10.1 %	The Human Poverty Index comprises a number of indicators (life expectancy, literacy rate, access to health care), 0 = minimum poverty, 100 = maximum poverty (source: Human Development Report 2009, p. 180)
<b>Education: importance of socioeconomic background for educational attainment 2006</b>	19 %	Proportion of students' performance differences attributable to their socioeconomic background (source: OECD, 2007)
<b>Trade union density 2007</b>	19.9 %	Proportion of economically active population organised in trade unions (source: OECD)

**Further reading:**

*Christoph Egle (2006), 'Deutschland: der blockierte Musterknabe', in: Thomas Meyer (ed.), Praxis der Sozialen Demokratie, Wiesbaden, pp. 273–326.*

*Peter J. Katzenstein (1987): Policy and Politics in West Germany. The Growth of a Semisovereign State, Philadelphia.*

*Manfred G. Schmidt (2007), Das politische System Deutschlands, Munich.*

However, the system of dual vocational training remains exemplary, by international comparison, despite regular bottlenecks with regard to the availability of apprenticeships. This system makes possible occupational qualifications geared to companies' needs and links them to compulsory school attendance, providing an all-round education.

### **Summary**

'Model Germany' was long held up as an example and remained a highly inclusive social democracy well into the 1970s. As a consequence of the exigencies of German reunification and globalisation, however, this pre-eminence has been lost. In the meantime, Germany can rather be considered a moderately inclusive social democracy. The main reasons for this include the fact that the mode of financing the welfare state has proved to be detrimental to the country's international competitiveness and, owing to the stability-oriented political system, the necessary reforms could not be implemented in due time. Since the mid-1990s, first the Kohl government, then, after some hesitation, the Schröder government tried to bolster the competitiveness of the German economy by reorganising and partly dismantling the welfare state and by adapting the social security system to demographic ageing and changing family structures. These reforms met with considerable resistance in some quarters. In all likelihood, however, it will not be possible to raise the employment level without them. It remains to be seen, however, whether in future Germany will be able once more to approximate a highly inclusive social democracy.

## 5.4. Japan<sup>23</sup>

Eun-Jeung Lee

In academic debate, virtually no country is characterised by such a variety of interpretations as Japan. In particular with regard to the welfare state or the ‘welfare society’, the perceived image of Japan ranges from a liberal-conservative welfare regime with strongly ‘social democratic’ features to a ‘classless society in the Marxist sense’.

Conditions in Japan cannot easily be summarised in the usual terms. Every prime minister since 1955 – with a short interruption in 1993–94 – has come from the conservative Liberal Democratic Party (LDP).

With regard to public expenditure on social provision, Japan stands at the lower end of the scale among the highly industrialised countries. In 2005, Japan had – with 22.9 per cent – below average social expenditure as a proportion of GDP (OECD average 24.4 per cent), well below that of Germany (31.1 per cent) and Sweden (33.6 per cent).

However, Japan also stands out as having the highest life expectancy in the world, in particular for women, an extraordinarily low rate of infant mortality and a remarkably balanced income distribution. All this is strong testimony to the efficiency of the Japanese social security system. In addition, according to opinion polls, 90 per cent of Japanese people consider themselves members of the middle class.

Given this complex state of affairs, the subject of Japan must be approached with great caution. Too often, discussions of Japan are reduced to mutually exclusive alternatives: Is Japan unique or not? The answer must be ‘yes and no’. In Japan, as in all other societies, both unique and comparable elements can be found. It is not a matter of mutually exclusive alternatives, but rather of coexistence.

### Political System

Japan’s political system can be characterised as a parliamentary democracy. On the one hand, the Constitution of 1947 guarantees citizens’ fundamental rights and, on the other hand, political contestation and decision-making are based on political parties. The post-War development of the political system can be divided, broadly speaking, into three phases. The first phase (1945–55) was that

*Japan – an exceptional case*

*Low social expenditure as a proportion of GDP*

*High efficiency of the social security system*

*Development of the political system in three phases*

<sup>23</sup> This text is based on Eun-Jeung Lee (2006), ‘Soziale Demokratie in Japan. Elemente Sozialer Demokratie im japanischen System’, in: Thomas Meyer (ed.), *Praxis der Sozialen Demokratie*, Wiesbaden, pp. 374–444, adapted in some places.

of post-War reconstruction; the second phase (1955–93) is generally known as the ‘55 system’; while the third phase (after 1993) is regarded as one of political reform. The designation ‘55 system’ derives from the fact that both the main pillars of this system – the LDP and the SPJ (Socialist Party of Japan) – were founded in 1955. The Liberal Party (*Jiyuto*) and the Democratic Party (*Minshuto*) merged to form the conservative LDP, while the left- and right-wing socialists formed the SPJ. To begin with, it was hoped that this would develop into a two-party system on the English model. In the course of the 1960s, however, it became clear that a single party-dominated system had emerged, comparable to the hegemony of the Social Democratic Party in Sweden, the Christian Democratic Party in Italy and the National Congress Party in India. Apart from a ten-month break between August 1993 and June 1994, the LDP’s dominance of parliament was uninterrupted from 1955, including the post of prime minister. What changes will occur as a result of the DPJ’s election victory in 2009 remain to be seen.<sup>24</sup>

### **The Constitution and the System of Fundamental Rights**

The Constitution of 1947, established by the American Occupation administration under the leadership of General Douglas MacArthur, came into force on 3 May 1947. In itself, the Constitution is very progressive. Apart from Art. 9, which prohibits remilitarisation, in Art. 25 it says:

‘(1) Every citizen shall have the right to maintain the minimum standards of wholesome and cultured living.  
(2) In all spheres of life, the State shall use its endeavours for the promotion and extension of social welfare and security, and of public health.’

