

Global Markets, European Constraints: The Long Destabilization of Social Democracy in Historical Perspective¹

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The financial and economic crisis triggered in 2007–2008 struck at the heart of “Third Way” ideas, leaving a great void in the social democratic vision and social democratic policies. Today, torn between austerity policies, a mild anti-austerity discourse, rhetorical Euro-Keynesianism, and poor elaborations of “green growth” (cf. Escalona et al. 2013, 23–24) this great historical current lacks a convincing alternative. Wider transformations in modern capitalism, often conceptualized under the catch-all rubric of “neoliberal globalization,” together with choices made by social democratic leaderships themselves, have produced a system of influences and constraints within which social democracy – and the Left as a whole – find themselves trapped.

The undermining of social democracy’s historical pillars – a powerful working class, trade unions, a collectivist culture – and also the seismic shift in the economic and institutional landscape produced by globalization and the EU system are dismantling social democratic parties: they sap their organizational strength and erode their implantation in society, their efficiency in government, and their capacity for programmatic innovation. The cumulative effects of the triangle defined by the *structural weakening of the working class, the EU, and globalization* are indeed infernal. And they have imperiled the historical vocation of social democracy as a moderate – but efficient – agency for social transformation. The great electoral contraction of social democracy –not a short-term tendency, as the term “electoral crisis” would suggest – is the best-known and most discussed manifestation of a vicious circle of defeats and political retreat characterized by absence of vision and lack of ideological novelty.

Social democracy between globalization and the EU

Are the constraints on social democracy a result primarily of globalization or of European integration? In general, the thesis that neoliberalism initially came to dominance as a result of the collapse of the post-war boom and the limitations of Keynesianism is fairly convincing. Policy liberalization and financialization predate the Single European Act and Maastricht. Likewise, the programmatic and identity-related uncertainty of social democracy predates the European Union and extends beyond the borders of Europe (Labourism in Australia and New Zealand is evidence enough). The gradual adoption of liberal solutions at a *national* level – and especially their (relative) effectiveness – influenced and, in a subsequent phase, partly fashioned European integration. Even so, the Single European Market and the implementation of the Maastricht Treaty converged to create a specific trend in Europe, an accelerated

¹ In this short think-note citations are minimal.

and focused adjustment that made the neoliberalization of European integration – and the de-social-democratization of European social democracy – deeper and more coherent. The operation and prestige of the “typical” social democratic brand has become *highly* blurred. Through a snowball effect, the EU, since the beginning of the 1990s, has become the main driving force boosting economic liberalization and financialization. It led national governments “much further than they wanted to go at the outset” (Jabko 2009, 130-32. Also: Nölke 2017). As Francis McGowan has written, “European integration involves member states committing themselves to a much more robust set of rules than those which might be regarded as framing globalization (WTO, IMF, etc.). Moreover, in the detail of reforms, the imprint of the EU is much clearer than that of global pressures” (2001, 98).

In particular, three key features of the EU have attenuated social democracy’s capacity for self-renewal and contributed to its ideological and programmatic destabilization.

Institutional conservatism and policy stability

Decisions within this “non-state polity” derive from negotiations between the three poles of the institutional triangle (Commission, Council, Parliament), on one hand, and from negotiations between the 27 member states, on the other. The independence of the ECB and the dynamic role of the European Court of Justice (whose decisions have provided a broad scope for the neoliberal content of European policies beyond what was desired by national governments) increase the polycentric character of the regime. Although the European Council has in the process become the center and key motor of integration (with the leading role played by Germany in recent years), the multiplicity of centers of power and the superimposition of decision-making levels make the EU a profoundly conservative system, not in the sense of a Left/Right divide, but in the sense that it does not easily revisit a decision, once made. Taking a decision is difficult enough, and, when taken, it is even more difficult to change it, especially if it bears the signature of Germany. Compromises between institutions, between member states, and between party families are the rule. As a result, the EU is characterized by a “very high level” of policy stability (Tsebelis 2002).

Governance at the center

Exactly because it is founded on the operation of many power centers, the European polity tends to be governed by informal (or formal) “grand coalitions.” Consequently, politics, in the sense of a clash between meaningful political alternatives, has greatly receded – especially as far as economic policy is concerned. Moreover, the convergence of national parties is much stronger precisely on issues where the EU has strong competence – and stronger than that observed in other non-EU member countries (Nanou and Dorussen 2013). This model of governance is not, of course, new. What is novel is the exercise of power only or mainly on the basis of this model. Can we imagine a national political system being ruled almost permanently by a kind of grand coalition, operating systematically on the basis of lackluster centrist politics? Apart from not serving the electoral interest of either the center-left or the

center-right, this convergence has one crucial consequence: it is not conducive to the production of “creative political entrepreneurs.” Reducing as it does the repertoire of political parties and the “space” for ideological novelty it ultimately hinders the renewal of Europe itself and of the party families that govern it.