Art. 27 of the Constitution declares that ‘Every citizen shall have the right and obligation to work.’

The Supreme Court, as the highest court in Japan, has repeatedly found that Art. 25 does not comprise an enforceable right, but rather is to be understood as a programme statement. As a result, this commitment to a welfare state rather serves as a basis for the state and legislation.

This anchoring of the right to work and fundamental social rights in the Constitution obliges the Japanese government to institute an employment policy and a welfare state. Consequently, the creation and maintenance of jobs has

‘Progressive’  
Constitution

Commitment to  
a welfare state

24 See Andrew DeWit (2009), »Change« Comes to Japan?, Friedrich-Ebert-Stiftung (ed.), Berlin.

an important place in the Japanese welfare system, while the social security systems – pension, health care, care and unemployment insurance – must be established on a sound financial footing on the part of the state.

### **Political Economy**

Japan belongs among the so-called ‘coordinated market economies’. In Japan, coordination takes place between networks of enterprises, comprising cross-sectoral groups or families of companies. These groups are known as ‘*keiretsu*’. Training systems and technology transfer processes are also organised in accordance with ‘*keiretsu*’ structures. Workers are encouraged to acquire group-specific skills and in return can count on lifelong employment. Trade unions are also organised on an enterprise basis, which gives the workforce participation rights in company affairs.

Japanese enterprises are financed by long-term bank credits, which gives them a relatively high degree of certainty with regard to planning, allowing them to concentrate on long-term enterprise development.

On the part of the state, immediately after the Second World War and into the 1960s the labour market and employment were the priorities. At the end of the 1960s and the beginning of the 1970s the LDP government began – at first, under pressure from the social policy measures of ‘progressive’, that is, communist or social democratic mayors – to comprehensively expand social security. In the wake of the oil crisis, the brakes were applied to this expansive social policy, although it was not reversed. The social partners and state actors were in agreement that the active state labour market policy must be expanded in the face of increasing global integration and its dangers.

Various measures were introduced within the framework of active labour market policy, including wage subsidies, emergency loans and financial help for further training. Expanding employment and very low unemployment rates – up to the second half of the 1990s – testify to the success of this policy.

### **Welfare State**

Although Art. 25 of the Japanese Constitution contains a clause on the welfare state and, on account of this, laws were reformed or newly enacted in many areas as early as 1947, Japan long remained – in contrast to its economic dynamism – a late developer in social terms. In addition, in comparison with other

*Coordinated market economy based on enterprise networks*

*Active labour market policy*

*Comprehensive company social benefits*

OECD countries, Japan is persistently found at the lower end of the scale in terms of state social benefits as a proportion of GDP.

However, looking at state social benefits in isolation gives only a partial view of the welfare state in Japan, since company social benefits there are extensive, amounting to at least 10 per cent of the Gross Social Product. On average, companies (for example, in 2001) spend the equivalent of around 570 euros a month per employee in statutory social contributions and almost 1,000 euros for company social benefits.

On top of that, the Japanese welfare state system seeks to foster social equality or social integration, not indirectly by means of social transfers to individuals, but rather by means of labour market and employment policy measures.

#### *Pensions*

**Pensions:** As part of the 1973 reforms, pensions for so-called ‘benchmark pensioners’ under the employee insurance scheme were raised to 45 per cent of the average wage and linked to the cost of living index. Pension reform in 1985 gradually increased contributions and lowered pension payments in order, by 2025, to counterbalance the effects of the rapid ageing of the Japanese population. So-called national pension insurance was introduced as a contribution-based mandatory insurance for all citizens. It is intended to ensure a basic level of provision.

The average old-age pension under the national pension system was around 405 euros a month in 2007. In 2007, 96 per cent of all citizens over 60 received a national pension. In most cases, people also receive a company pension which averaged around 1,300 euros a month in 2004, which was 53.4 per cent of the average wage, or a lump sum of up to 64 monthly wages on reaching the company retirement age.

#### *Health care system*

**Health care system:** The health care system is based on the principle of universality and the state guarantees, besides the medical care programme, that health protection will also be extended to uninsured and needy persons. Reform of employee medical insurance in 1984 introduced a personal contribution of 10 per cent, which in the meantime has been raised to 20–30 per cent. This brought it into line with national medical insurance under which insurance is provided to those who are not or are no longer members of an employee medi-



cal insurance scheme, such as the self-employed, farmers, employees of small companies and family members. The personal contribution under the national medical insurance scheme has been 30 per cent for quite a while.

## **Education System**

Education has high status in Japan's welfare system. In 2007, 93 per cent of Japanese who completed compulsory schooling (nine years) went on to the three-year upper secondary level. If distance-learning schools and evening schools are also included, this goes up to 97.3 per cent. Nevertheless, state expenditure on education is very low by international comparison, at only 3.5 per cent of GDP in 2006. The Japanese Education Ministry explains this by the relatively high proportion of private educational institutions: for example, 77.5 per cent of Japanese universities are private.

## **Summary**

In Japan, all the elements of a social democracy are in place. Nevertheless, unlike the other social democracies looked at here, this social democracy came into being without a strong social democratic party or social democratic ideological foundations. Japan's bureaucratic, academic and political elites are characterised by their willingness to seek sustainable solutions regardless of ideology or dogma and for that purpose gather and assimilate information, ideas and concepts from all over the world.

One weakness of the Japanese system is that it remains largely tied to Japanese citizenship. Traditionally, in Japan the integration of foreign minorities has received little consideration, in either theory or practice. Labour immigration began long ago, however, and is likely to increase in future. There is also room for improvement with regard to gender equality.

These unresolved problems cast something of a shadow on social democracy in Japan, with its well developed and efficient social security systems. After the social policy reforms of the 1980s, they were no longer described as a hindrance to the internationalisation and globalisation of the Japanese economy in the political debate. In the 1990s, the employers' organisations called for the flexibilisation of employment structures and the winnowing out of the core workforce, alongside deregulation of the economy, in order to be able to withstand recession and intensified global competition. In the event, they were unable to make any headway with their labour market demands and in the meantime even the employers' organisations

have backed away from them and are now calling on their member companies and the state to do more to increase employment and training. Based on the extensive and efficient social security systems on the one hand, and the abovementioned drawbacks and problems on the other, Japan can be described as a moderately inclusive social democracy. This is particularly interesting because Germany is also categorised as a moderately inclusive social democracy, despite the fact that its state organisation and welfare and economic models are fundamentally different.

Japan		
<b>Employment rate 2008</b>	70.7 % (59.7 %)	Share of people in employment aged 15–64 (women) in relation to total population (source: Eurostat)
<b>Women's income compared to men's</b>	45 %	Women's income as a percentage of men's (source: Human Development Index 2009, p. 186)
<b>Unemployment rate 2008</b>	4.0 %	Proportion of unemployed in the economically active population (source: Eurostat)
<b>Rate of long-term unemployment 2008</b>	1.3 %	Proportion of long-term unemployed (12 months or more) in the economically active population (source: Eurostat)
<b>Income inequality/Gini coefficient 2009</b>	24.5 %	Ratio indicating income inequality – the higher the value, the greater the inequality (source: Human Development Report 2009, p. 195)
<b>Human Poverty Index 2009</b>	11.6 %	The Human Poverty Index comprises a number of indicators (life expectancy, literacy rate, access to health care), 0 = minimum poverty, 100 = maximum poverty (source: Human Development Report 2009, p. 180)
<b>Education: importance of socioeconomic background for educational attainment 2006</b>	7.4 %	Proportion of students' performance differences attributable to their socioeconomic background (source: OECD, 2007)
<b>Trade union density 2007</b>	18.3 %	Proportion of economically active population organised in trade unions (source: OECD)

**Further reading:**

*Eun-Jeung Lee (2006), 'Soziale Demokratie in Japan. Elemente Sozialer Demokratie im japanischen System', in: Thomas Meyer (ed.), Praxis der Sozialen Demokratie, Wiesbaden, pp. 374–444.*

## 5.5. Sweden

*Erik Gurgsdies*

Sweden has so far been able to maintain its traditional welfare state, with extensive public (monetary) social security benefits and a well-developed public services sector, even in the age of globalisation. For example, Swedes have free access to the education system, from nursery school to university; public health care is also free of charge for all Swedes, apart from a small nominal fee for access; in case of unemployment, 80 per cent of the previous wage is paid in benefit, up to an upper limit; and in old age, an income-related public pension system, including a tax-financed guaranteed pension for persons with insufficient income, provides security against old-age poverty.

If one considers that one-third of economically active persons in Sweden are employed in the public sector – which means that the tax and contribution ratio is one of the highest internationally – and that, at the beginning of the 1990s, Sweden suffered its worst economic crisis since the Great Depression, the question arises of how, in contrast to almost every other country in the era of globalisation, the welfare state could be protected in Sweden.

Particularly noteworthy in this connection are the political culture and the Swedish mentality, which from time immemorial have been characterised by ideas of social equality. They derive from old Germanic ways of life which a relatively undeveloped feudalism was unable to extinguish. The remarkable socio-cultural homogeneity – at least until recently – was another explanation. Relatively independent communities play a decisive role in local life. In a country in which geographical distances can lead to a certain isolation, local administration has deep roots in the national consciousness. Having said that, central framework laws and targeted central financial subsidies provide for a high degree of uniformity in local living standards.

### **Political System**

Consensus, negotiation and integration play an important role in the Swedish political system. Furthermore, the Swedish legislative process is characterised by a high degree of institutionalised participation on the part of civil society. At the beginning of the process, the government appoints a committee to investigate the relevant state of affairs. Although the government generally

*Maintenance of the traditional welfare state*

*Political culture shaped by socio-cultural homogeneity*

*Political system marked by consensus and integration*

takes the initiative in this respect, the Parliament, state authorities and even civil society groups can also do so. The committee, depending on the law, consists of politicians, experts and representatives of affected social groups, and adopts a position, which is taken as a basis for discussion. The notion of a compromise- and consensus-oriented society underlies this – the so-called ‘*remiss*’ – procedure.

*Dominant position  
of social democracy*

Social democracy has occupied a dominant position in Sweden’s political landscape since the early 1930s. In the midst of the Great Depression, against the economic mainstream, a credit-financed public employment programme was launched to improve infrastructure and the housing situation of large families. ‘In Central Europe, people built barricades on the streets. In Sweden, we tried to make progress by building flyovers’, said long-standing prime minister Tage Erlander, emphasising the political thrust of the employment programme. The success of the employment programme boosted not only the electoral success of the Social Democratic Workers’ Party, but also its membership, as well as the LO (*Landsorganisationen*) trade union confederation, its close ideological ally. The dominant position of social democracy was also favoured by the fragmentation of the centre-right opposition. The so-called ‘socialist bloc’, comprising Social Democrats, Greens and the Left, the former Eurocommunists, is confronted by the so-called ‘bourgeois’ or centre-right bloc, consisting of the Conservatives, the Liberals, the Centre (former Farmers’) Party and the Christian Democrats. The latter has formed the government since 2006. However, even after the election victory of the centre-right bloc (the so-called ‘Alliance for Sweden’), a solid majority of the parties favour the welfare state.