Weak dual governance

Furthermore, European governance is distinguished by a *twofold* and *simultaneous* power deficit on the part of public authorities, at both the national level and the level of Europe proper. The EU is now strong enough to impose decisive limitations on nation-state sovereignty, but it does not have enough strength itself to become an efficient federal power. The small size of the Community budget is a crucial aspect of the Brussels power deficit.² If globalization has everywhere weakened the core component of what might be called “government,” the dual deficit in question is *specifically* European (Moschonas 2014).³ It reduces the problem-solving capacity of public powers, both European and national. This framework of weak dual power deprives all parties in government of much of their influence and effectiveness and makes them much more vulnerable to electoral accidents and tactical errors. This applies even more in the case of the social democratic parties, which have traditionally made public (national) power the principal lever of their political action. Social democratic parties matter less as problem-solving structures and, because of this, they matter less as representative vehicles.

Institutional conservatism and policy stability (i), governance from the center (ii), weak governance, and limited problem-solving capacity (iii) are structural characteristics. To these we must add the locking in of neoliberal economic policies and reinforcement of financialization (iv), which we shall not, for reasons of space, analyze any further. These four features are attributable (with the exception of the neoliberal policies) to the multi-state and polycentric nature of the EU. And they will not be easily modified, even if a “new great historical compromise” (Tsoukalis, 2016) takes place in the near future. Europe poses a major problem for the left – and not simply because it is liberal. It poses a major problem because the European regime is complex, cumbersome, and institutionally inimical to change. Paradoxically, despite social democratic aspirations (political Europe as a counter-weight to the market), the politicization of integration through a dense, rigid, institutional apparatus – and through many political centers of influence – has consolidated and solidified the liberalization of EU policies. It was the building of a political Europe that gave liberal economic solutions a long-term advantage (Moschonas 2014).

From strategic flexibility to flexible rigidity: The difficult renewal of social democracy

The whole history of social democracy, from the Erfurt Programme to the Stockholm School, from Austro-Keynesianism to some recent achievements of socialists in southern Europe, demonstrates that social democratic parties established themselves as central or majority forces when they took an *ideological lead* over their right-wing opponents; when they embraced ideas and implemented policies that the latter were not yet ready to accept or implement, such as universal suffrage and the political rights of the working class, inventive poli-

² A surreal manifestation of this deficit is the non-implementation of the famous financial transaction tax – more than four years after being voted by the European Parliament and adopted by 11 governments, including Germany.

³ At international level, the EU is in a position of competitive inferiority by comparison with the much more robust centralized power of the United States and China, though not only them.

cies against unemployment, the welfare state, Keynesianism, cultural liberalism or, more recently, the deepening of democracy and the cultural modernization of southern Europe. Ideas count; this is clearly shown in the history of social democracy. The great historical parties of the Left (and the Right) have been characterized, since at least World War II, by strategic flexibility and an important capacity for ideological adaptation and renewal.

But not so much now as in the past. Today's big parties of government find it very difficult to respond to the changing preferences of electorates, particularly if these preferences deviate from the "corridor of possibilities" whose boundaries are those of globalization and European integration. Big parties are organizationally and tactically flexible but, in the final analysis, owing to "external" constraints, politically and ideologically "rigid." The thesis of Liesbet Hooghe and Gary Marks that the "positional flexibility" of mainstream parties is heavily constrained by the cleavage structure of each country (2017, 28) underestimates the disciplinary influence of markets and, even more so, the policy impact of the EU's rules. Such external constraints today explain better than cleavage-related factors – core constituencies of voters and *classe gardée*, ideological profile of activists, link with friendly interest groups, and so on – why government responsiveness to citizens' preferences is frequently very limited. The "almost continuous adjustment by political parties to the preferences of voters" (Hooghe and Marks 2017, 27) has become more difficult in the era of globalization and EU-ization (to use Hay's term; 2002).