*Negative and  
positive civil rights  
and liberties in  
the Constitution*

### **The Constitution and the System of Fundamental Rights**

The Swedish Constitution contains not only negative, but also far-reaching positive civil rights and liberties. Although the fundamental social, economic and cultural rights – that is, the positive civil rights and liberties – are not, unlike the fundamental political rights, legally binding, they do serve as socio-political goals to strive for. For example, Art. 2 of the Constitution declares: ‘The personal, economic and cultural welfare of the individual shall be fundamental aims of public activity. In particular, it shall be incumbent upon the public administration to secure the right to work, housing and education, and to promote social care and social security and a good living environment.’ Legally binding or not, the mere fact that these socio-political goals occupy such a prominent place in

the Constitution assures them high standing in the public consciousness. This is also reflected in the construction of the Swedish welfare state and its political (market) economy.

### **Political Economy**

Swedish economic policy is based on the so-called Rehn-Meidner model, named after the trade union economists Gösta Rehn and Rudolf Meidner. In 1951, they developed a macroeconomic model designed to combine full employment with a »solidarity wage policy«, without thereby triggering inflationary processes.

The basic idea was that permanent full employment cannot be achieved by a generally high aggregate demand, whether due to favourable global economic developments or national economic stimulus packages. Since individual economic branches always grow at different rates continuously high aggregate demand quickly results in sectoral bottlenecks. In order to maintain growth nevertheless, the affected sectors try to attract workers from other sectors.

In a situation of full employment this can be achieved only by offering higher wages and is subsequently accompanied by price increases in these sectors. This leads – to make up for lost purchasing power – to wage increases in the other sectors, which results in general price increases and thus inflationary developments in the national economy.

### **Solidarity Wage Policy**

To make matters worse, after the Second World War the Swedish blue-collar trade unions pursued a so-called »solidarity wage policy«. This has two main goals. First, it seeks to assert the principle of »equal wages for equal work« and thus is oriented towards the development of average labour productivity. Second, it is supposed generally to reduce the wage gap between different jobs. The attainment of these goals is conditional on the prioritising of central wage negotiations over lower levels. In order to prevent erosion of the benefits of a »solidarity wage policy« through inflation, the Rehn-Meidner model recommended a strict public finance policy to keep a tight rein on aggregate demand by means of budget surpluses.

This approach to economic policy forces less productive companies doubly onto the defensive: first, because of their poor cost and price structure they find them-

selves facing sales problems when demand is weak; second, the »solidarity wage policy« exacerbates their already problematic cost and thus competitive situation because wage demands are asserted in all branches and all companies in step with the development of average labour productivity. In direct contrast to that, highly productive companies enjoy a twofold benefit: first, because of their favourable cost situation and thus their favourable price structure they experience ample demand; second, wage settlements are deliberately calibrated so that they do not entirely use up their margin for distribution. In this way, these companies obtain a capital injection for the creation of new highly productive jobs.

*Unemployment  
measures as a  
public adjustment  
measure*

The losers from the combination of restrictive fiscal policy and solidarity wage policy, therefore, are low productivity companies and those employed by them. The resulting unemployment was not understood defensively, as a public problem, but rather positively, as a public challenge, which has to be solved by a highly developed active labour market policy. A comprehensive system of training and mobility assistance is brought to bear in order to qualify the unemployed for productive and, therefore, well-paid employment. In these terms, a restrictive fiscal policy, solidarity wage policy and active labour market policy conspire to achieve the constant renewal and structural adjustment of the Swedish economy to the requirements of the global market.

This is also a good explanation for Sweden's rapid export-based emergence from crisis in the 1990s: because there was a well-developed active labour market policy and unions and management traditionally prefer creating high productivity jobs to defending low productivity ones, innovation could be rapidly converted into employment. Sweden increased – under favourable international economic conditions – its export ratio in only five years by one-third, from 33 to 45 per cent.

### **Welfare State**

In the wake of post-War economic growth, Sweden found itself undergoing rapid restructuring, from a society characterised by poor workers and farmers to an 'employee society', fast reaping the benefits of private affluence. In the face of these developments in social structure, the policy of basic insurance – for example, the same state pension for the king and a beggar – was strategically supplemented by the safeguarding of living standards (for example, by an additional income-related pension) in order to mobilise voters and ensure that political power was retained.

*Structural  
developments in  
society called for  
a reorientation  
of social policy*

However, the Swedish welfare state does more to protect its citizens from the basic contingencies of life than provide cash benefits. There is also a well-developed public service system which provides care for children and the elderly (virtually) free of charge, as well as health care and education services, and training and qualification measures within the framework of labour market policy. 'Everyone pays their taxes in accordance with their income, and the benefits which society provides rest more on the situation in which one finds oneself than on the premiums one has paid. Benefits are not the result of decisions taken on the market, but determined in the political process' (Meidner/Hedborg 1984: 56).

Given constant full employment, the rapid expansion of public services could be achieved, broadly speaking, only by activating women. In the period from 1960 to 1990, the employment rate of economically active Swedish women rose from the European average of 50 per cent to a world-leading 83 per cent.

The pillars of the welfare state are organised as follows:

**Pensions:** The old pension system – state pension for all plus employment income-related pension – was reformed in the 1990s in a 'demography proof' manner. Pension entitlements can now be taken up beginning between a person's sixty-first and sixty-seventh years. The tax-financed guaranteed pension thus goes to those without or with inadequate employment income, not taking into account private assets. Employees pay a fixed contribution rate of 16 per cent for their (assessed) income-related pension and invest another 2.5 per cent in individual investment funds, from which a private premium pension is then paid.

**Unemployment insurance:** Hitherto, unemployment insurance has been conducted on a voluntary basis. The funds are run by the trade unions, which is regarded as one of the main reasons for the extremely high trade union density. Contributions have been low and benefits largely tax-financed. However, changes to contributions introduced by the centre-right coalition, which has been in power since 2006, have had such an adverse effect on the system that many people have left the funds and the trade unions. Trade union density has not been as low as it is now for 100 years. For fund members, unemployment benefit currently stands at 80 per cent of usual income, with an income cap.

*Expansion of  
public services*

*Pensions*

*Unemployment  
insurance*

This rate is paid for 200 days after the eighth day of unemployment, and then reduced to 70 per cent for an unlimited period. Non-members receive a low basic state benefit.

#### *Social assistance*

**Income support:** In Sweden, income support is the responsibility of the Ministry for Health and Social Security, but it is organised by local authorities and financed mainly by local taxes. The level of income support is set by the National Board of Health and Welfare on the basis of a representative standard of living.

#### *Health care system*

**Health care system:** All residents of Sweden have the right to medical care almost free of charge. The system is run by the county councils and financed mainly from direct income taxes. A small fee may be charged, varying from county to county. Furthermore, all those earning more than 6,000 krona a year are entitled to compensation for loss of earnings. Medical insurance is financed by a mandatory employer's contribution and insurance contributions, paid in addition to taxes.

#### *Universalistic principle*

Although, at present, Sweden has the highest tax ratio among the OECD countries, this does not mean that the welfare state is particularly costly. Americans do not pay any less, privately, for security against the basic exigencies of life – unemployment, illness, old age – than Swedes are required to pay in taxes and social contributions. The decisive difference, however, is that in Sweden the whole population is insured, while in the USA all those who cannot pay remain outside the private insurance system.

If economic borders are opened up in the wake of globalisation, import competition will put pressure on low productivity groups of workers, domestically. If current efforts to alleviate workers' worries about losing their jobs and sliding down the social scale – by means of generous income insurance and training possibilities – are successful, there will be greater room to manoeuvre in terms of economic policy and the domestic political costs of opening up the economy externally will be reduced. In the face of increasing economic globalisation, a welfare policy directed towards training *and* maintaining living standards will, therefore, constitute a formidable economic policy instrument in contrast to a social policy directed only towards protecting economic losers.



## Education System

Since the real 'raw material' of modern industrial and service societies consists of knowledge and its creative use, the education system is of strategic importance for the further development of a globalised economy. Sweden possesses a well-developed, if not free kindergarten provision, while from pre-school to university education can be accessed almost free of charge.

Education in Sweden is compulsory between the ages of 7 and 16, and all pupils attend the (comprehensive) *Grundskola*. Around 90 per cent of *Grundskola* graduates go on to the (non-compulsory) three-year *Gymnasieskola*. So-called *Högskola* or 'colleges' are tertiary educational institutions and were made accessible to all in the 1970s. Anyone capable of participating in the course of their choice is admitted, as long as places are available; otherwise, they are put on a waiting list, subject to various criteria. There is also a well-developed system of adult education.

### Finally: Strategic Importance of the Middle Class

The Scandinavian welfare state will endure as long as the middle class value its benefits. They pay the lion's share of contributions and, in return, expect a high quality service. However, if public insurance benefits were to fall short of middle class expectations, they would turn to private provision. Naturally, no one wants to pay twice over, so in the medium term this would find electoral expression in opposition to the high-tax welfare state. It is not merely a matter of insuring the poor and the disadvantaged at the subsistence minimum level – Hartz IV beckons – but of providing the whole population with high level benefits. This is the Scandinavian answer to the welfare state question.

Based on the anchoring of positive and negative civil rights and liberties in the Constitution, in Sweden fundamental rights are no mere formal shells but practical reality. Sweden can, therefore, be categorised as a highly inclusive social democracy.

Sweden		
<b>Employment rate 2008</b>	74.3 % (71.8 %)	Share of people in employment aged 15–64 (women) in relation to total population (source: Eurostat)
<b>Women's income compared to men's</b>	67 %	Women's income as a percentage of men's (source: Human Development Index 2009, p. 186)
<b>Unemployment rate 2008</b>	6.2 %	Proportion of unemployed in the economically active population (source: Eurostat)
<b>Rate of long-term unemployment 2008</b>	0.8 %	Proportion of long-term unemployed (12 months or more ) in the economically active population (source: Eurostat)
<b>Income inequality/Gini coefficient 2009</b>	25 %	Ratio indicating income inequality – the higher the value, the greater the inequality (source: Human Development Report 2009, p. 195)
<b>Human Poverty Index 2009</b>	6.0 %	The Human Poverty Index comprises a number of indicators (life expectancy, literacy rate, access to health care), 0 = minimum poverty, 100 = maximum poverty (source: Human Development Report 2009, p. 180)
<b>Education: importance of socioeconomic background for educational attainment 2006</b>	10.6 %	Proportion of students' performance differences attributable to their socioeconomic background (source: OECD, 2007)
<b>Trade union density 2007</b>	70.8 %	Proportion of economically active population organised in trade unions (source: OECD)

## 6. IN CONCLUSION, A BEGINNING

What is the best way to conclude a reader on the foundations of social democracy? One way of doing it would be to summarise the results, point out their significance and let things stand for themselves. But that would represent something of a cop out, since this volume has shown that social democracy cannot simply be concluded, either as a conceptual model or as a political task. On the contrary, the path of social democracy – both as an idea and as political action – must repeatedly be tested, adapted and rethought, if it is to be pursued successfully.