As a result, a distinctive feature of the current operational specificity of social democratic parties is in fact a kind of *flexible rigidity*: they are capable of coming up with a host of new ideas of limited or sectoral significance and many innovative policy proposals (and in fact that's exactly what they have done in recent years); but they are not in a position to produce a distinct economic strategy and a new master narrative, even though such a perspective would probably be in their electoral interest. The important programmatic flexibility that once characterized social democratic parties is a thing of the past. This has weighty consequences for social democratic identity in general. In the current period – precisely because social democracy has greatly lost ground as a cleavage-based political tradition – ideas (ideational factors), policy proposals (programmatic factors), and governmental records (policy outcome factors) are strengthened and enhanced as *focal points of identity*. Ironically, it is in an era of *diminished* programmatic autonomy that ideas and programs count far more in constructing social democratic identity! Correspondingly, the limits to the programmatic freedom of social democrats lead to a critical loss of overall identity. The EU contributes to the establishment of a "modest," passionless socialism, lacking in fighting spirit, and promoting a kind of political and ideological "minimalism." Social democratic parties as carriers of distinctive programs and ideology are under extreme pressure. And they will continue to be so for a considerable time into the future.

Social democratic ideas without social democracy?

The basic programmatic constituents and thematic configurations of the social democratic agenda were first crystallized during the Second International (1889–1914), just when the

project of the Left as a general project of social transformation was shaping up. It was then that a comprehensive set of social and political changes was elaborated, albeit with important omissions concerning economic policy and the strategy for the state. This society-building project (Sejersted 2011) was based to a greater or lesser extent on the pursuit of five sets of changes:

- (1) democratization and expansion of the rule of law;
- (2) cultural radicalism (or cultural liberalism);
- (3) improving the immediate condition of labor, a welfare state *avant la lettre*;
- (4) social equality through redistribution; and
- (5) socialism.

This historic agenda represented *the first major – the foundational – wave* in the formulation of progressive politics (Moschonas 2018, 517-522). It served as a long-term repository of ideas for the parties of the Left (and not only of the Left), because the value and programmatic preferences it contained would return to the fore repeatedly in the years to come.

If the function of the first programmatic wave was institutive and foundational, the function of the second – which took place in the 1930s – was corrective and balancing. The central aspect of the social democratic programmatic reorientation in the 1930s consisted of expanding the state’s economic and social engagement (planning, socializations, deficit spending, more institutionalized industrial relations, welfare, and so on), and challenging automatic market triggers.

The pattern of foundation (1889–1914), partial refoundation (1930s), and the building of a new programmatic and ideological module with mixed features, is central for the shaping of the social democratic identity in the long *durée*. As a matter of fact, the social democratic consensus of 1945–1975 is the partial fulfilment and extension of the historical project of social democracy as it took shape at the beginning of the twentieth century and during the 1930s (with the crucial exception of the goal of socialism, which was entirely abandoned). The European continent became a better place because of social democracy. It still is.

Today, measured in terms of its historical programmatic matrix, contemporary social democracy no longer seems able to effectively promote a distinctive democratic, egalitarian, or economic-social modernization agenda – except on issues of cultural liberalism and liberal ethics (such as the gender question, rights of minorities, same-sex marriage, ecology, and so on). History shows that a gain once achieved is not necessarily achieved forever.

The great irony of the present situation is that the “old” programmatic pillars of the historical Left progressivism have all – with the exception of the goal of socialism – re-emerged in our day, having acquired a new relevance. Social inequalities, redistribution, tax evasion and tax avoidance, the uncontrolled power of the markets, and the weakening of welfare mechanisms have returned to the center of the European debate. Moreover, the crisis of political representation has brought back anew the “democracy problem” that appeared to have been resolved in the aftermath of World War II. The “old” agenda of the Left has again become pertinent,

but not dominant. Both in Europe and the United States, classic Left priorities (distrust of capitalism, statist attitudes, reduction of inequalities) are being reinforced within a culture that mixes social democratic preferences with neoliberal core values and ideas (Gonthier, 2013).

But while its ideas have acquired a new vitality, social democracy remains profoundly destabilized. The cunning of History? The dynamics of neoliberal globalization and of (especially) the EU explain this “paradoxical” situation. Social democrats are no longer *one step ahead* of the right-wing parties on issues such as social policy, welfare, or controlled modernization of capitalist structures. Social democracy’s “ability to differ” has weakened, to a certain extent as a result of its own choices, but to a greater extent due to macro-dynamics it could not easily control. In this complex web of choices and constraints, the conservative EU (in great part put in place by the social democrats themselves) functions as a great strategic barrier thwarting a left-wing programmatic renewal of social democracy. The medium-term ideological prospects for social democrats look bleak, and the programmatic recovery will not be easy.

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