The debate on social democracy is distinguished by the fact that it does not stay still, but keeps a close eye on societal developments, takes in risks and opportunities and then puts them to use politically. This marks out social democracy from other political models: it neither clings to what has been handed down nor is blind to changed realities and new challenges.

One of the central challenges of the coming years and decades will be how to tackle globalisation. It harbours both risks and opportunities. Germany's SPD has taken up this challenge in its Hamburg Programme, which identifies tasks arising from the essential issues of globalisation from the perspective of social democracy:

Prosperity, justice and democracy

*'The twenty-first century is the first truly global century. Never before have people been so reliant on each other worldwide. [...]*

*This century will either be a century of social, environmental and economic progress, bringing more prosperity, justice and democracy for all, or it will become a century of bitter struggles about distribution and uncontrolled violence. The current lifestyle of our industrial societies is straining the earth's ecological sustainability ... What is at stake are people's opportunities to enjoy a decent life, world peace and, last but not least, the very habitability of our planet.'*

(Hamburg Programme 2007: 6)

Properly functioning capital and financial markets

*'A modern, globally interlinked national economy requires well-functioning financial and capital markets. We want to tap the potential of capital markets for qualitative growth. [...]*

*Where financial markets seek only to generate short-term profits they jeopardise enterprises' long-term growth strategies, thereby destroying jobs. We want to use tax and company law – among other things – to bolster investors who seek long-term commitments instead of a quick profit. ... With increasing international interlinking of commodity and financial markets, the urgency of their international regulation becomes ever more pressing.'*

(Hamburg Programme 2007: 47)

Decent work

*'Only if people have prospects which they can rely on can they fully develop their talents and capabilities. Decent work combines flexibility and security. The pace of scientific and technological progress, ever more rapid change in the world of work and intensified competition require more flexibility. At the same time, they offer more opportunities for personal development. ... In order to combine security and flexibility and to guarantee security in the course of change, we want to develop a modern working time policy and to remodel unemployment insurance as employment insurance. ... But as much as flexibility may be both necessary and desirable, it must not be abused. We want to bolster employment that is permanent and subject to social insurance, and we want to do away with precarious employment, so that workers are no longer unprotected.'*

(Hamburg Programme 2007: 54f)

These points show that social democracy must constantly develop and address new challenges, fully aware of its foundations and clear-eyed about reality.

We would like to invite you to participate in the debate on social democracy. The Friedrich-Ebert-Stiftung's Academy of Social Democracy provides an arena for this purpose. Eight seminar modules tackle the core values of social democracy and their practical application:

**Foundations of Social Democracy**

**Economics and Social Democracy**

**Welfare State and Social Democracy**

**Globalisation and Social Democracy**

**Europe and Social Democracy**

**Integration, immigration and Social Democracy**

**State, Civil Society and Social Democracy**

**Peace and Social Democracy**

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**Online Academy:  
 'Social Democracy'  
 Module**

*What are the roots and values of social democracy? What are their characteristics? What kind of practical policies can serve as vehicles for their implementation given such new challenges as globalisation and demographic change? These are some of the questions addressed by the 'Social Democracy' module of the Friedrich-Ebert-Stiftung's Online Academy. Besides a range of articles on, among other things, the foundations, fields of activity and actors of social democracy, there are also an extensive glossary and study materials.*

► [www.fes-online-akademie.de](http://www.fes-online-akademie.de)

## RECOMMENDED READING

The following recommendations are for all those who wish to study the foundations of social democracy beyond the confines of this reader.

### Social Democracy Readers



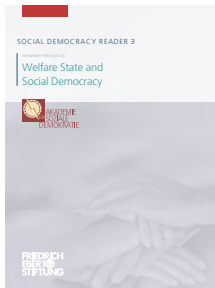
Vaut, Simon et al.:

**Reader 2: Economics and Social Democracy.** 2011.

Division for International Cooperation,  
 Friedrich-Ebert-Stiftung  
 (ISBN: 978-3-86872-698-5)

How can a modern, values-based social democratic economic policy succeed? To what theories can an economic policy based on freedom, justice and solidarity appeal?

What principles underlie it? And above all: how can they be implemented in practice? The Reader Economics and Social Democracy looks into these questions. An important role is played by the theories of British economist John Maynard Keynes. In turbulent economic times, in which many are still playing it by ear, it is all the more important to make sure of one's own (economic) policy course.



Petring, Alexander et al.:

**Reader 3: Welfare State and Social Democracy.** 2012.

Division for International Cooperation,  
 Friedrich-Ebert-Stiftung  
 (ISBN 978-3-86498-103-6)

The links between democracy and the welfare state; political parties' social policy programmes; common criticisms and current challenges: these are the topics dealt with in the Reader 'Welfare State and Social Democracy'. Centrestage is the question: what compass must social democrats use in setting policy on taxation, unemployment insurance, pensions, health care and education? Basic links established on both a theoretical and a practical basis, explained clearly and precisely.



## History of Political Ideas

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Euchner, Walter, Helga Grebing et al.

**Geschichte der sozialen Ideen in Deutschland. Sozialismus. Katholische Soziallehre. Protestantische Sozialethik.** 2005.

This comprehensive handbook offers an extensive overview of the connections between social movements and developments in the history of ideas, focusing on socialism, Catholic social doctrine and Protestant social ethics.

Langewiesche, Dieter:

**Liberalismus und Sozialismus. Ausgewählte Beiträge.** 2003.

Verlag J. H. W. Dietz Nachf. (ISBN: 978-3-8012-4132-2)

In 17 essays, the prominent Tübingen historian Dieter Langewiesche examines the dynamic and mutually influential history of the great social ideologies of the nineteenth and twentieth centuries – liberalism and socialism – in their cultural, social and political context.

## Foundations

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Meyer, Thomas:

**Theory of Social Democracy.** 2007 [original German edition: 2005].

Polity Press

Two powers are competing for influence in the globalised world: libertarian democracy and social democracy. Thomas Meyer here expounds the theoretical foundations of social democracy, which, alongside civil and political fundamental rights, also takes social and economic rights seriously.

Meyer, Thomas, in collaboration with Nicole Breyer:

**Die Zukunft der sozialen Demokratie.** 2005.

Politische Akademie der Friedrich-Ebert-Stiftung. (ISBN: 3-89892-315-0)

In this publication, the most important conclusions of *The Theory of Social Democracy and Praxis der Sozialen Demokratie* are summarised.

## Social democracy in Germany

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Eppler, Erhard:

**Eine Partei für das zweite Jahrzehnt: die SPD?** 2008.

vorwärts buch Verlag. (ISBN: 978-3-86602-175-4)

Erhard Eppler, SPD opinion-leader, has published a book that deals explicitly with his party, its tasks and its opportunities. He provides a striking description of how the market fundamentalist thought of the past quarter-century has changed Europe and Germany. What remains is a German society whose sense of justice is gravely injured and in which the gap between rich and poor has grown to such an extent that a social rupture looms.

Gabriel, Sigmar:

**Links neu denken. Politik für die Mehrheit.** 2008.

(ISBN: 978-3-492-05212-2)

Sigmar Gabriel presents a political blueprint that rethinks what it means to be on the left and releases it from a potentially fatal trap: to be either diluted beyond recognition or to fall back onto obsolete old-left models. Majorities, according to Gabriel, are won on the basis of substantive policies, not on the basis of the arithmetic of power and endless coalition debates. He calls for a return to politics that is something more besides endless power games and personality-oriented debates.

Beck, Kurt, and Hubertus Heil (eds):

**Soziale Demokratie im 21. Jahrhundert.**

**Lesebuch zur Programmdebatte der SPD.** 2007.

vorwärts buch Verlag. (ISBN: 978-3-86602-525-7)

The editors of this book got together with other authors within the framework of the debate on the party programme to address important future challenges: How can we help to shape globalisation and with whom? Where is Europe headed? How can we revive democracy? How can our economy grow and, at the same time, solve social and environmental problems? Where will new jobs come from and what can the preventive welfare state achieve? What is the likelihood of a sea change with regard to energy? What are the prospects of political alliances for social democracy today?

## Social democracy in the International Arena

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Meyer, Thomas (ed.):

**Praxis der Sozialen Demokratie.** 2005.

VS Verlag für Sozialwissenschaften. (ISBN: 978-3-531-15179-3)

This volume presents recent qualitative country studies by leading experts in the field in light of Thomas Meyer's Theory of Social Democracy. The countries concerned are Sweden, Japan, Germany, Great Britain, the Netherlands and the USA. Also included is a new index for the measurement of social democracy.

Krell, Christian:

**Sozialdemokratie und Europa. Die Europapolitik von SPD, Labour Party und Parti Socialiste.** 2009.

VS Verlag für Sozialwissenschaften. (ISBN: 978-3-531-16498-4)

Who and what determine a party's policy on Europe? To find an answer, Christian Krell compares the European policy of three national parties in the period between 1979 and 2002: Germany's SPD, the UK Labour Party and the French Parti Socialiste. He identifies correspondences, but also clear differences, particularly between the three parties' European integration strategies.

Merkel, Wolfgang, Christoph Egle, Christian Henkes,  
Tobias Ostheim and Alexander Petring:

**Die Reformfähigkeit der Sozialdemokratie. Herausforderungen und Bilanz der Regierungspolitik in Westeuropa.** 2005.

VS Verlag für Sozialwissenschaften. (ISBN: 978-3-531-14750-5)

At the end of the 1990s, social democratic parties were participating in government in most EU countries. How successfully did the various parties pursue their reform policies? Did they follow a uniform 'third way'? Based on detailed country studies, social democratic policies in Germany, France, Great Britain, the Netherlands, Sweden and Denmark are analysed and assessed.

## History

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Dieter Dowe:

**Von der Arbeiter- zur Volkspartei. Programmentwicklung der deutschen Sozialdemokratie seit dem 19. Jahrhundert.** Reihe Gesprächskreis Geschichte 2007, Heft 71 (<http://library.fes.de/pdf-files/historiker/04803.pdf>)

Dieter Dowe depicts the history of social democracy since the 1848 Revolution in terms of both programmes and practice as an important part of the long-standing and never-ending debate on a free, democratic and just order of state and society.

Grebing, Helga:

**Geschichte der deutschen Arbeiterbewegung.**

**Von der Revolution 1848 bis ins 21. Jahrhundert.** 2002.

vorwärts Verlag. ISBN: 978-3-86602-288-1

For years, political success has depended on the ability of parties to inspire confidence in their labour market policies. What has long been lacking is a sustainable model for a future society beyond traditional employment. After all, people must be 'active' in order to be able to live a decent life. What, therefore, would a post-industrial Germany with enough work for all be like? And what is the task of the labour movement and its political party, the SPD, in all this?

Miller, Susanne, and Heinrich Potthoff:

**Kleine Geschichte der SPD 1848–2002.** 2002.

Verlag J. H. W. Dietz Nachf. (ISBN: 978-3-8012-0320-7)

The *Brief History of the SPD* has become a standard work. It tells the story of the oldest party in Germany from its origins to the government of Gerhard Schröder. A chronological table provides the reader with everything they need to know at a glance.

Schneider, Michael:

**Kleine Geschichte der Gewerkschaften. Ihre Entwicklung in Deutschland von den Anfängen bis heute.** 2000.

Verlag J. H. W. Dietz Nachf. (ISBN: 978-3-8012-0294-1)

Michael Schneider presents a detailed and well-informed history of the trade unions from their beginnings during industrialisation to contemporary challenges in the age of globalisation.

## 20 key terms:

### 1. Labour movement

(pp. 68–75)

### 2. Berlin, Isaiah

(p. 96)

### 3. Democratic socialism

(pp. 68–80)

### 4. Fraser, Nancy

(pp. 28–31)

### 5. Freedom

(p. 11; pp. 12–19; pp. 38–39;  
p. 80)

### 6. Civil rights and liberties

(pp. 96–100)

### 7. Justice

(p. 11; pp. 19–35; pp. 38–39)

### 8. Equality

(p. 11; pp. 19–31; pp. 33–35;  
pp. 38–39)

### 9. Kant, Immanuel

(pp. 17–18)

### 10. Capitalism

(pp. 58–62; pp. 68–77;  
pp. 84–87)

### 11. Conservatism

(pp. 66–67)

### 12. Liberal democracy

(pp. 88–90; pp. 96–98)

### 13. Liberalism

(p. 13; pp. 22–25;  
pp. 63–65; p. 88)

### 14. Libertarian democracy

(p. 80; pp. 86–90; pp. 96–98)

### 15. Locke, John

(pp. 12–16)

### 16. Rawls, John

(pp. 22–25)

### 17. Rousseau, Jean-Jacques

(pp. 15–16)

### 18. Solidarity

(p. 11; pp. 36–37; pp. 38–39)

### 19. Social Democracy

(pp. 8–10; pp. 68–80;  
pp. 81–100; p. 101)

### 20. Theory of Social Democracy (Thomas Meyer)

(pp. 81–100)

## PRAISE FOR THE SERIES

*'The Social Democracy Readers present complex matters accessibly and concisely. Who, what, how and, especially, for what reason: a compact overview which, in the cut-and-thrust of everyday politics, is worth its weight in gold.'*

**Dianne Köster, trade union general secretary**

*'The Reader Foundations of Social Democracy is a real tonic. At a time when political differences seem to be blurring, it is encouraging to be able to reaffirm the foundations of one's political activity. Education/training book does not offer simple solutions. The reader is expected to take a critical look at the various aspects of social democracy, both in theory and practice. This sharpens political judgement. The wealth of materials presented in the book do not obscure the overall picture. The clear structure and organisation of the subject matter also make it possible to browse for topics of particular interest. To sum up: clear orientation without undue simplification.'*

**Ulrike Witt, PES Activist Group Göttingen**

*'Summing up, we can say that the authors have succeeded in their difficult undertaking, writing a succinct treatment of the theoretical foundations of social democracy in the form of a reader for a very heterogeneous target group. The volume [Foundations of Social Democracy] is particularly impressive for the way in which it handles the subject matter with a view to potential applications. It deals transparently with the literature on which it draws and has an extensive bibliography, many graphics, clearly identified intermediate steps, biographical remarks on individual thinkers and, in particular, practically relevant programmatic issues of contention from current debates. It provides, both as an accompaniment to ASD seminars and independently, an initial guide to political thought and action.'*

**Michael Reschke, University of Kassel**

*(detailed review in Internationale Politik und Gesellschaft 2/2009)*

*'The Economics and Social Democracy Reader is a big help for people who are worried about whether what they experience in their "economic life" in their job or as a consumer really tallies with what the Constitution means by "social state".'*

**Josef Vogt, long-standing member of the SPD, IG-Metall and AWO**

*'Against the background of current dramatic economic developments the question arises of an up-to-date social democratic economic and financial policy that goes beyond mere day-to-day crisis management in the financial sector. A very readable textbook and reader for political practitioners has grown out of the activities and seminars of the FES's Academy of Social Democracy [Economics and Social Democracy], which impressively provides even economic laypeople with an overview of the history of economic policy ideas and practice.'*

**Ulrich Hörning, Referent im Bundesministerium für Finanzen, Juli 2009**

*(detailed review in Neue Gesellschaft / Frankfurter Hefte 7+8/2009)*

*'Social policy is debated passionately. Virtually no other issue gives rise to such violent disagreement between political parties' basic positions. [Social Democracy] Reader 3: Welfare State and Social Democracy enables one to arm oneself for these debates. It discusses a range of concepts of justice. It shows who wants what kind of welfare state and explains what we can learn from the Scandinavian welfare states. In the process, it becomes clear that any discussion about social policy is also a discussion about distribution. Work, pensions, health care and education/training have to be organised fairly and – today more than ever – financed on a solidarity basis. Reader 3 also addresses these issues, both seriously and comprehensibly.'*

**Sascha Vogt, deputy federal chair, Juso**

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**Politics needs clear orientation:** Only those who are able to state their goals clearly will achieve them and inspire others. In keeping with this, this reader on the Foundations of Social Democracy examines the meaning of social democracy in the twenty-first century. What are its underlying values? What are its goals? How can it be applied in practice?

The topics in this reader are oriented towards the seminars of the Academy for Social Democracy. The Academy for Social Democracy was set up by the Friedrich-Ebert-Stiftung to provide courses for people involved and interested in politics.

**For further information on the Academy:** [www.fes-soziale-demokratie.de](http://www.fes-soziale-demokratie.de)

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